ABN AMRO Life S.A.

SOLVENCY AND FINANCIAL CONDITION REPORT

2017

Content

Summary

This report has been drafted in compliance with the Solvency II Directive, its Delegated Regulation and the guidelines of EIOPA which provide further details. It relates to 2017 financial year.

ABN AMRO Life S.A. was established in 1996 and operates under the European Directive on Life insurance “the Free Provision of Services”, regulating the active cross border sales of life insurance products throughout Europe. It is a 100% subsidiary of ABN AMRO Bank (Luxembourg) S.A., established in 1982.

BGL BNP Paribas S.A. and ABN AMRO Bank N.V. announced on 20 February 2018 that they had signed an agreement concerning the acquisition by BGL BNP Paribas S.A. of all the outstanding shares in ABN AMRO Bank (Luxembourg) S.A. and its fully subsidiary ABN AMRO Life S.A.

BGL BNP Paribas S.A. will transfer the activities of ABN AMRO Life S.A. to Cardif Lux Vie S.A. immediately following the acquisition. The proposed transaction, which is subject to regulatory approval, should be finalized by the third quarter of 2018.

ABN AMRO Life S.A. sells Unit-Linked products, but still manages a very small portfolio (in run-off) of a guaranteed rate product. As of 31st December 2017, ABN AMRO Life S.A. had 36 employees with international and multilingual expert teams as well as long-standing “in-depth knowledge”. It managed 1 583 insurance contracts and EUR 2,7 billion of assets.

ABN AMRO Life S.A. mainly provides “Private Wealth Insurance” to wealthy clients (essentially individuals with over EUR 1 million investable assets), primarily resident in Europe and also outside of Europe. Its current main markets are Belgium, Italy and France. ABN AMRO Life S.A. aims at further growth on its traditional markets with strong emphasis on France and Italy, on the domestic markets of the ABN AMRO network and at development of new selective markets where ABN AMRO Bank (Luxembourg) S.A. sees opportunities for Luxembourg Life insurance solutions.

ABN AMRO Life S.A. has developed a strong network of local premium partners in selected countries and it has generated consistent profits. The company also follows the ABN AMRO footprint where possible in providing tailor-made wealth structuring, wealth protection and wealth optimisation solutions in core European markets. Thanks to its open architecture which makes it possible for clients to choose - in collaboration with ABN AMRO Life S.A. - their preferred asset manager and custodian bank, ABN AMRO Life S.A. is a preferred party for clients and third party partners looking for Luxemburg wealth insurance solutions.

ABN AMRO Life S.A. business plan takes into account (i) the latest market and regulatory changes in the different countries it is operating in, (ii) the expected evolution in its established markets and (iii) the potential new business within ABN AMRO Bank (Luxembourg) S.A. network and third parties. In compliance with the Group’s strategy and its moderate risk profile, ABN AMRO Life S.A. aims at a sustainable business model, the pursuit of moderate and well controlled growth, sufficient scale, high efficiency, solid bases and a focus on European markets and on a focused number of products.

ABN AMRO Life S.A. considers its system of governance as adequate to the nature, scale and complexity of the risks inherent in its business.

ABN AMRO Life S.A. takes care of sound management of its risks in compliance with the Solvency II directive, the risk governance charter and the moderate risk profile of ABN AMRO Group. Its latest Own Risk & Solvency Assessment related to end of the third quarter of 2017 demonstrates a strong resilience to the market and business scenarios, a solvency that is sufficiently covered with a good profitability on the short term and a good control of its specific risks. It has the capability, in the current economic circumstances, to self-finance its development.

The company’s solvency capital requirement cover ratio (163 % as of 31st December 2017) remains largely above the minimum regulatory requirements in all envisaged stress scenarios. The Company’s own funds are only composed of (unrestricted) Tier 1 capital, i.e. excess of assets over technical provisions and other liabilities, of the best quality, made of reserves and common equity.

A. Business and performance

A.1 Business

Shareholders and history

ABN AMRO Life S.A. was established in 1996 and operates under the European Directive on Life insurance “the Free Provision of Services”, regulating the active cross border sales of life insurance products throughout Europe. It is regulated by the ‘Commissariat aux Assurances’ in Luxembourg. It is located at 46, avenue J.F. Kennedy, L-1855 Luxembourg – Kirchberg.

The Commissariat aux Assurances is located at 7, boulevard Joseph II, L-1840 Luxembourg.

ABN AMRO Life S.A. is audited by Ernst & Young S.A. located at 35E, avenue J.F. Kennedy, L-1855 Luxembourg.

Since 1st January 2016, ABN AMRO Life S.A. is supervised under the Solvency II regulation framework which regulates insurance activities in the EU (Directive 2009/138/EC). Its solvency cover ratio stands at 163 % as of 31st December 2017 as compared to a required regulatory solvency ratio of 100%.

It is a 100% subsidiary of ABN AMRO Bank (Luxembourg) S.A., established in 1982 and regulated by the ‘Commission de Surveillance du Secteur Financier’ in Luxembourg. It is a 100% participation of ABN AMRO Bank N.V. registered in the Netherlands which is held 100% by ABN AMRO Group N.V. It is located at Gustav Mahlerlaan, 10, in 1082 PP Amsterdam, The Netherlands. It employed 19 954 FTE’s as at 31st December 2017.

A total of 50,1 % of the total issued share capital of ABN AMRO Group is currently (as year-end 2017) held by STAK AAG (‘Stichting Administratiekantoor Continuïteit ABN AMRO Group’), which has issued depositary receipts representing such shares. The depositary receipts are listed on Euronext Amsterdam. More information about the STAK AAG is provided in the ‘About ABN AMRO’ section of abnamro.com. The depositary receipts trade under ISIN code ‘NL0011540547’, Reuters ticker ‘ABNd.AS’ and Bloomberg ticker ‘ABN:NA’.

At 31st December 2017, ABN AMRO Bank N.V. has EUR 201 billion Assets under Management (Private Banking), of which 55 % in the Netherlands and 45 % in the rest of Europe. ABN AMRO Bank N.V. generates most of its revenues in the Netherlands, where it has a strong position in all segments of the markets in which it operates, complemented by select international activities. The business line Private Banking employed 3 240 FTE’s as at 31st December 2017. The international network of ABN AMRO consists of the business lines Retail & Private Banking and Corporate Banking, supported by Group Functions.

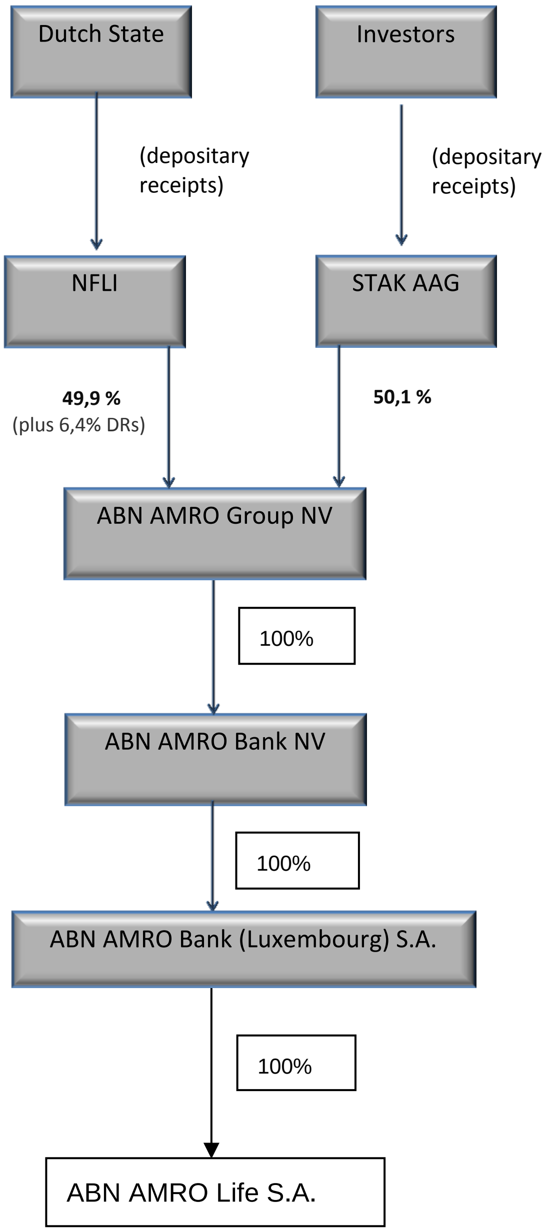
ABN AMRO Private Banking provides total solutions to clients’ global wealth management needs, offering a broad and comprehensive array of products and services designed to address their individual situations.

ABN AMRO Life S.A. belongs to the Business Unit Private Banking International (PBI) of ABN AMRO Bank (Luxembourg) S.A.. ABN AMRO Life S.A. predominantly supplies ABN AMRO Bank (Luxembourg) S.A. clients with life insurance solutions which are used for the structuring of the client’s wealth. It plays an important role in the Luxemburg bank’s ambition to be the structuring centre for its existing and new clients as well as for the network of the Group. ABN AMRO Life S.A. sells Unit-Linked products, but still manages a very small portfolio of a guaranteed rate product (run-off portfolio). As of 31st December 2017, ABN AMRO Life S.A. had 36 employees with international and multilingual expert teams as well as long-standing “in-depth knowledge”. It managed 1 583 insurance contracts and EUR 2,7 billion of assets.

On 20 February 2018, BGL BNP Paribas S.A. and ABN AMRO Bank N.V. announced that they had signed an agreement concerning the acquisition by BGL BNP Paribas S.A. of all the outstanding shares in ABN AMRO Bank (Luxembourg) S.A. and its fully subsidiary ABN AMRO Life S.A.

BGL BNP Paribas S.A. will transfer the activities of ABN AMRO Life S.A. to Cardif Lux Vie S.A. immediately following the acquisition. The proposed transaction, which is subject to regulatory approval, should be finalized by the third quarter of 2018.

The shareholders structure of ABN AMRO as per 31st December 2017 is the following:



ABN AMRO's activities in Luxembourg are represented by two separate legal entities: ABN AMRO Bank (Luxembourg) S.A. and ABN AMRO Life S.A.

More information is available on :

https://www.abnamro.com/en/about-abnamro/our-company/corporate-governance/shareholder-structure/index.html

Business model and target markets

ABN AMRO Life S.A. mainly provides “Private Wealth Insurance” to wealthy clients (predominately individuals with over EUR 1 million investable assets), primarily resident in Europe and also outside of Europe along the ‘Freedom of Provision of Services Directive’. Its current main markets are Belgium, Italy and France. ABN AMRO Life S.A. aims at further growth on its traditional markets with strong emphasis on France and Italy, on the domestic markets of the ABN AMRO network and at development of new selective markets where ABN AMRO Bank (Luxembourg) S.A. sees opportunities for Luxembourg Life insurance solutions.

Its main activity is offering unit-linked (‘UL’) insurance solutions.

Life insurance is a key skill and product in the financial planning toolbox for structuring wealth, asset protection, privacy/confidentiality, tax and inheritance and death risk coverage. In addition to the tax advantages it offers in different European countries, life insurance particularly fits complex needs.

ABN AMRO Life S.A. has developed a strong network of local premium partners in selected countries and it has generated consistent profits. The company also follows the ABN AMRO footprint where possible in providing tailor-made wealth structuring, wealth protection and wealth optimisation solutions in core European markets.

Thanks to its open architecture which makes it possible for clients to choose – in collaboration with ABN AMRO Life S.A. - their preferred asset manager and custodian bank, ABN AMRO Life S.A. is a preferred party for clients and third party partners looking for Luxemburg wealth insurance solutions.

Major contributors to the company’s positive value are: the good quality of its client base, its experienced and dedicated staff, its state-of-the art platform and its profitability.

The main features of the life insurance contracts offered by ABN AMRO Life S.A. are the following:

- The Life Insurance policies may or may not include an additional death cover. The mortality risk is fully covered by ‘A’ rated (from Standard & Poors) reinsurers;
- Luxembourg insurance laws provide for the highest level of privacy for clients;
- Life insurance products can be used for wealth and succession planning purposes. They can be pledged and underlying assets may include non-quoted assets;
- Policies above EUR 125 k (which are the large majority) can be invested in a dedicated fund consisting of individual securities (stocks, funds, bonds etc.) in line with clients’ investment & risk profile (“Ducalis Manager”- policy). This investment fund is tailor-made and managed by a discretionary or advisory asset manager. Above EUR 1 million, the regulatory investment rules give high investment flexibility;
- Policies below EUR 125 k are invested in external investment funds (“Ducalis Initiative”- policy) and the policy holder is allowed to switch to other investment funds during the lifetime of the policy;
- ABN AMRO Life S.A. also manages one group insurance policy.

Besides, there is a small, and shrinking, portfolio of interest rate guaranteed insurances (EUR 0,6 million as of 31st December 2017). These policies are no longer sold and the existing portfolio is slowly being redeemed. It is fully hedged with high rated bonds with aligned duration and positive yield margin. As such, ABN AMRO Life S.A. does not run any market risk on this portfolio.

A.2 Underwriting Performance

Main geographical areas as of 31st December 2017

Main geographical areas where contracts are still actively offered as of end of 2017 are Belgium (23% of total portfolio), Great Britain (20%), France (16%) and Italy (14%).

Main lines of business as of 31st December 2017

The portfolio is mainly composed of unit-linked policies (EUR 2,7 billion) for above 99,98% of the total of technical provisions.

The policies with interest rate guarantee (which are not sold anymore) only amount to EUR 0,6 million. The related interest rate risk is fully covered by assets of similar duration and this hedge entails a positive margin.

