



Solvency and Financial Condition Report 2020



The English version of this report was approved by the Board of Directors on 12/03/2021 and submitted to the supervisor in due time.

This report is originally written in English. A translation of the summary in French and Dutch is made available on the website.

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Summary

Business and performance

Company background

AG is active on the Belgian Life and Non-Life insurance market and offers a broad range of products and services that cover the needs of individuals and companies. In 2020, AG records an inflow of 6,1 billion EUR, with a 65% / 35% split between life and non-life insurance. Technical liabilities amounted to around 62,9 billion EUR.

AG is market leader in the Belgian insurance market. It serves close to 2,7 million Retail customers and 245.000 SME and Corporate clients. AG distributes its insurance products (both Life and Non-Life) and services via more than 3.880 independent brokers and through a distribution partnership with BNP Paribas Fortis (including Fintro and 'bpost bank / bpost banque'). The distribution of Employee Benefits products (Group Life and Health Care insurance) and related services is mainly a business-to-business activity. Sustainable and profitable business and robust risk management remain essential to fulfil obligations to customers, to offer a fair reward to shareholders and to fund future growth.

Since May 2009, AG is for 75% owned by Ageas Group and for 25% by BNP Paribas Fortis. AG is either directly or indirectly shareholder of several operating and services companies. AG and its subsidiaries employ 5.784 full-time equivalent.

From a strategic point of view, AG is of the opinion that agile companies that excel at being customer-oriented, digitally-enabled and data driven will soon be more successful.

Business environment

The outbreak of the Covid-19 pandemic, sometimes coined as the black swan of 2020, has undoubtedly disrupted the world economy to an extent that cannot yet be precisely assessed. To limit the spread of the virus, most countries imposed very stringent lockdown measures in the first half of the year leading to a dramatic contraction of the activity on a global scale and prompting the world economy into its worst recession ever but also a very short-lived one. Although easing lockdowns since the end of the spring has allowed some rebound reflected in the equity and debt markets, economic activity is likely to remain subdued until health risks abate. The strong resurgence of the virus this fall led to new and targeted social distancing measures. At this stage, the ongoing recovery is set to be incomplete, uneven and lengthy (square root path). Partial economic relapse cannot be ruled out. Hence, unprecedented fiscal and monetary support provided in urgency by governments and central banks is expected to be maintained as long as necessary and possibly upgraded.

Interest rates remained at historically low (negative) levels and are expected to remain that low for some more time as a consequence of the economic downturn due to Covid-19.

During these challenging times, AG supported the economy by providing both retail and corporate customers with some relief in their financial obligations by offering the possibility to postpone premium and mortgage payments. AG also invested in medical research to develop effective treatment against Covid-19 and launched a campaign to stimulate the Belgian economic recovery after the Covid-19 lockdown by offering a €20 voucher to 200.000 clients who have Fire, Motor and Third Party Liability covers to be used in shops and companies that are AG clients.

Business performance

Compared to last year, gross inflow decreased (-12%), mainly explained by a drop of 13% in Life Guaranteed products. The Life Technical Liabilities show an increase of 1% compared to 2019 as a result of lower liabilities in Retail Life Guaranteed offset by an increase in Group Life Guaranteed and Unit-Linked. The operating result amounts to 410 million EUR, compared to 459 million EUR in 2019. This difference is mainly explained by the impact of the Covid-19 crisis on AG's financial revenue.

Gross inflow in Non-Life business amounts to 2,1 billion EUR, about 1% higher compared to 2019. The operating result amounts to 226 million EUR as a result of Covid-19 impact partly offset by heavy weather events and lower financial income.

System of governance

In accordance with the regulations related to the supervision of insurance companies in Belgium, AG makes a clear distinction of responsibility between the two statutory governing bodies: the Board of Directors and the Management Committee. The Board of Directors is responsible for defining the general strategy and risk management, as well as for supervising the activities of the Management Committee. The Management Committee is responsible for managing effectively the Company's activities, for implementing the general strategy and the risk management framework defined by the Board and for setting up an organizational and operational structure. In order to support the Board to fulfil its role and responsibilities, the Board has set up three ad-hoc advisory committees: an Audit Committee, a Risk Committee and a Nomination and Remuneration Committee. The Management Committee has decided to have in place a Business Risk Committee (BRC) and an Asset and Liability Management Committee (ALCO).

Regarding its management of risks, AG operates within a robust 'Three Lines of Defence' model. The mission of the Risk Management Function is to promptly identify, assess, manage, monitor and report risks potentially affecting the achievement of strategic, operational and/or financial objectives. The Enterprise Risk Management (ERM) approach provides an integrated framework for managing risks, thereby supporting long-term stability and growth. It ensures that the strategic planning conforms to the risk appetite and tolerance as defined by the Board. The risk management process consists in identifying risks AG is exposed to, assessing their impact, managing them by taking the appropriate steps to control or mitigate the risk position, monitoring the risk profile and corresponding capital needs on an on-going basis, reporting to the Management and to the Board. The ERM approach is articulated around its risk appetite, a set of risk policies, risk models and risk reports, and is supported by a number of processes, systems, data, IT and people. To be effective this risk management framework needs to be well integrated into the organizational structure and the decision-making processes of the company, which is achieved through a sound risk governance. The Chief Risk Officer (CRO), who has overall responsibility for the Risk Management Function at the Company level, is a member of the Management Committee and of the Board with a standing invitation to the Risk Committee and the Audit Committee. The risk organization is characterized by a two-layered organization with a central risk department keeping risk oversight while delegating risk responsibilities to Decentralised Risk Managers and Officers at the level of the Business Lines and Support Functions. Besides the Risk Management Function, the CRO Office regroups the Actuarial Function, the Compliance Function, Internal Control and Data Protection.

Risk profile

Risk identification

As an active provider of both Life and Non-Life insurance in the Belgian market, AG is exposed to a number of risks, whether internal or external, current or emerging, that may affect the achievement of its objectives.

AG has a risk taxonomy in place, which provides a consistent and comprehensive approach to risk identification, highlighting and defining the risks the Company is exposed to, i.e. insurance risk, financial risk, operational risk and strategic/business risk.

Exposure to insurance risk is managed in line with a set of policies, in this case more specifically an insurance risk policy, an underwriting policy, a product approval policy, a claims management policy, a reserving policy and a reinsurance policy. Insurance risk is partly managed by transferring risk exposure to certain underwriting risks to reinsurers through appropriate reinsurance arrangements (treaties). Under these arrangements, reinsurers assume a portion of the losses and expenses associated with reported and unreported claims in exchange for a share of the premiums. The Company primarily uses external reinsurance to mitigate the impact of natural catastrophes (e.g. windstorms, earthquakes and floods), large single claims from policies with high limits, and multiple claims triggered by a single man-made event. Reinsurers are selected primarily on pricing and counterparty risk considerations.

Financial risk encompasses all risks relating to the value and performance of financial assets and, accordingly, represents the most significant risk AG is exposed to. The risk framework in place combines investment policies, limits, stress tests and regular monitoring to control the nature and the level of financial risks and to ensure that risks being taken remain within the Company's risk appetite and are appropriately rewarded. Asset mix research is used to identify the appropriate strategic asset allocation while the market situation and prospects are monitored on a regular basis to decide on the tactical asset allocation. The decision process balances risk appetite, capital requirements, long-term risk and return, policyholder expectations, profit-sharing requirements, tax and liquidity aspects to achieve an appropriate target asset mix. Within financial risk a distinction is made between market risk, default risk and liquidity risk.

Operational risk is the risk of losses arising from inadequate or failed internal processes, people and systems, or from external events. AG has a sound operational risk management in place for administering its portfolio of products, activities, processes and systems, generally covering all domains of operational risk: business disruption and system failure; damage to physical assets; employment practices and workplace safety; client, product and business practices; execution, delivery and process management; internal or external fraud. Operational risk procedures include business continuity management, information security management, anti-fraud management, internal control, adequate insurance protection of the Company's assets and risk management with respect to outsourcing contracts and projects. Incidents and operational losses are tracked in an incident register.

Strategic risk generally emerges as a result of adverse business decisions, improper implementation of decisions, or a lack of responsiveness to industry changes. Strategic risk is addressed by examining multi-year scenarios, considering the related risks, as well as by monitoring the implementation of the chosen strategy through the multi-year business plan. The latter takes into account all the current and future risks as identified through the annual key risk identification process. ORSA furthermore provides insights in how these risks could potentially jeopardize the achievement of the strategic and business plan and to what extent these plans have the adequate capacity to withstand and mitigate these risks.

Business risk is a potential consequence of changes in external factors - political, economic, social, technological, environmental and legal - affecting the environment and conditions in which AG operates. This includes both elements directly related to the business environment, such as a change in customer behaviour, a change in distribution landscape or a strategic move from competitors, and more general external factors such as climate change. A major element in this context are sustainability risks, defined as risks which are due to environmental, social and governance issues (ESG issues). Business risk management requires pre-emptive risk management, anticipating possible developments in the environment. In this regard, AG uses a structured horizon-scanning process (called 'RADAR') to detect threats (and opportunities) surrounding its activities. This information is exploited in the strategic and multi-year planning process and the ORSA (Own Risk and Solvency Assessment). More specifically with respect to sustainability risks, AG considers corporate social responsibility as part of its strategy.

AG acknowledges the possible risk of loss of reputation arising from the adverse perception of its image on the part of its different stakeholders: investors, customers, employees, partners, society, etc., with a possible impact on solvency, earnings, liquidity or its franchise quality. In order to mitigate a potential impact of any event on its reputation, AG maintains a long-standing commitment to sustainable business practices and good governance, as well as clear corporate values, a business code of conduct, robust internal controls and a clear dialogue with its stakeholders. Key Risk Indicators are defined in order to properly monitor and react in case these risks might materialize. Communication plans appropriate for the situation that arises have been prepared.

Risk exposure

AG measures the exposure to quantifiable risks by means of a Partial Internal Model (PIM) used for determining the Solvency II capital requirements (SCR). Apart from the use of the standard formula for most of the risks, the Partial Internal Model includes an internal model for non-life underwriting risk.

Expressed in terms of SCR capital consumption, a major part of the risk exposure stems from financial risk with spread risk, property risk and equity risk being its main contributors. Note that thanks to the Company's asset and liability duration matching strategy, one can observe a limited risk sensitivity to interest rate movements on the existing book of business, hence resulting in a relatively low SCR for interest rate risk. While insurance risk is the second largest contributor, operational risk and counterparty risk are contributing to a lesser extent to the risk capital consumption. Note that through a multi-channel and a multi-product approach, diversification is fostered which makes AG benefit from non-negligible diversification benefits in the determination of its required capital. Another important capital relief stems from adjusting required capital for the loss-absorbing capacity of deferred taxes.

An own assessment of the solvency and capital needs (ORSA) as required by the supervisor is well integrated in the strategy and business planning process and provides a forward-looking assessment on all the risks inherent in the business and the corresponding solvency and capital needs.

Valuation for solvency purposes

Assets and liabilities are valued on a fair value basis in line with Solvency II requirements with the use of approximations, if needed. Due to a difference in valuation methodology, differences with IFRS exist and can be explained. Compared to the previous reporting period, model changes relate to the profit-sharing methodology.

Capital management

Capital requires a clearly defined management approach in order to ensure an efficient and effective deployment. The main goal of the Company's capital management process is to fund profitable growth and support the dividend payment capacity.

As at end of 2020 the amount of Own Funds stands at 5.538 million EUR (compared to 5.925 million EUR in 2019), while the total required capital SCR amounts to 2.845 million EUR (compared to 3.043 million EUR in 2019). This results in a solvency ratio of 195% (compared to 195% in 2019), reflecting the strong capital position of the Company. About 80% of the Own Funds are categorized as Tier 1 capital.

A

Business and performance

A.1 BUSINESS

A.1.1 General information

Name and legal form: AG Insurance SA/NV.

Supervisor: National Bank of Belgium, Boulevard de Berlaimont 14, 1000 Brussels, phone 02/ 221 21 11

External auditor: PwC Bedrijfsrevisoren BV/SRL ('PwC'), Woluwedal 18, at 1932 Sint-Stevens-Woluwe, with Roland Jeanquart and Kurt Cappoen as permanent representatives.

As from May 2009, AG is owned for 75% by Ageas (currently via Ageas Insurance International NV, a holding company, with registered office at Markiesstraat 1, Brussel, Belgium), and 25% by BNP Paribas Fortis (BNPP Fortis), with registered office at Warandeberg, 1000 Brussels.

The relationship between both shareholders and AG is described in a Shareholders' Agreement dated 12 May 2009.



AG structure (simplified presentation):



AG is either directly or indirectly shareholder of several operating and services companies. The main participations of AG can be grouped into 2 categories based on the strategic role they fulfil, i.e. operational participations (a distinct operation in a legal entity) in different companies together with structuring participations related to investments in real estate or in specific asset pools. AG and its subsidiaries employ 5.784 full-time equivalents.

AG's full subsidiary, AG Real Estate SA/NV, is the most important real estate group in Belgium and employs about 300 professionals specialized in real estate asset and property management, investment, financing and development, as well as participating in Public Private Partnerships. The total value of the portfolio managed by AG Real Estate amounts to around 6.8 billion EUR. Another important element in AG's investment portfolio is Interparking, a public car park operator and investor operating across 9 European countries.

A.1.2 Material lines of business and material geographical areas

AG is active on the Belgian life and non-life insurance market and offers a broad range of products and services that cover the needs of individuals and companies. In 2020, AG recorded an inflow of 6,1 billion EUR, split 65% / 35% between life and non-life insurance. Technical liabilities amount to 62,9 billion EUR.

AG is market leader in the Belgian insurance market. It serves close to 2,7 million Retail customers and 245.000 SME and Corporate clients. AG distributes its insurance products (both life and non-life) and services via more than 3.880 independent brokers and through a distribution partnership with BNP Paribas Fortis (including Fintro and 'bpost bank / bpost banque'). The distribution of Employee Benefits products (group life and health care insurance) and related services is mainly a business-to-business activity.

AG operates via three Business Lines: Non-Life, Individual Life and Employee Benefits/Health Care – having the following specific key objectives:

- ✓ in the non-life market, AG's strategic ambition is to be the reference broker and bancassurance player with top products and top servicing
- ✓ in individual life, AG continues to enhance the operational excellence business model which adds value to the distribution partners as well as to the end customers
- ✓ AG holds a market leadership position in group life and health care insurance, based on a customer-centric strategy that emphasises tailor-made solutions based on expert advice, high-quality services relying on experts, efficient processes and IT tools.

AG is active in the creation of 'beyond insurance' activities and ecosystems through participations or by new partnerships in initiatives such as SoSimply, Drysolutions, Respo Repair Solutions, Optimile, Yongo, Vivay, AG Health Partner, Phil at Home, Touring and Conac.

A.1.3 Significant business or other events over the reporting period

The outbreak of the Covid-19 pandemic, sometimes coined as the black swan of 2020, has undoubtedly disrupted the world economy to an extent that cannot yet be precisely assessed. To limit the spread of the virus, most countries imposed very stringent lockdown measures in the first half of the year leading to a dramatic contraction of the activity on a global scale and prompting the world economy into its worst recession ever but also a very short-lived one. Although easing lockdowns since the end of the spring has allowed some rebound reflected in the equity and debt markets, economic activity is likely to remain subdued until health risks abate. The strong resurgence of the virus this fall led to new and targeted social distancing measures. At this stage, the ongoing recovery is set to be incomplete, uneven and lengthy (square root path). Partial economic relapse cannot be ruled out. Hence, unprecedented fiscal and monetary support provided in urgency by governments and central banks is expected to be maintained as long as necessary and possibly upgraded.

Interest rates remained at historically low (negative) levels and are expected to remain that low for some more time as a consequence of the economic downturn due to Covid-19.

During these challenging times, AG supported the economy by providing both retail and corporate customers with some relief in their financial obligations by offering the possibility to postpone premium and mortgage payments. AG also invested in medical research to develop effective treatment against Covid-19 and launched a campaign to stimulate the Belgian economic recovery after the Covid-19 lockdown by offering a €20 voucher to 200.000 clients who have Fire, Motor and Third Party Liability covers to be used in shops and companies that are AG clients.

