

# **Assured Guaranty (Europe) SA**

## **Solvency and Financial Condition Report**

**2024**



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## GLOSSARY OF ABBREVIATIONS AND DEFINITIONS

Term	Definition
ACPR	Autorité de Contrôle Prudentiel et de Résolution
AG	Assured Guaranty Inc - formerly Assured Guaranty Corp.
AG Excess of Loss Reinsurance Agreement	The AG Excess of Loss Reinsurance Agreement between the Company and AG dated 31 July 2024
AG Net Worth Maintenance Agreement	Net Worth Maintenance agreement between AGE and AG dated 31 July 2024
AG New Business Reinsurance Agreement	The AG New Business Reinsurance agreement between the Company and AG dated 31 July 2024
AG Transferred Business Reinsurance Agreement	The AG Transferred Business Reinsurance Agreement between the Company and AG dated 31 July 2024
AGC	Assured Guaranty Corp.
AGE	Assured Guaranty (Europe) SA
AGL	Assured Guaranty Ltd.
Assured Guaranty Group	AGL and its subsidiaries
AGLN	Assured Guaranty (London) plc
AGM	Assured Guaranty Municipal Corp.
AGRE	Assured Guaranty Reinsurance Limited
AGRE Transferred Business Reinsurance Agreement	The AGRE Transferred Business Reinsurance Agreement between the Company and AGRE reinsures the AGUK and legacy AGLN policies transferred to the Company under the Portfolio Transfer
AGUK	Assured Guaranty UK Limited (formerly Assured Guaranty (Europe) plc)
AG (UK) Services	Assured Guaranty (UK) Services Limited
AGUS Services	AG US Group Services Inc.
Australia Services Agreement	The Services Agreement between AG Services Australia Pty Limited and certain AG Group companies, including AGE, dated 1 January 2024
BIG	Below-investment-grade
Board	Board of Directors
Brexit	UK's departure from the EU
Company	Assured Guaranty (Europe) SA
Directive	Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended from time to time
ECM	Economic Capital Model
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ERC	Executive Risk Committee
EU	European Union
Fitch	Fitch Ratings Inc.
French GAAP	French Generally Accepted Accounting Principles
GPO	Gross par outstanding
Group Service Agreement	Third Amended and Restated Service Agreement among the Company, AGUS Services and other affiliates, effective 2 January 2020.
GWP	Gross Written Premiums
ICA	Internal Capital Assessment
IG	Investment Grade
ISCC	International Supervisory Credit Committee
IT	Information Technology
KBRA	Kroll Bond Rating Agency Inc.
KFH	The holders of Key Functions
KRIs	Key risk indicators

<b>Term</b>	<b>Definition</b>
LTIP	Long term incentive plan
MCR	Minimum Capital Requirement
Moody's	Moody's Investors Service Inc
NPO	Net par outstanding
ORSA	Own Risk and Solvency Assessment
Par	Par value of the obligation
PF	Public finance
plc	Public limited company
Portfolio Transfer	During 2020, AGUK transferred its existing EEA insured risks based policies to the Company, utilising an insurance transfer under Part VII of the United Kingdom Financial Services and Markets Act 2000 and French insurance portfolio transfer procedures.
PVP	A non-GAAP (Generally Accepted Accounting Principles) financial measure used by the Assured Guaranty Group which is defined as gross upfront and instalment premiums received plus the present value of gross estimated future instalment premiums, on contracts written in the current year, discounted at the approximate average pre-tax book yield of fixed-maturity securities purchased across the Assured Guaranty Group during the prior calendar year, excluding loss mitigation securities.
Rating Agencies	S&P, KBRA and Moody's
RCS	Trade and Companies Register
RMBS	Residential Mortgage-Backed Securities
S&P	S&P Global Ratings, a division of Standard & Poor's Financial Services LLC
SCR	Solvency Capital Requirement
SCR Ratio	Ratio of eligible own funds to SCR
SF	Structured finance
SFCR	Solvency and Financial Condition Report
Solvency II Regulation	Commission Delegated Regulation EU 2015/35 of 10 October 2014, as amended
Standard Formula	Standard formula prescribed by EIOPA
UK	United Kingdom of Great Britain and Northern Ireland
US	United States of America
USPs	Undertaking-specific parameters

# Executive Summary

This Solvency and Financial Condition Report has been prepared in accordance with the Solvency II regulatory framework and sets out information on the business and performance of the Company, its system of governance, risk profile, valuation of assets and liabilities for solvency purposes and capital management as at 31 December 2024.

Solvency II regulations and guidelines prescribe the structure of the document and the information required to be reported in each section. In preparing this report we have referenced each reporting requirement, separately commenting on its relevance to the Company.

## Principal activities

AGE was incorporated in July 2019 and was established to enable the Assured Guaranty Group to continue underwriting new business and service existing EEA policies following the UK's departure from the EU and EEA (commonly known as “Brexit”) in January 2020. On 1 October 2020 AGUK transferred certain of its existing EEA policies to the Company under Part VII of the United Kingdom Financial Services and Markets Act 2000 and French insurance portfolio transfer procedures (the “Portfolio Transfer”).

The principal activity of the Company is providing financial guarantees for public finance (including infrastructure finance) and structured finance obligations. Financial guarantee insurance written by the Company generally guarantees scheduled payments of principal and interest on an issuer's obligations in the event, and to the extent of, a payment default.

The Company is governed by the French Insurance Code and regulated by the ACPR and is registered with the RCS in France (SIREN: 852 597 384). The Company is authorised to carry out three classes of general insurance business in France: classes 14 (credit), 15 (suretyship) and 16 (miscellaneous financial loss).

Prior to 1 August 2024 the Company was a wholly owned subsidiary of AGM. On 1 August 2024, AGM merged with and into AG (formerly AGC), with AG as the surviving company. AGE became a wholly owned subsidiary of AG from this date. AG is an insurance company domiciled in the State of Maryland, United States of America and provides financial guarantee insurance on debt obligations issued in the US and non-US public finance, infrastructure finance and structured finance markets.

## Ratings

The obligations insured by the Company are generally awarded ratings on the basis of the financial strength ratings given to the Company by major rating agencies. As at 7 April 2025, AG and the Company have been assigned the following insurance financial strength ratings set out below, by S&P and KBRA:

S&P: AA / Stable Outlook

KBRA: AA+ / Stable Outlook

## Business and Performance

### Underwriting performance

During 2024 the Company underwrote business in both the public finance and structured finance sectors, generating PVP and gross written premiums of €9.2 million (2023: €4.0 million) and €9.3 million (2023: €6.4 million) respectively.

The Company's overall underwriting result for the year was a loss of €0.1 million (2023: profit of €1.6 million). The loss in the current year is primarily attributable to an increase in administration expenses to €14.8m (2023: €12.0m) due to an increase in employee headcount and services provided by group companies, as well as higher spending on professional fees. The overall profitability of the Company is expected to increase over the coming years as further new business is added and the business reaches appropriate scale. The underwriting result is described further in *Section A.2, Underwriting performance*.

AGE has not incurred any claims to date and no claims reserves or unexpired risks provision has been recognised at the balance sheet date. There has been some deterioration in the overall credit quality of the insured portfolio during the year with the proportion of BIG risks increasing to 14.4% (2023: 3.2%) of gross par outstanding (“GPO”). This is attributable to a deterioration in the performance of certain UK regulated utility obligations and the European renewable energy sector.

As at 31 December 2024, the Company had issued guarantees on financial obligations with gross outstanding par of €8.5 billion (2023: €7.8 billion) and net par after reinsurance of €614.1 million (2023: €547.9 million).

The Company's insured portfolio of guarantees split by obligation type as at 31 December 2024 is summarised below:

### Insured Portfolio by Sector

As at 31 December € '000	2024		2023	
	GPO	NPO	GPO	NPO
<b>Sector</b>				
Regulated Utilities	4,351,700	290,882	4,033,617	269,340
Sovereign and Sub-Sovereign	1,091,808	48,645	1,155,114	52,534
Renewable Energy	963,539	103,437	1,042,805	111,994
Infrastructure Finance	950,234	63,485	913,930	58,757
Subscription Finance	803,335	80,334	275,250	27,525
Pooled Corporates	250,000	25,000	250,000	25,000
RMBS	79,775	2,273	96,159	2,721
<b>Total</b>	<b>8,490,391</b>	<b>614,056</b>	<b>7,766,875</b>	<b>547,871</b>

### Investment performance

The Company's investment strategy focuses on establishing highly liquid, diversified investment portfolios of high credit quality managed by an external investment manager. Under French GAAP, the Company's investments are recorded on an amortised cost basis. The Company recorded net investment income for 2024 of €0.9 million (2023: income of €0.9 million).

### System of Governance

The Company's Board has overall responsibility for directing and controlling the activities of the Company which includes the establishment and oversight of its system of governance. The Board and management of the Company are committed to high standards of corporate governance and have placed significant focus on the establishment and maintenance of a comprehensive and effective governance framework. Integral to this framework are the committees and functions established by the Board to oversee the day-to-day operations of the Company and to implement policies, procedures, guidelines and limits approved by the Board. Each of the committees operates under terms of reference which are reviewed and approved by the Board, at least annually.

The Company's risk management framework is organised around a three lines of defence model which ensures that all functions (both those that own risks, as well as the risk management and compliance functions) are responsible for managing risks. These functions are supplemented by an independent (outsourced) Internal Audit function which provides assurance over the operation of the risk management framework, including the Company's internal control framework.

The Company's governance and risk management framework is described in more detail in *Sections B1. and B3.*

### Risk Profile

The most significant risk to which the Company is exposed remains underwriting risk, the key element of which, due to the nature of financial guarantee contracts, is credit risk, i.e. the risk that obligors of insured obligations will fail to pay. The other material components of the Company's risk profile are market risk, counterparty, liquidity risk and operational risk. The Company's tolerance for risk is established within its Risk Appetite Statement. Risk exposures are controlled and monitored under the Risk Management Framework, which ensures a continuous process of risk identification, measurement, monitoring, management and reporting.

Section C further describes the Company's material risk exposures, quantified measures of those risks and how the Company manages these risks

### Valuation for Solvency Purposes

Under Solvency II rules all assets and liabilities are required to be valued on a basis that reflects their fair value. The excess of the Company's assets over liabilities within its Solvency II balance sheet as at 31 December 2024 was €31.9 million (2023: €44.3 million). Net assets as reported within the Company's French GAAP financial statements were €112.2 million (2023: €110.2 million). The adjustments made to the Company's French GAAP shareholder's equity to derive the Solvency II own funds are set out below.

## Summary of adjustments to French GAAP balance sheet

As at 31 December	2024	2023
€ '000		
Shareholders' equity under French GAAP	112,213	110,249
Disallowed items (prepayments & deferred acquisition costs)	(3,989)	(3,315)
Solvency II fair value adjustment to investments	(14,653)	(15,848)
Solvency II adjustment to net best estimate provision & discounting	(40,747)	(26,870)
Risk margin	(20,926)	(19,869)
Solvency II excess of assets over liabilities	<u>31,898</u>	<u>44,347</u>

Section D provides further details of the Company's assets, technical provisions and other liabilities under the Solvency II basis of valuation.

## Capital Management

The primary objective of the Company's capital management policy is to ensure sufficient capital resources to meet both the Company's regulatory capital requirements as well as its own economic capital assessment, the ICA.

The Company calculates its SCR using the Standard Formula. The ratios of the Company's own funds to its SCR and MCR are shown below. The Company remains in a strong financial position with an SCR Ratio of 173% (2023: 236%). The solvency surplus decreased during 2024 due to a decrease in Own Funds. This decrease was primarily due to the value of operating expenses incurred exceeding the own funds benefit of new business and in-force run-off. The MCR is at the floor of 25% of the SCR.

### Summary of SCR and MCR

As at 31 December	2024	2023
€ '000		
Solvency II own funds	31,898	44,347
SCR	18,427	18,768
SCR Ratio	<b>173 %</b>	<b>236 %</b>
MCR	4,607	4,692
MCR Ratio	<b>692 %</b>	<b>945 %</b>

The Company's own funds structure, as defined under Solvency II rules, is comprised of Tier One own funds only.

As at 31 December	2024	2023
€ '000		
Tier 1	31,898	44,347
Tier 2	—	—
Tier 3	—	—
<b>Total</b>	<b><u>31,898</u></b>	<b><u>44,347</u></b>

Section E provides details of the Company's policies and procedures for the management of capital, as well as further details on the components of the Company's SCR.

## Directors' Statement

### Year ended 31 December 2024

We acknowledge our responsibility for preparing this Solvency and Financial Condition Report in all material respects in accordance with the ACPR Rules and the Solvency II Regulations as applicable to the Company. We are satisfied that:

(a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the ACPR Rules and the Solvency II Regulations applicable to the Company; and

(b) it is reasonable to believe that, at the date of the publication of this Solvency and Financial Condition Report, the Company continues to comply and will continue to comply in the future.

For and on behalf of the Board of Assured Guaranty (Europe) SA



Richard Nicholas

Chief Financial Officer

7 April 2025



## **A. Business and Performance**

This section of the SFCR provides information about the Company's business, its structure and financial performance.

The Company prepares its financial statements in accordance with French GAAP. The information on financial performance provided in this section is therefore presented on a French GAAP basis, unless otherwise stated.

### **A.1 Business**

#### **a. Name and legal form**

The Company is a Société Anonyme registered in France (registration number 852 597 384 RCS Paris).

The registered office of the Company is:

71, rue du Faubourg Saint-Honoré

75008 Paris

France

#### **b. Name and contact details of the supervisory authority responsible for financial supervision**

The Company is governed by the French Insurance Code and regulated by the ACPR.

4 Place de Budapest

CS 92459

75436 Paris

Cedex 09

France

#### **c. Name and contact details of the external auditor**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

63 Rue de Villiers

92200 Neuilly sur Seine

France

#### **d. Holders of qualifying holdings in the Company**

Prior to 1 August 2024 the Company was a wholly owned subsidiary of AGM. On 1 August 2024, AGM merged with and into AG (formerly AGC), with AG as the surviving company. AGE became a wholly owned subsidiary of AG from this date. AG is an insurance company domiciled in the State of Maryland, United States of America. AG is a corporation organised and existing under the laws of the State of Maryland and is licenced as a financial guaranty insurance company and as such, subject to applicable law, in all fifty states, the District of Columbia and Puerto Rico. AG is regulated by the MIA and the MIA has agreed to serve as the group regulator for the insurance companies in the Assured Guaranty Group.

AG holds 99.999894% of the share capital of the Company. The remaining 0.000106% is owned by Assured Guaranty US Holdings Inc, which is also an indirect wholly-owned subsidiary of AGL.

AGL (through a wholly-owned holding company) acquired AG (then named Financial Security Assurance Inc.), together with its holding company Financial Security Assurance Holdings Ltd. (renamed Assured Guaranty Municipal Holdings Inc.) on 1 July 2009.

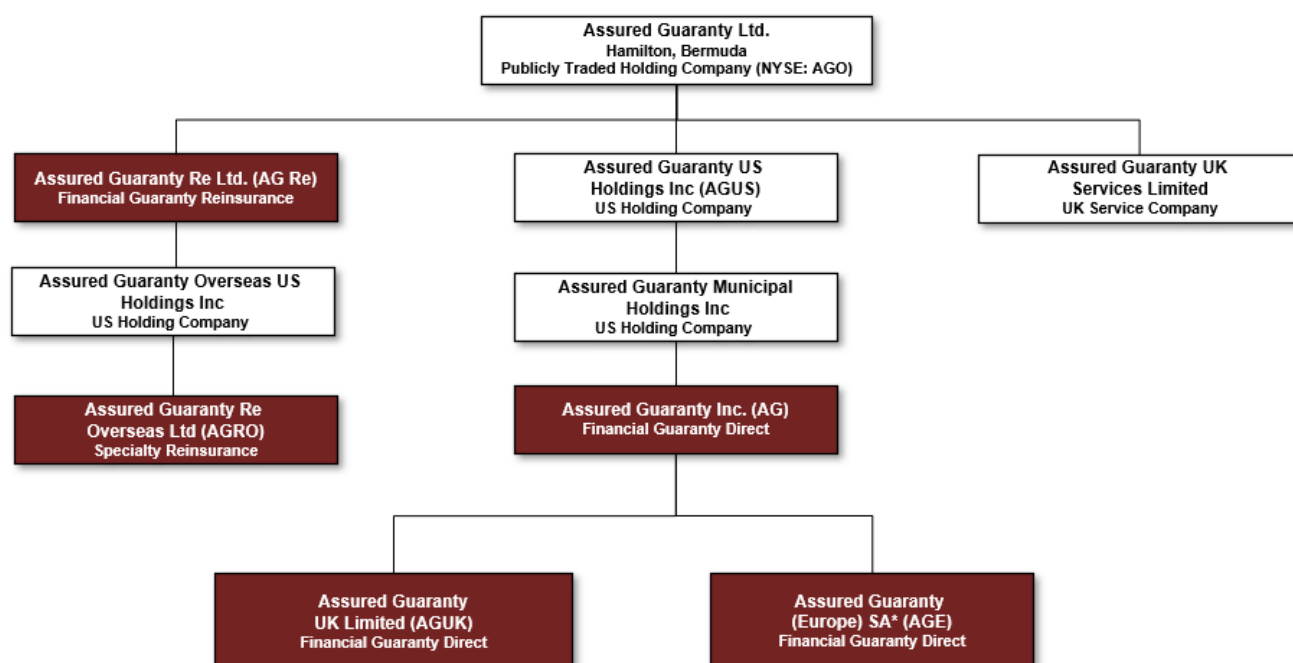
AGL is a Bermuda-based holding company, which was formed in 2003, and as a public company, is subject to certain requirements of the US Securities and Exchange Commission.

