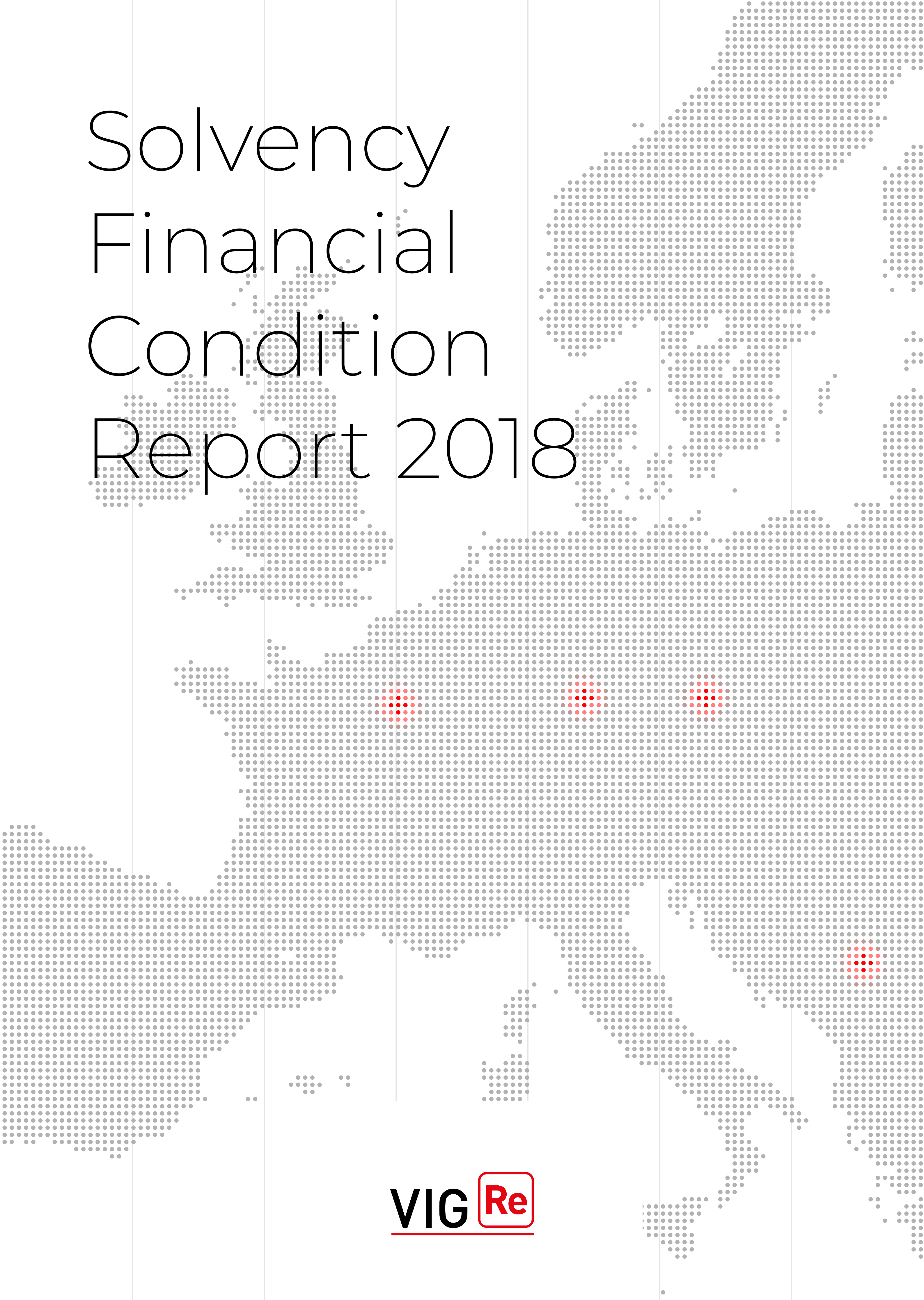
Solvency Financial Condition Report 2018



VIG Re

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Summary

The purpose of this report is to respond to the public disclosure requirements as defined by the Solvency II Regulation. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

VIG RE zajišťovna, a.s. (hereinafter also “VIG Re” or “the Company” is a member of Vienna Insurance Group (“VIG”) and the first professional reinsurance company established in the Czech Republic. VIG Re was incorporated on 18 August 2008 and has its registered office at Templová 747/5, Prague 1. VIG Re received the license to carry out reinsurance business and related activities on 8 August 2008 and has conducted the reinsurance business in Property/Casualty, Life and Health since 2009.

VIG Re is on one hand responsible for managing the Group reinsurance programs of Vienna Insurance Group but has also established itself as a leading reinsurance Company in Central & Eastern Europe beyond the boundaries of VIG. With its nimble and lean operating model, the Company meets the demand of clients looking for a partner who has an in-depth market know how and builds on long-term relationship. The commitment to a long-term partnership approach equally holds for the Company’s undertakings in other European markets, where the company focuses on insurance

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clients who share the same values and who have a sound track record as stable and reliable players in their local markets. The establishment of our two branch offices in Frankfurt in 2017 and in Paris in 2018 allows the Company to serve clients in these areas closely and is to be understood as a token of our commitment to these markets.

Business and Performance

VIG Re, benefiting from its in-depth market know-how and its lean and nimble operating model is in an excellent position to take the advantage of the opportunities of the European reinsurance markets. VIG Re adheres here to its prudent risk management policy, especially but not limited to the areas of underwriting discipline, investment and reinsurance protection. Together with the strong capital position, its operating model and its ability to offer broad risk solutions across all main lines of business, the Company is well positioned to seize opportunities in its Central and Eastern core markets and beyond. In line with the Company strategy, gross written premium increased to EUR 457 million in 2018, 7.5% increase compared to 2017. The P&C business segment contributed with EUR 415 million, Health with EUR 23 million and Life with EUR 19 million. The Company achieved to increase the client portfolio by 10% in 2018 reaching 385 clients in total.
In 2018 VIG Re delivered a profit before tax of EUR 26 million. Underwriting result for 2018

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was very strong with EUR 19.1 million, EUR 3.5 million above the reference period in 2017. Main contributor to underwriting result was the CEE region as a result of lower than expected large loss burden from the underwriting year 2018.

VIG Re enjoyed a rather benign natural catastrophe loss experience in 2018. The European windstorm Frederieke in January and two Japanese typhoons, Jebi and Trami, had a moderate impact, accounting for a net incurred loss of EUR 5 million in total. The Company did not encounter any material losses from other global catastrophe events, like hurricane Michal, Californian wildfires or negative run-off of the major natural catastrophe claims in 2017.

Despite of the challenging market conditions, the ordinary interest income and dividends from investment funds and equity investments was EUR 7.5 million in 2018 (EUR 8.2 million in 2017). In addition, an extraordinary income was realised in the amount of EUR 1.0 million (EUR 1.6 million in 2017) and EUR 4.7 million income was earned from the net funds deposited with cedents in respect of Life Reinsurance contracts in 2018 (EUR 4.4 million in 2017).

System of Governance

The Company's system of governance is defined through a set of internal guidelines and procedures and encompasses integral elements, such as an integrated risk management system, the internal control system and the four key functions (actuarial function, compliance function, risk management function, internal audit function).

Continuous improvement of the risk management and steering as well as a high integration of risk considerations in the planning, business and decision-making processes throughout the Company is one of the goals of Risk Strategy in VIG Re. Further enhancement and optimization of

the integrated Risk Management approach as well as the methods and processes used for a proper risk and control environment is an important goal of the Company.
An integral element which combines the quantitative and qualitative risk management results and the strategic and business planning is the forward-looking Own Risk and Solvency Assessment (ORSA) as an important element in the integrated planning process and impacting the strategic and business decisions-making in the VIG Re management processes.
Changes in the composition of Supervisory Board and Board of Directors during the year 2018 are commented in Chapter B.

Risk Profile

An overview of the Company's risks and key procedures of risk mitigation is provided in Chapter C. Assumed Reinsurance being the core activity off the Company, underwriting risk is the most significant risk category for VIG Re. The Company is especially exposed to Non-Life underwriting risk and to a moderate extent to Health underwriting risk and Life underwriting risk. Underwriting risk is mitigated through the adherence to a prudent underwriting policy, including the application of underwriting limits, a strict accumulation control, and establishment of a prudent retrocession program.
The management of the market risk, the second most important risk category of the Company, is governed by VIG Re's Investment and Risk Strategy policy. The policy sets a balanced risk/return-profile and limits for asset allocation.
To manage counterparty default risk VIG Re distributes its reinsurance protection programs over a diversified panel of financially solid reinsurance companies, in compliance with VIG Security Guidelines.
In the area of operational risk, strict procedures, controls and emergency plans areas are in place to ensure sustainable reinsurance services.
The Solvency Capital Requirement by risk module in accordance with Solvency II standard formula is presented in the table below:

Table 1 - SCR by Risk Module (in '000 EUR)

	2018	2017
Market risk	20,591	23,288
Counterparty default risk	21,469	19,303
Life underwriting risk	10,548	8,136
Non-Life underwriting risk	95,422	95,246
Health underwriting risk	14,172	17,069
Intangible asset risk	0	0
Diversification	-43,253	-44,203
Basic solvency capital requirement	118,950	118,839
Operational risk	13,921	12,916
Loss-absorbing capacity of technical provisions	0	0
Loss-absorbing capacity of deferred taxes	-9,149	-4,800
Solvency capital requirement	**123,722**	**126,955**

Valuation for Solvency Purposes

The valuation of assets and liabilities for Solvency II purposes is performed on a fair value (market value) basis. In case IFRS values appropriately reflect the fair value, IFRS values are applied. Chapter D further elaborates on the main differences between statutory reports according to IFRS standards and Solvency II valuation. The differences are stemming mainly from technical provisions and reinsurance recoveries as well as from valuation of investments (especially held to maturity bond portfolio).

Capital Management

In 2018 the Company strengthened its Own Funds by EUR 35 million of Subordinated Debt. As an effect, in combination with an optimization of the retrocession program, the Solvency Capital ratio of the Company improved to 185% as at 2018 year-end.

VIG Re proceeded with the development of Solvency II Partial Internal Model in 2018, entering the final stage of the pre-application phase. The granularity of the model allows the Company to perform an in-depth analysis of the business segment performance and to assess the sufficiency and overall suitability of the retrocession program.

The Solvency Financial Condition Report 2018 was approved by the Board of Directors on 16 April 2019.

A
Business and Performance

A.1 Business

A.1.1 Name and Legal Form of the Undertaking

VIG Re is incorporated in the Czech Republic and is a joint-stock company. Identification number: 28445589, registered in the Commercial Register kept by Municipal Court in Prague, section B, insert 14560.

The address of the registered office is:

Templová 747/5
110 01 Praha 1
Czech Republic
www.vig-re.com

This Report covers VIG Re on a solo basis.
The Company has a licence to pursue the following activities:

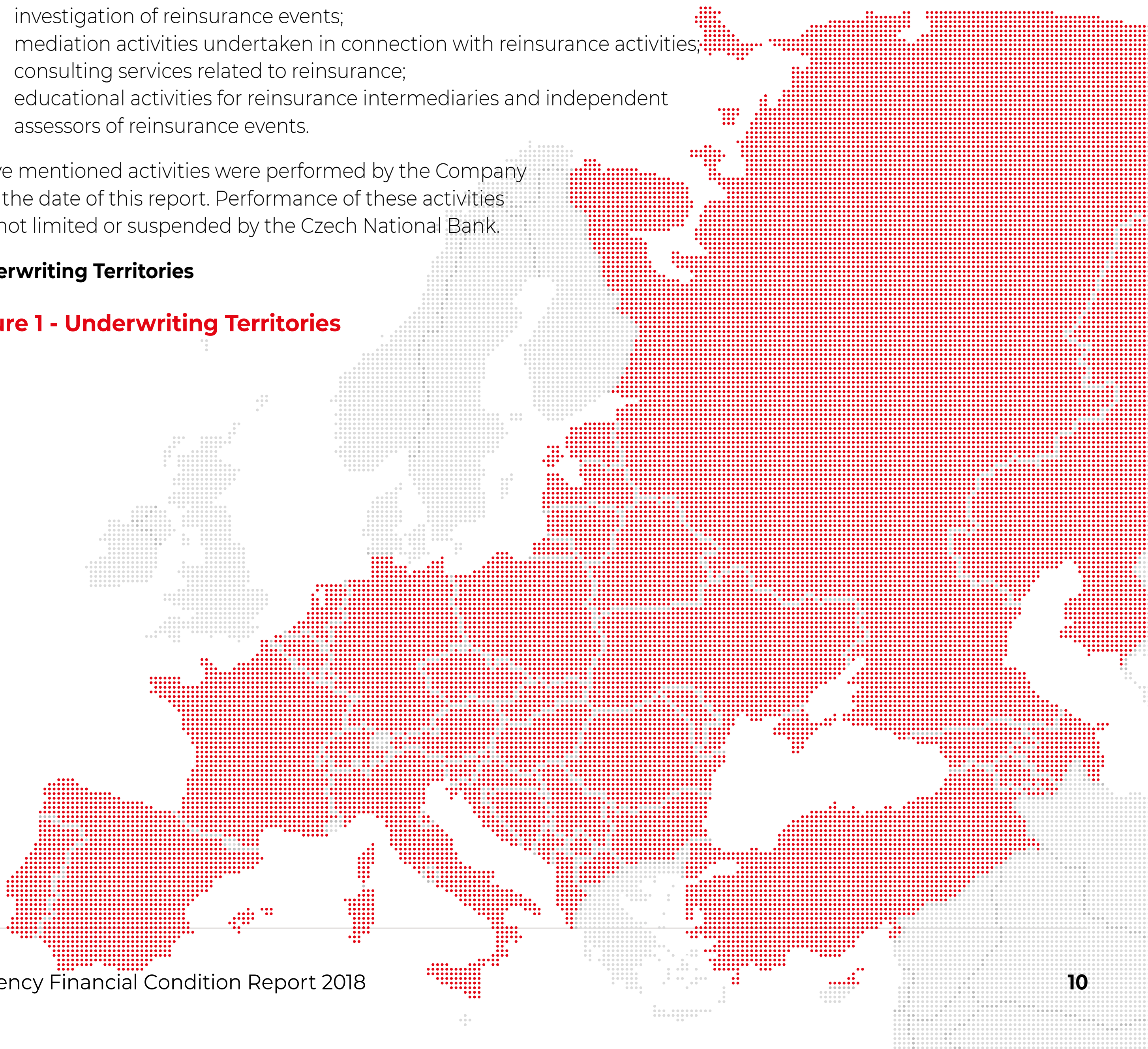
- The Reinsurance activity under § 3 paragraph 1, lett. (l) of Act No. 277/2009 Coll. Insurance Act, as amended (the Insurance Act), within all branches of life insurance listed in Appendix 1 of the Insurance Act, Part A and all non-life insurance listed in Appendix 1 of the Insurance Act, Part B.

Activities related to reinsurance activities under the Insurance Act:
- investigation of reinsurance events;
- mediation activities undertaken in connection with reinsurance activities;
- consulting services related to reinsurance;
- educational activities for reinsurance intermediaries and independent assessors of reinsurance events.

Above mentioned activities were performed by the Company as of the date of this report. Performance of these activities was not limited or suspended by the Czech National Bank.

Underwriting Territories

Figure 1 - Underwriting Territories



The map shows the underwriting territories where the Company's business assumes reinsurance in respect of Non-Life, Health (non-similar to Life underwriting techniques) and Life insurance lines of business. Not shown on the map, business was also assumed from Japan and South Korea.

