

# SOLVENCY AND FINANCIAL CONDITION REPORT 2020

This report is the Solvency and Financial Condition Report (SFCR) of AXA MPS Financial DAC for the reporting period ended December 31, 2020, pursuant to article 51 of Directive 2009/138/EC (the “Directive”) and articles 290 to 298 of Delegated Regulation 2015/35 (the “Regulation”, and together with the Directive, the “Solvency II Regulations”).

## CERTAIN PRELIMINARY INFORMATION ABOUT THIS SFCR REPORT

### Presentation of the information

In this Report, unless provided otherwise, (i) the “Company” or “AMF” refer to AXA MPS Financial DAC, a company incorporated in Ireland, which is an indirect subsidiary of AXA SA, a French société anonyme, the publicly traded parent company of the AXA Group, and (ii) “AXA Group”, the “Group” or “AXA” refers to AXA SA, together with its direct and indirect consolidated subsidiaries.

## SUMMARY

The European Union has developed a regulatory regime for European insurers which became effective on January 1, 2016, following the adoption of the 2009 Solvency II Directive on the taking-up and pursuit of the business of insurance and reinsurance, as amended in 2014 by the 2014/51/EU Directive (“Omnibus II”). The regime is designed to implement solvency requirements that better reflect the risks that insurance companies face and establish a supervisory system that is consistent across all European member States. The Solvency II framework is based on three main pillars: (1) Pillar 1 consists of the quantitative requirements around own funds, valuation rules for assets and liabilities and capital requirements, (2) Pillar 2 sets out qualitative requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers including the requirement for insurers to submit an Own Risk and Solvency Assessment (ORSA) which is used by the regulator as part of the supervisory review process; and (3) Pillar 3 focuses on enhanced reporting and disclosure requirements. The Solvency II framework covers, among other matters, valuation of assets and liabilities, the treatment of insurance groups, the definition of own funds and the overall level of required capital.

### / Key Figures

<i>(In Euro million except Solvency II ratio data)</i>	2020	2019	Change	% Change
<b>Income Statement Data</b>				
Total Revenues	525.0	892.0	(367.0)	(41%)
Operating income before investment results	41.1	47.3	(6.1)	(13%)
Net investment results	0.5	1.9	(1.4)	(75%)
Net income	41.0	49.0	(8.0)	(16%)
<b>Balance Sheet Data</b>				
Total assets	8,323.9	8,480.6	(156.7)	(2%)
Eligible Own Funds (EOF)	227.0	231.9	(9.9)	(4%)
<b>Capital Requirement Data</b>				
Solvency Capital Requirement (SCR)	83.6	85.2	(1.6)	(2%)
<b>Solvency II ratio</b>	<b>272%</b>	<b>272%</b>		

# / Key Highlights

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>ACTIVITY INDICATORS</b></p>	<ul style="list-style-type: none"> <li>• <b>Total Revenues</b> were down by €367 million (-41%) compared to 2019. This was largely driven by change in business mix, with higher proportion of investment business written than previous year; there was also a reduction in sales volumes from €1.5bn in 2019 to €1.3bn in 2020.</li> <li>• <b>Total operating income</b> reduced compared to previous year. Annual Management Charge income was higher reflecting the changing business mix towards products with higher upfront commission and higher ongoing management charges, however this was offset by an increase in ongoing commissions and a decrease in release of URR/DOF as a result of reducing exposure in products on which upfront charges were taken.</li> <li>• <b>Total net investment results</b> were down €1 million (-75%). Income from shareholder assets reduced due to lower holdings of Government Bonds. Costs of holding cash increased due to negative yields on deposits and liquidity fund.</li> <li>• <b>Solvency II ratio</b> has decreased slightly as a result of a decrease in EOF partly offset by a decrease in SCR.</li> </ul>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>SYSTEM OF GOVERNANCE</b></p>	<p>AMF's organisational structure provides the framework within which its activities and objectives are planned, executed, controlled and monitored. AMF strives for a relevant and effective organisational structure with clearly defined roles, responsibilities, reporting lines and authority.</p> <p>The Board is the primary governance organ within AMF. It provides leadership of the Company within a framework of prudent effective controls which enable risk to be assessed and managed. In conjunction with the AXA MPS Group, the Board sets the Company's strategic aims, ensures that necessary financial and human resources are in place to enable AMF to meet its objectives and reviews management performance. The Board also sets the Company's values and standards and ensures that its obligations to its shareholder and other stakeholders are understood and met.</p> <p>The Board has four committees:</p> <ul style="list-style-type: none"> <li>• Board Audit Committee</li> <li>• Board Risk Committee</li> <li>• Board Investment Committee</li> <li>• Board Remuneration Committee.</li> </ul> <p>The Board owns AMF's Risk Appetite and shall ensure that management implements appropriate structures and systems to ensure ongoing compliance with the defined appetite. The Risk Appetite statement is documented and regularly (at least annually), reviewed and approved by the Board.</p> <p>AMF has four key functions, in compliance with the Solvency II Regulations: 1) risk-management; 2) compliance; 3) internal audit and 4) actuarial. Each of these functions has a direct link to one of the persons who effectively run the Company, and each of these functions has direct access to the Board Committees.</p> <p>AMF is exposed to a variety of risks – insurance risks, financial market risks and other types of risks.</p>

	<p>As an integrated part of all business processes, Risk Management is responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AMF, including the conduct of the Own Risk &amp; Solvency Assessment (ORSA). This framework is based on the following four pillars, cemented by a strong risk culture:</p> <ol style="list-style-type: none"> <li>1. Risk Management independence and comprehensiveness: the Chief Risk Officer is independent from operations (“first line of defence”) and Internal Audit Department (“third line of defence”). The Risk Management Department, together with Compliance, Actuarial Function and Internal Financial Control, constitutes the “second line of defence” the objective of which is to develop, coordinate and monitor a consistent risk framework across the Company,</li> <li>2. Risk appetite framework,</li> <li>3. Systematic second opinion on key processes, and</li> <li>4. Robust economic capital model.</li> </ol> <p>In order to manage these risks, AMF has put in place a comprehensive system of internal controls designed to ensure that executives are informed of significant risks on a timely and continuing basis and have the necessary information and tools to appropriately analyse and manage these risks.</p> <p>These mechanisms and procedures principally include:</p> <ul style="list-style-type: none"> <li>• AMF’s corporate governance structures which are designed to ensure appropriate supervision and management of the Company’s business as well as clear allocation of roles and responsibilities at the highest level;</li> <li>• management structures and control mechanisms designed to ensure that the executives have a clear view of the principal risks the Company faces and the tools necessary to analyse and manage these risks;</li> <li>• Internal Control Over Financial Reporting (ICOFR), designed to ensure the accuracy, completeness and timeliness of AXA Group’s consolidated financial statements and the Company’s financial statements; and</li> <li>• disclosure controls and procedures designed to ensure that executives have the necessary information to make fully informed disclosure decisions on a timely basis and that the Company’s disclosures on material information (both financial and non-financial) to regulators (as appropriate) are timely, accurate and complete.</li> </ul> <p>These mechanisms and procedures, taken together, constitute a comprehensive control environment that executives believe is appropriate and well adapted to the Company’s business.</p> <p>The Board Remuneration Committee is in place to assist the Board of Directors in fulfilling its oversight responsibilities, in accordance with sound corporate governance principles.</p>
<p style="text-align: center;"><b>RISK PROFILE</b></p>	<p>The Company is exposed to a variety of risks, including financial, market, liquidity, operational and regulatory risks. AMF is exposed to the following main risks:</p> <ul style="list-style-type: none"> <li>• Higher than expected lapses, leading to a reduction in future income;</li> <li>• Lower new business volumes than anticipated, leading to a reduction in income;</li> <li>• An increase in the level of expenses, which reduces profitability and future expected income;</li> <li>• Adverse market impacts such as a decrease in equity markets which leads to a reduction in funds under management and consequent reduction in future income;</li> <li>• Similarly rising interest rates which negatively impacts on funds under management, and reduces the value of bonds held in the shareholder fund; and</li> <li>• Liquidity constraints as a result of illiquid assets or an increase in sales of products with an initial strain.</li> </ul>

<b>VALUATION FOR SOLVENCY PURPOSES</b>	<p>AMF's Solvency II balance sheet is prepared as of December 31 in compliance with the Solvency II Regulations.</p> <p>Assets and liabilities are valued based on the assumption that the Company will pursue its business as a going concern.</p> <p>The Solvency II balance sheet only includes the value of business in force and therefore only presents a partial view of the value of the Company.</p> <p>Technical provisions are recognised with respect to all insurance and reinsurance obligations to policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions corresponds to the current amount that the Company would have to pay if it was to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.</p> <p>Other assets and liabilities are recognised in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union as of the December 31 balance sheet date with a mandatory date of January 1, 2016, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Directive:</p> <ul style="list-style-type: none"> <li>■ Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and</li> <li>■ Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of the Company's own credit standing).</li> </ul>
<b>CAPITAL MANAGEMENT</b>	<p><b>Solvency II ratio at December 31, 2020</b> amounted to 272%, stable compared to 272% at December 31, 2020 as a result of a decrease in EOF offset by a decrease in STEC.</p> <p><b>EOF</b> decreased by €5 million, to €227 million, during the reporting period due to revenues over the period and new business written, offset by dividend.</p> <p><b>SCR</b> decreased by €2 million to €84 million, during the reporting period. Credit and life risks remained stable, with a slight reduction in market risk mainly driven by reduction in exposure, offset by an even smaller increase in operational STEC.</p>



# A

## **BUSINESS AND PERFORMANCE**

### **A.1 Business**

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General Information  
Information on the Company  
Major Shareholders and Related parties  
Business Overview  
Significant Business and Other Events

### **A.2 Underwriting Performance**

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### **A.3 Investment Performance**

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Net investment result  
Gains and losses directly recognised in Equity  
Investments in securitisation

### **A.4 Performance of other activities**

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Other material income and expenses  
Leasing Arrangements

### **A.5 Any other information**

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# A.1 BUSINESS

## / General Information

The Company is a subsidiary of AXA Group, a worldwide leader in insurance, with total assets of €1,032 billion for the year ended December 31, 2020. AXA operates primarily in five geographies: France, Europe, Asia, AXA XL and International (including the Middle East, Latin America and Africa). AXA's main operating activities are Life & Savings, Property & Casualty, Health and Asset Management. In addition, various holding companies within the Group conduct certain non-operating and banking activities./ Information on the Company

AXA MPS Financial DAC ("AMF") is an insurance undertaking incorporated in Ireland in 1998 and authorised to sell Class III life assurance business. The Company's registered office is located at 33 Sir John Rogerson's Quay, Dublin 2, Ireland.

### Supervisory authority

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AMF is regulated by the Central Bank of Ireland (the "CBI").

#### **CENTRAL BANK OF IRELAND**

PO Box 559, New Wapping Street, North Wall Quay, Dublin 1, D01 F7X3, Ireland  
+353 (0)1 224 6000

AXA Group is engaged in regulated business activities on a global basis through numerous operating subsidiaries and AXA Group's principal business activities of insurance and asset management are subject to comprehensive regulation and supervision in each of the various jurisdictions where AXA Group operates. Given that the AXA Group is headquartered in Paris, France, this supervision is based to a significant extent on European Union directives and on the French regulatory system. The AXA Group's principal supervisor is the French Autorité de Contrôle Prudentiel et de Résolution (the "ACPR").

#### **AUTORITE DE CONTROLE PRUDENTIEL ET DE RESOLUTION**

61, rue Taitbout – 75436 Paris Cedex, 9, France  
+33 (0)1 49 95 40 00

### Statutory auditors

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AXA MPS Financial DAC is audited by PwC.

PwC Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

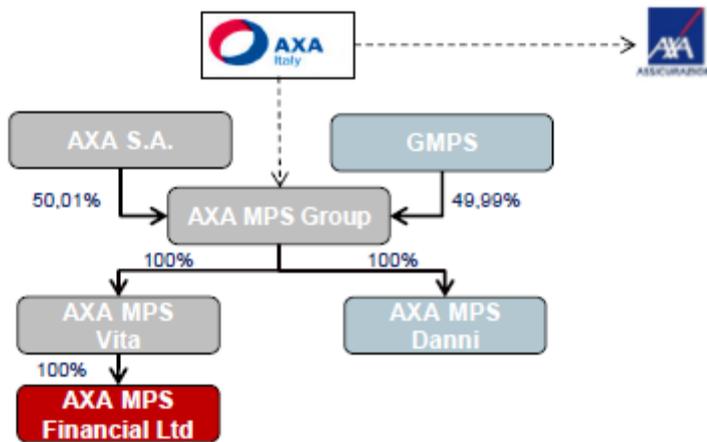
## / Major Shareholders and Related parties

### Capital ownership

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As of December 31, 2020, AMF's issued share capital amounted to €635,000 divided into 635,000 ordinary shares with a par value of €1.

AMF is 100% owned by AXA MPS Assicurazioni Vita (AMAV) who in turn is 50% owned by AXA and 50% owned by Monte dei Paschi di Siena through a joint venture agreement. Through this agreement, AXA owns the majority of the voting rights in the Company.



## Material Related companies

AXA MPS Financial DAC does not hold any material participation in any related company.

## / Business Overview

### MATERIAL LINES AND GEOGRAPHICAL AREAS OF BUSINESS

AXA MPS Financial DAC is an insurance undertaking incorporated in Ireland in 1998 and authorised to sell Class III life assurance business. The company makes use of the “single passport” provisions of the EU’s life assurance directives to sell its products cross-border from Ireland into other EU member states. The Company’s business to date has mainly been the sale of single premium investment and insurance products. As of December 31, 2020, its business is focused on Italy. It has a range of unit-linked products, which it currently distributes through the Banca Monte dei Paschi di Siena (BMPS) branch network. It has also sold a small amount of business through other banks in Italy.

## / Significant Business and Other Events

### COVID19 outbreak

#### *Market Environment*

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

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

However, the pace of infections accelerated during the third quarter, with the number of daily new cases reaching very high levels, mostly in Europe and in the United States. This situation has proven

to be long-lasting, leading governments to strengthen again the sanitary measures after the relative easing during the summer. Although these measures were less stringent than in March, they weighed further on the economic environment. At the end of 2020, most of these restrictions were still in place and outlooks remain uncertain despite vaccines being rolled out to the population of many countries from the end of 2020.

### ***Activity and Earnings***

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

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

# A.2 UNDERWRITING PERFORMANCE

## / Aggregate underwriting performance

<i>(in Euro million except percentages)</i>	December 31, 2020	December 31, 2019
Net Investment Return	1	2
Underlying Fees and Revenues	143	154
Net Technical Margin	6	9
Net Expenses	(103)	(109)
Operational Margin	47	56
Taxation	(6)	(7)
Net Income	41	49

Net Investment Return has decreased by €1 million. A number of Shareholder owned Government Bonds matured during 2020, reducing the level of investment return. As interest rates on cash have become negative, the significant cost of holding cash (on both deposit and operational balances) has further reduced Investment Return.

Net Technical Margin has decreased mainly due to decreased levels of surrender penalties and negative performance of hedging program.

Underlying Fees and Revenues have decreased; an increase in Annual Management Charges due to increase in AUM of products bearing Annual Management Charges was offset by a reduction in release of URR/DOF as a result of reduced lapses and the run off of business on which charges were taken upfront.

Net Expenses have decreased due to a reduction in release of DAC/DOC caused by reduced lapses partly offset by increase in renewal commissions.

## / Underwriting performance by geographical area

AXA MPS Financial DAC business is focused on Italy. It has a range of unit-linked products, which it currently distributes through the Banca Monte dei Paschi di Siena (BMPS) branch network. It has also sold a small amount of business through other banks in Italy.

The table below summarises AMF's Life & Savings gross revenues by geographic region for the periods and at the dates indicated:

### Gross revenues by geographical area

<i>(in Euro million except percentages)</i>	2020	2019
Italy	100%	100%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## / Underwriting performance by product line

The table below presents gross revenues by major line of business

## Gross revenues by product line

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<i>(in Euro million except percentages)</i>	2020	2019
Unit-linked	100%	100%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## A.3 INVESTMENT PERFORMANCE

### / Net investment result

Net investment result (excluding financial expenses) from all invested financial assets of AMF was as follows:

<i>(In Euro million)</i>	December 31, 2020				
	Net investment income	Net realised gains and losses	Change in investments impairment	Net investment result	Investment management expenses
Debt instruments	1	0	0	1	0
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>-</b>

<i>(In Euro million)</i>	December 31, 2019				
	Net investment income	Net realised gains and losses	Change in investments impairment	Net investment result	Investment management expenses
Debt instruments	2	0	0	2	0
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>-</b>	<b>2</b>	<b>-</b>

### / Gains and losses directly recognised in Equity

The Company reports gains and losses on Shareholder Assets through AFS OCI. The AFS OCI reserve at 31<sup>st</sup> Dec 2020 stood at €1.7 million, a reduction of €0.8 million during the Financial Year from the 31<sup>st</sup> Dec 2019 figure of €2.5 million.

This movement represents

- A reduction in the Government Bond exposures due to maturities.
- A reduction in the level of unrealised gains on Government Bonds where the bonds are reducing in value as they approach maturity but are still higher in value than their accounting carrying value (and therefore have unrealised gains recognised in the AFS OCI Reserve).
- The amortisation of the purchase premium or discount continues to be recognised in equity until maturity (at par) or disposal.

### / Investments in securitisation

As of December 31, 2020, the Company had no investment in securitisation.

# A.4 PERFORMANCE OF OTHER ACTIVITIES

## **/ Leasing arrangement**

AMF has triggered a lease break option and will vacate its existing premises in Q4 2021. AMF will move to Wolf Tone House in Central Dublin in Q4 2021 but a lease has not yet been signed. It is likely that AMF will sign a lease of 5 years duration later in 2021.