#### **e. Details of the undertaking's position within the legal structure of the Assured Guaranty Group**

The abbreviated organisational chart below shows the position of the Company as an indirect wholly owned subsidiary of AGL.

## Assured Guaranty Ltd. Corporate Structure

(the ownership interest is 100% unless otherwise indicated below)



\*AG holds 99.999894% of the share capital of the Company. The remaining 0.000106% is owned by Assured Guaranty Municipal Holdings Inc., which is also an indirect wholly-owned subsidiary of AGL.

### f. Material lines of business and material geographical areas where business is underwritten

The principal activity of the Company is providing financial guarantees in the EEA, specifically to the public finance (including infrastructure finance) and structured finance markets.

The Company's insured portfolio by risk location, split between Public and Structured finance is given in the table below.

## Par insured by location of risk

As at 31 December

	2024		2023	
€ '000	Gross Par Outstanding	Net Par Outstanding	Gross Par Outstanding	Net Par Outstanding
<b>Public finance</b>				
UK	4,406,739	291,357	4,093,788	269,860
Spain	1,426,236	123,392	1,469,726	127,349
France	696,636	46,556	726,707	49,280
Japan	361,351	21,806	386,394	23,111
Poland	191,063	6,655	199,745	6,957
Italy	145,000	3,657	145,000	3,657
USA	130,257	13,026	124,106	12,411
<b>Total public finance</b>	<b>7,357,282</b>	<b>506,449</b>	<b>7,145,466</b>	<b>492,625</b>
<b>Structured finance</b>				
USA	181,140	18,112	88,469	2,983
United Kingdom	100,280	9,349	74,018	6,601
Singapore	95,071	9,507	13,699	1,370
France	78,280	7,828	66,701	6,670
Netherlands	77,608	7,761	53,461	5,116
Italy	74,664	2,638	92,697	9,269
Germany	64,638	6,268	70,278	7,028
Other	461,428	46,143	162,086	16,209
<b>Total structured finance</b>	<b>1,133,109</b>	<b>107,606</b>	<b>621,409</b>	<b>55,246</b>
<b>Total</b>	<b>8,490,391</b>	<b>614,055</b>	<b>7,766,875</b>	<b>547,871</b>

## g. Significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking and its subsidiaries

As noted above, following the merger of AGM with and into AG on 1 August 2024, the Company became a wholly owned subsidiary of AG. On the same date, AGE entered into new reinsurance agreements with AG which consolidated the terms of the prior agreements with AG and AGM. The AG Net Worth Maintenance Agreement, which replaced the net worth maintenance agreement with AGM, was also entered into on that date.

## A.2 Underwriting Performance

### New business

The Company measures new business production in terms of PVP. The Company believes PVP is a useful measure for management and other users of the financial statements because it enables the evaluation of new business production by taking into account the impact of the time value of money on estimated future instalment premiums. New business comprises new policies issued and amendments to existing policies in respect of transactions that were restructured or modified during the year which generated additional PVP but no additional insured exposure.

The new business written by the Company is shown in the table below. Gross par written refers to the value of debt principal insured at inception.

## New Business Written

Year Ended 31 December	2024				2023			
	PVP	GWP	Gross Par Written	Number of Transactions	PVP	GWP	Gross Par Written	Number of Transactions
Sector	€ '000	€ '000	€ '000	#	€ '000	€ '000	€ '000	#
Sovereign and Sub-Sovereign	—	—	—	—	1,628	2,166	93,700	1
Other Infrastructure	1,290	1,423	50,000	1	—	—	—	—
Other Structured Finance	7,954	6,556	790,122	9	2,391	2,519	372,587	7
Total	<b>9,244</b>	<b>7,979</b>	<b>840,122</b>	<b>10</b>	<b>4,019</b>	<b>4,685</b>	<b>466,287</b>	<b>8</b>

The Company underwrote business in both the Public Finance and Structured Finance markets during the year, including a number of guarantees for the subscription facilities of European banks. Total PVP and gross written premiums on new business were €9.2 million (2023: €4.0 million) and €8.0 million (2023: €4.7 million) respectively. As at the end of the year, the value of net par insured was €614.1 million (2023: €547.9 million).

## Underwriting result

The underwriting result of the Company for the year, as presented within the Company's financial statements, is summarised below.

### Technical Account for General Business

Year Ended 31 December	2024	2023
€ '000		
Earned premiums, net of reinsurance	299	49
Net operating income / (expense)	(440)	1,586
Other technical income	—	8
<b>Balance on the technical account for general business</b>	<b>(141)</b>	<b>1,643</b>

The Company's overall underwriting result for the year was a loss of €0.1 million (2023: profit of €1.6 million). The loss in the current year is primarily attributable to an increase in administration expenses to €14.8m (2023: €12.0m), primarily due to an increase in employee headcount and services provided by group companies, as well as higher spending on professional fees. The overall profitability of the Company is expected to increase over the coming years as further new business is added and the business reaches appropriate scale. Net operating income / (expense) of €(0.4)m (2023: €1.6m) as reported above, comprises the net of total acquisition and administrative expenses and reinsurance commissions.

AGE has not incurred any claims to date and no claims reserves or unexpired risks provision has been recognised at the balance sheet date. There has been some deterioration in the overall credit quality of the insured portfolio during the year with the proportion of BIG risks increasing to 14.4% (2023: 3.2%) of gross par outstanding ("GPO"). This is attributable to a deterioration in the performance of certain UK regulated utility obligations and the European renewable energy sector.

## Net operating income / (expense)

The Company recognised net operating expense of €0.4 million (2023: income of €1.6 million), a breakdown of which is provided below.

Year Ended 31 December	2024	2023
€ '000		
Acquisition costs in the year	(1,969)	(2,258)
Change in deferred acquisition costs	787	871
Admin expenses	(14,758)	(11,319)
Reinsurance commissions	15,500	14,292
<b>Net operating income / (expense)</b>	<b>(440)</b>	<b>1,586</b>

## A.3 Investment Performance

### Investment Portfolio

The table below presents the Company's investment return for the year. All financial investments are held at amortised cost, with accretion and amortisation of bonds recognised within the income statement.

#### a. Income and Expenses

##### Investment Return

Year Ended 31 December

€ '000

	2024	2023
Interest income		
Euro-zone Government bonds	191	208
Non Eurozone Government bonds	—	5
Supranational bonds	262	216
Corporate bonds	714	791
Other	158	154
<b>Total Interest income</b>	<b>1,325</b>	<b>1,374</b>
Amortisation / Accretion		
Euro-zone Government bonds	(46)	(146)
Non Euro-zone Government bonds	8	241
Supranational bonds	213	117
Corporate bonds	(442)	(471)
<b>Total Amortisation / Accretion</b>	<b>(267)</b>	<b>(259)</b>
<b>Total interest income / (expense)</b>	<b>1,058</b>	<b>1,115</b>
Realised losses	(109)	(101)
Investment expenses and charges	(69)	(66)
<b>Total investment return</b>	<b>880</b>	<b>948</b>

The Company's investment strategy focuses on establishing highly liquid, diversified investment portfolios of high credit quality managed by an external investment manager. Under French GAAP, the Company's investments are recorded on an amortised cost basis. The Company recorded an investment return for 2024 of €0.9 million (2023: €0.9 million).

The overall duration of the Company's investment portfolio as at 31 December 2024 was 6.12 years (2023: 6.96 years), with an average credit quality of AA- (2023: AA-), excluding short term deposits.

#### b. Gains and Losses on Investments Recognised Directly in Equity

All investments gains and losses are recognised within the income statement.

#### c. Investments in Securitisation

There were no investment in securitisations as at 31 December 2024 (31 December 2023: €nil).

## A.4 Performance of other activities

The Company also recorded a foreign exchange gain of €1.4 million during the year (2023: loss of €0.3 million) due to the strengthening of the US Dollar against the Euro.

## A.5 Any other information

### Lease Payments

The Company leases and occupies office space in Paris and had the following future minimum lease payments under a non-cancellable operating lease agreement for each of the following periods:

**Future minimum lease payments****Year Ended 31 December****€ '000**

	<u>2024</u>	<u>2023</u>
Not later than one year	166	166
Later than one year and not later than five years	42	208
Later than five years	<u>—</u>	<u>—</u>
<b>Total</b>	<b><u>208</u></b>	<b><u>374</u></b>

**Post Balance Sheet Events**

On 14 March 2025 the Company issued an additional 20,000,000 ordinary shares with a nominal value of €1 which were fully subscribed for in cash by the parent Company, AG and which increased the Company's total share capital from €110.9m to €130.9m,

## B. System of Governance

This section of the SFCR describes the principal components of the Company's management and governance structure, including its risk management processes.

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

#### a. Structure of the undertaking's administrative, management or supervisory body, main roles and responsibilities, segregation of responsibilities, committees, description of the main roles and responsibilities of key functions

##### *Board of Directors*

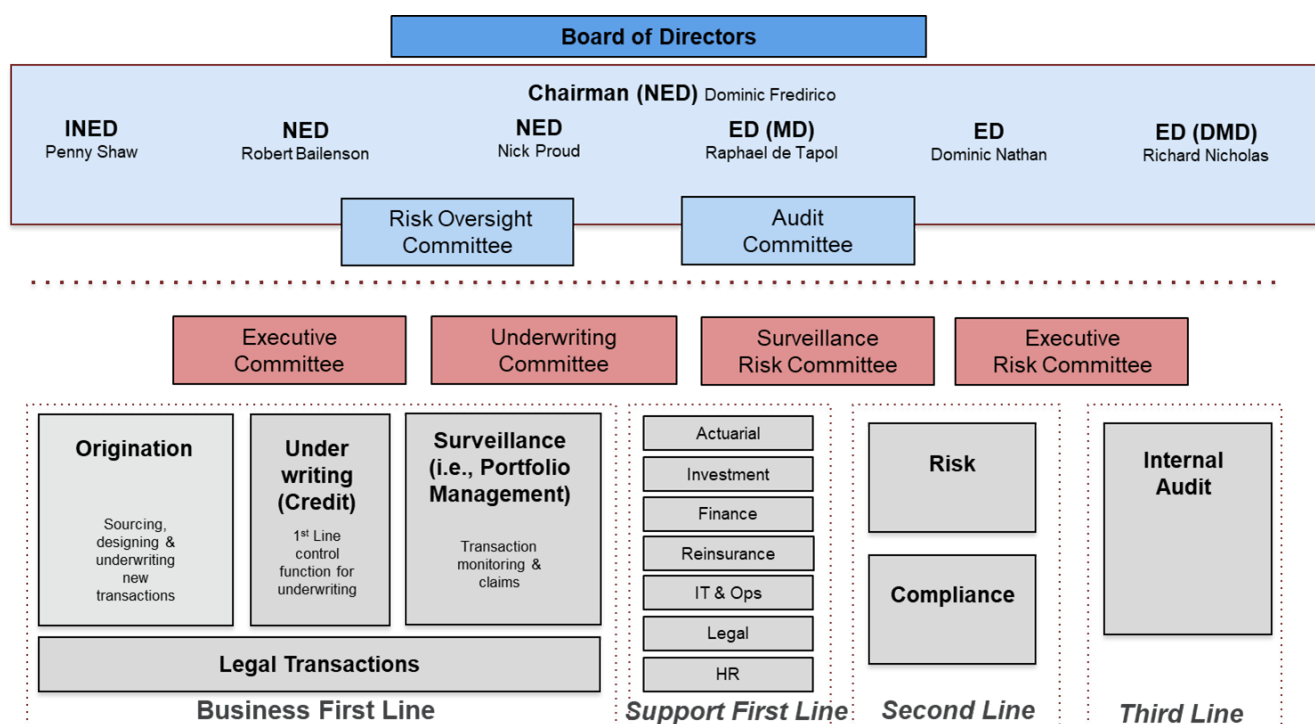
The Company's Board has overall responsibility for the Company's system of governance, oversight of its business and affairs and establishment of its key strategic direction and key financial objectives, both directly and through its Committees. The Board is comprised of seven directors, four of which are non-executive directors of which one is an independent non-executive director.

The Board has delegated, pursuant to written terms of reference, responsibility for a number of matters to two sub-committees of the Board; the Audit Committee and the Risk Oversight Committee.

Each Committee's terms of reference are reviewed at least annually to ensure that they remain appropriate and to reflect any changes in good practice. Each of the Committees is comprised of three non-executive directors of the Company and one independent non-executive director.

The Board has delegated the day-to-day management of the Company to the Managing Director (MD) and to the Deputy Managing Director (DMD). The Managing Director and the Deputy Managing Director are supported by a number of management Committees; an Executive Committee, an Executive Risk Committee, a Surveillance Committee and an Underwriting Committee and by the key functions.

The Company's overall governance structure is summarised below.



##### *Audit Committee*

The Audit Committee is responsible for assisting the Board in its oversight of the integrity of the Company's financial statements, the effectiveness of the systems of internal controls over financial reporting, including fraud prevention and detection, and monitoring the effectiveness, performance, objectivity and independence of the external and internal auditors. The Committee receives regular reporting from the Finance, Internal Audit and Actuarial functions.

### ***Risk Oversight Committee***

The Risk Oversight Committee is responsible for assisting the Board in the identification and assessment of the Company's key risks and the effectiveness of internal control matters relating to the Company's business operations including compliance with laws and regulations. The Committee's responsibilities include oversight of the Company's risk appetite and monitoring the effectiveness of the Company's risk management framework. The Risk Oversight Committee reviews the Company's risk profile against risk appetite, oversees the management of current and emerging risk exposures and risk issues, oversees the ORSA process and reviews its results and reviews the Company's scenario and stress testing and the use of the Company's ECM.

The Committee receives regular reporting under the Company's ORSA process, which includes a quarterly risk dashboard and reporting from the Chief Risk Officer (Key Function Holder for Risk Management). It is also responsible for overseeing and challenging the activities of the Risk Management and Compliance functions.

### ***Executive Committee***

The purpose of the Executive Committee is to manage the operational activities of the Company. The Committee is responsible for assisting in the development of the Company's strategy (for example via the development of the business and capital plans) and, once approved by the Board, overseeing the implementation of those strategies, including key initiatives and projects. The Committee oversees operational performance, including outsourcing arrangements and the performance and financial position of the business and ensuring the business is managed in line with regulatory and legal requirements. The Committee is chaired by the Managing Director.

### ***Executive Risk Committee***

The Executive Risk Committee is responsible for assisting the Risk Oversight Committee and Board in the management of risk and oversight of the Company's Risk Management Framework and processes. This includes monitoring the Company's compliance with risk strategy, risk appetite, risk limits, as well as overseeing and challenging the Risk Management and Compliance functions. The Committee is also responsible for assisting the Audit Committee in assessing the appropriateness of the Company's French GAAP and Solvency II technical provisions. The Committee is chaired by the Chief Risk Officer.

### ***Surveillance Committee***

The Surveillance Committee's main purpose is to review and monitor the Company's insured portfolio and analyse the impact of external or other events on the underlying credit risk of existing transactions and take appropriate management action. The Surveillance Committee is required to approve all changes in the internal ratings of the Company's insured transactions. The Committee is chaired by the Chief Surveillance Officer.