Likewise, the mortality risk linked to the optional additional death cover is fully reinsured by ‘A’ rated (by Standard & Poors) reinsurers. This cover creates a profit.

Global underwriting performance in 2017

In 2017, the technical provisions increased by 0,7%, from EUR 2,708 billion as of end of 2016 to EUR 2,728 billion as of end of 2017.

Gross premiums:

In 2017, the gross premiums were mainly underwritten by residents from France (37%), Italy (35%), Belgium (12%) and Luxembourg (4%). Their total amount increased by 18% compared to the gross premiums in 2016. Such increase mainly comes from the French market (+127%). The premiums from Italy have also increased compared to 2016 (+96%).

Redemptions:

In 2017, it is mainly policies held by Belgian (34%), Italian (22%) and German (19%) residents that have been redeemed. The total redeemed amount has increased compared to 2016 (+19% or EUR 224 million versus 188 million).

Technical result

The technical result reflects the performance of the insurance business, i.e. the net margin realised on the technical provisions and related income and charges. This revenue mainly depends on management fees after deduction of the commissions paid to the intermediaries.

The technical income also includes:

- The margin realised on the reinsurance of the mortality risk (difference between the premium applied to the contracts and the premium paid to the reinsurer).
- The net banking revenues mainly composed of retrocessions paid by custodian banks, mainly ABN AMRO Bank (Luxembourg) S.A., as remuneration for the deposit of the representative assets of technical provisions.
- The penalties applied to early redemptions (decreasing gradually up to the end of the first four years following the subscription).
- The other technical income including net entry fees and arbitrage fees on external funds in Initiative contracts.
- The other income from administrative and tax treatment.
- The personnel expenses, general & administrative expenses, depreciation and rebilling, which are allocated to the technical result.

ABN AMRO Life S.A. financial statements related to the underwriting performance as at 31st December 2017 compared to as at 31st December 2016 are the following:

ABN AMRO LIFE S.A.
Société Anonyme

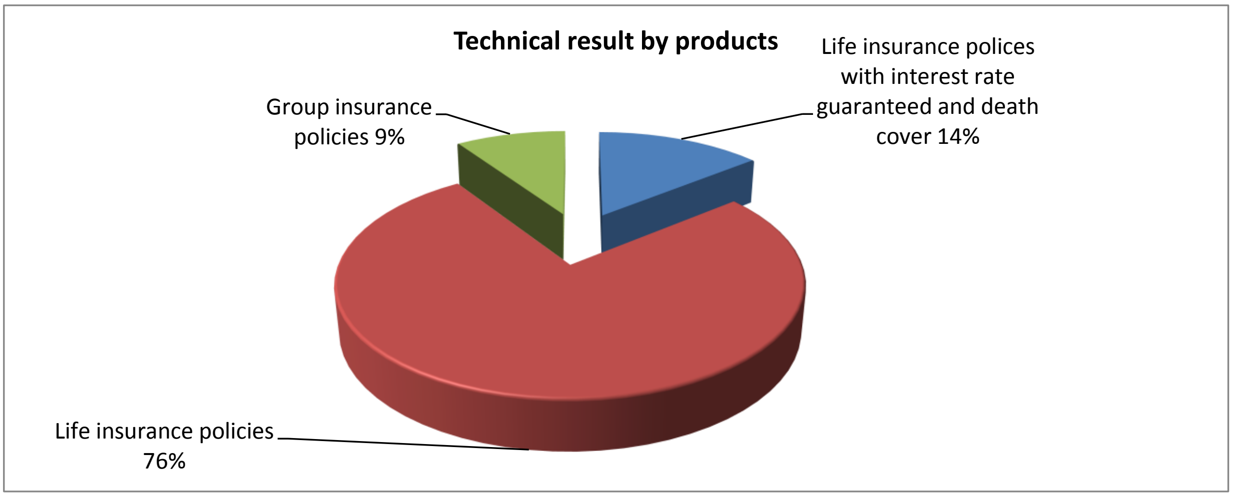
Profit and loss account
31 December 2017
(expressed in Euro)

	2017	2016
Technical account - life insurance business		
Earned premiums, net of reinsurance		
Gross premiums written (Note 11)	193.626.182	162.898.685
Outward reinsurance premiums (Note 14)	(286.158)	(297.126)
	193.340.024	162.601.559
Investment income		
Income from other investments	35.027.974	52.296.211
out of which from affiliated undertakings	*959.150*	*1.514.408*
Gains on the realisation of investments	85.812.959	61.785.854
	120.840.933	114.082.065
Unrealised gains on investments	62.152.431	216.817.252
Other technical income, net of reinsurance	130.536	226.158
Claims incurred, net of reinsurance		
Claims paid :		
Gross amount	(224.982.281)	(188.859.496)
Reinsurers' share (Note 14)	420.267	212.579
	(224.562.014)	(188.646.917)
Change in other technical provisions, net of reinsurance		
Life insurance provision		
Gross amount	(20.560.658)	(163.548.381)
Reinsurers' share (Note 14)	(4.259)	(3.338)
	(20.564.917)	(163.551.719)
Net operating expenses		
Acquisition costs (Note 12)	(2.072.721)	(1.573.924)
Administrative expenses (Notes 12, 13, 15)	(4.891.138)	(3.952.076)
	(6.963.859)	(5.526.000)
Investment charges		
Investment management charges, including interest	(24.249.977)	(16.422.922)
Losses on the realisation of investments	(56.090.466)	(48.436.278)
	(80.340.443)	(64.859.200)
Unrealised losses on investments	(40.771.762)	(67.536.464)
Other technical charges, net of reinsurance	(23.826)	(7.594)
Allocated investment return transferred to the non-technical account	(112.814)	(181.837)
Balance of the technical account for life insurance business	3.124.289	3.417.303

The company's underwriting performance at an aggregate level and by material line of business and material geographical areas where it carries out business is the following:

	Technical result in 2017 (in Euros)
Life insurance polices with interest rate guaranteed and death cover	441 975
Benelux markets	*186 923*
France markets	*1 553*
Italian markets	*158 478*
Other markets	*95 022*
Life insurance policies	2 388 008
Benelux markets	*-34 052*
France markets	*-785 061*
Italian markets	*488 588*
Other markets	*2 718 532*
Group insurance policies	294 307
Other markets	*294 307*
Total	**3 124 290**

	Technical result in 2017 (in Euros)
Death cover garantee and other life insurance policies	468 839
Life insurance polices with interest rate guarantee	-26 864
Unit-Linked Life insurance polices	2 388 008
Groupe insurance policies	294 307
Total	**3 124 290**



A.3 Investment Performance

The investment return transferred to the non-technical account consists of income and expenses related to the investment of own funds (i.e. the income from assets not allocated to the representation of technical risks and provisions).

These assets are mainly composed of government bonds, term deposits and saving accounts, mainly with ABN AMRO Bank (Luxembourg) S.A.. As a result of the decrease of the interest rates in the last years, the relatively small amount of own assets in the balance sheet and their prudent investment in high grade assets, the investment return on the own portfolio is less significant.

Break-down per component:

In 2017, the investment return transferred to the non-technical account broke down as follows

(in euros):

I. Income on investments

• Dividends:	550
• Interests on bonds:	63,735
• Interests on savings, term deposits and current banking accounts:	102,935
• Realised capital gains on assets:	27,060
• Foreign exchange profit:	37,507
Total income on investments	231,766

II. Expenses on investments

• Banking interests and commissions:	922
• Banking charges on securities:	13,389
• Other financial charges:	31,817
• Amortized premium on capital bonds:	13,537
• Foreign exchange loss:	59,308
Total expenses on investments:	118,973

Total investment return transferred to the non-technical account: **112,814**

Break-down per asset class:

In 2017, the investment performance was mainly driven by interests on bonds and term deposits, respectively for 64 K€ and 103 K€.

A.4 Performance of other activities

ABN AMRO Life S.A. has no other activities than the ones described above.

B. System of governance

B.1 General information on the system of governance

Prudent Management

ABN AMRO Life S.A. business plan takes into account (i) the latest market and regulatory changes in the different countries it is operating in, (ii) the expected evolution in its traditional markets and (iii) the potential new business within ABN AMRO Bank (Luxembourg) S.A. network and through third party distribution.

In compliance with the Group's strategy and it moderate risk profile, ABN AMRO Life S.A. aims at a sustainable business model, the pursuit of moderate and well controlled growth, sufficient scale, high efficiency, solid bases and a focus on European markets and on a focused number of products.

ABN AMRO Life S.A. considers its system of governance adequate to the nature, scale and complexity of the risks inherent in its business.

Delegation of powers and authority and main functions within the company

ABN AMRO Life S.A. is managed through the following key committees:

1. The Board of Directors
2. The Management
3. The Client Acceptance and Review Committee
4. The Audit, Risk and Compliance Committee
5. The Assets & Liabilities Management Committee (ALCO) (common to ABN AMRO Bank (Luxembourg) S.A. and ABN AMRO Life S.A.)
6. The Local Product Acceptance Committee (LPAC) (common to ABN AMRO Bank (Luxembourg) S.A. and ABN AMRO Life S.A.).

1. The Board of Directors

Roles and responsibilities

The Board of Directors is the ultimate decision making body of ABN AMRO Life S.A.. It manages the company with the purpose to fulfil corporate objects as defined in the Articles of Incorporation and By-laws

Approval of the appointment of Members of the Board

The appointment of the Members of the Board has to be approved by the Commissariat aux Assurances ("CAA"). They must fill out and sign a "Declaration of honour".

Composition and qualifications

ABN AMRO Life S.A. applies the guiding principles concerning the composition and qualifications of the Members of the Board of Directors of ABN AMRO Bank (Luxembourg) S.A. together with its procedures related to the appointment, the assessment of the fit and proper status and to the revocation of the Members of the Board of Directors, of the Management and of the holders of key functions (see chapter B.2).

ABN AMRO Life S.A. also applies for the same purposes the Directive 2009/138/EC of 25th November 2009 (the so-called « Solvency II » Directive), articles 40 to 50 and the EIOPA regulation EIOPA 1094/2010 of 24th November 2010, article 16.

The Shareholder, ABN AMRO Bank (Luxembourg) S.A., decides on the appointment of a Board Member based on the suitability assessment and underlying documents, subject to approval by the CAA.

The Members are appointed for a mandate of maximum 6 years which can be renewed. The total duration of the function may not exceed three terms or 18 years unless otherwise decided with reason by the General Meeting of Shareholders.

Meetings and decisions

The Board holds meetings at least three times in a year. The decisions are taken by majority of the Board Members present or represented in the meeting.

The Members are required to join meetings and receive invitations and meeting minutes, once reviewed by the Managing director, for review and comments.

Resignations

The Board of Directors draws up a schedule of the resignations and adapts it continuously while making sure that the appointments of the different Members do not take place at the same time.

The Members can resign on their own initiative. They will resign at any time in case they would not be able anymore to fulfil their duty in a satisfactory way, in case of structural conflict of interests or if the Shareholders consider it necessary.

2. The Management

Appointment and approval by the regulator

The Managing director is appointed by the Board of Directors subject to the approval of the CAA.

The Board of Directors has appointed René Vanrijkel as Managing director and his appointment has been approved by the Commissariat aux Assurances as of 13rd June 2016.

Roles and responsibilities

He is responsible for the daily executive management. He is the person ultimately responsible towards the regulator (Commissariat aux Assurances).

The Managing director has the most extended powers to act in all circumstances on behalf of the company and to represent it in his relationships with third parties. He exercises his powers in the framework of the company's object and subject to the powers expressly assigned by law or by the Articles of Incorporation to the General Meetings of Shareholders and to the Board of Directors.

Qualifications

ABN AMRO Life S.A. applies the procedures of ABN AMRO Bank (Luxembourg) S.A. related to the appointment, the assessment of the fit and proper status and to the revocation of the Managing director. He also has to provide the same documents as described in chapter B.2 for the Members of the Board for the suitability assessment.

Management Committee

The Managing director is assisted by a management team for the daily management of the company. The Management Committee holds its meetings in principle once a month and makes its decisions by consensus. The Members and permanent guests are invited and received the minutes of the meetings prepared by the Managing director for review and comments.

Other people can be invited if necessary.

3. The Client Acceptance and Review Committee

This committee is in charge of the acceptance and periodic review of clients and business partners and of the update of questionnaires « Know your Client » and of risk assessments.

It holds meetings once a week and ad hoc. The acceptance of new clients and business partners and the review of clients with increased risk require the approval of following people:

- The Relationship Manager presenting the file
- The Managing director and/or his deputy
- The Chief Commercial Officer and/or the Head of Commercial Support
- The Chief Risk & Compliance Officer.

4. The Audit, Risk and Compliance Committee

In compliance with the Risk Governance Charter of ABN AMRO, this committee oversees and controls the implementation of the risk management framework and policies for ABN AMRO Life S.A.. It manages the risk profile within the risk appetite as defined by the Board of Directors. It covers the full risk taxonomy of a life insurance company except the acceptance and review of individual clients and transactions. It leverages on the expertise of ABN AMRO group through continuous interactions with both the Risk and Compliance departments of the Bank, globally and in Luxembourg.

It holds meetings at least quarterly. It makes its decisions by approval of at least 3 members, of which at least the Chief Risk & Compliance Officer. The members are required to join meetings and receive invitations and meeting minutes. Invitees receive minutes and the agenda. They are expected to join for issues under their scope of responsibility and they are allowed to join for other issues of their interest.