A.1.2 Name of the Supervisory Authority Responsible for the Financial Supervision of the Undertaking and Group

The Company is subject to supervision by Česká národní banka (Czech National Bank). Česká národní banka can be contacted at:

Na Příkopě 28
115 03 Praha
Czech Republic
www.cnb.cz

The Company is a member of the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe which is subject to supervisory authority by the Finanzmarktaufsicht in Österreich (Austrian Financial Market Authority), which can be contacted at:

Otto Wagner Platz 5
1090 Vienna
Austria
www.fma.gv.at

A.1.3 External Auditor of the Undertaking

The statutory auditor of the Company is:
KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Praha 8
Czech Republic
www.kpmg.cz

A.1.4 Holders of Qualifying Holdings in the Undertaking

Table 2 - Holders of the Undertaking

Business Name	Legal Form	Address	Share Capital	Share of Voting Rights
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	joint-stock company	Schottenring 30, 1010 Wien	70%	70%
Donau Versicherung AG Vienna Insurance Group	joint-stock company	Schottenring 15, 1010 Wien	10%	10%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	joint-stock company	Pobřežní 665/21, 186 00 Praha 8	10%	10%
Kooperativa poisťovňa, a.s. Vienna Insurance Group	joint-stock company	Štefanovičova 4, 816 23 Bratislava	10%	10%

A.1.5 Legal Structure

VIG Re is a member of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. Detailed list of related parties can be found in our Annual Report Annex 2 to the Report on Related Parties.

In line with its strategic focus on Continental Europe reinsurance markets, the Company opened a branch office in Frankfurt am Main, Germany, in September 2017 and in Paris, France, starting its operation in November 2018. The economic data of the branch are, in accordance with the legislation of the Czech Republic, an integral part of the financial statements of the Company.

VIG Re has a subsidiary in Wiener Re a.d.o. Serbia, which was acquired from WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group. Wiener Re is a reinsurance company based in Belgrade and has established business relationships with insurance companies in Serbia and Western Balkans. It is currently active in Serbia and neighbouring countries Bosnia and Herzegovina, Montenegro and Macedonia.

VIG Re has also share in VIG fund CZ, a.s. This company operates in the area of real estate management.

Table 3 - VIG Re Shares

Business Name	Legal Form	Address	Share Capital	Share of Voting Rights
Wiener Re a.d.o. Serbia	joint-stock company	Trešnjinog cveta 1, 11070 Belgrade	100%	100%
VIG FUND, a.s	joint-stock company	Templová 747/5, 110 00 Praha 1	2.63%	2.63%

A.2 Underwriting Performance

A.2.1 Underwriting Performance in 2018

Economic Environment

Ten years after the 2008 financial crisis and the consequences that led to notable regulatory changes and fiscal measures to contain the negative effects for the global economy, the International Monetary Fund (IMF) forecasts for 2018 and 2019 a robust global economic growth of 3.7%. However increasing uncertainty in connection with the Brexit, trade conflicts such as between the US and China and the issue of immigration and increasing protectionism in local economies entail significant risks for future economic growth. As a consequence, most economic institutes and national banks have revised their forecasts downwards.

In 2018 economic growth already slowed down in the Eurozone, recording a real GDP growth of 2.0%, after 2.4% in 2017. Accordingly, the economic growth in Eastern Europe also slowed in 2018 compared to the previous year. Nevertheless, based on calculations by the Vienna Institute for International Economic Studies (WIIW), real GDP growth averaged 4.2% (after 4.9% in 2017) in the Central and Eastern European countries of the EU, which includes VIG Re's core markets Czech Republic, Slovakia, Poland, Romania, Hungary, Bulgaria and the Baltic states. The strong growth rates of 4.1% and 4.8% recorded in Hungary and Poland in 2017 increased even further to 4.9% and 5.1%, respectively, in 2018. This, together with falling unemployment and low debt ratios, indicates that the CEE region continues on its convergence path with Western Europe.

Business Performance 2018

In 2018 VIG Re delivered in line with the business plan a profit before tax of EUR 26 million. Underwriting result for 2018 was very strong with EUR 19.1 million, EUR 3.5 million above the reference period in 2017. Due to a well diversified portfolio and a prudent reinsurance protection, the Company achieved an excellent combined ratio of 92.5%.

Main contributor to underwriting result was the CEE region as a result of lower than expected large loss burden from the underwriting year 2018. Administrative and other operating expenses accounted for EUR 10.4 million, slightly below the plan. Major expenses were related to personal cost, IT services and service level agreements with Group companies.

Table 4 - Income Statement (in '000 EUR)

	2018	2017
Premiums written	456,924	423,650
Property & Casualty	414,568	386,098
Life	19,110	16,560
Health	23,246	20,992
Combined ratio*	92.5%	94.8%
Result from investments	11,304	13,777
Profit before tax	26,177	23,629
Profit for the period	**20,812**	**20,397**

* Combined ratio is calculated for P&C and Health business segments

VIG Re enjoyed a rather benign natural catastrophe loss experience in 2018. The European windstorm Frederieke in January and two Japanese typhoons, Jebi and Trami, had a limited impact, accounting for a net incurred loss of EUR 5 million in total. The Company did not encounter any material losses from other global catastrophe events, like hurricane Michal, Californian wildfires or negative run-off of the major natural catastrophe claims in 2017.

The number of large man-made losses (gross incurred for VIG Re share above EUR 1 million) increased from 14 in 2017 to 16 in 2018; accounting for a total gross incurred of EUR 37 million. Due to lower severity the total incurred is however EUR 2 million below 2017.

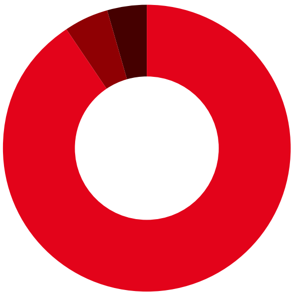
The Company is committed to further enhance the value proposition to insurance companies which are member of Vienna Insurance Group. Our support of group initiatives like the Accelerate Health Initiative and fostering the underwriting capabilities in Corporate Liability have been highlights in this respect in the year 2018.

For its core markets in Central and Eastern Europe, VIG Re had a very strong year 2018. Despite the regional reinsurance market encounters an ongoing consolidation, an effect on mergers and acquisition of local insurers in combination with a continuous centralisation of the reinsurance purchase of international groups – the Company grew its Third party business in the region by another 12% in 2018. The region benefited from a rather benign loss activity, especially the absence of any major natural catastrophe. Two large man made losses were reported in 2018, one fire in Serbia with a market loss of EUR 80 million and one fire in Latvia with a market loss close to EUR 40 million. In addition, most CEE countries profited from a healthy growth and improved performance of the motor segment.

The Company continue to develop a diversified book in Germany, Austria and Switzerland. Gross gross written premium increased by 34% comparing to year 2017.

For the Western and Southern Europe region, the Company pursued a controlled market entry in France, Belgium and Luxemburg. In these countries, the Company entered in 2018 a business relation with a total of 15 clients across a broad range of lines of business. In Italy, where the Company already enjoys a solid presence, further inroads with existing key clients could be achieved.

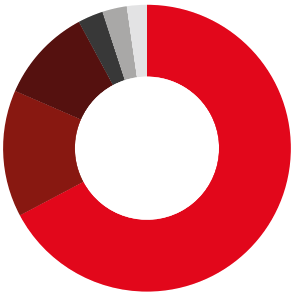
Figure 2 - GWP per Segment in (EUR '000)



GWP per Segment (in EUR '000)

P&C	414,568
Health	23,246
Life	19,110
Total	**456,924**

Figure 3 - GWP P&C per Line of Business (in EUR '000)



GWP P&C per Line of Business (in EUR '000)

Property	278,741
Motor Third Party Liability	59,281
Motor Own Damage	44,009
General Third Party Liability	11,760
Marine	11,392
Personal Accident	9,385
Total	**414,568**

Figure 4 - GWP P&C per Country (in EUR '000)

*Other represents the following countries: Albania, Armenia, Azerbaijan, Belgium, Bosnia, Bulgaria, Croatia, Estonia, France, Greece, Georgia, Japan, Kazakhstan, Kosovo, Latvia, Macedonia, Moldova, Montenegro, Russia, Slovenia, South Korea, Spain, Switzerland, Ukraine

GWP P&C per Country (in EUR '000)

Austria	150,523
Czech Republic	43,098
Germany	38,099
Italy	36,079
Poland	24,471
Turkey	19,222
Slovakia	16,455
Romania	12,837
Lithuania	11,728
Serbia	7,974
Hungary	6,353
Other*	47,729
Total	**414,568**

GWP P&C shows significant growth in 2018 increased by EUR 28.4 million compared to 2017 mainly driven by Non VIG Treaty business especially in Italy (EUR +12.5 million) and Germany (EUR +7.5 million). In Western Europe (France and Belgium) the Company achieved a GWP of EUR 4.4 million and Premium from Japan accounted for EUR 3 million (EUR 1.3 million in 2017).

Results for 2018 and 2017 from the underwriting activity are summarized in the tables below (in EUR '000).

Table 5 - IFRS Results of 2018 (in EUR '000)

2018	P&C	Life	Health	Total
Premiums written - gross	414,568	19,110	23,246	456,924
Premiums written - reinsurers' share	-230,417	-4,752	-470	-235,639
Net earned premiums	188,509	14,652	22,810	225,971
Other income	0	4,253	-1	4,252
Claims incurred	-118,760	-11,764	-12,161	-142,685
Operating expenses	-56,640	-3,867	-7,903	-68,410
Underwriting result	13,109	3,275	-2745	19,129

Table 6 - IFRS Results of 2017 (in EUR '000)

2017	P&C	Life	Health	Total
Premiums written - gross	386,098	16,560	20,992	423,650
Premiums written - reinsurers' share	-167,732	-3,284	-149	-171,166
Net earned premiums	221,716	13,518	20,727	255,961
Other income	2	4,399	-1	4,400
Claims incurred	-177,642	-10,530	-2,357	-190,529
Operating expenses	-46,598	-4,310	-3,298	-54,206
Underwriting result	-2,522	3,076	15,072	15,626

The underwriting result per geographical area and business segments for 2017 and 2018 is presented in the following tables:

Table 7 - Underwriting Result per segments 2018 (in EUR '000)

2018	Gross Earned Premium	Gross Claims & Expenses Incurred*	Gross Underwriting Result	Underwriting Result after Proportional Retrocession	Total Net Underwriting Result
P&C CEE & VIG	294,799	-187,285	107,514	96,224	
P&C DACH	43,973	-41,699	2,274	1,707	
P&C WE	39,825	-37,570	2,255	845	
P&C Asia	3,972	-8,893	-4,921	-4,921	
P&C Facultative	9,009	-7,494	1,514	650	
Health	46,604	-47,038	-434	-422	
Life	19,379	-15,207	4,173	4,278	
Total	**457,561**	**-345,186**	**112,375**	**98,361**	**19,129**

* Life included also income from the deposits to cedants in the "Gross Claims & Expenses Incurred".

The negative underwriting result for Asia is mainly affected by two natural catastrophe losses that occurred in Asia in September 2018, Typhoons Jebi and Trami.

Table 8 - Underwriting Result per segments 2017 (in EUR '000)

2017	Gross Earned Premium	Gross Claims & Expenses Incurred	Gross Underwriting Result	Net Underwriting Result after Proportional Retrocession	Total Net Underwriting Result
P&C CEE & VIG	291,927	-258,636	33,291	42,524	
P&C DACH	32,480	-25,392	7,088	6,688	
P&C WE	25,417	-25,259	158	-629	
P&C Asia	1,237	-1,250	-14	-14	
P&C Facultative	13,773	-8,407	5,366	1,971	
Health	44,115	-42,560	1,555	1,478	
Life	16,776	-12,622	4,155	4,164	
Total	**425,725**	**-374,126**	**51,599**	**56,182**	**15,626**

The underwriting result per significant line of business for 2017 and 2018 is presented in the following tables:

Table 9 - Underwriting Result per Line of Business 2018 (in EUR '000)

2018	Gross Earned Premium	Gross Claims & Expenses Incurred	Gross Underwriting Result	Net Underwriting Result after Proportional Retrocession	Total Net Underwriting Result
Fire and other damage to property	167,025	-162,249	4,776	-1,106	
Non-proportional Property	112,657	-33,114	79,543	73,121	
Non-proportional Casualty	42,885	-28,531	14,354	14,002	
Other motor	41,755	-39,815	1,940	1,928	
Motor vehicle liability	22,140	-18,747	3,392	3,370	
Medical expense	21,255	-18,283	2,972	2,985	
Life	19,379	-15,206	4,173	4,278	
Other	30,465	-29,242	1,224	-209	
Total	**457,561**	**-345,186**	**112,375**	**98,369**	**19,129**

Table 10 - Underwriting Result per Line of Business 2017 (in EUR '000)

2017	Gross Earned Premium	Gross Claims + Expenses	Gross Underwriting Result	Underwriting Result after Proportional Retro	Net Underwriting Result
Fire and other damage to property	146,966	-147,962	-996	76	
Non-proportional Property	132,631	-108,359	24,272	27,919	
Non-proportional Casualty	34,580	-43,790	-9,210	-9,752	
Other motor	24,041	-19,539	4,502	4,505	
Motor vehicle liability	23,398	-25,412	-2,015	-999	
Medical expense	4,520	-3,991	529	475	
Life	16,776	-12,613	4,163	4,172	
Other	42,813	-12,459	30,354	29,786	
Total	**425,725**	**-374,126**	**51,599**	**56,182**	**15,626**

A.3 Investment Performance

A.3.1 Investment Performance in 2018

As for previous years, also the year 2018 was characterized by continued low interest rates. Interest rates started to increase on the beginning of the year but in the course of the year monetary policy did not meet market participants expectations. Equity markets also recorded positive start of the year, but fluctuated during the year with sharp decline by the year end.

VIG Re invests in compliance with its Investment and Risk Strategy 2018 which defines rules and limits in order to optimize the portfolio's risk-return profile. Major activity in the investment area were reinvestments resulting from maturing bonds and subordinated debt.

The ordinary interest income and dividends from investment funds and equity investments was EUR 7.5 million in 2018 (EUR 8.2 million in 2017). In addition, an extraordinary income was realised in the amount of EUR 1.0 million (EUR 1.6 million in 2017) and EUR 4.7 million income was earned from the net funds deposited with cedents in respect of Life reinsurance contracts in 2018 (EUR 4.4 million in 2017). The Company's investment was allocated as of 31 December 2018 in following assets:

Table 11 - Solvency II Investments (in EUR '000)

Investments	2018	2017
Property, plant & equipment held for own use	923	442
Investments	407,518	386,436
Holdings in related undertakings, including participations	11,762	5,185
Participations in fully consolidated insurance companies	6,759	0
Participations in fully consolidated non-insurance companies	5,003	5,185
Bonds	325,936	308,464
Government bonds	276,889	256,006
Corporate bonds	49,047	52,458
Collective Investments Undertakings	65,059	72,787
Deposits other than cash equivalents	4,761	0
Loans & mortgages	2,235	177
Deposits to cedants	114,364	127,906
Cash and cash equivalents	14,876	9,812

Comparing the values of 2017 and 2018 investments, a significant increase in values of bonds occurred, due to the cash received from subordinated loan that the Company invested mainly in fixed income investments (Government bonds).

The Company reported participation in Wiener Re subsidiary (EUR 6.8 million) in 2018.

The Company has no investments in securitisation.