### ***Underwriting Committee***

The Underwriting Committee is responsible for reviewing proposed transactions that are within the Company's risk appetite and either approving or rejecting these transactions. It is also responsible for assessing and approving the initial internal rating assigned to new transactions. The Committee is chaired by the Head of Underwriting Oversight.

## **Roles and Responsibilities of Key functions**

The system of governance for the Company includes the four Key Functions (risk management, internal audit, compliance, and actuarial) specified in the Directive. Below is a brief description of the main roles and responsibilities of those key functions.

### ***Risk Management function***

The Risk Management function is responsible for the development and implementation of the Risk Management Framework. As such, it is responsible for ensuring that the Company has in place an effective risk management system comprising risk strategies, risk policies and the processes necessary to identify, measure, monitor, manage and report on risks on a continuous basis. The responsibilities of the Risk Management function are further detailed in *Section B.3*.

The Risk Management function is independent of any business or operational unit.

### ***Internal Audit function***

The Internal Audit function is responsible for providing the Company with independent, objective assurance and advisory services. The primary responsibility of the Internal Audit function is to provide independent assurance over the adequacy and effectiveness of the internal control system within the Company and other elements of the Company's system of governance.



The Company appointed a Key Function Holder for Internal Audit and outsourced the performance of the Internal Audit function to an international public accounting firm, which is independent from the Company's operational functions. The Key Function Holder is responsible for overseeing and monitoring the performance of the outsourcing of that function and for performing an evaluation of the adequacy and effectiveness of the risk management, governance and internal control frameworks. The Key Function Holder and the outsourced Internal Audit function report directly to the Audit Committee and Board on the results of its internal audit activities and any other internal audit matters. *Section B.5* provides further detail on the activities of the Internal Audit function, including its purpose, independence, authority, and roles and responsibilities.

#### ***Compliance function***

The Compliance function assists the organisation in ensuring its compliance with applicable laws and regulations, makes an assessment of the possible impact of any changes in the legal and regulatory environment on the operations of the Company, and identifies and assesses compliance risk. The Compliance function is also independent from any business or operational unit. *Section B.4.b* provides further detail on the activities of the Compliance function.

#### ***Actuarial function***

The Chief Actuary, who is key function holder for actuarial, carries out the responsibilities of the Actuarial function, which includes overseeing the modelling of expected losses and coordinating the Company's French GAAP and Solvency II technical provisions calculations. The Actuarial function is also responsible for reviewing and expressing an opinion on underwriting policy and reinsurance arrangements, reviewing the Company's ECM and contributing to the Company's risk management system. *Section B.6* provides further detail on the activities of the Actuarial function.

#### ***Other functions***

As well as the functions specified in the Directive, the Board and Managing Director are supported by the Finance, Human Resources, Legal and IT functions which are also of key importance to the operation and management of the Company.

### **b. Material changes in the system of governance over the reporting period**

There were material changes in the system of governance during 2024.

### **c. Remuneration policy and practices**

#### **i. Principles of the remuneration policy, with an explanation of the relative importance of the fixed and variable components of remuneration**

The Company ensures that it has appropriate fixed and variable remuneration arrangements through the adoption of a remuneration policy which is annually reviewed.

The Company's remuneration principles and the remuneration policy are grounded in the concept of attracting and retaining talented and experienced business leaders who can drive financial and strategic growth objectives intended to build long-term shareholder value while protecting the interests of policyholders. The guiding principles are:

- pay for performance by providing an incentive for exceptional performance and the possibility of reduced compensation for underperformance;
- accountability for short and long-term performance;
- alignment to shareholder interests; and
- retention of highly qualified and successful employees.

The Company's remuneration principles are designed to assess performance, using pre-established measures of success that are tied to the key business strategies. The principles encourage balanced performance, measured relative to financial and non-financial goals, and discourage excessive risk taking or undue leverage by avoiding too much emphasis on any one metric or on short-term performance.

The Company's remuneration principles have been designed to reward performance by providing more variable and performance-based remuneration to senior management of the Company. The principles employ a mix of variable incentive compensation with various pay-out forms paid over staggered time horizons to provide an incentive for annual and sustained performance over the longer term. The majority of the remuneration of the most senior personnel consists of variable incentive compensation, in the form of an annual cash incentive as well as long-term equity incentives.

When the remuneration principles were developed, they were evaluated for any areas of risk or potential for unintended consequences and also evaluated relative to enterprise risks. The Company's remuneration principles are designed and administered with the appropriate balance of risk and reward in relation to the overall business strategy and do not encourage executives to take unnecessary or excessive risks that could have a material adverse impact on the Company.

Remuneration consists of the following three principal elements: base salary, variable cash incentive remuneration and potentially, variable long-term incentive compensation. The Company's remuneration principles are structured with upside potential for high performers, but also the possibility of reduced variable remuneration if individuals under-perform (e.g. they are unable to successfully execute Assured Guaranty Group strategies or meet their business or regulatory obligations).

The Company's remuneration principles include a risk adjustment process. This provides for an ex-ante downward adjustment of the Company's overall bonus pool as a result of its current risk profile and position compared with risk appetite. The risk adjustment process also provides for an ex-post risk adjustment relating to a downward adjustment to the Company's overall bonus pool or variable remuneration for certain individual members of staff as a result of one or more risk events which materialised during a performance year.

The independent non-executive director of the Company's Board receives a fixed fee.

## **ii. Criteria on which any entitlement to share options, shares or variable components of remuneration is based**

In addition to base pay, certain members of senior management may be eligible for a cash incentive award. This award is discretionary and the amount of the cash incentive is determined using a formulaic approach and is based on the extent to which an executive achieves six financial performance goals and other non-financial objectives. Cash incentive awards, if awarded, are paid the year following the performance year on which they are based.

AGL also maintains a long term incentive plan ("LTIP"), which was designed to enable the employees of its subsidiaries to participate in the long-term growth of the Assured Guaranty Group. A LTIP award may be made in the form of non-qualified and incentive stock options, stock appreciation rights, full value awards, which include awards such as restricted shares, restricted stock units or performance share units, and cash incentive awards. Awards are made at the discretion of AGL's Compensation Committee, in consultation with, the Company's Board. For certain senior management of the Company, LTIP awards granted in recent years have been in the form of (i) performance restricted share units (PSUs) that represent a contingent right to receive a varying number of AGL common shares, depending on the extent to which specified performance hurdles are achieved and (ii) restricted share units (RSUs) that represent the right to receive AGL common shares at the end of a three-year vesting period if the holder of the restricted share unit remains employed at that time.

The equity granted to certain senior management of the Company in 2024 for 2023 performance consisted of:

- PSUs representing the right to receive up to two AGL common shares at the end of a three-year performance period, depending on the growth in core adjusted book value per share over the three-year performance period (at the target growth rate, one AGL common share for each PSU; at 80% of the target growth rate, one-half share for each PSU; for growth rates below 80%, no shares; and at 120% of the target growth rate or above, two shares for each PSU)
- PSUs representing the right to receive up to 2.5 AGL common shares at the end of a three-year performance period, depending on the performance of AGL's total shareholder return (TSR) over that three-year period relative to the TSR of the Russell Midcap Financial Services Index (at the target AGL TSR at the 55th percentile of the index, one AGL common share for each PSU; at the 25<sup>th</sup> percentile of the index, one-half share for each PSU; below the 25<sup>th</sup> percentile, no shares; and at the 95<sup>th</sup> percentile of the index or above, 2.5 shares for each PSU)
- RSUs representing the right to receive one AGL common share on the three-year anniversary of the grant date, if the holder remains employed at such time.

The form of LTIP awards may change at any time. For other personnel who are granted awards, the awards are made in the form of RSUs that generally vest over a four year period

Variable remuneration is subject to a downwards risk adjustment process overseen by the Company's Risk Management function. The measurement of performance as a basis for variable remuneration must include appropriate consideration of the Company's risk position compared with risk appetite and limits, capital adequacy, changes to the risk profile and other relevant risk metrics as set out in the Remuneration Policy.

## **iii. Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders**

AG (UK) Services and AGUS Services provide employees the opportunity to participate in a defined contribution pension scheme, which is designed to help their respective employees prepare for retirement by allowing them to contribute a percentage of their remuneration to the scheme and by matching an employee's contribution up to a certain amount. Employees of AG (UK) Services or AGUS Services who serve as executive directors of the Company and who hold Key Functions, are also permitted to participate in the scheme. The Company does not provide any supplementary pension or retirement schemes for independent non-executive members of the Board.

#### **d. Material transactions during the reporting period with shareholders, persons who exercise a significant influence on the undertaking, and members of the administrative, management or supervisory body**

The Company did not undertake any transactions during the year with members of its Board or management, other than in respect of emoluments paid to directors.

During the year, transactions were entered into with parent Company, AG, and other Assured Guaranty Group affiliate companies. These agreements fall within the scope of Article L. 225-38 of the French commercial Code and are described below. The arrangements were as follows:

##### **i. Reinsurance and support agreements**

The Company is party, with its parent company AG, to the AG Net Worth Maintenance Agreement, the AG New Business Reinsurance Agreement, the AG Transferred Business Agreement and the AG Excess of Loss Reinsurance Agreement. It also is a party to other reinsurance agreements with affiliated Assured Guaranty Group companies. Additional information on these agreements is provided in *Section E.1*.

##### **ii Management, service Contracts or cost sharing arrangements**

###### ***Service Agreement with AG (UK) Services***

The Company is party to a services agreement with AG (UK) Services pursuant to which AG (UK) Services provides professional insurance executives and staff, as well as administrative and clerical personnel. Under the agreement, the Company pays a fee equal to the costs incurred by AG (UK) Services in providing the services of those individuals plus a mark-up.

###### ***Service Agreement with AGUS Services***

The Company is also party to the Group Services Agreement. Under the Group Services Agreement, the Company's US affiliates make services available to the Company, including actuarial, marketing, underwriting, claims handling, surveillance, legal, compliance, corporate secretarial, information technology, human resources, accounting, tax and investment planning services. Expenses under the Group Service Agreement are allocated directly where appropriate and, where not appropriate, based upon an allocation of employee time and corresponding office overhead. Intra-group outsourcing is further described in *Section B.7*.

###### ***Service Agreement with AG Services Australia Pty Limited ("Australia Services")***

Australia Services was incorporated on 1 December 2023 as a subsidiary of Assured Guaranty UK Holdings Limited and will provide underwriting support in the form of marketing, soliciting and procuring proposals or applications for corporate, asset-backed or other obligations issued by obligors or issuers located in Australia. The services agreement sets out the relationship between Australia Services and other relevant entities with the Assured Guaranty Group, including AGE.

## **B.2 Fit and proper requirements**

### **a. Requirements concerning skills, knowledge and expertise applicable to the persons who effectively run the undertaking or have other key functions**

The Company ensures that all persons who effectively run or oversee the Company, or who hold a Key Function, are able to provide competent and prudent management through the assessment process described below. Each person is assessed at the time they enter into a non-executive role or are first hired by the Company, AG (UK) Services or AGUS Services. Ongoing assessments are conducted through the annual appraisal process and through an annual self-assessment.

### **b. Process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions**

Executives and non-executives who are considered for appointment to the Company's Board go through a rigorous internal vetting process including interviews with senior management and members of the Board. Employees of the Company, AG (UK) Services or AGUS Services who are considered as KFHs are subject to additional scrutiny prior to commencement of that role. In addition, the Company obtains the background checks and references required by its internal policies and regulation. Certain checks such as criminal checks are conducted on an annual basis. The Company also requires members of the Company's Board and KFHs to sign a declaration about their ongoing fitness and propriety.

The Company's assessment of whether an individual is fit to perform a particular role includes an assessment of the person's professional qualifications, knowledge and experience for the position and the person's:

- understanding of financial guaranty insurance;
- honesty, integrity, and reputation;
- judgement, competence and capability; and
- financial soundness.

Consideration is also given to the individual's competence and capability to undertake the role, and (i) whether the individual has demonstrated, by experience and training, that they are suitable to perform the role and possess the necessary skills, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the duties and responsibilities of the role; (ii) whether the individual has demonstrated the appropriate competence, honesty, and integrity in fulfilling professional responsibilities previously or in their current role; and (iii) where the individual has any potential conflicts of interest.

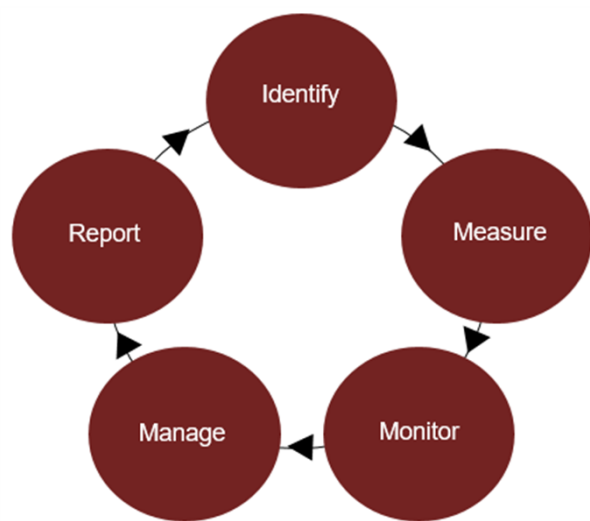
Members of the Company's Board and individuals who hold Key Functions are required to complete training at the inception of their role and thereafter training on an ongoing basis which is appropriate to their regulatory roles and responsibilities and to the professional competencies required for their position.

The Company's assessment of whether an individual is proper includes consideration of criminal and regulatory offences.

### B.3 Risk management system

#### Risk Management Framework

The Risk Management Framework Policy sets out the approach taken by the Company to risk management. The Risk Management Framework Policy defines the strategies, policies, tools, processes and reporting procedures to identify, measure, monitor, manage and report on the risks to which the Company is, or could be, exposed. Under the framework, risks are categorised into five areas: underwriting credit risk, counterparty credit risk, market risk, liquidity risk and operational risk



The Risk Management Framework Policy provides the basis for implementing and integrating the risk management systems into the organisation's structure and decision making process.

#### Risk identification, measurement, monitoring, managing and reporting

The Risk function works with the business function leaders to identify and prioritise risks and to establish the most effective ways to measure, monitor and manage them. The results of the risk identification process are documented in the Company's Risk Universe along with a description of the internal controls and other actions designed to mitigate the risks to a level that are consistent with the Company's Risk Appetite. The Risk function monitors both current and emerging risks, compares risk exposures to risk appetite as well as confirming that risk mitigation strategies remain effective. The results of their ongoing review are reported to the Executive Risk Committee at least quarterly in order to inform business decisions and are subject to review and challenge by the Risk Oversight Committee.

#### Risk Appetite Framework

The Company's Risk Appetite Framework Policy describes the Company's overall Risk Appetite along with risk preferences across the areas of underwriting credit risk, counterparty credit risk, market risk, liquidity risk and operational risk. It also sets risk tolerances, prohibits the execution of certain kinds of transactions, sets single risk, sector and country

exposure limits and establishes capital allocations for each key risk area. The Company's compliance with the Risk Appetite is monitored on a quarterly basis and reported to both the Executive Risk Committee and the Risk Oversight Committee. The Risk Appetite Framework Policy is reviewed by the Board annually or more frequently if required.

## **Risk Governance**

The Company has adopted the three lines of defence model to ensure the effective implementation of the risk management framework.

- The first line of defence consists of is the business functions who have the primary responsibility for risk identification, measurement, monitoring, management and reporting;
- The second line of defence comprises the Risk and Compliance functions. These functions provide support for first line management and independent challenge on the completeness and accuracy of risk identification, measurement, monitoring, management and reporting; and
- The third line of defence is provided by the Internal Audit function which provides independent assurance of both first and second line activities.

Each line of defence does its part to ensure that risk management is considered in the day-to-day operations of the Company and that business activities are aligned with the Company's risk strategy and appetite. This approach is designed to guard the Company against the materialisation of unwanted risks that are not in line with its Risk Appetite.

The Board is responsible for setting the Company's Risk Appetite and monitoring the establishment of effective internal controls to assess and manage the risks associated with all the Company's activities. The Board has delegated significant elements of risk monitoring and oversight to the Risk Oversight Committee and Audit Committee. The roles of the Risk Oversight Committee and Audit Committee with respect to risk governance are described in *Section B.1* above.