A.2 UNDERWRITING PERFORMANCE

The tables below show an overview of the AG (consolidated, IFRS) performance for the years 2020 and 2019 (by IFRS line of business).

in EUR million		IFRS Product lines							
2020	Life	Guaranteed	Unit-Linked	Non-Life	Accident & Health	Motor	Fire	Other	Total
Gross Inflow	3.990,6	3.220,0	770,6	2.109,3	549,6	647,8	700,5	211,5	6.099,8
Net underwriting result	-15,6	-54,0	38,4	167,6	21,6	71,2	42,9	32,2	152,0
Investment result ⁽¹⁾	294,5	294,5	0,0	57,8	10,8	23,1	10,6	13,2	352,3
Total technical result	278,9	240,5	38,4	225,4	32,4	94,3	53,5	45,2	504,4
Capital gains (losses) allocated to operating result	131,4	131,4	0,0	0,3	0,1	0,1	0,0	0,0	131,7
Operating result	410,4	371,9	38,4	225,7	32,5	94,4	53,5	45,3	636,1
Other result									38,5
Profit before taxation									674,5
Technical liabilities (including Shadow Accounting)	62.878,6	52.224,7	10.653,9	4.086,0	2.021,2	1.077,5	398,4	588,9	66.964,6

(1) excluding capital gains (losses) allocated to operating result

in EUR million		IFRS Product lines							
2019	Life	Guaranteed	Unit-Linked	Non-Life	Accident & Health	Motor	Fire	Other	Total
Gross Inflow	4.525,7	3.717,5	808,2	2.085,9	569,7	627,6	678,0	210,7	6.611,6
Net underwriting result	-19,3	-55,5	36,2	121,2	20,3	19,7	40,0	41,1	101,9
Investment result ⁽¹⁾	308,4	308,4	0,0	77,0	17,8	28,4	13,8	17,1	385,5
Total technical result	289,2	253,0	36,2	198,2	38,2	48,1	53,8	58,2	487,4
Capital gains (losses) Allocated to operating result	169,9	169,9	0,0	20,0	10,1	4,7	2,3	2,9	189,9
Operating result	459,1	422,9	36,2	218,2	48,2	52,8	56,1	61,1	677,3
Other result									108,8
Profit before taxation									786,1
Technical liabilities (including Shadow Accounting)	61.254,8	51.454,4	9.800,4	4.078,3	1.958,9	1.100,8	401,2	617,4	65.333,1

- ✓ Note that 'Life' mainly comprises the Solvency II lines of business 'Insurance with profit participation', 'Other Life Insurance' and 'Index-linked and Unit-Linked insurance'. 'Non-Life' mainly comprises the Solvency II lines of business 'Non-Life insurance and reinsurance obligations', 'Health insurance', 'Income protection' and 'Annuities stemming from Non-Life insurance contracts'.

Some comments:

- ✓ Life business: Gross inflow decreased compared to last year (-12%), mainly explained by a drop of 13% in Life Guaranteed products. The Life Technical Liabilities show an increase of 1% compared to 2019 as a result of lower liabilities in Retail Life Guaranteed offset by an increase in Group Life Guaranteed and Unit-Linked. The operating result amounts to 410 million EUR, compared to 459 million EUR in 2019. This difference is mainly explained by the impact of the Covid-19 crisis on AG's financial revenue.

- ✓ Non-Life business: Gross inflow amounts to 2,1 billion EUR, about 1% higher compared to 2019. The operating result amounts to 226 million EUR as a result of Covid-19 impact partly offset by heavy weather events and lower financial income.

A.3 INVESTMENT PERFORMANCE

A.3.1 Income and expenses by asset class & Gains and losses recognized directly in equity

Financial income and allocated capital gains (net of impairments), before investment costs, included in the IFRS consolidated profit before taxation stands at 2.161 million EUR for 2020 and can be split as below:

in EUR million	Year	Year
	2020	2019
Interest, dividend income and other investment income	2.132,0	2.351,5
Realised and unrealised gains and losses on investments (recognised in profit and loss)	266,8	269,5
Finance costs (relate mainly to subordinated debt, borrowings & other liabilities)	-92,4	-96,7
Additions to (or reversals from) impairment allowances	-145,4	-46,7
Total	2.161,0	2.477,6

The "Interest, dividend income and other investment income" is further detailed as follows for the year ended 31 December 2020.

Interest and other investment income

in EUR million	Year	Year
	2020	2019
Interest income :		
Investments	1.226,3	1.303,5
Loans	268,8	250,9
Cash and cash equivalents	2,6	1,5
Other interest income	1,8	1,1
Total interest income	1.499,4	1.557,0
Car park revenues	301,7	441,7
Rental income	200,3	207,5
Dividend income	103,6	117,9
Other investment income	27,0	27,5
Total Interest and other investment income	2.132,0	2.351,5

In addition to the amounts recognised in the income statement, changes in revaluation of investments available-for-sale are recognised directly in equity (and these might subsequently be reclassified to profit and losses). The (pre-tax) increase (decrease) in revaluation of investments available-for-sale amounted to 941 million EUR in 2020 and 2.264 million EUR in 2019. This variance is linked to 2 effects: the Covid-19 impact on financial market and the decrease of the interest rate.

A.3.2 Investments in securitization

The structured products portfolio comprises mortgage-backed securities, student loans and asset-backed securities. As at year end 2020 its value was 30,9 million EUR of which 8 million EUR were guaranteed by the European Investment Fund. This part of the portfolio is in run-off.



A.4 PERFORMANCE OF OTHER ACTIVITIES

AG has no other material activities.

A.5 ANY OTHER INFORMATION

No other information.

B

System of governance

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1 Company structure

B.1.1.1 Scope

In accordance with the regulations related to the supervision of insurance companies in Belgium, AG makes a clear distinction in responsibility between the **Board of Directors** and the **Management Committee**, of which the role, responsibilities and authority are described hereafter:



B.1.1.2 Board of Directors

The Board determines the general strategy of AG and provides it with strategic directions. In this respect, the Board is the ultimate decision-making body of AG, with the exception of matters reserved for the General Meeting of Shareholders or the Management Committee by the company law or by the Articles of Association. The Board also decides on the governance structure, monitors the risk management framework, defines and supervises the Integrity Policy and the Data Protection framework and supervises the Management Committee. The basic aim underlying decision-making by the Board is to perpetuate a sustainable and successful insurance business. The Board believes that this involves primarily focusing on profitable growth, while remaining sensitive to the interests of the stakeholders who are essential to a successful business: the Company's distribution partners, its customers, its employees, its shareholders and the communities in which AG operates.

In order to support the Board to fulfil its role and responsibilities, the Board has set up in accordance to Circular NBB_2016_31 three ad-hoc advisory committees: the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee. These committees assist the Board in specific areas which they cover in appropriate detail and upon which they make recommendations to the Board. However, only the Board has the power to take decisions within the scope of its competences and responsibilities. The role of the Audit Committee is to assist the Board in fulfilling its supervision and monitoring responsibilities with respect to internal control (including internal control over financial reporting) and audit within AG and its main subsidiaries. The Risk Committee provides advice to the Board on all aspects related to the current and future risk strategy and risk tolerance and supports the Board in exercising supervision of the implementation of that strategy by the Management Committee. The role of the Nomination and Remuneration Committee is to assist the Board in all matters relating to the appointment, removal, target setting, performance evaluation and remuneration of "Identified Staff". It takes care that the Remuneration policy does not incentivize excessive risks taking or behaviours not being in line with the long-term interests of AG or its stakeholders.

B.1.1.3 Management Committee

The role of the Management Committee is to manage AG in line with the values, strategies, policies, plans and budgets endorsed by the Board of Directors. In exercising this role, the Management Committee is responsible for complying with all

relevant legislations and regulations, and specifically with the legal and regulatory framework applicable to the Company and its subsidiaries. The Management Committee has the collective responsibility for conducting its activities and for reporting on these to the Board and its advisory bodies. Within this context, the Management Committee has decided to have in place two committees: the Business Risk Committee (BRC) and the Asset and Liability Management Committee (ALCO). The Business Risk Committee is the committee through which the Management Committee monitors the overall risk profile of AG and its subsidiaries, and ensures that the risk management system is suitable, effective and proportionate to the risks that AG is taking. Therefore, the Business Risk Committee endorses all key elements of this system (governance, policies, processes, models and reporting). Based on the risk reporting and recommendations, the BRC decides on appropriate risk response and risk mitigation. The Asset and Liability Management Committee is the committee through which the Management Committee defines and monitors the ALM strategy and strategic asset allocation (with respect to equities, bonds, real estate and other admissible asset classes) in line with the policies as defined by the Board. Within this context, the Asset and Liability Management Committee focuses on the ALM position and the market risk positions and decides on hedging strategies as well as on financial aspects of the pricing of life products.

With regard to the participations held by AG, each member of the Management Committee is responsible for the subsidiaries and associates allocated to him, being included in the reporting scope of the Management Committee member. This reporting relates mainly to the long-term and strategic vision, the development of the business and the internal control in its broadest sense. The list of the allocation of the participations is yearly reviewed by the Management Committee.

B.1.1.4 Key (control) functions

The main roles and responsibilities of the four independent control functions, i.e. the Risk Function, the Actuarial Function, the Compliance Function and the Internal Audit are described further in this chapter.

B.1.2 Remuneration policy and practices

B.1.2.1 Scope - Categories

The remuneration principles set out in the AG Remuneration Policy apply to AG and in particular to the Non-Executive Board members, the Management Committee members (Executive Board members), the holders of the independent Control Functions (and the Data Protection Officer) and the Risk Takers.

B.1.2.2 Remuneration of the Non-Executive Directors

The remuneration of Non-Executive Board members is determined by the shareholders of AG at the General Meeting of Shareholders. Detailed proposals for the remuneration of Non-Executive Board members are formulated based upon recommendations provided by the Nomination and Remuneration Committee and outside experts.

For Non-Executive Board members, the levels and structure of the remuneration reflects their general and specific responsibilities as well as general market practice. The remuneration of Non-Executive Board members, includes both a regular fixed fee as compensation for Board membership and an attendance fee for Board meetings. Membership in Board Committees is also remunerated with an additional base remuneration and a Board Committee meeting attendance fee.

Non-Executive Board members do not receive any performance-related remuneration such as an annual incentive awards or stock options. The Company does not provide any contribution to their pension arrangements. Non-Executive Board members may also receive remuneration from AG subsidiaries where they hold a Director position. Non-Executive Board members may transfer their remuneration to other beneficiaries upon request. Non-Executive Board members will not be entitled to any severance pay.

B.1.2.3 Remuneration of the Management Committee members

The remuneration of the Management Committee members is determined by the Board of Directors upon recommendation by the Nomination and Remuneration Committee, in compliance with the prerogatives of the General Meeting of Shareholders. Both the levels and structure of remuneration of Management Committee members are analysed on an annual basis.

The remuneration of the Management Committee members is designed to ensure the organization's continued ability to attract, motivate and retain executive talent; to promote achievement of demanding performance targets and long-term sustainable growth in order to align the interests of executives and shareholders in the short, medium and long term while avoiding excessive risk-taking behaviour and to stimulate, recognise and reward both strong individual contribution and solid team performance.

The reward package for the Management Committee members reflects a concept of integrated total compensation combining the following four major components of pay: base salary, annual incentive (short-term performance related bonus), long-term incentive and pension. In calibrating the various remuneration components, the objective is to position the overall remuneration levels in line with compensation practices of other insurance companies.

The variable components are subject to a maximum. A large portion of the total compensation package of Management Committee members consists of variable remuneration and is therefore 'pay at risk'. The total reward package is part of the contract with the Management Committee member providing also the main characteristics such as and amongst others the expiration date, the termination clauses and various other clauses such as confidentiality and exclusivity.

B.1.2.4 Remuneration of the Independent Control Functions and the data protection officer

For the members of the Independent Control Functions and the Data Protection Officer the variable component of the remuneration is independent of the results of the Company.

B.1.2.5 Remuneration of the Risk Takers

There are no other 'Risk takers' at AG than the members of the Management Committee.

B.1.2.6 Remuneration of the employees

AG has put in place a clear, transparent and effective remuneration policy which applies to its Identified Staff and which is subject to recurring control and revision.

The same basic principles apply to all the employees of AG. The following principles apply to the variable remuneration:

If the remuneration package includes both a fixed and a variable component, both components are well balanced to ensure that the fixed part of the total remuneration is sufficiently high so as to avoid that employees are too dependent on the variable component. The terms of the Remuneration Policy allow AG to conduct a flexible approach, including the possibility not to pay any variable remuneration.

If the variable remuneration is performance linked, the total amount of the variable remuneration is based on a combination of both personal and company related performance indicators.

The appraisal of the personal performance includes both financial and non-financial criteria. A possible downward correction is included for the exposure to risk, the risk profile of AG and the cost of capital.

Severance pay takes into account the performance of the concerned person throughout its entire career and is structured in such a way that failure is not rewarded.

B.1.2.7 Review Process of the Remuneration policy

The Remuneration Policy is reviewed and updated on an annual basis, as needed. The Board of AG defines the Remuneration Policy based on information and recommendations provided by the Nomination and Remuneration Committee. This information is discussed at AG Board meetings, and the Board takes decisions that are appropriate to the specific context of AG.

B.1.3 Material transactions with shareholders and persons having a significant influence

No material transactions during the reporting period have taken place with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body.

B.1.4 Information on material transactions

When exceeding on a cumulative basis the threshold of 100.000 EUR, the loans, credits or warranties granted by AG towards Board members, members of the Management Committee and their direct relatives must be immediately disclosed to the Board leaving the time to oppose.

Material transactions (insurance contracts) by the Board members, members of the Management Committee and their direct relatives are concluded on commercial terms in conformity with prevailing market conditions (in accordance to the NBB Circular 2017_21 dated 7 July 2017).

The Company will take all appropriate actions with regard to services that are required to be disclosed under the current legislation and/or regulations.

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 Fit and Proper requirements

AG applies the rules set forth in the amended NBB Circular 2016_31 and the "Fit & Proper Handbook" (NBB Circular 2018_25) to the members of the Board of Directors, the members of its Advisory Committee, the members of the Management Committee and the Key Functions.

B.2.2 Fit and Proper process

Principles and guidelines as to the selection, development and appraisal of Members of the Board of Directors and of the Management Committee as well as the different process steps for the selection, training and evaluation of Board members, Members of the Management Committee, the key functions and the independent control functions within AG are in place.

AG makes every effort to check a person's suitability, e.g. by carrying out an assessment, not only before taking a position but also during the performance of a position, on a periodic basis. If the result of the assessment of suitability is positive, AG will in turn send the NBB full and reliable information about the person's suitability. Based upon this information, supplemented by details collected by the NBB on its own initiative, the NBB will carry out its own assessment of the suitability of the person in question.

Each Board member is requested to sign a statement (written declaration) of *fitness & properness* in which he confirms that he will unreservedly conform to the AG 'fit and proper' standards and that he will give immediate notice of any events which might turn out to be important in this respect. This statement has to be delivered each year.

As the financial sector is constantly evolving, AG takes all necessary steps to implement judicious continuous training for all persons concerned, including the Board members.

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

B.3.1 General description, strategy and objectives

As an active provider of both life and non-life insurance in the Belgian market, AG is exposed to a number of risks, whether internal or external, current or emerging, that may affect the achievement of its objectives.

The *Enterprise Risk Management* (ERM) approach provides an integrated framework for managing risks, thereby supporting long-term stability and growth. It ensures that the strategic planning conforms to the risk appetite as defined by the Board.

The Risk management process consists in:

- ✓ identifying risks AG is exposed to
- ✓ assessing the impact of these risks
- ✓ managing these risks by taking the appropriate steps to control or mitigate the risk position
- ✓ monitoring the risk profile and corresponding capital needs on an ongoing basis
- ✓ reporting to the Management and to the Board.

The ERM approach is articulated around its risk appetite, a set of risk policies, risk models and risk reports and is supported by a number of processes, systems, data, IT and people. To be effective, this risk management framework needs to be well integrated into the organizational structure and the decision-making processes of the company, which is achieved through a sound risk governance.

AG's risk management strategy consists in adopting a holistic approach coordinated at the highest level of the organization through:

- ✓ an open environment conducive to effective and transparent communication about risks and risk management throughout the Company
- ✓ an integrated, proactive and forward-looking approach to manage all key risks
- ✓ integration of risk management into the business strategy and the decision-making
- ✓ understanding and effectively managing the relationship between risk, capital and reward consistently with the business strategy and the risk appetite.

Risk management focuses on achieving the following *objectives*:

- ✓ Understand the key risks taken and maintain a solvency position and liquidity position such that no plausible scenario would cause the company to default on its obligations to policyholders and debt holders
- ✓ Contribute to the Company's strategy by defining a risk appetite and ensure that the Company's risk profile remains within set limits
- ✓ Provide relevant, reliable, understandable and timely information and risk opinions when appropriate in view of supporting the Company's decision-making process, i.e. allowing the Management to effectively assess overall capital needs, to improve capital allocation, and to make the right choices as to risk-return optimization

- ✓ Encourage a strong risk awareness culture where managers are aware of the risks within their business, effectively manage them and transparently report them.
- ✓ Enhance risk response decisions by providing the rigour to identify and select among alternative risk responses (avoidance, reduction, sharing and acceptance)
- ✓ Reduce operational losses by enhancing the capability to identify potential events
- ✓ Comply with the letter and the spirit of the legal and regulatory requirements.

