



Solvency and Financial Condition Report

31st December 2024

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AECS, under the status of a new constitution company, is required to disclose just the following templates
for 2024: 54

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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 (hereinafter referred to as AECS, the Entity 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 2024 AECS result before tax improved compared to 2023 to -€13.7m. AECS operations in Spain and France recorded a better result than in the previous year, while Italy deteriorated its result. The increase in Spain is mostly linked to the improvement in the technical claims ratio and average premium increases. The increase in France is associated with the growth in sales volume in both new business and renewals. Italy's result was affected by a weaker technical claims performance.

Following the sharp upturn in inflation in 2022 and 2023, we are witnessing an environment in which uncertainty in all economic aspects, along with geopolitical tensions, are having a strong impact on the markets where AECS carries out its insurance business.

Section B. System of Governance

The AECS Board is the main decision-making body 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: Risk Management, Compliance, Internal Audit and Actuarial.

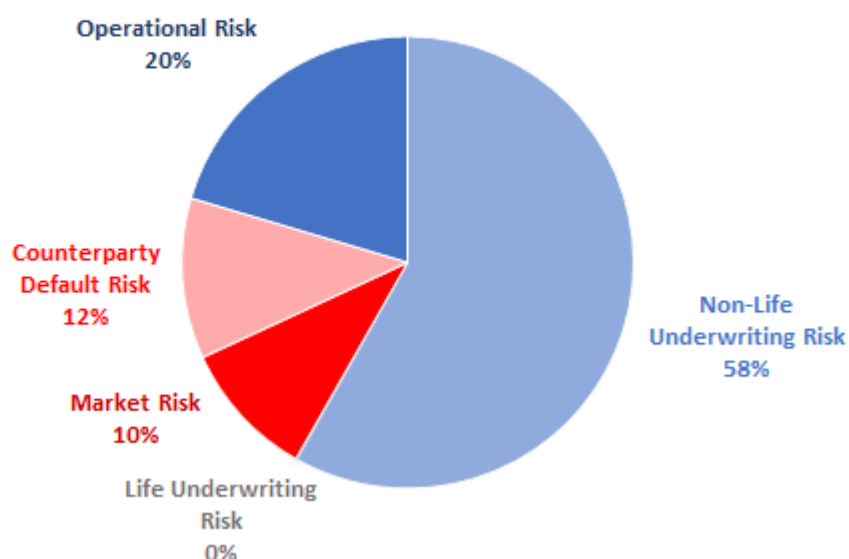
Section C. Risk profile

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:

SCR COMPOSITION



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 2024 and at the end of 2023:

000s Euros	31/12/2024	
	Statutory	Solvency II
Total assets	1,282,634	1,196,827
Total liabilities	1,124,934	1,042,328
Excess of Assets over Liabilities	157,700	154,499

000s Euros	31/12/2023	
	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

In the **assets** side, the investments are valued 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 not 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 Admiral Intermediary Services, S.A. (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 2024. It has amounted to 113,829 thousand euros. The detail of the reported Solvency Capital Requirements as at 31 December 2024 is as follows:

000s Euros	31/12/2024	31/12/2023
Non-Life Underwriting Risk	74,888	67,438
Life Underwriting Risk	88	86
Market Risk	12,687	10,655
Counterparty Default Risk	14,802	15,570
Diversification	(14,904)	(13,767)
Basic SCR	87,561	79,982
Operational Risk	26,268	23,305
LAC DT	-	-
SCR	113,829	103,287

Considering the amount of SCR and the available own funds to cover the SCR, the solvency ratio obtained as of 31 December 2024 has been 136%, higher than the minimum required by the regulator and above the risk appetite of AECS of 135%, defined by the AECS Board for 2024.

<i>000s Euros</i>	31/12/2024	31/12/2023
SCR	113,829	103,287
Eligible own funds	154,499	146,222
Excess	40,670	42,935
Solvency Ratio	136%	142%

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 20th 2025 by written, and had been reviewed by the AECS Directors. The content of this SFCR report has been reviewed by Deloitte Auditores, 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 Auditores, 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.

Sustainability

Sustainability Governance

In 2024, Admiral Group strengthened the integration of sustainability into its overall strategy, building on the sustainability governance framework approved by the Group's Board of Directors in 2023.

This year has been the first full year of the Group's sustainability team, led by the Chief Sustainability Officer (CSO). The team has focused on integrating sustainability into all business activities and legal entities within the Group.

Admiral Group's Chief Executive Officer (CEO) is ultimately responsible for the execution of the sustainability approach. Day-to-day oversight is delegated to Admiral Group's *Group Corporate Risk and Compliance Officer* (GCRCO), who also acts as executive sponsor for sustainability and diversity, equity and inclusion (DE&I). The GCRCO, with the assistance of the leadership team of the Group's sustainability and risk functions, oversees sustainability and climate-related risks, which are integrated into the Group's risk management framework and reported on a timely basis to the Group's Board of Directors and the Risk Committee.

In 2024, CSO added a European sustainability officer to its team to lead the preparation of the Group's European entities, including AECS, for the upcoming Corporate Sustainability Reporting Directive (CSRD) and other regulations related to sustainability and ESG criteria. The aim is also to integrate within the Group's sustainability team those aspects of European business models that affect and are affected by sustainability.

With the approval of the Group Board of Directors, the Sustainability team has established a tiered sustainability governance structure that includes a *Sustainability Steering Committee* (SSC) and five working groups focused on key sustainability areas. These working groups provide important support to business stakeholders, helping them to integrate sustainability considerations into all business areas and key decision making.

The SSC meets quarterly to ensure a cohesive sustainability approach across the Group, including oversight of the zero net emissions target and the strategic embedding of sustainability. It is authorized by the Board of Directors to make decisions on sustainability initiatives and developments identified by the sustainability working groups.

The SSC is chaired by Admiral's GCRCO, who also serves as executive sponsor for sustainability and Admiral's Diversity, Equity and Inclusion (DE&I) strategy. Other executive members also participate, including the CEO of Admiral Group, the CEO of AECS, the CSO, the Group CFO and the chairs of the five sustainability working groups. The CSO reports regularly on sustainability issues to the Board of Directors of the Group and its constituent entities.

AECS, as an insurer, recognises its impact on the environment, addressing issues such as flooding and heat waves exacerbated by climate change. The company is committed to protecting its customers from extreme

weather events and to reducing its own environmental footprint, including greenhouse gas emissions from insured vehicles. It aims to be a catalyst for change towards low-carbon mobility and lifestyles, protecting nature and biodiversity, and reducing pollution.