## A.5 ANY OTHER INFORMATION

Not applicable

# B

## SYSTEM OF GOVERNANCE

### B.1 General information on the system of governance

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Governance

Compensation policy

LTI

Directors' fees

Executive Officers benefits

Material transactions with shareholders, persons who exercise a significant influence on the Company and corporate officers or executives

Assessment of the adequacy of the system of governance

### B.2 Fit and proper requirements

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Fit and Proper assessment process for the persons who effectively run the Company and key function holders

### B.3 Risk management system including the own risk and solvency assessment

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AXA MPS Financial Risk Management system

AXA Group Internal model

Own Risk and Solvency Assessment

### B.4 Internal control system

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Internal control: objectives and organisational principles

Corporate governance structures

Risk Management organisation

### B.5 Internal audit function

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Internal Audit function

### B.6 Actuarial function

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Actuarial function

### B.7 Outsourcing

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Outsourcing arrangements

### B.8 Any other information

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# B1 - General information on the system of governance

## / Governance

### Board of Directors

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#### ROLE AND POWERS

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The Board of Directors (the “Board”) is the primary governance organ within AXA MPS Financial DAC. The Board is responsible for setting and overseeing the implementation of the overall strategy of AMF and is also responsible for ensuring that the Company is managed and controlled in an effective, prudent, ethical and responsible manner incorporating the management of risk and compliance. For this purpose, the Board delegates a wide variety of tasks, but retains ultimate responsibility regarding the affairs and management of AXA MPS Financial DAC as well as the compliance with applicable requirements.

The Board of Directors ensures that the risk management framework allows the Company to identify, assess and monitor, in a forward-looking approach, the risks the Company is exposed to, in order to maintain an adequate level of its solvency in a medium-long term view.

#### OPERATING PROCEDURES

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The guidelines governing the operation, organisation and compensation of the Board of Directors and its Committees are set out in the Board Charter. The Board meets at least quarterly and more frequently as is necessary to fulfil its responsibilities effectively. The Board shall also meet at the request of any Director. The Constitution of AMF provides that its business shall be managed by the Directors and as such, the Board’s duties are concerned with the fulfilment of this general duty to oversee the management of all AMF’s activities. The Board delegates some duties to committees (as described in the following sections), to AMF’s management and to various AXA Group and third-party service providers.

Training sessions are provided to new and existing members of the Board of Directors to familiarise them with the Company’s principal activities and issues. These sessions mainly focus on the specifics of the Company, its business and its industry.

#### COMPOSITION OF THE BOARD

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The Board is comprised of Executive Directors (“ED”), Non-Executive Directors (“NED”) and Independent Non-Executive Directors (“INED”). The appointment of Directors is subject to the prior approval of the CBI in accordance with its “Fitness & Probity Standards” (“FPS”).

On December 31, 2020, the Board of Directors was comprised of eight members. Six directors were citizens of countries other than Ireland, and two of them were independent. Its members were Damien Leroux, Neil Guinan, Michele Spagnuolo, Maurizio Pecora, Andrea Gavioli, Simone Freschi, Jonathan Gould (Independent) and Seamus Hughes (Independent).

#### BOARD OF DIRECTORS’ COMMITTEES

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AMF’s Board has four Committees to which it delegates the preparation of certain decisions (as noted in the respective Committee charters). However, the Board as the Company’s primary governance body retains ultimate responsibility for discharging its duties and obligations. These committees are the following:

- Board Audit Committee
- Board Risk Committee
- Board Investment Committee
- Board Remuneration Committee

Each Committee issues opinions, proposals or recommendations to the Board of Directors on matters within the scope of its responsibilities. Board Committees do not have any formal decision-making power.

Each Committee is empowered to undertake or commission specific studies or reviews within the scope of its responsibilities. The Committees may request external consulting expertise if necessary. They may also invite external participants to attend their meetings. Committee Chairpersons report to the Board of Directors at the following Board meeting.

## **EXECUTIVE MANAGEMENT**

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AMF's Management team is constituted by the Chief Executive Officer and other persons who effectively run the Company. The positions held by those on the Management team are as follows:

- Chief Executive Officer
- Chief Financial Officer
- Chief Risk Officer
- Chief Investment Officer/Head of Distribution
- Head of Actuarial Function/Head of Products/Head of Marketing
- Chief Operating Officer
- Head of Compliance

### **THE CHIEF EXECUTIVE OFFICER**

Mr. Neil Guinan was appointed Chief Executive Officer (CEO) by the Board of Directors on September 17, 2012

AMF is organised according to the principle of separation of the powers of Chairman of the Board of Directors and Chief Executive Officer.

The Chairman of the Board of Directors organises and directs the Board of Directors' work. He ensures the proper operation of the Company's bodies.

The General Management of the Company is the responsibility of the Chief Executive Officer, under the control of the Board of Directors and subject to the guidelines approved by the Board of Directors.

The Chief Executive Officer is appointed by the Board of Directors and is vested with full powers to act on behalf of the Company in all circumstances. He exercises his powers within the limits of the corporate purpose and subject to the powers that the law expressly assigns to the General Meeting and the Board of Directors.

In addition, the Bylaws of the Board of Directors provide for specific limitations of the powers of the Chief Executive Officer and require prior Board approval for certain significant transactions.

## **Main roles and responsibilities of key functions**

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The Solvency II Regulations, which became effective on January 1, 2016, require AMF to have in place a governance system designed to guarantee a sound and prudent management. This governance system is based on a clear separation of responsibilities and must be proportionate to the nature, extent and complexity of the Company's operations.

In this context, AMF has (i) put in place a control framework with three lines of defence with boundaries between each of them clearly defined and (ii) established four key functions:

- the Risk Management function which is, in particular, responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AMF. In particular, it is in charge of the design, implementation and validation of the internal model, the documentation of this model and any subsequent changes made to it as well as the analysis of the performance of this model and the production of summary reports thereof;
- the Compliance function, which is, in particular responsible for advising on compliance with the laws, regulations and administrative provisions regarding insurance and reinsurance activities as well as ensuring that compliance is effective;
- the Internal Audit function, which is, in particular, responsible for evaluating the adequacy and effectiveness of AMF's internal control system and other elements of the system of governance. The Internal Audit function must be objective and independent from the operational functions; and
- the Actuarial function, which is, in particular, responsible for overseeing the calculation of technical provisions (including ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions), assessing the sufficiency and quality of the data used in this calculation and comparing best estimates against experience,

expressing an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements.

Within AMF, the key functions heads in accordance with the Solvency II Regulations are:

- the Chief Risk Officer,
- the Head of Internal Audit,
- the Head of Compliance,
- the Head of the Actuarial Function

AMF's executive officers and each person in charge of a key function must fulfill the requirements of a fit and proper assessment, as set out in AXA Group's internal procedure, and be notified to and approved by the *Central Bank of Ireland* ("CBI"). Solvency II also requires procedures whereby the key function holders must have a direct access to the Board of Directors. In order to ensure the necessary authority and resources to carry out their tasks, the key function holders have a right to report to the Board of Directors directly and at their own initiative when events of a nature to justify such report occur, and have the same direct access to the Chairs of the appropriate Board Committee. In addition, the key functions have available dedicated staffs and other resources appropriate to their tasks.

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## **/ Material changes in the system of governance in 2020**

There have been no material changes in the system of governance in 2020.

# Compensation policy

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## REMUNERATION POLICY

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AXA Group Remuneration policy became applicable to all AXA Group companies, including AMF, and their employees as of January 1, 2016. AMF's Board approved Remuneration Policy is aligned in all key respects with AXA Group's, and was last reviewed and approved by the Company's Board of Directors in April 2021.

The remuneration policy of AMF applies to all AMF employees and directors. It is designed to ensure that:

- AMF is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- Employees are offered a competitive remuneration package;
- Employees feel encouraged to create sustainable results and that a link exists between shareholders and employee interests;
- AMF's focus areas are furthered.

The policy focuses on ensuring sound and effective risk management through a stringent governance structure for setting goals and communicating these goals, both financial and non-financial to employees in performance and result assessments, making fixed salaries the main remuneration component. It has been aligned to meet with the requirements of Solvency II and the Corporate Governance Code for Insurance Undertakings 2015.

## COMPENSATION OF THE EXECUTIVE OFFICERS

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### Compensation structure

AXA broadly applies a "pay-for-performance" approach which (i) recognises achievement of defined financial and operational targets aligned with AXA's business plan (ii) promotes long-term sustainable performance by incorporating risk adjustment measures in performance metrics (such as cash Return-On-Equity which takes into account the capital required to deliver performance) and (iii) determines individual compensation amounts on the basis of both financial results and demonstrated individual leadership and behaviours.

The overall remuneration structure is based on the following components, which are designed to provide balance and avoid excessive risk taking for short term financial gain:

- a fixed component which comprises guaranteed elements, such as base salary and any other fixed allowances. It takes into account the position, responsibilities, experience, market practices, technical skills and leadership competences, as well as sustained individual performance and criticality or scarcity of skills; and
- a variable component which comprises an upfront cash element (Short Term Incentive) and a deferred element which is awarded through equity-based instruments or equivalent such as stock options and/or performance shares (Long Term Incentive). This variable component depends on the AXA Group's global performance, on the AMF performance, and on the achievement of the executive's individual objectives including demonstrated abilities for leadership.

AXA ensures suitable balance between fixed and variable components so that the fixed component represents a sufficiently high proportion of the total remuneration. This avoids employees being overly dependent on the variable components and allows AXA to operate a fully flexible bonus policy, including the possibility of paying no variable compensation. All variable remuneration amounts are awarded in accordance with performance and there are no minimum payments guaranteed.

The target level of the executives' compensation and the structure of the elements which compose such compensation are based on a detailed analysis of market practices as well as potentially applicable national and international regulations, and they also take into consideration various other factors including the equity principles within AXA Group and the previous compensation level of the executive.

### Long Term Incentive (LTI) annual allotment

Each year, LTI is granted to the AXA Group executives.

AXA recognises the importance of aligning remuneration over long term value creation by deferring a substantial portion of the individual's total variable compensation (i.e. short-term incentive (STI) plus LTI). Two main deferred Long-Term Incentive instruments are currently used: Performance Shares and Stock Options.

These LTIs are integrally subject to performance conditions and therefore do not guarantee any grant or minimal gain for the beneficiaries.

## / LTI

### **PERFORMANCE SHARES**

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Performance Shares are designed to recognise and retain AXA Group's best talents and critical skills by aligning the individuals interests with the overall performance of AXA Group, and the corresponding operational Entity/Business Unit as well as with the stock performance over the medium-term (three to five years).

Performance shares are subject to a minimum deferral period ranging from three to four years<sup>1</sup>.

In addition Performance Shares are subject to performance conditions over a period of three or four years. The performance indicators measure both (i) AXA Group's overall financial and operational performance and (ii) the participant's operational Entity/Business Unit performance.

Under the terms of the plan, the initial number of performance shares granted is adjusted to reflect achievement against the defined performance conditions and final individual pay-outs range from 0% to 130% of the initial grant amount depending on the level of achievement against the performance conditions<sup>2</sup>.

In the event that no dividend payment is proposed by the Board of Directors with respect to any year during the three year performance period, a malus provision applies and automatically reduces by 50% the number of performance shares that would have otherwise been acquired by the beneficiary at the end of the three year performance period<sup>3</sup>.

With Corporate Responsibility criteria already incorporated in the performance conditions of the AXA LTI (weighting for 10%<sup>4</sup>), the Remuneration Policy is consistent with the integration of 'sustainability risks', within the meaning of, and as required by Regulation (EU) 2019/2088 of November 27, 2019, as amended. This criteria is based on a target on AXA's score on Dow Jones Sustainability Index (assessing Environmental, Social and Governance dimensions). Targets and calibration of all financial and non-financial criteria are reviewed annually by the Board of Directors.

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<sup>1</sup> Participants can receive AXA shares after a three/fouryear acquisition period (four-year acquisition period outside of France) depending on performance achievement. In France, once the shares are acquired, an additional holding period of two years is required. For more details please refer to the Performance Shares detailed plan rules.

<sup>2</sup> The threshold which currently applies is respectively 65% for Group and 60% for Entity performance.

<sup>3</sup> The performance score ranging from 0%-130% is divided by two in the event no dividend has been proposed by the Board of Directors during any of the three year performance period, providing the beneficiary with 50% only of the adjusted number of Performance Shares.

<sup>4</sup> Weighting for 30% as of 2021 grant

## **STOCK OPTIONS**

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Stock Options are designed to align long term interests of AXA Group Senior Executives with shareholders through the performance of AXA share price.

Stock options are valid for a maximum period of ten years. They are granted at market value, with no discount, and become exercisable by tranches between three and five years following the grant date.

Stock Options granted to members of the Executive Committee as well as the last third of all other grants, are subject to performance conditions. In the event the performance condition is not met during the performance period, all the corresponding Stock Options will be forfeited.

## **ADDITIONAL PROVISION ON PERFORMANCE CONDITIONS**

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In addition to the conditions noted above, under the terms of the plans, all unvested Performance Shares and all unexercised Stock Options (both vested and unvested) are automatically forfeited in the event a participant's employment is terminated for any reason including, without limitation:

- Where an employee has materially violated AXA's Code of Conduct or other key Risk and Compliance policies; and
- There is evidence of serious misconduct or misbehaviour and/or the employee causes material detriment to the business or reputation of AXA or one of its subsidiaries.

## **LTI GRANT PROCEDURE**

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Within the global cap authorised by the shareholders, AXA Board of Directors approves LTI programs prior to their implementation.

Each year, AXA Board of Directors, acting upon recommendation of its Compensation & Governance Committee, approves a global LTI pool to be granted.

The recommendations for individual grants (Performance Shares and Stock-Options) are made by the beneficiary's Entity-level management. These recommendations are reviewed by AXA Executive Management to ensure global coherence and respect of the Group's internal equity principles. Individual grants of Performance Shares are then decided by AXA Board of Directors.

## **/ Directors' Fees**

Independent Non Executive Directors of the Board receive fixed fees. Non Executive Board members are not covered by incentive programmes and do not receive performance-based remuneration. The basic fees of a Board member is set at a level that is on par with the rest of the market and reflects the qualifications and contribution required in view of AMF's complexity, the extent of the responsibilities and the number of Board meetings. No pension contributions are payable on Board members' fees.

## **/ Commitments made to executive officers**

### **PENSION SCHEMES**

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The Company operates a Defined Contribution pension scheme managed by a life office of the Company's choice. Following the successful completion of an employee's probationary period, they may be eligible to become a member of the pension scheme. In the case of qualifying employees, the Company will contribute a fixed percentage of basic salary into the Pension Scheme. Employees may make additional contributions of their own, in addition to that of the Company, within Revenue limits. The Company reserves the right to make individual arrangements with staff to reflect individual

circumstances. The Pension Scheme aims to provide employees with basic cover in the event of illness or death and a pension payment on retirement.

## **/ Material transactions with shareholders, persons who exercise a significant influence on the Company and corporate officers or executives**

### **SHAREHOLDERS**

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In January 2021, AMF paid a dividend of €50 million to its shareholder, an amount which was noted as a foreseeable dividend in the FY2019 SFCR. Subsequent to Board approval of the dividend in April 2020, and in response to the COVID-19 crisis and aligned with a similar statement by EIOPA, the CBI issued a statement that insurance firms should postpone any payment of dividends until they can forecast their costs and future revenues with a greater degree of certainty. Throughout the year AMF continued to monitor the impacts of the crisis on its solvency and liquidity positions, and therefore on its ability to support the dividend payment. Further detailed analysis was reviewed by the Board in October 2020, and it reaffirmed its approval for the distribution of the dividend. In January 2021, the CBI issued a letter of no objection to the distribution of the dividend, and the payment was made.

### **PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE COMPANY**

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To the best of the Company's knowledge, based on information reported to it, there were no material transactions between the Company and any person who exercise a significant influence on the Company during 2020.

### **EXECUTIVE MANAGEMENT AND DIRECTORS**

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To the best of the Company's knowledge, based on information reported to it, there were no material transactions between the Company and any members of the Company's Executive Management or Board of Directors during 2020.

## **/ Assessment of the adequacy of the system of governance**

The Company believes that its system of governance described herein is adequate in light of the nature, scale and complexity inherent in the Company's business.

Detailed information on the internal control mechanisms and procedures implemented by the Company is provided in Section B.4.

## B2 – Fit and proper requirements

### **/ Fit and Proper assessment process for the persons who effectively run the Company and key functions holders –**

The Solvency II Regulations outline the requirements of fitness and probity, and proof of good repute that apply to persons who effectively run the Company. Additionally, the CBI has outlined Fitness and Probity Standards which must be met by certain positions within regulated financial services providers such as insurance companies. The Standards apply to persons performing:

- **Controlled Functions (CF):** A function which exercises significant influence on the conduct of affairs of the financial services provider, relates to controlling or monitoring compliance and involves the provision of a financial service (i.e. advice to customers; control over customer property; dealing in / with property on behalf of the financial service provider).
- **Pre-Approval Controlled Functions (PCF):** For insurance companies this would specifically include the Board of Directors, Chief Executive Officer and other selected senior management positions. In AMF, these senior management positions are as follows:
  - Head of Actuarial Function
  - Chief Investment Officer
  - Chief Risk Officer
  - Chief Financial Officer
  - Chief Operating Officer
  - Head of Internal Audit
  - Head of Compliance

The Company, as a CBI-regulated entity, maintains formal standards of fitness and probity of all relevant staff. In order to do so the Company must conduct due diligence on each individual performing a CF or PCF to verify that the individual is:

- Competent and capable;
- Honest, ethical and able to act with integrity; and
- Financially sound.

The Company has put in place a Fitness and Probity policy which defines processes and procedures for assessing the fitness and probity of persons who occupy CF and PCF functions, both when being considered for the specific position and on an ongoing basis. This policy has been approved by the Board.

Once the Company has completed the necessary due diligence measures to the required standard and received CBI approval, where required, the placement can be completed and the Compliance function will update the Fitness & Probity Log with:

- Individuals performing control functions
- Individuals performing pre-approval control functions
- Due diligence measures completed
- Excluded positions

All new employees are asked to sign a declaration to the effect that they understand the Standards, will comply with these Standards and notify the Company should they become no longer able to comply with the Standards.

The Compliance function is responsible for ensuring that each individual performing a control function completes a declaration certifying their adherence to the Fitness & Probity Standards upon appointment and annually thereafter. A person will neither be appointed to a role nor be allowed to remain in a role unless the Company is satisfied with the checks carried out.