The investment result per asset class for 2017 and 2018 is presented in the following tables:

Table 12 - Investment Result of Individual Assets Classes 2018 (in EUR '000)

Asset category	Dividends	Interest	Net gains and losses	Unrealised gains and losses
Government Bonds	0	5,230	-1,206	-2,028
Corporate Bonds	0	1,178	-148	-1,074
Equity instruments	401	0	0	-2,567
Collective investments undertakings	664	0	1,665	0
Cash and deposits	0	0	0	0
Mortgages and loans	0	16	0	-54
Other investments	0	5,686	-552	-32
Total	**1,065**	**12,110**	**-241**	**-5,755**

Table 13 - Investment Result of Individual Assets Classes 2017 (in EUR '000)

Asset category	Dividends	Interest	Net gains and losses	Unrealised gains and losses
Government Bonds	0	5,740	1,033	-3,277
Corporate Bonds	0	1,511	-499	-2,452
Equity instruments	383	0	0	181
Collective investments undertakings	519	0	632	1,616
Cash and deposits	0	0	-6	0
Mortgages and loans	0	14	0	0
Other investments	0	5,089	0	1
Total	**902**	**12,354**	**1,160**	**-3,931**

Interest revenues slightly declined in 2018 compared to 2017. During 2018 the Company reinvested maturing securities at lower yields due to the continued low interest rate environment. The revenues fully reflect the approved structure of the assets and their conservative risk profile. Net gains and losses from sale of the assets include the foreign currency revaluation, which resulted in 2018 in losses on currencies such as JPY, TRY or HUF.

Expenses related to Investment activity in 2017 and 2018 shows table below:

Table 14 - Expenses related to Investment Activity (in EUR '000)

	2018	2017
Expenses of investment activity	**1,928**	**858**
Interest from deposits to retrocessionaires	1,040	703
Expenses of asset management and securities	180	155
Interest expenses of subordinated debt	708	0
Depreciation and costs of property	0	0
Other expenses	0	0

The total expenses related to investment activity increased from 858 TEUR in 2017 to 1,928 TEUR in 2018. The expenses rise along with investment portfolio increase and number of transactions. Newly, interest expense related to subordinated debt is included in 2018.

A.4 Performance of Other Activities

The Company granted loans, which resulted in a receivable of 2,235 TEUR (177 TEUR in 2017), as shown in the Company's financial statements.

A.5 Any Other Information

There are no other material information related to Business performance that would be relevant to provide.

B
System of Governance

B.1 General Information on the System of Governance

The Company's system of governance is defined through a set of internal rules, procedures and reporting lines as governed by the documents of the Company (By-Laws, Rules of Procedure) and other internal policies. The system of governance sets the overall responsibilities and tasks of the governing bodies of the Company, as well as all individuals. The system of governance encompasses also other integral elements, such as the risk management system (including the risk appetite framework, ORSA, etc.) and the interconnected internal control system and the key functions. All these elements contribute to robust system of governance and efficient management of the Company. We discuss the individual elements in the following Chapters.

B.1.1 Role and Responsibilities of the Board of Directors

The **Board of Directors** as the highest executive body of the Company is responsible for the determination of objectives and business plans and fulfilling them, setting the organisational structure, setting the remuneration and ultimately takes ownership of all risks. In doing so, the Board of Directors follows the tasks, as assigned to it by the respective legislation (inter alia the Business Corporations Act and Insurance Act) and internal documents (decisions of the General Meeting, the Company's By-Laws, Rules of Procedure of the Board of Directors, etc.). As VIG Re is still a relatively small company by number of employees, the Board Members are, to some extent, involved in certain operational tasks.

Mr. Dušan Bogdanović resigned from the office of the Board of Directors effective as of 31 March 2018.The Board of Directors has the power to establish committees as its advisory bodies in specific areas, where specific issues under the responsibility of the Board of Directors are discussed with the assistance of subject matter experts.

The Company has set up a **Committee for Technical Reserves**, which is held at least on on a quarterly basis. The Committee for Technical Reserves is a collective body, which particularly advises the Board of Directors in its decision making in respect of appropriate technical reserving to ensure long-term financial stability of the Company when meeting its objectives. Members of the Committee are Actuarial Function Holder, Risk Management Function Holder, Head of Claims Management Department, Board Member responsible for Actuarial Matters. The Committee is chaired by Mr. Johannes Martin Hartmann, Board Member responsible for Actuarial Matters.

The Company has set up a **Risk and Compliance Committee**, which is held at least on a quarterly basis. The Risk and Compliance Committee is a collective body, which particularly advises the Board of Directors in its decision-making process in respect of risk and compliance situation of the Company, e.g. risk profile, its adequate measurement and steering within risk strategy of the Company. Members of the Committee are Risk Manager, Risk Management Function Holder, Compliance Officer, Compliance Function Holder, Actuarial Function Holder and Data Quality Manager. The Committee is chaired by Ms. Ivana Jurčíková, Board Member and Risk Management Function Holder and Compliance Function Holder.

The Company has set up an **Underwriting Committee**, which is held at least on a quarterly basis. The Underwriting Committee is a collective body, which particularly ensures that reinsurance business assumed ("underwritten") by the Company is aligned with the Company's Underwriting Guidelines, taking into account the Company's business strategy, it's values and long-term strategy as well as the nature, scale and complexity of the risks inherent to the business. Members of the Committee are Head of Non-Life Underwriting, Head of Life Underwriting, Head of Actuarial Services and Retrocession, Risk Manager. The Committee is chaired by the Head of Non-Life Underwriting.

B.1.2 Role and Responsibilities of the Supervisory Board

The Supervisory Board oversees the operations of the Company and the actions of the Board of Directors. The Supervisory Board provides assurance on the reported results to the shareholders, the accuracy of the administrative and accounting processes, process efficiency, etc.

The Supervisory Board meets regularly four times a year, however, in the course of the year 2018 were held five meetings of the Supervisory Board. Apart of its regular agenda which includes Report from the Audit Committee, Management Report, Report on Business Activities, Report on Wiener Re (subsidiary of VIG Re), it discusses other relevant key topics. During year 2018, major topics for the Supervisory Board were:

- changes in the areas of competence of the Board of Directors,
- approval of the establishment of the Branch Office in Paris, France,

- SCR calculation and Risk Management Action Plan,
- transfer of shares to the third party.

The composition of the Supervisory Board has changed in 2018 and the list of its members is to be found in the Annual Report 2018, page 23.

The Supervisory Board sets up its Committees to support its activities in the oversight activities. The Committees directly and significantly represent the interests of the Company's shareholders.

The following Committees have been established at VIG Re:

- Audit Committee,
- Committee for the Matters of the Board of Directors,
- Committee for Urgent Matters,
- Strategic Committee.

The **Audit Committee** monitors the process of preparation of financial statements, assesses the efficiency and effectiveness of the internal controls and internal audit, oversees the external audit of financial statements and assesses the suitability and independence of the external auditor. It also suggests the statutory auditor. The Committee held four meetings in the course of 2018. The main topics of the agenda were the proceedings and findings of the external and internal audits, the Solvency II compliance of VIG Re and the Internal Control System (ICS) of the Company. There was no change in the composition of the Audit Committee in the course of 2018 and the list of its members is to be found in the Annual Report 2018, page 23.

The **Committee for the Matters of the Board of Directors** is a collective body whose members are appointed by the Supervisory Board from amongst its members. The Committee for the Matters of the Board of Directors deals with matters concerning the Board of Directors if these matters fall within the competence of the Supervisory Board. The Committee for the Matters of the Board of Directors convened one meeting in March 2018.

The **Committee for Urgent Matters** is a collective body whose members are appointed by the Supervisory Board from amongst its members. The Committee for Urgent Matters deals with issues which, due to their special urgency, cannot be postponed until the next meeting of the Supervisory Board. The Committee for Urgent Matters is particularly authorized to grant consent to acts and measures for which the consent of the Supervisory Board is otherwise required pursuant to the Articles of Association or the Rules of Procedure of the Board of Directors. The Committee for Urgent Matters convened one meeting in June 2018.

The **Strategic Committee** is a collective body whose members are appointed by the Supervisory Board from amongst its members. The Strategic Committee deals with the overall strategy of the Company (strategic orientation, plans for further development of the Company, etc.). The Strategic Committee shall in this respect provide recommendation to the Supervisory Board. The Strategic Committee did not convene any meeting during 2018.

B.1.3 General Information on the Key Functions

The following sub-section provides a summary of the authority, resources and operational independence of the key functions.

Actuarial Function - the Actuarial Function Holder is the head of the Actuarial Services and Retrocession Department. Information on the authority, resources and independence of the actuarial function is provided in chapter B.7. Activities of the actuarial function are discussed at the Technical Reserving Committee.

Risk Management Function – the Risk Management Function Holder is the member of the Board of Directors responsible for risk management. The Risk Manager reports to this Board Member. Asset Risk Management is outsourced to Kooperativa pojišťovna, a.s., Vienna Insurance Group (see chapter B.8 Outsourcing). The Risk Management Function is responsible for the implementation of an adequate risk management system and maintains independence by carrying out an oversight role in the major processes, allowing for robust challenge of decisions and processes across the business. Details of responsibilities and processes are in chapter B.3.

Compliance Function – the Compliance Function Holder is the member of the Board of Directors responsible for the co-ordination of compliance. The Compliance Function Holder at VIG Re is the representative towards the State Authority and holds the ultimate responsibility for the Compliance Function. The Compliance Function tasks are covered by the Compliance Function Holder who is supported by the Compliance Officer (together as Compliance Function). More information on the implementation, authority and independence is provided in chapter B.5.

Internal Audit Function – the Internal Audit Function Holder is the member of the Board of Directors assigned as coordinator responsible for internal audit. The Internal Audit Function maintains independence as the officers that conduct the audit work are from an external organization (see chapter B.8 Outsourcing). More information on the implementation, authority and independence is provided in chapter B.6.

For details on organisational structure, please refer to Annex 1.

B.1.4 Principles of Remuneration of Members of the Statutory Bodies and Key Function Holders

The rules for remuneration are governed by the Remuneration Policy, which lays down the aspects of remuneration in accordance with the requirements set out by the Solvency II regime as well as the VIG Group Remuneration Policy.

The purpose is to ensure a general framework for

- establishing, implementing and maintaining remuneration practices in line with the Company's business and risk management strategy, its risk profile, objectives, risk management practices as well as long-term interests and performance;
- measures aimed at avoiding conflicts of interest and excessive risk-taking at the expense of the Company or its stakeholders.

Remuneration Components

Remuneration is the financial compensation paid to an individual by a company in exchange for his or her work. Remuneration consists of a fixed and a variable component.

Fixed remuneration is a predefined amount of money a person receives. It usually comes in form of a base salary, i.e., in form of a fixed payment in regular instalments. Variable remuneration is an amount of money paid that is related to performance, but is not necessarily part of the remuneration package. In general, the fixed component creates 60-70% of the total annual remuneration and 30-40% is the variable part.

Remuneration Schemes for Specific Types of Personnel

Specific remuneration applies to the members of the Board of Directors, other employees with material impact on VIG Re's risk profile and holders of the key functions.

In general, the remuneration for those types of personnel contains a variable component which shall be based on a combination of:

- Company's performance and basic KPIs (financial year) with weight of 50%;
- Group peformance (financial year), weight 10%;
- Individual's performance, related to the fulfilment and the quality of specified tasks taking into account the responsible handling of risks and compliance with laws, internal rules and risk management practices, weight 40%.

Subject to the principle of proportionality, a substantial part of the variable remuneration is deferred. The deferral period is set at three years. The deferred part accounts for 40% of variable remuneration.

Variable remuneration must not be based solely on financial criteria.

Furthermore, the remuneration for the function of a member of the Supervisory Board does not contain performance-related components.

Supplementary Pension Schemes

The Company has no supplementary pension or early retirement schemes in place for the members of the Board of Directors and Supervisory Board and other key function holders.

B.1.5 Regular Review of the System of Governance

As VIG Re is a growing Company – its business, organisation and number of employees have been increasing steadily over time – the system of governance is continually adjusted according to the developing risk landscape of the Company's business model. The adequacy of system of governance is a regular point on the agenda of the Board of Directors meetings. In 2018 the Company continues to strengthen its own capabilities and in implementing changes of the Company to its Organisational Structure to foster the growth of the Company with emphasis on the enlarging territorial scope.

The Company accepted a subordinated loan of EUR 35 million by VIG Re from VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe in June 2018.

There were no other material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the Board of Directors and the Supervisory Board.

B.2 Fit and Proper Requirements

The fit and proper requirements apply to all *persons who effectively run the Company* or *persons performing key functions*. It is governed by the Fit and Proper Policy and specific requirements for key function holders are defined in the policies defining these function roles and responsibility.

a) Persons who Effectively run the Company:
- Members of the Board of Directors.

b) Persons Performing Key Functions:
- Governance Functions
  - Internal Audit Function,
  - Compliance Function,
  - Risk Management Function,
  - Actuarial Function,
- Managing Directors of Foreign Branches.

Before appointing an individual to any of the above-mentioned functions, the Company assesses whether the criteria of fitness and propriety, as listed below, are fulfilled by the individual, based on the information provided by them. Each individual has a duty during the time they are appointed to ensure that they meet the criteria and report if they no longer comply with them.

B.2.1 Fit Requirements

When assessing whether a person is *fit*, the Company ensures that this person has the necessary personal and professional qualifications and takes into account the respective duties to be allocated to individual person to ensure appropriate diversity of qualifications, knowledge and relevant experience so that the Company is managed and overseen in a professional manner.

Additionally, the Company has to ensure that persons who effectively run the Company collectively possess appropriate qualification, experience and knowledge about at least:

- Insurance and Financial Markets,
- Business Strategy and Business Model,
- System of Governance,
- Financial and Actuarial Analysis,
- Regulatory Framework and Requirements.

For key function holders, specific criteria for their education and experience in respective fields are laid down in internal guidelines for each key function.

B.2.2 Proper Requirements

When assessing whether a person is *proper*, the Company takes into consideration the following elements:

- an actual or potential conflict of interest, other financial interests or close relationship to others at the Company;
- integrity;
- credibility - current or past involvement in the bankruptcy proceedings;
- severe current or past disciplinary or administrative penalty proceedings in connection with a position in a financial institution;
- previous rejection by a supervisory authority for a key function in a financial institution;
- current or past proceedings on revocation or limitation of a professional practice license in the financial industry.

B.2.3 List of the Persons Responsible for Key Functions

The Company's key function holders as at 31 December 2018 were:

- Risk Management Function – Ms. Ivana Jurčíková, Member of the Board of Directors;
- Compliance Function – Ms. Ivana Jurčíková, Member of the Board of Directors;
- Internal Audit Function – outsourced to Vienna Insurance Group AG, Function Holder in VIG Re is Mr. Tomasz Rowicki, Member of the Board of Directors;
- Actuarial Function – Mr. Jan. Hrevuš, Head of the Actuarial Analytics department.

B.3 Risk Management System Including the Own Risk and Solvency Assessment

VIG Re's risk management system is based on principles ensuring effective performance of all activities in the Company:

- Integrity and ethical values,
- Conflict of interest avoidance,
- Allocation of responsibilities,
- Motivation alignment with Company's objectives,
- Four eyes principle.

Own Risk and Solvency Assessment is one of the key elements of risk management system.

B.3.1 Risk Management Roles and Responsibilities

Risk management system, as an integral and key element of the system of governance, is built on the basis of the three lines of defence concept. The core principle of this concept is to separate – functionally and organisationally to the extent possible – the responsibilities and activities into three groups, as stated below, in order to avoid and minimize the conflicts of interest between the executive, risk taking activities and oversight functions.

First Line of Defence

The first line of defence includes all departments of the Company that participate in activities exposing the Company to risks. These departments and their directors take ownership of the risks and are responsible for their identification, analysis, evaluation and day-to-day management, including carrying out defined internal controls.