B.3.2 The Risk Management framework

The risk management framework has been designed to support the mission and objectives of the Risk Management Function. It incorporates a number of core components that form a consistent and effective risk management framework, in accordance with the principles of Enterprise Risk Management, underlying the process of systematically and comprehensively identifying material risks, assessing their impact and implementing integrated strategies to achieve the Company's objectives.

B.3.2.1 Risk Appetite framework

In a set of Risk Appetite statements, AG expresses the amount and type of risk it is willing to take in pursuit of its objectives taking into account the expectations of its different stakeholders. Through a formal Risk Appetite Policy approved by the Board, a clear Risk Appetite framework is defined setting formal boundaries for risk-taking. This framework is articulated around a number of quantitative criteria which are primarily based on AG's stand-alone ability and willingness to accept volatility in the key areas of solvency, earnings and liquidity. These quantitative statements are complemented with qualitative risk appetite statements aiming at protecting the franchise quality¹ of the Company paying attention to its internal functioning and efficiency as well as to the relationship with its major stakeholders (investors, customers, employees, partners and society).

Regarding solvency, a key component in the quantitative criteria, AG strives to maintain a capital position such that no plausible scenario would cause the Company to default on its obligations to policyholders. To accomplish this, the solvency and capital positions are monitored within a framework based on the Solvency II framework as entered into force on January, 1st 2016. For management purposes the Pillar I own funds and capital requirements are completed with an own view on the available funds and the risk-based assessment of the capital needs.

Appropriate management actions are triggered depending on the current position in the different monitoring frameworks as defined in the Risk Appetite Policy. The risk appetite is further cascaded down into workable risk limits at the level of the different risk takers. These risk limits are monitored on the same regular basis as the risk appetite.

B.3.2.2 Risk Policy framework

The Risk Policy framework is a core element in the formalization of the ERM Approach as it provides an overarching and unifying approach and process to the development and implementation of a number of risk policies. It supports an integrated risk management system by evidencing a coherent and organized set of risk principles and guidelines, processes, reporting and governance requirements.

B.3.2.3 Risk Model framework

The Risk Model framework contains a set of models which have the objective to quantify insight in a number of risks the Company is exposed to. This information is used to support the decision-making process at the strategic level of the Company as well as in the daily operations (use test).

Risk models are subject to a robust model governance encompassing model control and validation. Model developments and updates follow the procedures as described in the Model Management Policy. It allows the Model Control Board to control the full model life cycle of the models. The overview of all the risk models is given by the Model Register containing standard information for each model, together with an overall model landscape that describes how the models are linked to each other, complemented with key inputs and outputs. This Model Register includes for each model also a model issue log. Regarding the validation of the models, an independent model validation team is operating at the level of Ageas Group.

B.3.2.4 Risk Reporting framework

A Risk Reporting framework is in place, which defines a set of reports with the objective to communicate the necessary information to the different stakeholders hence contributing to the integration of the risk dimension in the business decision-making process.

¹ Franchise quality is a qualitative metric associated with the intrinsic value as determined by the intangible assets such as its brand, its human capital, the quality of its management, its corporate culture, knowledge, etc. embedded in the Company.

B.3.3 Risk process and risk systems

The basic ERM process is the industry-wide accepted risk management cycle encompassing risk identification, assessment, management, monitoring and reporting.

The annual Own Risk and Solvency Assessment (ORSA) is well integrated in the strategy and business planning process and provides a forward-looking assessment on all the risks inherent to AG's business and the corresponding solvency and capital needs. Management actions are defined (if needed) to stay within the defined risk appetite. This forward-looking view is provided in a base case as well as in stressed situations (based on relevant stress tests and scenarios).

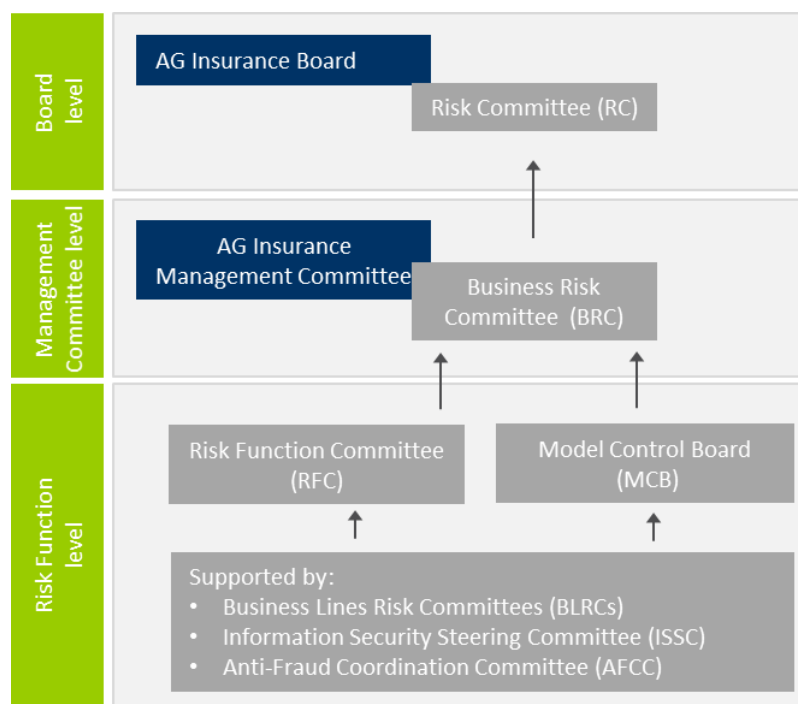
Risk processes are complex and hence require appropriate systems and supporting technologies to allow the Company to manage these. AG disposes of appropriate risk modelling systems to carry out complex calculations, to quantify the risk exposures, to assess the impact of stress tests and to aggregate risks. Risk monitoring systems are present to analyse risk exposures, monitor any changes in the risk profile of the Company and to check that risk exposures remain within the risk appetite and tolerance as defined by the Board.

B.3.4 Integration of the Risk Management System in the organizational structure and in the decision-making process of the Company

Sound risk governance is the foundation of an effective risk management framework. A Risk Governance framework is set up with the objective of managing risks efficiently through a three lines of defence model. This model formalizes the way the company is dealing with risks by assigning risk management responsibilities and authorities to the relevant stakeholders in the organization.

To support this Risk Governance framework, a structure is in place with the following features:

- ✓ A Chief Risk Officer who has overall responsibility for the Risk Management Function at the Company level and who is a member of the Management Committee and of the Board, with a standing invitation to the Risk Committee and the Audit Committee.
- ✓ A two-layered organization of the Risk Management Function with a central Risk department keeping risk oversight while delegating risk responsibilities to Decentralised Risk Managers and Officers at the level of the Business Lines and Support Functions. This operating model ensures greater proximity to the business and operations in view of better reflecting their needs, hence fostering the targeted embedding of risk management, awareness and culture throughout the company. Note that the Chief Information Security Officer (CISO) - who is responsible for information security across all business lines and support functions - functionally reports to the CRO.
- ✓ The CRO Office regroups the Risk Management Function, the Actuarial Function and the Compliance Function respecting independence and avoiding conflicts of interest. Besides these three control functions, Internal Control and Data Protection are also part of the CRO Office activities. The CRO Office adopted a transversal GRC (Governance, Risk & Compliance) approach encompassing a set of processes, practices and tools, with a risk-control-action philosophy that runs across departments and functions allowing the creation of a global comprehensive and holistic risk view across the Company.
- ✓ Several risk committees operating at different levels of the organization, including a Risk Committee at the level of the Board, a Business Risk Committee at the level of the Management Committee, a Risk Function Committee (supported by different Business Line Risk Committees, the Information Security Steering Committee and the Anti-Fraud Coordination Committee) as well as a Model Control Board at the level of the Risk Management Function as depicted below:



B.3.5 Own risk and solvency assessment

B.3.5.1 ORSA Process

AG performs an annual ORSA which is closely linked to the yearly Strategic Review and Multi-year business planning processes. In order to achieve a close relation between strategy – risks – solvency/capital, AG sets up an integrated process that provides the ORSA with essential information with regard to the current and forward-looking view on the risks related to the strategy and business plan, the corresponding solvency needs and the capital position in a base case as well as in stressed situations. The ORSA process therefore requires the definition of a number of relevant stress tests that could hinder the realization of the business objectives. To this end the Strategic Review is accompanied by a full bottom-up key risk identification exercise where business lines and support functions are invited to reflect upon the major risks that could possibly impact the realization of the business objectives, including potential emerging risks. This exercise provides a sound basis for the determination of a number of relevant stress tests and scenarios which are expected to give Management more insight in the potential evolution of the business plan under extreme but plausible stress scenarios.

B.3.5.2 Frequency of the ORSA

Remark that besides the annual ORSA process, the risk management system allows to perform an ad-hoc or non-regular (full or partial) ORSA when required by circumstances. Such an ad hoc ORSA can be triggered by a significant change in the risk profile, be it by external circumstances (such as changing insurance market environment, changing financial market environment, changing regulation) or by company-specific circumstances (such as an acquisition, a divestment, a change in strategy). Remark that besides the annual ORSA process.

B.3.5.3 Method of calculation of own solvency and capital needs

For the calculation of the own solvency needs and capital position, AG uses a 'Pillar II methodology' which consists in using a Pillar I partial internal model for the capital assessment of the risks (i.e. standard formula for all risks except the use of an internal model for non-life underwriting risk) complemented with an own view on the modelling of a number of risk factors such as spread risk with respect to government bonds and corporate bonds, property risk, inflation risk (in particular for workmen's compensation) and the treatment of employee benefits for own employees (IAS 19), as well as on the determination of the Own Funds (valuation of the Interparking concessions, the use of an Expected Loss Model and the treatment of employee benefits for own employees). Standard formula aggregation techniques are used to integrate the non-life internal model into the total SCR calculation.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 Description of the Internal control framework

AG has an internal control framework in place whose domains, roles and responsibilities are described in the Internal Control Policy. This framework governs a number of control domains such as 'Operations' (appropriate operational functioning of

the institution), 'Financial reporting' (reliable financial reporting and management information), and 'Compliance' (compliance with laws and regulations).

B.4.2 Mission statement of the Compliance function

The Compliance Function is established as an independent second-line control function and ensures that the Company and its employees comply with laws, regulations, internal rules and ethical standards that fall within its areas of responsibility. It also aims to create a dynamic of continuous quality improvement in compliance domains and aims to establish a relationship of trust and mutual understanding with regulatory and supervisory authorities.

When performing its monitoring activities on the operational effectiveness of compliance controls, the Compliance Function uses the surveillance results provided by compliance contact persons within the first line based on the basis of empiric tests, follow-up of appropriate risk indicators (such as complaints, incidents or exceptions) and interviews. The Compliance Function informs the relevant business lines and support functions of the results of its monitoring activities and follows up upon the respect of its recommendations.

B.5 INTERNAL AUDIT FUNCTION

B.5.1 Mission Statement of the Internal Audit Function and implementation

Internal Audit's mission is to enhance and protect the organization's value by providing independent, objective and relevant assurance, advice and insight. Internal Audit's purpose is to help AG accomplish its objectives and improve its operations by bringing a risk-based systematic approach to evaluate the effectiveness and efficiency of governance, risk management and control processes, and to recommend solutions for optimizing them. Internal Audit's scope includes all AG activities and entities, including therefore the activities of subsidiaries, as well as important and critical outsourced activities. The internal audit methodology in place and applied is in conformance with the International Professional Practices framework (IPPF). Internal Audit also operates in accordance with the principles and rules set by the Belgian regulatory authorities for the internal audit function in the financial sector.

To achieve its mission, Internal Audit provides assurance, and to a lesser extent, advice. Assurance services involve Internal Audit's objective assessment of evidences in order to provide an independent and relevant opinion regarding an entity, operation, function, process or system. The nature and scope of an assurance assignment are determined by Internal Audit. Internal Audit may also provide advice on the efficiency and effectiveness of governance, risk management and control processes, complementing its assurance services, or at the request of the Management Committee. This advisory role is an ancillary role, and under no circumstances does it reduce the effectiveness of Internal Audit's primary mission of delivering an independent and relevant assurance.

B.5.2 Safeguards for independence and objectivity

Independence and objectivity of Internal Audit are defined as follows:

- ✓ Independence for internal auditors is the freedom from conditions that threaten their ability to carry out internal audit responsibilities in an unbiased manner.
- ✓ Objectivity means that internal auditors have to exhibit the highest level of objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interest or by others in forming judgements.

Following safeguards preserve independence and objectivity

- ✓ the AG Internal Audit function is governed by a charter (or Internal Audit policy) that defines its role, mission, positioning, deliverables, rights & duties, and operational structure
- ✓ the AG Board secures Internal Audit a status and resources that preserve its autonomy, functional independence, objectivity and authority necessary to fulfil its mission
- ✓ Internal Audit operates within the International Professional Practices Framework established by the Institute of Internal Auditors (IIA) and within the guidelines set by national regulatory authorities
- ✓ audit staff cannot be involved in operational activities or in implementing any organizational or internal control measure, including executing control monitoring.

B.6 ACTUARIAL FUNCTION

The Actuarial Function, organized as an independent second line control function, provides reasonable assurance through independent reports on the adequacy and the compliance of the technical provisions in statutory and in IFRS accounts; the adequacy and the compliance of the profit sharing policy; the appropriateness of the underwriting and pricing practice of

the company through assessment of profitability of the portfolio and product pricing (including risk/return) and benchmarking these to company targets and limits; the appropriateness of the ALM and its impact on the profitability of the portfolio or products; the appropriateness of the reinsurance program of the company; the appropriateness and adequacy of the methodologies, models, assumptions and data used for the Solvency II technical provisions calculations and the back-testing of these provisions.

Furthermore, the Actuarial Function contributes to the effective implementation of the Risk Management System, in particular to the risk modelling underlying the calculation of the solvency and minimum capital requirements and ORSA. The Actuarial Function in particular exercises the role of coordinating the calculation of Solvency II technical provisions. The reports of the Actuarial Function are yearly, quarterly or ad-hoc and presented to the Management Committee or the Risk Committee.

B.7 OUTSOURCING

The Operational Risk Management of AG, under the supervision of the Compliance Officer and in agreement with the Board of Directors, has established an Outsourcing Policy and a guideline ensuring the compliancy of the existing and future outsourcing contracts of AG with the requirements of the applicable outsourcing regulations. By means of a mandatory completion of a Business Risk Assessment and other assessment templates, relevant risk bodies are informed and discuss projects relying on outsourcing. AG has integrated in its internal outsourcing process the principles as set by the NBB Governance circular 2016_31 (as amended in 2020 by the NBB) which must be applied by insurance companies engaged in an outsourcing process. A reporting towards the Management Committee and the Board of Directors is in place.

Cloud applications are considered as a special category of outsourcing. A dedicated Cloud Policy and guidelines are established aligned with circular 2020_18 of the NBB.

The table below gives an overview of the critical or major operational activities, functions or tasks outsourced.

Activity	Country
Solvency II services including amongst others model validation	Belgium
Mainframe Servicing	Belgium
Postal mail management: triage the mail, open and scan certain pieces of the mail and send the scans electronically to the customer	Belgium
Printing of our documents	Belgium
Data Center: space and related facilities in a secured area.	Belgium
Non-Life Claims - Case management tool based on a cloud solution	USA

B.8 ANY OTHER INFORMATION

The effectiveness of the governance system is assessed on an annual basis as part of the System of Governance Adequacy assessment (SOGA). The SOGA is a self-assessment performed at the level of the Management Committee which is facilitated by the second line. It capitalizes on the Internal Control assessment, audit assignments and separate discussions on the governance with the respective responsible. Based on the different input sources, the SOGA report is drafted including conclusions on the adequacy of the system of governance and the identified shortcomings (if any).

Overall, AG considers its system of governance to be appropriate taking into account the nature, scale and complexity of the risks inherent in its business.

C

Risk profile

AG offers a wide range of insurance products and, like other insurance companies, faces a variety of risks, such as insurance risk, financial risk, operational risk, strategic and business risks. A risk taxonomy is in place which provides a consistent and comprehensive approach to risk identification, highlighting and defining the risks the Company is exposed to.

C.1 INSURANCE RISK

The results of life, health and non-life insurance business significantly depend upon the extent to which actual claims experience remains consistent with the assumptions used in the pricing of products as well as the extent to which technical provisions prove adequate. Besides the exposure to the risk of inadequate pricing and provisioning assumptions, the Company is also exposed to mass lapse risk, preventing expected profit to emerge due to a massive loss of business, as well as to catastrophe risk arising from pandemics, natural catastrophes (such as windstorms, hailstorms, floods or earthquakes) or man-made disasters (such as accidental explosions or acts of terrorism).