Risk oversight is also provided by the Chief Risk Officer (who is the Key Function Holder for risk management), the Company's Risk Function and the Executive Risk Committee. The Executive Risk Committee is chaired by the Chief Risk Officer and consists of relevant senior managers. It supports executive management in the execution and conduct of their risk management duties. The scope of the Executive Risk Committee is enterprise-wide and covers all of the Company's risks including underwriting credit risk, counterparty credit risk, other financial risks and operational risks.

The Risk function provides support for management and independent challenge on the completeness and accuracy of risk identification, measurement, monitoring, management and reporting. This requires the second line to review proposals and partner with and advise management on key business decisions before they are taken. The second line functions of Risk and Compliance set and monitor policies, define work practices and oversee the first line's compliance with these policies.

The Risk function is responsible for the operational aspects of risk management for the Company, including:

- implementing the risk management framework;
- assessing the risk profile;
- maintaining the Risk Universe;
- updating the Risk Appetite Framework Policy;
- developing and preparing the ORSA report;
- overseeing the ECM used for calculating the ICA;
- performing scenario and stress testing;
- analysing the impact of potential emerging risks and issues;
- identifying and reporting on any material risk issues to the Executive Risk Committee and presenting quarterly management information to the Risk Oversight Committee;
- determining the impact of proposed transactions on SCR and ICA, including acquisitions and changes in reinsurance arrangements; and
- assisting the Chief Financial Officer in development of the Capital Risk Appetite.

The Risk function delegates, oversees and approves certain activities performed by the Assured Guaranty Group Risk function, including the operation of the ECM and the calculation of the SCR and the ICA capital requirement.

## **ORSA Process**

The ORSA process assists the Company in understanding the risk management and solvency implications of its strategy and business planning. The business strategy, which sets out the Company's 3-year forward business projection, and the capital requirements needed to support that plan are at the heart of the ORSA process. The ORSA process helps the Company and the Risk function understand how the business plan impacts the forward-looking risks that the Company may face and their potential impact on the future capital requirements for the business and the ability of the Company to withstand adverse events should they occur. The ORSA process includes a range of testing (scenario, stress and reverse stress) to ensure the Company can maintain adequate capital in line with its Capital Management Policy, even after unexpected remote events.

When interlinked with the management of risk and assessment of future risks and solvency positions under different scenarios, the ORSA process provides a framework for making key decisions and running the business effectively. While managing risk and capital is an ongoing process, the results of the solvency assessment are required to be reported at least annually in the ORSA Report.

The Company uses the Solvency II Standard Formula to calculate its regulatory capital requirement. For its own internal view of required capital, the Company uses a combination of bespoke models and the Standard Formula. The internally developed ECM is used for measuring underwriting credit risk and reinsurance counterparty credit risk; a bespoke stochastic model for operational risk; and the Standard Formula for market risk, counterparty credit risk (excluding reinsurance), and for risk aggregation. The ECM factors in the risk characteristics unique to the Company's business profile, particularly 1) the lifetime time horizon; 2) the credit rating of insured risks and 3) the differences in severity of losses across insured risks in the event of a default.

## **ORSA Report**

The ORSA Report projects capital requirements for the next three years based on both expected business volumes and market conditions and results from the Company's stress and scenario testing. It considers the suitability of the Standard Formula capital calculation SCR, against the capital requirement derived from the Company's own view of risks, based on its own assessment using the ECM. It has been concluded that the Standard Formula is an appropriate measure for the Company's risks over a one-year time horizon.

The Company produces its ORSA Report annually or more frequently if there is a material change in its risk profile or following other events that warrant an off-cycle review. The results of the ORSA process are presented to the Executive Risk Committee, and the ORSA Report is subject to review and challenge by the Risk Oversight Committee before being recommended to the Board for approval.

## **Governance of the ORSA process**

The Board approves the ORSA Policy and the conclusions from the ORSA process that are documented in the ORSA Report. The Risk Oversight Committee oversees the implementation of the ORSA Policy and related processes, challenges the results and how they are incorporated into the ORSA Report, and recommends the final ORSA Report to the Board.

The ORSA Report is prepared by the Chief Risk Officer and the Risk Function with input from Finance and other first line functions. The Chief Risk Officer is responsible for ensuring that there is appropriate visibility of the ORSA Policy and the conclusions from the ORSA Report in decision making committees. The Chief Risk Officer also provides second line oversight and support to the processes relied upon for the ORSA process.

## **B.4 Internal control system**

### **a. A description of the undertaking's internal control system**

The Company has put in place an effective internal control system, the policies and procedures in respect of which are documented within the Company's Internal Control Policy. The Company's control framework is based upon five key components:

- *Control environment* - the overall control culture is established by the Company's management and its key governance functions. The Assured Guaranty Group's Code of Ethics establishes standards by which the Company's directors, management and all personnel acting as officers or otherwise providing services to the Company, must abide and sets the tone for how personnel supporting the Company should conduct themselves. The Code of Ethics is available at [www.assuredguaranty.com/about-us/governance](http://www.assuredguaranty.com/about-us/governance). The Code of Ethics is designed to discourage personnel from engaging in activities that could jeopardise the Company's business and reputation. The Company and the Assured Guaranty Group have established a suite of entity-level control processes to contribute to the establishment of an appropriate control environment;
- *Risk assessment* - each function completes a risk assessment exercise to identify the key risks relevant to their business objectives and related processes. This risk assessment is required to be reviewed annually;
- *Control activities* - control activities are the actions that individuals are required to undertake to implement and operate the Company's internal controls. The effectiveness of the design and operation of internal controls is the responsibility of the first line risk and control owners and is assessed at least annually;
- *Information and communication* - information on risk and risk assessments is routinely shared within the business by both the first and second lines of defence. Management utilises information from both internal and external sources and assessments to support the functioning of the system of internal control, which includes the results of control effectiveness assessments; and

- *Monitoring* - the monitoring of risks and controls is primarily the responsibility of the first line risk and control owners. On an annual basis key risks and controls are assessed and confirmed as appropriate by the risk owners as part of the Risk and Control Register review and update process. The Risk Management function oversees a programme of regular control assessments as established by the Risk Management Framework and Operational Risk Policy, with regular reporting provided to the Risk Oversight Committee. The Internal Audit function is also responsible for assessing the effectiveness of the Company's internal controls and reporting to the Audit Committee on the effectiveness of the internal controls environment.

## **b. Description of how the Compliance function is implemented**

The Compliance function is a second line of defence function responsible for assessing the Company's compliance with applicable law and regulations. The principal activities of the Compliance function are:

- Advising on compliance with applicable laws and regulations and assessing the possible impact of new laws and regulations;
- Assessing, monitoring and reporting on compliance risk;
- Ensuring that all relevant personnel complete training on their regulatory roles and responsibilities, and in compliance with applicable laws and regulations, on a regular basis (including anti-money laundering, anti-bribery/corruption and Insurance Distribution training); and
- Assessing, together with the Risk and Internal Audit functions, the adequacy and effectiveness of compliance related procedures and controls.

The Compliance function works with the Internal Audit function to develop an internal audit plan that addresses, as appropriate, compliance by the Company with internal policies and procedures. The Internal Audit function is responsible for monitoring compliance with internal strategies, processes and reporting procedures. *Section B.5* describes the Internal Audit function in more detail. The Compliance function reports to the Executive Committee, the Risk Oversight Committee and the Board of the Company.

## **B.5 Internal audit Function**

### **a. How the undertaking's Internal Audit function is implemented**

The purpose, independence, authority, and roles and responsibilities of the Internal Audit function are set out below. The company maintains an Internal Audit policy in which the matters described below are set out. There were no changes made to the Internal Audit policy during the year.

#### *Purpose*

The Internal Audit function provides the Company with independent, objective assurance on the adequacy and effectiveness of the risk management, governance and internal control frameworks. The Internal Audit function achieves this by planning and executing internal audits to verify that the Company's systems of governance, risk management and internal controls are sufficient to ensure all significant risks are identified and appropriately managed, in accordance with the Board's stated risk appetite.

The Company has concluded that, at this time, the Internal Audit function is most effective being outsourced to an international professional services firm under the supervision of the Key Function Holder. The Key Function Holder for Internal Audit retains full responsibility for all activities of the Internal Audit function and oversees and monitors the Internal Audit function.

#### *Independence*

The Internal Audit function is independent of any other business function, has no direct responsibility or authority over any operating activities of the Company and is specifically prohibited from performing management functions. Internal Audit have an independent reporting line to both the Chair of the Audit Committee and the Audit Committee. The Audit Committee is also responsible for appointing and/or removing the outsourced Internal Audit function. In the case that a conflict of interest is identified, it needs to be reported to the Audit Committee as soon as possible and remedial action must be taken.

#### *Authority*

In order to fulfil its objectives, the Internal Audit function is authorised to:

- carry out its responsibilities objectively, impartially, and free from bias or interference;
- have full, free and unrestricted rights of access to any member of staff and to all property, documentation, records, data and information of the Company;
- have full and free access to the Audit Committee and Risk Oversight Committee;
- obtain the necessary assistance of personnel within the Company when they perform audits, and;

- consult with the Company General Counsel to maintain attorney-client and work product privileges.

The Internal Audit function also has access to resources from the Assured Guaranty Group pursuant to an outsourcing services agreement between the Company and the Assured Guaranty Group.

### *Roles and Responsibilities*

As noted above, the primary responsibility of the Internal Audit function is to provide independent assurance over the governance, risk and internal control framework of the Company. In discharging this responsibility their activities are focused upon testing the key controls that mitigate the material risks to the Company.

The Internal Audit function will determine whether the Company's systems of governance, risk management and internal controls are appropriately designed and operating in a manner to validate that:

- risks are appropriately identified and managed;
- the first and second lines of defence are effective in discharging their respective responsibilities for internal control and risk management, including their compliance with the requirements of risk management policies;
- significant financial, management, and operating information is accurate, reliable, and timely;
- employees have the appropriate knowledge and expertise to carry out their responsibilities;
- employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- quality and continuous improvements are fostered in the control processes;
- significant legislative or regulatory issues impacting the organisation are recognized and addressed appropriately, and;
- additional controls are considered that appropriately address the risk of fraud and misappropriation of assets.

On an annual basis, the Internal Audit function will submit to the Audit Committee a risk-based internal audit plan for review and approval, incorporating input from senior management, including the Chief Risk Officer, the external auditors and the Audit Committee. Because the Company outsources certain activities and processes to the Assured Guaranty Group, the Company's internal audit plan will include internal audits on the operations of other Assured Guaranty Group companies, in addition to Company level processes.

On a quarterly basis, or when required, the Internal Audit function reports its findings directly to the Company's Audit Committee and informs the CEO of any material issues.

## **b. How the Internal Audit function maintains its independence and objectivity from the activities it reviews**

As noted above, the independence of the Company's Internal Audit function is primarily achieved by outsourcing the function to an independent third-party professional services firm under the supervision of the Key Function Holder. The Key Function Holder is not involved in the operations that are subject to internal audit activities. To provide an appropriate level of organisational independence, the Internal Audit function reports directly to the Chair of the Audit Committee.

## **B.6 Actuarial function**

The Actuarial function is responsible for overseeing the modelling of expected losses and coordinating the calculation of technical provisions. This includes:

- ensuring the selection of appropriate methodologies and underlying models used, as well as assumptions made in the calculation of technical provisions;
- assessing the sufficiency and quality of data used in the calculation of the technical provisions;
- informing the Executive Risk Committee and Board on the reliability and adequacy of the calculation of the technical provisions; and
- monitoring differences between actual experience and that estimated by actuarial models.

The Actuarial function is also responsible for:

- expressing an opinion to the Board on the overall underwriting policy, and adequacy of reinsurance arrangements;
- reviewing the Company's ECM, including reviewing assumptions, methods, and data used in modelling; and
- contributing to the effective operation of risk management and internal control processes.

The Actuarial function comprises the actuarial Managing Director, who is also the Chief Actuary for AG. The Actuarial function is supported by various members of the Assured Guaranty Group portfolio analytics team under outsourced services provided to the Company by the Assured Guaranty Group. The Actuarial function reports annually to the Audit Committee when presenting its actuarial function report and to the Board.



## **B.7 Outsourcing**

Given the relatively small size of its operations and the desire to ensure the efficiency and effectiveness of its operations, the Company has determined that certain functions and processes should be outsourced to affiliate companies or third parties. Outsourcing of all critical or important functions is carried out in accordance with the Company's Outsourcing Policy. The objectives of the policy are to ensure that outsourcing does not adversely impact the Company's system of governance or unduly increase operational risk. The Company remains fully responsible for discharging its legal and regulatory obligations in respect of the outsourced functions or processes.

The policy identifies those members of management responsible for the oversight of each outsourced process or function, and their respective responsibilities in assessing, monitoring and reporting on outsourcing arrangements, both prior to entering into an arrangement and ongoing performance. The requirements of the policy differ depending on whether the outsourcing arrangement is assessed as material. The requirements for material outsourcing arrangements include:

- completion of a risk assessment considering the impact upon overall risk profile, operational risk and risk concentration, including consideration of any material sub-outsourcing and specifically, cloud service providers;
- completion of appropriate due diligence, including in respect of service provider's financial position, ownership structure, scale, capabilities, expertise, reputation, people and technology resources;
- ongoing assessment of the service providers' performance, performed by the relevant managers or KFHS;
- each outsourcing arrangement must have a documented and tested business continuity plan and documented exit strategy; and
- Board approval of all material outsourcing.

The impact of outsourcing arrangements on operational risk is monitored by the relevant KFHS in conjunction with the Risk Management function. The Company's internal audit plan includes a comprehensive plan of work in respect of processes outsourced to the Assured Guaranty Group, with results reported directly to the Audit Committee.

### **Outsourcing to companies within the Assured Guaranty Group**

The Company outsources certain functions and processes to its affiliate, AGUS Services, which is domiciled in the US and AG (UK) Services, which is domiciled in the UK.

### **Outsourcing to third parties**

#### ***Investment Management***

The Company outsources the management of its investment portfolio to a third party investment manager.

#### ***Internal Audit***

The Company outsources its Internal Audit function to an international professional services firm. The role and responsibilities of the Internal Audit function are described in further detail in *Sections B.1.a* and *B.5*.

## **B.8 Any other information**

### **a. Assessment of the Company's system of governance relative to the nature, scale and complexity of the risks inherent in its business**

The Board of the Company regularly assesses the adequacy of its system of governance. The Board may also recommend changes outside of any formal review as a result of observations or regulatory changes.

The Board has reviewed the governance system as described in this report and concluded that it provides sound and prudent management of the business which is proportionate to the nature, scale and complexity of the operations.

### **b. Any other material information regarding system of governance**

None.

## C. Risk Profile

This section of the SFCR provides information on the material risks faced by the Company. The Company's Risk Management Framework categorises these risks into five areas: underwriting credit risk, counterparty credit risk, market risk, liquidity risk and operational risk.

All key risks are captured within the Company's Risk Universe along with a description of the internal control and other actions designed to mitigate these risks to a level that is consistent with that set out within the Company's Risk Appetite. Key risks are monitored via the use of bespoke reporting against risk appetite thresholds and Key Risk Indicators prescribed by the Risk Appetite Framework Policy. The Company's ORSA, which forms an integral part of the risk management framework, is the process by which management determines an appropriate level of capital to hold against the identified risks.

### C.1 Underwriting risk

Financial guaranty insurance protects holders of debt instruments and other monetary obligations from defaults on scheduled interest and principal payments. As a result, the Company's key underwriting risk is credit risk, i.e., the risk that obligors of insured debt or other obligations will fail to pay. The policies issued by the Company are generally non-cancellable, with the premiums paid up front, in instalments, or a combination of both. The obligation to make claim payments generally cannot be accelerated, although the Company generally retains the right to accelerate payment on defaulted obligations. The Company actively seeks underwriting credit risk; taking insurance credit risk for an appropriate financial return.

#### Risk Measurement & Mitigation

The Company's considers certain key factors in the assessment of underwriting risk (in addition to the methods used under the ORSA processes, as described in *Section B.3*), including par outstanding, sector categorisation and internal credit ratings. The Company also considers, single counterparty, sectoral and geographic concentrations. At the closing of each transaction, the Underwriting Committee assigns the transaction to a sector (i.e. a group of transactions with similar risk characteristics) for purposes of evaluating risk and potential correlations. The Underwriting Committee also assigns an internal credit rating reflecting the credit quality of the transaction, with such rating subject to change over time. The Surveillance function is responsible for monitoring the performance of all insured transactions and recommending internal rating changes as appropriate. All rating changes must be approved by the Surveillance Committee.