# B3 - Risk management system including the own risk and solvency assessment

## / AXA MPS Financial Risk management system

### Risk management missions

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The Company is in the business of risk. Managing risk well enhances AMF's reputation and creates opportunities to grow the business in a considered, profitable and sustainable way.

The objective of Risk Management is to appropriately understand, control and communicate the nature and significance of the risks which the Company assumes and is exposed to, including its sensitivity to those risks and its ability to mitigate them. This is done via a continuous process that is used in the implementation of the Company's overall strategy.

As an integrated part of all business processes, Risk Management is responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AMF. Risk Management is responsible for developing the Enterprise Risk Management framework in terms of limits/thresholds (covering financial, underwriting and operational risks), policies, guidelines and monitoring of the risk exposure, in accordance with AXA Group standards, and within a clearly defined risk appetite consistent with AXA Group's risk appetite.

This framework is based on the four following pillars, cemented by a strong risk culture:

1. **Risk Management independence and comprehensiveness:** the CRO is independent from operations ("first line of defence") and Internal Audit Departments ("third line of defence"). Risk Management and Compliance Department, together with Actuarial Function and Internal Financial Control, constitute the "second line of defence" which objective is to develop, coordinate and monitor a consistent risk framework across the AMF;
2. **Shared risk appetite framework:** the CRO is responsible for ensuring that the Board of Directors and top management review and approve the risks owned by the Company, understand the consequences of an adverse development of these risks, and have action plans that can be implemented in case of unfavourable developments;
3. **Systematic second opinion on key processes:** the CRO ensures a systematic and independent second opinion, on AMF material decision processes, like new product characteristics (risk-adjusted pricing and profitability), economic reserves, Asset and Liability Management studies, asset allocation and new investments, and reinsurance; and
4. **Robust economic capital model:** AXA's economic capital model (AXA's Internal Model) offers a concrete and powerful tool to manage and measure exposure to most risks, in line with the Solvency II Regulations. AXA's Internal Model is designed as a consistent and comprehensive risk management tool, which also forms an important element in the capital management and planning process.

### AXA MPS Financial Risk Management

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At AMF, Risk Management is a key enabler to the achievement of the company's strategic and business plan objectives, where:

- Sound Risk Management is a critical part of AMF's business. AMF's Risk Management system must be effective and integrated into the organisational structure and in the decision making processes of the Company, with proper consideration of the persons who effectively run the organisation or other key functions;

- AMF pro-actively manages risk rather than reactively responding to it; and
- Risk Management is embedded into AMF's day to day business activities – meaning that the risk management system is integrated into the organisational structure of the Company and into the decision-making processes.

AMF defines an effective Risk Management system as that comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks, at an individual and aggregate level, to which AMF is or could be exposed and their interdependencies.

AMF's Risk Management System comprises the following:

- A Risk Management Strategy and Culture that includes risk management objectives, key risk management principles and is consistent with AMF's overall business strategy;
- A Risk Appetite Framework, including a Board Approved Risk Appetite Statement and reporting against that framework on a timely basis;
- A Risk Assurance Framework to identify, assess, manage, monitor and report on the risks that AMF is or may be exposed to. The Risk Assurance Framework incorporates a risk management governance structure; a risk management and internal control framework; written policies / procedures for the material risks faced by AMF, by type; and Reporting procedures and feedback loops that ensure that information on the Risk Management system is actively monitored and managed.

## Other functions

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AMF operates the three lines of defence model with clearly defined ownership of risks and splits of responsibility between the three lines:

- **First line of defence** (line management) are the risk owners and are responsible for the identification of risks and implementation of controls. They also own the embedding of relevant policies and standards
- **Second line of defence** (Risk, Compliance and Actuarial Functions) are responsible for risk oversight over all risks and controls.
- **Third line of defence** (Internal Audit) are responsible for performing independent assessments of the effectiveness of the systems of controls

## Risk governance within AXA MPS Financial DAC

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The Company's CRO is responsible for ensuring that the Risk Management system is reviewed and reported to the Board Risk Committee formally on at least a quarterly basis to ensure that AMF continues to have adequate measures and procedures in place to identify, monitor and manage those risks.

## / AXA Group Internal Model

AXA Group has developed and implemented a robust economic capital model since 2007 and the AXA Group's Internal Model has been used since 2009 in the risk management system and decision making processes. AMF applies the AXA Group internal model. AMF's main goal in using an internal model as opposed to the standard formula is to better reflect the Company's risk profile in the Solvency Capital Requirement (SCR). This is considered from several aspects:

- Taking into account local specificities –for example, local calibrations are applied for some risks to better reflect AMF's experience
- Addressing shortcomings of the standard formula – for example, the STEC model for market risk includes some risks not covered by the standard formula (eg government spread risk).

- Allowing for better evolution of the model over time – for example, if new product innovations create different risks to consider, the flexibility of an internal model allows the specificities of these developments to be reflected.

## Internal Model governance

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At AXA Group level, the governance bodies involved in the internal model governance are the following ones:

- The Boards of Directors
- The Audit, Risk and Compliance Committee
- The Solvency II committee (Group Model Committee)

At AXA Group level, the internal model is reviewed, challenged and approved on an ongoing basis by the Solvency II Committee, co-chaired by the AXA Group CRO and CFO. The Solvency II Committee is supported by risk technical working groups reviewing changes proposed to the AXA Group internal model and presenting conclusions of these diligences to the Solvency II Committee. The Solvency II Committee also reviews internal model validation and model change processes, including links with local governance of the model. It also reviews the conclusions of the regular validation activities.

AXA Group results are presented quarterly to the Audit, Risk and Compliance Committee.

AXA Group provides guidance on internal model design and operational processes that are defined locally.

At AMF level, the CRO ensures that a local model committee operates involving at least the local CFO, Head of Actuarial Function and CRO, in charge of discussing and validating changes and evolutions in the internal model, to review SCR outputs and to support and promote the development of the internal model in consistency with AXA Group Solvency II governance and the model change policy.

During the clearance process, the CRO provides a sign-off including the fact that they have ensured that all local SCR changes have been shared with AXA Group Risk Management (GRM) and have been reviewed and approved by the relevant AXA Group and local governances.

## Internal model validation

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AXA Group has implemented and documented an overall regular validation process of the internal model to monitor its performance and on-going appropriateness. This process and associated governance are documented in the AXA Group validation policy, endorsed by the Audit, Risk and Compliance Committee.

The AXA Group validation policy is complemented by AXA MPS Financial Validation policy, which specifies the local validation activities and responsibilities.

The AXA MPS Financial Validation policy is endorsed by the Company's Board of Directors.

Validation is processed to all parts of the Internal Model. Hence, it does not only apply to the quantitative aspects of the model (input data, theory & methodology, parameters & assumptions, data, results) but encompasses the qualitative aspects of the model: expert judgment, documentation, model governance, use test, systems/IT.

Risk management is performing regular integrated validation activities, described in the validation policy, mostly organised around:

- validation of the model structure, modelling choices, parameters and assumptions ; and
- validation of the internal capital model calculation and results

These tasks are performed mostly within the Risk Management department in charge of the model, through controls and validation activities using validation tools as sensitivity tests, back testing, scenario testing, and stability analysis and any other relevant activity. A four eyes principle is applied for these validation activities where necessary.

These validation procedures are complemented by independent challenge and validation of assumptions, key parameters and results through committees (assumptions committees, calibration committees, clearance committees...) providing the adequate level of expertise and seniority.

In particular, AXA Group Risk Management teams provide to AMF independent challenge of the local model choices, local parameters, assumptions or calibration as well as local results.

Apart from this line-integrated validation, sanctioned by CRO review and sign-off of numbers, a comprehensive independent review process has been defined and implemented to provide adequate confidence to AXA Group management and Board of Directors on the fit for purpose quality of the model and its outputs.

The independent reviews are performed by two internal teams and by external auditors:

- Internal Financial Control (IFC) team, at local and AXA Group level, responsible for assessing the effectiveness of internal control framework over the Solvency II Regulations, on the basis of the testing of processes and controls over the EOF and SCR, at least annually.
- Internal Model Review (IMR) team, AXA Group team responsible for the in-depth actuarial review of the model under local teams responsibility, the conception and methodology when locally developed, and the local implementation of AXA Group principles when relevant. IMR controls are performed on a three-year rolling basis, independently from closing agenda.

Both IMR and IFC are fully independent from the development, the governance and the processing of the internal model.

At the end of the annual validation process, the Board of Directors is provided with a report summarising the conclusions of the internal review by Risk Management and the conclusion of the independent review by IMR and IFC as well as a review by an independent third party.

## **Material changes to the internal model**

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There have been no material changes to internal model governance at Company level during 2020.

## **/ Own Risk and Solvency Assessment**

The Own Risk & Solvency Assessment (ORSA) encompasses processes to identify, assess, monitor, manage and report the short to medium term risks of AMF and to ensure the level of own funds adequacy with AMF solvency targets, taking into account the risk profile, approved risk tolerance limits and business strategy. As an important component of the risk management system, it is intended to give a comprehensive and complete vision of the risks embedded in the business of AMF.

ORSA mainly encompasses risk management and financial activities, which are organised around the following processes:

- Solvency Capital Requirement (SCR) & Eligible Own Funds (EOF) quarterly calculation,
- Liquidity risk reporting,
- Strategic planning and financial projections,
- Risk appetite process,
- Stress and scenario testing analysis and monitoring (Transversal stress scenario and Reverse stress test), and
- Reputation and strategic risk assessment and review.

ORSA is a tool of the risk management system which contributes to strengthening the culture of risk management and giving a comprehensive and complete vision of the risks embedded in the business of AMF.

The ORSA aims at giving the AXA MPS Financial Board of Directors confidence that the company has sufficient capital to support the level of risk it faces, in compliance with the Solvency II requirements.

The own-risk and solvency assessment is an integral part of the business strategy and is taken into account on an on-going basis in the strategic decisions of the undertaking.

The ORSA report provides assessment on:

- a) The assumptions and methodology used for solvency cover projections under the strategic plan horizon and according to different cases and economic scenarios; and
- b) The key outcomes and figures of these projections. A range of scenarios is considered within the ORSA to assess the risks to which AMF is most exposed.

AMF has an ORSA Policy in place, approved by the Board, which describes the processes and procedures in place to produce the ORSA.

## **Board of Directors**

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ORSA is a top-down process reviewed by the Board. The Board (via Board Risk Committee) provide significant input to the process at all stages, with discussions taking place throughout the year on what are deemed to be the top risks for AMF, and which scenarios should be assessed in the ORSA process. The Risk Appetite framework is reviewed and endorsed by the Board. The Company's ORSA report is presented to the Board Risk Committee annually, and fully reviewed by the Committee. It is subsequently presented to and approved by the Board of Directors. The Board of Directors grants the Management the authorisation to file the ORSA report to the supervisor, the CBI.

The risk appetite framework developed by the Executive Management is reviewed by the Risk Committee and endorsed by the Board of Directors.

## **Executive Committee – Management Risk and Compliance Committee**

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The Management Risk and Compliance Committee, which members include the Chief Risk Officer (CRO) and Head of Actuarial Function, provides significant input throughout the ORSA process and reviews the ORSA report.

## **Risk Management**

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AMF's Risk Management team, under the direction of the CRO, is responsible for carrying out the ORSA process and for coordinating the preparation of the ORSA report.

The ORSA report provides an assessment of:

- The AMF risk profile as well as an assessment of the significance with which the risk profile deviates from the assumptions underlying the Solvency Capital Requirement calculated within the Internal Model;
- The overall solvency needs and business strategy;
- The compliance, on a continuous basis, with the regulatory capital requirements, which includes sensitivities and scenario analyses, and with the requirements regarding technical provisions.

## B4 – Internal control system

### **Internal control: objectives and organisational principles**

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AMF is engaged in the financial protection and asset management business. As such, it is exposed to a wide variety of risks – insurance risks, financial market risks and other types of risks.

In order to manage these risks, AMF has put in place a comprehensive system of internal controls designed to ensure that executives are informed of significant risks on a timely and continuing basis, have the necessary information and tools to appropriately analyse and manage these risks, and that Company and Group's financial statements and other market disclosures are timely and accurate.

These mechanisms and procedures principally include:

- the Company's corporate governance structures which are designed to ensure appropriate supervision and management of the Company's business as well as clear allocation of roles and responsibilities at the highest level;
- management structures and control mechanisms designed to ensure that the Company's executives have a clear view of the principal risks the Company faces and the tools necessary to analyse and manage these risks;
- Internal Control Over Financial Reporting (ICOFR), designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of AMF's consolidated financial statements; and
- disclosure controls and procedures designed to ensure that executives have the necessary information to make fully informed disclosure decisions on a timely basis and that the Company's disclosures on material information (both financial and non-financial) to the markets are timely, accurate and complete.

These mechanisms and procedures, taken together, constitute a comprehensive control environment that management believes is appropriate and well adapted to AMF's business.

The internal control framework has been adapted at AMF level through similar mechanisms and procedures to the Group ones, to provide reasonable assurance that the Company's operating efficiency, financial reporting and regulatory compliance goals will be achieved.

The internal control process at AMF primarily relies on:

- The Company's general operating and organisational principles; and
- Controls implemented within each operating, functional and financial department, which contribute to the effectiveness of the permanent control system (under AMF's internal control program, the owner of each process is required to attest to the operational effectiveness of controls within his area of responsibility on a regular basis); and
- Control functions that enable an independent and objective assessment of the Company's security and operating quality to be provided to management.

AMF general organisational principles contributing to the management of the internal control system are primarily based on:

- an organisational structure that respects the segregation of duties;
- AMF's compliance with AXA Group standards. These standards are applied via:
  - the risk management policies, which specify the procedures to be implemented in order to identify, assess, monitor and manage all the risks included in AMF's risk profile (financial risk, insurance risk, operational risk, liquidity risk, emerging risks and reputational risk);
  - the compliance policy, which specifies the role and assignments of the Compliance Function
  - the internal IFC program, which specifies the internal control system for the financial reporting process;

- familiarity with the processes in place through an on-going improvement of operating processes; and
- the introduction of preventive measures such as the promotion of corporate ethics, which aims to encourage all employees to abide by the principles of professional ethics, integrity and fairness.

## **Corporate governance structures**

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AXA has taken steps designed to harmonise corporate governance standards throughout the Group. This effort is focused, among other matters, on standardising, to the extent practicable, principles relating to various corporate governance matters including board composition and size, directors' independence criteria, board committees and their roles, and directors' fees.

The Group Governance Standards are part of a larger set of Group standards that apply to all AXA Group companies (the AXA Standards). These Group Standards are designed to ensure that all the companies of the Group have effective Risk Management processes and appropriate governance structures and meet the Group's minimum control requirements. The Chief Executive Officer is therefore required to annually certify that AMF is in compliance with the Group Standards.

In order to manage the various risks to which it is exposed, AMF has a management structure and control mechanisms designed to ensure that executives have a clear and timely view of the principal risks facing the Company and the tools necessary to analyse and manage these risks.

These management structures and controls include the following:

### **BOARD OF DIRECTORS**

The Board of Directors determines the Company's business strategy and oversees its implementation. The Board considers all material questions related to the proper functioning of the Company and takes decisions it deems appropriate for the Company's business. The Board of Directors also undertakes all controls and verifications as it deems appropriate from time to time.

The Board of Directors has established four Committees to assist it in fulfilling its responsibilities: an Audit Committee, an Investment Committee, a Risk Committee and a Remuneration Committee. These Committees exercise their activities under the responsibility of the Board of Directors and report regularly to the Board of Directors on matters within the scope of their respective responsibilities.

For additional information on the Board of Directors, please refer to Section B.1.

### **AUDIT COMMITTEE**

All the Board Committees constitute an important part of AMF's overall internal control environment and play a particularly important role in reviewing internal control and risk related issues.

The audit committee has a critical role in reviewing financial results and other financial information prepared by the management, financial reporting and control processes, critical accounting policies, particular accounting issues, key risks and systems of internal control, regulatory compliance, fraud and similar issues.

The full scope of the Audit Committee's responsibilities is set out in the Board Audit Committee Charter.

### **RISK COMMITTEE**

The Risk Committee assists the Board in fulfilling its oversight responsibilities on the current risk exposures of the Company and future risk strategy. It:

- Advises the Board on risk appetite and tolerance for future strategy, taking account of the board's overall risk appetite, the current financial position of the Company and, drawing on the work of the Audit Committee and the External Auditor, the capacity of the Company to manage and control risks within the agreed strategy.

- Ensures the development and ongoing maintenance of an effective risk management system within the Company that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business;
- Advises the Board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Company; and
- Oversees the performance of the Company's Risk Management function.

The full scope of the Risk Committee's responsibilities is set out in the Board Risk Committee Charter.

#### **INVESTMENT COMMITTEE**

The Investment Committee assists the Board in fulfilling its governance and oversight responsibilities in relation to the investment strategy and policies and investment performance for AMF.

The full scope of the Investment Committee's responsibilities is set out in the Board Investment Committee Charter.

#### **REMUNERATION COMMITTEE**

The Remuneration Committee monitors compliance with the remuneration policy and advises the Board of any material deviations or concerns observed.

The full scope of the Remuneration Committee's responsibilities is set out in the Board Remuneration Committee Charter.

### **Chief Executive Officer and other persons who effectively run the Company**

Please refer to Section B.1.

### **Executive Management**

The Executive Management team, led by the CEO, plays a key role in determining the corporate culture of AMF and in setting the 'tone at the top'. The primary responsibility for leading and managing AMF's employees lies with the management team. For the composition of the management team, please refer to Section B.1.

## **/ Risk Management organisation**

The Board of Directors is responsible for the internal control framework, ensuring their implementation, maintenance and continuous improvements in order to achieve the business objectives, managing the risks that can affect the key business processes.

With this purpose, a control framework with three lines of defence has been designed and the boundaries between them are clearly defined. The objective is to ensure that this framework is in place to systematically identify measure, manage, and control all the risks that AMF may face.

The control framework with the three lines of defence is illustrated below with Internal Audit (level 3) being the line that provides independent assurance on the effectiveness of the system of internal control.