In addition, AECS encourages the responsible use of resources and environmental practices, such as recycling and the efficient use of paper and printers. The company is committed to achieving zero net greenhouse gas emissions by 2040 and has set interim targets for 2030. Nature-related risks and opportunities are also being assessed, and community impact programmes and Green teams are being implemented to promote sustainability.

Significant events during the reporting period

Market conditions in 2024 have been volatile with competitors raising prices to partially offset the effects of inflation. The update to the Milan Tables in Italy led to a relevant impact in BI Claims, resulting in further price increases, although it is still too early to see the full reactions by competitors. Frequency levels have increased in the last two years, but remain below pre-covid levels.

Milano tables update (Bodily injury rating tables in Italy for setting compensation)

On May 21, 2024, Milano Civil Cassation Court updated Milano Tables, modifying the criteria for calculating personal injury claims settlements, based on the consumer price index (CPI) calculated by *Istituto Nazionale di Statistica* National Institute of Statistics (ISTAT). This update has had a significant impact on rate increases at ConTe.it, the Admiral Group operating brand in Italy.

Geopolitical instability

Sustained political instability during 2024 affected growth, inflation, financial markets, and supply chains. Conflicts, such as the Russia-Ukraine war or Israel-Palestine war, led to fuel regional instability, impacting energy and food security, with higher prices leading to increased inflation rates.

Inflation

Insurance sector profitability was significantly affected during 2023 from the sharp increase in inflation, however this pressure has been moderately decreasing during 2024 from upward premiums reviews as insurers' costs are growing moderately due to price increases are brought under control.

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, the first two being the most relevant. For reasons of materiality, AECS business has been reported in the Motor Third Party Liability and Motor Other guarantees. It was from 2023 onwards when it was decided to report Household business separately due to its greater relevance. In accordance with Solvency II regulation, this business is reported under the Fire and other damage line, being excluded from the Motor Other guarantees line where it has been reported until 2022.

AECS business volume declined from the company's initial forecast, mainly driven by lower volumes in the Italian operations as a result of the base rate increases that were implemented in response to the deterioration of Loss ratios, linked to the effects of the Milano tables on Personal Injury claims. However, the year-on-year variation closed at +5.7% driven by higher average premiums within the portfolio.

Active policies base was also impacted by the general price increases, closing at 1.96 million, a drop of 1% with respect to the number of policies at year-end 2023. Persistency is one of the metrics most affected by these price rise, closing 2024 with a drop of 4.8pp compared to the previous year. Expense ratio evolved positively by -1.2pp compared to 2023, obtaining promising results through actions focused on both variable and fixed expenses.

The volume of written premiums gross of reinsurance in 2024 and 2023 were as shown shown in the following table:

<i>000s Euros</i>	31/12/2024	31/12/2023
Motor, Third Party Liability	332,242	316,817
Motor, Other	332,021	315,384
Fire and other damage	13,366	8,866
Total	677,629	641,067

The volumes of written premiums gross of reinsurance by country for 2024 and the previous year are shown in the following tables:

<i>000s Euros</i>	31/12/2024			
	Italy	France	Spain	Total
Motor, Third Party Liability	216,401	27,449	88,392	332,242
Motor, Other	75,970	207,267	48,784	332,021
Fire and other damage	-	13,366	-	13,366
Total	292,371	248,082	137,176	677,629

	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

In 2024, AECS has achieved a level of gross written premiums of €677.6 million. Italy is the country with the highest amount of premiums sold, representing 43% of total premiums, followed by France with 37% and Spain with 20% of the total.

The next table shows the underwriting result and its components at the end of 2024 compared to the previous year:

000s Euros	31/12/2024	31/12/2023
Total Income	243,876	216,667
Earned premiums net of reinsurance	243,131	215,888
Other income	745	779
Total Expenses	(267,270)	(250,843)
Paid claims net of reinsurance	(185,316)	(181,801)
Operating expenses	(81,464)	(67,883)
Other expenses	(490)	(1,159)
Underwriting result	(23,394)	(34,176)

The earned premiums in the exercise have amounted to €243 million. However, paid claims have amounted to €185 million and, considering also the income and the expenses, the underwriting result of AECS at the end of 2024 has been of €-23 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 2024, in addition to a good return on investment as a result of acquisitions at higher interest rates.

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:

<i>000s Euros</i>	31/12/2024	31/12/2023
Bonds	256,103	234,872
Collateralised securities	49,802	-
Collective Investments Undertakings	93,753	100,540
Cash	12,103	19,182
Cash equivalent	5,000	5,000

The amount of investments as at 31st December 2024 has amounted to 416,761 thousand euros (359,594 thousand euros as at 31st December 2023). The main part of the portfolio remains in bonds and investments funds whose underlying assets are also bonds. Since the first quarter of the year, AECS began investing in asset-backed securities, in addition to the corporate and government bonds already in the portfolio.

Regarding the interest income in 2024 it was 10,119 thousand euros (6,276 thousand euros in 2023).

The following tables show the incomes and expenses resulting from the financial investment business in the year 2024, and the ones resulting in 2023, that have impact on the profits and loss account:

<i>000s Euros</i>	31/12/2024				Total
	Available for sale	Held for trading	Bank deposits	Other income and expenses	
Income from financial investments	6,156	3,661	171	131	10,119
Income arising from financial investments	6,045	3,661	171	131	10,008
Profits in realisation	111	-	-	-	111
Financial investments expenses	(166)	-	-	(274)	(440)
Losses from financial investments	-	-	-	-	-
Losses in realisation	(166)	-	-	-	(166)
Other investment expenses	-	-	-	(274)	(274)
Result of financial investments	5,990	3,661	171	(143)	9,679

	31/12/2023				
	Available for sale	Held for trading	Bank deposits	Other income and expenses	Total
<i>000s Euros</i>					
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

In the financial year 2024, the total expenses for the management and custody of the investment portfolio amount to 274 thousand euros (96 thousand euros in 2023).

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

<i>000s Euros</i>	31/12/2024	31/12/2023
Gains recognised directly in equity	2,035	1,483
Losses recognised directly in equity	(3,880)	6,404
Net result in equity	(1,845)	(4,921)

A.4. PERFORMANCE OF OTHER ACTIVITIES

AECS has not performed any activities other than Underwriting and Investments managements during 2024.