#### Insured Portfolio split by Sector as measured by Gross Par Outstanding and Net Par Outstanding

As at 31 December	2024			2023		
	Number of Risks #	Gross Par Outstanding € '000	Net Par Outstanding € '000	Number of Risks #	Gross Par Outstanding € '000	Net Par Outstanding € '000
Regulated Utilities	19	4,351,700	290,882	21	4,033,617	269,340
Sovereign and Sub-Sovereign	13	1,091,808	48,645	13	1,155,114	52,534
Renewable Energy	5	963,539	103,437	5	1,042,805	111,994
Infrastructure Finance	5	950,234	63,485	4	913,930	58,757
<b>Total public finance</b>	<b>42</b>	<b>7,357,281</b>	<b>506,449</b>	<b>43</b>	<b>7,145,466</b>	<b>492,625</b>
Subscription finance	7	803,335	80,334	4	275,250	27,525
Pooled Corporates	2	250,000	25,000	2	250,000	25,000
RMBS	3	79,775	2,273	3	96,159	2,721
<b>Total structured finance</b>	<b>12</b>	<b>1,133,110</b>	<b>107,607</b>	<b>9</b>	<b>621,409</b>	<b>55,246</b>
<b>Total portfolio</b>	<b>54</b>	<b>8,490,391</b>	<b>614,056</b>	<b>52</b>	<b>7,766,875</b>	<b>547,871</b>

The breakdown of the Company's insured portfolio by internal ratings, is set out below. The ratings given are the Company's internal rating classifications which may or may not differ from those of the Rating Agencies.

## Portfolio Breakdown by Internal Credit Rating

As at 31 December	2024		2023	
	Gross Par Outstanding	Net Par Outstanding	Gross Par Outstanding	Net Par Outstanding
€ '000				
AAA	260,761	25,397	262,685	25,466
AA	133,575	13,358	6,449	645
A	3,667,731	287,990	3,153,416	238,042
BBB	3,202,202	184,426	4,099,229	259,208
BIG	1,226,122	102,885	245,096	24,510
<b>Total</b>	<b>8,490,391</b>	<b>614,056</b>	<b>7,766,875</b>	<b>547,871</b>

## Risk Concentration

### Geographic concentration of Gross Par Outstanding and Net Par Outstanding by location of risk

As at 31 December	2024		2023	
	Gross Par Outstanding	Net Par Outstanding	Gross Par Outstanding	Net Par Outstanding
€ '000				
United Kingdom	4,507,017	300,706	4,167,806	276,461
Europe, excluding UK	2,918,119	221,154	2,944,506	221,482
Other	1,065,255	92,196	654,563	49,928
<b>Total</b>	<b>8,490,391</b>	<b>614,056</b>	<b>7,766,875</b>	<b>547,871</b>

### Approach to Underwriting New Business

The Company's underwriting risk appetite and associated risk limits have been established by the Board and are set out within the Risk Appetite Framework Policy. The adherence to risk appetite and limits is overseen by the Underwriting Committee. The Risk Appetite Framework Policy and associated limits establish minimum underwriting criteria and credit characteristics, as well as single risk, sector, and country limits across the insured portfolio. The Company seeks to limit its exposure to losses by underwriting obligations that it deems to be IG at inception, although, as part of a loss mitigation strategy for any troubled credits, it may underwrite new issuances that it views as BIG. The Company diversifies its insured portfolio across asset classes and in the structured finance portfolio, insists on rigorous subordination or collateralisation requirements.

The Company can only enter into new risks or significantly vary the terms of existing risks on the approval of the Underwriting Committee. Each transaction must be approved by the Underwriting Committee, which is composed of the Managing Director, Deputy Managing Director, the Head of Underwriting Oversight, and the CRO.

Because of the strong support for the Company's underwriting activities provided by its parent, including the AG Transferred Business Reinsurance Agreement and AG New Business Reinsurance Agreement, the AG Net Worth Maintenance Agreement and AG Excess of Loss Reinsurance Agreement, all risks entered into by the Company are also subject to review and approval by the ISCC. The ISCC is composed of senior officers of the Assured Guaranty Group with credit expertise relevant to the type of transaction under consideration. Both the Underwriting Committee and the ISCC must approve each transaction.

### Approach to Insured Portfolio Monitoring

To manage the insurance risk associated with the insured portfolio, the Company's Surveillance function is responsible for monitoring and reporting on all risks. The primary objective of the surveillance process is to monitor trends and changes in transaction credit quality, detect any deterioration in credit quality, and recommend to management such remedial actions as may be necessary or appropriate. In general, the review process includes the collection and analysis of information from various sources, including trustee and servicer reports, financial statements, general industry or sector news and analyses, and rating agency reports. For public finance and structured finance risks, the surveillance process includes monitoring general economic trends, developments with respect to the financial situation of the issuers, performance data and cash flows, compliance with transaction terms and conditions, and evaluation of servicer or collateral manager performance and financial condition.

All risks in the insured portfolio are assigned internal credit ratings, and surveillance personnel are responsible for recommending adjustments to those ratings to reflect changes in transaction credit quality. Internal credit ratings are expressed on a ratings scale similar to that used by the Rating Agencies and are generally reflective of an approach similar to that employed by the Rating Agencies, except that the Company's internal credit ratings focus on future performance rather than lifetime performance.

The Company segregates its insured portfolio into IG and BIG surveillance categories to facilitate the appropriate allocation of resources to monitoring and loss mitigation efforts and to aid in establishing the appropriate cycle for periodic review for each exposure. BIG exposures include all exposures with internal credit ratings below "BBB-". The Company monitors its IG credits to determine whether there are any that need to be internally downgraded to BIG and refreshes its internal credit ratings on individual credits in quarterly, semi-annual or annual cycles based on the Company's view of the credit's quality, loss potential, volatility and sector. Ratings on credits identified as under the most stress or with the most potential volatility are reviewed every quarter.

The Surveillance function provides comprehensive reporting to senior management through the Surveillance Committee. Generally, transactions are reviewed and presented to the Surveillance Committee in sector reports, which group together transactions that share common risk characteristics. Reviewing credits by sector facilitates comparison of performance, risk ranking and early identification of underperforming transactions. In addition, each quarter, the Surveillance function prepares and presents a quarterly review to the Risk Oversight Committee and Board.

### ***Workout Activities***

Surveillance officers are responsible for managing workout and risk mitigation strategies. They work together across the Assured Guaranty Group to develop and implement strategies on transactions that are experiencing losses or could possibly experience losses. They develop strategies designed to enhance the ability of the Company to enforce its contractual rights and remedies and mitigate potential losses. Surveillance personnel also engage in negotiation discussions with transaction participants (along with workout personnel) and, when necessary, manage (along with legal personnel) any potential litigation proceedings. The Company may also make open market or negotiated purchases of securities that it has insured, or negotiate or otherwise implement consensual terminations of insurance coverage prior to contractual maturity. While each situation is unique, various approaches may be used, including:

- Exercise of transaction rights and remedies, including enforcement;
- Negotiation of amendments, waivers and consents;
- Employment of advisors, consultants or internal auditors;
- Restructuring or refinancing;
- Repurchase of affected securities at a discount; and
- Litigation

### ***Reinsurance***

The Company benefits from significant levels of reinsurance protections with Assured Guaranty Group affiliated reinsurers, including its parent company, AG. Details of reinsurance contracts with affiliated reinsurers are provided in *Section E.1.a*. The Company has not entered into any reinsurance agreements with third-party reinsurers.

The table below sets out the mitigation of the Company's gross par exposures provided by reinsurance.

#### **Ceded Par Outstanding to Reinsurers**

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
<b>€</b>		
Affiliated reinsurers	7,876,336	7,219,004
Unaffiliated reinsurers	—	—
<b>Total reinsurance</b>	<b><u>7,876,336</u></b>	<b><u>7,219,004</u></b>

The Company remains liable for all risks which it underwrites directly and is required to pay all gross claims. The Company then seeks reimbursement from each reinsurer for its proportionate share of claims. Therefore, the use of reinsurance creates counterparty credit risk related to the reinsurers. The Company monitors the financial condition of each of its reinsurers on an ongoing basis, with a formal review of their creditworthiness presented to the Risk Oversight Committee and Board quarterly. Internally assigned credit ratings are reviewed at least annually, and more often as dictated by the occurrence of outside events. The Company utilises detailed information received on a quarterly basis to monitor the financial condition, claims paying resources, solvency position and other events impacting the level of credit risk associated with these reinsurance relationships.

Furthermore, all reinsurers, including affiliated reinsurers, are required to post collateral to support their payment obligations. With the benefit of that collateral, the Company is able to substantially reduce its exposure to reinsurer counterparty credit risk, and to increase the effectiveness of its reinsurance arrangements as a loss mitigation tool. The Company has not experienced defaults by any of its reinsurers.

The Company is able to monitor the effectiveness of its reinsurance arrangements as a risk mitigation tool on an ongoing basis because reinsurance is incorporated directly into its ECM. Each risk is modelled with its associated reinsurance benefits, and is subject to losses only if there is a default of both the underlying risk and of the related reinsurer(s).

### **Risk Sensitivity**

At least annually, the Company runs a series of stress tests to determine the sensitivity of its ICA to various material underwriting risks, such as increases in the key variables used to calculate lifetime losses (probability of default, loss given default and correlation), and to credit events, including the potential downgrade of AG, the Company's largest reinsurance credit risk exposure.

The Company also performs stress tests on its SCR by varying several of the parameters that are used to calculate the non-life underwriting risk and counterparty credit risk and considering the impact of large and correlated loss events upon its own funds position. No benefit is assumed for future management actions which could potentially mitigate future losses.

As at 31 December 2024, a 10 percentage point increase to the LGD assumptions used to calculate the expected loss component of the best estimate technical provisions would result in a €1.5 million reduction in own funds (2023: €1.7 million reduction). This would cause the SCR Ratio to decline by 8 percentage points to 165%, assuming no other changes (2023: 9 percentage points to 227%).

## **C.2 Market risk**

Market risk includes the Company's exposure to spread risk, interest rate risk, foreign currency exchange risk and market risk concentrations. The Company is exposed to market risk via its investment portfolio and future cash flows from the insured portfolio.

The Company has a cautious appetite for market risk and adopts a conservative investment strategy which seeks an appropriate investment return for market risk while prioritising liquidity management and preservation of the Company's external ratings. Investment limits have been established which prescribe permitted asset allocations, duration limits, minimum credit ratings, issuer counterparty limits and a maximum solvency capital allocation to ensure market risk remains within risk appetite. These limits also implement the Company's approach to compliance with the 'prudent person principle' set out in the Solvency II Regulation.

As at 31 December 2024, the Company's investment portfolio had an average credit quality rating of "AA-", excluding short term deposits. The Company's current asset allocation does not include equity or real estate investments and as such the Company is not exposed to equity or property price risk.

The investment portfolio is managed by a third party investment manager. The established investment limits are included within the Board approved investment guidelines issued to the investment manager. The investment manager is required to regularly confirm their compliance with limits.

In addition to the methods described below, the Company monitors its exposure to market risk by calculating the market risk component of the SCR Standard Formula on a quarterly basis, monitoring against the permitted solvency capital allocation.

### **Risk Measurement & Mitigation**

#### **Spread risk**

The Company manages its exposure to spread risk by establishing minimum credit rating standards for the investment portfolio, for both individual securities and the overall portfolio. These minimum credit rating standards support one of the Company's primary objectives in managing the investment portfolio, which is to maintain the highest possible credit rating for the Company. The overall portfolio credit quality, on an ongoing basis must be rated a minimum of "A+/"A1"/"A+" as measured by S&P, Moody's and Fitch. All securities purchased by the external manager must be rated by one of S&P, Moody's or Fitch and at least 95% of the portfolio must be rated by two of S&P, Moody's and Fitch.

In the event of a downgrade of any investment below the Company's requirements, the portfolio manager must contact the Chief Financial Officer or Treasurer to discuss the course of action and may hold the position only if approved by the Managing Director or Chief Financial Officer.

## Investment Portfolio (excluding cash) by external credit rating

As at 31 December

€ '000

	2024	2023
AAA	29,679	37,926
AA	10,237	10,482
A	19,504	18,534
BBB	15,072	15,997
Lower than BBB or not rated	—	—
<b>Total</b>	<b>74,492</b>	<b>82,939</b>

## Interest Rate Risk

The Company is exposed to interest rate risk in respect of both assets and liabilities. The Company receives cash inflows in the form of investment income, instalment premiums, and reinsurance commissions. The Company pays cash outflows in the form of expenses and reinsurance premiums. Due primarily to the Company's large investment portfolio and the generally strong ratings of the Company's financial guarantees, cash inflows are expected to materially exceed the cash outflows and the Company's interest rate exposure therefore arises primarily from its investments in fixed interest securities. As at 31 December 2024 on a Solvency II balance sheet basis, the Company has total assets of €74.5 million (2023: €82.9 million) and total liabilities of €20.7 million (2023: €18.5 million), with exposure to interest rate risk.

The Company's exposure to interest rate risk is managed by restricting the overall duration of the investment portfolio to within a prescribed range of a selected benchmark portfolio. Given the Company's cautious approach to market risk and the primary objectives of the Company's investment strategy, the overall duration is generally short and the investments are generally held to maturity.

Due primarily to the high credit quality of the Company's insured portfolio, cash inflows are expected to materially exceed cash outflows and the Company, therefore, does not seek to mitigate interest rate risk by matching the duration of the Company's invested assets with liabilities arising from the insured portfolio. However, the Company regularly reviews the duration of assets and liabilities, this includes monitoring the mean duration of the investment portfolio to determine any changes to the duration limits established in the investment guidelines in order to manage overall net interest rate risk. The Company performs interest rate stress testing on its net interest rate exposure to ensure the overall duration gap is appropriately managed.

## Currency Risk

The Company is primarily exposed to currency risk in respect of its investment portfolio and assets and liabilities under financial guarantee policies denominated in currencies other than Euros. The currencies to which the Company has the most exposure are the US Dollar and Pounds Sterling. The Company has established defined tolerances for the level of currency risk it is willing to accept and compliance with these prescribed limits is monitored under the risk management framework. The Company generally manages its exposure to non-Euro insurance liabilities by maintaining monetary assets denominated in those currencies.

## As at 31 December 2024 under Solvency II

€ '000	GBP	EUR	USD	Other	Total
<b>Assets</b>					
Investments	3,043	58,455	12,994	—	<b>74,492</b>
Cash and cash equivalents	319	4,274	382	186	<b>5,161</b>
Reinsurance recoverables	(10,219)	(11,307)	(2,137)	2,232	<b>(21,431)</b>
Deposits to cedants and insurance and reinsurance receivables	—	1,175	—	11	<b>1,186</b>
Other assets	951	632	—	—	<b>1,583</b>
<b>Total assets</b>	<b>(5,906)</b>	<b>53,229</b>	<b>11,239</b>	<b>2,429</b>	<b>60,991</b>
<b>Liabilities</b>					
Technical provisions	(10,091)	14,677	15,870	227	<b>20,683</b>
Any other liabilities	2,690	1,589	4,131	—	<b>8,410</b>
<b>Total liabilities</b>	<b>(7,401)</b>	<b>16,266</b>	<b>20,001</b>	<b>227</b>	<b>29,093</b>

## Risk Concentration

### Investment Portfolio composition concentrations by security type

As at 31 December	2024	2023
Eurozone Government bonds	8.9 %	9.0 %
Non Eurozone Government bonds	3.7 %	<1 %
Supranational bonds	22.1 %	31.0 %
Corporate bonds	52.9 %	44.0 %
Government agency bonds	10.9 %	6.0 %
Collective Investment Undertakings	1.5 %	10.0 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

### Risk Sensitivity

The most material risk to the Company's investment portfolio is interest rate risk on fixed income investments. The Company's investment manager provides stress testing results on the portfolio's exposure to interest rate risk. The scenario below assumes a 300 basis points parallel upwards and downwards shift in the yield curve across all maturities. No benefit is assumed for future management actions which could potentially mitigate losses.