Each business manages insurance risk in line with a set of policies, in this case more specifically an insurance risk policy, an underwriting policy, a product approval policy, a claims management policy, a reserving policy and a reinsurance policy. Particular attention is given to the underwriting process, which encompasses risk selection and pricing and involves review procedures based on the actual loss experience. From a risk management point of view, this process needs to ensure that the underlying pricing assumptions and the customer segment actually purchasing the product are consistent. To this end a range of indicators and statistical analysis tools is employed.

Business lines set premiums at levels that will ensure that the premiums received and the investment income earned exceed the total value of claims, plus handling and management costs. Pricing appropriateness is tested with the use of a range of techniques and key performance indicators suitable for a particular portfolio. Next to a priori profit testing an a posteriori monitoring is in place based on the evolution of metrics such as the fair value and the combined ratio.

AG closely monitors reserving risk, i.e. the risk that the technical provisions prove inadequate, through tests which are performed on each reporting date and which potentially lead to recognition of additional liabilities that are charged to the income statement. Next to that, the Actuarial Function expresses its independent opinion on the overall adequacy of the liabilities arising from the insurance contracts.

AG also monitors and assesses insurance risk concentration according to the Solvency II methodology that underpins the calculation of the SCR, including geographical concentration with respect to property insurance (i.e. both man-made and natural catastrophe risk) and concentration with respect to insured events for health insurance (accident concentration risk). The geographical analyses with respect to property insurance, for both natural catastrophe risk (analysis per CRESTA zone²) and man-made catastrophe risk (analysis per 200m-circle³), are showing a geographically well-diversified portfolio. Concentration risk in health insurance is monitored on the basis of the SCR calculation for accident concentration risk, showing the low materiality of this risk.

In the normal course of business, insurance risk is partly managed by transferring risk exposure to certain underwriting risks to reinsurers through appropriate reinsurance arrangements (treaties). Under these arrangements, reinsurers assume a portion of the losses and expenses associated with reported and unreported claims in exchange for a share of the premiums. The Company primarily uses external reinsurance to mitigate the impact of natural catastrophes (e.g. windstorms, earthquakes and floods), large single claims from policies with high limits, and multiple claims triggered by a single man-made event. Reinsurers are selected primarily on pricing and counterparty risk considerations.

C.2 FINANCIAL RISK

Financial risk encompasses all risks relating to the value and performance of financial assets and, accordingly, represents the most significant risk AG is exposed to. The risk framework in place combines investment policies, limits, stress tests and regular monitoring to control the nature and the level of financial risks and to ensure that risks being taken remain within the Company's risk appetite and are appropriately rewarded.

Asset mix research is used to identify the appropriate strategic asset allocation while the market situation and prospects are monitored on a regular basis to decide on the tactical asset allocation. The decision process balances risk appetite, capital requirements, long-term risk and return, policyholder expectations, profit-sharing requirements, tax and liquidity aspects to achieve an appropriate target asset mix.

Within financial risk a distinction is made between market risk, default risk and liquidity risk.

² CRESTA is an acronym for 'Catastrophe Risk Evaluation and Standardising Target Accumulations'.

³ For each risk location an analysis is made of the totality of risks within a 200 meter radius.

C.3 MARKET RISK

Market risk refers to the risk of adverse changes in the financial situation resulting from fluctuations in the interest rate environment and/or in market prices of financial instruments. Market risk includes sub-risks such as interest rate risk, spread risk, property risk, equity risk, currency risk as well as market risk concentration.

C.3.1 Interest rate risk

The level of and volatility in interest rates may adversely affect AG's business. To be able to meet future liabilities, insurers invest in a variety of assets that typically include a large portfolio of fixed income securities. The evolution in interest rates impacts the return as well as the market value of the fixed income portfolio. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, economic and political considerations, inflation, governmental debt, the regulatory environment, and other factors that are beyond the Company's control.

Whereas an increase in interest rates generally leads to higher earnings because new investments (and reinvestments) can be made at higher rates, they also lead to a lower market value of the fixed income securities already in the portfolio. At the same time the discounted value of the technical provisions will decrease as well, which has a positive impact on the Company's net asset value. Decreasing interest rates have the opposite effects. As a consequence the final impact of an interest rate movement on AG's net asset value will depend on the respective durations of fixed income securities and technical provisions.

To reduce the impact of the interest rates on its net asset value, AG attempts to match its liabilities with fixed income assets that have the same, or a similar, sensitivity to interest rates, thereby offsetting the interest rate risk between assets and liabilities. Interest rate risk is closely monitored using a number of indicators including mismatch analysis and stress testing. AG's Market Risk Policy requires close matching where possible, unless specifically approved otherwise. If deemed appropriate, derivative instruments such as interest rate swaps and swaptions are used to mitigate the exposure to interest rate risk.

There is a correlation between interest rate risk and lapse risk (which is a part of insurance risk) in the sense that in case of a steep rise in interest rates lapses (or surrenders) could temporarily increase as higher investment returns may be available elsewhere and policyholders would have an incentive to switch. This risk is mitigated by the existence of tax incentives and by surrender penalties on certain products.

C.3.2 Spread risk

AG owns a significant fixed income portfolio, mainly composed of sovereign and corporate bonds. The exposure to (credit) spread risk primarily relates to market price and cash flow variability associated with changes in credit spreads. Spread widening will, for example, reduce the value of fixed income securities held while increasing the investment income associated with acquisitions of fixed income securities. Conversely, spread tightening will generally increase the value of fixed income securities in the portfolio and will reduce the investment income associated with acquisitions of fixed income securities. A number of factors may cause a change in spread of an individual asset or a whole class of assets, including a perception or fear in the market of an increased likelihood of default.

AG generally aims to hold fixed income investments until maturity, which is made possible by the illiquidity of a large part of its liabilities. This strategy reduces the impact of spread risk significantly, because the Company will in general not be in a position where it has to sell at distressed prices (though it may decide to do so if it considers this to be a better course of action).

C.3.3 Property risk

The value of the property portfolio which includes investments in offices, retail, logistic centres and nursing homes as well as car parks across Europe (through a participation in Interparking) is subject to risks related to, among others, property prices, rent levels, occupancy levels, consumer spending and interest rates. Changes in these factors can cause volatility in the value of the portfolio.

AG has the necessary tools in place to closely monitor the property risk it is exposed to. This risk is mitigated through a significant number of long-term renting contracts with stable (institutional) counterparties and through investing in real estate and car parks which are geographically spread over Europe. For risk management purposes, the definition of real estate exposure is based on the market value of the properties and includes property held for own use. This differs from the exposure reported under IFRS that excludes unrealised gains and separately reports property held for own use.

C.3.4 Equity risk

Stock market volatility may significantly affect equity market prices and reduce unrealised capital gains (or increase unrealised capital losses) in the investment portfolio. Volatility may also negatively affect the demand for certain insurance products such as Unit-Linked products. Stock market downturns and high volatility occur not only because of the economic

cycle, but also because of international tensions, acts of terrorism, natural disasters, pandemics or other events that are beyond the Company's control.

AG manages equity risk through limit setting in line with the strategic asset allocation and risk appetite, as well as through an investment policy that requires a range of controls to be in place including actions required in the event of significant decreases in value.

C.3.5 Currency risk

Currency risk arises from changes in the level or volatility of relevant currency exchange rates when there is a mismatch between assets and liabilities in the considered currency. AG carries a limited amount of foreign currency exposures, in particular to U.S. dollar.

The Company's Investment Policy limits this risk by putting limits on unhedged currency risk, i.e. currency exposure resulting from a currency mismatch between assets and liabilities and not hedged by specific instruments or strategies.

C.3.6 Market risk concentration

Market risk concentration refers to the risks stemming from a lack of diversification in the asset portfolio, leading to a large exposure towards a single issuer of securities or a group of related issuers.

In order to mitigate this risk, diversification is an essential objective of the Investment Policy which defines concentration limits and encourages the use of different asset classes with sufficient geographical diversification together with diversification on industries and issuers.

As to market risk concentration, AG has a significant exposure to Belgian sovereign bonds. Though in line with its Investment Policy, AG acknowledges that the occurrence of a Belgian state default scenario could significantly harm its solvency and capital position under all relevant hypotheses. The current exposure is nevertheless considered to be acceptable based on the belief that a default of the Belgian state can be considered as highly improbable. Nevertheless, if such a scenario should materialise, it is expected that given its consequences for the Belgian insurance sector as a whole it would call for appropriate sector-wide measures.

Through investments in shares, corporate bonds and real estate, AG has an important exposure to BNP Paribas Fortis as well, which remains firmly within the boundaries set for all corporate exposures and as a consequence within AG's risk appetite.

C.3.7 Risk sensitivity

As part of its risk appetite monitoring AG performs stress and scenario testing on a regular basis, a.o. in its quarterly risk reporting. Stress and scenario testing (including reverse stress tests) is an integral part of the Own Risk and Solvency Assessment (ORSA) as well and finally stress tests are performed on an ad hoc basis, e.g. on request of NBB and/or EIOPA. Whereas these tests - given the importance of the Company's asset and liability matching - show a low sensitivity to interest rate movements, some vulnerability to spread widening could be observed. The latter is however not to be considered as an economic issue but rather as a consequence of the treatment of spread movements under the prevailing Solvency II framework. There is also a clear impact from a downturn in property values, linked to the relatively important exposure, but this remains clearly within the Company's risk appetite.

in EUR million	Own funds	SCR	Solvency ratio	Δ Base (pp)
Official Q4 2020	5.538	2.845	195%	
Government/corporate bonds +50bps	4.709	3.193	147%	-47
Government +50bps	4.526	3.350	135%	-60
Corporate bonds +50bps	5.666	2.745	206%	12
Ultimate forward rate 3,50%	5.486	2.857	192%	-3
Ultimate forward rate 3,60%	5.506	2.851	193%	-2
Equity -25%	5.049	2.742	184%	-11
Property -10%	5.196	2.973	175%	-20
Yield curve +50bps	5.631	2.758	204%	9
Yield curve -50bps	5.401	2.921	185%	-10

C.4 DEFAULT RISK

Default risk arises directly from AG's investment activities, due to exposure to issuers of sovereign or corporate bonds as well as from default exposure to other counterparties and debtors.

Investment default risk includes the risk of actual default of the issuer of sovereign or corporate bonds. There is a risk that the debt issuer may be unable or unwilling to repay the principal or pay due interests, and AG may have limited recourse to compel payment.

Investment default risk is actively managed through limits which take into account the type of credit exposure, the credit quality (translated into credit ratings) and the maturity. Regular monitoring and early warning systems are in place. AG recognises in its accounting impairment losses for specific credit risk if there is objective evidence that it will not be possible to collect all amounts due in accordance with contractual terms. The amount of the impairment loss is the difference between the carrying amount and the recoverable amount. For market-traded securities, the recoverable amount is the remaining market value.

Counterparty default risk reflects possible losses due to the unexpected default of third parties involved in risk-mitigating contracts, such as reinsurance arrangements, securitizations and derivatives. Assets exposed to counterparty risk further include receivables from intermediaries and clients, private loans to intermediaries, mortgage loans to clients and policy loans to policyholders.

The necessary tools are in place to closely monitor the creditworthiness of the reinsurers AG deals with based on periodic reviews of their financial statements, reputation and rating. Counterparty default risk with respect to loans is managed in line with a specific Loans Policy. A dedicated team manages relations with intermediaries and has a procedure in place for selecting the appropriate intermediaries. Acceptance criteria (including account limits) apply when granting private loans or mortgage loans.

C.5 LIQUIDITY RISK

Liquidity risk is the inability to meet cash obligations when payment is due. Two categories of liquidity risk are considered: *funding liquidity risk* being the inability to meet all cash demands of policyholders or other contract holders, in both normal and stressed circumstances, without suffering unacceptable losses, and *market liquidity risk* which is the inability to realise assets due to inadequate market depth or market disruption.

Liquidity risk in the business stems from the liquidity characteristics of assets and liabilities. Some life insurance liabilities are subject to surrender while others, such as pension insurance liabilities, term insurance liabilities and annuities, are highly illiquid. Tax legislation and built-in penalties in case of surrender strengthen the illiquidity of some specific life insurance products. Property and casualty insurance liabilities are also considered illiquid by nature. Assets are characterised by a different degree of liquidity, ranging from highly liquid (e.g. cash) to a low degree of liquidity (e.g. real estate). Additionally, a protracted slowdown may reduce the liquidity of markets that are under normal circumstances liquid (cf. definition of market liquidity risk above).

Liquidity risk is not considered to be a significant risk for an insurer, as could be observed in the stressed and illiquid market conditions of 2008. The nature of liquidity risk in insurance entities is not comparable to that in banking entities, mainly because of the different structure of the asset/liability profile: banking activities are generally confronted with liabilities that have shorter durations than the corresponding assets, while for insurance activities the contrary holds. As part of the ORSA, a stress test with respect to liquidity has been performed which confirms this conclusion.

Liquidity risk management at AG level involves determining the liquidity ratio in a normal and in a stressed situation (1 in 200 scenario) which is monitored on a regular basis, with corrective actions taken should certain thresholds be reached.

The expected profit included in future premiums (i.e. EPIFP which amounts to 87,5 million EUR) which can be taken into account to cover solvency requirements, is - given its illiquid nature - not taken into account to cover liquidity risk. The EPIFP is calculated as the difference between on the one hand the total Own Funds and on the other hand Own Funds which have been recalculated as if no future premiums would be received. The second calculation assumes that not receiving the premiums does not lead to surrender of the contract but that it remains in force.

C.6 OPERATIONAL RISK

Operational risk is the risk of losses arising from inadequate or failed internal processes, people and systems, or from external events. Although assuming operational risk is part of business activities, it is normally an undesired type of risk because higher risk-taking does not lead to higher rewards. The ultimate goal of operational risk management is therefore protecting the value and assets of the company (including its franchise quality) against negative impacts from risks that could materially harm the company and its different stakeholders (investors, customers, employees, partners and society).

As operational risk is diverse in nature and permeates in all business activities, operational risk management is embedded in the whole organization, as an integral part of sound business decision-making. This enables an appropriate understanding of the nature and significance of the operational risks the Company is exposed to and its ability to mitigate them.

AG has a sound operational risk management in place for administering its portfolio of products, activities, processes and systems, generally covering all domains of operational risk:

- ✓ clients, products and business practices
- ✓ execution, delivery and process management
- ✓ business disruption and system failures
- ✓ employment practices and workplace safety
- ✓ internal fraud risk
- ✓ external fraud risk
- ✓ damage to physical assets.

Management of operational risk is an important element in the safeguarding of AG's franchise quality. In this context, a risk appetite is defined which has been translated in a number of key risk indicators (KRIs), i.e. metrics used to provide an early warning of increasing risk exposures and allow to monitor compliance with the operational risk appetite and tolerances.

Operational risk procedures include the following activities:

- ✓ *Business continuity management*, being the process for identifying and managing the organization's exposure to internal and external threats and the impacts to business operations these threats might cause, is in place. It encompasses two stages: contingency planning (proactive - with a focus on business continuity and disaster recovery planning) and crisis management (responsive - during the disruptive event);
- ✓ AG's services are knowledge- and information- intensive. *Information security management*, being the process of protecting information assets in a continuous and appropriate way from accidental or intentional breaches, is therefore an important part of the operational risk management. Given the increase over time in cyber criminality, cyber risk including data leakage and data protection aspects (with special attention to personal data) is a major point of attention. Note that AG is ISO 27001 certified for its IT processes;
- ✓ AG wants to be recognised as an insurance company of the greatest integrity, with high ambitions towards prevention, detection and investigation of acts of *fraud* committed both internally and externally. To increase awareness, AG invests in fraud prevention so that staff in all fraud-sensitive departments receives training for fraud prevention. With regard to detection and investigation, AG has a zero-tolerance policy against fraud, which means that in case of risk occurrence, mitigating and /or corrective actions are imposed;
- ✓ *Internal control*, including the implementation of robust controls to prevent operational losses throughout the Company is in place. Note that this is a continuous point of attention for all employees;
- ✓ Adequate *insurance protection* is purchased to prevent financial consequences of major incidents damaging the assets of the Company (professional liability, fraud, natural disasters, etc.);
- ✓ AG relies on a number of external parties providing services in the context of an *outsourcing* contract or another service agreement. As relying on external providers in no way reduces the responsibilities of AG, mitigating actions are in place for both the selection of a new provider and the follow-up of existing agreements;
- ✓ AG, like any insurance company, is subject to changes in the legal and/or regulatory environment. AG closely monitors and anticipates ongoing legal/regulatory changes, allowing to manage *compliance risk*, avoid surprises and be ready in time for each change;
- ✓ When launching new *projects*, AG performs an assessment of operational risks related to that project using a standard questionnaire. This assessment allows to define the required mitigating actions.
- ✓ Incidents and operational losses are tracked and logged in an *incident register*; this register serves as a basis for the definition of mitigating actions to enable continuous improvement.