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

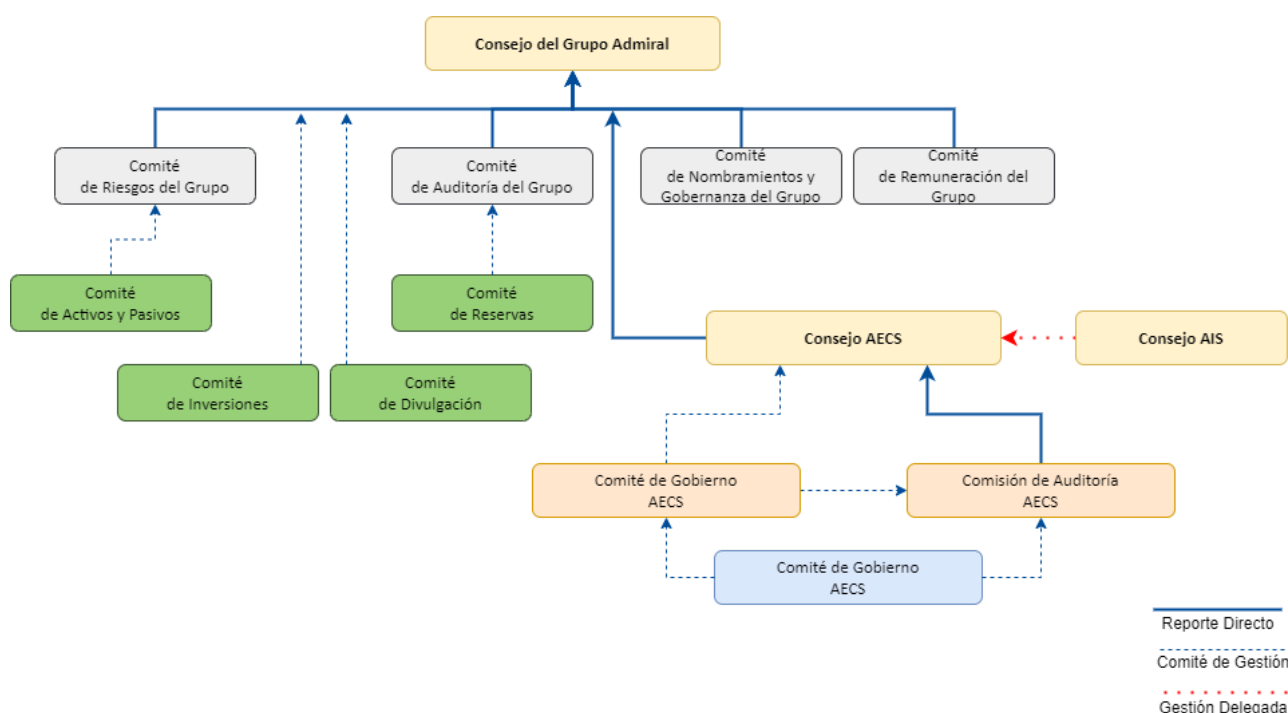
Structure of the administrative, management or supervisory body

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 2024 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. On 3 October 2024 he was appointed Chairman of the Audit Committee.
- 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.

- Geraint Jones joined AECS Board with effect from 12 December 2024.
- 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. This scheme aims to align the interests of employees with those of the company, encouraging them to contribute to its success and growth. It is an incentive for permanence, since the options are consolidated (vesting) over a period of three years.

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 in-kind compensation is based on the management role, as well as on the individual value contributed to the business.

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 2024 is as follows:

<i>000s Euros</i>	Parent Company	Other Group Companies
Insurance and reinsurance operations	-	161,831
Rendering and receiving of services	-	1,329

The following is a breakdown of the balances in the balance sheet with related parties at the end of 2024, according to the value shown in the Company's books:

<i>miles de euros</i>	Parent Company	Other Group Companies
Outstanding balances with brokers	-	113,762
Group Debtors	-	472
Outstanding balances with intermediaries	-	554
Commercial Creditors	-	706

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 on a best practice basis. In addition, AECS has its own Fit and Proper Policy.

The AECS Fit & Proper policy aims to ensure that personnel representing certain key functions and/or positions within the organization meet the fitness and good reputation 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 reputation 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 Fit & Proper policy 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)

In line with AGp and the Solvency II regulation, AECS 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 the 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.

This report is also submitted to the DGSFP as part of AECS' Solvency II reporting 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 2024.

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 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 needs 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, and certain claims activity 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 2024, 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 entities) 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 in AECS 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 2024 by risk sub-module are shown in the next table:

<i>000s Euros</i>	31/12/2024	31/12/2023
Premium and Reserve Risk	73,702	66,336
Lapse Risk	6,900	8,473
Catastrophe Risk	3,212	2,141
Diversification	(8,926)	(9,512)
SCR Non-Life Underwriting Risk	74,888	67,438

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

<i>000s Euros</i>	31/12/2024	31/12/2023
Volume of premiums	222,553	217,686
Volume of reserves	204,056	164,375
Expected profit in future premiums	17,249	21,182
Volume measure flood	2,946	2,812
Volume measure hail	4,625	4,574
Num vehicles < 24M	960	1,042
Num vehicles > 24M	913	886

The figures in the table above gather the exposure of all the lines of business applicable to AECS (Motor third Party Liability, Other Motor and Fire). The higher concentration of risk comes from Motor, third party liability; as it is the main guarantee in the majority of the policies.

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.

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. No new claims have been settled since 2020.

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 2024, AECS has only recorded a capital charge for longevity risk, amounting to 88 thousand euros (86 thousand euros in 2023). 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:

<i>000s Euros</i>	31/12/2024	%
Ceded to Quota Share	604,726	94.1%
Ceded to XoL	37,741	5.9%
Total Reinsurance recoverables	642,467	100.0%

<i>000s Euros</i>	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:

<i>000s Euros</i>	31/12/2024	31/12/2023
Gross Best Estimate of TPs	953,738	809,519
Net Best Estimate of TPs	311,271	264,549
Reinsurance mitigation (ceded)	642,467	544,970