### **First line of defence: management and staff**

Management and staff are responsible for day to day risk-taking management and decision-making and have primary responsibility for establishing and maintaining an effective control environment. The 1<sup>st</sup> line of defence is the one responsible for identifying and managing the risks inherent in the products, services and activities for which they are responsible.

Management, as the primary risk owner, should as first line of defence design, implement, maintain, monitor, evaluate, and report on the organisation's internal control system in accordance with risk strategy and policies on internal control as approved by the governing body.

Each person within the organisation – management and other employees alike – should be held accountable for proper understanding and execution of risk management and internal control within his or her span of authority. AMF has an internal control program in place covering all areas of the business. On an annual basis, the owner of each business area is required to complete an attestation confirming that the controls within his area of responsibility are operating effectively, or that where any gaps exist that there is an action plan in place to remediate. Second line design and effectiveness testing of the internal control program is carried out by Risk Management.

## **Second line of defence: Risk Management function, Compliance function, Actuarial function and Internal Financial Control function**

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The second line of defence includes the Risk and Compliance Departments, the Head of Actuarial function, and the Internal Financial Control (IFC) program. This line of defence is responsible for developing, facilitating and monitoring effective risks and control framework and strategies.

### ***Risk Management Department***

The Chief Risk Officer is the Head of the Risk Management Department. The CRO reports to AMF's CEO. While the principal responsibility for risk management material to the business activities of AMF lies with the AMF management team, the CRO provides an independent review and challenge to Risk Management activities and an integrated view of all risks of AMF from an identification and quantification standpoint.

The CRO adheres to the CBI "Fitness and Probity Standards", specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness.

The role of Risk Management (RM) is to identify, quantify and manage the main risks to which the Company is exposed. To this end, Group Risk Management (GRM) develops and deploys a number of risk measurements, monitoring instruments and methods, including a standardised methodology and framework for stochastic modelling (through AXA's Internal Model) including the ORSA (Own Risk & Solvency Assessment) required under Solvency II. Such framework is fully deployed within AMF by Risk Management department.

The Risk Management activities aim to create and maintain an appropriate risk management system in order to identify, assess, monitor and mitigate the most significant risks to which AMF is exposed, and which could jeopardise its solvency, in accordance with the AXA Group's "Risk Management" standards.

To that end, all the Company's operating technical and cross-divisional functions contribute to this system depending on their expertise and business sector.

When appropriate, this work leads to the implementation of decisions that affect the Company's risk profile, helping to monitor the solvency position and manage the volatility of earnings through improved understanding of the risks taken and optimisation of capital allocation.

The types of risks covered include risks coming from the invested assets, from the insurance liabilities and operational risks. Under the Solvency II Regulations, AMF is required to produce an ORSA Report which is filed with the CBI. GRM has defined and implemented a set of policies and procedures to ensure that all risks embedded in the business processes are appropriately reviewed on a yearly basis.

The Company's ORSA Report is reviewed by the Risk Committee and then presented to the Board of Directors which approves the conclusions of the Company ORSA Report and authorises the filing of the ORSA Report to the CBI.

### ***Compliance function***

The Compliance function, led by the Head of Compliance, is responsible for identifying and managing the legal, regulatory and compliance risks to which AMF is exposed.

The Compliance function is responsible for advising the entity's management and board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Solvency II Regulations and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AMF's operations. The function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyse compliance risk and contribute to design solutions to mitigate those risks to which AMF is exposed.

The Head of Compliance reports administratively to the Company's CEO and functionally to the Audit Committee. The Head of Compliance is the individual with designated responsibility for overseeing and monitoring compliance activities within AMF and has principal responsibility for the Compliance Function. The Head of Compliance adheres to the CBI's "Fitness and Probity Standards", specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness.

The Compliance function manages a wide range of compliance related matters including (i) regular reporting on significant compliance and regulatory matters to senior management and to regulators, (ii) financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance), (iii) data privacy, (iv) employee Compliance & Ethics Guide, (v) the monitoring of compliance and regulatory risks.

The Compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed at the end of each year for the following year.

The compliance activities within AMF are articulated around a number of Group Standards and Policies which set the minimum requirements expected to be covered by AMF. The Compliance AXA Group Standards contains standards and policies on significant risks affecting the compliance activities as well as the high level control and monitoring principles to which AMF must adhere. In addition, the Compliance function has adapted the AXA Group requirements and developed local policies to align with the relevant laws and regulations in the jurisdiction in which AMF operates and conducts business. These local policies are reviewed annually by the Board of Directors and the Board's Audit Committee.

On a quarterly basis, the Compliance function reports directly to the Board's Audit Committee on significant compliance matters. These include major regulatory changes that have compliance implications, the results of the Compliance Risk Assessment, the Annual Compliance Plan, Compliance Support and Development Program (CSDP) remediation actions and any other significant issues that require escalation.

### **Head of Actuarial Function**

The Head of the Actuarial Function ("HoAF") reports to the Company's CEO and to the Board. In addition, as defined in AXA Group Actuarial Framework, his/her nomination is subject to Group Head of Actuarial Function agreement to whom he indirectly reports any major problem related to actuarial function responsibilities.

The HoAF is responsible for preparing an annual Actuarial Function Report to the Board Audit Committee and the Board of Directors.

Please refer to section B.6 for further information on the Actuarial Function.

### **Internal Financial Control (IFC) function**

The IFC program is based on AXA Group's IFC Standard, which is an internal control and governance standard. AXA Group's IFC Standard is based on the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). It is designed to define the IFC scope and governance, ensure consistency and quality in AMF's and AXA Group financial reporting, and provide an overall framework for the annual IFC program.

In accordance with AXA Group's IFC Standard, AMF (i) documents significant processes and controls, as well as the rationale of how the associated risk of material misstatement due to error or fraud can be reduced to an acceptable level and (ii) tests the design and operational effectiveness of key controls based on the test plans.

These tests form part of a continuous improvement process in the internal control exercised over financial reporting. Areas for improvement are identified by specific test plans designed by management with insight into the risks covered. These processes then help remediate the identified potential control deficiencies and maintain high standards of internal control within AMF.

## **Third line of defence: Internal Audit function**

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Internal Audit provides independent assurance on the effectiveness of the internal control system. Internal Audit exists to help the Board protect the assets, reputation and sustainability of the Company by providing an independent and objective assurance activity designed to add value and improve the Company's operations.

### **INTERNAL AUDIT**

The Head of Internal Audit ("HIA") reports administratively to the Company's CEO and functionally to the Audit Committee. The HIA is responsible for the Internal Audit Function in AMF. The Internal Audit Function role is to provide independent assurance on internal control, risk management and governance processes within AMF. The HIA adheres to the CBI "Fitness and Probity Standards", specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness. The HIA completes continuous professional development required by the professional body of which he/she is a member.

Internal audit plays an important role in evaluating the adequacy and effectiveness of Internal Control Systems and contributes to increased effectiveness through the identification of control deficiencies (if any) and provision of recommendations for improvement.

Please refer to Section B.5 for additional information on the Internal Audit function.

## **/ Financial reporting, disclosure, controls and procedure**

### **Finance Department**

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The Finance Department's role encompasses the following principal activities:

- producing the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and analysing key performance indicators;
- producing the economic balance sheet;
- managing the Internal Financial Control (IFC) program;
- developing and using management control tools;
- strategy and budget planning and monitoring of targets;
- coordinating the production of reports filed with the CBI related to Solvency; and
- liaising with the Statutory Auditors and contributing to Audit Committee meetings as required.

Based on group standards, the Finance Department has defined and implemented a set of policies and procedures to ensure that the consolidation process leading to the consolidated financial statements is timely and accurate. This consolidation process is based on the following:

### **Definition of standards and maintenance of an information system**

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Group accounting standards, which are consistent with accounting and regulatory principles, are set forth in the "AXA Group Accounting Manual" and updated regularly by PBRC (AXA Group's Planning, Budget, Results Central department) experts. These guidelines are submitted to AXA's Statutory Auditors for review before being made available to AXA subsidiaries.

The information system is based on "Magnitude", a consolidation tool managed and updated by a dedicated team. This system is also used to deliver management reporting information used to produce an economic perspective on the consolidated financial statements and the economic balance sheet. The process through which this management reporting information and the economic balance sheet are produced and validated is the same as the one used to prepare consolidated financial information.

## Operating control mechanisms

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At entity level, AMF is responsible for entering and controlling accounting and financial data that comply with the “AXA Group Accounting Manual” and reflect consolidation rules under IFRS accounting standards. In this respect, the Chief Financial Officer of the Company signs off on the accuracy of its respective contribution to the consolidated figures reported through Magnitude and their compliance with both AXA Group accounting manual and instructions in all frameworks produced (IFRS, Embedded Value, actuarial indicators and economic balance sheet) within the internal financial control program.

At PBRC level, accounting, financial and economic information reported by entities are analysed by teams that liaise with subsidiaries on a full-time basis. In particular, these teams analyse the compliance with the “AXA Group Accounting Manual” and Group actuarial standards.

## Internal control over financial reporting

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Internal Control Over Financial Reporting (ICOFR) is a process designed under the supervision of AXA Group’s Chief Financial Officer (CFO) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the AXA Group’s consolidated financial statements.

AXA’s ICOFR includes policies and procedures that provide reasonable assurance that:

- the maintenance of records accurately and fairly reflects the transactions and disposition of AXA Group assets;
- the transactions are recorded as necessary to permit the preparation of financial statements in accordance with the applicable generally accepted accounting principles;
- the receipts and expenditures are being made only in accordance with the authorisation of executives of AXA Group; and
- unauthorised acquisition, use or disposition of Group assets that could have a material effect on AXA Group’s financial statements would be prevented or detected in a timely manner.

Based on AXA Group guidance, AMF has implemented a comprehensive program, managed by the Finance department, entitled Internal Financial Control (IFC), designed to ensure that the AMF Chief Executive Officer has a reasonable basis to conclude that the Company’s ICOFR is effective as of the end of each financial year.

The IFC program is based on AXA Group’s IFC Standard, which is an internal control and governance standard based on the “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). It is designed to define the IFC scope and governance, ensure consistency and quality in AXA Group’s financial reporting, and provide an overall framework for the annual IFC program.

In accordance with AXA Group’s IFC Standard, AMF (i) documents the significant processes and controls, as well as the rationale of how the associated risk of material misstatement due to error or fraud can be reduced to an acceptable level and (ii) tests the design and operational effectiveness of key controls based on the test plans.

These tests form part of a continuous improvement process in internal control over financial reporting. Areas for improvement are identified by specific test plans designed by management with insight into the risks covered. These processes then help remediate the identified potential control deficiencies and maintain high standards of internal control within AMF.

At each year-end, AMF is required to perform an evaluation of its ICOFR as part of an internal certification process. This process involves formal sign-off by the entity’s process owners and culminates with a formal management report from the CFO sent to Group PBRC stating their conclusion as to the effectiveness of the Company’s ICOFR.

## **Disclosure controls and procedures**

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AXA SA has implemented a formal internal review and sign-off process to which all CFOs and certain other senior executives are required to certify various matters covered in AXA's Annual Report. AMF adheres to this process as follows.

This process is based on the following pillars:

1. CFO Sign-Off Certificates required to be submitted by AMF CFO to Group PBRC, together with the required subsidiary financial reporting and consolidation information;
2. IFC Management reports required to be submitted by AMF CFO as part of the IFC program.
3. CFO Sign-Off on notes to the Financial Statements.

## **Conclusion**

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The AXA Group and AMF believe that they have established a comprehensive system of internal control procedures and mechanisms that the Company's Executive Management believes appropriate and well adapted to their business and the global scale of their operations.

However, all internal control systems, no matter how well designed, have inherent limitations and cannot provide absolute certainty or guarantee against the materialisation of risks and control failures. Even systems determined to be effective by the Management may not prevent or detect all human errors, all system malfunctions, all fraud or all misstatements and can provide only reasonable assurance. In addition, effective controls may become inadequate over time because of changes in conditions, deterioration of compliance with procedures or other factors.

# B5 – Internal Audit function

## / Internal audit function

AMF's Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organisation by providing an independent and objective assurance activity designed to add value and improve the organisation's operations. It helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of risk management, control and governance processes.

The Head of the AMF Internal Audit Function has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman.

AMF's Internal Audit functionally reports through to the Global Head of Audit who reports to AXA Group Audit Committee Chairman.

AMF's Internal Audit annually sets up an internal audit plan of work, based on an assessment of both the inherent risk and the adequacy of controls. Its performance is formally monitored and reported to the Audit Committee.

Over a five-year period, all applicable Common Audit Universe categories for each AXA entity are expected to be audited. Any exceptions identified are notified to the Audit Committee for ratification.

A report is issued at the conclusion of each audit assignment to the relevant senior management. The results of the audits and resolution status of internal audit issues are presented to the Audit Committee and Executive Management on a regular basis.

The Audit Committee will consist of at least three Board members as appointed by the Board (who have not in the last 3 years acted as an employee of the Company or of any subsidiary thereof). The majority of the Committee shall be made up of independent non-executive directors with an independent non-executive director acting as the Committee's chairman.

The Audit Committee fulfils its duties according to the AXA Group requirements for Audit Committees listed in the AXA Group Standards and relevant guidance notes listed in the AXA Group Audit Committee Guidance.

# B6 – Actuarial function

## / Actuarial function

To comply with the Solvency II Regulations, an effective Actuarial function has been set up with the specific role of performing the following tasks:

- a) coordinate the calculation of technical provisions;
- b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- c) assess the sufficiency and quality of the data used in the calculation of technical provisions;
- d) compare best estimates against experience;
- e) inform the management and the Board of the reliability and adequacy of the calculation of technical provisions;
- f) oversee the calculation of technical provisions;
- g) express an opinion on the overall underwriting policy;
- h) express an opinion on the adequacy of reinsurance arrangements; and
- i) contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements

The Head of the Actuarial Function (“HoAF”) reports to the Company's CEO and to the Board. In addition, as defined in AXA Group Actuarial Framework, his/her nomination is subject to AXA Group Head of Actuarial Function agreement to whom he indirectly reports any major problem related to actuarial function responsibilities.

The HoAF is responsible for preparing an annual Actuarial Function Report to the Board Audit Committee and the Board of Directors, which addresses among other topics the following:

- The reliability and adequacy of the technical provisions;
- The quality of data;
- The appropriateness of methodologies, models and assumptions;
- An opinion on AMF's underwriting policy;
- An opinion on AMF's reinsurance arrangements.
- An opinion on the range of risks and scenarios considered in the ORSA, the appropriateness of financial projections included in the ORSA.

The Actuarial Function Report is also communicated to AXA Group Head of Actuarial Function.

The HoAF adheres to the CBI “Fitness and Probity Standards”, specifically the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and financial soundness. The HoAF is a Fellow of the Society of Actuaries in Ireland and undertakes to complete any necessary continuous professional development program as required by the Society of Actuaries in Ireland or as required by any other professional body of which she is a member.

## B7 – Outsourcing

### / Outsourcing arrangements

Outsourcing by the Company refers to the delegation to a third party of the execution of certain ongoing activities pursuant to a service agreement. The Company's Board approved Outsourcing Policy describes the mandatory requirements to comply with the Solvency II Regulations and requires that material relationships with third party providers are subjected to appropriate due diligence, approval and on-going monitoring. The objective of the policy is to ensure that the Company does not abdicate responsibility for the functions delegated to an AXA internal subsidiary or an external third party, and that risks inherent in the outsourcing of material relationships (i.e. those deemed critical to the principal activities to the business) are identified, monitored and appropriately mitigated.

AMF enters into a written agreement with each service provider of outsourced activities which clearly sets out the respective rights and obligations of AMF and the service provider (an "Outsourcing Agreement"). A Service Level Agreement ("SLA"), rather than a formal Outsourcing Agreement, may be implemented between AMF and the AXA Group Service Providers setting out the duties and responsibilities of AMF and the AXA Group Service Providers. Critical activities that have been outsourced by the Company are as follows:

Critical Activity	Description	Service Provider	Jurisdiction of Outsource Provider
Critical Services Support Optional Services	Policy Administration Services Fund Accounting Services Corporate Services Actuarial Services	External	Ireland
Printing	Printing of policyholder literature	External	Italy
Archiving	Document management	External	Italy
Investment Services	Portfolio management	External	Italy
IT Support	Information Technology support	Internal	Italy
Investment Services	Hedging support	Internal	France

Investment Services	Collateral, derivative and fund management support	Internal	France
Financial crime screening	Sanctions, PEP and negative media screening	Internal	India

## B8 – Any other information

Not applicable.

**C**

# RISK PROFILE

## Foreword

Solvency II capital requirements and AXA's Internal Model

Governance of Investment strategy and asset & liability management (ALM)

### C.1 Underwriting Risk

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Insurance Risk Exposure

Risk Control and Risk Mitigation

### C.2 Market Risk

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Market Risk Exposure

Risk Control and Risk Mitigation

### C.3 Credit Risk

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Credit Risk Exposure

Risk Control and Risk Mitigation

### C.4 Liquidity Risk

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Liquidity Position and Risk Management Framework

### C.5 Operational Risk

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General principles

### C.6 Other material Risks

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Strategic Risk

Reputation Risk

Emerging Risks

### C.7 Any other information

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## **/ Foreword**

This section describes the main risks to which AMF is exposed through its business operations.

AXA MPS Financial is an insurance undertaking incorporated in Ireland in 1998 and authorised to sell Class III life assurance business. The company makes use of the “single passport” provisions of the EU’s life assurance directives to sell its products cross-border from Ireland into other EU member states. As of December 31, 2020, its business is focused on Italy. It has a range of unit-linked products, which it currently distributes through the Banca Monte dei Paschi di Siena (BMPS) branch network. It has also sold a small amount of business through other banks in Italy.

AXA MPS Financial has developed consistent and comprehensive tools to measure and control its main risks as detailed in the below sections.

# / Solvency II capital position

## SOLVENCY II CAPITAL REQUIREMENTS AND AXA'S INTERNAL MODEL

The Solvency II Regulations introduced a risk-based capital requirement which can be assessed either using an internal model or a standard formula.