C.7 STRATEGIC AND BUSINESS RISK

Strategic risk generally emerges as a result of adverse business decisions, improper implementation of decisions, or a lack of responsiveness to industry changes. Strategic risk is addressed by examining multi-year scenarios, considering the related risks, as well as monitoring the implementation of the chosen strategy through the multi-year business plan. The latter takes into account all the current and future risks as identified through the annual key risk identification process. ORSA furthermore provides insights on how these risks could potentially jeopardize the achievement of the strategic and business plan and to what extent these plans have the adequate capacity to withstand and mitigate these risks.

Business risk is a potential consequence of changes in external factors - political, economic, social, technological, environmental or legal - affecting the environment and conditions in which AG operates. This includes both elements directly related to the business environment, such as a change in customer behaviour, a change in distribution landscape or a strategic move from competitors, and more general external factors such as climate change. A major element in this context are sustainability risks, defined as risks which are due to environmental, social and governance issues (ESG issues). Business risk management requires pre-emptive risk management, anticipating possible developments in the environment. In this regard, AG uses a structured horizon-scanning process (called 'RADAR') to detect threats (and opportunities) surrounding its activities. This information is exploited in the strategic and multi-year planning process and the ORSA (Own Risk and Solvency Assessment). More specifically with respect to sustainability risks, AG considers corporate social responsibility as part of its strategy.

C.8 IMPACT ON REPUTATION

AG acknowledges the possible risk of loss of reputation arising from the adverse perception of its image on the part of its different stakeholders: investors, customers, employees, partners and society, etc., with a possible impact on solvency, earnings, liquidity or on its franchise quality. In order to mitigate a potential impact of any event on its reputation, AG maintains a long-standing commitment to sustainable business practices and good governance, as well as clear corporate values, a business code of conduct, robust internal controls and a clear dialogue with its stakeholders. Key risk indicators (KRIs) are defined in order to properly monitor and react in case these risks might materialize. Communication plans appropriate for the situation that arises have been prepared.

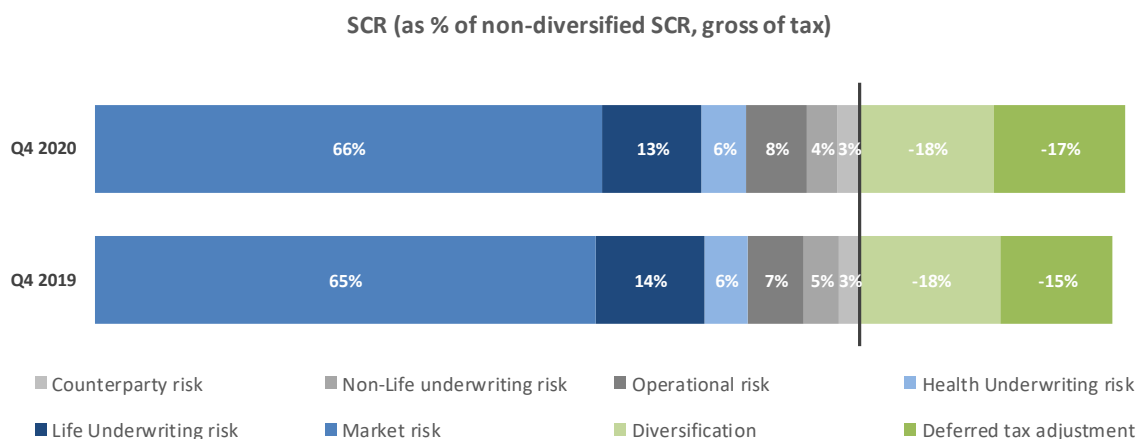
AG is identified by the NBB as a systemically important financial institution (SIFI). As such, AG falls under the specific supervision of the NBB for all the strategic decisions. The NBB has the right to oppose strategic decisions intended by AG if they are deemed unfit to the sound and prudent management of a SIFI or if they create a material risk for the stability of the financial sector. The NBB may also impose additional specific measures on AG, including those in relation to liquidity, solvency, risk concentration and risk positions, if the NBB determines that, as a SIFI, AG has an inadequate risk profile or if its policy can have a negative impact on the stability of the financial system.

C.9 RISK EXPOSURE

AG measures the exposure to quantifiable risks by means of a partial internal model (PIM) used for determining the Solvency II capital requirements (SCR). Apart from the use of the standard formula for most of the risks, the partial internal model includes an internal model for non-life underwriting risk.

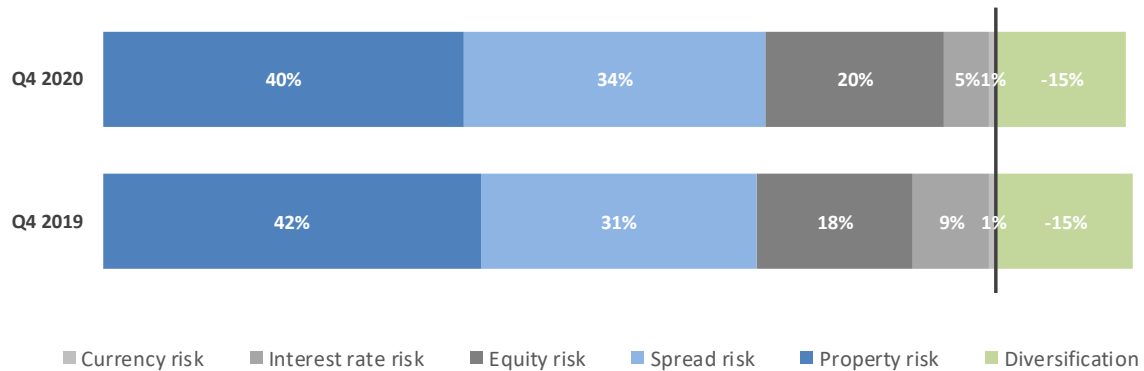
Expressed in terms of SCR capital consumption, a major part of the risk exposure stems from financial risk with spread risk, property risk and equity risk being its main contributors. Note that thanks to the importance of the Company's asset and liability duration matching strategy, one can observe a limited risk sensitivity to interest rate movements on the existing book of business, hence resulting in a relatively low SCR for interest rate risk. While insurance risk is the second largest contributor, operational risk and counterparty risk are contributing to a lesser extent to the risk capital consumption. An important capital relief stems from adjusting required capital for the loss-absorbing capacity of deferred taxes.

The graph below shows the contribution of the different risk factors to the total amount of SCR:



A detailed view on the market risk SCR is provided by the graph below:

Market Subrisks (as % of non-diversified Market Risk)



Through a multi-channel and a multi-product approach, diversification is fostered, which makes AG benefit from non-negligible diversification benefits in the determination of its required capital. An own assessment of the solvency and capital needs, which is used for management reasons and within the context of ORSA, complements the regulatory required capital view.

C.10 ANY OTHER INFORMATION

No other information.

D

Valuation for solvency purposes

D.1 ASSETS

D.1.1 Description of the bases, methods and main assumptions

Solvency II starts from the Market-consistent Balance Sheet (MCBS) which requires assets and liabilities to be valued at fair value. In line with IFRS, Solvency II defines fair value (FV) as the amount for which an asset could be exchanged, a liability settled or a granted equity instrument exchanged between knowledgeable, willing parties in an arm's length transaction. The valuation of assets at fair value is based either on quoted prices in active markets (mark to market; level 1), observable market data in active markets (mark to model; level 2) or unobservable market data (mark to model; level 3).

The table below summarises per material class of assets the bases, methods and main assumptions used for the valuation of assets. For the quantitative data we refer to the Quantitative Reporting Template S.02.01.02 in annex 1.

Asset class	Mark to model?	Basis, methods and main assumptions used
Goodwill - Deferred acquisition costs - Intangible assets	NA	Valued at nil.
Deferred tax assets (DTA)	No	The valuation of the DTA is based on the difference between the value of the underlying assets and liabilities in the Market-Consistent Balance Sheet and the value on the tax base balance sheet. The measurement principles of IAS 12 are applied in valuing deferred tax assets. DTA is only recognised insofar it can be recovered in future.
Property, plant and equipment (PPE) held for own use	Yes	The PPE is independently valued and verified by an external source minimally once a year.
Property (other than for own use)	Yes	The investment property is independently valued and verified by an external source minimally once a year.
Participations	Yes	Related parties on which no look-through is applied and joint ventures are presented as participations in the solo Solvency II MCBS. The adjusted equity method is applied meaning that underlying assets/liabilities of that participation are valued at fair value according to article 75 of the Solvency II Directive.
Equities	No	Equities are valued mark-to-market based on quoted prices in active markets that are sourced independently (level 1).
Government Bonds	If mark to market is not possible	Bonds are valued mark to market based on quoted prices in active markets that are sourced independently. They are valued mark to model where there is no market price available and observable data in active markets (level 2) or unobservable market data (level 3) are used.
Corporate Bonds - Collateralised securities - Investment funds	If mark to market is not possible	Bonds are valued mark to market based on quoted prices in active markets that are sourced independently or mark to model where observable data in active markets (level 2) or unobservable market data (some corporate debt securities) (level 3) are used. Depending on the significance of the unobserved data used in these calculations, the valuation is classified as level 2 or 3.
Derivatives	If mark to market is not possible	Derivatives are valued mark to model if mark to market is not possible, using external or internal valuation and cross-checked with counterparties. The derivatives are held for trading or hedging purposes and relate to interest rate and equity options, interest rate swaps and foreign exchange contracts. Derivatives held for trading are based on a level 2 valuation (observable market data in active markets).

Asset class	Mark to model?	Basis, methods and main assumptions used
Deposits other than cash equivalents	Yes	Deposits are valued using discounted cash flow methodology, discounting with a spread based on the average commercial margin on the new production over the last 3 months.
Other investments - Assets held for Index-Linked and Unit-Linked funds	If mark to market is not possible	Assets are valued mark to market based on quoted prices in active markets that are sourced independently. They are valued mark to model where there is no market price available and observable data in active markets (level 2) or unobservable market data (level 3) are used.
Loans and mortgages to individuals	If mark to market is not possible	To the extent loans are originated or purchased from third parties, they are valued based on the transfer price of such loans/debt securities to third party at year-end date. The valuation may involve using mark-to-model if there are no readily available market prices for such loans.
Deposits to cedants - Insurance and intermediaries receivables - Reinsurance receivables - Receivables (trade, not insurance)	No	IFRS value (amortised cost) is used because of immaterial differences between amortised cost and fair value (short term receivables).
Reinsurance recoverables	Yes	Difference between fair value of technical provisions (as described below) net and gross of reinsurance is used.
Cash and cash equivalents	No	Fair value equals the nominal value, as these items have a term less than three months from the date on which they were acquired.
Any other assets, not elsewhere shown	No	IFRS value (amortised cost) is used because of immaterial differences between amortised cost and fair value (short term receivables).

D.1.2 Material differences between Solvency II and IFRS

The table below summarises per asset class the material differences between the valuation for Solvency II purposes and the IFRS valuation.

Asset class	Material differences
Goodwill, Deferred acquisition costs, Intangible assets	Under Solvency II all intangibles within AG are valued at nil. Under IFRS AG values its intangibles at amortised cost or historical cost less any impairment.
Deferred tax assets	Under Solvency II the valuation is based on temporary differences between the MCBS and the tax base balance sheet. Under IFRS it is based on temporary differences between the IFRS balance sheet and the tax base balance sheet.
Property, plant and equipment (PPE) held for own use	Under Solvency II these are fair valued. For IFRS purposes AG uses the cost approach.
Property (other than for own use)	
Different types of Financial investments - mainly Bonds held to maturity (HTM)	Under Solvency II these instruments are fair valued while under IFRS they are valued at amortised cost.
Loans and mortgages to individuals	

D.2 TECHNICAL PROVISIONS

D.2.1 Introduction

The calculation of the best estimate liabilities is based on the best estimate assumptions setting (economic and non-economic assumptions). For the figures, we refer to the Quantitative Reporting Templates (S.12.01.02, S.17.01.02 and S.02.01.02 in annex).

The main objective of a cash-flow model is to determine the mark to model value of liabilities (also called the best estimate liabilities). While most of the asset prices are quoted or can be replicated with analytical or numerical formulas, regarding liabilities, the only available information is the accounting value of reserves, which does not properly reflect the market value of liabilities. In order to calculate the market value of liabilities, the mark to model method consists in projecting the future liability cash flows and discounting them.

For the *non-life business*, the calculation of the undiscounted best estimate (claims, premiums and reinsurance recoverables) is performed by homogeneous risk group (HRG) as well as by type of loss, i.e. attritional loss, large loss and catastrophe loss. The valuation of the technical provision starts with a 3-step classification of the non-life policies. In addition, one deterministic cash-flow projection is sufficient to determine best estimate value of the liabilities because cash flows do not vary with the economic environment.

For the *life business*, policies are grouped into homogenous risk groups (model points), and are run off following best estimate assumptions. Afterwards, the model points are aggregated in Solvency II Lines of Business. Furthermore, for life insurance contracts, stochastic economic scenarios are simulated in order to capture the impact on the liability cash flows of a change on the asset side as a consequence of the optionalities in the insurance contracts and which depend on the economic situation (profit sharing distribution, etc.). Therefore, the liability cash flows can be split into two different parts:

- ✓ *Fixed liabilities*: part that corresponds to the guaranteed liability cash flows which are valued through the discounting of deterministic future cash flows at the zero-coupon yield curve. It mainly consists of future premiums on in-force business, projected guaranteed benefits (without any profit sharing component) and costs and other revenues (commissions, maintenance expenses). The value of these cash flows is totally independent of the value of the assets and can be calculated with one simulation.
- ✓ *Variable liabilities*: part that mainly corresponds to options and guarantees in the contracts, taxes and investment costs. Variable liabilities are determined mark-to-model through the application of risk-neutral valuation principles. The risk factors that are identified to be the underlying source of uncertainty in asset and liability valuation are stochastically projected in the future according to the risk-neutral principle (arbitrage-free model). Risk factors are usually financial market variables, such as equity prices, foreign exchange rates, yield curves, real estate prices. The value of these cash flows is dependent on asset returns and/or yield curve evolution.

D.2.2 Non-economic assumptions

Non-economic assumptions are generally based on analyses of past experience combined with a view on what can be expected in the future taking into account the evolution of the environment (i.e. to which extent are past observations still representative of the future). The approach followed in setting best estimate non-economic assumptions for each risk factor consists in analysing past observations and in most cases fitting a statistical model on these, where relevant, combining the management's view of the expected future experience and allowing for any underlying trend in the data (such as expected realistic future demographic, medical or economic developments).

Non-economic assumptions relate to mortality and longevity; morbidity and disability; lapse, persistency, surrender, withdrawals, paid-up rate; expenses (including the non-hedgeable part of expense inflation); claims inflation; commissions and management actions parameters (as, for instance, those inherent to the profit sharing rules).

The appropriateness of these assumptions is assessed thanks to different tests, which are part of a yearly assumptions calibration cycle. For instance, the non-economic assumptions underlying the calculation of the best estimate are regularly compared with experience and this based on a standardized back-testing procedure. Sensitivities are also performed on a regular basis highlighting the impact of these assumptions on the results. On top of this, the adequacy of the valuation of assets and liabilities is tested through the variance analysis which explains the evolution of the value between two successive periods. This analysis provides a view on the different drivers of the value change which can then be combined with back-tests in order to draw conclusions about the appropriateness of the assumptions.

For *non-life business*, a specific testing procedure has been developed that covers the full calculation process, including tests on data pre-processing, calculation of best estimate (including methods, assumptions and parameters) and outputs. This testing procedure involves a number of tests such as data testing (e.g. testing whether the data required by a specific method is available and is of sufficient quality), testing underlying assumptions of methods, back-testing, sensitivity testing, analysis of change, benchmarking, scenario testing.

D.2.2.1 Mortality and longevity

Mortality and longevity best estimate assumptions are set based on statistical analysis of the experience data of the Company as well as of external observable data. Best estimate assumptions include trend changes if these are significant for the long-term nature of the underwritten risks (e.g. trends on mortality improvements incorporated within the longevity or mortality projections).

D.2.2.2 Morbidity and disability

Morbidity and disability assumptions are set following a statistical analysis/study on the experience data of the Company and/or external observable data. For disability, credible market experience may be used when the Company is of the opinion that this represents a comparable experience to the Company's experience and when the Company's own data are too limited in order to calibrate solely based on these data.

D.2.2.3 Lapse, persistency, surrender, withdrawals, paid-up

Lapse, persistency, surrender, withdrawals, paid-up refer to an event where the policyholder chooses to alter the contract by ceasing to pay premiums or by withdrawing some or all of the value accumulated in the policy to date. This action may end the insurer's liability to the insured or simply reduce it.