The objectives of the Audit, Risk and Compliance Committee are to:

- Ensure Audit, Risk and Compliance matters receive proper attention at Senior Management level and Risk Management Committee is visible and embedded in the governance structure
- Serve in general as a forum for coordination, communication, evaluation, delegation and oversight regarding Audit, Risk and Compliance within the organisation
- Steer and monitor the timely implementation of Audit, Risk and Compliance policies and standards, to review and discuss risk issues brought to the attention of the Committee and to offer advice and guidance on the resolution of Audit, Risk and Compliance issues
- Assess the quality of the internal control, of the risk control and oversight and propose, when necessary, supplementary actions
- Follow up the missions of the Internal Audit, External Audit and of the CAA.

5. The Assets & Liabilities Management Committee (ALCO)

This committee covers both ABN AMRO Bank (Luxembourg) S.A. and ABN AMRO Life S.A.

It has the operating responsibility for the country balance sheet within limits, policy and controls set by Group Asset & Liability Committee in Amsterdam.

It holds monthly meetings. At least the Country Executive or the Chief Financial Officer is present at each meeting. The Country Executive has veto power. Exercising the veto suspends decision-making and leads to escalation of the issue to Group Asset & Liability Committee in Amsterdam. The Country Executive must ratify all decisions made during his absence.

The members are required to join meetings and receive invitations and meeting minutes. Invitees receive minutes and an agenda. They are expected to join for issues under their scope of responsibility and they are allowed to join for any other issues of their interest.

6. The Local Product Acceptance Committee (LPAC)

This committee covers both ABN AMRO Bank (Luxembourg) S.A. and ABN AMRO Life S.A.

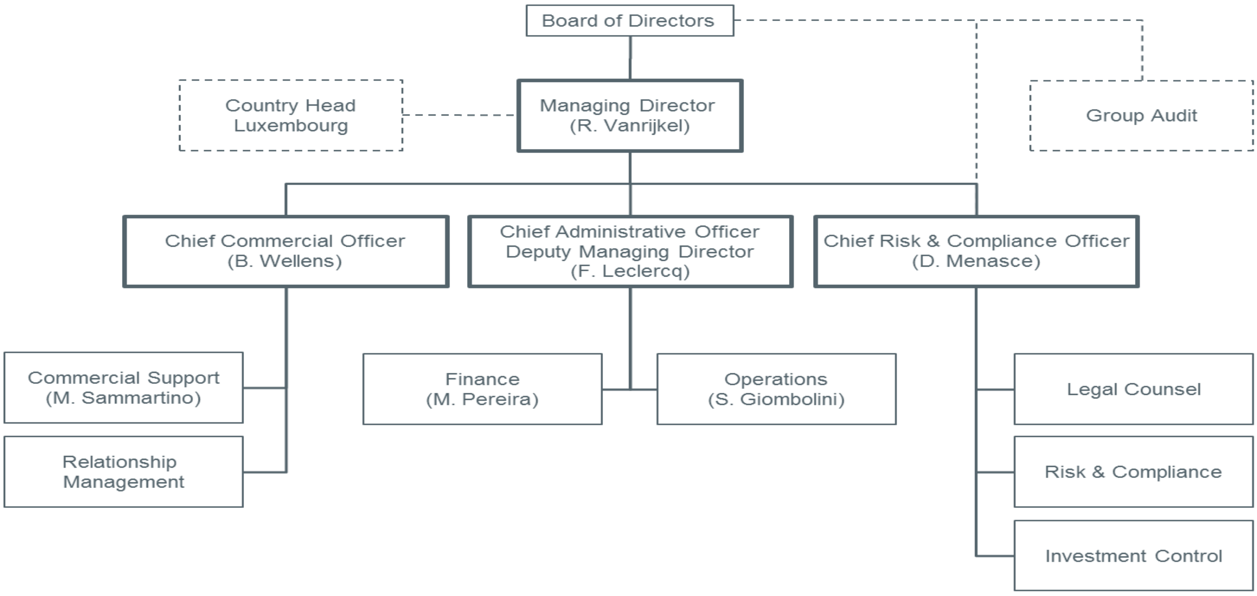
The LPAC decides on ABN AMRO Bank (Luxembourg) S.A. business proposals for new products and services and their periodic review, thereby safeguarding compliancy with the group risk tolerance, business strategy and duty of care requirements. The LPAC aims to be a centre of expertise in products and services and related duty of care.

The LPAC is the decision authority within ABN AMRO Bank (Luxembourg) S.A. for products and services. GPAC is the only body responsible for overarching governance and policies, approval of global products and services (i.e. products and services offered simultaneously in multiple countries) and counterparty approval. LPAC ratifies the decisions made in the GPAC during the monthly LPAC meetings. These ratifications are also taken up in the minutes of the LPAC meetings. LPAC implements the ratified policies and concepts. GPAC may delegate this authority to the respective Local Product Approval Committees (LPACs) for products and services that are offered only locally within the framework of this Local Product Approval & Review Policy

The LPAC holds monthly meetings. Each member has a veto right and the right to escalate to GPAC.

7. Organisation chart and key functions

The organisation chart of the company as of 31st December 2017 is the following:



8. Remuneration policy

ABN AMRO Life S.A. applies the remuneration policy of its shareholder ABN AMRO Group even though it is not in the scope of the application of the CSSF circular. It has signed the Collective Labour Agreement applicable to insurance companies in Luxembourg and pays its employees accordingly.

The base salary is agreed contractually and increases either further to legal increases (indexation of salaries following the Consumer Price Index), if any, or is reviewed on a discretionary base depending on the career evolution and responsibilities. Periodic and regular *benefits in kind* (company cars, renting allowance) are granted under certain conditions to a limited number of employees and are considered as part of the fixed annual remuneration.

Discretionary benefits are granted to the employees and can either be standard benefits or specific ones adapted to the individual contractual situation. This is applicable for all employees including risk, control, audit and compliance functions. For the latter however, the level of performance bonus is not linked to the result of ABN AMRO Life S.A. but to the achievement of the specific objectives to their function. The remuneration of the Chief Risk and Compliance Officer is directly overseen by the Board of Directors. There is no discretionary pension contribution on the variable remuneration.

Each employee is eligible to a discretionary *performance bonus* based mainly on company's performance, individual performance, behaviour and compliance. The portion of the annual performance bonus should not represent more than 60% of the annual remuneration. The above calculations should be based on the actual remuneration in a performance year.

The company has a *defined contribution pension scheme* offered to all employees under a permanent contract ("CDI"). The company has also subscribed a *death and disability insurance* for the employees which are included in the pension plan. It finances this scheme externally through a mixed group insurance contract.

All employees, including employees out of the collective labour agreement and top managers, receive the same amount of *annual holidays* as agreed in the collective labour agreement.

The remunerations of the Managing director and of the holders of the key functions are discussed by the Managing director of ABN AMRO Bank (Luxembourg) S.A. and the Chairman of the Board of Directors of ABN AMRO Life S.A.

B.2 Fit and Proper requirements

Composition and qualifications of the Members of the Board of Directors

ABN AMRO Life S.A. applies the guiding principles concerning the composition and qualifications of the Members of the Board of Directors (hereafter « Members») of ABN AMRO Bank (Luxembourg) S.A. together with its procedures related to the appointment, assessment of the fit and proper and the revocation of the Members of the Board of Directors, of the Management and of the holders of key functions. ABN AMRO Life S.A. also applies for the same purposes the Directive 2009/138/EC of 25^{th} November 2009 (the so-called « Solvency II » Directive), articles 40 à 50 and the EIOPA regulation EIOPA 1094/2010 of 24^{th} November 2010, article 16.

In summary, these principles as applied to ABN AMRO Life S.A. are the following:

- Both the Board globally and each of its Member individually must have the necessary expertise.
- The number of Members must be sufficient to ensure that it can fully meet its responsibilities and obligations.
- For this purpose, the composition of the Board take into account:
    - The characteristics, size, activities and complexity of the company,
    - The expertise, experience and diversity (age, sex and cultural background) of the Members.

The company sees to it that the Members collectively have the appropriate qualification, experience and knowledge related to at least the financial markets and the insurance business, to the business model and to the corporate strategy, including in the fields of risk management, system of governance, financial and actuarial analysis and of the regulatory framework and requirements.

The company especially sees to it that at least two Members are financial experts having relevant knowledge and experience in the fields of finance, insurance and audit.

The Members see to it to maintain and update the required qualifications and expertise. For this purpose, they regularly participate to training.

Each Member must also comply with the individual profile drawn up for filling the vacancy concerned in order to ensure that the Board of Directors as a whole fulfils the requirements described above.

Each Member must be sufficiently available and reachable to fulfil his/her task within the Board of Directors.

Once a person has been selected, the Legal Counsel collects the following documents for the suitability assessment:

- passport copy
- curriculum vitae
- declaration of honour
- excerpt of criminal records or certificate of conduct
- the list of other Board Memberships and functions and an indication of the time spent on these Board Memberships and functions.

On the basis of these documents the Legal Counsel prepare the suitability assessment by filling out a “template suitability assessment". The suitability assessment together with the documents on the basis of which Legal Counsel have prepared it are then submitted to the body deciding on the appointment.

Qualifications of the employees of the company

The human resources management is organised around ABN AMRO Bank (Luxembourg) S.A.. It applies the same principles as described above in particular for the hiring of employees and complies with the principles applicable and regulatory required in the financial sector. The hiring criteria take into account the fit and proper principle. Their skills are verified through their diplomas, particularly concerning the hiring for the key functions, such as the actuarial function, the risk management function but also other functions which form ABN AMRO Life S.A. business. Their reputation is verified in compliance with the procedures related to the management of human resources. Similar requirements apply to external consultants.

B.3 Risk management system

Risk management function, its objectives and its organisation

The Risk Management function of ABN AMRO Life S.A. is responsible for the management of all risks faced or foreseen by the representation of ABN AMRO Life S.A. and is organised per the International Risk Charter for the Private Banking International entities of the ABN AMRO Group.

ABN AMRO Life S.A. takes care of the sound management of its risks in compliance with the Solvency II directive, of the risk governance charter and the moderate risk profile of ABN AMRO Group.

The programs of risk management are supervised by the ARC Committee (see chapter B.1.4. above) which encompasses all of the risks described in chapter C. Risk Profile below).

End responsibility for the timely and appropriate identification, mitigation and reporting of risks lies with the Managing Director and the Chief Risk & Compliance Officer of the Company.

The key functions of Compliance and Risk Management are grouped together and are managed by the Chief Risk & Compliance Officer, reporting to ABN AMRO Life S.A. Managing Director and functionally to the Country Risk Officer and the Country Compliance Officer.

In the context of a program of ABN AMRO Bank (Luxembourg) S.A., an exhaustive review of all client files has been performed by an external Big4 consultant in 2015, in order to assess the compliance of client documentation with Anti Money Laundering regulations and ABN Group policies. More than 1 500 policies have been assessed by the consultant and reviewed accordingly by ABN AMRO Life S.A. Client Acceptance and Review Committee. As of today more than 95 % of the assets and more than 90% of the policies have been remediated. In September 2017, the Board of Directors agreed that the objectives of the review were achieved and decided that the remaining of the policies would be handled in the day-to-day activities.

Own Risk and Solvency Assessment ('ORSA')

In the framework of and in compliance with the Solvency II Directive and especially with its article 45, an ORSA has been performed for the first time in 2014 then each year. Its results have been presented to and discussed with the Board of Directors (respectively in December 2014 in relation to financial year 2013, in July 2015 on 2014, in October 2016 for 2015 and in December 2017 for 2016 and up to end of the third quarter of 2017).

The Own Risk and Solvency Assessment (ORSA) is defined as a set of processes constituting a tool for decision-making and strategic analysis. It aims to assess, in a continuous and prospective way, the overall solvency needs related to the specific risk profile of the insurance company.

It is part of a cyclical and iterative system involving the board of directors, the management, internal audit, internal control and all employees of the company. It aims to provide a reasonable insurance on compliance with the strategy of the company against risks.

The ORSA, as part of the second pillar of Solvency II, completes the quantitative capital requirements with quality requirements and a global and appropriate risk management system.

On a yearly basis, the ORSA is prepared with the support of the external actuary and challenged by ABN AMRO Life S.A. Chief Risk Officer and ABN AMRO Life S.A. management. Assumptions are reviewed in line with the risk profile and strategy defined by the Group and by ABN AMRO Life S.A. Board of Directors. Conclusions are discussed within the Board of Directors and appropriate actions are then decided. Decisions are recorded in the minutes of the Board of Directors.

The report presented to the Board of Directors for its approval includes the qualitative and quantitative results of the ORSA and its conclusions. It also details the methods and main assumptions used in the ORSA. The report indicates the solvency needs and a comparison between those solvency needs, the regulatory capital requirements and ABN AMRO Life S.A. own funds. Finally, the report explains the main deviations that have been identified.

Solvency needs have been determined by ABN AMRO Life S.A. Board of Directors, who agreed that - in order to maintain a group moderate risk profile - its solvency needs should remain around 150%.

Conclusions from ORSA have led the Board of Directors to postpone the payment of dividend to ABN Group in order to maintain solvency ratio at a level acceptable by the Board.

This report presents the conclusions of the last ORSA performed in 2017 based on the situation as of 30th September 2017.

In compliance with article 45 of Solvency II directive framework and its Level 3 measures, the assessment includes the following:

- The *Overall Solvency Requirements*, based on the standard formula but also on ABN AMRO Life S.A. specific risk profile, not included in the Pillar 1 standard shocks, on its approved risk tolerance limits and on its business strategy. This assessment includes a sufficient number of stress tests and scenarios and a prospective dimension;
- The *Continuous Compliance with the regulatory solvency requirements and with the requirements regarding technical provisions*. It uses the standard formula and its metrics but on a forward looking way, over the business plan horizon (2018-2021). It deals with the business, market and operational risks. It recalculates a solvency cover ratio for each year of the business plan, keeping the current asset allocation in foreign currencies and in quoted vs non-quoted assets.
- *The Comparison of ABN AMRO Life S.A. specific risk profile to the risks as measured in Pillar 1* in order to identify the material gaps and measure them (with new methods and metrics.) For ABN AMRO Life S.A., the major gap relates to the concentration risk.