C.2. MARKET RISK

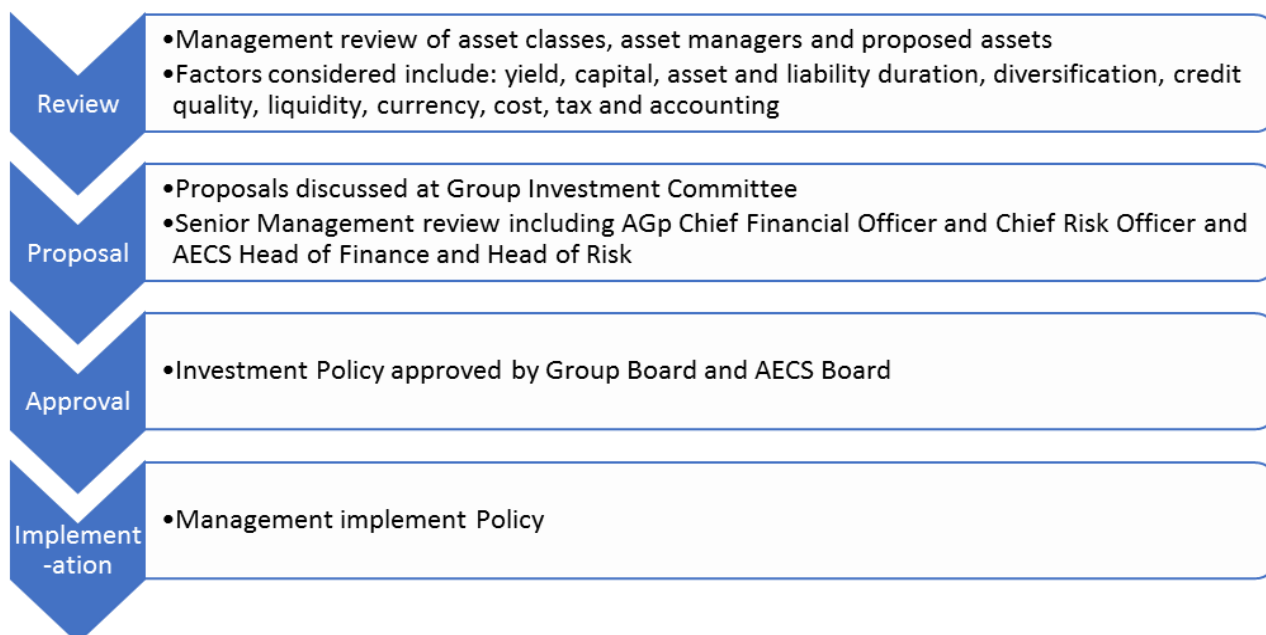
In line with AGp, the AECS investment strategy is primarily focused on capital preservation with additional priorities being low volatility of returns and high levels of liquidity. At year-end 2024, AECS primarily held investments in government and corporate bonds and money market funds.

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 eligible¹ investments) by 2040.

In 2024, AECS updated our view on the sustainability topics that matter most to our business, capturing both financial and impact materiality, also known as a 'double materiality' assessment, following European Sustainability Reporting Standards (ESRS) standard requirements and/or EFRAG Guidance reference, and it considers both:

- Financial Materiality (outside-in): identifies sustainability related risks and opportunities that could impact our financial and business performance.
- Impact Materiality (inside-out): identifies sustainability related impacts, both positive and negative, that we can have on the world and wider society.

AECS engaged external expertise to support our materiality assessment, allowing us to use an established and proven methodology and incorporate both qualitative and quantitative insights.

Thorough research, detailed value chain and stakeholder mapping were conducted, with key internal stakeholders consulted to input their views into the assessment. A top-down review from key Executives ensured that the methodology and results were robust and accurate, before being validated through our sustainability governance structure.

The approach to this double materiality assessment consisted of:

1. Scoping: agreeing on scope, value chain, engagement approach and methodology.
2. Identifying impacts, risks and opportunities (IROs): identify the list of sustainability Impacts, Risks and Opportunities (IROs) across the value chain.
3. Assessing materiality: gather stakeholders' views to determine impact and financial materiality.
4. Validating material topics: validate outcomes of the materiality assessment with our stakeholders.
5. Reporting: documentation of assessment methodology.

Market risk components

It is the risk of reductions in earnings and/or value of investments, through financial or reputational loss, from unfavourable market moves. The risk typically arises from equity, property, bond and other assets 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

¹ 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.

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 2024 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. In addition, from 2024, there is also exposure to senior asset backed securities that meet the conditions to be considered as simple, transparent and standardised (STS). This risk accounts in terms of capital requirements for 9.9% of the pre-diversification SCR at 31 December 2024 (9.1% at 31 December 2023). This market risk is calculated by analysing the individual typology of each of the assets in the investment portfolio by applying a look-through approach to money market funds.

The SCR figures at 31st December 2024 by risk sub-module are shown in the next table:

000s Euros	31/12/2024	31/12/2023
Interest Rate Risk*	2,102	4,344
Equity Risk	-	-
Property Risk	26	33
Spread Risk	11,437	9,700
Concentration Risk	1,159	505
Diversification	(2,037)	(3,927)
SCR Market Risk	12,687	10,655

* Note that the risk free rate evolution changed the scenario outcome from UP in 2023 to DOWN in 2024. In addition, a methodological change was applied moving to a mid-year update approach on the cashflows to be aligned with the technical provisions methodology.

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

000s Euros	31/12/2024	31/12/2023
Discounted value of assets	410,064	338,461
Discounted value of liabilities	295,058	243,668
Government bonds	63,236	62,634
Corporate bonds	278,895	261,082
Asset Backed Securities	49,962	-
Deposits	6,839	8,787

In addition, AECS has an amount of 105 thousand euros (132 thousand euros in 2023) 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 of the assets 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 11.5% of the pre-diversification SCR at 31 December 2024 (13.3% at 31 December 2023).

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

<i>000s Euros</i>	31/12/2024	31/12/2023
Type 1	10,373	9,376
Type 2	5,336	7,249
Diversification	(907)	(1,055)
SCR Counterparty Default Risk	14,802	15,570

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

<i>000s Euros</i>	31/12/2024	31/12/2023
Reinsurance recoverables *	635,680	538,916
Reinsurance receivables	32,160	30,478
Cash	20,283	29,095
Other receivables < 3 months	35,570	48,324
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 all the lines of business applicable generate 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 2024 is 17,249 thousand euros (21,182 thousand euros at 31 December 2023).

C.5. OPERATIONAL RISK

Is defined as the risk of reductions in own funds, 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 26,268 thousand euros at the end of 2024 (23,305 thousand euros at 31 December 2023). The exposure at the end of the reporting year and the comparison with the previous year is as follows:

<i>000s Euros</i>	31/12/2024	31/12/2023
Gross written premiums (last 12 months)	607,227	547,648
Gross written premiums (12 months prior to previous 12 months)	546,705	479,131
Total gross best estimate	929,917	786,003

C.6. OTHER MATERIAL RISKS

None.