For the *life business*, a policy is assumed to lapse or surrender when the policyholder decides to terminate the contract before the end of the policy term. A partial withdrawal happens when part of the fund is withdrawn in advance of the maturity date. A policy is assumed to become paid-up when the policyholder decides to terminate the contractual payments before the end of the policy term. Paid-up policies, surrenders, lapses and partial withdrawals are collectively labelled lapses. Lapse studies are performed on experience data. In case these data are not available or found to be inadequate to perform an experience study, then a lapse rate of a similar product is considered. Lapse rates are dependent on relevant drivers linked to the policyholder's propensity to surrender his policy, where the data to be analysed is suitably credible and where the assumption is sufficiently material. Examples include product and seniority of the policy.

For the *non-life business*, the valuation of premium provisions and more specifically the part linked to *tacit renewals where a legal obligation exists* does not take into account future policyholder behaviour with respect to policy lapse during the remaining period, as experience shows that its impact is not material.

D.2.2.4 Expenses

For the *life business*, all expenses that will be incurred in servicing insurance and reinsurance obligations are taken into account. The total expense basis allocated to life insurance activities within scope represents the forecasted level of incurred expenses over the ongoing calendar year. These include investment expenses, future expenses directly related to ongoing administration of insurance obligations together with a share of relevant overhead expenses. Since acquisition expenses relate to the sale of new business, and since future new life insurance contracts are not to be considered in the valuation of the technical provisions, acquisition expenses are not included in the valuation of technical provisions. Guidance is in place regarding the classification of expenses between acquisition and administration. Moreover, the modelling in the liability cash flow models is also linking specific costs with the assumed occurrence of an activity (as, for instance, maturity payment).

For the *non-life business*, expenses consist of commissions to be paid between the valuation date and the term of the contract, acquisition expenses (other than commissions), administrative expenses (and operating cost) necessary to administrate the contracts during the valuation period including reinsurance cost, claims expenses necessary to handle the claims until settlement. Expenses associated with reinsurance contracts and special purpose vehicles are included in the gross calculation of the best estimate. Furthermore *allocated loss adjustment expenses* (ALAE) are not considered separately from future claims payments and are included in claims payments projections whereas *unallocated loss adjustment expenses* (ULAE) are valued separately from the claims payments. The assumptions are based on experience over the last year(s). By doing this, any trends observed or unusual events such as catastrophes are analysed as to the need to include these in future projection valuations. In this aspect, the past one-off expenses may be adjusted if deemed relevant. Moreover expenses are supposed to be calculated on a going concern basis with special consideration for the portfolio being growing, declining or in run off. Forward looking information (e.g. coming from budget exercise) is included in the determination of the expense cash-flows where appropriate. Finally, future acquisition costs are valued regarding cash-flows related to premium provisions and considered differently following the fact that the premium has already been written or not. For the part of provisions constituted by premium already written, no acquisition cost is projected since all expenses can be considered as having been paid at the drawing up of the contract. Acquisition expenses are considered to be paid in the first year, except for multi-year contracts with yearly premiums.

Regarding expense inflation, assumptions are made for the different types of expenses (claims expenses, acquisition expenses, administrations). Inflation is elaborated upon in the next section, "Claims Inflation".

D.2.2.5 Claims inflation

For the *life business* expense assumptions include an allowance for the expected future cost inflation.

For the *non-life business*, inflation is considered as well when projecting the future cash flows. The cash flows that potentially will be impacted by inflation are premiums when the premium is dependent on salary mass or when the premiums are indexed according to pre-defined indices, expenses with the biggest part being the salaries that will evolve with time and claims costs. The inflation is considered implicitly or explicitly in the cash flow projections depending on the type of provision (premium or claims) and the method used to calculate the best estimate.

D.2.2.6 Commissions

Regarding the *life business*, the total of allocated commissions represent the actual commissions for the past calendar year. The commission assumptions cover acquisition commissions, renewal commissions, bonus commissions and claw-back of unearned commission in case of lapse. Since future new contracts are out of scope for solvency purposes, acquisition commissions are not included in the valuation of technical provisions.

For the *non-life business*, the commissions to be paid between the valuation date and the term of the contract are considered. Usually commissions are considered to be paid in the first year for “traditional” non-life contracts. Commissions arising from insurance contracts are considered based on the terms of the contracts between AG and the sales persons (brokers or agents). Commissions are accounted for renewals linked to contract boundaries or future premium for in-force contracts (instalments or multi-year contracts). Future commission assumptions are only considered for the part of the premium provisions related to premiums not already written. These commission assumptions are generally expressed as a percentage of written premiums.

D.2.2.7 Management rules

For *life business*, two types of management rules are used within the valuation of technical provisions: *asset management rules* and *profit sharing rules*.

- ✓ *Asset management rules*: govern the way investment assets are managed throughout the projection in view of maintaining over the projection horizon an asset allocation in line with the risk appetite and thus with the Strategic Asset Allocation (SAA). Like in reality, asset management is performed in the model at asset fund level following a parametrization in line with the most recent Strategic Asset Allocation. Along the projection, asset management consists in a rebalancing of assets in order to reach a long term target asset mix, the so-called Strategic Asset Allocation. The asset management rules are designed and parametrized to converge smoothly to the SAA thanks to defined leeways and to a buy-and-hold strategy.
- ✓ *Profit sharing rules*: for life business, profit sharing can be discretionary or non-discretionary. Modelling of the non-discretionary profit sharing follows the contractual obligation of the policy and is hence not a management rule. Profit sharing that is left at the discretion of the company is modelled through a management rule, according to the profit sharing practice in reality.

For *non-life business*, the importance of management actions is usually very limited. Only cuts in bonuses (for products with discretionary participation schemes) can be considered in the best estimate calculation (as part of management actions). However, AG is currently not taking into account any management actions for the determination of the non-life best estimate, because of limited materiality.

D.2.3 Economic assumptions

Economic assumptions are set consistently with information about or provided by financial markets. As a general principle, the financial information used should be such that it allows the estimation of reliable assumptions when it is observed in deep, liquid and transparent markets. However, information observed in other types of markets may be used, to the extent possible, provided that appropriate tests or adjustments can be applied to demonstrate its reliability.

D.2.3.1 Reference and discount rate

The construction of the reference and discount rate is based on the risk-free interest rate technical documentation released for each Solvency II exercise. It corresponds to a curve composed of:

- ✓ the market swap rate curve (Euro) at the valuation date
- ✓ a credit risk adjustment (CRA) taking into account the credit risk inherent to the swap curve
- ✓ a volatility adjustment (VA) determined by EIOPA with the aim to partially compensate the volatility of assets considering that insurance companies are investing in long-term fixed income bonds to cover their engagement towards policyholders
- ✓ an extrapolation resulting in the convergence to the ultimate forward rate (UFR) of 3.75% (since 2020) starting as from maturities after the last liquid point (LLP), 20 years for the Eurozone.

D.2.3.2 Volatilities

The asset models are calibrated on the basis of appropriate volatility measures, which are based either on implied volatilities or on historical volatilities. Implied volatilities are the volatilities implied by option prices observed in the market. The volatilities are set for each risk factor that can be largely categorized under the following asset classes: shares, real estate and fixed income. Implied volatilities are preferred when they are available and applicable. When these are not available or are not applicable, historical volatilities can be used as an alternative. In the determination of the historical volatilities, an appropriate time period should be taken into account.

D.2.3.3 Stochastic valuation

Where the value of options and guarantees is taken into account, best estimate liabilities are calculated using stochastic valuation techniques (Monte Carlo simulation) based on risk-neutral scenarios. Scenarios are generated for the following asset classes:

- ✓ fixed income bonds: a risk-free curve and relevant credit spreads for both corporate and sovereign bonds
- ✓ shares: calibration is based on market implied volatilities (e.g. Eurostoxx for European equities, S&P 500 for American equities, etc.)
- ✓ real estate: calibration is based on AG Real Estate in-house calibrated volatilities

Each simulation will have impacts on the variable cash flows, whereas fixed cash flows will remain constant.

AG calculates the best estimate gross of reinsurance, with a separate calculation of the amounts recoverable from reinsurance.

D.2.4 Risk Margin

The methodology for the calculation of the risk margin is consistent between the life business and the non-life business. This methodology is based on a proportional projected approach whereby the non-hedgeable SCR at start-up is run off following the selected risk drivers at Solvency II lines of business level. Risk drivers are the benefit payments or exposure to which there is an obligation from the insurer towards the policyholder. If more granularity is allowed, the risk drivers are then determined at that lower level. A cost of capital rate of 6% as defined by EIOPA is then applied on the net present value of the future non-hedgeable SCR. A bottom-up calculation is performed at model point level.

D.2.5 Level of uncertainty

The level of uncertainty of the Solvency II technical provisions is described and assessed in the Actuarial Function report which is released periodically.

Sources of uncertainty can mainly stem from the modelling and assumptions aspects of the calculation of Solvency II technical provisions. The Company aims at assessing and/or limiting these thanks to different elements.

As to the model point of view, methodological choices in terms of modelling can create variations in the calculation of Solvency II technical provisions. In order to manage this, the Company relies on modelling best practices discussed in technical committees and regularly reviewed in compliance with the Model Management Policy. In addition, risk of implementation error can bring uncertainty, for example when a modelling principle is not correctly translated into the programming code.

As to the assumption point of view, the adequacy of hypotheses choices is challenged and reviewed by the Actuarial Function, and its variance is assessed by the Solvency II analysis of change process that aims at capturing notably the impacts of non-economic assumptions. Furthermore, operational risks concerning assumptions are limited by the constant improvement of data quality through automation and testing of the data flow along the process (in application of the Data Management Policy).

D.2.6 Material differences between Solvency II and IFRS

The technical provisions mentioned in Solvency II MCBS are not the same as defined under IFRS. Difference in methodology exists between Solvency II reserving and IFRS reserving. The table below summarises the material differences per material class of liabilities, the bases, methods and main assumptions used for the valuation of the liabilities.

MCBS item	Solvency II valuation	IFRS valuation	Conclusion
Technical provisions not arising from Unit-Linked contracts	Fair value – AG uses the valuation principles and rules set under Solvency II for valuing the insurance liabilities based on a best estimate basis including the	Valued based on GAAP using the estimation process explained in the GAAP (assume existing IFRS)	Given the differences in methodology between both frameworks, valuation for Solvency II purposes is done

Technical provisions arising from Unit-Linked contracts	market value embedded options and guarantees and the relevant risk margin based on the cost of capital method.	The liabilities for such contracts are measured at unit value (i.e. fair value of the fund in which the Unit-Linked contracts are invested divided by the number of units of the fund).	independently from accounting valuation.
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D.2.7 Volatility adjustment

AG makes use of the volatility adjustment referred to in Article 77d of Directive 2009/138/EC. For the related figures reference is made to QRT S.22.01.02 in annex.

D.2.8 Transitional risk-free interest rate-term structure

AG does not apply the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC.

D.3 OTHER LIABILITIES

D.3.1 Description of the bases, methods and main assumptions

The table below summarises - per material class of other liabilities - the bases, methods and main assumptions used for the valuation of the other liabilities. For the data, we refer to the Quantitative Reporting Template (S.02.01.02).

Other liability class	Mark to model	Basis, methods and main assumptions used
Provisions other than technical provisions	Yes	Value is based on a best estimate basis as currently performed under IAS 37, based on management judgement and in most cases the opinion of legal and tax advisors.
Pension benefit obligations	Yes	IFRS Value is used. Since Q4 2018 this line includes the IFRS value of the IAS19 pension benefits (previously included in technical provisions at fair value).
Deposits from reinsurers	No	IFRS value (amortised cost) is used because of immaterial differences between amortised cost and fair value (short term payables).
Deferred tax liabilities (DTL)	No	The valuation of the DTL is based on the difference between the value of the underlying assets and liabilities in the Market-Consistent Balance Sheet and the value on the tax base balance sheet.
Derivatives	If mark to market is not possible	Derivatives are valued mark to model if mark to market is not possible, using external or internal valuation and cross-checked with counterparties. The derivatives are held for trading or hedging purposes and relate to interest rate and equity options, interest rate swaps and foreign exchange contracts.
Debts owed to credit institutions	No Yes	IFRS value (amortised cost) is used because of immaterial differences between amortised cost and fair value (short-term payables). Long-term debts are valued applying a discounted cash flow methodology. Changes in own credit standing of AG are excluded in the valuation

Other liability class	Mark to model	Basis, methods and main assumptions used
Insurance and intermediaries payables - Reinsurance payables - Payables (trade, not insurance)	No	IFRS value (amortised cost) is used because of immaterial differences between amortised cost and fair value (short term payables).
Subordinated liabilities in BOF	Yes	Under Solvency II long-term subordinated loans are valued applying a discounted cash flow methodology. Changes in own credit standing of AG are excluded in the valuation.
Any other liabilities, not elsewhere shown	No	IFRS value (amortised cost) is used because of immaterial differences between amortised cost and fair value (short term payables).

D.3.2 Material differences between Solvency II and IFRS

The table below summarises per class of other liabilities the material differences between the valuation for Solvency II purposes and the IFRS valuation.

Other liabilities	Material differences
Deferred tax liabilities	Under Solvency II the valuation is based on temporary differences between the MCBS and the tax base balance sheet. Under IFRS it is based on temporary differences between the IFRS balance sheet and the tax base balance sheet.
Subordinated liabilities in BOF	Under Solvency II long term subordinated loans are valued applying a discounted cash flow methodology. Changes in own credit standing of AG are excluded in the valuation. Under IFRS these deposits are valued at cost.

D.4 ALTERNATIVE METHODS FOR VALUATION

D.4.1 Identification of assets and liabilities for which mark to model approach applies

The assets and liabilities for which the mark to model approach applies are identified in the tables above in the sections D.1 Valuation of assets and D.3 Valuation of other liabilities.

D.4.2 Justification of application mark to model approach as identified in the tables above for assets and liabilities

In line with the Solvency II guidance and philosophy, the mark to model approach is used for sufficiently material items for which no reliable market price is available. For some asset items, IFRS valuation is sufficiently close to any value that would be obtained using an elaborate mark to model approach, in which case IFRS valuation is considered an acceptable proxy.

D.4.3 Documentation of the assumptions underlying the mark to model approach per class of asset and liabilities

The assumptions for the mark to model approach are described in the tables above in the sections D.1 Valuation of assets and D.3 Valuation of other liabilities.

D.4.4 Assessment of valuation uncertainty of the assets, liabilities valued according the mark to model approach

The adequacy of the valuation of assets and liabilities is tested through the variation analysis, which explains the evolution of the value between two periods. This analysis provides a view on the different drivers of the value change, which can be compared against experience.

D.5 ANY OTHER INFORMATION

No other information.

E

Capital management

E.1 OWN FUNDS

E.1.1 Information on the objectives, policies and processes, business planning and material changes

Capital requires a clearly defined management approach in order to ensure efficient and effective deployment. This approach must balance the needs and requirements of stakeholders including shareholders, regulators, employees and customers. The main goal of the capital management process is to fund existing business and profitable or value-creating growth and to ensure this, if needed, with a capital increase. The purpose is to protect the viability of the Company in the long run and to assess the capacity for dividend payment. The capital management process is governed by the capital management policy.

E.1.2 Information about the structure, amount and quality of basic own funds and ancillary own funds

Own Funds is the available capital defined by EIOPA based on a company's valuation of the market-consistent value of the assets minus the market-consistent value of the liabilities and deduction made of expected dividend.

Own Funds can consist of Basic Own Funds and Ancillary Own Funds.

- ✓ **Basic Own Funds** are defined as the sum of the excess of assets over liabilities of the Market Consistent Balance Sheet (MCBS) and the subordinated liabilities, reduced by the sum of the foreseeable dividends distributions, the deductions for participations in other financial undertakings and the non-available items
- ✓ **Ancillary Own Funds**; AG does not take into account ancillary own funds to determine the solvency ratio.

Note that *subordinated liabilities* can be included to the extent that the local regulator grants equity credit to this debt. AG has 3 hybrid instruments recognised as Tier 2 instruments by the regulator. The table below summarizes the structure of the hybrid debt:

Hybrid debt	Dated Fixed-to-floating Callable Subordinated Notes	Dated Fixed Rate Subordinated Notes	Dated Fixed-to-floating Callable Subordinated Loan
Issue Date	18/12/2013	31/03/2015	27/06/2019
Maturity	18/06/2044	30/06/2047	27/06/2049
First Call Date	18/06/2024	30/06/2027	27/06/2029
Nominal value (mio)	€ 450	€ 400	€ 300
Coupon	5,25%	3,50%	3,25%
Coupon payment	Annually	Annually	Annually
Coupon after First Call Date	EURIBOR 3M + 4,136%	Mid-swap 5-year spot rate + 3,875 %	EURIBOR 3M + 3,8%

- ✓ **Deductions for participations in other financial undertakings**: AG has no correction to make in relation to these items.
- ✓ **Non-available items**: AG does not have to correct for any non-available items.