Second Line of Defence

The second line of defence represents activities performed to set up the risk management system and oversee the risk taking activities – an integral part is the continuous supervision of day-to-day risk management and the control mechanisms and monitoring activities of departments included in the first line of defence.

In VIG Re, the second line of defence is ensured by the **Risk Management Function, Actuarial Function and the Compliance Function**. Their roles and responsibilities are defined in specific internal standards. Their roles are discussed in the following chapters.

Third Line of Defence

The third line of defence consists of functions whose task is to provide independent assurance to the shareholders, the Supervisory Board and the Board of Directors regarding the setting, implementation and performance of all processes carried out by the first and the second line of defence. In VIG Re, the third line of defence is represented by the **Internal Audit Function**. Its roles and responsibilities are defined in a separate internal standard.

Taking into account the size of VIG Re, the organisational separation of individual departments into the respective lines of business respects the principle of proportionality. However, where a possible conflict of interest cannot be avoided by effective organisational separation, the aim is to elevate such conflict to the highest possible organisational level, i.e. to the Board of Directors.

As a natural consequence of the separation of lines of defence, the Company has establish committees as advisory bodies to the Board of Directors. These committees serve as means of discussion of common topics between the lines of defence. The established Committees are described in chapters above. The hierarchy of statutory bodies and organisational units related to risk management system in VIG Re can be illustrated by the following chart.

Figure 5 - Statutory Bodies and Organisational Units in the Company

Supervisory Board		
Audit Committee, Committee for the Matters of the BoD, Committee for Urgent Matters, Strategic Committee		
Board of Directors		
Risk and Compliance Committee, Underwriting Committee, Technical Reserving Committee		
First Line of Defence	Second Line of Defence	Third Line of Defence
• Business Departments	• Risk Management Function • Actuarial Function • Compliance Function	• Internal Audit

Board of Directors

The overall responsibility of risk management system is in the Board of Directors, under the coordination of the Risk Management Function Holder (BoD member). The Board of Directors has the responsibility for determining and approving the Risk Strategy, including the risk appetite framework and the derived limits for individual risks, internal policies and Organisational Chart, which define the tasks and responsibilities of organisational units and individuals in the risk management system and internal control system. The Board of Directors regularly monitors and discusses the risk profile of the Company, including the risk exposures and potential breaches to the limits.

The Risk Management Function Holder, supported by the Risk Manager, has the responsibility for implementing, maintaining and developing the risk management system. The Risk Manager reports directly to the Risk Management Function Holder.

Risk and Compliance Committee

In order to further strengthen the Risk Management Culture within the Company and to integrate the Risk Owners in the risk management process, the Risk and Compliance Committee was established. The Committee provides information regarding risk related topics and also supports and advises the Board of Directors in its decision-making process. The responsibilities of the Committee are described in the Rules of Procedures approved by the Board of Directors.

Risk Management

Risk Management oversees the processes of aggregation and Reporting of SCR Results, ensures Data Quality Controls are in place and implements the framework for risk control based on risk tolerance and risk appetite. Moreover, risk management conducts the internal control system assessment on annual basis by performing interviews with the respective risk owners in order to identify new operational risks, assess the existing risks and their control effectiveness. Risk inventory process and steering of the ORSA process are also in the responsibilities of Risk Management.

Risk Management prepares regular internal risk reports, reports on other risk-related topics to the Board of Directors and is also engaged in the preparation of reports to the supervisory authority (QRTs, RSR and SFCR). Besides the above mentioned activities, the team fulfils additionally regular tasks to ensure an overall well-functioning Risk Management System at VIG Re. This includes:

- screening of regulatory developments in the area of risk management,
- raising awareness in VIG Re about risk alignment of RM activities throughout VIG Re,
- regular interaction with key stakeholders as risk owners and Board Members,
- proactively monitoring and evaluating the overall risk situation at VIG Re.

B.3.2 Risk Management Process Implementation

Risk Management Strategy

Based on its activity as a reinsurance company, VIG Re is exposed to a variety of risks. These include standard underwriting risk resulting from underwriting Life, Non-Life and Health reinsurance business as well as risks stemming from the investments (market risk) and also general risks such as the counterparty default risk, concentration risk and operational risk. Besides that, the Company can be also affected by standard risks of an undertaking, such as reputational risk.

Risk appetite expresses the willingness of the Company to undertake and accept risks, i.e. the level and type of risk, which is acceptable by the Company under given circumstances while pursuing its objectives and before any action is determined to be necessary in order to reduce the risk. Risk tolerance expresses the readiness of the Company to bear the risk, i.e. the level and amount of risk that the Company is capable to undertake in specific areas and is estimated by measures and limits related to objectives that the Company seeks to achieve.

Risk appetite and risk tolerance are assessed by the Risk Committee on a regular basis in line with the Risk Bearing Capacity of VIG Re and are approved by the Board of Directors.

VIG Re has defined principles and goals to steer the risks it is exposed to. The implementation of these principles and the achievement of the goals are supported by a defined operational and organizational risk management organization as set out in the risk policy of VIG Re.

The Risk Strategy is highly interconnected with the Business Strategy and defines the following risk categories:

- Accepted risks,
- Conditionally accepted risks,
- Risk Mitigating measures,
- Not accepted risks.

The basic principles of the Risk Strategy are defined in the form of Qualitative and Quantitative Risk Strategy Principles. The Qualitative Risk Strategy defines the general approach of the Company in respect of its risk profile (risks that the company is exposed to, incl. exposure quantification and mitigation). The Quantitative Risk Strategy defines the key risk indicators and limits in respect of its risk profile and the goals for its capital sustainability.

In line with the Risk Strategy, VIG Re implemented the risk management process framework defined by VIG, which covers the following steps:

Risk Identification

Identification is the starting point of the risk management process and sets the foundation of the subsequent steps. The aim of Risk Identification is to expose, detect and document all possible sources of risks, which could affect the achievement of VIG Re's objectives, and to define the control mechanisms to be used to manage the risks. All identified risks are classified into defined risk categories. The outcome of this process is the Risk Inventory report, which is updated regularly, at least on an annual basis. Risk identification is performed in close cooperation with the first line of defence, i.e. the directors of the business departments.

Risk Measurement and Analysis

Following the Risk Identification, an essential prerequisite for adequate risk handling and decision making process of the VIG Re Board of Directors is the measurement of all risks identified. This includes also the evaluation of their materiality. On this basis, different assessment methods for each risk type in line with the proportionality principle are used.

One method for risk measurement (and quantification) is the Solvency Capital Requirement calculation for each risk, which is based on the standard formula approach. Additionally, the Company uses VaR methods to measure market risks. Operational risks are defined and assessed through the Internal Control System and, are evaluated and monitored using probability and severity approach. For risks that are not possible to quantify, such as reputational and strategic risks, VIG Re uses experts' evaluations. The risk measurement is performed mostly by the risk management function (evaluation based on probability severity approach is also performed by the first line of defence as a follow up to the risk identification process).

Risk Management Decision and Execution

After the risk is measured, either quantitatively or qualitatively, and the materiality is stated, measures and mechanisms are assessed for the acceptance or change of the risk situation. The main outcomes of a decision as part of the risk management are: Risk Avoidance, Risk Mitigation, Risk Transfer and Risk Acceptance. This step is supported by the ORSA process and the Internal Control System which are taken into consideration for the conduction and review of the Risk Strategy by the Board of Directors.

The Company performs business planning for three years horizon which is used as a basis for the projection of the expected solvency position.

Risk Monitoring and Risk Reporting

Risk monitoring is an essential part of the risk management process and is divided into two different areas. Firstly, risk monitoring refers to the process of ensuring that the risk profile of VIG Re remains in line with risk preferences and the risk strategy at all times. This control information is derived from a regular comparison of the target and actual solvency situation using a traffic light system with defined limits. Secondly, risk monitoring refers also to the follow-up process during the implementation of decisions for risk-handling pointed out previously. In that case, risk monitoring aims to control the effective and timely implementation of action plans that were decided on.

The risk management prepares regular internal risk reports to the Board of Directors for the areas mentioned above, including the SCR and VaR calculations, and reports on other risk-related topics such as sensitivity analyses and stress tests. Regular reports are results of risk management processes in the Company, such as Risk inventory process, Internal control system review process or ORSA process.

Risk Management monitors risk categories development and its alignment with Company's goals by back testing of projected risk profile with actual outcomes and by comparing a development of the Company's own funds with risk appetite of the Company. This process is part of the risk bearing capacity process of the Company, which is assessed annually.

The Risk Management Process and its components can be illustrated by the following diagram, which depicts the process as a control cycle, which involves feedback and feed forward loops. In addition, a parallel quality assurance and control process to all stages of the risk process are applied.

Figure 6 - Risk Management Process

B.3.3 ORSA Process

The Own Risk and Solvency Assessment ("ORSA") process is a continually operating process that provides assurance that the risk situation is considered in the decision-making process of the Company and serves as an important tool for sustainable business management. The process is coordinated by the Risk management of the Company. It is organized in order to deliver a proper assessment and calculation within the applicable timelines as set by VIG and other regulatory bodies. This assessment is an integral part of the business strategy and is taken into account in strategic decisions of the Company on a continuous basis. The assessment includes:

- the overall Solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the Company;
- the compliance, on a continuous basis, with the capital requirements and the requirements regarding technical provisions as laid down in the directive Solvency II;
- the significance with which the risk profile of the Company deviates from the assumptions underlying the Solvency Capital Requirement calculated with the standard formula.

The BoD of the Company is overall responsible for the adequate design, implementation and performance of the ORSA within the Company, the approval of the ORSA Guideline and the application of this Guideline. Most of the departments then take part in the ORSA, as they provide data, calculations and other information needed for the risk assessment. Risk management coordinates the whole process and carries out the solvency needs projections and assessment of the risk profile. The process culminates in the ORSA report summarizing the main results of each step and before the report is released, it is discussed, reviewed and approved by the Board of Directors.

In order to assess the risk profile and overall Solvency needs of the Company adequately, all risks the Company is exposed to are identified and categorized. On this basis, the Company assesses the risk with adequate quantitative and/or qualitative methods according to the nature and the materiality of the risk.

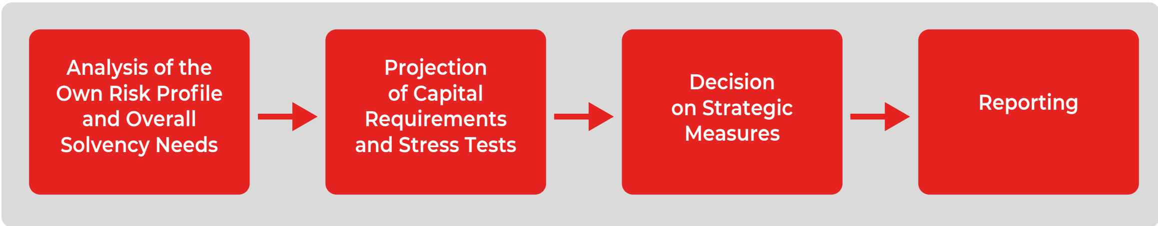
Based on the business planning of the Company, the overall Solvency needs, the regulatory capital needs and the available capital are assessed over the business planning horizon of the Company. The projection considers the latest forecasts and Solvency estimations that were performed before. Based on suitable Stress and Scenario analyses the Company assesses the effects of possible deviations of the business planning or external factors on the Solvency position of the Company. The projections and scenario analysis of the Company are taken into account in the final business planning.

VIG Re performs the regular ORSA on an annual basis. The regular ORSA frequency setting is based on the VIG Re long-term strategies, its risk profile, the volatility of the Solvency needs relative to the capital position, the planning and business development. In case the results of the ORSA or other factors indicate the inadequacy of the defined frequency for the regular ORSA, the process is adjusted according the needs. In case of a significant change in the risk profile or a significant change is expected based on the experience of previously performed stress and scenario analysis, the Company performs an ad-hoc ORSA after the significant change is detected.

Process Overview

The four main process steps of the ORSA assessment are illustrated below:

Figure 7 - ORSA Process



B.4 Internal Control System

The ICS is a continually operating process that provides an appropriate control environment with effective controls, and is not only relevant for compliance with national and European law, but also serves as important tool for sustainable business management. The control environment must be well-based on the organisational and operational structure, with clear communication and monitoring procedures. The ICS provides reasonable assurance of:

- effectiveness and efficiency of operations,
- reliability of financial and non-financial information,
- adequate controls for operational risks,
- a prudent approach to business,
- compliance with laws and regulatory requirements, and
- compliance with the Company's strategies, policies, processes and reporting procedures.

VIG Re stresses the importance of an efficient internal control system for managing the operational risk in the day-to-day activities of all employees. Therefore, the ICS is developed in close connection to the risks identified in the Risk Inventory – the control mechanisms are commensurate to the nature, scale and complexity of the risks. Every department and their directors are responsible for developing the internal controls in their area of responsibility, carrying out the defined controls and report the findings. The development of ICS is coordinated by the risk manager who also oversees the execution of internal controls and their results and may recommend changes to the system or its particular parts. Compliance Function is responsible for evaluating compliance risks and controls, and Internal Audit Function is responsible for independent audit/review in accordance with the internal audit plan.

A distinctive control culture forms the basis for an effective ICS within VIG Re. The Company is responsible to ensure an effective ICS and to ensure that the existing control culture and environment are maintained and developed.

Standard 1 - The Company establishes and fosters a control culture that demonstrates the importance of controls throughout the Company at all levels of personnel.

Standard 2 - The Company establishes and maintains an organizational and operational structure that is adequate in the scale and complexity to the areas of business in which the Company operates.

Standard 3 - Roles and responsibilities are defined in a clear and appropriate way. In this respect, it is assured that necessary controls are implemented to prevent a conflict of interests.

Standard 4 - The Company identifies and assesses risks resulting from its activities and processes that could adversely affect the Company's goals. Moreover, the Company establishes and maintains effective controls aligned to these risks to ensure the achievement of these goals.

Standard 5 - Controls are applied at different levels of the organizational and operational structures, at different time periods and with different levels of detail as needed. The control activities are proportionate to the underlying risk.

Standard 6 - Effective channels of communication and information systems are established to ensure that the full staff clearly understands and adheres to policies and procedures affecting their duties and responsibilities, and that relevant information reaches the appropriate personnel.

The ICS assessment process is performed annually. The centrepiece of the ICS assessment is the documentation and the assessment of risks and controls in the risk and control matrix (RCM). Its objective is to identify, document and assess all operational and compliance risks together with the existing controls aimed at the mitigation of these risks. This allows to identify possible weaknesses and control deficiencies within the ICS so that appropriate measures and actions for remediation may be taken in a timely manner.

Overall efficiency of controls increased from 89.5 % in 2017 to 90.6 % in 2018, as a result of improvement in the processes of the Company and no new inefficiencies were identified. Based on these results the ICS is considered mostly effective according to VIG Group standards.

Internal Control Report is produced at least annually and it summarizes the effectiveness of the ICS; part of this report is designated to the assessment of the Compliance Function in accordance with Article 46(2) of Directive 2009/138/EC.

B.5 Compliance Function

The Compliance Function, as a second line of defence function, is an independent function responsible for identification, assessment, oversight and reporting the Compliance Risks arising from operational business units. These departments, as the first line of defence, have the responsibility for managing their own Compliance Risks and avoidance of non-compliance in the areas they are responsible for. The Compliance Function then monitors the activities of the first line of defence units in the area of compliance, coordinates the compliance risk management throughout the Company and carries out independent compliance checks and reports the findings to the Board of Directors.