#### Interest rate risk

##### As at 31 December

	Upward/ Downward Shift in Yield Curve	Decrease in Value of Investment Portfolio	(Increase)/ decrease in Technical provisions liability	Decrease in Reinsurance recoverable liability	Interest Rate Risk included in Standard Formula Calculation of the SCR	Increase of the SCR in this Scenario	Decrease of SCR Ratio Percentage points
	Basis points	€ '000	€ '000	€ '000	€ '000	€ '000	
2024	300 bps upwards	(11,262)	3,543	7,207	6,184	210	5
2023	300 bps upwards	(12,986)	3,873	6,399	7,287	358	18
2024	300 bps downwards	13,170	(6,248)	(13,416)	7,359	2,289	50
2023	300 bps downwards	13,563	(7,349)	(11,076)	8,541	2,609	51

An increase in the yield curve by 300 basis points would result in a 5% percentage point reduction to the Company's SCR Ratio as at 31 December 2024 to 168%.

A decrease in the yield curve by 300 basis points would result in a 50% percentage point reduction to the Company's SCR Ratio as at 31 December 2024 to 123%.

#### Spread risk

A 3 notch ratings downgrade of all investments in the investment portfolio would cause the SCR to increase by €0.7 million to €19.1 million (2023: increase the SCR by €0.9 million to €19.6 million), causing the Company's SCR ratio as at 31 December 2024 to decrease by 6 percentage points to 167% (2023: decrease by 10 percentage points to 226%).

#### Currency risk

The Company has a foreign currency net asset position for Pound Sterling, Japanese Yen and Swiss Francs and a net liability position for US Dollars and is therefore exposed to the devaluation of Pound Sterling, Japanese Yen and Swiss Francs against the Euro and an increase in the value of the US Dollar. A 25% adverse movement in the Pound Sterling, Japanese Yen and the US Dollar relative to the Euro would result in a reduction in own funds of €3.1 million (2023: €4.2 million). This would decrease the SCR ratio by 17 percentage points to 156% (2023: decrease by 21 percentage points to 215%).

### C.3 Credit risk

The Company's most significant credit risk exposure is in respect of the reinsurers that assume a substantial portion of the Company's insured risk. Refer to *Section C.1.* above for information on these exposures.

Two further sources of counterparty credit risk for the Company are amounts due from policyholders and cash on deposit with banks. However, neither of these exposures are deemed material. The value of overdue premium debtors as at 31 December 2024 was €1.2 million, (2023: €0.5 million) and are deemed fully recoverable. Cash deposits with banks are shown in the table below.

#### Cash and cash equivalents (excluding money market funds) in the

#### Solvency II balance sheet

As at 31 December

€ '000

2024

2023

Cash and cash equivalents

5,161

6,126

### C.4 Liquidity risk

#### Risk measurement & mitigation

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations as they fall due. The Company has established an overall liquidity risk appetite and liquidity risk management framework to appropriately manage its exposure to liquidity risk. The Company manages its liquidity risk by maintaining a liquid, high quality investment portfolio, with a duration that is shorter than the duration of its insurance liabilities. The entire investment portfolio of €79.0 million (2023: €84.4 million) can be liquidated within a timeframe sufficient to meet potential liquidity requirements under the Company's identified, severe but plausible liquidity stress scenarios. The Company is only required to pay principal and interest claims as they come due according to the original bond payment schedule, and the payments cannot be accelerated without the Company's consent.

The Company's exposure to liquidity risk is also significantly mitigated by the terms of its reinsurance contracts with Assured Guaranty Group companies. In the event of claims arising under the AG Reinsurance Agreement, AG is required to pay the Company within the earlier of five business days of receipt of a claim or the day on which the Company is required to make a claim payment to a policyholder. Similarly, in the event of a funding requirement under the AG Net Worth Maintenance Agreement, AG is required to contribute the required funding within three business days of receipt of notice.



## Financial assets and liabilities, as measured under French GAAP, by maturity date:

### As at 31 December 2024

€ '000	< 1 year or no contracted maturity	1 to 5 years	> 5 years	Total
<b>Assets</b>				
Investments	1,116	30,623	56,749	88,488
Cash at bank	5,161	—	—	5,161
Debtors arising out of direct insurance operations	16,134	25,162	92,076	133,372
Debtors arising out of reinsurance operations	4,082	6,802	24,881	35,765
Other receivables	1,625	—	—	1,625
	<u>28,118</u>	<u>62,587</u>	<u>173,706</u>	<u>264,411</u>
<b>Liabilities</b>				
Creditors arising out of reinsurance operations	13,719	22,866	83,551	120,136
Other creditors	6,705	—	—	6,705
	<u>20,424</u>	<u>22,866</u>	<u>83,551</u>	<u>126,841</u>

### As at 31 December 2023

<b>Assets</b>				
Investments	8,198	32,318	57,568	98,084
Cash at bank	6,126	—	—	6,126
Debtors arising out of direct insurance operations	12,779	25,495	94,623	132,897
Debtors arising out of reinsurance operations	3,076	6,897	25,570	35,543
Other receivables	42	—	—	42
	<u>30,221</u>	<u>64,710</u>	<u>177,761</u>	<u>272,692</u>
<b>Liabilities</b>				
Creditors arising out of reinsurance operations	10,353	23,187	85,903	119,443
Other creditors	5,581	—	—	5,581
	<u>15,934</u>	<u>23,187</u>	<u>85,903</u>	<u>125,024</u>

## Expected future profit included in future premiums

In respect of premiums receivable, the Company estimates that it has €26.7 million (2023: €29.1 million) of expected future profits which are not immediately available to meet liquidity needs since they have not yet been paid to the Company.

## Risk Concentration

The Company does not expect to have large cash outflows relative to the size of its investment portfolio or its annual investment income. Each quarter, the Company projects its upcoming liquidity requirements under a base case and a stress case. The Company maintains a significant liquidity buffer over both scenarios.

## Risk Sensitivity

The Company performs liquidity stress testing on a quarterly basis to ensure that it has sufficient liquid assets to cover all of its liabilities that could arise in a stress scenario. The Company has minimal short term liquidity requirements and does not believe that any plausible liquidity risk scenario that could occur over a 1-year time horizon would cause significant loss or impact on the SCR or the SCR solvency ratio.

## C.5 Operational risk

Operational risk is defined as the risk of loss or other adverse consequences on business outcomes resulting from failed or inadequate or failed internal processes, personnel or systems, people and external events. Operational risk is seen as a business-wide risk that could crystallise in any of the underwriting, investment, risk mitigation or other activity which the Company undertakes. Consequently, operational risk is inherent in all of the Company's processes, interactions with third parties and other activities. The Company faces a variety of operational risks including those related to information technology, accounting, legal and regulatory matters, as well as risks related to performance by affiliated companies

pursuant to a services agreement and third party service providers. The Company is averse to operational risk and expects that the business functions work actively to avoid operational risk to the extent it is commercially appropriate.

The Operational Risk Management policy sets out the Company's overall approach to operational resilience including the processes in place to ensure compliance with the specific requirements of The Digital Operational Resilience Act. The Company regularly assesses its ability to prevent, adapt, respond to, recover from, and learn from operational disruptions on the basis that from time to time, disruptions may occur which will prevent management and staff from operating as usual. This assessment is largely driven by the Business Continuity Plan process and policy, which establishes maximum tolerable periods of disruption and data loss for each business area, including those identified as Important Business Services.

As at 31 December 2024, the Company had 54 risks (2023: 52 risks) in its insured portfolio and it is expected that generally the Company will only add a small number of new transactions each year, limiting potential operational errors. The relatively small number of risks allows careful review of the transaction documents and quality control of the data points captured in the Company's systems by technically competent and experienced employees.

First line management has overall responsibility for identifying, measuring or assessing, monitoring and managing operational risk, including new and emerging risks, which are incorporated into the Company's Risk Universe. The Risk function works closely with first line management to co-ordinate the Company's approach to operational risk management and to develop common standards for managing and reporting operational risk. Operational risks are identified and assessed against internal controls. Risk which remains outside the established risk appetite or limits are subject to management action plans.

Key Risk Indicators and other bespoke metrics allow the Company to monitor operational risk and measure it against appetite on a quarterly basis. The findings and recommendations of the Risk and Control Self-Assessment exercise are reported to the Audit Committee on an annual basis and material findings from the incident reporting process reported to the ROC as appropriate.

Other than in the ordinary course of business, the Company was not involved in any ongoing litigation as at 31 December 2024

### **Risk sensitivity**

The Company does not believe that any plausible operational risk scenario that could occur over a 1-year time horizon would cause significant loss or impact to own funds or the SCR capital ratio.

In addition, due to the nature of the Company's business and low time criticality of external services, it is not plausible that a temporary operational disruption would pose a risk to either the firm's safety and soundness, policyholder protection or the financial stability in France.

## **C.6 Other material risks**

### **Climate Change**

We recognise the importance of a healthy environment to the global community, our business, and our employees. The challenges of protecting the environment and combating climate change, including the challenges of energy transition, have become a major issue. We are committed to understanding, managing and mitigating the risks to our business associated with the environment and to operating our business in a sustainable and environmentally responsible manner.

As a financial guarantor of public finance (including infrastructure finance) and structured finance transactions, the Company does not take direct insurance exposure to climate change but does face the risk that its obligors' ability to pay debt service will be impaired by the impact of climate related events. We believe the Company is most likely to be exposed to the financial risks of climate change from its underwriting and investing activities. The Company provides insurance policies with durations of 30 years or longer, meaning in-force risks, as well as those currently being underwritten, are potentially exposed to climate change impacts many years into the future. The Company also has a substantial investment portfolio backing its insurance liabilities and regulatory capital requirements. Equally, while we believe the direct impact of our operations on the environment is relatively small, we understand that we have a role and a responsibility to manage our operations in ways that reflect our respect for the environment.

The Company's ultimate parent, AGL, has implemented policies and procedures on environmental responsibility which apply to the Company's operations and employees. AGL's statements on Environmental Policy, Climate Change, and Environmental Stewardship can be found in the "Environmental and Social Responsibility" subsection of AGL's website ([www.assuredguaranty.com/about-us/environmental-and-social-responsibility](http://www.assuredguaranty.com/about-us/environmental-and-social-responsibility)). The policy establishes key requirements for the Assured Guaranty Group, in managing climate impacts and the approach to mitigating the business impact on the environment, including risk management and strategic opportunities, investment opportunities, business operations and facilities management, and employee engagement. The policy applies to all personnel, across all offices and operations of Assured Guaranty, including the Company.

### *Governance*

The Company's Board is committed to operating the Company in a sustainable and environmentally responsible manner.

To oversee, implement and further develop the objectives and initiatives of the Environmental Policy, AGL created the Environmental and Social Initiatives Task Force ("Task Force"), whose members include senior Assured Guaranty management. The Company's management, including members of the Board, work closely with members of the Task Force who are responsible for:

- Reporting on the progress of the Group's environmental efforts;
- Examining the organisation to identify ways to contribute to the sustainability of the environment;
- Coordinating and supporting activities that reduce environmental impact; and
- Promoting environmental awareness among employees and encouraging employee engagement

The Company's Board is responsible for overseeing the implementation of environmental and sustainability initiatives at an AGE level. The Company has also established an ESG management working group which is tasked with further developing the Company's ESG framework and appropriately embedding Assured Guaranty Group's environmental policies and procedures at a Company level.

The Board is also responsible for the oversight of climate risk. Assessment of the financial risks associated with climate change is now embedded in the Company's risk management framework and within regular cycles of risk reporting to the Board and Risk Oversight Committee of the Board, led by the Chief Risk Officer who is responsible for managing the financial risks from climate change.

### *Strategy*

The increasing focus on climate change action may give rise to a number of opportunities for the Company to support environmentally responsible business developments and other initiatives. We believe that the Company's financing solutions have an important role to play in helping to finance the infrastructure improvements, renewable energy generation and new technologies required to prepare for the impacts of climate change related events, reduce greenhouse gas emissions and transition to a low-carbon economy. We continue to explore new business opportunities in these areas.

### *Risk Management*

The Company takes a holistic and long-term approach to managing the risks arising from climate change, utilising its risk management framework to identify and manage the related financial risks. We have integrated environmental considerations into underwriting and credit approval, surveillance and risk management processes.

#### *(i) Surveillance of Existing Exposures*

The potential impacts of climate change on the Company's insured portfolio have been incorporated into our surveillance monitoring processes. The susceptibility of insured transactions to climate change is assessed when initially assigning and subsequently reassessing internal ratings. This assessment includes the vulnerability of the operations or assets of the insured transaction to long-term physical and transitional impacts of climate change and also the immediate exposure to extreme weather hazards or increasing volatility. The small number of risks in the insured portfolio, 54 risks (2023: 52 risks), means that consideration can be given to the impact of climate on individual insured risks.

#### *(ii) Underwriting Guidelines for New Exposures*

The financial impacts of climate change have also been incorporated into the underwriting processes. Underwriting submissions are required to include environmental and/or transitional risk factors as part of the underwriting analysis, including vulnerability of obligors to future climate changes, extreme weather events, and other physical risks.

#### *(iii) Own Risk and Solvency Assessment*

The ORSA process is integral to the Company's risk management framework. Through the ORSA process, the Company uses scenario analysis and stress testing to inform the risk identification process and understand the short- and long-term financial risks to the Company's business model from climate change.

#### *(iv) Investments*

The Company's investment portfolio predominantly comprises fixed-income securities; therefore, the potential impacts of climate change are primarily credit-related and significantly mitigated by the relatively short average duration of the portfolio (6.12 years as at 31 December 2024). Nonetheless, the risks arising from climate change are relevant in the evaluation by the Company and its investment managers of the creditworthiness of specific issuers and industries. Our portfolio manager relies on their ESG corporate philosophy statements and uses ESG information, when conducting research and due diligence on new investments and in managing the portfolio. The Company has prohibited its investment manager from making any new investments in thermal coal enterprises, specifically; (i) thermal coal enterprises that generate 30% or more of their revenue from either the ownership, exploration, mining, or refining of thermal coal, (ii)

corporate and municipally owned utilities that generate 30% or more of their electricity from thermal coal and (iii) enterprises that generate 30% or more of their electricity from nuclear generation.

### **C.7 Any other information**

None.

## D. Valuation for solvency purposes

This section sets out the valuation of assets, technical provisions and other liabilities of the Company under Solvency II, as well as details of the valuation methodology and the differences to valuation under French GAAP, as reported within the Company's financial statements.

### D.1 Assets

The table below sets out the valuation of assets as reported in the Company's French GAAP financial statements and the Solvency II balance sheet.

#### Assets

As at 31 December 2024

€ '000	Financial Statement Balance Sheet	Solvency II Balance Sheet	Difference
Deferred acquisition costs	3,821	—	3,821
Investments	88,488	74,492	13,996
Property, plant & equipment held for own use	83	—	83
<b>Reinsurance recoverables:</b>			
Reinsurer's share of provision for unearned premiums	215,690	—	215,690
Reinsurer's share of claims outstanding	—	—	—
Reinsurer's share of other technical provisions (unexpected risk provisions)	—	—	—
Reinsurer's share of technical provisions (premium provision and claims provision)	—	(21,431)	21,431
<b>Total reinsurance recoverables</b>	<b>215,690</b>	<b>(21,431)</b>	<b>237,121</b>
Insurance and intermediaries receivables:			
Current premiums receivable	1,186	1,186	—
Future premiums receivable	132,186	—	132,186
<b>Total insurance and intermediaries receivables</b>	<b>133,372</b>	<b>1,186</b>	<b>132,186</b>
Reinsurance receivables:			
Current reinsurance commissions receivable	—	—	—
Future reinsurance commissions receivable	35,765	—	35,765
Reinsurer's share of paid claims	—	—	—
<b>Total reinsurance receivables</b>	<b>35,765</b>	<b>—</b>	<b>35,765</b>
Trade receivables	1,583	1,583	—
Cash and cash equivalents	5,161	5,161	—
Other assets	785	—	785
<b>Total assets</b>	<b>484,748</b>	<b>60,991</b>	<b>423,757</b>

Set out below is a summary of the valuation methodology used to arrive at the value of each category of assets shown on the balance sheet for Solvency II purposes and the differences to French GAAP.

#### Deferred acquisition costs

Under French GAAP, acquisition costs incurred in respect of the successful production of new business are capitalised in the balance sheet and amortised on a straight-line basis over the shorter of the contractual maturity date on the associated direct policy and a maximum of five years.

Under Solvency II intangible assets are ascribed a value only when they can be sold separately and it can be demonstrated that there are quoted prices in an active market for such an asset. The Company's deferred acquisition costs do not meet these criteria and as such are valued at nil in the Solvency II balance sheet.