The general conclusions of the ORSA are the following:

- The company demonstrates a strong resilience to different market and business scenarios. As of 30th September 2017, ABN AMRO Life S.A. solvency is sufficiently covered with a good profitability on the short term and a good control on its specific risks. It has the capability, in the current economic circumstances, to self-finance its development
- The company's solvency capital requirement ratio remains above the minimum regulatory requirements in all envisaged stress scenarios.

Investments of own assets in accordance with the "Prudent person principle"

ABN AMRO Life S.A. invests its excesses of treasury, i.e. its own funds covering the solvency requirements, in high quality liquid assets as described in Chapter C. Risk Profile, C.6 Other risks.

B.4 Internal Control System

The internal control environment of ABN AMRO Life S.A. is organised per category of risks faced in order to efficiently benefit from the in-house expertise of the dedicated control functions (such as Legal, Compliance and Risk Management) whilst also benefiting from the expertise and tools available in the Bank, 100% shareholder of the life insurance company. In that respect, Information Security, Business Continuity Management and Internal Audit departments from the Bank include the life insurance activities in their scope.

The company's activities are controlled through the functions of the three lines of defence independent of each other as described below. The results of the regular controls are in place, a combination of 1st Line of Defence functions (Operations, Business), 2nd Line of Defence functions (Risk Management, Legal, Compliance, Information Security) and 3rd Line of Defence function (Internal Audit) together with an appropriate internal control environment.

Internal control is indeed embedded in all business and operational activities of ABN AMRO Life S.A.. It includes 4-eyes principle in most of the operational tasks as well as a set of management controls, where heads of departments ensure the proper execution of the tasks performed in their units. Finally, the second line of defence functions like Compliance and Risk Management verifies the application of the procedures as well as the design and the effectiveness of the internal control framework.

Based on the company's risk profile and appetite as described in chapter C below, the internal control system identifies, assesses and manages the risks. Its quality and efficiency is overseen by the Audit, Risk & Compliance Committee. In this respect the Risk Management function prepares and presents its quarterly activities to the Audit, Risk & Compliance Committee. It includes a risk dashboard that presents a set of key risk indicators defined to monitor the main identified risks. These indicators are submitted on a yearly basis to the Board of Directors for its approval.

The compliance function is established within ABN AMRO Life S.A. under the lead of the Chief Compliance Officer. It adheres to the Compliance framework set up by ABN Group Compliance & Conduct Charter.

In order to guaranty its independence, and according to applicable regulations, Compliance has a direct and independent reporting line to ABN AMRO Life S.A. Board of Directors. Compliance also reports to ABN AMRO Life S.A. Managing Director as well as functionally reports to the Country Compliance Officer. In this respect, Compliance reports on a quarterly basis to the Board of Directors the measures that have been taken to address the identified shortcomings.
In accordance with ABN Group policies and with Luxembourg law and regulations, the Compliance function is responsible for the implementation and the maintenance of the compliance framework and the related employees training, notably concerning the fight against money laundering and terrorist financing.

B.5 Internal Audit function

Internal Audit policy

The Internal Audit Charter covers the activity of the Internal Audit department of ABN AMRO Luxembourg (Group Audit Luxembourg). It also explains the Modus Operandi of the Internal Audit.

The internal Auditor prepares the audit plans and discusses them with the Chairman of the Board of Directors who is the ultimate person responsible for the internal audit function for ABN AMRO Life S.A..

The Internal Audit department uses dedicated audit tools:

- To document the audit work, the results and conclusions in a dedicated database;
- To track the implementation of the audit issues (for which a separate procedure has been drafted) in a separate database (other than the one used for the audit conclusions);
- To extract data and data analyses whenever it is necessary whilst using computer assisted audit tools (« CAATS »).

The risk based audit Plan:

- The audit plan is communicated to the Audit Committee and Board of Directors of ABN AMRO Bank (Luxembourg) S.A. and to the ARC Committee of ABN AMRO Life S.A.
- It is based on risks
- It gives rise to the drafting of an audit report at least once a year
- The audit report includes the recommendations of the internal audit department
- The internal audit function follows up the audit recommendations on a quarterly basis concerning ABN AMRO Life S.A..

Independency of the Internal Audit function

The internal audit function is not held by a member of ABN AMRO Life S.A. staff but by the internal auditor of ABN AMRO Bank (Luxembourg) S.A., independent of all operations, together with a team from Group Audit of ABN AMRO. The independence policy of audit is described in the Internal Audit Charter.

In compliance with the dictates in force, the internal audit has the required independence and resources to conduct its missions. The seniority, expertise and experience of the auditors ensure the objectivity and relevance of the reviews. Their independence is guaranteed by their separation from commercial and operational functions as well as by their direct access to the Chairman of the Board of Directors.

As of 31st December 2017 there was no overdue audit issue.

B.6 Actuarial Function

Requirements towards the actuarial functions

Taking into account its size and specificities, ABN AMRO Life S.A. outsources the actuarial function.

It requires following skills and knowledge from the holder of this key function:

- Preferably to be a PSA (‘Professionnel du Secteur de l’Assurance’) in Luxembourg
- To demonstrate a proven experience and solid references in the provision of all services and tasks included in the key actuarial function under Solvency II, the risk management and related services (such as tarification, regulatory technical file for insurance products, …) to life insurance companies
- To have an excellent knowledge of market practice in the Life Insurance sector in Luxembourg
- To have a dedicated team based in Luxembourg with a good track record in the relationship with the CAA.

Missions and tasks of the actuarial function

The outsourced actuarial function includes following tasks and services:

- Quantitative tasks related to Solvency I
- Drafting the related actuarial report as defined by the regulation applicable in Luxembourg by the CAA
- Actuarial calculation of the reconciliation reserve and economic balance sheet, based on LuxGaap (including Solvency II adjustment on reinsurance, the best estimates of technical provisions under Solvency II and related deferred tax)
- Calculation of the Solvency II capital requirements (SCR and MCR) and their detailed analytical review in close collaboration with AALife
- Analysis and review of company assumptions in close collaboration with AALife
- Support with the ORSA, mainly by performing quantitative assessments based on the company's business plan (using different stress scenarios)
- Support with the completion of the QRTs, mainly by preparing on a quarterly basis the QRTs related to (i.) Solvency II adjustments in the economic balance sheet, (ii.) best estimates of technical provisions and (iii.) Solvency II capital requirements.
- Documentation of the processes described above, in particular the description of how the calculations are carried out with full audit trail (i.e. which inputs from which sources, the assumptions made and why, the reconciliation with the annual statements, the methodology used and its rational, the functions and roles involved in the process, the adequate reference to delegated acts from EIOPA, etc.).
- Communication of the results above with stakeholders, mainly the management, supervisory board, auditor and local regulator.
- Active support to the Solvency II RSR and SFCR reports.

Besides, additional support may be requested on demand for:

- Drafting technical notes required by the regulation when creating or changing a product
- Opinion on pricing, globally and/or for special contracts
- Drafting and updating documentation about additional policies in relation to provisioning, reinsurance, data quality, etc.
- Reinsurance optimisation
- Providing training to the staff
- Calculations and analysis report of MCEV.

B.7 Outsourcing

Outsourcing consists of transferring in whole or in part the functions, activities and operational tasks of the company to one or more external providers belonging or not to ABN AMRO Group.

ABN AMRO Life S.A. outsources the following activities:

- Non-core activities partially outsourced to ABN AMRO Bank (Luxembourg) S.A.: non-core IT services like management and maintenance of desktops, telephones, printers, etc., human resources administration (mainly payroll). These activities are considered as non-critical since the core IT systems for the management of life insurance contracts and their representative assets are hosted and managed within ABN AMRO Life S.A.. Sensitive HR activities like hiring and people management are not outsourced but performed internally.
- Key activity outsourced to ABN AMRO Group: Internal Audit is outsourced to ABN AMRO Group. This brings to ABN AMRO Life S.A. economy of scale and further strengthens the independence of the Audit function. As required by Luxembourg regulation, the internal auditor has a direct and independent access to ABN AMRO Life S.A. Board of Directors. He also reports to the Chairman of the Board of Directors who is the person responsible for this key function.

  The roles and responsibilities of all activities outsourced to ABN AMRO Group are defined in the 'Independent Group of Persons' agreement with ABN AMRO Bank (Luxembourg) S.A..
- Key activity outsourced to an external party: the actuarial function is outsourced to the Actuaire and Consulting Luxembourgish firm HeptaConsult. The activity remains under the responsibility of ABN AMRO Life S.A. Chief Administrative Officer.

The applicable outsourcing policy and procedure is the same as the one of ABN AMRO Bank (Luxembourg) S.A.. They comply with article 49 of the Solvency II Directive and in particular:

- ABN AMRO Life S.A. remains entirely responsible for the obligations concerning the outsourced activities;
- ABN AMRO Life S.A. sees to it to organise this outsourcing in order not to unduly impact:
    - The quality of the system of governance
    - The control by the regulator
    - The operational risk
    - The continuous and satisfactory service delivery to the policyholders.

C. Risk Profile

The Solvency II directive has defined a certain number of risks which are inherent to the insurance business and this in an exhaustive way, whatever nature of the insurance company may be. But all companies, and in particular ABN AMRO Life S.A., do not run the same risks nor all of them. This chapter defines the risks and their framework which ABN AMRO Life S.A. is facing in its daily business.

ABN AMRO Life S.A. defines its risk appetite and manages its risks in accordance with Solvency II requirements, with the applicable laws and regulations and with the strategy of ABN AMRO. It also takes into consideration ABN AMRO Life S.A. specific business and risk profile.

ABN AMRO Life S.A. risk management framework and principles aim at strengthening its moderate risk profile, being well capitalised, while creating sustainable value for the stakeholders and offering sustainable solutions for its clients.

The derived risk strategy focuses therefore on:

- Maintaining a healthy and strong balance sheet;
- Building long-term client relationship;
- Developing a sound capital management;
- Maintaining clear governance under the three lines of defence model (in compliance with the Group Internal Risk Charter).

ABN AMRO Life S.A. has also defined its risk taxonomy; it has classified the causes of the operational risks and mapped its processes (including the risks and the control points).

ABN AMRO Life S.A. risk appetite is described in a quarterly dashboard which the Chief Risk & Compliance Officer presents at each meeting of the ARC committee and of the Board of Directors.

Several Key Risk Indicators are defined on the basis of the risk taxonomy of ABN AMRO. Each indicator is assessed on the basis of predefined thresholds which form together the company's risk profile. The results of the controls realised during the year enable to conclude that ABN AMRO Life S.A. has implemented an appropriate internal control system and that the risk level as measured remains in line in a consistent way with the moderate risk profile of ABN AMRO.

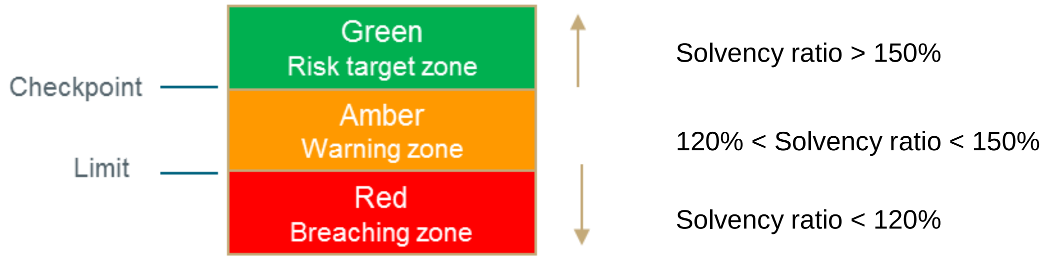
ABN AMRO Life S.A. Risk Appetite - Objectives as at 31st December 2017:

	AAL Risk Appetite Objectives 2017
1	To maintain a proper and strategic market coverage
2	To optimize the revenues
3	To ensure a strategic contract acceptance
4	To pursue AAL activity while ensuring efficient processes with limited operational incidents
5	To pursue a well-balanced working environment
6	To promote well-being at workplace
7	To minimise staff turnover ratio as much as possible
8	To limit IT disruptions
9	To avoid unauthorised changes in applications / systems
10	To meet solvency capital requirement in line with Solvency II
11	To comply with the client acceptance procedure/on-boarding process and avoid any breach regarding AML
12	To detect private equity deals
13	To comply with all laws and regulations at any time
14	To preserve reputational image of AAL towards the current clients and prospects
15	To avoid external/internal fraud

ABN AMRO Life S.A. Risk Appetite as at 31/12/2017 – Solvency II cover ratio

The Enterprise risk is measured by the Solvency II cover ratio. It is the overarching Key Risk Indicator as it compares the company's total (current and future) eligible funds to the Solvency capital requirements ("SCR") under the Solvency II norm taking into account the risks incurred by the company.

ABN AMRO Life S.A. aims to keep a Solvency II cover ratio ("SCR cover ratio") higher than the regulatory requirement in order to ensure that the company will have the capacity to fulfil its financial commitments at all times. In line with the moderate risk profile and the business strategy, ABN AMRO Life S.A. targets a solvency cover ratio of 150%, well above the regulatory requirement of 100%. The solvency ratio is calculated by the actuarial function under the responsibility of the Chief Administrative Officer and reported to ABN AMRO Life S.A. ARC and to the Board of Directors through the Quarterly Dashboard.