The Compliance Function has the following duties and responsibilities:

- Providing Advice – The Compliance Function advises the Board of Directors and the Supervisory Board in compliance relevant areas;
- Compliance Risk Management
    - Compliance Risk Identification and Assessment - The Compliance Function identifies and assesses Compliance Risks, monitors and tests business activities to evaluate adequacy and effectiveness of control processes from Compliance point of view (following a risk-based approach). This includes monitoring of the foreseen legislative changes and pointing out the main risks to the Company that stem from these changes;
    - Compliance Risk Mitigation - The Compliance Function takes mitigating actions to reduce the source or the impact of Compliance Risks through the implementation of extra control measures (in particular, drawing up internal guidelines and controls, support in setting up specific working procedures and specific trainings etc.);
    - Compliance Risk Monitoring - The Compliance Function monitors Compliance Risks and the effectiveness of the mitigating actions implemented;
    - Reporting Current and potential Compliance Risks identified as well as mitigating actions connected herewith shall be included into regular or ad hoc Compliance Report of a Compliance Function accordingly.
- Handling of Compliance Incidents
    - Cases where laws or regulations are violated by Company bodies or employees, are to be reported to and investigated by the Compliance Function or to other pre-defined body (Risk and Compliance Committee, Board of Directors). If the investigation reveals insufficiencies of implemented processes in the compliance field, the Compliance Function shall implement adequate measures to prevent future non-compliance.

During the year 2018, based on the Compliance plan approved by Board of Directors, Compliance was concentrating mainly on implementation of the General Data Protection Regulation (GDPR) and later also on Insurance Distribution Directive (IDD).

B.6 Internal Audit Function

The Internal Audit Function is part of the third line of defence in the Company.

B.6.1 Implementation of the Internal Audit

Internal audit and its activities in the Company are implemented through the following principles:

- the audit plan is based on risk-oriented considerations and is created on the annual basis to ensure sufficient evidence to evaluate the effectiveness of the risk management and control process across the Company. The plan includes review of the major risk the whole Company faces and a selection of the key risks identified from those processes. The audit plan also gives special considerations to the activities deemed essential for VIG Re. Moreover the internal audit is to inspect any anomalies or irregularities arising out of the analysis of corporate data;
- the audit plan is approved by the Audit Committee on annual basis.

During 2018, Internal Audit reviews were in the area of Internal Control System and Risk Assessment, Reinsurance Accounting, Underwriting and IT infrastructure and maintenance.

B.6.2 Independence of the Internal Audit Function

The Internal audit is jointly in the responsibility of the Board of the Directors which provides support to internal auditor during auditing process, and the Internal Audit Function Holder is a member of the Board of Directors.

The Company outsources the performance of the internal audit activity to the VIENNA INSURANCE GROUP AG, Wiener Versicherung Gruppe, therefore the people that carry out the reviews and report the findings are independent from the people that work in the areas under review. In addition, the Company is subject to group internal audits carried out in accordance with group internal audit plan.

This approach to carry out the internal audit has advantage of utilising the know-how of VIG insurance and reinsurance business and its specialists.

B.7 Actuarial Function

The Actuarial Function Holder in VIG Re is the representative towards the Czech National Bank and the VIG Group and holds the ultimate responsibility for the AF. Actuarial Function Holder reports to the Board of Directors.

The AF tasks are covered by various entities with a clear split of responsibilities and processes to meet the requirements under Solvency II regime. The purpose of this is to ensure that all of the key tasks are covered with sufficient expertise and capacity.

The tasks of AF are split into 3 areas as stated below. The terminology "technical provisions" in this Regulation refers to the technical provisions calculated by and based on Solvency II principles. This covers the areas of Life, Health and Non-Life reinsurance.

The activities of the AF are made of the following three areas, where the AF:

- Technical Provisions
    - coordinates the calculation of technical provisions;
    - ensures the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
    - assesses the sufficiency and quality of the data used in the calculation of technical provisions;
    - compares best estimates against experience;
    - oversees the calculation of technical provisions in the cases set out in Article 82 of the Directive 2009/138/EC (Data quality and application of approximations, including case-by-case approaches, for technical provisions).

- Informing and Providing Opinion
  - informs the Board of Directors of VIG Re about the reliability and adequacy of the calculation of technical provisions;
  - expresses an opinion on the overall underwriting policy;
  - expresses an opinion on the adequacy of retrocession arrangements.

- Risk Management
  - contributes to the effective implementation of the risk-management system referred to in Article 44 of the Directive 2009/138/EC, in particular with respect to the risk modelling underlying the calculation of the capital requirements set out in Chapter VI, Sections 4 and 5, and to the assessment referred to in Article 45 of the Directive 2009/138/EC;
  - contributes to the design of (partial) internal model.

Actuarial Function Holder is member of the Technical Reserving Committee. Actuarial Function holder summarises its opinions in the Actuarial Function report which is written annually.

The holder of the Actuarial Function is represented by the Head of the Actuarial Analytics Department. The same person also oversees the development of the methodologies for technical underwriting and closely monitors how those methodologies are applied further. He is also in charge of development of the Company´s partial internal model, contributes to the retrocession optimisation and steers the monitoring of the possible accumulation of claims caused by natural perils.

B.8 Outsourcing

When using outsourcing, in particular as concerns the outsourcing of decisive or significant operational functions or activities (hereinafter only as "Critical outsourcing"), there must be no:

- material impairing of the quality of the Company's system of governance;
- excessive increase of operating risk;
- impairing of the Czech National Bank's ability to monitor the compliance of the Company's obligations;
- undermining continuous and satisfactory service to the Company's clients.

In order to mitigate risks in connection with outsourcing, a service provider to which a function or activity should be outsourced, is being selected with due diligence. Outsourcing critical or important function or activities (hereinafter also as "Critical outsourcing") is being treated with special utmost care.

The Board of Directors decides about the outsourcing of the critical or important function or activity based on proposal of the person responsible for overseeing of the complete process of the Critical outsourcing (hereinafter only as "Responsible person"). The proposal must always be commented by relevant persons and departments (e.g. Legal Department, Compliance Officer). Any decision about the outsourcing of any critical or important function or activity must be reported to the Czech National Bank in advance.

The contract on outsourcing of decisive or significant operational activities must contain several provisions to assure the compliance with Solvency II and implementing legislation. Czech National Bank shall be informed in case of any serious development.

The Responsible Person is responsible for the ongoing quality control of the provided activity, overseeing fulfilment of the provider's obligations and submitting an evaluation report to the Board of Directors for the approval on the annual basis. In addition, there are regular feedbacks and discussions with the provider on the requirements and needs and on their fulfilment.

The Critical Outsourcing is due to the proportionality principle being contracted exclusively within the group on long-term basis. Criteria used for assessing whether any activity will be outsourced are economies of scale and group efficiencies, large costs related to setting up the internal capacity, transfer of knowledge, etc. Areas, where the economies of scale are not able to materialize or the complexity of reinsurance business is too high to benefit from synergies within the Group, were insourced during the past several years (Compliance, Risk Management, Actuary Analytics).

VIG Re outsources the following critical activities to entities belonging to the VIG Group:

- Internal Audit;
- Economic Services;
- Treasury;
- IT.

The outsourcing providers are located either in the Czech Republic, Austria, Germany, or in France.

B.9 Any Other Information

The Company is not aware of any other information that should be provided in this Chapter. There were no other significant transactions with the shareholders, Board of Directors or members of other Statutory bodies than already described above in this Chapter.

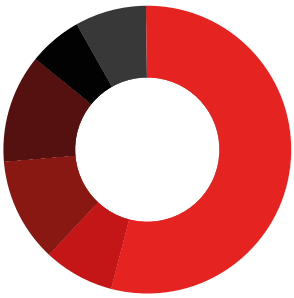
C
Risk Profile

Based on its activities as a reinsurance Company, VIG Re is exposed to a variety of risks which are intentionally accepted, monitored and mitigated according to defined principles of the Risk Strategy. These risks encompass underwriting risk in Non-Life, Health and Life reinsurance business, market risk stemming mainly from investments, credit risk resulting from business relations and other general risks such as operational and reputational risk.

Details in respect of the risk profile of the Company are provided within the Risk Inventory report issued on an annual basis. Risks are assessed by using both quantitative methods as described in chapter E.2 Solvency Capital Requirement and Minimum Capital Requirement, and qualitative methods (Severity and Probability Assessment), the later mainly for operational risk assessment. The Company ensures the capitalization within pre-defined risk tolerance limits through the Risk Bearing Capacity analysis performed on quarterly basis.

Reinsurance being the core activity of the Company, underwriting risk constitutes the most important risk class for VIG Re, and within this class Non-life underwriting risk is the most significant risk contributor. Accordingly, this risk category is in focus of VIG Re risk management system, as elaborated in the Risk Inventory Report. The composition of risk categories in capital requirement is presented in the following graph.

Figure 8 - Composition of the SCR 2018



The most material risks based on the year end 2018 SCR calculation on a sub-module level are presented below:

Table 15 - Top 5 risks in SCR calculation (in EUR '000)

Risk Sub-Module	SCR
Non-life premium and reserve risk	91,565
Operational risk	13,921
Counterparty default risk - Type 1 exposures	13,320
NSLT health premium and reserve risk	11,134
Non-life lapse risk	10,757

The Company has not provided, sold nor re-pledged any collaterals.

The Company does not sell variable annuities, and thus there are no information on guarantee riders and hedging of the guarantees included in this Report.

The Company did not enter into securities lending or borrowing transactions, repurchase or reverse repurchase agreements as referred to in Article 4(1)(82) of Regulation (EU) No 575/2013.

C.1 Underwriting Risk

Due to the main activity of the Company, underwriting risk is identified as the most significant risk category for VIG Re. Accordingly, this risk and its sub-modules are a main focus of the VIG Re risk management system. The Company is exposed to Non-Life, Health (non-similar to Life techniques) and Life underwriting risks.

Underwriting risk reflects the risk in the underwriting process including the collection of data, technical assessment of the underlying portfolios, modelling and pricing of the reinsurance contracts and reserving. Heads of Underwriting departments are responsible for the compliance with the underwriting policy and underwriting guidelines of the Company and the governance of quantitative limits, including accumulation control.

The Company assumes reinsurance on proportional and non-proportional, obligatory and facultative basis. It offers services for defined lines of business within the Property and Casualty, Personal Accident and Health and Life segment. Main underwriting territories are Austria and CEE countries, Russia /CIS, Germany, Switzerland, Italy and Turkey. The Company is also in limited way active in French and Japanese markets. Underwriting policy, standards and limits are defined in detail in VIG Re reinsurance underwriting guidelines and underwriting signing standards.

Over the past years, the Company has invested significant resources and continuously improved its underwriting capabilities, by enhancing the expertise and knowledge base of its underwriting staff, upscaling its risk modelling and tool landscape and by improving the process flow and data quality management.

The Company adheres to conservative approach towards reinsurance protection, surpassing the VIG Re reinsurance rules. According to VIG Re reinsurance rules the maximum retention on any assumed risk shall not be higher than 3% of VIG Re's equity. Natural catastrophe retrocession cover is bought at 99.6% percentile of value-at-risk confidence level which is equivalent to 250-year return period. VIG Re's reinsurance panel is carefully chosen in compliance with VIG Re security guidelines.

C.1.1 Non-Life and Health Underwriting Risks and Risk Mitigation Techniques

The risk capital calculated by the standard formula principles for Non-Life Underwriting risk is presented below:

Table 16 - Non-Life Underwriting Risk (in EUR '000)

	2018	2017
Non-Life underwriting risk	95,422	95,246
Non-Life premium and reserve risk	91,565	91,095
Non-Life lapse risk	10,757	12,970
Non-Life catastrophe risk	10,718	10,752
Diversification within Non-Life underwriting risk module	-17,618	-19,571

Non-Life premium and reserve risk apparently dominates in this risk category. Due to the structured retrocession that the Company applies, Catastrophe risk is significantly reduced on a net basis. All risk sub-modules have remained relatively stable compared to previous year results.

The risk capital calculated by the standard formula principles for Health Underwriting risk is presented below:

Table 17 - Health Underwriting Risk (in EUR '000)

Risk Module	SCR	
	2018	2017
Health Underwriting risk	14,172	17,069
SLT health underwriting risk	0	0
NSLT health underwriting risk	12,184	15,463
NSLT health premium and reserve risk	11,134	15,458
NSLT health lapse risk	4,948	420
Diversification within NSLT health underwriting risk	-3,898	-414
Health catastrophe risk	4,808	4,331
Diversification within health underwriting risk module	-2,819	-2,725

The Company underwrites health business which is reflected by Non Similar to Life Techniques. Premium and reserve risk is the main contributor also in this category.

Premium Risk

Premium risk originates from future losses and reflects the risk that premium income will not be sufficient to cover all future liabilities arising from primary contracts.

In order to manage the risk, the Company has developed and applied underwriting policy and guidelines which include defined risk classes and limits per class of business. Pricing tools are used during the underwriting process under specific user guide principles which ensure appropriate classification of data received, improvement of data quality and adequate pricing. Moreover, the underwriting process is formalized and standardized through an IT workflow system which enables the use of a comprehensive underwriting referral system which is activated by defined thresholds and limits.

The above mentioned system also enables a continuous accumulation control of natural catastrophe events which is reported on regular basis in order to ensure the proper structure of the retrocession protection.

Reserve Risk

The Company is exposed to reserve risk, namely the risk that claim provisions are underestimated and will not be sufficient to cover primary reinsurance liabilities.

The Company counters the risk by establishing rules and procedures described in internal guidelines of claims management, reinsurance accounting and reserving policies of Life and Non-Life provisions. The procedures are designed and aimed at strengthening the quality, appropriateness, sufficiency and adequacy of the data used in the calculation of technical provisions. Processes and their effectiveness are assessed annually through the Internal Control System.

The Company adopts a prudent approach in the statutory reserving, therefore additional case reserves are created within the Claims Management department and the claims reserves are quarterly assessed and reviewed within the Technical Reserving Committee with emphasis on the large losses and their development.

Annual validation by an independent person of technical provisions under Solvency II Regulation ensures the appropriateness of the methodologies, models and the underlying assumptions used in the calculation of technical provisions.

Lapse Risk

Non-Life lapse risk is the risk of loss, or of adverse change in the value of insurance and reinsurance liabilities, resulting from changes in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policy holder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse.

This risk follows the underlying policies of reinsurance contracts and is partially mitigated by application of minimum deposits in non-proportional contracts.

Catastrophe Risk

Non-Life catastrophe risk sub-module consists of four sub risk components which cover catastrophe risk related to natural perils, risk related to man-made events, other catastrophe events and catastrophe events arising from non-proportional reinsurance.

The highest risk exposure the Company faces is stemming from European Flood risk scenario, followed by Windstorm risk scenario at 99.5 % quantile, naturally arising from its exposure in CEE and DACH regions.

Health catastrophe risk is based on standardized scenarios for mass accident, pandemic and accident concentration across all countries for medical expense, accident and sickness products. Health catastrophe capital requirement arises mainly from the VIG Group Personal Accident programme.

Non-Life concentration risk is stemming from lack of diversification in the Non-Life portfolio. The Company faces underwriting concentration risk in form of natural catastrophe event caused by natural perils and also single risk accumulation from various assumed portfolios. The Company is governed by underwriting policies and guidelines and sets underwriting limits on single exposures in order to manage the risk. Accumulation control for natural catastrophe events is monitored continually especially during the renewal periods resulting in a comprehensive retrocession program. The Company retroceded almost 50% of its portfolio which indicated the significant level of retrocession, and half of the retrocession was related to Natural catastrophe event coverage in order to mitigate the risk according to the Risk Strategy. In addition, particular retrocession treaties cover single active treaties or portfolios of active treaties. The portfolios may contain treaties from several reserving segments, several lines of business and proportional or non-proportional business.