C.7. ANY OTHER INFORMATION

Loss absorbing capacity of deferred taxes (LACDT)

AECS performs a deferred tax recoverability study every quarter to assess the possibility of using the net deferred tax assets (nDTA) in the economic balance sheet as Tier 3 Own Funds, in case they arise, 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 2024, there is a net nDTA arising from the SII balance sheet of 1,885 thousand euros. After executing the recoverability study and demonstrating sufficient future profits, AECS has fully maintained the net deferred asset in the Balance Sheet, considering a Tier 3 in the Own funds. Regarding to the loss absorbing capacity, AECS has not applied any LACDT amount to the SCR to absorb losses.

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 five 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 2024 has been valued 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 2024, and the comparison with the previous year, are shown in the following table, both under Statutory and Solvency II basis:

000s Euros	31/12/2024		31/12/2023	
	Statutory	Solvency II	Statutory	Solvency II
Deferred acquisition costs	44,940	-	42,645	-
Intangible assets	10,056	-	10,194	-
Deferred tax assets	1,496	65,745	2,368	63,412
Property, plant & equipment held for own use	105	105	132	132
Investments (other than assets held for index-linked and unit-linked contracts)	399,658	402,124	335,412	337,415
Government bonds	61,649	62,157	60,797	61,310
Corporate bonds	194,454	196,252	174,075	175,565
Collateralised securities	49,802	49,962	-	-
Collective Investments Undertakings	93,753	93,753	100,540	100,540
Reinsurance recoverables from:	650,750	642,467	613,520	544,970
Non-life excluding health	650,750	634,011	613,520	536,809
Life excluding health and index-linked and unit-linked	-	8,456	-	8,161
Insurance and intermediaries receivables	115,957	36,124	122,574	49,306
Reinsurance receivables	17,895	32,160	17,451	30,478
Receivables (trade, not insurance)	22,121	912	21,052	507
Cash and cash equivalents	17,103	17,103	24,182	24,182
Any other assets, not elsewhere shown	2,553	87	2,075	72
Total assets	1,282,634	1,196,827	1,191,605	1,050,474

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 valued 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 valued 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. The deferred acquisition costs, as well as the intangible assets, are valued 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 2024 compared to the figures at the end of 2023:

000s Euros	31/12/2024	31/12/2023
Deferred acquisition costs	-	-
Intangible assets	-	-
Deferred tax assets	65,745	63,412
Property, plant & equipment held for own use	105	132
Investments (other than assets held for index-linked and unit-linked contracts)	402,124	337,415
Government bonds	62,157	61,310
Corporate bonds	196,252	175,565
Collateralised securities	49,962	-
Collective Investments Undertakings	93,753	100,540
Deposits other than cash equivalents	-	-
Reinsurance recoverables from:	642,467	544,970
Non-life excluding health	634,011	536,809
Life excluding health and index-linked and unit-linked	8,456	8,161
Insurance and intermediaries receivables	36,124	49,306
Reinsurance receivables	32,160	30,478
Receivables (trade, not insurance)	912	507
Cash and cash equivalents	17,103	24,182
Any other assets, not elsewhere shown	87	72
Total assets	1,196,827	1,050,474

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 2024 is mainly due to the acquisition of bonds and collateralised securities and the good performance of the market.

D.2. LIABILITIES

The balance sheet liabilities as at 31 December 2024 (and the comparison with the previous year) are shown in the following table, both under Statutory and Solvency II basis:

000s Euros	31/12/2024		31/12/2023	
	Statutory	Solvency II	Statutory	Solvency II
Technical provisions – non-life	1,001,007	954,350	944,388	808,628
Technical provisions – non-life (excluding health)	1,001,007	954,350	944,388	808,628
Best Estimate	-	942,541	-	798,726
Risk margin	-	11,809	-	9,902
Technical provisions - life (excluding index-linked and unit-linked)	-	11,315	-	10,910
Best Estimate	-	11,197	-	10,793
Risk margin	-	118	-	117
Provisions other than technical provisions	34,822	-	33,934	-
Pension benefit obligations	388	388	-	-
Deferred tax liabilities	678	63,860	494	68,156
Financial liabilities other than debts owed to credit institutions	-	-	-	-
Insurance and intermediaries payables	554	554	981	981
Reinsurance payables	46,633	-	41,995	-
Payables (trade, not insurance)	11,861	11,861	15,577	15,577
Any other liabilities, not elsewhere shown	28,991	-	27,867	-
Total liabilities	1,124,934	1,042,328	1,065,236	904,252

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 2024 is shown in the table below:

000s Euros	31/12/2024	31/12/2023
Technical provisions – non-life	954,350	808,628
Technical provisions – non-life (excluding health)	954,350	808,628
Best Estimate	942,541	798,726
Risk margin	11,809	9,902
Technical provisions - life (excluding index-linked and unit-linked)	11,315	10,910
Best Estimate	11,197	10,793
Risk margin	118	117

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:

<i>000s Euros</i>	Best Estimate	Risk Margin	Total
Motor, Third Party Liability	771,191	9,161	780,352
Motor, Other	154,054	1,938	155,992
Fire and other damage*	17,296	710	18,006
Total Non-Life	942,541	11,809	954,350
Annuities stemming from non-life contracts related to insurance obligation other than health insurance obligations	11,197	118	11,315
Total Life	11,197	118	11,315

*Accounting reserve at December 31, 2024.

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 2024 have been considered.

82% 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 2024 is as follows:

<i>000s Euros</i>	Premium Provision	Claims Provision	Total
Motor, Third Party Liability	173,626	597,565	771,191
Motor, Other	82,597	71,457	154,054
Fire and other damage*	7,487	9,809	17,296
Total Non-Life	263,710	678,831	942,541
Annuities stemming from non-life			11,197
Total business			953,738

*Accounting reserve at December 31, 2024.

Must be noted that, there is a part of the business that is not modelled in the best estimate and represents a small percentage of the total business. For these policies, their statutory reserve is added to the modelled Motor Other guarantees technical provision to obtain the total technical provisions. As the following table shows, this amount is not material:

000s Euros	Best Estimate	%
Modelled business	911,801	95.6%
Not modelled business	41,937	4.4%
Total	953,738	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 2024 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 and the corresponding correlation matrices are applied to obtain the risk margin to be allocated to life and non-life technical provisions.