The company's solvency capital requirement ratio as of 31st December 2017 is 163%, in the Green risk target zone.

ABN AMRO Life S.A. Risk mitigation

ABN AMRO Life S.A. implements and maintains the usual risk mitigation techniques such as risk acceptance, risk avoidance, risk limitation and risk transfer. It includes for example the use of a reinsurance company to transfer all mortality risk, risk control (four-eye principle, independent controls, Business Continuity Plan, etc.) and monitoring. Risk avoidance is exemplified through decision by ABN AMRO Life S.A. not to offer "fonds euro" or products with guaranteed capital, or avoidance of clients coming from countries or industries considered as too sensitive. Most of the identified risks are monitored on a regular basis through Key Risk Indicators, triggering warning and actions should they exceed pre-defined thresholds. These risk indicators are reviewed, proposed by ABN AMRO Life S.A. risk management on a yearly basis and approved by the Board of Directors.

C.1 Underwriting risk

The underwriting risk is linked to the life insurance business. It is a key risk for the company (44% of the total solvency capital requirements before diversification and adjustments as of 31st December 2017).

The underwriting risk includes in particular:

- the risk of wrong or inaccurate calculation of actuarial and financial assumptions in:
    - The business model, i.e. the orientations given to the company business such as the choice of target markets and products. Business and strategic risks are relevant risks for the company given evolutions of the economic environment and the private wealth management industry
    - The pricing of individual or group of policies. Errors lead to a competitive or profitability risk. The portfolio is very sensitive to the level of expenses because an increase in costs reduce future profits
    - The pricing of the supplementary coverage such as death insurance, including the reinsurance of such cover. For ABN AMRO Life S.A., the mortality risk is negligible as it is fully reinsured with reinsurers with a good credit rating
    - the best estimates of technical provisions
    - The solvency requirements.
- The risk of collecting less premiums or having more policies redeemed (redemption risk or lapse risk) than expected due to an insufficient commercial dynamism or unfavourable market conditions (included tax aspects). This risk is linked to the quality of the commercial service delivery. The portfolio is very sensitive to the redemption risk (partial and total redemptions).
- The risk of wrong commercial development or decisions such as of making a commercial offer which does not meet the clients / markets' needs and demands.

- The mortality risk: the Life Insurance policies may or may not include an additional death cover. The mortality risk is fully covered by ‘A’ rated reinsurers.

The main underwriting risks are the redemption risk (or “lapse” risk) of insurance policies (67% of the total underwriting risk) and the risk on the maintenance costs of the portfolio of policies (30% of the total underwriting risk).

The company performed therefore stress testing and sensitivity analysis for these material risks and events. The methods, assumptions and outcome of this analysis are the following:

in mln

Variables in EUR million)	Eligible funds	SCR	SII Ratio	RAG status*
Expenses increase by +15%	33.76	24.52	138%	Amber
Expenses decrease by -15%	41.20	21.59	191%	Green
Surrenders increase by +30%	36.43	18.02	202%	Green
Surrenders decrease by -30%	38.36	31.78	121%	Amber
Surrender of the most important contract (in AuM)	30.85	21.16	146%	Amber

** RAG status: Green : Risk target zone; Amber: Warning zone; Red: breaching zone*

Assumptions	
Expenses	Increase in terms of staff employed and related costs. A 15% increase is considered to be critical but not an unrealistic variation
Redemptions	Variation based on past experience. 30% seems a maximum potential variation

Even in the worst case, the solvency cover ratio remains above the regulatory level of 100%.

C.2 Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

According to its risk appetite framework, the company does not tolerate market risk positions for its own account. Its excesses of treasury are deposited in secured assets such as governments bonds or saving and term deposits with ABN AMRO Bank (Luxembourg) S.A.. The very low own currency risk is hedged within 30 days.

ABN AMRO life S.A. mainly holds assets on its balance sheet on behalf of and at the risk of the policyholders. It is a globally balanced portfolio of fixed-income and equity, including investments in other currencies. Therefore, ABN AMRO Life S.A. is mainly exposed to equity, interest, credit spread and currency risks. All market risks represent 45% of the total solvency capital requirements before diversification and adjustments as of 31st December 2017.

Equity risk is the risk that the value of an asset or liability will change due to fluctuations in the level or volatility of the market prices for equities. It is the main market risk representing 63% (in 2017) of the total market risk before the diversification effect.

Interest rate risk is the risk that the value of an asset or liability will change due to a change in terms of structure of interest rates or interest rate volatility. Before diversification effect, it amounts to 9% (in 2017) of the total market risk before the diversification effect.

Credit spread risk results from the sensitivity of the value of assets and liabilities to changes in the level or in the volatility of credit spreads over the risk-free interest rate (government bonds). Credit spread applies to the corporate bonds, not to government bonds. Before diversification effect, it amounts to 14% (in 2017) of the total market risk before the diversification effect.

Currency risk amounts to 12% (in 2017) of the total market risk before diversification effect.

Concentration risk arises from large investment in individual counterparties and single name exposures. Concentration risk is low thanks to a large diversification of asset managers and investment profiles.

For ABN AMRO Life S.A., the market risk can apply to:

- Unit-linked investment funds as a decrease of their market value leads to a reduction of management fees
- The wrong or late booking of a transaction on a security when its price has unfavourably changed before the correction takes place,
- The late investment of a premium compared to the contractual time limit,
- The non-compliance with the client's risk and investment profile and/or with the regulatory investment limits,
- The non-hedging of the interest risk on the (very small and decreasing) portfolio of insurance contracts with interest rate guarantee.

C.3 Credit risk

The credit or counterparty risk is the risk that counterparty is unable to meet its financial commitments. It reflects the possible losses due to the unexpected default or deterioration in the credit standing of the counterparties and debtors of the company.

For ABN AMRO Life S.A., it mainly applies to its receivables on reinsurers (covering the mortality risk) and banks (mainly ABN AMRO Bank (Luxembourg) S.A. with which the company deposits its excesses of treasury). Thanks to the good credit rating of these receivables, this risk represents 6% of the total solvency capital requirements before diversification and adjustments as of 31st December 2017.

C.4 Liquidity risk

The liquidity risk is the risk that the company is unable to pay its commitments. It can occur when non liquid underlying assets have been accepted in life insurance contracts (such as real estate for example). This risk is hedged or mitigated by:

- The acceptance of liquid underlying assets
- The requirement of a minimum cash position or enough liquid assets within the dedicated funds
- If necessary, banking credit lines (with ABN AMRO Bank (Luxembourg) S.A.).

With regard to liquidity risk and as required by article 295 (5) of the Delegated acts of the Solvency II directive, the company states that it does not include an expected profit in expected future premiums as article 260 (2) of the Delegated acts do not apply to the company. Indeed, ABN AMRO Life S.A. only sells life insurance contracts with unique premiums and not with periodic, contractually scheduled premiums.

C.5 Operational risk

The operational risk is the risk of loss arising from inadequate or failed internal processes or from personnel and systems or from external events. Operational risk programs consist in the assistance in the prevention, detection and correction of all risk and control matters generated from all businesses / operations. They also aim at maintaining the adequacy of the system of Internal Control with regulatory requirements (local – initiated by Luxembourg regulator - and global – initiated by other jurisdictions).

The calculation of the solvency capital requirement is based on all unit-linked management expenses, including commissions paid to intermediaries, except acquisition costs. Operational risk represents 4% of ABN AMRO Life S.A. total solvency capital requirements before diversification and adjustments as of 31st December 2017.

It covers different kind of risks such as :

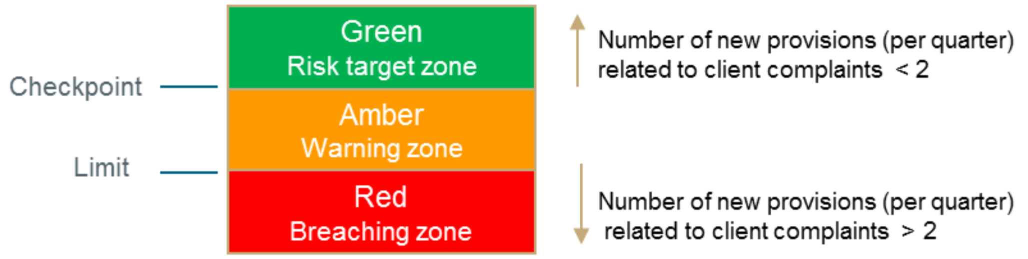
- The disaster risk which impacts the business continuity as it leads to the interruption of the activities and to damages to the equipment
- The IT security risk or the risk that the vulnerability of an asset or group of assets is exploited
- The system and data risks resulting from the dysfunction, incompatibility, obsolescence and/or the insufficient security of the information and management system or of a bad quality of the data management
- Information Security risk (risk that a given threat will exploit vulnerabilities of an asset or group of assets and thereby cause harm to the organisation)
- All risks like to the human resources of the company
- The risk of internal or external fraud

- The risks related to clients, products and commercial practice, especially in the framework of the duty of advice, confidentiality, including when the distributor is responsible for the fraud
- The risks related to the execution, delivery and processes management.

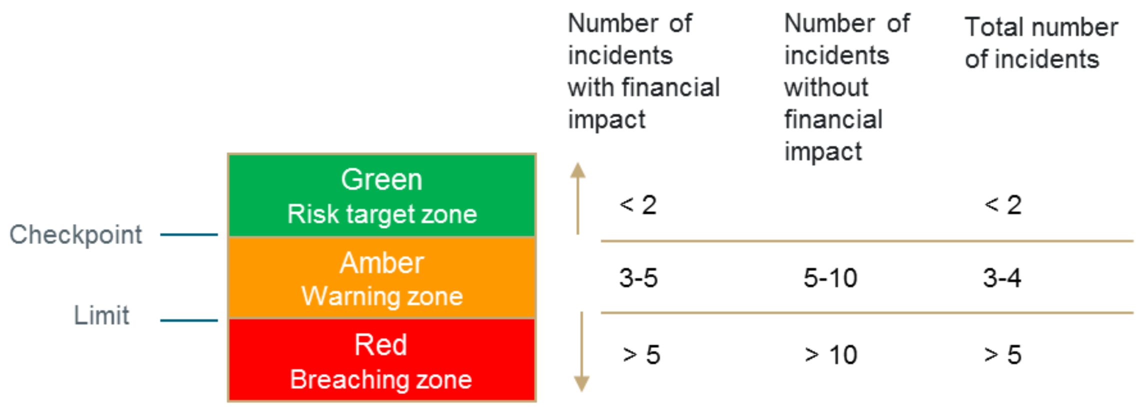
The key risk indicators related to the operational risks are defined as follows:

Provisions related to clients' claims

ABN AMRO Life S.A. aims to minimise the number of client complaints. The number of client complaints and the related provisions measure the quality of the service provided by AAL.

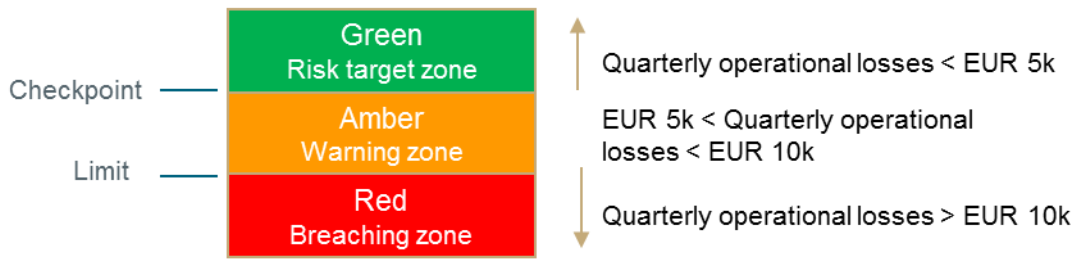


Number of Incidents (regardless of financial impact)
ABN AMRO Life S.A. aims to maintain a sound control environment as one of the pillars to achieve a moderate risk profile. The number of operational incidents reflects the situation of the control environment. ABN AMRO Life S.A. monitors the number of incidents with and without financial impact ("near misses").



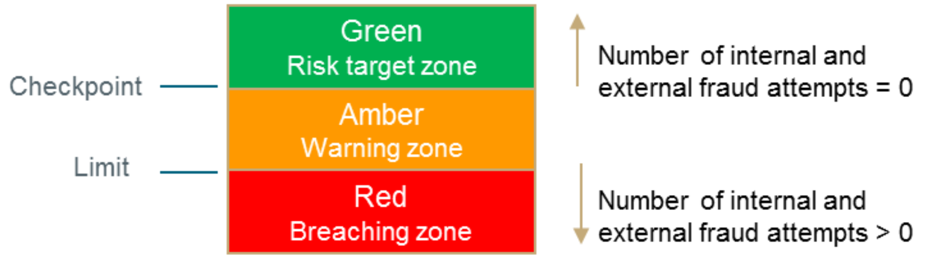
Expected Operational Loss

ABN AMRO Life S.A. aims to pursue a moderate risk profile and monitors operational risk through the Expected Operational Loss. Operational losses reflect the situation of the control environment. Higher-than-expected operational losses signal problems with processes, IT or increased people risk. ABN AMRO Life S.A. estimates the budgeted expected losses based on historical data and self-assessments performed on the different processes. Risk Management monitors the year-to-date operational risk losses and reports them to ABN AMRO Life S.A. ARC and Board of Directors through the Quarterly Dashboard.