Key Mitigation Techniques

Retrocession is a key mitigation technique utilized by the Company. The Company Retrocession programme can be divided into 2 groups: programmes covering VIG Group business only and programmes covering VIG Re' s own retention, including Third Party business.

The VIG Group Nat Cat program provides cover against catastrophe events in respect of business assumed by VIG Companies. The program consists of a cover working on an event basis and in addition an aggregate cover providing protection against a frequency of events during a given year.

VIG Group MTPL programme provides a protection on an Excess of Loss basis against losses from severe traffic accidents, both material damages and bodily injuries.

In addition VIG Re places a VIG Group Personal Accident and a VIG Group Marine & Aviation protection programme, both on an Excess of loss basis, where participation is voluntary for VIG Group companies.

Through the above programmes VIG Re bundles the respective exposure of VIG Companies and retrocedes it to the reinsurance market. VIG Re retains no or very limited part of the risk.

In respect of other business assumed from VIG Companies or assumed from Third Party Insurers, VIG Re buys additional reinsurance cover to protect its capital basis and to mitigate its underwriting volatility. This includes Property, Motor Own Damage and Marine Catastrophic Events as well as Motor Third Party Liability cover, all on an Excess of Loss Basis, providing protection against single large losses and catastrophic events.

VIG Re buys additional protection against frequency of events for Property business and other selected Lines of Business.

C.1.2 Life Underwriting Risk

Life underwriting risk of the Company is less severe compared to Non-Life underwriting risk.

The risk capital calculated by the standard formula principles for Life Underwriting risk is presented below:

Table 18 - Life Underwriting Risk (in EUR '000)

Risk Module	SCR	
	2018	2017
Life underwriting risk	10,548	8,136
Mortality risk	3,113	2,327
Longevity risk	641	7
Disability-morbidity risk	3,423	2,072
Life expense risk	929	1,392
Revision risk	0	0
Lapse risk	7,152	4,803
Life catastrophe risk	2,055	2,340
Diversification within life underwriting risk module	-6,765	-4,805

The increase in SCR is driven mainly by the Life portfolio development.

The sub categories of life underwriting risk which the Company is exposed to, are further described below.

Lapse Risk

The Company is exposed to the risk of lapse rates being higher than expected and also of lapse being lower than expected. It is also exposed to mass lapse – an instantaneous one-off shock lapse event.

In respect of proportional Life reinsurance contracts not based on risk based premium, the risk from higher lapses is at early duration when the policy has lapsed before acquisition costs have been recouped.

The risk of lower than expected lapses is at later policy durations. Lower than expected lapses at late duration means more policies are in force and therefore the claims costs are higher.

The risk of mass lapse arises on business where future profit is expected to emerge. A mass lapse event would mean that the profit can not emerge on policies that have lapsed.

Lapse risk can arise due to mis-estimation, trends, economic shocks, competitor activity (lapse and re-entry), changes in policyholder behaviour and reputational damage.

Mortality Risk

Mortality risk is associated with reinsurance obligations where a reinsurance undertaking guarantees to make a single or recurring series of payments in the event of the death of the policyholder during the policy term. The impact is that claims outgo is higher than expected. Higher mortality experienced can arise as a result of mis-estimation and/or changes in the level, trend and volatility of mortality rates and captures the risk that more policyholders than anticipated die during the policy term. The Company is also exposed to kinds of catastrophe risk, for example a pandemic.

Morbidity Risk

The Company is exposed to the risk of morbidity being higher than expected. The disability-morbidity risk reflects the risk that more policyholders than anticipated become disabled or sick during the policy terms (inception risk), and that disabled people recover less than expected (recovery risk). Higher morbidity experience can arise through mis-estimation, adverse trends, selective withdrawals and risk concentrations (geographic and occupational).

Expense Risk

The Company is exposed to the risk that acquisition expenses and future maintenance expenses are higher than expected. Expense risk can arise through mis-estimation, higher than expected inflation, lower volumes of business than expected, expense overruns, regulatory change and changes in mix of business.

Revision Risk

Revision risk is intended to capture the risk of adverse variation of an annuity's amount, as a result of an unanticipated revision of the claim process. This stemming from Non-Life annuities is covered in the calculation of Non-Life underwriting risks.

Risk Mitigation Techniques

Similar to Non-Life UW a retrocession is key mitigation technique utilized by the Company, the other one are: risk reduction and risk prevention.

The risk transfer (retrocession) has been defined and executed from the beginning of the Life active business by the Company. In general, the Company Life Retrocession is very strict and conservative.

Company has achieved a significant degree of diversification by operating internationally in CEE, covering range of different lines of business. Diversification over time is also an important factor for risk mitigation. The next step to achieve even stronger diversification has been writing a business outside of the VIG Group.

Company's underlying Life business is underwritten using the mutual agreed conditions. The underwriting conditions are precise defined for every Line of business by setting the max sum insured and required medial UW procedure.

C.1.3 Risk Sensitivity for Underwriting Risk

Underwriting risk is considered of high materiality therefore the Company carries out sensitivity analysis and stress testing for this risk as a part of the ORSA process. The sensitivity analysis was performed on premium risk and on reserve risk. For premium risk an impact of +/-5% on gross written premiums was analysed. The scenario affects SCR and Own funds, however the final impact on SCR ratio is considered immaterial, resulting in a deviation of approximately -/+1.5 percentage point respectively. Regarding reserve risk the Company examined the impact of +/-5% change on all unpaid claims. Similarly to premium risk, this scenario also impacts both SCR and Own funds, nevertheless the result on SCR ratio in this case is of high materiality, more precisely -/+13 percentage points respectively for each change In stress testing analysis, severe negative developments are assumed, in particular adverse development of combined ratio in property insurance as part of the Non-Life underwriting risk as a result of natural catastrophe event. The developed adverse scenarios were well mitigated by the relative retrocession programs and losses similar to the amount calculated under standard formula were quantified well above 200 year event.

In case of Life underwriting risks, the sensitivity analysis was focused specifically on Lapse risk since is the most significant risk in Life underwriting module. The impact of a potential movement of +100%/-50% on lapse rates was tested. Due to the low volume of life portfolio, both scenarios result in immaterial changes of 0.4 to 1.2 percentage points on SCR ratio.

C.1.4 Correlations Between Risks

The Company gradually investigates all standard formula assumptions during the ORSA process. So far, the Company has not identified deviation of the Company's risk correlations compared to the correlations proposed by the standard formula.

C.2 Market Risk

Market risk arises from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, property prices and exchange rates. Main risk drivers are financial assets where risks come evenly from equity, interest rate, spread and foreign exchange risk.

The risk capital calculated by the standard formula principles for Market risk is presented below:

Table 19 - Market Risk (in EUR '000)

Risk Module	SCR	
	2018	2017
Market risk	20,591	23,288
Interest rate risk	10,757	8,657
Equity risk	9,596	12,833
Property risk	0	0
Spread risk	5,970	5,585
Market risk concentrations	2,177	1,959
Currency risk	4,960	7,583
Diversification within market risk Module	-12,869	-13,328

The decrease in Equity risk is stemming from the Symmetric Adjustment level as defined by EIOPA at -6.34%, compared to +1.9% of December 2017. The result is further amplified by a more detailed look-through approach in the investment funds held by the Company.

VIG Re main investment is into Government Bonds (68% of total volume of Investments in 2018), followed by hedge equity funds 16% and corporate bonds 11%. All investments are done within the limits per asset class stated in the approved Investment and Risk Strategy for 2018 and also in accordance with the limits set on the total portfolio in terms of rating structure, industry concentration or currency.

C.2.1 Key Risks and Risk Mitigation Techniques

Equity Risk

The Company is exposed to equity risk, which can arise from a fall in the level of equity prices. The exposure arises from investment of the Company in investment funds portfolio.

Spread Risk

Spread risk is the sensitivity of the values of investments, primarily bonds and secured loans in respect of the Company, to changes in the level or in the volatility of credit spreads. As credit spreads will typically be narrower for well rated securities than for poorly rated securities (and for short duration rather than long duration securities).

Interest Rate Risk

Interest rate risk arises as a result of the impact of interest yield curves on future payments to be made in respect of claims and receipts from the Company's investments. The interest rates in Eurozone are on the very low level and some tenors at the beginning of the interest rate curve are even negative already for a long time.

The Company's exposure to interest rates arises primarily from the Company's bond portfolio (as bond values are susceptible to changes in interest rates) on the asset side, and the settlement of future claims (as the discount rates applied to claims settlement projections are impacted by interest yield curves) on the liability side.

Currency Risk

The Company's reporting and main transactional currency is the Euro, which consist of more than 90 % of assets and liabilities. Other material national currencies are from the Czech Republic, Poland, USA, Hungary and Turkey. The currency gap is actively monitored and managed within the Asset-Liability management. The Company strives to have a close position according to its investment strategy.

Concentration Risk

The scope of the concentration risk includes all the financial assets within the market risk module, but excludes assets covered by the counterparty default risk module in order to avoid any overlap between both elements of the standard calculation of the SCR. Given the well diversified portfolio (e.g. investment funds) of the Company, the concentration risk is considered to be low.

There is no exposure to property risk.

C.2.2 Prudent Person Principle in Managing the Market Risk

The Company issues an Investment and Risk Strategy policy on annual basis, which is approved by the Supervisory Board. The strategy consists of the following parts:

Investment and risk policy - the main goal of the investment policy is to achieve a proper balance between invested assets and technical liabilities while keeping a balanced risk/return-profile.

Strategic and tactical asset allocation - the strategic asset allocation is made by setting minimum and maximum limits for each defined asset class, giving reasonable but limited potential space to adapt according to short- and mid-term market expectations, but also to limit the risk related to different industries or groups.

The fulfilment of these limits is monitored by Treasury and reported monthly to the Board of Directors and quarterly to the Supervisory Board.

Risk management - the goal of the investment strategy is to optimize the portfolio's risk-return profile while taking into account various risk parameters.

Risk management related to assets follows VIG Group Guidelines investments and is coordinated by VIG Asset Risk Management.

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and the Company ensures only counterparties with a high enough credit rating are used.

The Company invests only in types of assets, for which it can recognize, measure, monitor, manage and control the related risks accordingly by own means. Regular reports are delivered regarding the limits monitoring of investment policy. In case of investment in new instruments the impact on solvency capital requirement is assessed. The main goal of the investment policy is to reach the planned investment result while keeping a balanced risk/return-profile and taking into account constraints given by asset risk management requirements.

Only those financial instruments which were approved before contracting may be used for transactions. Only those instruments may be approved, which can be mapped, evaluated, monitored and professionally used by own means in terms of quality and quantity of personal staff and appropriate systems. Accounting and balance sheet regulations, especially regarding evaluation units as well as the quantification and steering of related risks of single investments have to be clarified and recorded beforehand.

All counterparties (mostly banks) or issuers of financial transactions or any investments (with payment and settlement risks) have to be pre-agreed by defining general or individual limits. The validation of the creditworthiness and monitoring of limits must be performed by a department / employees independent from trading.

Keeping substantial share of fixed income investments (bonds and loans) in the portfolio leads to stable expected returns and generally lower volatility. This measure has been thoroughly taken into account and is reflected in the investment strategy.

C.2.3 Risk Sensitivity for Market Risk

The Company carries out stress and scenario testing as a part of the ORSA process, which includes stress testing and sensitivity analysis for market risk, with emphasis on interest rate risk. Both impacts of potential decrease and increase of the interest rate curve by 100 basis points are tested. The increase of interest rates is expected to have material impact on the SCR ratio as the value of investments and thus own funds would decrease. This decrease is offset by a decrease in the market value of technical provisions, however the level is not sufficient to cover the loss arising from investments, leading in a decrease in Own funds and loss of 15 percentage points in SCR ratio. The Company is not very sensitive to long-term low interest rate environment, the scenario of decreased interest rate curve, impacts the SCR ratio by 4.6 percentage points.

Equity risk is among high quantitatively assessed risks. The adverse scenario of 20% drop in equity market value will respectively decrease Own funds. This loss is partially offset by a decrease in equity capital requirement leading to a final decrease of the SCR ratio by approximately 2 percentage points.

C.3 Credit Risk

The Company is exposed to counterparty default risk, Type I and Type II as described in Solvency II Regulation.

The risk capital calculated by the standard formula principles for Counterparty default risk is presented below:

Table 20 - Counterparty Default Risk (in EUR '000)

Risk Module	SCR	
	2018	2017
Counterparty default risk	21,469	19,303
Type 1 exposures	13,320	12,933
Type 2 exposures	9,588	7,604
Diversification within counterparty default risk module	-1,439	-1,234

C.3.1 Key Risks and Risk Mitigation Techniques

Counterparty Default Risk

Counterparty default risk is the risk of loss, or adverse change in the value of assets and financial instruments related to the unexpected default of counterparties and debtors over the forthcoming twelve months which would lead to a complete or partial failure of the counterparty's liabilities. Furthermore, this risk is split into two groups according its characteristics.

Type 1 counterparty default risk is the risk arising from exposures where the counterparty is likely to be rated. The class of type 1 exposures consists of exposures in relation to risk-mitigation contracts, cash at bank and deposits, and other financial commitments.

Type 2 counterparty default risk is the risk arising from exposures where the counterparty is likely to be unrated. Examples include, but are not limited to, receivables from intermediaries, ceding insurance companies and residential mortgage loans.

The Company limits its potential liability from reinsurance business by passing on some of the risks it assumes to the international reinsurance market (retrocession). It spreads this reinsurance coverage over a large number of different international reinsurance companies that VIG Re believes have adequate creditworthiness, to minimize the credit risk due to the insolvency of the reinsurers. The Company strictly adheres to the Security Guidelines issued by the VIG group, limiting the counterparties with which VIG Re can conclude retrocession contracts.

In some reinsurance treaties, the vast majority in Life reinsurance, parts of the reserve are deposited with the ceding company. Depending on the treaty wording, a counterparty default risk may arise from these arrangements. This is taken into account in the counterparty risk calculation.

The counterparty risk arising from financial instruments including cash and term deposits is governed by the investment and risk policy. Limits per tenor and bank are defined. Any new counterparty financial institution needs to be approved by VIG ERM.

Risk arising from underwriting includes management account payables, largely towards Group companies.

C.3.2 Prudent Person Principle

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and the Company ensures only counterparties with a high enough credit rating are used.

C.3.3 Risk Sensitivity for Credit Risk

The Company carries out stress and scenario testing as a part of the ORSA process, which includes sensitivity analysis for credit risk. This includes credit downgrade sensitivity, which covered both reinsurance counterparties affecting counterparty default risk and investment counterparties affecting spread risk. Downgrading of all counterparties by one credit notch would lead to an increase of the Solvency capital requirement while Own funds remain stable under this scenario. The solvency ratio is decreased by 5 percentage points. The Default of retrocession counterparties with material exposure in reinsurance recoverables could lead to significant loss therefore the Company effectively manages this risk by selecting highly credit rated counterparties.

C.4 Liquidity Risk

Liquidity risk refers to the risk of the Company being unable to realize investments and other assets in order to settle their financial obligations when they become due. The risk is managed by the appropriate duration matching between the financial investment portfolio and reinsurance commitments.

C.4.1 Key Risks and Risk Mitigation Techniques

The Company regularly performs assessment of its liquidity position, by processing short-term and mid-term overviews of expected inflows and outflows. In addition, long-term Asset Liability Management is performed. This enables the Treasury department properly manage funds of the Company, so the Company has at any point in time sufficient cash to fulfil its liabilities.