#### Investments

##### a. Variable income investments

Shares and other variable-income securities under Article R. 343-10 of the French Insurance Code are recorded at their purchase price, excluding accrued interest.

## **b. Fixed income investments**

Bonds and other fixed-income securities under Articles R. 343-9 and R. 343-10 of the French Insurance Code are recorded at their purchase price, net of accrued interest at the time of purchase. The difference between the purchase price and the redemption value is reported in the income statement over the remaining term until the repayment date using the actuarial method. An amortisation of the premium or discount is recorded up to the time of transfer in the year the fixed income marketable securities are sold.

### **Impairment**

#### **a. Amortisable securities under Article R. 343-9 of the Insurance Code**

A reserve for impairment will be recognised when there is reason to believe that the debtor will not be able to honour its commitments, either through a default in the payment of interest or repayment of principal.

#### **b. Variable-income or fixed-income securities falling under Article**

For those investments covered by Article R. 343-10 of the French Insurance Code, a reserve for impairment may only be recognised when there is reason to deem that the impairment is long-term.

Investments are measured on a fair value basis for Solvency II. Fair value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on either internally developed models or third party proprietary pricing models that primarily use, as inputs, market-based or independently sourced market parameters, including but not limited to yield curves, interest rates and debt prices or third party proprietary pricing models.

The fair value of bonds in the investment portfolio is generally based on prices received from third party pricing services or alternative pricing sources with reasonable levels of price transparency. The pricing services prepare estimates of fair value measurements using their pricing models, which take into account: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, industry and economic events and sector groupings. The Company considers markets to be active where transactions take place with sufficient frequency and volume for pricing information to be available on an ongoing basis.

### **Reinsurance recoverables**

Reinsurance recoverables recognised for Solvency II purposes represent the reinsurers' share of technical provisions. The reinsurers' share of technical provisions reported within the French GAAP financial statements comprise reinsurers' share of provisions for unearned premiums, claims outstanding and other technical provisions (i.e., unexpired risks provision).

The valuation methodologies for technical provisions under Solvency II and French GAAP are discussed in *Section D.2*.

### **Insurance and intermediaries receivables**

Insurance and intermediaries receivables reported under French GAAP consist of all premiums that were receivable at the balance sheet date, including those past due, and future premiums receivable. Additionally, under French GAAP, insurance receivables also include salvage receivable in respect of claims paid.

Insurance and intermediaries receivables recognised for Solvency II purposes consist of premiums that were past due at the balance sheet date. For Solvency II purposes expected cash flows from future premiums and salvage are included within technical provisions.

### **Reinsurance receivables**

Reinsurance commission receivables reported under French GAAP consist of both reinsurance commissions that were receivable at the balance sheet date, including those past due, and future reinsurance commissions receivable on an undiscounted basis.

Reinsurance receivables in the Solvency II balance sheet consist of reinsurance commissions that were past due at the balance sheet date.

### **Trade receivables**

These relate to other debtors that were due at the balance sheet date. Given the short-term nature, the expected settlement amount is taken to approximate fair value for both French GAAP and Solvency II purposes.

### **Cash and cash equivalents**

Cash relates to deposits held at financial institutions. These are recognised at face value without any deductions for both French GAAP and Solvency II purposes.

### Any other assets, not shown elsewhere

Under French GAAP, other assets include accrued interest due at the balance sheet date and prepaid expenses.

Under Solvency II, accrued interest is included within the value of financial investments.

## D.2 Technical provisions

The table below presents a comparison of French GAAP gross insurance liabilities and Solvency II technical provisions.

### Technical provisions

As at 31 December 2024

€ '000	Financial Statement Balance Sheet	Solvency II Balance Sheet	Difference
Best estimate	—	(243)	243
Risk margin	—	20,926	(20,926)
Provision for unearned premiums	224,356	—	224,356
Claims outstanding	—	—	—
Unexpired risk provisions	—	—	—
<b>Total</b>	<b>224,356</b>	<b>20,683</b>	<b>203,673</b>

#### a. Valuation bases, methods and main assumptions

The best estimate component of technical provisions represent the present value of future cash outflows less the present value of future cash inflows. The cash inflows and outflows include the following:

- expected lifetime claims from insured obligations;
- a provision for all future expenses to be incurred in servicing and settling the insured obligations;
- all future premiums after consideration of potential non-payment on premiums due to future defaults of guaranteed transactions;
- all future reinsurance commissions and;
- salvage receivable related to historic paid claims expected to be recovered.

The Company's expected lifetime losses under Solvency II are calculated using the Company's ECM which uses assumptions for cumulative probability of default, loss given default and correlation to calculate the gross expected cash outflows that the Company will be required to pay over the lifetime of the insured exposures. The Company considers both external and internal sources of data when setting assumptions for probability of default, loss given default and correlation, including any relevant experience by companies within the Assured Guaranty Group.

The boundary of each insurance contract is assumed to be the period of time for which principal remains outstanding on the debt underlying the financial guarantee. The Company utilises assumptions in respect of future inflation rates for debt obligations that are linked to an inflation index.

The provision for future expenses is estimated using a projection of future expenses based on the Company's current operating costs, taking into consideration the activities required to service the existing insured portfolio.

The percentage of premiums expected not to be received due to potential defaults was developed by applying expected default rates (as calculated using the ECM) to the future premiums.

The risk margin is an estimate of the amount that a third party would expect to receive in addition to the best estimate liability to assume the Company's insurance obligations. The risk margin is calculated as the present value of the cost of capital (i.e the cost of holding capital equal to SCR) in all future years as the insured exposure runs off.

The Company calculates the catastrophe risk component of future SCR's by using the contractual run-off schedule for all of its insured policies to determine which are the two largest remaining exposures at each future period until the final portfolio maturity. The Company uses a simplification to calculate the elements for the remaining components of the future SCR's by assuming that these components are proportional to the total net par outstanding in each future year. These approaches are simplification methods consistent with the described EIOPA Guidelines on the valuation of technical provisions. The Company chose to calculate the catastrophe risk component of SCR's in each future year based on the NPO for the top two risks, as opposed to a simplification using total NPO, because it is the most material component of the SCR (being the only component that has a greater than 10% impact on the SCR calculation) and using the total NPO amount does not provide a suitable projection for these catastrophe risk amounts.

The cost of capital to be used in the calculation is prescribed by EIOPA at 6% per annum (2023: 6%).

## **b. Uncertainty**

While the Company believes that the assumptions and methods used to develop the technical provisions are reasonable and consistent and that they provide for a calculation of expected outcomes in an appropriate manner, it remains possible future experience may differ from expectation. The level of uncertainty in relation to the calculation of expected losses is high as the Company guarantees against low probability events with high value exposures. The uncertainty associated with assumptions related to probability of default and loss given default is also heightened by the limited level of historical loss data available to inform the Company's assumption setting.

The level of uncertainty in respect of future premiums, future ceding commission and projected operating expenses is expected to be low because in most cases cash inflows are contractually guaranteed and the annual operating expenses that would be required to manage the run-off of the portfolio can be reasonably estimated based on current staffing levels. The Company does not include any benefits related to future management actions or future policyholder behaviour.

## **c. Material differences between Solvency II and French GAAP for valuation of technical provisions**

The following is a summary of the material differences between Solvency II and French GAAP technical provisions:

- Future premiums receivable, and reinsurance premiums payable, less the expected amounts not received or paid due to defaults, are required to be discounted under Solvency II. These amounts are not discounted under French GAAP;
- Expected future claims under Solvency II are significantly higher than under French GAAP because an expected loss value is ascribed to every exposure guaranteed by the Company as opposed to just those exposures where the likelihood of loss is probable, as required by French GAAP;
- Furthermore, the discount rates ascribed by EIOPA, which are based on risk-free market rates, are different than the discount rates used by the Company to discount claims liabilities under French GAAP which are based on risk-free market rates from the Company's internal systems;
- A deduction for expected losses on the reinsurer's share of future claims due to future reinsurance counterparty defaults is required under Solvency II, however French GAAP only requires a provision to be established where the default of a reinsurance counterparty is probable;
- A provision for all future expenses to be incurred in servicing the insurance policies entered into at the balance sheet date is required under Solvency II, however no such provision is required under French GAAP; and
- Solvency II technical provisions include a risk margin which is not required under French GAAP.

## **Matching Adjustment**

The matching adjustment referred to in Article 77(b) of the Directive is not used in the calculation of technical provisions.

## **Volatility adjustment**

The volatility adjustment referred to in Article 77(d) of the Directive is not used in the calculation of technical provisions.

## **Transitional risk free interest rate term structure**

The transitional risk free interest rate term structure referred to in Article 308(c) of the Directive is not used in the calculation of technical provisions.

## **Transitional deduction**

The transitional deduction referred to in Article 308(d) of the Directive is not used in any calculations.

## **Recoverables from reinsurance and special purpose vehicles**

The Company reinsures 93% (2023: 93%) of its gross exposure to affiliated reinsurers. Under Solvency II, reinsurance recoverables represent the contractually obligated payments, less a component for the expected losses in the event that reinsurers are unable to make their share of these payments in excess of the amount of collateral provided to the Company. This component is calculated based on the projected ceded expected losses to each reinsurer, the assumed cumulative default rate of each reinsurer and the amount of collateral posted by each reinsurer. Under French GAAP the Company does not include a provision for reinsurance counterparty default unless such a scenario, in which the reinsurer fails to pay, becomes probable.

There are no special purpose vehicle recoverables included in any of the calculations of technical provisions or risk margin.



### D.3 Valuation of other liabilities

The table below presents a comparison of liabilities under French GAAP and Solvency II.

#### Liabilities

As at 31 December 2024

€ '000	Financial Statement Balance Sheet	Solvency II Balance Sheet	Difference
Reinsurance payables			
Current reinsurance premiums payable	—	—	—
Future reinsurance premiums payable	120,136	—	120,136
Salvage payable	—	—	—
<b>Total reinsurance payables</b>	<b>120,136</b>	<b>—</b>	<b>120,136</b>
Trade payables	6,415	6,415	—
Other liabilities			
Reinsurance commissions deferred	19,631	—	19,631
Other liabilities including accrued expenses	1,997	1,995	2
<b>Total other liabilities</b>	<b>21,628</b>	<b>1,995</b>	<b>19,633</b>
<b>Total liabilities excluding technical provisions</b>	<b>148,179</b>	<b>8,410</b>	<b>139,769</b>
Provision for unearned premiums	224,356	—	224,356
Best estimate	—	(243)	243
Risk margin	—	20,926	(20,926)
<b>Technical provisions</b>	<b>224,356</b>	<b>20,683</b>	<b>203,673</b>
<b>Total liabilities</b>	<b>372,535</b>	<b>29,093</b>	<b>343,442</b>

The following is a description of the valuation methodology used to arrive at the value of each category of liability shown on the balance sheet for Solvency II purposes and the differences to French GAAP. There were no changes made to the recognition and valuation bases used during the year.

#### Reinsurance payables

Reinsurance premiums payable reported under French GAAP consist of both reinsurance premiums that were payable at the balance sheet date and future reinsurance premiums payable on an undiscounted basis.

Reinsurance payables recognised for Solvency II purposes consist of reinsurance premiums that were payable on contracts past due at the balance sheet date. Future reinsurance premiums payable are included within technical provisions.

#### Trade payables

Trade payables represent amounts owed to other creditors, including amounts owed to affiliated companies. Payables are valued at the expected settlement amount, which given the short-term nature, is taken to approximate fair value under both Solvency II and French GAAP.

#### Any other liabilities, not shown elsewhere

Any other liabilities not shown elsewhere include accrued expenses that have not been settled at the balance sheet date. Accrued expenses are valued at cost, based on the proportion of goods and services that have been consumed under both Solvency II and French GAAP.

Under French GAAP other liabilities also include deferred reinsurance commissions, which are incorporated within technical provisions under Solvency II.

### D.4 Alternative methods of valuation

Article 296 of the Solvency II Regulation lays out several requirements that must be disclosed publicly with regard to the valuation of assets and liabilities. These requirements are covered in *Section D.1*, *Section D.2* and *Section D.3*.

All the Company's investments are either:

- cash equivalents that are categorised as level 1 (quoted market prices in active markets), or

- other financial investments that are categorised as level 2 (quoted market prices in active markets for similar assets)

As of 31 December 2024, the Company does not hold any securities categorised level 3 (alternative valuation methods).

## **D.5 Any other information**

There is no other material information on valuation for Solvency II purposes.

## E. Capital Management

This section sets out how the Company manages its own funds, including policies and procedures for the management of capital. It also details the Company's calculation of the SCR and MCR.

### E.1 Own funds

#### a. Objectives, policies and processes for managing own funds

The Company seeks to maintain an efficient capital structure which is consistent with its risk profile and the future needs of its operations. The Company's key objectives in the management of capital are:

- i. Preserve the claims paying ability of the Company to ensure all policyholder claims can be met on a timely basis;
- ii. Ensure that the Company is adequately capitalised and remains in compliance with its regulatory capital requirements;
- iii. Maintain the Company's external financial strength ratings; and
- iv. Enable an appropriate return on capital for the Company's shareholder.

The Company assesses its capital position against both regulatory capital requirements and an internally developed economic capital requirement, the ICA. For its economic capital requirement, the Company utilises an in-house capital model. The model is designed to measure the Company's credit risk and reinsurance counterparty risk by calculating projected stress losses across the portfolio in a 1-in-200 lifetime loss scenario (the 99.5% lifetime value-at-risk, or VaR), instead of the 1-in-200 one year loss scenario required under the Standard Formula.

The Company assesses its regulatory capital requirements in accordance with the Solvency II Standard Formula SCR and MCR. The Company maintained compliance with both the SCR and MCR throughout the year.

The Company's Capital Management Policy establishes a target range for both regulatory and economic capital. The Company seeks to manage its current and forecasted levels of capital in compliance with this range in order to meet its capital management objectives, including retaining compliance with both its regulatory and internal economic capital requirements. The Company regularly assesses the appropriateness of its capital position under its ORSA, which incorporates regular use of stress and scenario testing.

The Company has affiliate reinsurance and other support agreements in place which are important to the management of capital and own funds. Details of these agreements are included below.

The Company benefits from a number of reinsurance and other support agreements from affiliated Assured Guaranty Group companies, including AG, which owns 99.99% of the Company. Following the merger between AG and AGM, AGE entered into new reinsurance agreements with AG which consolidated the terms of the prior agreements with AG and AGM. The AG Net Worth Maintenance Agreement, which replaced the net worth maintenance agreement with AGM, was also entered into on that date. The terms of these agreements are described below.

#### *AG Transferred Business Reinsurance Agreement*

The AG Transferred Business Reinsurance Agreement reinsures to AG the business that was transferred to the Company under the Portfolio Transfer. Different percentages of reinsurance cessions are specified for the different reinsured policies.

#### *AG New Business Reinsurance Agreement*

The AG New Business Reinsurance Agreement reinsures to AG 90% of the Company's retention on any new policies underwritten by the Company. It also provides reinsurance for certain Public Finance policies transferred to the Company under the Portfolio Transfer for which AGUK was not reinsured by AG and for which AG's quota share percentage cession is approximately 88% to 90%, varying by policy.

Both the AG Transferred Business Reinsurance Agreement and the AG New Business Reinsurance Agreement require AG to pledge collateral to support its reinsurance obligations to the Company. AG's collateral requirement at the end of each calendar quarter is calculated as the sum of AG's share of: (a) the Company's unearned premium reserve (net of the Company's reinsurance premium payable to AG); (b) the Company's provisions for unpaid losses and allocated loss adjustment expenses (net of any salvage recoverable), and (c) any unexpired risks provisions, in each case as calculated in accordance with French GAAP.

#### *AGRE Transferred Business Reinsurance Agreement*

The AGRE Transferred Business Reinsurance Agreement preserves AGRE's quota share reinsurance of the AGUK and legacy Assured Guaranty (London) plc ("AGLN") policies transferred to the Company under the Portfolio Transfer. The agreement imposes a collateral requirement on AGRE consistent with the AG reinsurance agreements as described above.