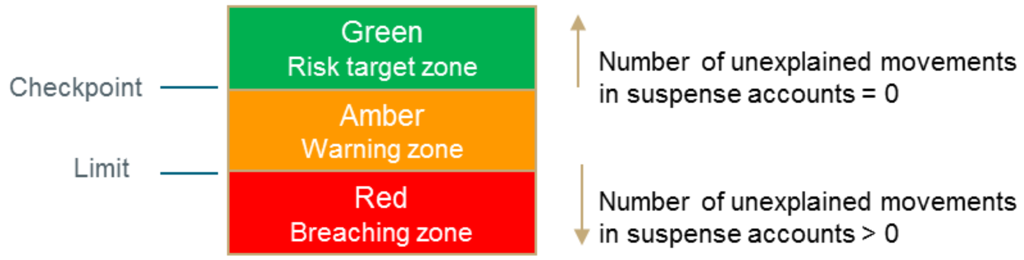
Internal and External Fraud Attempts

ABN AMRO Life S.A. has zero tolerance for fraud attempts. The existence of fraud attempts signal increased operational risk. Risk Management monitors the number of internal and external fraud attempts and reports them to ABN AMRO Life S.A. ARC and the Board of Directors through the Quarterly Dashboard.



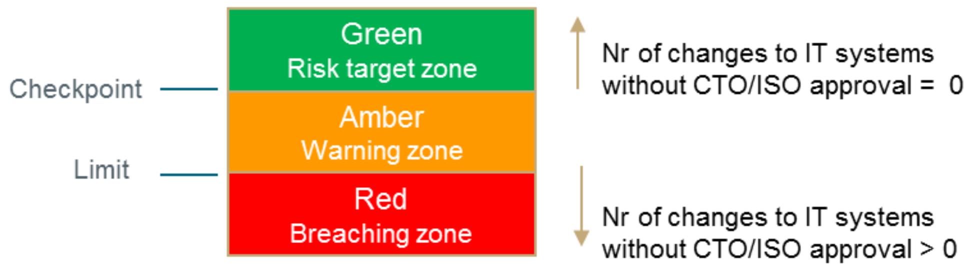
Unexplained Movements on Suspense Accounts

ABN AMRO Life S.A. aims to pursue a moderate risk profile and monitors the number of unexplained movements in suspense accounts. The existence of unexplained movements in suspense accounts signal increases operational risk. Risk Management reports the number of unexplained movements in suspense accounts to the ABN AMRO Life S.A. ARC and to the Board of Directors through the Quarterly Dashboard.



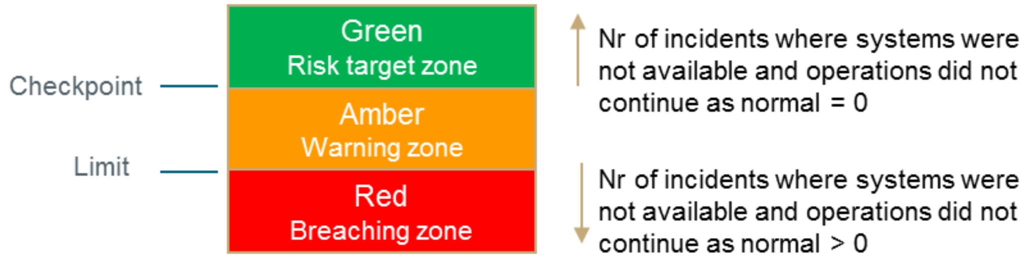
Zero Tolerance for Unauthorized Changes in IT

ABN AMRO Life S.A. seeks to minimize IT disruptions that jeopardise the business.
Strong governance is required to guarantee the well-functioning of IT systems that supports the business. Risk Management monitors and reports information security risk through the Quarterly Dashboard. ABN AMRO Life S.A. has zero tolerance for changes to IT systems or applications made without CTO and ISO authorisation.



Zero Tolerance for Serious IT Disruptions

ABN AMRO Life S.A. seeks to minimize IT disruptions that jeopardise the business. A strong IT and governance and infrastructure is essential to accomplish business objectives. Risk Management monitors and reports information security risk to ABN AMRO Life S.A. CARC and the Board of Directors through the Quarterly Dashboard.

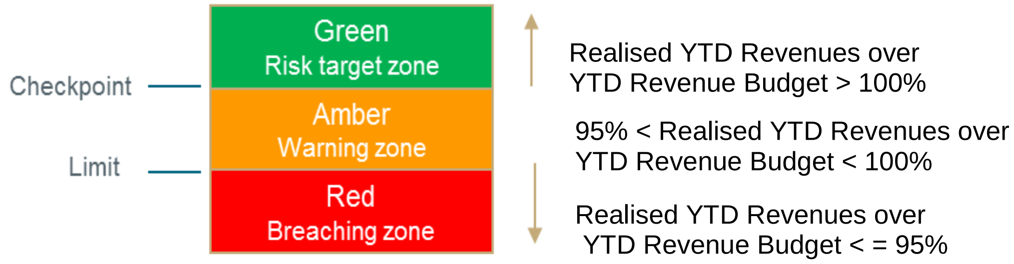


C.6 Other material risks

Business risk

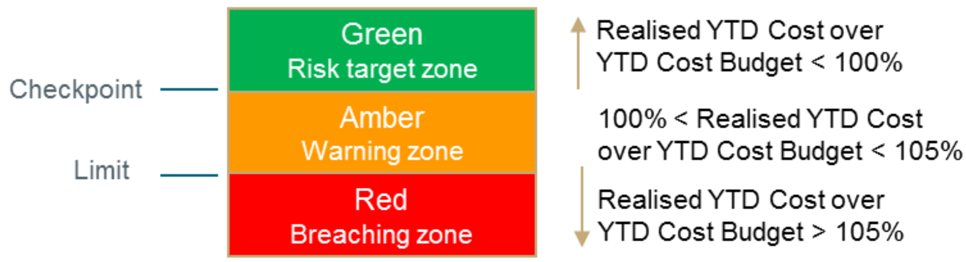
Revenues volatility

ABN AMRO Life S.A. strives to preserve revenues independently of external developments. Business risk is the risk that the earnings and franchise value decline because of uncertainty in business revenue or expenses made to generate business income. ABN AMRO Life S.A. seeks to keep revenues within the agreed budget. The budget is monitored by the Department Finance and the deviations in revenues are reported to ABN AMRO Life ARC S.A. and to the Board of Directors through the Quarterly Dashboard.



Cost volatility

ABN AMRO Life S.A. seeks to keep costs within the agreed budget. Business risk is the risk that the earnings and franchise value decline because of uncertainty in business revenue or expenses made to generate business income. ABN AMRO Life S.A. seeks to keep costs under check. The budget is monitored by the Department Finance and the deviations in costs are reported to ABN AMRO Life S.A. ARC and to the Board of Directors through the Quarterly Dashboard.



Strategic concentration risk

Within ABN AMRO Life S.A. the strategic concentration risk is materialised by the three following issues:

- excessive concentration per market or country
- excessive concentration of individual clients
- excessive amount on non-quoted assets.

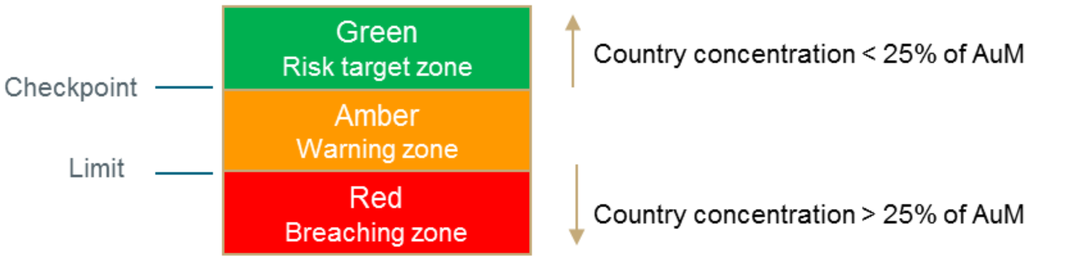
The concentration risk of underlying investments is included in the market risk (see C.2 above).

The key risk indicators are monitored on a quarterly basis and reported for information or action to the Audit, Risk and Compliance Committee and the Board of Directors.

These key risk elements are actively taken into consideration in the definition of the business plan and have led to the decisions, amongst others, to assess potential development out of our traditional markets and the decision to reduce our dependency on a very large client.

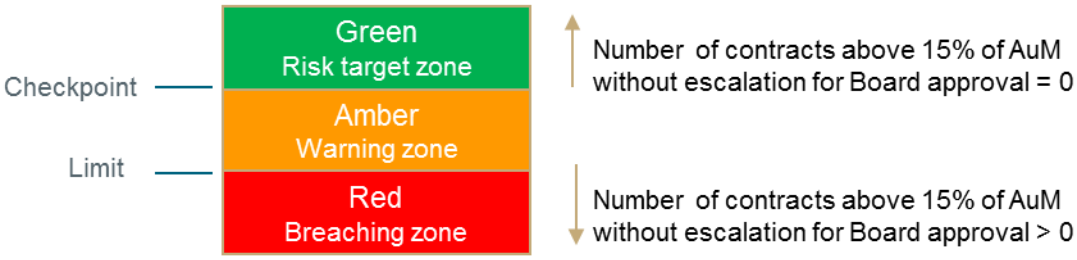
Market concentration

ABN AMRO Life S.A. aims to avoid excessive market concentration risks. In order to support growth within the ABN AMRO Group moderate risk profile, ABN AMRO Life S.A. establishes limits that prevent undesired concentration risks per market/country. Belgium is excluded from this metric. Market concentration is monitored by the Commercial Support and reported to ABN AMRO Life S.A. ARC and the Board of Directors through the Quarterly Dashboard



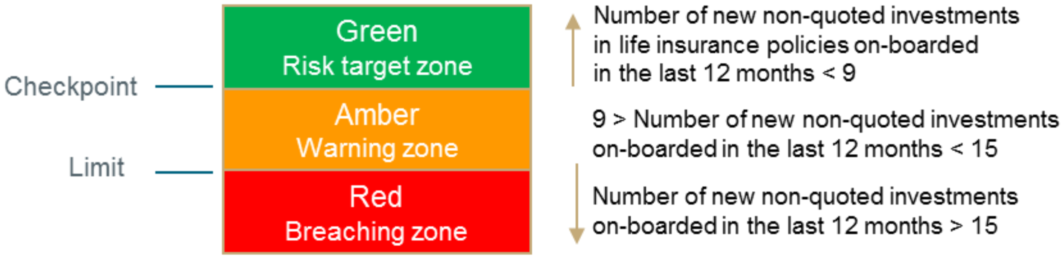
Clients concentration

ABN AMRO Life S.A. aims to avoid excessive client concentration risks. In order to support growth within the ABN AMRO Group moderate risk profile, ABN AMRO Life S.A. establishes limits that prevent undesired client concentration risks. Client concentration in Assets under Management is monitored by the Commercial Support and reported to ABN AMRO Life S.A. and the Board of Directors through the Quarterly Dashboard. ABN AMRO Life S.A. monitors the number of contracts above 15% of Assets under Management that have been escalated to the Board for approval.



Limits on non-quoted assets

ABN AMRO Life S.A. aims to minimise the number of complex products in life insurance policies. In line with the moderate risk profile, ABN AMRO Life S.A. aims to minimise the number of non-quoted assets in life insurance policies. Risk Management monitors the number of non-quoted assets in life insurance policies on-boarded in the last 12 months. This number is reported to ABN AMRO Life S.A. ARC and the Board of Directors through the Quarterly Dashboard.



Investment risk

Prudent management of own investments

ABN AMRO Life S.A. manages its investments in accordance with the prudent person principle, as set out in Article 132 of Directive 2009/138/EC.

With respect to the whole portfolio of assets, including the ones covering technical provisions, the company only accepts assets and instruments whose risks it can properly identify, measure, monitor, manage (through external qualified asset managers when requested by the clients), control and report. It takes them specifically into account in the assessment of its overall solvency needs included in its Own Risk and Solvency Assessment.

The technical provisions in respect to the benefits of unit-linked insurance contracts invested in external and/or internal funds are closely represented by the units and their underlying assets. These assets comply with the LC 15/3 which set diversification constraints per issuer and asset class depending of the level of the investment by the policyholder and his reported net wealth in the form of transferable securities.

The technical provisions in respect to insurance contracts with an interest guarantee are covered by assets which are invested in a manner appropriate to the duration of the company's liability in the best interest of all policy holders and beneficiaries. These assets are properly diversified. The current portfolio hedging these liabilities is only composed of High grade (minimum AA- rated by Standard & Poor's) bonds.

The assets covering the Minimum Capital Requirement and the Solvency Capital Requirement are invested in such a manner as to ensure the security, quality, liquidity, availability and profitability of the portfolio as a whole.

Legal and compliance risk

ABN AMRO Life S.A. will be compliant with mandatory rules of laws and regulations, internal company rules, policies governing its operations and established good business practices, including (but not limited to) other obligations that may rest on the entity, whether contractual or non-contractual in nature.

Interpretation of rules - guidance
Where the application of a rule or guidance is open to interpretation, ABN AMRO Life S.A. shall not adopt, defend or apply an interpretation that – in absence of mitigating measures - could lead to high risks. Where rules and regulations or the content of contracts conflict or where they are open to interpretation, ABN AMRO Life shall assess legal and compliance risks and determine its position with due regard of:

- generally accepted and sound legal and compliance principles
- the purpose of the rules and regulations or contractual clauses at hand
- the legitimate expectations of all stakeholders involved
- the intentions of the legislator and/or regulator or parties to a contract
- the prevailing legal and compliance doctrine from time to time
- case law, including decisions and recommendations by regulatory authorities
- ABN AMRO's moderate risk profile as defined from time to time
- careful consideration of the legitimate interests of all parties and other stakeholders involved, giving paramount importance to the client's interests.