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 or Milano tables for Italy.
- 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:

2024

<i>000s Euros</i>	Statutory	Solvency II
Technical provisions – non-life	1,001,007	954,350
Technical provisions – non-life (excluding health)	1,001,007	954,350
Best Estimate	-	942,541
Risk margin	-	11,809
Technical provisions - life (excluding index-linked and unit-linked)	-	11,315
Best Estimate	-	11,197
Risk margin	-	118

2023

<i>000s Euros</i>	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

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 Unallocated 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 €35 million.

D.2.1.5 Main variations during the year

Non-life technical provisions under Solvency II have increased by €145.7 million compared to the previous year due to the growth in business volumes and the increase in expected claims experience in 2024 on previous active claims (mainly due to the impact of inflation in general, and the application of the Milan Tables in Italy in particular).

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 2024 (and the comparison with the previous year):

000s Euros	31/12/2024		31/12/2023	
	Statutory	Solvency II	Statutory	Solvency II
Provisions other than technical provisions	34,822	-	33,934	-
Pension benefit obligations	388	388	-	-
Deferred tax liabilities	678	63,860	494	68,156
Financial liabilities other than debts owed to credit institutions	-	-	-	-
Insurance & intermediaries payables	554	554	981	981
Reinsurance payables	46,633	-	41,995	-
Payables (trade, not insurance)	11,861	11,861	15,577	15,577
Any other liabilities, not elsewhere shown	28,991	-	27,867	-
Total other liabilities	123,927	76,663	120,848	84,714

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:

<i>000s Euros</i>	Statutory	Solvency II
Total assets	1,282,634	1,196,827
Total liabilities	1,124,934	1,042,328
Excess of Assets over Liabilities	157,700	154,499

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

<i>000s Euros</i>	31/12/2024	31/12/2023
Total assets	1,191,605	1,050,474
Total liabilities	1,065,236	904,252
Excess of Assets over Liabilities	126,369	146,222

E. CAPITAL MANAGEMENT

The AECS Solvency Ratio at 31st December of 2024 has reached 136% (142% in 2023). 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 2024. 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 five-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 2024 is as follows:

000s Euros	31/12/2024				
	Total	Nivel 1 - not restr	Nivel 1 – restr	Nivel 2	Nivel 3
Ordinary share capital	9,016	9,016	-	-	-
Reconciliation reserve	143,598	143,598	-	-	-
An amount equal to the value of net deferred tax assets	1,885	-	-	-	1,885
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	154,499	152,614	-	-	1,885
Available and eligible own funds					
Total available own funds to meet the SCR	154,499	152,614	-	-	1,885
Total available own funds to meet the MCR	152,614	152,614	-	-	-
Total eligible own funds to meet the SCR	154,499	152,614	-	-	1,885
Total eligible own funds to meet the MCR	152,614	152,614	-	-	-
SCR	113,829				
MCR	44,116				
Ratio of Eligible own funds to SCR	136%				
Ratio of Eligible own funds to MCR	346%				

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

As of 31 December 2024, there is a net nDTA arising from the SII balance sheet of 1,885 thousand euros , in contrast to 2023, which showed a net nDTL of 4,744 thousand euros. After executing the recoverability study and demonstrating sufficient future profits, AECS has fully maintained the net deferred asset in the Balance Sheet, considering a Tier 3 in the Own funds.

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 2023:

000s Euros	31/12/2023				
	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%				

AECS has no Ancillary own funds or any other funds approved by the DGSFP to be considered as basic own funds. However, during 2024 AECS has received three capital injections in the amount of 42 million euros, 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.

<i>000s Euros</i>	31/12/2024	31/12/2023
Ordinary share capital (gross of own shares)	9,016	9,016
Other partner contributions	208,313	166,313
Accounting reserves	15,643	15,643
Result (year and previous)	(73,428)	(59,682)
Stabilisation reserve application	-	-
Adjustments for Changes in Value	(1,844)	(4,921)
Statutory Own Funds	157,700	126,369
Valuation SII vs Statutory*		
Differences in assets	(106,329)	(100,220)
Differences in TPs valuation**	20,293	42,225
Differences in other liabilities	(82,835)	(77,848)
Adjustments for Solvency II	(3,201)	19,853
Excess of Assets over Liabilities	154,499	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 2024. The reported Solvency Capital Requirement as at 31 December 2023 for each applicable risk is as follows:

<i>000s Euros</i>	31/12/2024	31/12/2023
Market Risk	12,687	10,655
Counterparty Default Risk	14,802	15,570
Life Underwriting Risk	88	86
Non Life Underwriting Risk	74,888	67,438
Diversificación	(14,904)	(13,767)
BASIC SCR	87,561	79,982
Operational Risk	26,268	23,305
Loss absorbing capacity of deferred taxes	-	-
SCR	113,829	103,287

Solvency Ratio

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

<i>000s Euros</i>	31/12/2024	31/12/2023
SCR	113,829	103,287
Eligible own funds	154,499	146,222
Excess	40,670	42,935
Solvency Ratio	136%	142%

The AECS Solvency Ratio has amounted to 136% as at 31st December 2024. 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 2024 is as follows:

<i>000s Euros</i>	31/12/2024	31/12/2023
MCR	44,116	38,918
Eligible own funds	152,614	146,222
Excess	108,498	107,304
Minimum Ratio	346%	376%

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 2024:

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	65,744,652.61
Pension benefit surplus	R0050	0.00
Property, plant & equipment held for own use	R0060	104,839.87
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	402,124,975.18
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	308,371,777.16
Government Bonds	R0140	62,157,300.38
Corporate Bonds	R0150	196,252,314.24
Structured notes	R0160	0.00
Collateralised securities	R0170	49,962,162.54
Collective Investments Undertakings	R0180	93,753,198.02
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	642,466,593.85
Non-life and health similar to non-life	R0280	634,010,673.98
Non-life excluding health	R0290	634,010,673.98
Health similar to non-life	R0300	0.00
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	8,455,919.87
Health similar to life	R0320	0.00
Life excluding health and index-linked and unit-linked	R0330	8,455,919.87
Life index-linked and unit-linked	R0340	0.00
Deposits to cedants	R0350	0.00
Insurance and intermediaries receivables	R0360	36,124,489.90
Reinsurance receivables	R0370	32,159,761.59
Receivables (trade, not insurance)	R0380	912,243.08
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	17,103,284.87
Any other assets, not elsewhere shown	R0420	86,772.83
Total assets	R0500	1,196,827,613.78
Liabilities		
Technical provisions – non-life	R0510	954,350,568.45
Technical provisions – non-life (excluding health)	R0520	954,350,568.45
Technical provisions calculated as a whole	R0530	0.00
Best Estimate	R0540	942,541,384.52
Risk margin	R0550	11,809,183.93
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	11,315,207.84
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	11,315,207.84
Technical provisions calculated as a whole	R0660	0.00
Best Estimate	R0670	11,196,788.42
Risk margin	R0680	118,419.42
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	388,406.00
Deposits from reinsurers	R0770	0.00
Deferred tax liabilities	R0780	63,859,976.14
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	554,291.75
Reinsurance payables	R0830	0.00
Payables (trade, not insurance)	R0840	11,860,593.25
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	1,042,329,043.43
Excess of assets over liabilities	R1000	154,498,570.35

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	137,176,127.81	292,371,286.87	248,082,055.13
Gross - Proportional reinsurance	R0021	88,093,738.91	150,129,740.81	149,730,126.23
Gross - Non-proportional reinsurance	R0022	11,327,929.35	7,950,614.54	21,667,426.28
Premiums earned				
Gross - Direct Business	R0030	130,777,896.18	293,185,235.07	239,076,635.31
Gross - Proportional reinsurance	R0031	83,998,375.47	150,207,775.64	145,622,393.89
Gross - Non-proportional reinsurance	R0032	11,060,180.36	7,966,325.63	21,053,971.52
Claims incurred				
Gross - Direct Business	R0040	99,432,659.73	229,275,226.23	143,842,749.17
Gross - Proportional reinsurance	R0041	63,287,077.98	126,329,226.46	57,077,322.87
Gross - Non-proportional reinsurance	R0042	7,921,005.36	12,440,011.39	37,502,802.02
Expenses incurred				
Gross - Direct Business	R0050	35,887,346.03	86,689,173.97	46,237,006.22
Gross - Proportional reinsurance	R0051	21,372,795.39	22,007,195.14	25,482,793.16
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	328,447,573.32	329,920,971.63	13,366,359.29	671,734,904.24
Gross - Proportional reinsurance accepted	R0120	3,794,516.13	2,100,049.44	0.00	5,894,565.57
Gross - Non-proportional reinsurance accepted	R0130				0.00
Reinsurers' share	R0140	210,821,827.24	217,752,597.39	325,151.50	428,899,576.13
Net	R0200	121,420,262.21	114,268,423.68	13,041,207.79	248,729,893.68
Premiums earned					
Gross - Direct Business	R0210	324,584,304.61	322,306,440.16	10,911,400.65	657,802,145.42
Gross - Proportional reinsurance accepted	R0220	3,371,183.50	1,866,437.64	0.00	5,237,621.14
Gross - Non-proportional reinsurance accepted	R0230				0.00
Reinsurers' share	R0240	207,547,398.46	212,206,509.57	155,114.48	419,909,022.51
Net	R0300	120,408,089.65	111,966,368.23	10,756,286.17	243,130,744.05
Claims incurred					
Gross - Direct Business	R0310	341,714,015.80	121,774,911.68	6,045,692.26	469,534,619.74
Gross - Proportional reinsurance accepted	R0320	2,111,961.33	904,054.06	0.00	3,016,015.39
Gross - Non-proportional reinsurance accepted	R0330				0.00
Reinsurers' share	R0340	221,611,783.09	82,945,662.99	0.00	304,557,446.08
Net	R0400	122,214,194.04	39,733,302.75	6,045,692.26	167,993,189.05
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	30,633,961.23	61,682,467.49	7,368,591.61	99,685,020.33
Other expenses	R1200				265,722.21
Total expenses	R1300				99,950,742.54

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	131,281,562.24	292,371,286.87	248,082,055.13	671,734,904.24
Gross - Proportional reinsurance accepted	R0120	5,894,565.57	0.00	0.00	5,894,565.57
Gross - Non-proportional reinsurance accepted	R0130	0.00	0.00	0.00	0.00
Reinsurers' share	R0140	99,421,668.27	158,080,355.35	171,397,552.51	428,899,576.13
Net	R0200	37,754,459.54	134,290,931.52	76,684,502.62	248,729,893.68
Premiums earned					
Gross - Direct Business	R0210	125,540,275.04	293,185,235.07	239,076,635.31	657,802,145.42
Gross - Proportional reinsurance accepted	R0220	5,237,621.14	0.00	0.00	5,237,621.14
Gross - Non-proportional reinsurance accepted	R0230	0.00	0.00	0.00	0.00
Reinsurers' share	R0240	95,058,555.83	158,174,101.27	166,676,365.41	419,909,022.51
Net	R0300	35,719,340.35	135,011,133.80	72,400,269.90	243,130,744.05
Claims incurred					
Gross - Direct Business	R0310	96,416,644.34	229,275,226.23	143,842,749.17	469,534,619.74
Gross - Proportional reinsurance accepted	R0320	3,016,015.39	0.00	0.00	3,016,015.39
Gross - Non-proportional reinsurance accepted	R0330	0.00	0.00	0.00	0.00
Reinsurers' share	R0340	71,208,083.34	138,769,237.85	94,580,124.89	304,557,446.08
Net	R0400	28,224,576.39	90,505,988.38	49,262,624.28	167,993,189.05
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	14,405,330.11	64,597,315.47	20,682,374.75	99,685,020.33
Other expenses	R1200				265,722.21
Total expenses	R1300				99,950,742.54

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	11,196,788.42	11,196,788.42
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	8,455,919.87	8,455,919.87
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	2,740,868.55	2,740,868.55
Risk Margin	R0100	118,419.42	118,419.42
Technical provisions - total	R0200	11,315,207.84	11,315,207.84