The AXA economic capital model (AXA's Internal Model) aims to cover all the material and quantifiable risks to which the entity is exposed. AXA's Internal Model offers a concrete and powerful tool to control and measure exposure to most risks, in line with the Solvency II framework.

The economic capital model is based on a common definition of risks used consistently throughout the AXA Group. It aims to ensure that the Company risk mapping is comprehensive and is followed in a consistent way across the Company and that efficient procedures and reporting are in place so that roles and responsibilities are allocated to identify, measure, monitor, manage and report key risks.

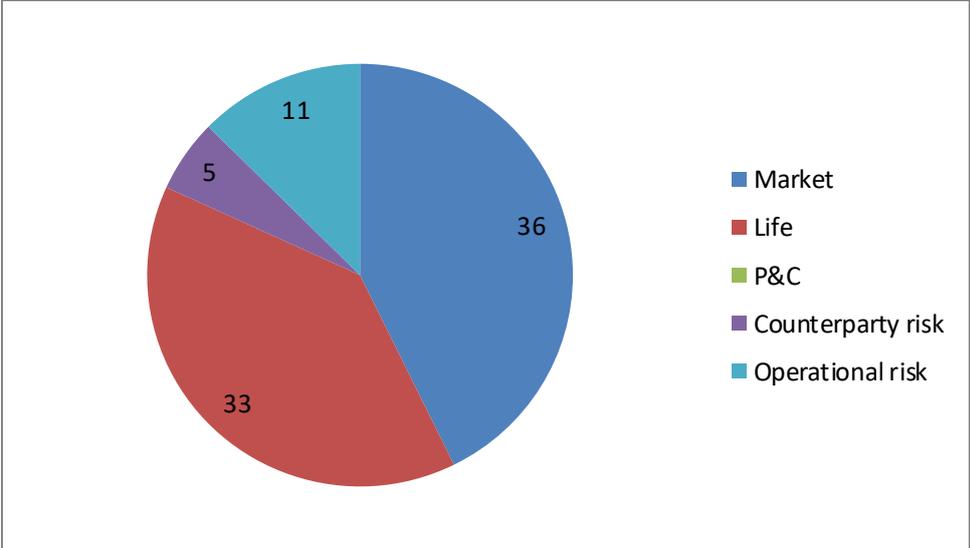
The Group risk grid<sup>5</sup> identifies all material risks applicable for the Company insurance businesses. AXA's Economic capital model captures all material risks applicable for the Company insurance businesses in order to assess the different sub risks and the overall aggregation of risks. The underlying methodologies used in the economic capital model are regularly reviewed to ensure that they accurately reflect the Company's risk profile and new methods are developed and integrated if necessary (in accordance with the internal model change policy).

AXA's Internal Model is calibrated to represent the value at risk of Group Economic Value at the 99.5<sup>th</sup> percentile over a one-year horizon. In other words, the Solvency Capital requirement (SCR) is the capital needed to sustain a 1 in 200 years shock. It strives to include all measurable risks (market, credit, insurance and operational) and reflects AXA's unique diversified profile.

In addition to the risks that result in a SCR through AXA's Internal Model calculation, AXA also considers liquidity risk, reputation risk, strategic risk, regulatory risks as well as emerging threats.

The table below details the Solvency Capital Requirement at AMF level and per risk category.

Figure 1 – SCR in € m post tax and diversification



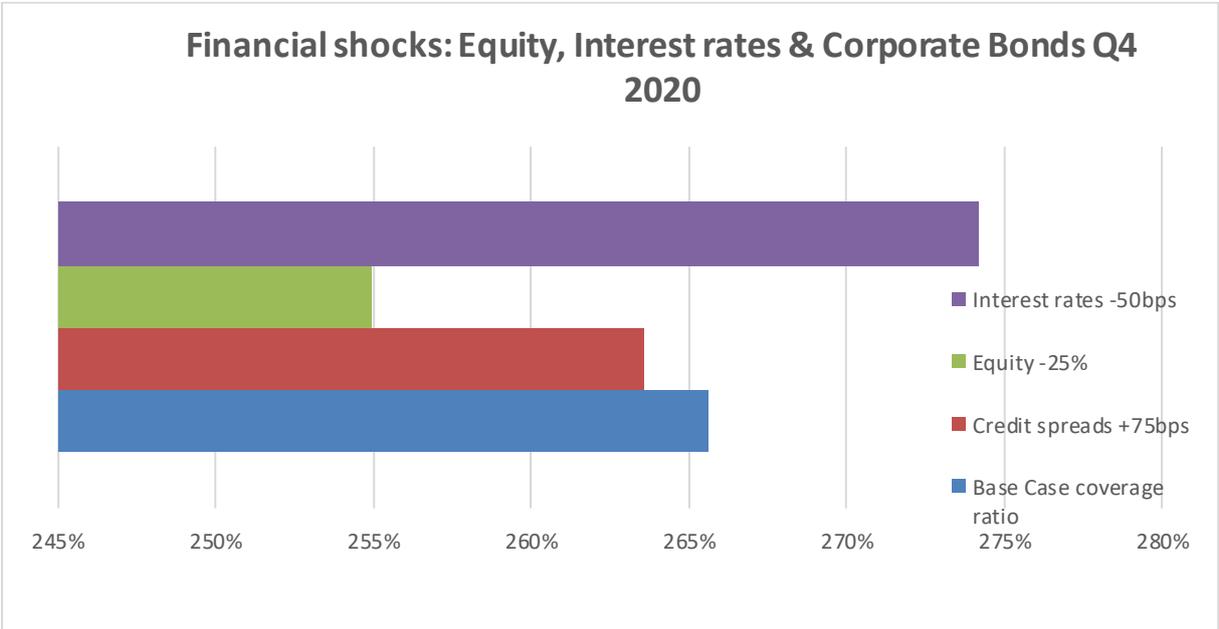
<sup>5</sup> The Group risk grid identifies all applicable risks for AXA businesses. Risk categories are further split into sub-risks. The risk assessment is performed at the sub-risk level. The risk grid is regularly reviewed and validated at Group Level.

**AMF’s Target Capital and risk sensitivity**

Under the Solvency II Regulations, AMF is required to hold eligible own funds that cover its Solvency Capital Requirement to absorb significant losses and to comply with the Solvency II Regulations. AMF’s Solvency Capital Requirement is calibrated so as to ensure that all quantifiable risks to which AXA MPS is exposed are taken into account.<sup>6</sup>

Under normal conditions, AMF should maintain solvency II regulatory ratio above 100%, allowing AXA MPS to have sufficient eligible own funds to sustain a 1 in 200 years shock.

In addition, to ensure a comfort level over a 100% Solvency II regulatory ratio, AMF monitors its ability to absorb possible severe financial or technical shocks. In this context, AMF assesses the sensitivities of its Solvency II regulatory ratio to financial shocks on corporate bond spreads, on interest rates, and on equity (as detailed in the figure below). These sensitivity analyses do not take into account preemptive management actions that might be taken by the management to mitigate the effects of the defined shocks, but allow to ensure through the risk appetite framework that local executive management reviews and approves the risk carried by the company, understand the consequences of an adverse development of these risks, and have action plans that can be implemented in case of unfavorable developments.



<sup>6</sup> In order to ensure the robustness of the economic capital model, reverse stress tests are performed at the Company level. Reverse stress scenarios exhibit combinations of Market, Credit, Life, P&C and Operational events (occurring simultaneously) that would lead to a loss amount equal to the Solvency Capital Requirement. These scenarios consist in a back-testing for the correlation coefficients’ accuracy. Indeed, performing such scenarios permits highlighting potential cross and non-linearity effects and thus adjusting the correlations to take into account such impacts. It results in conservative correlation coefficients. These stress tests are complemented by Transversal Stress scenarios which bring to light appropriate measures that may be taken in order to mitigate their effects under the stress scenarios including, if relevant, activating the crisis management governance of the Company.



# Governance of Investment strategy and asset & liability management (ALM)

## Guidance on Investments

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Investment & ALM activities are steered by the Chief Investment Officer (CIO). The CIO is responsible for managing the Company's investment portfolio (policyholder and shareholder funds) to achieve the benchmark performance for those portfolios in accordance with the company's investment strategy. The CIO is responsible for monitoring the performance of externally managed assets and is also responsible for monitoring the results of asset/liability modelling and ensuring that the company holds sufficient assets of an appropriate nature, term and liquidity to enable it to meet those liabilities as they come due.

## Governance

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AMF has an Investment committee whose terms of reference include reviewing and proposing to the Board adoption of the Company's Strategic Asset Allocation, and for approving and monitoring investments, meeting local compliance obligations and reviewing the participation in investment proposals syndicated by the Group, as well as local investment proposals.

AMF considers that its overall investment framework is aligned with the prudent person principle, since the investment process comprises an ALM analysis with first and second line review, to ensure that the Company holds appropriate assets to meet its liabilities as they fall due, and that the assets held comply with risk appetite limits as set by the Board.

## ALM Studies and Strategic Asset Allocation

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ALM aims at matching assets with the liabilities generated by the sale of insurance policies. The objective is to define the optimal asset allocation so that all liabilities can be met with the highest degree of confidence while maximising the expected investment return.

ALM studies are performed by AMF with the support of the actuarial team when appropriate and a second opinion provided by the Risk Management department. This process aims at maximising expected returns given a defined level of risk. Furthermore, a series of additional constraints are taken into account, such as Solvency II economic capital model considerations, earnings stability, protection of the solvency margin, preservation of liquidity, as well as local and consolidated capital adequacy and requirement.

At AMF level, the strategic asset allocation issued from the ALM study must be reviewed by the local risk management, and approved with regards to predefined risk appetite limits, before being fully endorsed by the Investment committee. The strategic asset allocation allows for taking a tactical stance within a given leeway.

## Investment Approval Process

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Investment opportunities, like non-standard investments, new strategies or new structures, are subject to an Investment Approval Process (IAP). The IAP ensures key characteristics of the investment are analysed, such as risk and return expectations, experience and expertise of the investment management teams, as well as accounting, tax, legal and reputational issues.

The IAP is completed at Group level for any significant investment, notably if several local entities are participating in the same investment. In that case, the successful completion of an IAP is done after the production of a second independent opinion by GRM. The IAP is used and completed at local level to cover local characteristics (tax, statutory accounting, etc).

Local IAP is also run for investments in new asset classes for local entities under the same principles.

## Governance Framework for Derivatives

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Products involving hedging programs based on derivative instruments are designed with the support of dedicated teams at AXA Investment Managers. This ensures all entities benefit from technical expertise, legal protection and good execution of such transactions within the following governance framework for derivatives.

Derivative strategies are reviewed and validated by AMF's Investment Committee.

There is a segregation of duties between those responsible for making investment decisions, executing transactions, processing trades and instructing the custodian. This segregation of duties aims in particular at avoiding conflicts of interest.

The market risks arising from derivatives are regularly monitored taking into account various constraints (Risk appetite, Economic capital model, etc). Such monitoring is designed to ensure market risks, coming either from cash or derivative instruments, are properly controlled and remain within approved limits.

Legal risk is addressed by defining a standardised master agreement. AMF may trade derivatives only if they are covered by legal documentation which complies with the requirements set out in the Group standard. Any change to certain mandatory provisions must be approved by GRM.

Additionally, there is a centralised counterparty risk policy. GRM has established rules on authorised counterparties, minimum requirements regarding collateral, and counterparty exposure limits.

The operational risk related to derivatives is measured and managed in the context of AXA's global operational risk framework. Furthermore, execution and management of derivatives are centralised within dedicated teams, reducing operational risk.

Valuation Risk is addressed through the use of expert teams. They independently counter-valuate the derivatives positions so as to get appropriate accounting, payment and collateral management. They also challenge the prices proposed by counterparties in case AMF wishes to initiate, early terminate or restructure derivatives. Such capacity in pricing requires high-level expertise, which relies on rigorous market analysis and the ability to follow the most up-to-date market developments for new derivatives instruments.

## **Investment and Asset Management**

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For a large proportion of its assets, AMF utilises the services of asset managers to invest in the market:

- AMF mandates the day-to-day management of its asset portfolios primarily to AXA's asset management subsidiaries, i.e. AXA Investment Managers.
- in order to benefit from a more asset specific and/or geographical expertise, AMF also invests through external asset managers. Thorough due diligence analyses are performed by the Investment and the Risk Management communities and a continuous monitoring is implemented.

# C1. Underwriting risk

## / Insurance Risk Exposure

AMF is primarily responsible for managing its insurance risks linked to underwriting, pricing and reserving. It is also responsible for taking appropriate actions in response to changes in the environment in which it operates.

In the context of the business performed, the Company is exposed to the following main risks:

- Higher than expected lapses, leading to a reduction in future income;
- Lower new business volumes than anticipated, leading to a reduction in income;
- An increase in the level of expenses, which reduces profitability and future expected income;

As part of its ORSA process, AMF tests its sensitivity to increases in lapses, reductions in business volumes and increases in expenses (among other scenarios). This analysis displays AMF's resilience to such scenarios.

## / Risk Control and Risk Mitigation

AMF's overall exposure to underwriting risk is covered by the AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C, and taken into account in AXA's liquidity risk management framework (see Section C.4). Sensitivity analyses of its Solvency II ratio to material risk events are detailed in the above paragraph "AMF's target capital and risk sensitivity" of the introduction to Section C.

AMF's asset management policies and investment strategy, which covers investments of assets to address underwriting risks, are addressed in the above paragraph "Governance of Investment strategy and asset & liability management (ALM)" of the introduction to Section C.

Insurance risks are covered through four major processes, defined at Group level but performed jointly by central and local teams:

- risk controls on new products that complement underwriting rules and product profitability analyses (Product Approval Process);
- optimising of reinsurance strategies in order to limit the peak exposures of the Company thereby protecting its solvency by reducing volatility;
- reviewing technical reserves including a roll forward analysis; and
- monitoring emerging risks to share expertise within the underwriting and risk communities.

## PRODUCT APPROVAL

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Group Risk Management (GRM) has defined a set of procedures to approve new products launches. These procedures, adapted and implemented locally as set out in AMF's Product Approval Policy, foster product innovation while maintaining risks under control.

This validation framework notably relies on the results of the economic capital calculation of AMF and ensures that any new products undergo a thorough approval process before they are put to market.

This framework complements underwriting rules by ensuring that no risks are taken outside pre-defined tolerance levels and that value is created by adequate risk pricing.

## EXPOSURE ANALYSIS

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GRM has developed and deployed common models and metrics to consistently measure risks throughout the Group (in particular via its economic capital model framework). These models and metrics are implemented locally. This enables AMF to check that its exposure complies with

consolidated risk appetite limits along the dimensions of earnings, value, capital and liquidity. This framework is included in the governance set out previously for product development control.

## **REINSURANCE**

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Together with the business lines, Risk Management contributes to the review of the appropriateness of AMF's reinsurance cover.

AMF has very low exposure to mortality risks, and therefore there is immaterial reinsurance in place.

## **TECHNICAL RESERVES**

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AMF specifically monitors its reserve risks. These calculations are carried out by Actuarial and are then reviewed for a second opinion by Risk Management. When calculating the reserves, Actuarial ensures that:

- The technical assumptions and actuarial methodologies are in line with professional practices and sensitivity analyses are performed at least for the most significant ones;
- A roll-forward analysis of reserves has been performed, the regulatory and economic context references are taken into account and material deviations are explained;
- The Best Estimate Liabilities have been calculated in accordance with Articles 75 to 86 of the Solvency II Directive and Group guidelines.

As part of the Solvency II framework, the local Head of Actuarial Function (HoAF) of AMF coordinates the calculation of technical provisions ensuring the appropriateness of the methodologies and underlying models used. As part of her annual report, the HoAF also gives an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements.

## C2. Market Risk

### / Market Risk Exposure

AMF is exposed to financial market risks through its core business of Life and Savings products.

#### **Description of market risks for Life and Savings**

The market risks to which Life and Savings Unit-linked business is exposed arise from a number of factors including:

- a rise in yields on fixed-income investments (linked to interest rates or increase in spreads) reduces the market value of fixed-income investments, and also reduces the market value of funds under management with a subsequent reduction in future income;
- a decline in asset market value as a result of a reduction in equity markets leads to a reduction in market value of funds under management with a subsequent reduction in future income.

As part of its ORSA process, AMF tests its sensitivity to adverse market events. This analysis displays AMF's resilience to such scenarios.

### / Risk Control and Risk Mitigation

AMF's overall exposure to market risk is covered by AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C, and taken into account in AXA's liquidity risk management framework (see Section C.4). Sensitivity analyses of its Solvency II ratio to material market risk events are detailed in the above paragraph "AMF's target capital and risk sensitivity" of the introduction to Section C.

AMF's asset management policies and investment strategy, which covers investments of assets to address market risks, are addressed in the above paragraph "Governance of Investment strategy and asset & liability management (ALM)" of the introduction to Section C.

AMF is primarily responsible for managing its financial risks (market risk, credit risk, liquidity risk), while abiding by the risk framework defined at Group level, in terms of limits/ thresholds and standards. This approach aims to allow reacting swiftly in an accurate and targeted manner to changes in financial markets, political and economic environments in which the Company operates.

A wide variety of risk management techniques are used to control and mitigate the market risks to which the Company is exposed. These techniques include:

- Asset Liability Management (ALM), i.e. defining an optimal strategic asset allocation with respect to the liabilities' structure, to reduce the risk to a desired level;
- a disciplined investment process, requiring for any sophisticated investment a formal thorough analysis by the Investment Department, and a second opinion by Risk Management;
- hedging of financial risks when they exceed the tolerance levels set by AMF or by the Group. Operational management of derivatives is based on stringent rules and is mainly performed by Group asset managers, AXA Investment Managers;
- a regular monitoring of the financial risks on the economic and solvency position of the Company.

## C3. Credit Risk

### / Credit Risk Exposure

Counterparty credit risk is defined as the risk that a third party in a transaction will default on its commitments. Given the nature of its core business activities, AMF monitors all types of counterparties, using methods suitable to each type:

- investment portfolios,
- ceded risks to reinsurers resulting from reinsurance directly ceded by AMF (immaterial exposure to reinsurers),
- receivables deriving from direct insurance operations, including policyholders and brokers

AMF's overall exposure to credit risk is covered by AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C and taken into account in AXA's liquidity risk management framework (see Section C4). Sensitivity analyses of its Solvency II ratio to material credit risk events are detailed in the above paragraph "AMF's target capital and risk sensitivity" of the introduction to Section C.