Unacceptable behaviour
Notwithstanding the foregoing, ABN AMRO Life S.A. considers the following unacceptable:

- customer financial loss or loss of rights caused by non-compliance with applicable mandatory regulatory requirements,
- implementation of any product, service, process or system that is likely to result in corrective measures by a regulator,
- implementation of any product, service, process or system that is likely to result in loss of customer's or other stakeholders' trust in ABN AMRO's ability to conduct its business compliantly,
- practices that evidently do not display our core values and/or business principles and may damage ABN AMRO's reputation.

Zero tolerance
ABN AMRO Life S.A. has zero tolerance for being involved with money laundering, terrorist financing or sanction violations. ABN AMRO Life S.A. ensures that risk policies and procedures are in place to adequately manage and monitor the legal, compliance and conduct risks. With regard to customer acceptance, the prevention of money laundering, corruption, tax evasion and terrorist financing and the application of sanction regulation, ABN AMRO Life S.A. applies a strict adherence to regulations and ABN AMRO policies. With regard to new products and treating customers fairly, ABN AMRO Life S.A. applies a policy of strict adherence to regulations. ABN AMRO Life S.A. also applies a strict adherence to internal policies and regulations to prevent being involved in market manipulation or conflicts of interest.
Risk Management monitors the correct implementation of new regulations and provides a RAG score taking into account if any regulation has been handled through a Regulation Committee/Steering Committee under the supervision of the Managing Board.
Risk Management also monitors potential breaches to Anti Money Laundering policy. A separate RAG score is produced on this topic.
Based on the outcome of this checks, Risk Management provides a RAG score.

RAG Status

Qualitative based on the number of breaches to Anti Money Laundering policies and/ or regulations and on the appropriate handling of new regulations

Red Breaching zone	Weak
Amber Warning zone	Average / Moderate
Green Risk target zone	Strong / Robust

Human resources risk

ABN AMRO Life S.A. human resources practices will be supporting the long-term interests of the organization and respect ABN AMRO Group policies. ABN AMRO Life S.A. applies principles in legislation and ABN AMRO Group policies.
Human resources risk is monitored by Risk Management and reported through the Quarterly Dashboard. The RAG status is based on staff turnover, the number of sick days per employee and the average number of paid overtime hours.

		Staff Turnover	Nr of sick days per FTE	Average nr of paid overtime
	Green Risk target zone	< 8%	< 3.5	< 1
Checkpoint	Amber Warning zone	8% – 10%	3.5 – 6	1 – 2
Limit	Red Breaching zone	> 10%	> 6	> 2

Reputational Risk

Safeguarding and improving ABN AMRO’s reputation is of the utmost importance to the Managing Board. ABN AMRO Life S.A. aims to keep reputational risks to a minimum. To minimise reputation risk, a comprehensive system of issue management and stakeholder management are in place.The Head of Risk Management together with the Managing Director will provide a RAG status on a quarterly basis.

Qualitative

Red Breaching zone	**Weak**
Amber Warning zone	**Average / Moderate**
Green Risk target zone	**Strong / Robust**

D. Valuation for Solvency Purposes

Valuation as per the local norm (« LuxGaap »)

The financial statements of ABN AMRO Life S.A. have been prepared in compliance with the amended law of 8 December 1994 on financial statements with respect to insurance and reinsurance undertakings and with the significant accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg.

In particular, concerning the valuation of assets and liabilities, ABN AMRO Life S.A. applies the accounting policies described hereafter to assess the accounting value of the assets and liabilities as per the local norm (« LuxGaap »).

Translation of items expressed in foreign currencies

The accounting records are maintained in euros (EUR) and the assets and liabilities expressed in foreign currencies are translated into EUR at the exchange rates prevailing at the balance sheet date. Currency transactions are translated to EUR at the exchange rates applicable at the transaction date. The exchange differences resulting from the application of these principles are included in the result for the financial year.

Valuation as per «Solvency II»

ABN AMRO Life S.A. also draws up a balance sheet as per the Solvency II norm in compliance with the directive and its technical specifications. A basic principle of Solvency II is that assets and liabilities are valued on the basis of their economic value. This is the price which an independent party would pay or receive for acquiring the assets and liabilities. The value of the assets less the value of the liabilities must then be taken as the starting point for determining the available own funds.

The methodologies used to assess the assets and liabilities are described hereafter. For the purpose of the valuation, the balance sheet is divided into three parts: the assets, the technical provisions and the other liabilities.

D.1 Assets

Valuation of the assets as per the local norm (« LuxGaap »)

Intangible assets

ABN AMRO Life S.A. does not hold any Intangible Assets anymore for its own account.

Tangible assets

Tangible assets represent fixtures, fittings and equipment and are recorded at acquisition price and depreciated on a straight line basis over their estimated useful lives of between four and eight years.

Land and buildings

ABN AMRO Life S.A. does not hold any land and buildings anymore for its own account.

Debt securities and other fixed income transferable securities

Debt securities and other fixed-income transferable securities are valued at amortised cost. Value adjustments are accounted for where there is a counterparty risk.

Where the acquisition cost exceeds the amount repayable at maturity the difference is charged to the profit and loss account in instalments over the period remaining until repayment. Where the acquisition cost is less than the amounts repayable at maturity, the difference is released to income in instalments over the period remaining until repayment.

Investments for the benefit of life insurance policyholders who bear the investment risk

Investments for the benefit of life insurance policyholders who bear the investment risk are valued at their current (market) value at the balance sheet date and any difference between this value and the acquisition cost is disclosed in the technical account for life insurance in the unrealised gains or losses on investments line items.

The current (market) value of these investments is estimated as follows:

- Securities listed on an official stock exchange or negotiated on another regulated market are valued based on the last available price the day of the evaluation;
- Securities not listed (non-quoted investments) on an official stock exchange or not negotiated on another regulated market are valued in good faith by the Directors, with reference to their last available prices or latest available information.

Debtors

Debtors are recorded at their nominal value. A provision is set up when the repayment date is uncertain.

Valuation of the assets as per Solvency II

In compliance with Solvency II regulation, the assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

Most of the assets items are already valued at their market value in LuxGaap. This is the case of all assets representative of technical provisions invested in units. There is therefore no difference between the valuation in LuxGaap and as per Solvency II and the Reconciliation Reserve is not impacted (see Chapter E. Capital Management).

The assets which are not valued at their market value in LuxGaap, such as the bonds representative of insurance contracts with interest rate guarantee and own assets, are reassessed. For this purpose, the accounting data are enriched with the required market data to establish the prudential balance sheet under the Solvency II norm, such as ratings of securities, nominal amounts, classification of securities (sovereign …). The difference of value in LuxGaap and in Solvency II is added to the Reconciliation Reserve.

Then, reinsurer's share of technical provisions are also not valued at their market value in LuxGaap. For this purpose, the accounting data are enriched with the result of the best estimate of reinsurance, i.e. the difference between the present value of the capital at risk paid by the reinsurer in case of death of insured persons and the present value of the reinsurance premiums paid by the company.

These assets items are then completed with other assets of the lower part of the balance sheet such as the receivables, the excesses of social commitments regimes, etc. Their value is equivalent to the one established in accordance with the financial statements prepared in LuxGaap.

The sole differences on the assets side of the balance sheet in LuxGaap (financial accounts) and Solvency II are the following:

Assets item	*Value in euros*			
	LuxGaap	*Solvency II*	*Difference*	*Comment*
- Other financial investments: debt securities and other fixed income transferable securities	1,036,893	1,114,787	77,894	(1)
- Reinsurer's share of technical provisions	35,700	-1,250,397	-1,286,097	(2)

(1) The difference corresponds to the unrealised gains on bonds as bonds are valued at amortized costs in LuxGaap and at market value as per Solvency II

(2) In LuxGaap, the reinsurer's share of technical provision corresponds to the value of the reinsurance premiums not yet due to the reinsurer as at 31st December 2017. In Solvency II, it corresponds to the result of the best estimate of reinsurance, i.e. the difference between the present value of the capital at risk paid by the reinsurer in case of death of insured persons and the present value of the reinsurance premiums paid by the company. For the company, the best estimate of reinsurance is negative as the company is paying more premiums than it receives death capitals.

D.2 Valuation of technical provisions

Valuation of the liabilities as per the local norm («LuxGaap»)

Life insurance provision

The life insurance provision represents the technical provisions established to cover commitments related to the subscription of insurance certificates. It is calculated on a contract-by-contract basis.

The reinsurers' share of the life insurance provision is presented on the assets side of the balance sheet.

Technical provisions for life insurance policies where the investment risk is borne by the policyholders

These provisions are set up to cover liabilities relating to investments in the context of life insurance policies whose value or return is defined by reference to an index or to investments for which the policyholder bears the investment risk.

Valuation of the liabilities as per « Solvency II »

« Best Estimate » of technical provisions

The technical provisions are equal to the amount to be held by an insurer on the balance sheet in order to settle all existing obligations towards policyholders. These obligations may lie far in the future for a life insurance contract.

The company has calculated the « Best Estimate » or the best assessment of the technical provisions of the company as described hereafter.

This « Best Estimate » is equal to the present value (using the risk-free interest rates curve calculated and published by EIOPA[1] on a monthly basis) of all future cash flows, i.e. the balance of all future inflows (income) and outflows (expenses). The calculation is done contract per contract (and not per « model point » nor by assessment based on homogeneous groups).

In Solvency II, the result of the best estimate of reinsurance is equal to the difference between the present value of the capital at risk paid by the reinsurer in case of death of insured persons and the present value of the reinsurance premiums paid by the company. Such amount is posted at the asset side of the balance sheet. For the company, the best estimate of reinsurance is negative as the company is paying more premiums than it receives death capitals. Therefore, the adjustment of the share of the reinsurers in the technical provisions is negative.

The Technical provisions as per Solvency II also include a « Risk Margin » (RM). The risk margin ensures that the value of the technical provisions is equivalent to the amount an acquiring insurer would be expected to require in order to take over and meet the insurance obligations.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance obligations over the lifetime thereof. For this purpose, the company uses the simplified method based on the future "Best Estimate".

$$\boxed{RM = Coc.\,SCR_U \sum_{t=0}^{n} \frac{BE_t}{BE_0}.\,(1+i)^{-t}}$$

CoC: Cost of Capital (6% as required by article 39 of the Delegated Acts)

SCR_U: The so-called unavoidable SCR corresponding to the calculation of the SCR without taking into account the market risk which is considered as an avoidable risk.

I: the interest rate (following the risk-free interest rates curve)

BE_t: The « Best Estimate » of the portfolio at date t

t: the date of end of year

[1] European Insurance and Occupational Pension Authority

Main assumptions in the calculation of the « Best Estimate » of the technical provisions:

Component	Assumptions	Value as of 31st December 2017
Duration of the simulation	The duration of the simulation extends to the moment when the projected technical provisions have decreased up to maximum 10% of their initial level	Unit-linked: **15 years** Products with interest rate guarantee: **3 years**
Data per contract	The data are extracted from the Policy Management System, i.e. the contract number, the amount of the death coverage if applicable (in % of the technical provision), the margin of the management costs in % of the technical provisions (including also the banking revenues and other revenues for administrative and tax treatment, received on these provisions), the margin in euros, the management commission rate of the contracts in % and in euros, the technical provisions at the date of calculation of the SCR, the number of insured persons in the contract, the type of payment of the death coverage* (first or last decease), the minimum guaranteed rate, the sex and birth date of each insured person, the maturity date and the effective date of the contract. The product code is extracted from the application which is used to calculate the SCR which distinguishes between the underwriting country, the type of guarantee and the mortality table used in order to assign the appropriate table and lapse rate to each contract in function of the underwriting country. * Mortality table: for the life insurance contracts, a mortality table which is representative for the insured population has been chosen. It allows assigning death capitals which are consistent with the last transactions in the portfolio. There is no mortality to be modelled for capitalisation contracts.	
Costs	Future management costs are assessed based on the same unit cost per contract, without distinguishing between the contracts, and based on the last business plan approved by the board of directors (business plan is considered until the absolute value of actual management costs does not exceed 15% of the budget).	
Lapse rate	The technical provisions take into account the probability of redemption based on internal observations (other than due to death or fixed maturity). The reinsurance share is assessed as outgoing cash flows included in the costs borne by the insurer. The applied redemption rates (lapse ratios) are the same as used to build the business plan (year 1 to year 5 and then based on year 5), by geographical area. (business plan is considered until the absolute value of average lapse ratio does not exceed 30% of the budget).	
Split of the lapse rate between total and partial redemptions	The company distinguishes between partial and total redemptions. The rates used are the same as used to build the business plan (business plan is considered until the absolute value of the split between total and partial redemptions does not exceed 5% of the budget).	

Component	Assumptions	Value as of 31st December 2017
Income and expenses	• Income: i.e. the actual net insurance margin + banking income (in % of technical provisions) + penalties for early redemption + actual margin on the reinsurance of the mortality risk. It does not take into account investment income on own funds as considered as not significant. • All expenses excluding acquisition costs	
VAT recovery	• On asset management expenses	

The sole differences on the liabilities side of the balance sheet related to the technical provisions in LuxGaap (financial accounts) and as per Solvency II are the following:

Technical provisions	*Value in euros*			
	LuxGaap	*Solvency II*	*Difference*	*Comment*
Technical provisions – Life insurance provision:	571,155	599,788	28,633	(1)
Technical provisions for life insurance policies where the investment risk is borne by the Policyholders:	2,727,766,384	2,710,534,050	-17,232,334	(2)

(1) In LuxGaap, the life insurance technical provision is mainly related to contracts with an interest rate guarantee. It corresponds to the value of the paid premiums capitalised at the contractual guaranteed interest rate. In Solvency II, the value corresponds to the best estimate + risk margin as described above.