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					
<u>Premium provisions</u>					
Gross	R0060	173,626,331.43	82,596,690.92	7,487,246.88	263,710,269.23
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	114,674,640.90	45,798,833.48	170,037.02	160,643,511.40
Net Best Estimate of Premium Provisions	R0150	58,951,690.53	36,797,857.44	7,317,209.86	103,066,757.83
<u>Claims provisions</u>					
Gross	R0160	597,564,473.33	71,457,636.87	9,809,005.09	678,831,115.29
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	424,545,277.85	48,821,884.73	0.00	473,367,162.58
Net Best Estimate of Claims Provisions	R0250	173,019,195.48	22,635,752.14	9,809,005.09	205,463,952.71
Total Best estimate - gross	R0260	771,190,804.76	154,054,327.79	17,296,251.97	942,541,384.52
Total Best estimate - net	R0270	231,970,886.01	59,433,609.58	17,126,214.95	308,530,710.54
Risk margin	R0280	9,160,740.22	1,938,134.14	710,309.57	11,809,183.93
Technical provisions - total					
Technical provisions - total	R0320	780,351,544.98	155,992,461.93	18,006,561.54	954,350,568.45
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	539,219,918.75	94,620,718.21	170,037.02	634,010,673.98
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	241,131,626.23	61,371,743.72	17,836,524.52	320,339,894.47

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											350,229,690
N-9	R0160	53,822,341	31,105,295	10,325,395	6,674,744	3,916,556	4,552,233	1,509,584	1,621,739	695,259	1,269,364	
N-8	R0170	60,574,139	42,409,171	13,620,515	5,547,606	3,032,416	2,668,530	2,182,938	1,159,310	2,152,852		
N-7	R0180	81,588,155	47,863,254	19,127,486	5,625,614	3,087,362	1,821,347	1,843,535	1,870,814			
N-6	R0190	91,462,507	53,383,369	14,737,963	9,153,566	4,568,815	3,069,520	4,723,902				
N-5	R0200	119,276,683	62,813,178	20,695,714	11,103,914	5,357,700	4,344,180					
N-4	R0210	103,356,330	61,513,880	20,308,549	10,034,250	7,917,357						
N-3	R0220	141,374,179	86,711,490	23,280,167	15,319,880							
N-2	R0230	174,785,067	116,618,224	39,045,484								
N-1	R0240	205,306,799	125,387,863									
N	R0250	212,935,873										

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	350,229,690	350,229,690
N-9	R0160	1,269,364	115,492,508
N-8	R0170	2,152,852	133,347,477
N-7	R0180	1,870,814	162,827,567
N-6	R0190	4,723,902	181,099,641
N-5	R0200	4,344,180	223,591,370
N-4	R0210	7,917,357	203,130,365
N-3	R0220	15,319,880	266,685,718
N-2	R0230	39,045,484	330,448,775
N-1	R0240	125,387,863	330,694,662
N	R0250	212,935,873	212,935,873
Total	R0260	416,983,342	2,510,483,647

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											71,134,638
N-9	R0160						9,295,499	8,183,693	6,722,616	7,473,344	6,323,079	
N-8	R0170					29,110,626	24,917,048	24,124,815	25,464,461	24,149,496		
N-7	R0180				30,325,886	23,561,574	22,025,351	13,461,083	13,245,445			
N-6	R0190			39,195,562	27,556,387	24,650,357	17,104,032	17,131,367				
N-5	R0200		56,316,225	47,274,755	40,654,427	24,421,357	26,624,634					
N-4	R0210	152,596,239	71,479,397	72,905,017	48,869,415	40,692,830						
N-3	R0220	221,658,003	109,679,909	79,589,248	65,936,217							
N-2	R0230	156,985,950	125,095,182	110,548,554								
N-1	R0240	272,713,947	126,256,994									
N	R0250	311,857,108										

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

		Year end (discounted data)
		C0360
Prior	R0100	8,129,075.72
N-9	R0160	-82,015.80
N-8	R0170	17,903,383.25
N-7	R0180	12,663,808.21
N-6	R0190	16,070,119.48
N-5	R0200	24,554,604.58
N-4	R0210	35,669,068.27
N-3	R0220	55,487,681.36
N-2	R0230	90,379,105.55
N-1	R0240	109,058,307.83
N	R0250	296,580,564.64
Total	R0260	666,413,703.09

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	143,597,893.88	143,597,893.88			
Subordinated liabilities	R0140	0.00				0.00
An amount equal to the value of net deferred tax assets	R0160	1,884,676.47				1,884,676.47
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	154,498,570.35	152,613,893.88	0.00	0.00	1,884,676.47
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	154,498,570.35	152,613,893.88	0.00	0.00	1,884,676.47
Total available own funds to meet the MCR	R0510	152,613,893.88	152,613,893.88	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	154,498,570.35	152,613,893.88	0.00	0.00	1,884,676.47
Total eligible own funds to meet the MCR	R0550	152,613,893.88	152,613,893.88	0.00	0.00	
SCR	R0580	113,829,412.11				
MCR	R0600	44,116,028.55				
Ratio of Eligible own funds to SCR	R0620	1.36				
Ratio of Eligible own funds to MCR	R0640	3.46				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	154,498,570.35
Own shares (held directly and indirectly)	R0710	0.00
Foreseeable dividends, distributions and charges	R0720	0.00
Other basic own fund items	R0730	10,900,676.47
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0.00
Reconciliation reserve	R0760	143,597,893.88
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	17,249,130.78
Total Expected profits included in future premiums (EPIFP)	R0790	17,249,130.78

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

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	12,686,871.55	0
Counterparty default risk	R0020	14,801,583.65	
Life underwriting risk	R0030	87,501.01	0
Health underwriting risk	R0040	0.00	0
Non-life underwriting risk	R0050	74,888,446.35	0
Diversification	R0060	14,903,316.32	
Intangible asset risk	R0070	0.00	
Basic Solvency Capital Requirement	R0100	87,561,086.24	

		Value
		C0100
Operational risk	R0130	26,268,325.87
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	113,829,412.11
Capital add-on already set	R0210	0.00
Solvency capital requirement	R0220	113,829,412.11
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	44,058,470.31

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	231,970,886.01	135,712,442.25
Other motor insurance and proportional reinsurance	R0060	59,433,609.58	60,208,329.17
Marine, aviation and transport insurance and proportional reinsurance	R0070	0.00	0.00
Fire and other damage to property insurance and proportional reinsurance	R0080	17,126,214.95	13,346,210.92
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	57,558.24

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	2,740,868.55	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

Overall MCR calculation

		C0070
Linear MCR	R0300	44,116,028.55
SCR	R0310	113,829,412.11
MCR cap	R0320	51,223,235.45
MCR floor	R0330	28,457,353.03
Combined MCR	R0340	44,116,028.55
Absolute floor of the MCR	R0350	4,000,000.00
Minimum Capital Requirement	R0400	44,116,028.55

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 inception.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.