### / Risk Control and Risk Mitigation

AMF's asset management policies and investment strategy, which covers investments of assets to address credit risks, are addressed in the above paragraph "AXA's Investment Strategy and Asset & Liability Management (ALM)" of the introduction to Section C.

As part of its ORSA process, AMF examines its exposure to counterparties, and in particular concentration to individual counterparties. This analysis displays AMF's resilience to default of any single counterparty.

### / Invested Assets

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Concentration risk is monitored by different analyses performed at Group level by issuer, sector and geographic region, in addition to local procedures and by a set of Group and local issuer limits.

These limits aim at managing the default risk of a given issuer, depending on its rating and on the maturity and seniority of all bonds issued by the issuer and held by AMF.

The limits also take into account all exposure on issuers through debt securities, equity, derivatives and reinsurance counterparty risk.

For Sovereign exposures, specific limits have also been defined on government bonds and government-guaranteed bonds and are monitored at Group and local levels.

Compliance with the limits is ensured through defined governance processes. The Financial Risk Management and the Investment Department handles, on a monthly basis, any issuer exposure breaches to the Group's limit tolerances and determines coordinated actions for excessive credit concentrations. Also, a Group Credit Team reporting to the Group CIO provides credit analysis independently from Group asset managers, in addition to local CIO teams. The ALM Supervisory Committee is regularly kept informed of the work performed. At AMF level, any breach of limits is presented for remediation at the local Investment committee.

### Derivatives

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#### Counterparty Risk arising from Over-The-Counter (OTC) Derivatives

AMF actively manages counterparty risk generated by OTC derivatives through a specific Group-wide policy. This policy includes:

- rules on derivative contracts (ISDA, CSA);
- mandatory collateralisation;

- a list of authorised counterparties; and
- a limit framework and an exposure monitoring process.

### **Receivables from Reinsurers: Rating Processes and Factors**

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At Group level, to manage the risk of reinsurers' insolvency, a Security Committee is in charge of assessing reinsurers' quality and acceptable commitments. The Committee is under joint authority of GRM and AXA Global P&C. This risk is monitored to avoid any excessive exposure to any specific reinsurer. The Group Security Committee meets monthly – and more frequently during renewal periods – and decides on any action to be taken with the aim of limiting AXA's exposure to the risk of default by any of its reinsurers. AMF's exposure to reinsurers is immaterial.

### **Other receivables**

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Receivables risk arises from to the risk of default of counterparties related to insurance operations. The exposures are monitored by the accounting department by nature of counterparties (policyholders, intermediaries, intragroup, taxes, others, etc) and are actively managed to ensure the correct representation of the risk in the balance sheet on a quarterly basis.

The Risk Management team assesses on an annual basis the capital charge for each type of counterparty, using internal risk factors or standard factors.

## C4. Liquidity risk

### **/ Liquidity position and Risk Management framework**

Liquidity risk is the uncertainty, emanating from business operations, investments or financing activities, that AMF will have the ability to meet payment obligations in a full and timely manner, in current or stressed environments. Liquidity risk concerns assets and liabilities as well as their interplay. At AMF level, the liquidity risk is measured by the “Excess Liquidity” metric, which is defined as the worst liquidity position, measured over four different time horizons: 1 week, 1 month, 3 months and 12 months.

For each time horizon, the post-stress liquidity resources available and the post-stress liquidity needs (i.e. net outflows) to be paid are projected over the time-horizon allowing an estimation of the excess liquidity (i.e. the amount of available post-stress liquidity resources minus the post-stress outflows projected over a defined time horizon).

The stressed conditions are calibrated so as to reflect extreme circumstances, with all events assumed to occur simultaneously.

AMF also reviews liquidity using a local framework, which takes into account local specificities, eg illiquid assets, collateral requirements etc.

AMF’s analysis shows positive excess liquidity and is monitored on a quarterly basis. The main liquidity resources are shareholder assets (bonds and cash), and the main liquidity needs arise from commissions due, tax to be paid, dividend payments etc.

As part of its ORSA process, AMF considers the liquidity impacts of various stressed scenarios. This analysis displays AMF’s resilience in such scenarios, and in particular its flexibility via its dividend policy to reduce dividend payments in the event of reductions in capital which could threaten the long-term viability of the Company.

As of December 31, 2020, the expected profit included in future premiums as calculated in accordance with Article 260(2) of the Solvency II regulations totalled €0 million.

## C5. Operational risk

AMF has defined a framework to identify and measure its operational risks that may arise from a failure in its organisation, systems and resources or from external events. Ensuring an adequate mitigation of these risks is a key pillar of the Risk Management function.

AMF's overall exposure to operational risk is covered by AXA's Solvency Capital Requirement metric, as detailed in the above paragraph "Solvency II capital requirements and AXA's Internal Model" of the introduction to Section C. Sensitivity analyses of its Solvency II ratio to material risk events are detailed in the above paragraph "AMF's target capital and risk sensitivity" of the introduction to Section C.

### / General principles

One objective of the AMF operational risk economic capital model is to understand and reduce losses resulting from operational failures and to define an appropriate risk response strategy for major Operational risk scenarios.

Based on the Solvency II definition, AMF defines operational risk as the risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events. Operational risk includes legal risks and excludes risks arising from strategic decisions, as well as reputation risks.

AXA has defined a single Group framework for identifying, quantifying and monitoring the main operational risks, involving the deployment of a common system, dedicated operational risk teams and a common operational risk typology classifying operational risks into seven risk categories:

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

Both quantitative and qualitative requirements are defined.

The most critical operational risks of AMF and a set of stress scenarios are identified and assessed following a forward-looking and expert-opinion approach. These risk scenarios are then used to estimate the capital requirement needed to cover operational risks based on advanced models based on Solvency II principles. The operational risk management process is embedded into local governance through senior management validation to ensure the adequacy, appropriateness and comprehensiveness of the risk assessment but also to ensure that adequate corrective and pre-emptive actions are defined and implemented in front of the main risks.

In addition, a loss data collection process is progressively in place within AMF in order to track and appropriately mitigate actual operational risk losses. This process is also used as a valuable source of information to back-test the assumptions taken in risk assessments.

As of 2020, the AMF Operational Risk Profile was reasonably diversified with all seven operational risk categories covered and the main risks being the following:

- Cyber security risks.
- Operational risk events at AMF's main third party administrator.
- Risk of GDPR breach.
- Risk of AML legislation breach.

As part of its ORSA process, AMF tests its sensitivity to various operational events and the consequences of such events (for example increases in expenses due to need to remediate issues, reductions in sales due to resultant reputational issues). This analysis displays AMF's resilience to such scenarios.

## C6. Other material risks

### / Strategic risk

A strategic risk is the risk that a negative impact (current or prospective) on earnings or capital, material at AMF level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

- significant changes in footprint, including through mergers and acquisitions;
- product offering and client segmentation; and
- distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Given the nature of strategic risks, there is no required capital charge assessment but rather a strong strategic risk management framework in place in order to assess, anticipate and mitigate these risks.

### / Regulatory risk

Regulatory risk is the risk relating to the evolving legal and regulatory environment in which AMF operates. AMF Compliance report quarterly to AMF Management and to the Board's Audit Committee on pertinent regulatory developments and regulatory risks.

### / Reputation risk

Reputation risk is the risk that an event, internal or external, will negatively influence stakeholders' perceptions of the Company. When there is a gap between stakeholders' expectations and a company's behaviour, reputation is at risk.

The possible events that could negatively influence stakeholders' perceptions can be external events, linked to the environment in which AMF operates (market conditions, industry or regulatory environment, customers' behaviour) as well as internal events, linked to the Company's behaviours (i.e. inadequate or failed internal controls and processes, negative behaviours from senior executives, corporate governance or corporate responsibility issues, compliance issues).

Given the qualitative nature of reputation risks, there is no capital charge assessment, however in AMF's stress scenarios as part of the ORSA, the consequences of reputational issues are assessed.

### / Emerging risks

Emerging risks are risks which may develop or which already exist and are continuously evolving. Emerging risks are marked by a high degree of uncertainty; as some of them may never emerge.

To identify and manage emerging risks, AMF has put in place systems and processes for the identification of external and internal changes that may affect AMF's risk profile.

## C7. Any other information

Not applicable.

# D

## VALUATION FOR SOLVENCY PURPOSES

### Basis for preparation

#### D.1 Assets

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- Fair Value Measurement
- Intangible Assets
- Deferred taxes
- Property, Plant & Equipment held for own use
- Investments and loans
- Derivative instruments
- Leasing arrangements
- Reinsurance & Special purpose vehicles recoverables
- Assets held for index-linked and unit-linked contracts
- Other assets and liabilities

#### D.2 Technical provisions

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- General principles
- Best Estimate Liabilities
- Statement on the use of the volatility adjustment
- Statement on the use of the transitional measures for technical provisions
- Risk Margin
- Reinsurance & Special purpose vehicles recoverables

#### D.3 Other liabilities

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- Contingent liabilities
- Provisions other than technical provisions
- Pension benefit obligations
- Deferred taxes
- Derivatives instruments
- Financial liabilities
- Payables and deposits from reinsurers
- Leasing arrangements
- Other assets and liabilities

#### D.4 Alternative methods for valuation

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#### D.5 Any other information

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## / Basis for preparation

AMF's Solvency II balance sheet is prepared as of December 31 in compliance with the Solvency II Regulations.

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Asset and liabilities are valued based on the assumption that the Company will pursue its business as a going concern.

Technical provisions are recognised with respect to all of insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions corresponds to the amount that the Company would have to pay if it was to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.

Other assets and liabilities are recognised in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the balance sheet with a compulsory date of January 1, 2016, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive 2009/138/EC.

■ Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;

■ Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of the Company own credit standing).

The main adjustments between IFRS and Solvency II assets and liabilities relate to:

- Removal of intangibles;
- BEL adjustment, i.e. replacing the liability under IFRS with the best estimate liability under Solvency II;
- Risk margin; and
- Minor adjustments to asset values.

The preparation of the balance sheet in accordance with Solvency II requires the use of estimates and assumptions. It requires a degree of judgment in the application of Solvency II principles described below. The principles set out below specify the measurement methods used for these items.

Unless otherwise stated, AMF's valuation principles have been consistently applied to all the periods presented.

The Solvency II balance sheet is presented in Euro, the Euro being the Company's presentational currency.

# D1 - Assets

## / Fair value measurement

For each material asset class, the table below summarises the value of the assets of the Company according to Solvency II provisions and the values of the assets recognised and valued on a statutory account basis as of December 31, 2020:

<i>(in Euro million)</i>	Fair Value (Solvency II)	Carrying Value (Local GAAP)	% (value Balance Sheet)
Goodwill	-	-	-
Deferred acquisition costs	-	119	1%
Intangible assets	-	-	-
Deferred tax assets	-	-	-
Pension benefit surplus	-	-	-
Property, plant & equipment held for own use	0	0	-
<b>Investments (other than assets held for index-linked and unit-linked contracts)</b>	<b>83</b>	<b>83</b>	<b>1%</b>
Investment in real estate properties	-	-	-
Holdings in related undertakings, including participations	-	-	-
Equities	-	-	-
Debt Instruments	-	-	-
Investment funds	-	-	-
Derivatives	3	3	0%
Other investments	80	80	1%
<b>Assets held for index-linked and unit-linked contracts</b>	<b>8093</b>	<b>8094</b>	<b>96%</b>
<b>Loans and mortgages</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reinsurance recoverables</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Receivables</b>	<b>49</b>	<b>49</b>	<b>1%</b>
<b>Cash and cash equivalents</b>	<b>98</b>	<b>98</b>	<b>1%</b>
Other	-	-	-
<b>Total Assets</b>	<b>8324</b>	<b>8443</b>	<b>100%</b>

The Company applies the IFRS 13 fair value hierarchy as described below for all assets and liabilities (excluding technical provisions). This fair value hierarchy is consistent with the one defined in the Solvency II Regulations.

### a) Active market: quoted price

Fair values of assets and liabilities traded on active markets are determined using quoted market prices when available. An instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis between a willing seller and a willing buyer. For financial instruments traded in active markets, quotes received from external pricing services represent consensus prices, i.e. using similar models and inputs resulting in a very limited dispersion.

### b) Active versus inactive markets – financial instruments

Equity instruments quoted on exchange traded markets and bonds actively traded on liquid markets for which prices are regularly provided by external pricing services that represent consensus with limited dispersion and for which quotes are readily available are generally considered as being quoted in an

active market. Liquidity may be defined as the possibility to sell or dispose of the asset in the ordinary course of business within a certain limited time period at approximately the price at which the investment is valued. Liquidity for debt instruments is assessed using a multi criteria approach including the number of quotes available, the place of issuance and the evolution of the widening of bid ask spreads.

A financial instrument is regarded as not quoted in an active market if there is little observation of transaction prices as an inherent characteristic of the instrument, when there is a significant decline in the volume and level of trading activity, in case of significant illiquidity or if observable prices cannot be considered as representing fair value because of dislocated market conditions. Characteristics of inactive markets can therefore be very different in nature, inherent to the instrument or indicative of a change in the conditions prevailing in certain markets.

### **c) Assets and liabilities not quoted in an active market**

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The fair values of assets and liabilities that are not traded in an active market are estimated:

- Using external and independent pricing services; or
- Using valuation techniques
- No active market: use of external pricing services

External pricing services may be fund asset managers in the case of investments in funds. To the extent possible, the Company collects quotes from external pricing providers as inputs to measure fair value. Prices received may form tight clusters or dispersed quotes which may then lead to the use of valuation techniques. The dispersion of quotes received may be an indication of the large range of assumptions used by external pricing providers given the limited number of transactions to be observed or reflect the existence of distress transactions.

#### **NO ACTIVE MARKET: USE OF VALUATION TECHNIQUES**

The objective of valuation techniques is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date. Valuation technique models include:

1. Market approach: The consideration of recent prices and other relevant information generated by market transactions involving substantially similar assets or liabilities.
2. Income approach: Use of discounted cash flow analysis, option pricing models, and other present value techniques to convert future amounts to a single current (i.e. discounted) amount.
3. Cost approach: The consideration of amounts that would currently be required to construct or replace the service capacity of an asset.

Valuation techniques are subjective in nature and significant judgment is involved in establishing fair values. They include recent arm's length transactions between knowledgeable willing parties on similar assets if available and representative of fair value and involve various assumptions regarding the underlying price, yield curve, correlations, volatility, default rates and other factors. Unlisted equity instruments are based on cross checks using different methodologies such as discounted cash flows techniques, price earnings ratios multiples, adjusted net asset values, taking into account recent transactions on instruments which are substantially the same if concluded at arm's length between knowledgeable willing parties, if any. The use of valuation techniques and assumptions could produce different estimates of fair value. However, valuations are determined using generally accepted models (discounted cash flows, Black & Scholes models, etc.) based on quoted market prices for similar instruments or underlying (index, credit spread, etc.) whenever such directly observable data are available and valuations are adjusted for liquidity and credit risk.

Valuation techniques may be used when there is little observation of transaction prices as an inherent characteristic of the market, when quotes made available by external pricing providers are too dispersed or when market conditions are so dislocated that observed data cannot be used or need significant adjustments. Internal marks to model valuations are therefore normal market practices for certain assets and liabilities inherently scarcely traded or exceptional processes implemented due to specific market conditions.

#### **USE OF VALUATION TECHNIQUES IN DISLOCATED MARKETS**

The dislocation of certain markets may be evidenced by various factors, such as very large widening of bid ask spreads which may be helpful indicators in understanding whether market participants are willing

to transact, wide dispersion in the prices of the small number of current transactions, varying prices over time or among market participants, inexistence of secondary markets, disappearance of primary markets, closing down of dedicated desks in financial institutions, distress and forced transactions motivated by strong needs of liquidity or other difficult financial conditions implying the necessity to dispose of assets immediately with insufficient time to market the assets to be sold, and large bulk sales to exit such markets at all costs that may involve side arrangements (such as sellers providing finance for a sale to a buyer). Primary transactions' prices in markets supported by government through specific measures following the financial crisis do not represent fair value.

In such cases, the Company uses valuation techniques including observable data whenever possible and relevant, adjusted if needed to develop the best estimate of fair value, including adequate risk premiums or develops a valuation model based on unobservable data representing estimates of assumptions that willing market participants would use when prices are not current, relevant or available without undue costs and efforts: in inactive markets, transactions may be inputs when measuring fair value, but would likely not be determinative and unobservable data may be more appropriate than observable inputs.

## **/ Intangible assets**

Under Solvency II, only intangible assets related to the business in force, that are separable and for which there is evidence of transactions for the same or similar assets, indicating they are saleable in the market place, are recognised. As a result of Solvency II principles, deferred acquisition costs and other intangible assets recognised under local statutory IFRS have no value in the Solvency II balance sheet.

## **/ Deferred taxes**

Differences arise between local statutory IFRS and Solvency II deferred taxes balances due to differences in underlying valuation principles for assets and liabilities. Indeed, there are generally tax impacts on adjustments between local statutory IFRS and Solvency II assets and liabilities.

Under Solvency II, deferred tax assets and liabilities emerge from temporary differences with tax values of assets and liabilities, and, when applicable, from tax loss carry forwards. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the temporary differences, taking into account the existence of tax groups and any legal or regulatory requirements on the limits (in terms of amounts or timing) relating to the carry forward of unused tax losses or the carry forward of unused tax credits. The recoverability of deferred tax assets recognised in previous periods is re-assessed at each closing.

The measurement of deferred tax liabilities and deferred tax assets reflects the expected tax impact, at the balance sheet date that would follow the way the Company expects to recover or settle the carrying amount of its assets and liabilities. When income taxes are calculated at a different rate if dividends are paid, deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are only accounted when a liability to pay the dividend is recognised.

For presentation purpose of the balance sheet, deferred tax assets are offset with deferred tax liabilities at fiscal entity level.