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement

Next to the Tier 1 Own Funds, the Company has also Tier 2 Own Funds which respect the limits as foreseen under Solvency II and are therefore available to cover the SCR. For the eligible amounts of own funds we refer to the Quantitative Reporting Template S.23.01.01 in annex.

E.1.4 Eligible amount of basic own funds to cover the Minimum Capital Requirement

Regarding the MCR, parts of the available Own Funds are not eligible, because of stricter conditions on the use of Tier 2 Own Funds in this context. Note however that:

- ✓ the remaining eligible Own Funds still cover 361% of the MCR
- ✓ the totality of available Own Funds is eligible to cover the SCR.

E.1.5 Material differences between Solvency II and IFRS

Differences between equity in the IFRS financial statements and the excess of assets over liabilities as calculated for Solvency II purposes mainly stem from the following sources:

- ✓ Reclassification of subordinated liabilities.
- ✓ Valuation differences due to assets and liabilities not recorded at fair value under IFRS:
 - Property and investments held to maturity (HTM) are recorded at amortised cost under IFRS.
 - Liabilities arising from insurance and investment contracts also need to be recognised at market-consistent values. The value of technical provisions under Solvency II is equal to the sum of the best estimate of the liabilities and the risk margin.
- ✓ De-recognition of goodwill and other intangibles under Solvency II. The economic value of other intangible assets on the Solvency II balance sheet is nil in case assets cannot be sold separately and evidence of exchange transactions for the same or similar assets is missing.
- ✓ De-recognition of non-controlled participations and exclusion of non-controlling interest of ancillary services.
- ✓ Deduction of proposed or foreseeable dividend.

IFRS Shareholders' equity reconciles to Solvency II Own funds as follows (situation as at end of 2020 compared to 2019)

Own Funds (in EUR million)	31 December 2020	31 December 2019	Variation
Shareholders' equity	6.651	6.848	-197
Plus			
Subordinated liabilities	1.142	1.141	1
Revaluation of debt securities gross of tax	3.099	2.696	403
Revaluation of loans and other investments gross of tax	1.281	885	396
Revaluation of Real Estate gross of tax	1.729	1.718	11
Less			
Revaluation of liabilities arising from insurance and investment contracts net of reinsurance gross of tax	-7.799	-6.745	-1.053
DAC	-152	-154	2
Intangible assets & goodwill	-426	-397	-29
Tax on revaluation Assets & Liabilities	560	502	58
Dividends, distributions and charges	-547	-569	21
Own funds	5.538	5.925	-387

The evolution of Solvency II Own Funds is mainly driven by a negative impact on shareholders' equity (remeasurement of IAS19) and a negative impact of the downward shift of the risk free curve. The increase of the fixed income assets as a result of the spread decrease is also turned into a negative impact on Own Funds due to the volatility adjustment evolution which is not representative for the own asset portfolio.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 Amounts of the undertaking's Solvency Capital Requirement and the Minimum Capital Requirement

See QRT S.23.01.01 in annex

E.2.2 Amount of the undertaking's Solvency Capital Requirement split by risk and by risk categories

See QRT S.25.02.21 in annex

E.2.3 Comparison with previous reporting period

SCR Pillar 1 (in EUR million)	31 December 2020	31 December 2019	Variation
Total SCR	2.845	3.043	-198
Market risk	2.887	2.971	-84
Interest rate risk	165	300	-136
Equity risk	681	617	64
Property risk	1.368	1.485	-117
Currency risk	31	27	4
Spread risk	1.135	1.081	53
Diversification	-492	-539	47
Counterparty risk	129	125	4
Life Underwriting risk	565	647	-81
Health Underwriting risk	251	257	-5
Non-Life underwriting risk	176	211	-35
Diversification	-763	-837	74
Operational Risk	343	332	11
Deferred tax adjustment	-743	-662	-81

The total required capital decreased from 3.043 million EUR to 2.845 million EUR mainly as a result of the revision of the timing of the management actions better reflecting reality and mitigating the increase of the capital requirement for Market risk due to the evolutions of the financial markets.

Given the amount of Own Funds of 5.538 million EUR and the total required capital SCR equal to 2.845 million EUR, the solvency ratio stands at 195%, which is the reflection of the Company's strong capital position. About 77% of the Own Funds are categorized as Tier 1 capital (similar to 2019).

E.2.4 Simplifications used within the calculation of the Solvency Capital Requirement

Simplified calculations as meant under Articles 88-112 of the Delegated Acts are only used for the calculation of the Counterparty default risk module within SCR calculations. This module represents in its totality only 3% of the total Solvency Capital Requirement before diversification. Therefore the impact of these simplified calculations can be considered as immaterial.

In this context, only the simplifications meant under articles 107, 111 and 112 are used.

E.2.5 Statement that the undertaking's Member State has made use of the option provided for in the third subparagraph of Article 51(2) of Directive 2009/138/EC

The Belgian regulator has used the option provided for in the third subparagraph of Article 51(2) of the Solvency II directive, and as a consequence does not require companies to separately disclose a capital add-on. However there is no capital add-on for AG.

E.2.6 Information on the inputs used to calculate the Minimum Capital Requirement

The MCR is currently fixed at 45% of the level of the SCR (as a consequence of the cap which is included in the calculation methodology).

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

AG does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

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

E.4.1 Description of the various purposes for which that undertaking is using its internal model

The non-life internal model is an Ageas Group-wide model approved by the regulator. It is composed of an entity model used by AG and a group aggregation model used by the Ageas Group. The entity model stochastically simulates the full market consistent profit and loss statement (P&L) and hence generates a full distribution of the insurance results for each line of business separately and for the entity as a whole, for each sub-risk and for all risks together. As a first application, the non-life internal model calculates the SCR for non-life underwriting risk as the difference between the 99,5% percentile and the mean of the distribution of the P&L results. Within the context of the use test, this internal model has a number of other applications as summarized in the table below:

Use	Description of use
Internal Risk Reporting	Process currently providing information to the local Risk Committees, RC and Board.
Capital allocation per business line	Assessment of the current capital position and allocation/reallocation of capital.
Comparison with standard formula	Risk assessment of the internal model by comparison with standard formula result, which is a requirement from ORSA and is included in the testing strategy.
Risk Appetite	Process of setting and monitoring performance against risk appetite/risk tolerance statements. The full distribution of the insurance profit allows to consider other percentiles than the 99,5%.
Underwriting / pricing / product development	Decisions on introduction of new products or re-pricing of existing products.
P&L attribution analysis	Exercise (part of testing strategy) which aims to ensure that all sources of risk are covered and are adequately covered by the internal model.
Reinsurance impact analysis	Process of setting and monitoring the effects of the reinsurance strategy.
Business strategy	Any activities associated with setting the strategic direction of the business as a whole and setting of performance targets.
Risk strategy	Any activities involving the setting and monitoring of risk strategies.

E.4.2 Description of the scope of the internal model in terms of business units and risk categories

The non-life internal model covers all lines of business with respect to non-life insurance obligations, with the exception of the health-related lines of business (medical expense, income protection and workmen's compensation), for which only a limited part is in scope of the model.

As to the *risk categories* covered, the non-life underwriting risk distinguishes the following sub-risks: premium attritional risk, premium large risk, reserve risk, man-made cat risk and natural cat risk. Premium risk is the risk that the earned premium over the forthcoming year is insufficient to cover the expenses and claims to which these premiums are related (a distinction is made between attritional claims and large claims with a cost above a predefined threshold). Reserve risk is the risk that the claims provisions are insufficient to cover outstanding claims and claims expenses. Man-made cat risk is the risk that catastrophes with a human cause such as terrorist attacks occur and natural cat risk is the risk that natural catastrophes occur.

E.4.3 Description of the methods used in the internal model for the calculation of the probability distribution forecast and the Solvency Capital Requirement

The purpose of the non-life internal model is to produce the Market Consistent Balance Sheet at $t=0$ (part related to the non-life liabilities and the theoretical assets backing these liabilities) and to project this balance sheet over a one-year period in every of the 100.000 simulations hence generating 100.000 values of the change of own funds which is equivalent to the market consistent P&L result.

Thanks to an appropriate level of granularity and a generation of the dependencies at the source, the P&L results can be obtained at entity level as well as for each sub-risk type and line of business. This allows a detailed analysis of the outcome of the model and a proper discussion with the relevant stakeholders.

Note that as far as the modelling of the natural cat risk is concerned, outputs from different external catastrophe models are considered in view of selecting the most appropriate model for each peril. Each entity and the group have a close

collaboration with service providers and external model vendors to maintain and deepen their knowledge of the catastrophe modelling process, the assumptions and uncertainties inherent in the process.

E.4.4 Explanation, by risk module, of the main differences in the methodologies and underlying assumptions used in the standard formula and in the internal model

The methodology as used in the non-life internal model shows a number of differences with the methodology underlying the standard formula for non-life underwriting risk.

As to the sub-risks, these are similar between the standard formula and the internal model though the premium risk is split into attritional and large losses in the internal model. The lapse risk is not calculated in the internal model but is aggregated with the other sub-risks. Lines of business are more granular in the internal model.

While the standard formula only produces one value namely the 99,5% percentile, the internal model produces the full distribution. Regarding dependency and aggregation, the standard formula uses a Variance-Covariance matrix to aggregate the different SCRs, while in the internal model the dependency is generated at the source on the gross losses, i.e. before reinsurance, before scaling down to the one-year volatility and before discounting. Dependency is considered between lines of business and between sub-risks as is also the case in the standard formula. In the standard formula premium and reserve risk and cat risk are aggregated using a correlation of 25%. In the non-life internal model these are assumed to be independent.

For premium and reserve risk a factor-based model is used in the standard formula. The factors are common for the whole European market and the impact of reinsurance is obtained by applying a reduction factor to the gross Solvency Capital Requirement. In the internal model, the risks are entity-specific and the model replicates almost the full functioning of the entity's reinsurance treaties.

Where for man-made cat risk and natural cat risk, the standard formula only considers a limited number of scenarios with respect to reinsurance impact, the non-life internal model simulates the reinsurance impact as an integrated part of the scenarios. For natural cat risk, external models are used to produce inputs to the internal model.

E.4.5 The risk measure and time period used in the internal model

The risk measure is the difference between the 99,5% Value at Risk and the mean of the Market Consistent P&L result over a one-year horizon.

E.4.6 Description of the nature and appropriateness of the data used in the internal model

E.4.6.1 Structure of the internal model

While some data used in the internal model are provided by Ageas group (e.g. the risk-free yield curve), other data are specific to each entity such as:

- ✓ parameters of the distribution for attritional losses, large losses, outstanding losses which are based on historical data taking into consideration assumptions of the business plan for the next year
- ✓ correlation parameters, obtained by expert judgment where experts are the entity business managers
- ✓ man-made cat risk for motor and property, for which a European database is used in combination with an external tool where the input is the portfolio of each entity
- ✓ natural cat risk, for which an external tool is used where the input is the portfolio of each entity
- ✓ man-made cat risk for liability, for which entity specific scenarios are used
- ✓ parameters of the entity re-insurance treaties.

As to the appropriateness of the data, testing on data and on selected parameters is performed in order to validate the selection made. In addition, sensitivity and back-testing are done. The process documentation is an end-to-end description of the tasks, data and systems involved in the non-life assumption setting and underwriting risk SCR calculation. It details which activities need to be executed (description, tools/applications used, quality controls), validation points, and clearly defines responsibilities (departments and roles). Specific data quality checklists are executed on every internal model run and when exchanging data between entities and group.

E.4.6.2 Risks not covered by the standard formula but covered by the internal model

There are no such risks.

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

Not applicable for AG.

E.6 ANY OTHER INFORMATION

No other information

Annexes

Annex 1 : Public QRTs

QRT BALANCE SHEET (S.02.01.02)

Assets

	Solvency II value
Intangible assets	-
Deferred tax assets	15.566.687
Pension benefit surplus	-
Property, plant & equipment held for own use	307.553.034
Investments (other than assets held for index-linked and unit-linked contracts)	59.625.340.868
Property (other than for own use)	4.517.278.487
Holdings in related undertakings, including participations	638.061.163
Equities	1.893.742.145
Equities - listed	1.845.649.907
Equities - unlisted	48.092.238
Bonds	50.193.494.538
Government Bonds	36.409.701.021
Corporate Bonds	13.678.955.633
Structured notes	95.533.789
Collateralised securities	9.304.094
Collective Investments Undertakings	1.703.415.370
Derivatives	359.246.110
Deposits other than cash equivalents	320.103.055
Other investments	-
Assets held for index-linked and unit-linked contracts	8.160.672.962
Loans and mortgages	8.024.820.036
Loans on policies	374.584.967
Loans and mortgages to individuals	1.116.528.747
Other loans and mortgages	6.533.706.322
Reinsurance recoverables from:	212.166.107
Non-life and health similar to non-life	169.923.121
Non-life excluding health	170.528.261
Health similar to non-life	-605.140
Life and health similar to life, excluding health and index-linked and unit-linked	42.242.987
Health similar to life	43.364.515
Life excluding health and index-linked and unit-linked	-1.121.527
Life index-linked and unit-linked	-
Deposits to cedants	859.418
Insurance and intermediaries receivables	268.392.442
Reinsurance receivables	1.049.136
Receivables (trade, not insurance)	219.146.521
Own shares (held directly)	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
Cash and cash equivalents	706.316.770
Any other assets, not elsewhere shown	218.988.687
Total assets	77.760.872.670

Liabilities

	Solvency II value
Technical provisions – non-life	1.900.111.060
Technical provisions – non-life (excluding health)	1.689.671.100
TP calculated as a whole	-
Best Estimate	1.662.143.934
Risk margin	27.527.166
Technical provisions - health (similar to non-life)	210.439.960
TP calculated as a whole	-
Best Estimate	205.398.369
Risk margin	5.041.591
Technical provisions - life (excluding index-linked and unit-linked)	56.480.125.974
Technical provisions - health (similar to life)	1.898.788.042
TP calculated as a whole	-
Best Estimate	1.738.130.158
Risk margin	160.657.884
Technical provisions – life (excluding health and index-linked and unit-linked)	54.581.337.933
TP calculated as a whole	-
Best Estimate	54.189.434.468
Risk margin	391.903.464
Technical provisions – index-linked and unit-linked	7.920.381.050
TP calculated as a whole	-
Best Estimate	7.875.712.966
Risk margin	44.668.084
Contingent liabilities	-
Provisions other than technical provisions	25.100.210
Pension benefit obligations	772.356.763
Deposits from reinsurers	65.119.538
Deferred tax liabilities	565.924.004
Derivatives	354.734.790
Debts owed to credit institutions	1.737.123.105
Financial liabilities other than debts owed to credit institutions	37.004.302
Insurance & intermediaries payables	288.513.927
Reinsurance payables	8.566.409
Payables (trade, not insurance)	293.039.928
Subordinated liabilities	1.432.683.999
Subordinated liabilities not in BOF	-
Subordinated liabilities in BOF	1.432.683.999
Any other liabilities, not elsewhere shown	480.005.970
Total liabilities	72.360.791.030
Excess of assets over liabilities	5.400.081.640

[illegible]

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional			Line of business for: accepted non-proportional reinsurance				Total
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written								
Gross - Direct Business	74.867.888	19.894.428	7.175.205					1.790.722.568
Gross - Proportional reinsurance accepted	-	-	2.107					3.553.537
Gross - Non-proportional reinsurance accepted				-	-	-	-	-
Reinsurers' share	-	2.972.415	-	-	-	-	-	54.100.145
Net	74.867.888	16.922.013	7.177.312	-	-	-	-	1.740.175.961
Premiums earned								
Gross - Direct Business	75.033.726	19.679.834	7.116.023					1.794.075.043
Gross - Proportional reinsurance accepted	-	-	2.104					3.558.260
Gross - Non-proportional reinsurance accepted				-	-	-	-	-
Reinsurers' share	-	2.972.415	-	-	-	-	-	54.100.594
Net	75.033.726	16.707.419	7.118.127	-	-	-	-	1.743.532.709
Claims incurred								
Gross - Direct Business	31.908.305	15.442.302	2.252.031					942.927.619
Gross - Proportional reinsurance accepted	-	-	1.764.173					2.557.122
Gross - Non-proportional reinsurance accepted				-	-	-	-	-
Reinsurers' share	-	1.297.152	-	-	-	-	-	13.193.018
Net	31.908.305	14.145.150	4.016.204	-	-	-	-	932.291.723
Changes in other technical provisions								
Gross - Direct Business	-	-	-					-4.759.819
Gross - Proportional reinsurance accepted	-	-	-					-
Gross - Non- proportional reinsurance accepted				-	-	-	-	-
Reinsurers'share	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-4.759.819
Expenses incurred	38.194.489	3.642.794	3.327.221	-	-	-	-	811.384.336
Other expenses								2.373.523
Total expenses								813.757.859