### *AG Excess of Loss Reinsurance Agreement*

Under the AG Excess of Loss Reinsurance Agreement, AG is required to pay the Company the amount by which (i) the sum of (a) the Company's incurred losses calculated in accordance with French GAAP and (b) the Company's net paid losses and loss adjustment expenses, exceed (ii) an amount equal to (a) the Company's capital resources under French law minus (b) 110% of the amounts as may be required by the ACPR as a condition for the Company to maintain its authorisation to carry on a financial guarantee business in France. The Excess of Loss Reinsurance Agreement permits the Company to terminate the agreement upon the following events: a downgrade of AG's ratings by Moody's below A3 or by S&P below A- if AG fails to restore its rating(s) to the required level within a prescribed period of time, AG's insolvency or failure by AG to maintain the minimum capital required by its home jurisdiction.

### *AG Net Worth Maintenance Agreement*

Under the terms of the AG Net Worth Maintenance Agreement AG is obligated to ensure the Company maintains capital resources equal to 110% of the amounts as may be required by the ACPR as a condition of the Company maintaining its authorization to carry on financial guarantee business in France provided that, except with the express approval (or non-disapproval) of the Maryland Insurance Administration:

- (a) no individual contribution by AG to AGE for such purpose shall exceed \$25m.
- (b) AG shall not be permitted to make more than two individual contributions to AGE under the Net Worth Agreement during any calendar year, which two contributions together shall not exceed \$25m.
- (c) the aggregate contributions by AG to AGE under the Net Worth Agreement shall not exceed \$100m.

## **b. Structure, amount and quality of own funds**

The capital structure of the Company consists of basic own funds only. As at 31 December 2024, basic own funds comprised €110.9 million (2023: €110.9 million) of allotted and fully paid ordinary shares and the reconciliation reserve of negative €79.0 million (2023: negative €66.6 million), both classified as Tier 1 capital. The Company does not have any restricted Tier 1 capital.

The decrease in own funds during 2024 is primarily due to operating expenses incurred exceeding the own funds benefit of new business and in-force run-off.

## **c. Eligibility of own funds to cover SCR**

The value of eligible own funds to cover SCR is shown below:

**As at 31 December**

€ '000	2024	2023
Tier 1	31,898	44,347
Tier 2	—	—
Tier 3	—	—
<b>Total</b>	<b>31,898</b>	<b>44,347</b>

The quantitative limits on items eligible to cover the SCR do not result in any deductions from own funds.

## **d. Eligibility of own funds to cover MCR**

All of the Company's own funds are eligible to cover the MCR.

## **e. Differences between shareholders equity and excess of assets over liabilities**

The differences between the net assets of the Company in the financial statements and the Solvency II valuation of the excess of the assets over liabilities are set out below. An explanation of the differences in the valuation of assets and liabilities is provided in *Section D.1* and *Section D.3*.

## Reconciliation between shareholder's equity and excess of assets over liabilities

As at 31 December

€ '000

	2024	2023
Shareholders' equity under French GAAP	112,213	110,249
Disallowed items (prepayments & deferred acquisition costs)	(3,989)	(3,315)
Solvency II fair value adjustment to investments	(14,653)	(15,848)
Solvency II adjustment to net best estimate provision & discounting	(40,747)	(26,870)
Risk Margin	(20,926)	(19,869)
<b>Excess of assets over liabilities for Solvency II purposes</b>	<b>31,898</b>	<b>44,347</b>

### f. Basic own funds subject to transitional arrangements

There are no basic own fund items subject to transitional arrangements.

### g. Ancillary own funds

There are no ancillary own funds.

### h. Basic own funds deductions and significant restrictions

There are no items deducted from own funds and no significant restrictions affecting the availability of own funds.

## E.2 SCR and MCR

### a. SCR and MCR

The Company's SCR as at 31 December 2024 was €18.4 million (2023: €18.8 million). This is shown in *Section F, S.25.01*. The Company's MCR as at 31 December 2024 was €4.6 million (2023: €4.7 million). This is shown on the *Section F, S.28.01*.

### b. Split of the SCR by risk module

The Company uses the Standard Formula to calculate its SCR.

The table below shows the Company's SCR split by risk module.

As at 31 December

€ '000

	2024	2023
Underwriting risk	14,213	13,357
Market risk	7,103	8,892
Counterparty risk	564	604
Diversification benefit	(4,181)	(4,743)
Operational risk	728	658
<b>SCR</b>	<b>18,427</b>	<b>18,768</b>
<b>SCR Ratio</b>	<b>173 %</b>	<b>236 %</b>
<b>MCR</b>	<b>4,607</b>	<b>4,692</b>
<b>MCR Ratio</b>	<b>692 %</b>	<b>945 %</b>

The SCR reduced from prior year due to a reduction in the market risk requirement, partly offset by an increase in underwriting risk. The increase in the underwriting risk is attributable to an increase in catastrophe risk due to the index-linked nature of par insured for the Company's largest insured risks. The decrease in the market risk requirement is primarily due to a reduction in the Company's investment portfolio to meet operating expenses.

### c. Use of simplified calculations

The Company follows the guidance prescribed by the Solvency II Regulation for the calculation of the Standard Formula and does not use any simplified calculations.

#### **d. Use of USPs**

The Company does not use any USPs in its calculations of the Standard Formula.

#### **e. Disclosure of USPs and capital add-on**

As at the end of the reporting period, the Company was not required to use any USPs or a capital add-on in its calculation of the SCR.

#### **f. Impact of USPs and capital add-on**

Not applicable.

#### **g. Information on the inputs into MCR calculation**

The inputs into the MCR calculation were:

**As at 31 December**

<b>€ '000</b>	<b>2024</b>	<b>2023</b>
Net Best Estimate Technical Provisions	21,187	18,446
Net Best Estimate Technical Provisions (floor 0)	21,187	18,446
Net written premiums over 12-month reporting period	928	681
Net written premiums over 12-month reporting period (floor 0)	928	681
<b>Linear MCR</b>	<b>3,855</b>	<b>3,342</b>
<b>SCR</b>	<b>18,427</b>	<b>18,768</b>
<b>MCR Cap</b>	<b>8,293</b>	<b>8,446</b>
<b>MCR Floor</b>	<b>4,607</b>	<b>4,692</b>
<b>Absolute Floor of the MCR</b>	<b>4,000</b>	<b>4,000</b>

#### **h. Material changes to the SCR and MCR over the reporting period**

There were no material changes to the SCR over the reporting period other than those described above.

### **E.3 Use of the duration-based equity risk sub-module**

The Company does not apply the duration-based equity risk sub-module.

### **E.4 Differences between the Standard Formula and any Internal Models used**

The Company does not use an internal model to calculate its SCR. For more information see *Section E.2*.

### **E.5 Non-compliance with MCR and significant non-compliance with SCR**

#### **a. The period and maximum amount of each non-compliance with MCR during the reporting period; explanation of origin, consequences and remedial measures taken**

The Company complied with the both the MCR and SCR both throughout the year and as at the reporting date.

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

None.

## F. Quantitative Reporting Templates

QRT reference	QRT Template name
S.02.01.02	Balance Sheet
S.04.05.21	Premiums, claims and expenses by country
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-life insurance claims (Not applicable for AGE)
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement - For undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**Balance Sheet**  
**S.02.01.02**  
**EUR €'000**

**Solvency II value**

**C0010**

**Assets**

Intangible assets	R0030	
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
<b>Investments (other than assets held for index-linked and unit-linked contracts)</b>	<b>R0070</b>	<b>74,492</b>
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
<i>Equities</i>	<i>R0100</i>	
Equities - listed	R0110	
Equities - unlisted	R0120	
<i>Bonds</i>	<i>R0130</i>	<i>73,371</i>
Government Bonds	R0140	37,211
Corporate Bonds	R0150	36,160
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	1,121
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
<b>Loans and mortgages</b>	<b>R0230</b>	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
<b>Reinsurance recoverables from:</b>	<b>R0270</b>	<b>(21,431)</b>
Non-life and health similar to non-life	R0280	(21,431)
Non-life excluding health	R0290	(21,431)
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	1,186
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	1,583
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	5,161
Any other assets, not elsewhere shown	R0420	0
<b>Total assets</b>	<b>R0500</b>	<b>60,991</b>



**Balance Sheet**  
**S.02.01.02**  
**EUR €'000**

**Solvency II value**

**C0010**

**Liabilities**

<b>Technical provisions - non-life</b>	<b>R0510</b>	<b>20,683</b>
<b>Technical provisions - non-life (excluding health)</b>	<b>R0520</b>	<b>20,683</b>
TP calculated as a whole	R0530	
Best estimate	R0540	(243)
Risk margin	R0550	20,926
<b>Technical provisions - health (similar to non-life)</b>	<b>R0560</b>	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
<b>TP - life (excluding index-linked and unit-linked)</b>	<b>R0600</b>	
<b>Technical provisions - health (similar to life)</b>	<b>R0610</b>	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
<b>TP - life (excluding health and index-linked and unit-linked)</b>	<b>R0650</b>	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
<b>TP - index-linked and unit-linked</b>	<b>R0690</b>	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	6,415
<b>Subordinated liabilities</b>	<b>R0850</b>	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	1,995
<b>Total liabilities</b>	<b>R0900</b>	<b>29,093</b>
<b>Excess of assets over liabilities</b>	<b>R1000</b>	<b>31,898</b>

**Premiums, claims and expenses by country**

**S.04.05.21**

**EUR €'000**

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		France	Spain	United Kingdom	United States	Kuwait	Luxembourg	
<b>Premium written (gross)</b>	R0010							
Gross - Direct Business	R0020	(276)	1,355	848	6,280	120	179	8,504
Gross - Proportional reinsurance accepted	R0021							-
Gross - Non-proportional reinsurance accepted	R0022							-
<b>Premium earned (gross)</b>								
Gross - Direct Business	R0030	1,200	9,485	6,754	3,804	3	198	21,444
Gross - Proportional reinsurance accepted	R0031							-
Gross - Non-proportional reinsurance accepted	R0032							-
<b>Claims incurred (gross)</b>								
Gross - Direct Business	R0040							-
Gross - Proportional reinsurance accepted	R0041							-
Gross - Non-proportional reinsurance accepted	R0042							-
<b>Expenses incurred (gross)</b>								
Gross - Direct Business	R0050	509						509
Gross - Proportional reinsurance accepted	R0051							-
Gross - Non-proportional reinsurance accepted	R0052							-

# Premiums, claims and expenses by line of business

S.05.01.02

EUR €'000

		Credit and suretyship insurance	Total
		C0090	C0200
<b>Premiums written</b>			
Gross - Direct Business	R0110	9,276	<b>9,276</b>
Gross - Proportional reinsurance accepted	R0120		
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	8,511	<b>8,511</b>
<b>Net</b>	<b>R0200</b>	<b>765</b>	<b>765</b>
<b>Premiums earned</b>			
Gross - Direct Business	R0210	24,279	<b>24,279</b>
Gross - Proportional reinsurance accepted	R0220		
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	23,980	<b>23,980</b>
<b>Net</b>	<b>R0300</b>	<b>299</b>	<b>299</b>
<b>Claims incurred</b>			
Gross - Direct Business	R0310	-	-
Gross - Proportional reinsurance accepted	R0320		
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	-	-
<b>Net</b>	<b>R0400</b>	<b>-</b>	<b>-</b>
<b>Changes in other technical provisions</b>			
Gross - Direct Business	R0410	-	-
Gross - Proportional reinsurance accepted	R0420		
Gross - Non-proportional reinsurance accepted	R0430		
Reinsurers' share	R0440	-	-
<b>Net</b>	<b>R0500</b>	<b>-</b>	<b>-</b>
<b>Expenses incurred</b>	<b>R0550</b>	<b>509</b>	<b>509</b>
<b>Other expenses</b>	R1200		
<b>Total expenses</b>	<b>R1300</b>		<b>509</b>

**Non - life Technical Provisions**  
**S.17.01.02**  
**EUR €'000**

		Direct business and accepted proportional reinsurance	Total Non-Life obligations
		Credit and suretyship insurance	
		C0100	C0180
<b>Technical provisions calculated as a whole</b>	<b>R0010</b>		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050		
<b>Technical Provisions calculated as a sum of BE and RM</b>			
<b>Best estimate</b>			
<b>Premium provisions</b>			
Gross - Total	R0060	(243)	(243)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(21,431)	(21,431)
<b>Net Best Estimate of Premium Provisions</b>	<b>R0150</b>	<b>21,188</b>	<b>21,188</b>
<b>Claims provisions</b>			
Gross - Total	R0160	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0
<b>Net Best Estimate of Claims Provisions</b>	<b>R0250</b>	<b>0</b>	<b>0</b>
<b>Total Best estimate - gross</b>	<b>R0260</b>	<b>(243)</b>	<b>(243)</b>
<b>Total Best estimate - net</b>	<b>R0270</b>	<b>21,188</b>	<b>21,188</b>
<b>Risk margin</b>	<b>R0280</b>	<b>20,926</b>	<b>20,926</b>
<b>Amount of the transitional on Technical Provisions</b>			
<b>TP as a whole</b>	<b>R0290</b>		
<b>Best estimate</b>	<b>R0300</b>		
<b>Risk margin</b>	<b>R0310</b>		
<b>Technical provisions - total</b>			
Technical provisions - total	R0320	20,683	20,683
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	(21,431)	(21,431)
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	42,115	42,115

**Own funds**  
**S.23.01.01**  
**EUR €'000**

		<b>Total</b>	<b>Tier 1 - unrestricted</b>	<b>Tier 1 - restricted</b>	<b>Tier 2</b>	<b>Tier 3</b>
		<b>C0010</b>	<b>C0020</b>	<b>C0030</b>	<b>C0040</b>	<b>C0050</b>
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	110,900	110,900			
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	(79,002)	(79,002)			
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>	<b>R0290</b>	<b>31,898</b>	<b>31,898</b>			-
<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					

**Own funds**  
**S.23.01.01**  
**EUR €'000**

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
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>	<b>R0400</b>					
<b>Available and eligible own funds</b>						
<b>Total available own funds to meet the SCR</b>	<b>R0500</b>	<b>31,898</b>	<b>31,898</b>			-
<b>Total available own funds to meet the MCR</b>	<b>R0510</b>	<b>31,898</b>	<b>31,898</b>			
<b>Total eligible own funds to meet the SCR</b>	<b>R0540</b>	<b>31,898</b>	<b>31,898</b>			-
<b>Total eligible own funds to meet the MCR</b>	<b>R0550</b>	<b>31,898</b>	<b>31,898</b>			
<b>SCR</b>	<b>R0580</b>	<b>18,427</b>				
<b>MCR</b>	<b>R0600</b>	<b>4,607</b>				
<b>Ratio of Eligible own funds to SCR</b>	<b>R0620</b>	<b>1.73</b>				
<b>Ratio of Eligible own funds to MCR</b>	<b>R0640</b>	<b>6.92</b>				
		<b>C0060</b>				
<b>Reconciliation reserve</b>						
Excess of assets over liabilities	R0700	<b>31,898</b>				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	<b>110,900</b>				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
<b>Reconciliation reserve</b>	<b>R0760</b>	<b>(79,002)</b>				
<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	26,668				
<b>Total Expected profits included in future premiums (EPIFP)</b>	<b>R0790</b>	<b>26,668</b>				

# Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.21

EUR €'000

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	7,103		
Counterparty default risk	R0020	564		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	14,213		
Diversification	R0060	(4,181)		
Intangible asset risk	R0070			
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	<b>17,699</b>		

## Calculation of Solvency Capital Requirement

		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	728
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
<b>Solvency capital requirement excluding capital add-on</b>	<b>R0200</b>	<b>18,427</b>
Capital add-on already set	R0210	
<b>Solvency capital requirement</b>	<b>R0220</b>	<b>18,427</b>
<b>Other information on SCR</b>		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

**S.28.01.01**

**EUR €'000**

**Linear formula component for non-life insurance and reinsurance obligations**

MCR calculation Non Life		Non-life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Credit and suretyship insurance and proportional reinsurance	R0100	21,187	928

**Linear formula component for life insurance and reinsurance obligations**

MCR calculation Life		Life activities	
		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		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCR <sub>NL</sub> Result	R0010	3,855	
MCR <sub>L</sub> Result	R0200		

**Overall MCR calculation**

Linear MCR	R0300
SCR	R0310
MCR cap	R0320
MCR floor	R0330
Combined MCR	R0340
Absolute floor of the MCR	R0350

<b>Minimum Capital Requirement</b>	<b>R0400</b>
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<b>C0070</b>
3,855
18,427
8,293
4,607
4,607
4,000
<b>C0070</b>
<b>4,607</b>