(2) In LuxGaap, these technical provisions are valued at the net market value of their underlyins assets. In Solvency II, they correspond to the best estimate + risk margin as described above.

D.3 Valuation of other liabilities

Valuation of the other liabilities under the local norm («LuxGaap»)

Provisions for other risks and charges

Provisions for other risks and charges are intended to cover the identified risks inherent to the life insurance business of the company. They cover losses or debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which they will arise. These provisions are reversed when they become irrelevant.

Creditors

Creditors are recorded at their expected settlement value.

Valuation of the liabilities as per the norm « Solvency II »

“Provisions for other risks and charges” are already at market value in LuxGaap and therefore do not need to be adjusted in Solvency II. The same applies to “Creditors” which are also recorded at their expected settlement value in LuxGaap.

The sole difference on the liabilities side of the balance sheet related to other liabilities in LuxGaap (financial accounts) versus Solvency II is the following:

Other liabilities	*Value in euros*			
	LuxGaap	*Solvency II*	*Difference*	*Comment*
Defferred tax liability	0	4,160,429	4,160,429	(1)

(1) This liability is specific to Solvency II assessment. It corresponds to the deffered (latent) tax (at 26,01%) calculated on the three adjustments included into the Reconciliation reserve as described in chapter E.1.

D.4 Alternative assessment methods

Not applicable.

E. Capital management

E.1 Own funds

Objectives, policies and processes

ABN AMRO Life S.A. capital management complies with the Group's strategy which implies that capital is managed centrally by balancing supply (available capital) and demand (required capital). This strategy optimises the global amount of available capital and the usage of capital, while providing tactical flexibility in the deployment of capital.

ABN AMRO Life S.A. strategic framework for its capital needs binds the following elements together:

- The risk appetite: the capital is managed within a globally approved Risk Appetite Statement which translates the moderate risk profile targeted in the Group's strategy. For this purpose, internal and regulatory perspective is taken into account.
- The strategic targets: the capital is managed in such a way that both the Bank's and the company's strategy goals can be achieved.
- The capital planning: ABN AMRO aims at a minimal but sufficient capitalisation of its Group companies to comply with all (local) regulatory solvency requirements and meet their commercial needs. ABN AMRO will consequently fund the activities of Group companies with regular funding to the extent possible. To establish the capital needed to meet minimum requirements, risk appetite and strategic targets, actuals are combined with forecasts and the results of scenario analyses and stress tests. The combination of these inputs leads to local capital planning while optimising profit.
- The capital execution: capital optimisation is achieved through capital repatriation, dividend distribution and profit remittance. ABN AMRO Life S.A. is not allowed to attract capital from other sources than its shareholder, ABN AMRO Bank Luxembourg S.A. in the form of common equity.
- The capital monitoring: Solvency is monitored in the ALCO dashboard.

Own funds under the norm LuxGaap

The company's own funds based on the audited financial accounts as of 31st December 2017 are the following:

Subscribed capital:	10 000 000
Reserves:	10 679 474
Profit brought forward:	2 581 088
Profit for the financial year:	2 396 152
Capital and reserves:	**25 656 714**

Movements in capital and reserves in 2017 were the following:

	Balances at beginning of the year EUR	Allocation of 2016 result EUR	Dividend paid EUR	Profit for the financial year 2017 EUR	Balances at year end EUR
Subscribed capital	10.000.000	---	---	---	10.000.000
Legal reserve	1.000.000	---	---	---	1.000.000
Special reserve	3.180.000	46.000	---	---	3.226.000
Other reserves / merger premium	6.453.474	---	---	---	6.453.474
Profit brought forward	3.079.616	2.501.472	(2.000.000)	---	3.581.088
Profit for the financial year	2.547.471	(2.547.472)	---	2.396.152	2.396.152
Interim dividend 2016	(2.000.000)	---	2.000.000	---	---
Interim dividend 2017	---	---	---	---	(1.000.000)
	24.260.561	---	---	2.396.152	25.656.714

Subscribed capital

As at 31st December 2017, the subscribed share capital of EUR 10 000 000 is represented by 1 077 067 ordinary shares, without nominal value, issued and fully paid.

Legal reserve

The Company is required under Luxembourg law to allocate annually a minimum of 5 % of its statutory net profit to a legal reserve until the aggregate reserve equals 10 % of the subscribed share capital. Such reserve is not available for distribution, except in case of dissolution.

As at 31st December 2017, no additional appropriation is required as the aggregate reserve already reaches the minimum of 10% of the subscribed share capital.

Special reserve

In accordance with the tax law, the Company credits its net worth tax against the net worth tax incurred during the financial year, up to the amount of the income tax for the financial year.

Such a deduction is subject to the Shareholders approving the allocation of an amount equal to five times the net worth tax to a reserve which may not be distributed during a minimum period of five years.

Following the changes introduced from the 2015 tax year, as a transitional measure, it was sufficient to establish only one special reserve in order to reduce both the 2014 net worth tax and the 2015 net worth tax.

Special reserve consists of the net worth tax reserve for the following years:

	2017 EUR	2016 EUR
Allocation in respect of the year 2011		605 000
Allocation in respect of the year 2012	600 000	600 000
Allocation in respect of the year 2013	660 000	660 000
Allocation in respect of the year 2014 and 2015	715 000	715 000
Allocation in respect of the year 2016	600 000	600 000
Allocation in respect of the year 2017	651 000	
	3 226 000	3 180 000

For the year ended 31 December 2017, an allocation of EUR 650.000 to the net worth tax reserve is required representing five times the 2018 net worth tax credited (2017: EUR 651.000).

Own funds under the norm Solvency II

The own funds under the norm Solvency II are valued by difference between the assets and the liabilities taking the deffered taxes into account. They are then detailed and recalculated starting from the corporate balance sheet prepared on the basis of the local valuation principles ("LuxGaap").

The Company's own funds are only composed of (unrestricted) basic own funds of Tier 1, i.e. the excess of assets over technical provisions and other liabilities, of the best quality, made of reserves and common equity.

The company has no ancillary own funds, i.e. off balance sheet own funds which can be called up to meet losses when they occur but which are not eligible for Tier 1.

The dividend to be paid to shareholders, if applicable, is taken into account and excluded from the eligible own funds to cover the solvency capital requirements (SCR).

The Reconciliation reserve completes the corporate own funds.

It is equivalent to the total of following items :

1. Adjustment of the share of reinsurers in the technical provisions
2. Adjustments of other assets items
3. Adjustment of technical provisions
4. Adjustment of other liabilities items.

The items which cover the SCR (EUR 23 014 346) amount to EUR 37 491 782 as at 31st December 2017. They include the subscribed capital, the reserves and the reconciliation reserve assessed after distribution of the result. The cover ratio is 163%.

1. Adjustment of the share of the reinsurers in the technical provisions

The ajustment of the share of the reinsurers in the technical provisions is explained by the reinsurance result under Solveny II norm. This adjustment amounts to EUR - 1 286 097 as of 31st December 2017.

In Solvency II, the result of the best estimate of reinsurance is equal to the difference between the present value of the capital at risk paid by the reinsurer in case of death of insured persons and the present value of the reinsurance premiums paid by the company. Such amount is posted at the asset side of the balance sheet. For the company, the best estimate of reinsurance is negative as the company is paying more premiums than it receives death capitals. Therefore, the adjustment of the share of the reinsurers in the technical provisions is negative.

2. Adjustment of other assets items

The adjustment of other assets items stems from the reevaluation at market value of bonds representing own funds and insurance contracts with interest rate guarantee. As of 31st December 2017, this adjustment amounts to EUR 77 894.

3. Adjustment of technical provisions

The adjustment of technical provisions stems from their re-evaluation in « best estimate » and from the added risk margin. As of 31st December 2017, the amount of this adjustment amounts to EUR 17 203 701.

4. Adjustment of other liabilities items

The adjustment of other liabilities items corresponds to the latent tax debt resulting from the calculation of the reconciliation reserve. This latent tax debt corresponds to the taxes calculated on these adjustments. As of 31st December 2017, the adjustment of other liabilities items amounts to EUR - 4 160 429.

5. Reconciliation reserve

The reconciliation reserve is equal to the sum of these four adjustments, i.e. EUR 11 835 068.

6. Eligible own funds

The eligible own funds as at 31st December 2017 are equal to the sum of the own funds in LuxGaap (or accounting value), i.e. EUR 25 656 714, and of the present value of assessed future results (the Reconciliation reserve in the Solvency II balance sheet), i.e. EUR 11 835 068, meaning a total eligible own funds of EUR 37 491 782.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As of end of 2017, the SCR is composed of:

Risk Type	Amount in EUR K
Market risk	15 991
Counterparty risk	2 254
Underwriting risk	15 572
Intangible assets	0
Diversification	(8 061)
Basic SCR	**25 756**
Operational SCR	1 419
Adjustment for deffered taxes	(4 160)
Final SCR	**23 014**
MCR	**10 356**

Comments:

- SCR (solvency requirement): the risk stems from a reduction in the present value of future profits and higher liabilities (assessed taking a risk margin into account).
- Definition of the risks: see chapter C.
- Diversification: all risks do not materialise at the same time and certain risks are negatively correlated among each other. It is consequently not required to hold capital for a case where all the risks would arise in the same time.
- Adjustment for deffered taxes: it is the latent tax debt calculated on the adjustments included in the Reconciliation Reserve and partially offsetting the risks included in the SCR.

Methods and main assumptions used

ABN AMRO Life S.A. has assessed the SCR based on the annual accounts as of 31st December 2017 in accordance with the applicable technical specifications of the Solvency II directive.

The projection is realised in a « run-off » scenario, i.e. without taking any future premium into account. The duration of the simulation extends to the moment when the projected technical provisions have decreased up to maximum 10% of their initial level. For ABN AMRO Life S.A. in 2017, this duration equals to 15 years for the unit-linked insurance policies and 3 years for the insurance contracts with interest rate guarantee.

The accounting and valuation bases are the same as the ones used in LuxGaap. The corporate balance sheet established in local norm is compared to the solvency II projected balance sheet and the differences are explained and analysed. The assets and liabilities are then reassessed in accordance with the specifications of the Solvency II directive (see Chapter D.) to establish the Solvency II balance sheet.

The specific data of each security are extracted from the company's asset management system. When data are not available to calculate these solvency capital requirements, the concerned securities are retreated and/or reclassified in a more appropriate asset category which better reflects the specific risk of the security. Then the shocks foreseen in the standard formula of Solvency II are applied to each asset category.

More specifically, **following assumptions, retreatments and reclassifications are made**:

Component	Assumptions	Value as of 31st December 2017
Underlying assets – equity risk	The shock on equity of type 2* (49% +/- "Equity Dampener" or symmetric adjustment based on the behaviour of an equity index built and published each month by EIOPA) is applied to all non-quoted assets. * The equities of type 2 include : (i) equity quoted on stock exchange in countries which do not belong to the EEA or OECD, non-quoted equity, alternative investments, all assets which are not hedged in sub modules related to interest rate risk, real estate assets or spread risk. * The transitional measure for equity risk is applied for some equities which were bought before 1st Jan 2016	Equity Dampener : 1,90 %
Underlying assets - bonds	The value of each bond is recalculated using the free risk interest rates curve, the coupon rate and maturity date of the bond The company does not know all the required parameters to assess the level of credit risk ("Credit Quality Step" or "CQS") of certain bonds (government and corporate) it directly holds. Therefore, the company apply the maximum shock corresponding to a CQS 6 to these bonds.	
Underlying assets – collective funds	The collective funds invested in bonds are assessed using the average coupon rate and average maturity date of the fund. When such information is not available, the underlying bonds are "looked through" and analysed to the extent that the information is available. This information is used as a model portfolio to assess the rest of the collective funds invested in bonds. When all parameters are not available to treat the funds as bonds, the company applies the same duration, return and rating characteristics as those of the model portfolio derived from the investment strategies of similar funds in the portfolio provided they represent at least half of the total value of such funds in the portfolio.	
Underlying assets – monetary funds	The credit risk related to cash and monetary funds included in the unit-linked products is assessed as the difference between the SCR with and without these cash and monetary funds.	
Underlying assets – alternative funds / structured products	The alternative funds / structured products are mainly bonds of which CQS is not available from financial data providers such as Bloomberg. They were therefore treated as equity (highest risk).	
Underlying assets – non-quoted assets	Non-quoted securities are mainly invested in real estate. They have been classified in the highest risk category (equity of type 2 or CIC code « 41 ») to apply the maximum shock required by Solvency II regulation including the "Dampener" adjustment provided by the EIOPA on a monthly basis.	

The Solvency capital requirement (“SCR”) as of 31st December 2017 under the Solvency II norm taking into account the risks incurred by the company amounts to EUR 23 014 346.

The SCR cover ratio is the result of the division of the eligible own funds of EUR 37 491 782 by the solvency requirement (SCR). As at 31st December 2017, the company’s SCR cover ratio was 163%.

The Minimum Capital Requirement (« MCR ») is the minimum solvency requirement under Solvency II norm. It is the lowest acceptable level of capital. It lies between 25 and 45% of the SCR or equals to the floor as set by the local regulator. Its transgression automatically leads to an intervention of the regulator.

Compared to the MCR, the eligible own funds show an excess of EUR 27 135 327 as of 31st December 2017, i.e. a MCR cover ratio of 362% compared to 335% as of 31st December 2016.

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

The company does not use the duration-based equity risk sub-module.

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

The company does not use an internal model.

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

The company complies with both the MCR and SCR.