As of December 31, 2020 a net deferred tax liability position of €19 million has been recognised in the Solvency II balance sheet.

## **/ Property, Plant & Equipment held for own use**

AMF's assets comprise the book written down value of computer equipment and internal office refurbishments.

## **/ Investments and loans**

AMF does not have any such asset on its balance sheet.

## **/ Derivative instruments**

Under both IFRS and Solvency II, derivatives are recognised at fair value. Included in Solvency II asset and liability are shareholder derivatives which under IFRS are treated as net as the asset and liability of the instruments are equally matched, are mutually dependant and will be realised and settled simultaneously.

## **/Leasing arrangements**

AMF has triggered a lease break option and will vacate its existing premises in Q4 2021. AMF will move to Wolf Tone House in Central Dublin in Q4 2021 but a lease has not yet been signed. It is likely that AMF will sign a lease of 5 years duration later in 2021.

## **/ Reinsurance & Special purpose vehicles recoverables**

Not applicable for AMF due to immateriality of reinsurance. No special purpose vehicle recoverables have been booked.

## **/ Assets held for index-linked and unit-linked funds**

Under both IFRS and Solvency II, assets backing liabilities arising from contracts where the financial risk is borne by policyholders are presented in a separate aggregate of the balance sheet so that they are shown in a symmetrical manner to the corresponding liabilities. The same valuation approach prevails under both IFRS and Solvency II frameworks.

## **/ Other assets and liabilities**

Unearned revenue reserve and deferred acquisition costs are held on the local balance sheet, while they are eliminated under Solvency II.

## D2 - Valuation of technical provisions and reinsurance recoverables

### / General principles

Under the Solvency II Regulations, technical provisions are divided among Non-life (excluding health), Health (similar to non-life), Health (similar to life), Life (excluding health, index-linked and unit-linked), index-linked and unit-linked.

Technical provisions are measured using a two “building blocks” approach:

- Best Estimate Liabilities (BEL), and
- Risk margin for non-hedgeable risks that is added to the best estimate liabilities.

This valuation requires deep analysis of the underlying obligations, collection of qualitative and quantitative information, projection tools and models, and expert judgment in a number of areas.

The table below summarises AMF’s technical provisions under Solvency II together with a comparison on a local statutory account basis as of December 31, 2020.

<i>(in Euro million)</i>	Fair Value (Solvency II)	Carrying Value (Local IFRS)
<b>Technical provisions – non life</b>	-	-
Technical provisions – non life (excluding health)	-	-
Best Estimate	-	-
risk margin	-	-
<b>Technical provisions - life (excluding index-linked and unit-linked)</b>	-	-
Technical provisions - (excluding health and index-linked and unit-linked)	-	-
Best Estimate	-	-
risk margin	-	-
<b>Technical provisions - index-linked and unit-linked</b>	7,874	8,096
Best Estimate	7,858	8,096
risk margin	16	-

### / Best Estimate Liabilities

The best estimate liability corresponds to the probability-weighted average of future cash flows, including policyholder’s benefit payments, expenses, taxes, premiums related to existing insurance and reinsurance contracts taking into account the time value of money (i.e. by discounting these future cash flows to present value). The calculation of the best estimate liability is based upon up-to-date reliable information and realistic assumptions. The cash-flow projection used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

The best estimate liability is recognised on a gross of reinsurance basis, without deduction of amounts recoverable from reinsurance contracts and special purpose vehicles. The latter are recognised separately.

A best estimate assumption is defined as one where there is as much probability that the actual experience develops over the assumption as below it. It is neither a prudent nor an optimistic assumption. It is set at a level that is neither deliberately overstated nor deliberately understated. Due to the inherent uncertainties, if two assumptions are equally reasonable the more prudent one is retained.

## Assumptions and framework

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Assumptions regarding future experience are intended to be reasonable, and, to the extent possible, should take into account the actual historical and current experience of the Company, adjusted to reflect known changes in the environment and identifiable trends. Experience studies are reviewed. If experience studies are not available, they should be developed where appropriate and practical. In some instances, data may not be available or may be insufficient to provide a credible basis on which to develop assumptions. Consequently, it may be necessary to rely more on judgment, taking into consideration the Company's pricing and/or reserving assumptions and the experience of other companies with comparable products, markets, and operating procedures.

Assumptions are used to project future cash flows, and are therefore selected with due regard to the future context or expected future operating environment of the Company. Thus, they may or may not be consistent with past experience.

The analysis of future experience will depend on the context and the risk characteristics of the products analysed. The impact of the external environment on the future cash flows and financial statements must also be recognised. Setting corresponding assumptions requires sound knowledge of the current and projected policies of management in charge of investment, underwriting, reinsurance, claim settlement, marketing, pricing, and administration. Specific considerations include economic factors such as inflation or recession as well as the regulatory, legislative and political environments.

Assumptions in respect of best estimate metrics are derived consistently over time and within homogeneous risk groups and lines of business without arbitrary changes. The assumptions are designed to adequately reflect any uncertainty underlying the cash flows.

## Specificities of characteristics assumptions

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### Expenses

Expenses include administrative expenses, investment management expenses, claims management expenses and acquisition expenses which relate to recognised insurance obligations.

The assumptions underlying expenses projections are consistent with the strategy of the Company, taking into account future new business.

### Boundary of an insurance or reinsurance contract

The Solvency II balance sheet excludes all premiums expected from new business not yet written and future premiums expected from existing contracts if the Company has the power to either reject them or fully re-price them.

### Management actions

Future management actions are not currently taken into account by AMF.

### Reference rate curve

Discount rates used are risk free rates.

## Life Best Estimate Liabilities

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The best estimate liability (BEL) corresponds to the probability weighted average of future cash-flows taking account of the time value of money.

EIOPA guidance envisages the use of deterministic methods if the nature of the liabilities is sufficiently simple, and this is the approach adopted for unit-linked business without guarantees.

Stochastic methods are used for the Accumulator variable annuity business.

The future earning rate and the discount rate are based on risk free rates provided by EIOPA as at the valuation date.

Other assumptions are best estimates without additional margins.

The BEL for unit-linked policies is the sum of the unitised account value and a monetary or cash component, that is

$$\text{BEL} = \text{account value plus cash BEL}$$

The cash BEL is the present value of gross margins arising from holding unitised assets to match the account value. The cash BEL may be negative, i.e. an asset.

The cash BEL will be negative for unit linked policies if the present value of future income (asset management charges) is greater than the present value of future outgo (expenses and death costs). In this case the BEL may be less than the surrender value.

In the table above, the best estimate liability on a Solvency II basis is lower than that on a local IFRS basis as a result of the negative cash BEL held for unit linked business. On a local IFRS basis, the best estimate liability comprises the unit reserve, unallocated premium reserve, a reserve for incurred but not yet reported claims, and the reserve held in respect of the guarantee on variable annuity business, all of which are positive.

## **/ Statement on the use of the volatility adjustment**

AMF did not apply the volatility adjustment referred to in Article 77d of the Directive as of December 31, 2020.

## **/ Statement on the use of the transitional measures for technical provisions**

AMF did not apply the transitional risk-free interest rate-term structure referred to in Article 308c of the Directive nor the transitional deduction referred to in Article 308d of the Directive.

## **/ Risk margin**

The risk margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an on-going basis. It is deemed to be the present value of the cost of future economic capital requirements for non-hedgeable risks.

In addition to the best estimate liabilities (BEL), a risk margin is recognised to obtain values consistent with the determination of market prices when there are no deep and liquid markets. The risk margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an ongoing basis. In general, most insurance risks (e.g. mortality or property risks) are deemed to be non-hedgeable risks.

The non-hedgeable risks comprise:

- Life insurance risks,
- Operational risks.

The SCR for the non-hedgeable risks is projected for the future years until the run-off of the portfolio using suitable risk drivers. For AMF this is the unit reserve for most risks, although the mortality and catastrophe risks are projected using death costs as a driver.

The risk margin is determined as the present value at the basic risk free interest rate structure of the future capital charges using a 6% cost of capital for all lines of business as per Solvency II regulation requirement.

The cost of capital is a premium over the risk free rate that represents the reduction in economic "value" (cost) linked to the risks considered.

## **/ Reinsurance & Special purpose vehicles recoverables**

Please refer to Section D.1.

## **/ Material changes in assumptions in 2020**

The best estimate assumptions were reviewed and updated to reflect recent experience, with no material changes.

## D3 - Other liabilities

The table below summarises AMF's other liabilities under Solvency II together with a comparison on a local statutory account basis as of December 31, 2020.

<i>(in Euro million)</i>	Fair Value (Solvency II)	Carrying Value (Local IFRS)
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	19	0
Derivatives	0	0
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	-	-
Payables	164	210
Subordinated liabilities	-	-
Other	-	-

### / Contingent liabilities

AMF has no contingent liabilities as of December 31, 2020.

### / Provisions other than technical provisions

As of December 31, 2020, AMF holds no provisions other than technical provisions.

### / Pension benefit obligations

As of December 31, 2020, AMF holds no pension benefit obligations on its balance sheet.

### / Deferred taxes

Please refer to section D.1.

### / Derivatives

Please refer to section D.1.

### / Financial liabilities

As of December 31, 2020, AMF holds no financial liabilities on its balance sheet.

### / Payables

Payables are re-measured at fair value.

### / Leasing arrangements

Please refer to Section D.1.

### / Other assets and liabilities

Please refer to section D.1.

## D4 – Alternative methods for valuation

For detailed information on alternative methods used for valuation of assets and other liabilities, please refer to the subsection Fair Value Measurement in section D.1.

For detailed information on alternative methods used for valuation of liabilities other than technical provisions, please refer to the section D.3.

## D5 – Any other material information

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

In making this assessment the directors considered:

- i) the Company's capital and solvency position, including the stress testing scenarios carried out as part of the Own Solvency and Risk Assessment ("ORSA") process,
- ii) the impact of COVID-19 on insurance exposures, investments, and operations,
- iii) liquidity, and
- iv) the financial condition of the Company's distribution partner.

# CAPITAL MANAGEMENT

## **E.1 Own funds**

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Capital Management Objectives  
Information on Capital structure  
Change in Capital resources in 2019  
Tiering Analysis of capital  
Reconciliation to local IFRS shareholders' equity

## **E.2 Solvency capital requirement and minimum capital requirement**

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General principles  
Solvency Capital Requirement (SCR)  
Minimum Capital Requirement (MCR)

## **E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

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## **E.4 Differences between the standard formula and any internal model used**

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General information  
Main differences between the Standard Formula and the Internal Model

## **E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

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## **E.6 Any other information**

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## E.1 Own funds

### / Capital Management Objectives

AMF has reviewed its capital resources and requirements on an economic basis as at the end of 2020. In performing this review, both the regulatory requirements and Management's internal objective - including ability to meet key shareholder's requirements - have been considered.

Executive Management monitors the Company's solvency margin and regulatory capital requirements on an on-going basis, both for regulatory compliance purposes and to ensure that the company is appropriately positioned from a competitive point of view.

The Executive Management has developed various contingency plans designed to ensure that the Company's solvency margin and the regulatory capital levels remain well in excess of regulatory minimum requirements and at levels that leave the Company well positioned from a competitive point of view.

AMF's business planning cycle covers the period up to and including 2024.

### / Information on the Capital Structure

As of December 31, 2020, eligible own funds (EOF) totaled €227 million net of foreseeable dividend. The capital resources at December 31, 2020 and December 31, 2019 are presented in the table below.

<i>(in Euro million)</i>	At December 31, 2020	At December 31, 2019	Evolution
Share capital	1	1	0
Dated subordinated debt	-	-	-
Reconciliation reserve	226	231	(10)
<b>Eligible Own Funds</b>	<b>227</b>	<b>232</b>	<b>(10)</b>

Reconciliation reserve represents the excess of asset over liabilities from the Solvency II balance sheet, reduced by capital items in the financial statements (share capital) excluding subordinated debts.

### / Change in capital resources in 2020

#### Eligible Own Funds

<i>€ million</i>	Available financial resources
<b>EOF FY19</b>	<b>232</b>
Modelling changes & opening adjustments	2
Total return	33
Dividends to be paid in year N+1	(40)
<b>EOF FY20</b>	<b>227</b>

AMF's Eligible Own Funds decreased by €10 million to €227 million as a result of:

- A positive total return, driven mainly by new premium contribution and by positive investment contribution;
- Offset by foreseeable dividend of €40 million.

## / Tiering analysis of capital

### Repatriation of capital by tier

Solvency II available own funds represent the Eligible Own Funds (EOF) available to the Company before any consideration for tiering eligibility restriction and after limitation over the potential non-availability of certain elements of capital.

Available own funds are split into tiers (this analysis is only done for the purpose of calculating the Solvency ratio), i.e. three different buckets of capital determined according to the quality of such components as defined in the Solvency II Regulation. Eligibility limits apply to those available elements to cover respectively the Solvency Capital Requirement (SCR) or the Minimum Capital Requirement (MCR).

As far as compliance with the Solvency Capital Requirement is concerned, the following quantitative limits shall apply: (a) the eligible amount of Tier 1 items shall be at least one half of the Solvency Capital Requirement; (b) the eligible amount of Tier 3 items shall be less than 15 % of the Solvency Capital Requirement; (c) the sum of the eligible amounts of Tier 2 and Tier 3 items shall not exceed 50 % of the Solvency Capital Requirement.

EOF is the eligible amount of own funds after the tiering limits are applied. The structure of tiering is presented in the table below:

<i>(in Euro million)</i>	Total	Unrestricted Tier 1	Restricted Tier 1	Tier 2	Tier 3
<b>EOF (Eligible own fund) At December 31, 2019</b>	<b>232</b>	<b>232</b>	<b>0</b>	<b>0</b>	<b>0</b>
Of which ancillary	0	0	0	0	0
Of which subject to transitional measures	0	0	0	0	0
<b>EOF (Eligible own fund) At December 31, 2020</b>	<b>227</b>	<b>227</b>	<b>0</b>	<b>0</b>	<b>0</b>
Of which ancillary	0	0	0	0	0
Of which subject to transitional measures	0	0	0	0	0

The various components of what AMF considers as eligible capital are determined in accordance with Solvency II Regulations. At December 31, 2020, eligible capital amounted to €227 million (€232 million at December 31, 2019) of which:

■ unrestricted Tier 1 capital: €227 million (€232 million at December 31, 2019), comprised of shares capital (€1 million), and a reconciliation reserve corresponding to €226 million;

As far as compliance with the Minimum Capital Requirements is concerned, the following quantitative limits shall apply: (a) the eligible amount of Tier 1 items shall be at least 80 % of the Minimum Capital Requirement; (b) the eligible amounts of Tier 2 items shall not exceed 20 % of the Minimum Capital Requirement.

In accordance with the methods of calculation implemented by AXA in line with existing regulations, the Company's eligible financial resources to cover its MCR under the current Solvency II Regulations amounted to 617% at December 31, 2020 compared to 605% at the end of 2019.

### Dated and undated subordinated debts description

AMF has not issued any subordinated debt.

## / Reconciliation to Local IFRS Shareholders' equity

As of December 31, 2020, Local IFRS shareholder's equity totaled €137 million. The reconciliation movements in capital resources between the local IFRS Shareholders' equity and the Solvency II Eligible Own Funds are presented in the table below:

€ million	At December 31, 2020
<b>Shareholders' Equity (Local IFRS)</b>	<b>137</b>
Full market value of assets	1
Intangible assets	(73)
Best Estimate Liabilities	203
Subordinated debt	0
Other	0
<b>Eligible Own Funds (EOF)*</b>	<b>267</b>

*\*pre foreseeable dividend*

The key differences between local IFRS and the Solvency II frameworks are further explained below:

- Intangibles elimination relates to the removal of Intangibles, and deferred acquisition costs that are re-measured through the Best Estimate Liabilities calculation.
- Best Estimate Liabilities and Risk Margin adjustment is related to the re-measurement in the Solvency II framework of policyholder's reserves as compared to those of the local GAAP and includes the increase in deferred tax liability from local GAAP to Solvency II. This adjustment is positive as a result of a negative non-linked BEL; this is due to the present value of future income exceeding the present value of future outgo due to the nature of the business.

## / Deferred taxes

As of December 31, 2020 a net deferred tax liability position of €19 million has been recognised in the Solvency II balance sheet.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

AXA received formal approval over its internal economic capital model application in November 2015. The AXA economic capital (AXA's Internal Model) is designed to allow AXA entities to choose the local calibrations which better reflect the local risk profile and to capture all the material risks to which AXA is exposed. As a result, it is believed the internal economic capital model better aligns the capital requirement metrics with the Management decision making.

### / General principles

The Solvency II directive provides for two separate levels of solvency margin: (i) the Minimum Capital Requirement (MCR), which is the amount of own funds below which policy holders and beneficiaries are exposed to an unacceptable level of risk should the Company be allowed to continue its operations, and (ii) the Solvency Capital Requirement (SCR), which corresponds to a level of eligible own funds that enables insurance and reinsurance companies to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made.

### / Solvency Capital Requirement (SCR)

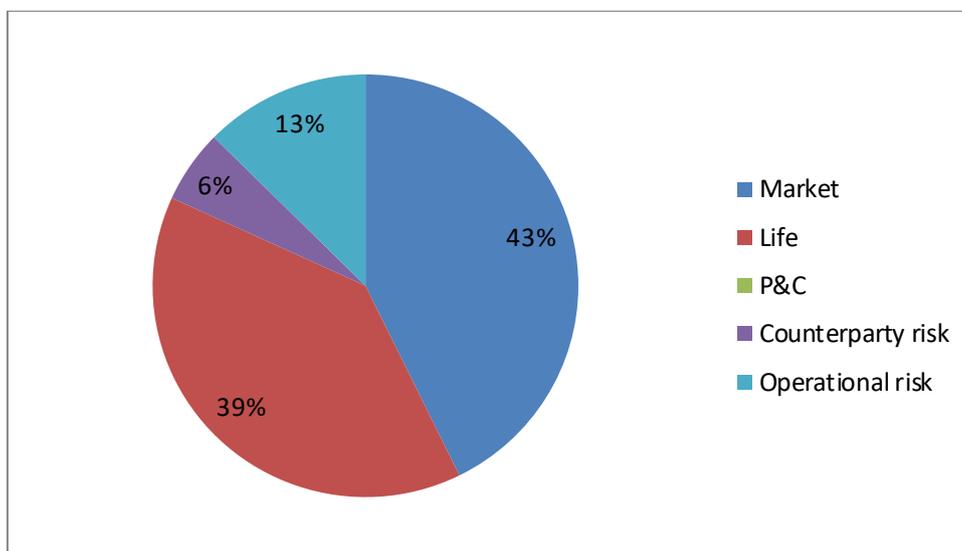
On November 17, 2015, AXA received approval from the ACPR to use its internal model to calculate its regulatory capital under Solvency II and published, on February 25, 2016, its Solvency II capital ratio at 205% as of December 31, 2015. The Central Bank of Ireland (CBI) sat on the College of Supervisors for the approval process of the internal model. The Solvency II capital ratio of AXA MPS Financial is equal to 266% net of foreseeable dividend as of December 31, 2020.