The risk is governed by the Investment and Risk Policy. The policy also defines Liquidity buffer, which consists of highly liquid securities and cash. At least EUR 10 million shall be held in highly liquid investment assets as liquidity cushion (cash, deposits, T-bills, money market funds, floating rate or short term fixed rate bonds) with other assets ready to cover possible cash-flow needs and deliver needed return.

The risk has been assessed as low during the Risk mapping process.

C.4.2 Prudent Person Principle

The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. The investment funds are "liquidity" funds with high credit quality holdings. High credit quality holdings exhibit greater liquidity.

C.4.3 Expected Profit Included in Future Premiums ("EPIFP")

Expected profit included in the future premiums as at 2018 year end amounts to 74,069 TEUR (as at 2017 year end 67,044 TEUR) for Non-Life and Health portfolio.

The EPIFP for Life portfolio was estimated for the first time in 2018 resulting in 28,925 TEUR.

The values are also available in S.23.01 Quantitative Reporting Template.

C.4.4 Risk Sensitivity for Liquidity Risk

As this risk is not deemed as material given the investment strategy of the Company, no stress tests were performed.

C.5 Operational Risk

Operational risk is resulting from the insufficiency or failure of internal processes, employees and systems, or caused by external occurrences. Contrary to risks described in previous sections of the present report which are measured by defined models and assumptions, operational risk is more difficult to model.

The risk capital calculated by the standard formula principles for Operational risk results from gross premiums and is presented below:

Table 21 - Operational Risk (in EUR '000)

Risk Module	SCR	
	2018	2017
Operational risk	13,921	12,916

The increase in the capital required is due to the portfolio growth of the Company.

C.5.1 Key Risks and Risk Mitigation Techniques

The Company follows VIG guidelines to ensure its efficient and economic operation. The Company wants to maintain functional key processes as well as assets supporting the aim to provide sustainable reinsurance services by defining strict procedures, controls and emergency plans.

Operational risk according to the standard formula is mainly dependent on the amount of earned premiums and best estimates. This assessment does not provide a precise explanation of the causes and associated effects of operational risk. For this reason, operational risk is divided into further sub-categories and additionally assessed qualitatively through the Internal Control System in accordance with the Group guidelines in order to obtain a more precise profile. The operational sub-risk categories are:

- model and data quality risk,
- project risk,
- process and organizational risk,
- human error risk,
- business disruption risk,
- know-how concentration risk,
- insufficient human resources,
- hardware and infrastructure,
- IT software and security,
- IT development,
- compliance risk.

C.5.2 Prudent Person Principle

Not applicable.

C.6 Other Material Risks

C.6.1 Other Risks

Among other risks the Company identifies strategic risk, which is a function of the incompatibility between two or more of the following components: a company's strategic goals, the business strategies developed, and the resources deployed to achieve these goals, the quality of implementation and the economic and legal situation of the markets the undertaking operates in.

The Company has new strategy which includes revising underwriting territory and product offering. Number of specific risk mitigation instruments are to be implemented which effectiveness needs to be continually monitored. Nevertheless, risk was assessed as high.

In the view of extended underwriting territory, we do not enjoy same level of market intelligence, local market standards and regulations as in our core markets. This increases the Company's reputational risk to medium.

The risk connected to a Standard & Poor's rating downgrade was assessed as high (although most unlikely) and hence categorized as a strategic risk. On 18 August 2017, Standard & Poor's Global Ratings confirmed its long-term public issuer credit rating of "A+" and financial strength rating of "A+" with a stable outlook for VIG Re, affirming the same rating VIG Re has enjoyed since its foundation.

C.7 Any Other Information

There is no other information that should be provided in this Chapter.

D

Valuation for Solvency Purposes

VIG Re prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB) and the European Union (EU) in accordance with the IAS Regulation (EC 1606/2002). The differences in valuation of assets and liabilities classes under IFRS and Solvency II purposes are stated in the relevant sub-chapters below.

D.1 Assets

As at 31 December 2018 the Company held the following assets (in EUR '000):

Table 22 - Assets Comparison (in EUR '000)

Assets	Solvency II		IFRS	
	2018	2017	2018	2017
Deferred acquisition costs	0	0	9,725	5,370
Intangible assets	0	0	2,133	2,111
Deferred tax assets	0	0	806	172
Property, plant & equipment held for own use	923	442	923	442
Investments, thereof:	407,518	386,436	395,232	376,684
Holdings in related undertakings, including participations	11,762	5,185	11,762	11,762
Bonds	325,936	308,464	313,650	292,135
Government Bonds	276,889	256,006	270,678	246,241
Corporate Bonds	49,047	52,459	42,972	45,894
Collective Investments Undertakings	65,059	72,787	65,059	72,787
Deposits other than cash equivalents	4,761	0	4,761	0
Assets held for index-linked and unit-linked contracts	3,152	1,580	3,250	1,290
Loans & mortgages	2,235	177	2,289	177
Reinsurance recoverables	171,333	155,186	234,886	244,085
Non-Life and Health similar to Non-Life	168,845	170,278	233,001	242,135
Non-Life excluding Health	153,918	155,868	219,077	230,014
Health similar to Non-Life	14,927	14,410	13,924	12,121
Life and Health similar to Life, excluding Health and index-linked and unit-linked	2,612	-15,042	1,862	1,925
Health similar to Life	0	0	0	0
Life excluding Health and index-linked and unit-linked	2,612	-15,042	1,862	1,925
Life index-linked and unit-linked	-124	-50	24	24
Deposits to cedants	114,364	127,906	97,403	101,661
Insurance & intermediaries receivables	56,712	51,591	56,712	51,591
Reinsurance receivables	26,849	26,980	26,849	26,980
Receivables (trade, not insurance)	422	3,373	422	3,373
Cash and cash equivalents	14,876	9,812	14,876	9,812
Any other assets, not elsewhere shown	357	259	357	259
Total assets	**798,741**	**763,742**	**845,863**	**824,007**

D.1.1 Deferred Acquisition Costs

In the financial statements, deferred acquisition costs represent the proportion of acquisition costs incurred and revenue received that corresponds to the unearned premium reserve.

Solvency II valuation is based on an estimation of future cash flows. Deferred acquisition costs represent a cash outflow that occurred in the past. The (future) premiums may indeed include an expense charge to cover these acquisition costs; this is then reflected in the determination of technical provisions.

Therefore, deferred acquisition costs (gross and reinsurance share) are stated with zero in Solvency II balance sheet.

D.1.2 Intangible Assets

Intangible assets comprise acquired portfolios, purchased licenses or brand names. For the financial statements these assets are valued at their acquisition costs less accumulated amortization and impairment losses. Under Solvency II all intangible assets are valued at zero as none of the assets can be regarded as sellable on active market.

D.1.3 Deferred Tax Assets

Similarly to IFRS, deferred taxes are calculated in case of temporary differences between the Solvency II and Tax Balance Sheets (according to the national tax laws). IFRS value is taken as a basis for Solvency II valuation and then adjusted for the differences between Solvency II and tax balance sheets.

Solvency II allows an entity to recognise deferred tax assets only where there are proven future taxable income. Deferred taxes are not discounted under Solvency II. Deferred taxes are shown in net value, i.e. assets are off-set against the liabilities.

D.1.4 Property, Plant & Equipment Held for Own Use

IFRS value, measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The value is taken for Solvency II valuation as well.

D.1.5 Investments

VIG Re owns 100% in Wiener Re Serbia and a 2.63% stake in VIG Fund, a.s. For the financial statements, participations are valued at acquisition cost less impairment.

The Company incorporated the participation in Wiener Re of 6,759 TEUR in the Solvency II Balance Sheet. There is no significant difference between the IFRS and Solvency II value.

Financial Assets

Financial assets include government and corporate bonds and collective investment undertakings (investment funds). Financial assets are measured at fair value for Solvency II purposes even when they are measured at amortised cost in the IFRS balance sheet. Fair value is based on market quotations of the individual instruments – government and corporate bonds and collective investments – on liquid markets. As at the end of 2018, VIG Re held only three bonds representing only 2.5% of total investments, where no market quotation was available.

Using the market prices explains the differences in valuation of the bonds – for financial statements, part of the bond portfolio for which VIG Re has the positive intent and ability to hold these bonds to their maturity is classified as held-to-maturity and thus valued at amortized costs.

D.1.6 Reinsurance Recoverables

In the financial statements, the ceded share of reinsurance liabilities is valued in accordance with contractual retrocession arrangements. The creditworthiness of each counterparty is taken into account when assessing the carrying amount of the assets. Any impairment loss is recognized in profit and loss.

Under Solvency II, the reinsurance recoverables are calculated as the best estimate of the amount that VIG Re expects to receive from the reinsurance arrangements (taking into account the cash-flows related to the arrangements and the time value of money), adjusted by the probability of the counterparty default. Reinsurance recoverables are segmented into Non-Life (including also Health NSLT), Life (including also Health SLT) and Life unit-linked.

Best Estimate Retrocession Recoverables

The characteristics of the retrocession exclude the use of the development triangles. The development triangles are not adequately stable due to the combination of different types of retrocession and approximations needed to split retrocession cash flows per reserving segment.

The implemented methodology uses a simplified approach, described in Guidelines on technical provisions, guideline 79 and 80, published by EIOPA. The calculation of retrocession recoverable uses ratios of expected retrocession share on gross cash flows which are described in Chapter D.2 Technical Provisions.

Counterparty Default Adjustment

The reinsurers of VIG Re have high ratings, generally rating of reinsurers should be A or higher. In reality, approximately half of the retrocession counterparties have rating A and half have rating AA. Exceptions are not significant in the portfolio. The counterparty default adjustment is therefore negligible in VIG Re. Still, it has to be calculated due to reporting requirements of VIG group. The calculation methodology is based on the simplification described in Delegated act, article 61.

D.1.7 Deposits to Cedants

These balances represent deposits in ceding companies in order to cover the reinsurance liabilities (technical provisions) of VIG Re towards these clients. The IFRS value is considered as a good proxy for Solvency II valuation of deposits stemming from Non-life and HNSLT.

Currently used approach for valuation of deposits stemming from Life business has been adopted by the Company in 2017. Life business deposits might be represented by different types of reserves depending on each specific treaty conditions – reinsurance premium reserve, UPR and claims reserves. The later two types of reserves are considered as IFRS values at the start of the projection with future development following the development of key underlying driver. This is reinsurance premium in case of UPR and sum assured in case of claims reserves. Deposited mathematical reserve is calculated directly in the actuarial model from portfolio information by applying actuarial methods and a set of demographic and economic assumptions. The Company receives an investment income generated by fixed interest on its deposited reserves on an annual basis. Under Solvency II, all deposits to cedants and investment incomes from these deposits are valued at present value.

D.1.8 Insurance & Intermediaries Receivables

Insurance and Intermediaries receivables represent amounts from ceding insurance undertakings and/or reinsurance brokers, which have not been accounted for in the projected cash flows used for the calculation of technical provisions.

The fair value for Solvency II is represented by the IFRS value.

D.1.9 Reinsurance Receivables

Amounts from reinsurers linked to ceded reinsurance which are not included in reinsurance recoverables. This includes, but is not limited to, amounts receivable from reinsurers that relate to settled claims of ceding undertakings or commissions.

The fair value for Solvency II is represented by the IFRS value.

D.1.10 Receivables (Trade, Not Insurance)

Amounts from employees, business partners other than insurance or reinsurance undertakings for their services, or other persons.

The fair value for Solvency II is represented by the IFRS value.

D.1.11 Cash and Cash Equivalents

Cash consists of cash on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

The fair value for Solvency II is represented by the IFRS value.

D.1.12 Any other Assets, not Elsewhere Shown

These assets are valued at fair value by discounting expected cash flows using a risk free rate. However, book value as per IFRS may be used as a proxy to the fair value for Solvency II balance sheet purposes where the impact of discounting is not material because the balances are of short term nature or not material.

D.2 Technical Provisions

D.2.1 Technical Provisions – Non-Life and Health Non-Similar to Life Underwriting Techniques

The table below shows the technical provisions gross of reinsurance at 31 December 2018 and 2017 by SII line of business for Non-Life and Health non-similar to Life techniques. The Solvency II technical provisions are calculated as a sum of Best Estimate (BEL) and Risk Margin (RM).

Table 23 - Technical provision (in EUR '000)

SII Line of Business	SII LoB code	2018			2017		
		Best estimate	RM	Technical provision	Best estimate	RM	Technical provision
Medical expense proportional	H1	-8,772	102	-8,670	794	46	840
Income protection proportional	H2	15,876	652	16,528	17,608	302	17,910
Workers' Compensation proportional	H3	-5	3	-2	0	0	0
Health non-proportional	H4	15,248	246	15,494	13,731	247	13,978
Motor vehicle liability proportional	NL1	30,821	1,245	32,066	28,193	1,083	29,276
Other motor proportional	NL2	5,712	735	6,447	-234	773	539
Marine, aviation and transport proportional	NL3	3,174	213	3,387	3,024	208	3,232
Fire and other property proportional	NL4	69,901	2,307	72,208	57,605	2,219	59,824
General liability proportional	NL5	12,621	632	13,253	12,633	523	13,156
Credit and suretyship proportional	NL6	652	199	851	213	132	345
Legal expenses proportional	NL7	20	2	22	19	0	19
Miscellaneous proportional	NL9	1	0	1	0	0	0
Casualty non-proportional	NL10	158,931	12,010	170,941	157,948	12,777	170,725
Marine, aviation and transport non-proportional	NL11	10,811	422	11,233	2,263	380	2,643
Property non-proportional	NL12	15,780	2,665	18,445	39,813	3,161	42,974
Total		**330,775**	**21,430**	**352,205**	**333,610**	**21,851**	**355,461**

Negative value means that the expected cash inflows are higher than expected cash outflows.

The level of the Technical provision slightly decreased compared to 4Q 2017. The level of risk margin is almost the same. Some Lines of Business grew in proportion with the earned premium or remained quite stable with some minor changes in the level of Best estimate. Most significant changes in the value of Best estimates from year to year can be explained by the following movements:

- Negative value of Best estimate for Medical expense proportional is due to the inception of a multiline treaty which has a sizable expected cash inflows attributed to this segment. This treaty was not in the portfolio at the moment of year end 2017 valuation and therefore the year to year change is significant. Overall the impact of this treaty is offset in other Lines of Business.

- Income protection proportional Best estimate slightly decreased. That was driven by release of some RBNS reserves and by reclassification of Medical expense proportional treaties under Income protection proportional. These treaties have a clean cut basis and their claim provision is zero, however, newly incepted treaties generate negative best estimate and overall reduce the Best estimate level.
- Best estimate liability of Other motor proportional Line of Business increased with respect to previous year mainly because of the above mentioned treaty that has a loss-making section of Other motor proportional.
- Fire and other property proportional increased significantly compared to previous year. There are several reasons for this increase. First of all, there were some large fires -factory in Albania and another one in Serbia which had an impact on the level of our gross Best estimates (significant parts of these claims were retroceded). Second of all, some part of the Best estimate belongs to IBNR claims for clean cut treaties which we didn't estimate in the previous year.
- The Best estimate value for Casualty non-proportional is almost the same as at previous period. This is caused by two contradictory movements. Claim provision slightly grew as the volume of business is increasing. And on the other hand there was also a decrease (more negative) in the value of premium provision as a higher amount of business has been underwritten and more cash inflows compared to expected outflows were generated.
- Marine, aviation and transport non-proportional Best estimate increased substantially. The main driver has been a large claim caused by a helicopter crash. This claim has been heavily retroceded therefore the impact on net Best estimate is not that significant. There was also an increase in premium provision due to increase in loss ratio for the newly incepted business.
- There was a very significant decrease in Property non-proportional Best estimate. Main reason for such a decrease is a very positive claim experience over the year 2018. There were not any major natural catastrophes that would increase our claim provision and we also didn't suffer any major property damages. Such a positive claim experience together with a settlement of older claims lead to a substantial decrease in claim provision. The decrease is also amplified by a growing volume of newly incepted business which is expected to have higher cash inflows than cash outflows and therefore causes also reduction in the level of Best estimate.