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	
Premiums written									
Gross	113.717.814	3.106.745.273	864.717.270	145.405.576	121.239.485	-	-	-	4.351.825.417
Reinsurers' share	40.937	5.032.347	-	1.293.539	5.401.199	-	-	-	11.768.022
Net	113.676.877	3.101.712.926	864.717.270	144.112.037	115.838.286	-	-	-	4.340.057.395
Premiums earned									
Gross	113.259.696	3.106.745.273	864.717.270	145.405.576	122.234.572	-	-	-	4.352.362.387
Reinsurers' share	40.937	5.032.347	-	1.293.539	5.401.199	-	-	-	11.768.022
Net	113.218.759	3.101.712.926	864.717.270	144.112.037	116.833.373	-	-	-	4.340.594.365
Claims incurred									
Gross	32.595.148	3.657.856.019	483.638.864	237.364.444	68.358.018	-	-	-	4.479.812.493
Reinsurers' share	-	622.145	-	166.818	1.638.282	-	-	-	2.427.245
Net	32.595.148	3.657.233.874	483.638.864	237.197.626	66.719.736	-	-	-	4.477.385.248
Changes in other technical provisions									
Gross	19.226.341	273.616.670	-179.258.393	-172.070.971	20.168.334	-	-	-	-38.318.018
Reinsurers' share	-	1.285.605	-	-83.824	890.610	-	-	-	2.092.391
Net	19.226.341	272.331.065	-179.258.393	-171.987.147	19.277.724	-	-	-	-40.410.409
Expenses incurred	39.372.630	775.191.193	91.748.611	74.206.387	34.508.386	-	-	-	1.015.027.207
Other expenses									791.175
Total expenses									1.015.818.382

QRT PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY (\$.05.02.01)

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
Premiums written							
Gross - Direct Business	1.790.722.568						1.790.722.568
Gross - Proportional reinsurance accepted	3.553.537						3.553.537
Gross - Non-proportional reinsurance accepted	-						-
Reinsurers' share	54.100.145						54.100.145
Net	1.740.175.961						1.740.175.961
Premiums earned							
Gross - Direct Business	1.794.075.043						1.794.075.043
Gross - Proportional reinsurance accepted	3.558.260						3.558.260
Gross - Non-proportional reinsurance accepted	-						-
Reinsurers' share	54.100.594						54.100.594
Net	1.743.532.709						1.743.532.709
Claims incurred							
Gross - Direct Business	942.927.619						942.927.619
Gross - Proportional reinsurance accepted	2.557.122						2.557.122
Gross - Non-proportional reinsurance accepted	-						-
Reinsurers' share	13.193.018						13.193.018
Net	932.291.723						932.291.723
Changes in other technical provisions							
Gross - Direct Business	-4.759.819						-4.759.819
Gross - Proportional reinsurance accepted	-						-
Gross - Non- proportional reinsurance accepted	-						-
Reinsurers'share	-						-
Net	-4.759.819						-4.759.819
Expenses incurred	811.384.336						811.384.336
Other expenses							2.373.523
Total expenses							813.757.859

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
Premiums written							
Gross	4.351.825.417						4.351.825.417
Reinsurers' share	11.768.022						11.768.022
Net	4.340.057.395						4.340.057.395
Premiums earned							
Gross	4.352.362.387						4.352.362.387
Reinsurers' share	11.768.022						11.768.022
Net	4.340.594.365						4.340.594.365
Claims incurred							
Gross	4.479.812.493						4.479.812.493
Reinsurers' share	2.427.245						2.427.245
Net	4.477.385.248						4.477.385.248
Changes in other technical provisions							
Gross	-38.318.018						-38.318.018
Reinsurers' share	2.092.391						2.092.391
Net	-40.410.409						-40.410.409
Expenses incurred	1.015.027.207						1.015.027.207
Other expenses							791.175
Total expenses							1.015.818.382

QRT LIFE AND HEALTH SLT TECHNICAL PROVISIONS (\$.12.01.02)

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	
-	-			-			-
-	-			-			-
53.010.109.242		-	7.875.712.852		1.179.324.701	-	62.065.146.795
-1.121.528		-	-		-	-	-1.121.528
53.011.230.770		-	7.875.712.852		1.179.324.701	-	62.066.268.322
360.388.090	44.668.084			31.515.375			436.571.548
-	-			-			-
-	-	-	-	-	-	-	-
-	-			-			-
53.370.497.332	7.920.380.936			1.210.840.075			62.501.718.343

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	Contracts without options and guarantees	Contracts with options or guarantees		
-			-	-
-			-	-
139.838.314	-	1.598.291.860	-	1.738.130.174
3.441.091	-	39.923.424	-	43.364.515
136.397.223	-	1.558.368.436	-	1.694.765.659
72.435.226		88.222.658	-	160.657.884
-		-	-	-
-	-	-	-	-
-		-	-	-
212.273.539		1.686.514.518	-	1.898.788.058

QRT NON-LIFE TECHNICAL PROVISIONS (S.17.01.02)

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7.107.066	-3.608.724	4.929.976	40.113.392	29.508.735	-27.167	82.171.421	-189.954	-
-	-168.631	-1.489.514	-945.883	2.751.205	-	6.143.187	-1.082.272	-
7.107.066	-3.440.094	6.419.490	41.059.275	26.757.529	-27.167	76.028.234	892.318	-
52.912.004	35.701.620	108.356.426	826.995.948	13.483.240	16.536	168.387.023	346.557.635	-
-	1.053.004	-	105.679.585	-221.176	-	41.543.406	10.642.751	-
52.912.004	34.648.616	108.356.426	721.316.364	13.704.416	16.536	126.843.618	335.914.884	-
60.019.070	32.092.896	113.286.402	867.109.340	42.991.975	-10.631	250.558.444	346.367.681	-
60.019.070	31.208.522	114.775.916	762.375.639	40.461.945	-10.631	202.871.852	336.807.202	-
1.194.260	583.832	3.263.498	12.020.585	1.595.293	1.797	5.188.822	6.334.238	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
61.213.330	32.676.728	116.549.901	879.129.925	44.587.268	-8.834	255.747.266	352.701.919	-
-	884.374	-1.489.514	104.733.702	2.530.030	-	47.686.592	9.560.479	-
61.213.330	31.792.355	118.039.414	774.396.223	42.057.238	-8.834	208.060.674	343.141.440	-

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM**Best estimate**

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross**Total Best estimate - net****Risk margin****Amount of the transitional on Technical Provisions**

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4.631.457	1.553.963	600.986	-	55.521	-	-	166.846.671
-	-695.857	7.929	-	-	-	-	4.520.164
4.631.457	2.249.820	593.058	-	55.521	-	-	162.326.507
117.003.159	1.230.429	3.651.156	-	26.400.451	-	-	1.700.695.628
-	411.606	-	-	6.293.780	-	-	165.402.957
117.003.159	818.823	3.651.156	-	20.106.671	-	-	1.535.292.672
121.634.616	2.784.392	4.252.143	-	26.455.972	-	-	1.867.542.299
121.634.616	3.068.642	4.244.214	-	20.162.192	-	-	1.697.619.178
1.342.175	121.049	377.788	-	545.420	-	-	32.568.757
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
122.976.791	2.905.440	4.629.930	-	27.001.392	-	-	1.900.111.056
-	-284.251	7.929	-	6.293.780	-	-	169.923.121
122.976.791	3.189.691	4.622.001	-	20.707.612	-	-	1.730.187.935

QRT NON-LIFE INSURANCE CLAIMS INFORMATION (S.19.01.21)

Underwriting year

1-Accident year

	Development year										In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9		
Prior											24.396.694	24.396.694
N-9	493.868.142	191.513.689	36.400.352	19.557.212	14.177.181	11.655.324	9.035.002	6.732.333	4.402.043	6.560.438	6.560.438	793.901.715
N-8	533.530.436	245.821.390	43.057.724	23.823.579	15.570.066	12.158.419	9.146.233	8.740.640	6.599.124		6.599.124	898.447.611
N-7	516.945.413	218.401.834	40.866.283	19.739.113	16.063.741	9.986.931	8.536.577	5.894.516			5.894.516	836.434.408
N-6	506.952.205	199.467.717	37.183.908	21.138.517	15.783.394	12.365.432	13.475.610				13.475.610	806.366.782
N-5	502.519.005	205.987.877	41.947.682	22.391.342	14.424.960	10.862.899					10.862.899	798.133.765
N-4	587.276.679	238.569.228	40.730.216	22.240.183	14.172.349						14.172.349	902.988.654
N-3	466.015.210	215.787.082	38.902.071	21.898.949							21.898.949	742.603.312
N-2	502.834.633	228.758.195	36.424.482								36.424.482	768.017.310
N-1	446.231.597	224.325.382									224.325.382	670.556.979
N	528.701.926										528.701.926	528.701.926
Total											893.312.369,08	7.770.549.157,12

	Development year										Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	
Prior											291.107.434
N-9	-	-	-	-	-	-	61.025.961	45.612.709	42.401.655	32.398.800	274.992.670
N-8	-	-	-	-	-	83.444.764	72.433.477	67.819.377	56.156.625		30.332.901
N-7	-	-	-	-	82.031.637	66.034.610	65.730.999	58.319.535			52.349.151
N-6	-	-	-	143.296.831	130.540.470	129.356.284	105.450.516				54.297.592
N-5	-	-	133.670.191	107.103.969	106.560.669	87.381.178					97.892.963
N-4	-	133.220.266	151.520.554	146.482.224	114.228.457						81.571.739
N-3	381.294.849	143.881.742	147.311.326	120.999.740							105.873.644
N-2	388.125.724	178.229.459	140.149.596								113.688.452
N-1	381.277.562	172.278.699									132.460.497
N	448.178.637										164.381.181
Total											437.348.717
Total											1.545.189.506

QRT IMPACT OF LONG TERM GUARANTEES AND TRANSITIONAL MEASURES (S.22.01.21)

	Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	66.300.617.457	-	-	895.517.743	-
Basic own funds	6.279.044.177	-	-	-671.638.307	-
Eligible own funds to meet SCR	6.279.044.177	-	-	-671.638.307	-
SCR	2.689.077.795	-	-	370.140.848	-
Eligible own funds to meet MCR	5.569.070.067	-	-	-29.415.640	-
Minimum Capital Requirement	1.210.085.008	-	-	166.445.752	-

QRT OWN FUNDS (S.23.01.01)

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)

Share premium account related to ordinary share capital

Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings

Subordinated mutual member accounts

Surplus funds

Preference shares

Share premium account related to preference shares

Reconciliation reserve

Subordinated liabilities

An amount equal to the value of net deferred tax assets

Other own fund items approved by the supervisory authority as basic own funds not specified above

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
526.604.029	526.604.029		-	
231.497.748	231.497.748		-	
-	-		-	
-		-	-	-
652.583.589	652.583.589			
-		-	-	-
-		-	-	-
3.435.674.812	3.435.674.812			
1.432.683.999		480.692.888	951.991.111	-
-				-
-	-	-	-	-
-				
-	-	-	-	
6.279.044.177	4.846.360.178	480.692.888	951.991.111	-

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand

Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

Total ancillary own funds**Available and eligible own funds**

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR**MCR****Ratio of Eligible own funds to SCR****Ratio of Eligible own funds to MCR**

-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6.279.044.177	4.846.360.178	480.692.888	951.991.111	-
6.279.044.177	4.846.360.178	480.692.888	951.991.111	-
6.279.044.177	4.846.360.178	480.692.888	951.991.111	-
5.569.070.067	4.846.360.178	480.692.888	242.017.001	-
2.689.077.795				
1.210.085.007				
2,34				
4,60				

Reconciliation reserve

Excess of assets over liabilities

5.400.081.640

Own shares (held directly and indirectly)

-

Foreseeable dividends, distributions and charges

553.721.462

Other basic own fund items

1.410.685.366

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

-

Reconciliation reserve

3.435.674.812

Expected profits

Expected profits included in future premiums (EPIFP) - Life business

243.876.507

Expected profits included in future premiums (EPIFP) - Non- life business

49.955.577

Total Expected profits included in future premiums (EPIFP)

293.832.083

QRT SOLVENCY CAPITAL REQUIREMENT – STANDARD FORMULA (S.25.01.21)

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement

Gross solvency capital requirement	USP	Simplifications
3.602.516.116		-
180.883.404		
579.549.678	-	-
360.932.667	-	-
571.602.017	-	-
-1.154.682.820		
4.140.801.063		

Calculation of Solvency Capital Requirement

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

311.408.573
-869.779.902
-805.328.704
-
2.777.101.030
-
2.777.101.030
-
-
-
-
-

QRT SOLVENCY CAPITAL REQUIREMENT – PARTIAL INTERNAL MODEL (§.25.02.21)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
1	Market risk	2.726.478.073	-	-	-
3	Life underwriting risk	615.280.388	-	-	-
10	Non Life and Health Internal Model	549.334.135	254.957.646	-	-
7	Operational risk	311.408.573	-	-	-
2	Counterparty default risk	134.678.998	-	-	-
9	LAC Deferred Taxes (negative amount)	-774.765.489	-	-	-

Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with A1

Solvency capital requirement excluding capital add-on

Capital add-ons already set

Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of techn

Amount/estimate of the overall loss-absorbing capacity of deferr

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirements for re

Total amount of Notional Solvency Capital Requirements for rir

Total amount of Notional Solvency Capital Requirement for mat

Diversification effects due to RFF nSCR aggregation for article 3

3.562.414.677
-873.336.882
-
2.689.077.795
-
2.689.077.795
-875.750.521
-774.765.489
-
-
-
-
-

QRT MINIMUM CAPITAL REQUIREMENT - LIFE AND NON-LIFE INSURANCE ACTIVITY (\$28.02.01)

	Non-life activities	Life activities
	MCR(NL,NL) Result	MCR(NL,L)Result
Linear formula component for non-life insurance and reinsurance obligations	297.380.006	-

Medical expense insurance and proportional reinsurance
Income protection insurance and proportional reinsurance
Workers' compensation insurance and proportional reinsurance
Motor vehicle liability insurance and proportional reinsurance
Other motor insurance and proportional reinsurance
Marine, aviation and transport insurance and proportional reinsurance
Fire and other damage to property insurance and proportional reinsurance
General liability insurance and proportional reinsurance
Credit and suretyship insurance and proportional reinsurance
Legal expenses insurance and proportional reinsurance
Assistance and proportional reinsurance
Miscellaneous financial loss insurance and proportional reinsurance
Non-proportional health reinsurance
Non-proportional casualty reinsurance
Non-proportional marine, aviation and transport reinsurance
Non-proportional property reinsurance

Non-life activities		Life activities	
Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
60.019.072	132.594.964	-	-
31.208.522	37.053.515	-	-
114.775.916	162.190.216	-	-
762.375.641	224.492.848	-	-
40.461.945	345.639.046	-	-
-	3.551.138	-	-
202.871.853	609.487.804	-	-
336.807.202	64.563.660	-	-
-	-	-	-
121.634.616	102.750.131	-	-
3.068.642	560.750	-	-
4.244.214	37.668.778	-	-
-	-	-	-
20.162.192	19.337.402	-	-
-	-	-	-
-	-	-	-

	Non-life activities MCR(L,NL) Result	Life activities MCR(L,L) Result
Linear formula component for life insurance and reinsurance obligations	34.862.120	1.957.384.082

Obligations with profit participation - guaranteed benefits
Obligations with profit participation - future discretionary benefits
Index-linked and unit-linked insurance obligations
Other life (re)insurance and health (re)insurance obligations
Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

Linear MCR	2.289.626.208
SCR	2.689.077.795
MCR cap	1.210.085.008
MCR floor	672.269.449
Combined MCR	1.210.085.008
Absolute floor of the MCR	6.200.000
Minimum Capital Requirement	1.210.085.008

Notional non-life and life MCR calculation

	Non-life activities	Life activities
Notional linear MCR	332.242.126	1.957.384.082
Notional SCR excluding add-on (annual or latest calculation)	390.205.580	2.298.872.214
Notional MCR cap	175.592.511	1.034.492.496
Notional MCR floor	97.551.395	574.718.053
Notional Combined MCR	175.592.511	1.034.492.496
Absolute floor of the notional MCR	2.500.000	3.700.000
Notional MCR	175.592.511	1.034.492.496

Non-life activities**Life activities**

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
-		51.800.836.047	
-		1.745.201.557	
-		7.875.712.919	
1.660.100.944		1.247.627.093	
	-		71.676.385.099