The ACPR continues to review regularly the underlying methodologies and assumptions of AXA model for adequacy and such review may lead to adjustments to the level of capital required by the ACPR. The European Insurance and Occupational Pensions Authority (EIOPA) is also expected to carry out a review of the consistency of European insurer's models and any such review may lead to regulatory changes to increase convergence and to strengthen oversight of cross-border groups. The CBI participate in the AXA College of Supervisors – a forum of national supervisors of AXA entities and steered by the ACPR – to align and agree on application of underlying methodologies and assumptions of AXA's Internal Model.

On December 31, 2020 the Company's solvency capital requirement was €83.6 million, split as follows by risk categories: L&S risk €32.7 million, Market risk €35.7 million, Credit Risk €4.7 million, Operational Risk €10.5 million. All figures are net of tax and post diversification.

**Total Solvency Capital Requirement (SCR)** decreased from €85 million to €84 million from FY 2019 to FY 2020. Life and credit risk remained stable over the period; market risk decreased slightly as a result of reduction in exposure, and operational risk increased slightly as a result of lower diversification between risks.

At December 31, 2020, the breakdown of the Solvency II required capital (€84 million) by risk categories was: 42.7% in Market, 39.1% in Life, 5.6% in Counterparty risk, and 12.6% in operational risk.



## / Minimum Capital Requirement (MCR)

The Minimum Capital Requirement is meant to ensure a minimum level below which the amount of financial resources should not fall. That amount is calculated in accordance with a simple formula, which is subject to a defined floor and cap based on the Solvency Capital Requirement of the Company in order to allow for an escalating ladder of supervisory intervention, and that it is based on the data which can be audited.

In accordance with the methods of calculation implemented by AMF in line with existing regulations, AMF's Minimum Capital Requirement amounted to €38 million at December 31, 2020 (-€0 million from 2019) driven by the decrease in SCR.

The Minimum Capital Requirement is calculated based on a factor-based formula taking into consideration the amounts of Best Estimate Liabilities net of the amounts recoverable from reinsurance contracts and special purpose vehicles broken down between life obligations with profit participation, unit-linked contracts and other life insurance contracts, and the total capital at risk. It is subject to a floor of 25% of SCR and a cap of 45% of SCR.

## / Loss Absorbing Capacity of Deferred Tax

The loss absorbing capacity of deferred taxes (LACDT) is equal to the change in value of deferred taxes that would result from a loss equal to the SCR. AMF holds a deferred tax liability of €19 million on its Solvency II balance sheet. The LACDT recognized in the SCR is limited to the deferred tax liability recognized in the balance sheet. No assumption on the ability to recover tax on future taxable profit is therefore used.

### E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Not applicable.

## E.4 Differences between the standard formula and any internal model used

### / General information

AXA has developed a robust economic capital model since 2007 which has been implemented and used by AMF since 2009 in the risk management system and decision making processes. AMF's main goal of using an internal model as opposed to the standard formula is to better reflect the Company's risk profile in the Solvency Capital Requirement. This is considered from several aspects.

- *Taking into account local specificities* – AXA is a global Company and operates in a wide range of insurance markets offering a variety of products and targeting different demographics and different risk exposures. It is therefore appropriate, to the extent possible, to calibrate stresses specifically to these risk profiles and to allow for the benefits of diversification of the different risks across such markets. AMF applies a local lapse calibration and a local expense calibration.
- *Addressing shortcomings of the standard formula* – Based on its expertise, the Group can improve on the approach of the standard formula, which is naturally constrained by its general scope, to have models which are more appropriate for the scope of the Group. For example, the internal economic capital model for market risks adds some risks not covered by the standard formula (government spread risk, interest rate implied volatility and equity implied volatility risk).
- *Allowing for better evolution of the model over time* – As the Group's experience increases, its business expands to new markets and product innovations create different risks, the flexibility of an internal model allows the specificities of these developments to be reflected.

AXA's Internal Model is calibrated to represent the value-at-risk of the loss distribution of the Company over a one-year time horizon at the 99.5th percentile.

- AXA's Internal Model forms an important piece of the AMF system of governance of which usage has been built and developed in strong relationship with the operating business lines and risk management department in a way to develop an internal model adapted to the undertaking's needs.
- AXA's Internal Model is used for assessing and managing the economic capital and is also a supportive decision-making tool in different business processes: strategic planning, underwriting, investment decisions, and project management. Besides, as integrated within the risk management system, the AXA's Internal Model provides information for implementing the Own Risk & Solvency Assessment (ORSA) process, formulating risk strategies, monitoring risk appetite or producing risk reporting.

### / Main differences between the Standard Formula and the Internal Model

AXA's Internal Model is a **centralised model** which is based on Group methodologies. This ensures a **full consistency** in the modelling of similar risks across the Group while still allowing for **local specificities** when they exist, in particular via the calibration of underwriting risks at local levels, these local calibrations being then presented and validated by Group Risk Management. Validation encompasses both quantitative and qualitative aspects of the internal model, and in particular data quality. AXA's data quality policy requires data used as input in the internal model to be complete, accurate and appropriate

The general architecture of the AXA's Internal Model consists in five main modules (Life, Market, Credit, P&C and operational risks). The standard formula follows a similar modular approach but has separate modules for health risks, which are not applicable to AMF. Instead, in the AXA's Internal Model: (i) the health risk similar to Life is included in the Medical expense sub-risk category and treated as a Life risk; (ii) the health risk not similar to Life is included in the Property & Casualty risk.

**In general in the 5 risks categories, the internal economic capital model provides models for sub-risks that are not adequately captured in the Standard Formula but are material to AXA.**

Market risk: Interest rate implied volatility, Equity implied volatility, Government Spread and Inflation are explicitly modelled in AXA's Internal Model. The risk of concentrations in the portfolio is included in the Corporate Default calculation.

Due to the higher number of sub-risks and risk factors used in the internal model, the risks of the different asset classes and the diversifications among them can be captured more precisely than in the standard formula. For instance the shocks depend on the economy, which means that for volatile markets higher shocks are assumed.

Credit risks: AXA's Internal Model addresses separately the default risk of corporate bonds whereas it is included in the calibration of spreads in the standard formula.

Property & Casualty risks: Lapse risk is taken through the portfolio modelling, including Lapses and New Business evolution and through the volatility around the Unearned Premium Reserve.

Operational risk: The standard formula for operational risk is factor-based (percentage of gross written premiums or technical provisions) and is not risk sensitive. AXA internal model for operational risks follows a forward-looking and Scenario-Based Approach (SBA). It relies on the identification and assessment of the most critical Operational risks of each entity complemented by a set of transversal Group scenarios.

Life risks: AXA's Internal Model explicitly addresses the Other Customer Behaviour risk, included in the Lapse module in the standard formula. Furthermore the lapse risk categories are treated as three life sub-risks, while in the standard formula only the maximum of Lapse up, Lapse down and Lapse mass is considered. Revision risk is not considered in the AXA's Internal Model, since it is negligible.

### **Modelling techniques**

In the standard formula simple models are used for most risk categories in order to derive the SCR. In most cases an extreme scenario is defined, which represents the 99.5% quantile.

In AXA's Internal Model, sophisticated models are applied. In particular for Market, Credit Reinsurance, Property & Casualty and Operational risk Monte Carlo simulations are used. This allows deriving the whole loss distribution.

### **Diversification**

In the standard formula, no geographical diversification is explicitly recognised. The internal economic capital model aggregation considers geographical diversification as AXA Group is operating globally.

The Solvency II Regulations require the provision of a Probability Distribution Forecast (PDF) underlying the internal model that assigns probabilities to changes in the amount of Company's own funds. The following orientations have been chosen for the internal economic capital model assessment:

- The Property & Casualty and Market modules' modelling, using simulation-based approaches, allow exhibiting a full Probability Distribution Forecast.
- The modelling of the Credit risk leans on both simulation-based techniques and shock-approaches depending on the considered sub-risk. For the first techniques, full Probability Distribution Forecasts are available. Regarding shock-approaches, several percentiles, similarly to the approach performed for the life risk, are calculated.

The overall aggregation process is based on an **elliptical aggregation** of the Market, Life, Credit, Property & Casualty and Operational requirements. This modular approach allows for the **ranking of the main risks** or sub-risks and provides a **better understanding of the risks** (sub-risks) and their impacts.

AMF also performs **reverse stress scenarios**. The aim of such scenarios is to exhibit combinations of Market, Credit, Life and Operational events (the shocks defined in the scenario are occurring simultaneously) that would yield the same amount of SCR for a chosen valuation date. The reverse stress test scenarios represent a test of the assumed correlation appropriateness. Indeed, performing such test highlights potential cross and non-linear effects and are therefore useful in order to mitigate potential shortcomings coming from the aggregation structure.

## E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Not applicable.

## E.6 Any other information

Not applicable.

## **Appendix 1 Prescribed templates**

### **Required templates**

#### **Commission Implementing Regulation (EU) 2015/2542 of 2 December 2015**

##### **Article 4**

S02.01.01 Balance sheet

S05.01.02 Premiums, claims and expenses - using FS methods

S05.02.01 Premiums, claims and expenses by country

S12.01.01 Technical provisions for life and health insurers

S23.01.01 Own Funds

S25.03.01 SCR using Internal Model

S28.01.01 MCR

## Appendix 1 – Quantitative Reporting Templates

### AXA MPS Financial Balance Sheet

#### Balance sheet €000's

##### S.02.01.02

		Solvency II value
		C0010
		€'000
<b>Assets</b>		
Goodwill	R0010	0
Deferred acquisition costs	R0020	0
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	23
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	82,984
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	14,343
Government Bonds	R0140	14,343
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	65,019
Derivatives	R0190	3,622
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	8,093,193
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	0
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	8
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	49,243
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	98,056
Any other assets, not elsewhere shown	R0420	563
<b>Total assets</b>	<b>R0500</b>	<b>8,324,070</b>

AXA MPS Financial Balance Sheet

Balance sheet €000's

S.02.01.02

		Solvency II value
		C0010
		€'000
<b>Liabilities</b>		
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
Technical provisions calculated as a w hole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a w hole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a w hole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a w hole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	7,873,739
Technical provisions calculated as a w hole	R0700	0
Best Estimate	R0710	7,857,882
Risk margin	R0720	15,857
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	18,844
Derivatives	R0790	166
Debts ow ed to credit institutions	R0800	0
Debts ow ed to credit institutions resident domestically	ER0801	0
Debts ow ed to credit institutions resident in the euro area other than domestic	ER0802	0
Debts ow ed to credit institutions resident in rest of the w orld	ER0803	0
Financial liabilities other than debts ow ed to credit institutions	R0810	0
Debts ow ed to non-credit institutions	ER0811	0
Debts ow ed to non-credit institutions resident domestically	ER0812	0
Debts ow ed to non-credit institutions resident in the euro area other than domestic	ER0813	0
Debts ow ed to non-credit institutions resident in rest of the w orld	ER0814	0
Other financial liabilities (debt securities issued)	ER0815	0
Insurance & intermediaries payables	R0820	17,277
Reinsurance payables	R0830	19
Payables (trade, not insurance)	R0840	147,008
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Ow n Funds	R0860	0
Subordinated liabilities in Basic Ow n Funds	R0870	0
Any other liabilities, not elsew here show n	R0880	0
<b>Total liabilities</b>	R0900	<b>8,057,053</b>
<b>Excess of assets over liabilities</b>	R1000	<b>267,017</b>

Premiums, Claims and Expenses by line of business €000's

S.05.01.02

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		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	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
<b>Premiums written</b>										
Gross	R1410	0	0	1,308,029	0	0	0	0	0	1,308,029
Reinsurers' share	R1420	0	0	0	0	0	0	0	0	0
Net	R1500	0	0	1,308,029	0	0	0	0	0	1,308,029
<b>Premiums earned</b>										
Gross	R1510	0	0	1,308,029	0	0	0	0	0	1,308,029
Reinsurers' share	R1520	0	0	0	0	0	0	0	0	0
Net	R1600	0	0	1,308,029	0	0	0	0	0	1,308,029
<b>Claims incurred</b>										
Gross	R1610	0	0	1,656,066	0	0	0	0	0	1,656,066
Reinsurers' share	R1620	0	0	0	0	0	0	0	0	0
Net	R1700	0	0	1,656,066	0	0	0	0	0	1,656,066
<b>Changes in other technical provisions</b>										
Gross	R1710	0	0	208,601	0	0	0	0	0	208,601
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	0	0	208,601	0	0	0	0	0	208,601
<b>Expenses incurred</b>	R1900	0	0	106,773	0	0	0	0	0	106,773
<b>Other expenses</b>	R2500									
<b>Total expenses</b>	R2600									106,773
<b>Total amount of surrenders</b>	R2700			1,391,638						

Life obligations for home country €000's		Home country	Country (by amount of gross premiums written)		Total for top 5 countries and home country (by amount of gross premiums written)
			IT		
		C0220	C0230	C0280	
<b>Premiums written</b>					
Gross	R1410		1,308,029		1,308,029
Reinsurers' share	R1420		0		0
Net	R1500		1,308,029		1,308,029
<b>Premiums earned</b>					
Gross	R1510		1,308,029		1,308,029
Reinsurers' share	R1520		0		0
Net	R1600		1,308,029		1,308,029
<b>Claims incurred</b>					
Gross	R1610		1,656,066		1,656,066
Reinsurers' share	R1620		0		0
Net	R1700		1,656,066		1,656,066
<b>Changes in other technical provisions</b>					
Gross	R1710		208,601		208,601
Reinsurers' share	R1720		0		0
Net	R1800		208,601		208,601
<b>Expenses incurred</b>	R1900	18,538	88,235		106,773
<b>Other expenses</b>	R2500				
<b>Total expenses</b>	R2600				106,773

Life and Health SLT Technical Provisions €000's

S.12.01.01

		Index-linked and unit-linked insurance			Total (Life other than health insurance, incl. Unit-Linked)	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)	
		Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					
		C0020	C0030	C0040	C0050	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010											
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020											
Technical provisions calculated as a sum of BE and RM												
Best Estimate												
Gross Best Estimate	R0030			7,815,137	42,746	7,857,883						
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040											
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			7,815,137	42,746	7,857,883						
Risk Margin	R0100		15,857			15,857						
Amount of the transitional on Technical Provisions												
Technical Provisions calculated as a w hole	R0110											
Best estimate	R0120											
Risk margin	R0130											
Technical provisions - total	R0200		7,873,739			7,873,739						

Own funds €000's

S.23.01.01

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	635	635			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	226,382	226,382			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
<b>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</b>						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230					
<b>Total basic own funds after deductions</b>	R0290	227,017	227,017			
<b>Ancillary own funds</b>						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
<b>Total ancillary own funds</b>	R0400					
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	227,017	227,017			
Total available own funds to meet the MCR	R0510	227,017	227,017			
Total eligible own funds to meet the SCR	R0540	227,017	227,017	0	0	0
Total eligible own funds to meet the MCR	R0550	227,017	227,017	0	0	
<b>SCR</b>	R0580	83,582				
<b>MCR</b>	R0600	37,612				
<b>Ratio of Eligible own funds to SCR</b>	R0620	2.7161				
<b>Ratio of Eligible own funds to MCR</b>	R0640	6.0358				

Reconciliation reserve €000's

		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	267,017
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	40,000
Other basic own fund items	R0730	635
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
<b>Reconciliation reserve</b>		226,382
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
<b>Total Expected profits included in future premiums (EPIFP)</b>	R0790	

Solvency Capital Requirement - for undertakings on Full Internal Models €000's

S.25.03.01

Unique number of component*	Components Description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
1	Market Risk	53,383
2	Credit Risk	6,974
3	Life Risk	48,855
4	P&C Risk	0
5	Operational Risk	15,748
6	Intangible Risk	0
7	Deferred Taxes	-11,940

Calculation of Solvency Capital Requirement €000's

		C0100
Total undiversified components	R0110	113,020
Diversification	R0060	-29,439
<b>Solvency capital requirement excluding capital add-on</b>	<b>R0200</b>	<b>83,581</b>
Capital add-ons already set	R0210	0
<b>Solvency capital requirement</b>	<b>R0220</b>	<b>83,581</b>
Other information on SCR		
<b>Amount/estimate of the overall loss-absorbing capacity of technical provisions</b>	<b>R0300</b>	<b>0</b>
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-11,940
Net future discretionary benefits	R0460	0

Approach to tax rate

		Yes/No	
		C0109	
Approach based on average tax rate*	R0590	2	*Approach based on average tax rate 1 - Yes 2 - No 3 - Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)

Calculation of loss absorbing capacity of deferred taxes €000'S

		Before the shock	After the shock
		C0110	C0120
DTA	R0600	0	0
DTA carry forward	R0610	0	0
DTA due to deductible temporary differences	R0620	0	0
DTL	R0630	0	0

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	-11,940
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of LAC DT justified by carry back, current year	R0670	-11,940
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity €000's

S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	55,241

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	7,857,882	
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		337,032

Overall MCR calculation		C0070
Linear MCR	R0300	55,241
SCR	R0310	83,582
MCR cap	R0320	37,612
MCR floor	R0330	20,895
Combined MCR	R0340	37,612
Absolute floor of the MCR	R0350	3,700
Minimum Capital Requirement	R0400	37,612