D.2.1.1 Recognition of the Liabilities, Segmentation into Homogeneous Risk Groups

The portfolio of the company contains reinsurance contracts which can cover multiple risks and lines of business and are based on the following bases:

- **Occurrence year basis**. These treaties cover claims which occur between the starting and ending dates of the treaties concerned. The cash flows originating from covered claims extend beyond the treaties' ending dates as the Company keeps the claim portfolio until its full run off;
- **Underwriting year basis**. These treaties cover claims arising from underlying insurance contracts underwritten between the starting and ending dates of the treaties to be covered. Both the occurrence of the claims and cash flows originating from the covered claims extend beyond the treaties' ending date. The claims originating from covered underlying insurance contracts, i.e. underwritten between the starting and ending dates of the treaties, may occur after the ending dates of the reinsurance treaties. The Company keeps the claim portfolio until it's full run off;
- **Clean cut basis.** Under these treaties, the claims have to occur before the ending date of the treaties to be covered. The cash flows originating from covered claims do not extend beyond the end of the treaty as the company settles all claims with the cedent at the ending date of the treaties. The settlement is based on the amount of unexpired premium and outstanding claim provisions at the ending date of the treaties.

Treaties are mostly for one year and they are underwritten during the fourth quarter of the year preceding the start of the coverage period and the coverage period usually starts in January and ends in December.

These treaties for underwriting year 2018 comprise 96.4% (2017 figure: 93.4%) of portfolio measured by earned premium for the year 2018. The company cannot arbitrarily terminate the treaties before the ending date or change the reinsurance rates.

This means that the recognition date for most of the treaties is during Q4 of the year preceding the start of the coverage period and contract boundary is the ending date of the contract.

Due to the treaties on the underwriting year basis as well as the treaties with coverage starting in one calendar year and ending in the following calendar year, the premium for some of the treaties is earned in two consecutive calendar years. Therefore the liability coming from these treaties is often split between the claim and premium provisions at the end of all quarters.

The following treaties are either not for one year or are not on a calendar year basis:

- Facultative reinsurance. The facultative contracts are often multiyear. They do not create separate segments due to their low volume;
- Special treaties that are formally multiyear, but can be terminated every year. Therefore, they practically behave as one-year treaties.

D.2.1.1.1 Annual Calculation of Gross Best Estimate

The basic split of the gross Best estimate calculation is to claim and premium provisions. However, as VIG Re's data are collected on an underwriting year basis, which combines claim and premium provisions, there is a split to previous underwriting years and the next underwriting year. The analysis for previous underwriting years is further split into two tasks – a calculation of the ultimate volumes of the cash flows for individual underwriting years and an estimation of the distribution of those cash flows in time, i.e. estimation of patterns related to individual cash flows.

Ultimate Volumes of the Future Cash Flows

The higher volatility of the development triangles implies a need for more stable reserving methods to be used to estimate ultimate volumes of the cash flows. The following methods implemented in ResQ are suitable for the portfolio of VIG Re:

- Development factor methods (DFM),
- Ultimate ratio method,
- Bornhuetter Fergusson method (BF),
- Benktander method (combination of DFM and BF methods).

In the case of claims, the described methods can be applied either on the claims paid or claims incurred. The choice of the final triangle depends on characteristics of the reserving segment.

Generally, the development triangle of claims paid can be used if it is sufficiently stable and long enough to capture late claims paid in the segment (tail). The development triangle of claims incurred can be used if it is sufficiently stable and there is no indication of significant changes in the RBNS reserving approach of the cedents.

Time Distribution of Future Cash Flows – Patterns

The following cash flow patterns are used in VIG Re's Best estimate calculation:

- Premium pattern,
- Commission pattern,
- Pattern of claims paid,
- Pattern of claims incurred.

Operating expenses are expected to have the same distribution over time as premium, i.e. premium pattern is used also for operating expenses.

The estimation of the patterns is based on the development triangles with underwriting years as origin periods. The resulting patterns are therefore patterns for cash flows relating to whole underwriting years.

The underwriting year patterns capture what proportion of the ultimate cash flows for an individual underwriting year is realised with a particular delay from this underwriting year. The delay is measured in years and is based on calendar/accounting years. The first element of the pattern corresponds to the cash flows realised in the same calendar year as the underwriting year. The cash flows originating in one underwriting year may contribute to cash flows originating in more than one accident year. The same is true also for underwriting year patterns and accident year patterns. Although the development triangles and patterns based on underwriting years do not contain information about the split of cash flows to accident years, this split must be estimated to divide TP into claim and premium provisions.

As premium is analysed on an earned basis the split of its pattern to accident years is straightforward. The premium is always earned for the accident year corresponding to the calendar year underlying the development year.

Next Underwriting Year

The next underwriting year, for the calculation as at the end of year X, is the underwriting year X+1. No cash flows are realized for the underwriting year X+1 as at the end of year X, they fully belong to the premium provision.

The calculation of the best estimate for the next underwriting year, contributing only to the premium provision, is based on the following inputs:

- Premium cash flow
  - expected ultimate premium volume of the reserving segment for the next underwriting year within contract boundaries as at the valuation date. The treaty list may contain also treaties with underwriting year (year of start of coverage) after the next underwriting year. The amount of this portfolio is currently low, it can be added to the projections for the next underwriting year. If the amount of this portfolio will be high in the future, the calculations must be appropriately adjusted;
  - expected pattern of earned premium;
- Claim cash flow
  - ultimate claim ratio of the reserving segment for the next underwriting year;
  - expected pattern of claims paid;
- Commission cash flow
  - ultimate commission ratio of the reserving segment for the next underwriting year;
  - expected pattern of commissions incurred;
- Admin cash flow
  - admin ratio for the next underwriting year.

Annuities

The portfolio assumed to contain mostly annuities is contained in a separate reserving segment. The claims pattern is based on claims incurred for this segment. The reason is that the claim provisions of reported annuity claims are calculated using Life actuarial techniques by cedents. The future expected claims are projected, taking into account biometric parameters, and discounted. The application of claims incurred pattern as claims pattern in TP calculation in VIG Re respects that the reported annuity claim provisions are already discounted.

Split to Premium and Claim Provision

The calculation of the Best estimate per underwriting year leads to the projection of future cash flows per underwriting year. Provision are discounted using the relevant risk-free rates for the currencies of the country of the cedents, as declared by EIOPA. The Company does not apply matching adjustments, volatility adjustments or transitional risk-free term structure or transitional deduction.

D.2.1.1.2 Additional assumptions used in the annual calculation of Best estimates

Options and Guarantees

VIG Re does not have any options or guarantees in Non-Life reinsurance; therefore their value is equal to zero.

Lapse Rate

The concept of lapse rate is not directly applicable in the context of reinsurance business. The reinsurance treaties cannot lapse as the insurance policies. At the same time the Company does not have information about number or volume of lapsed policies covered by the reinsurance treaties. It would be also impracticable to collect or estimate lapse rate of underlying policies per reinsurance treaty and section. Moreover the volume of future business is based on expected premium income (EPI), which is an estimate itself and should reflect the expectation including all potential effects. So the lapse rate of underlying policies is practically already taken into account in the expectation of the Company.

The lapse rate can be understood also in another, more general way. It can be understood as the difference between expected portfolio volume based on the expected premium income (EPI) and real volume based on actual experienced premium income. This difference and its volatility is the basis for the uncertainty regarding expected future business volume. However its role is not significant enough to play a role in the portfolio segmentation.

Data Quality

The key inputs to TP calculation are the historical cash flows and changes in RBNS, contained in the accounting system, and expected premium of particular reinsurance treaties and sections to be ceded to VIG Re. The data quality can be split to the quality of internal VIG Re's data handling and quality of external data provided by cedents or VIG Re's estimates of those data.

The consistency of the data to the data available for the previous TP calculation is always checked and the main differences are explained. The consistency with the accounting data is implicitly assumed as the accounting data serve directly as a source for TP calculations and for this purpose are retrieved from the data warehouse.

The external data quality of the accounted values is driven by setting of communication with cedents. The accounted values are recorded with different frequency for different cedents and often based on estimates. The estimates are calculated by both VIG Re and cedents. The accuracy of accounted values is driven by:

- Frequency of reporting with cedents
    - the accounted values for approximately 80% of portfolio are reported quarterly;
    - the accounted values for the rest of the portfolio are reported semi-annually;

- Extent of cash flow estimation
    - the accounted values from all external business are based on internal VIG Re estimates. The final values are usually provided by the counterparties in the following half year after the end of the period;
    - the accounted values from most of the group business are based on estimates of cedents. The rest are final values. In case of estimates the final values are usually provided in the following quarter.

Economic Assumptions

VIG Re uses risk free interest rates published by EIOPA, without any adjustments. Exchange rates used for the valuation are provided by the VIG group or other reliable sources like central banks.

Other economic statistics like inflation, unemployment rate and GDP are monitored and considered as a supporting information for the portfolio segmentation.

Non-Economic Assumptions

The key non-economic assumption for VIG Re is the portfolio segmentation. Based on classification of treaties into homogeneous risk groups the estimation of assumptions for cash flow patterns for each individual homogeneous risk group or segment can be performed. Therefore it is important to perform the segmentation based on the key portfolio characteristics. These characteristics are determined by their importance for the valuation. In VIG Re the main portfolio characteristics are claims, premiums, commissions, operating expenses and cash flows with reinsurers. As the uncertainty lies in timing and amount it is also important to consider the cash flow patterns and cash flow amounts.

There were no changes in the portfolio segmentation of VIG Re compared to the previous year. Hence the only changes with respect to cash flow patterns were the assumptions used for the parametrization of the triangulation methods used for determination of final cash flow patterns.

D.2.1.2 Calculation of the Risk Margin

The risk margin should ensure that the value of the technical provisions is equivalent to the amount that reinsurance undertakings would be expected to require in order to take over and meet the reinsurance obligations.

The calculation formula, defined in article 37 of the Commission Regulation 2015/35, contains the following inputs:

- Risk free interest rate,
- Cost of capital rate,
- Future levels of the Solvency Capital Requirement for the reference undertaking.

Both the cost of capital rate and the risk free interest rate are known fixed inputs given by the Solvency II. The unknown quantity, to be estimated, is the level of the future SCRs. The methodologies described in the Framework Directive and Delegated Regulation can be approached in various ways. EIOPA guidelines on valuation of technical provisions describe four simplified methods.

VIG Re uses the method based on projected elements of the SCR per risk sub-module and LoB based on the selected drivers – calculation of SCR for each future year based on standard formula rules for individual risk modules and sub-modules and aggregation using relevant correlation matrices.

D.2.1.3 Level of Uncertainty Associated with the Value of Technical Provisions

The main source of uncertainty is still relatively short history of VIG Re. The Company started writing its business in 2009 and therefore construction of only relatively short development triangles is possible. This is an issue mainly for the long tail non-proportional business as the tail factors for deriving the cash flow patterns need to be developed only with a high degree of subjectivity using an expert judgement. This segment is significant in the portfolio, based on net best estimates. The estimated development factors in the triangles are also subject to a higher degree of uncertainty due to the nature of reinsurance business, this concerns especially to all non-proportional reinsurance SII LoBs.

Sensitivities of best estimate components (claim and premium provisions) to the predefined stresses can be found in the Table 24. These shocks were picked as a sufficient illustration of the uncertainty associated with the value of Technical Provisions.

Table 24 - Sensitivities (in EUR '000)

Assumption change	CP, gross	CP, net, after CDA, PAXL	PP, gross	PP, net, after CDA	Total BE, net
Basis scenario	397,267	186,241	-66,495	-25,263	160,977
Written premium up +5%	397,267	186,241	-70,198	-26,664	159,577
Written premium down -5%	397,267	186,241	-62,791	-23,863	162,378
Claims Paid up +5%	410,578	192,634	-51,678	-16,076	176,558
Claims Paid down -5%	383,256	179,687	-82,830	-35,093	144,595
RFR shock up (+100 bps)	379,978	182,023	-71,862	-27,187	154,836
RFR shock down (-100 bps)	416,828	190,696	-60,322	-23,191	167,505

D.2.1.4 Solvency II and IFRS Valuation Differences of Technical Provisions

The table below illustrates the differences between IFRS technical and Solvency II technical provisions.

Table 25 - IFRS and Solvency II Technical provisions (in EUR '000)

Lines of business	IFRS		Solvency II		
	Outstanding claims provisions	Unearned premiums provision	Claim BELs	Premium BELs	Risk margin
Non-Life	397,153	15,353	362,066	-53,641	20,430
HNSLT	38,276	-47	35,201	-12,854	1,003
Total	**435,429**	**15,306**	**397,267**	**-66,495**	**21,433**

- IFRS technical provisions consist of unearned premiums provision and provision for outstanding claims.
- The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, computed separately for each reinsurance contract using the pro rata temporis method.
- The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events that occurred up to the end of the financial year and are covered by reinsurance contracts, whether reported

or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses.

Solvency II technical provisions consist of best estimates of future liabilities (BELs) and risk margin. The best estimate is defined as expected present value of future cash-flows taking account of the time value of money, using the relevant risk-free interest rate term structure.

- Provisions for claims outstanding relate to the cashflows in respect of claims events occurring before or at the valuation date, whether the claims arising from those events have been reported or not. The cashflows projected comprise all future claims payments, often described as:
  - Claims Outstanding (case reserves),
  - Incurred But Not Reported claims ("IBNR"),
  - Incurred But Not Enough Reported claims ("IBNER").

Claims provisions cashflow projections should also include all claims management and claims administration expenses arising from these events.

- Premium provisions relate to claims events occurring after the valuation date and during the remaining in-force coverage period of policies. The cashflow projections should comprise all future claims payments and claims management expenses arising from those events, cashflows arising from ongoing administration of the in-force policies and expected future premiums stemming from existing policies. As with claim provisions, the valuation should take account of the time value of money and the best estimates must not include margins.
- Risk margin has been considered to ensure that the value of the technical provisions is equivalent to the amount that would be expected to be paid to a third party reinsurance company in order to take over and meet the insurance obligations of the Company. The risk margin has been calculated based on the estimated capital requirements to run off the Company's obligations, and applying a cost of capital of 6%.

The technical provision created for the purposes of Solvency II differs from the technical provision created for the purposes of accounting under IFRS mainly due to the following reasons:

- under Solvency II discounting is applied for all lines of business,
- under IFRS the Company builds an additional prudence IBNR,
- recognition of anticipated profits on unearned premiums under Solvency II (in respect of premium best estimates),
- adding of risk margin to the best estimates under Solvency II,
- calculation methods are applied differently for Solvency II and accounting purposes.

The premium best estimates recognize most of the anticipated profits of the upcoming year and therefore it reduces the level of technical provisions.

D.2.2 Technical Provisions – Life and Health Similar to Life Underwriting Techniques

The following table gives an overview of gross Life technical provisions, together with their comparison with the IFRS value.

Gross technical provisions as at 31.12.2018.

Table 26 - Gross Technical Provisions 2018 (in EUR '000)

	IFRS	Solvency II	
Lines of business	**Life technical provisions**	**BELs**	**Risk margin**
Life excluding Unit-/Index-linked	94,520	91,795	7,830
Unit-/Index-linked*	3,250	-2,227	190
Total	**97,770**	**89,568**	**8,020**

* Not shown in IFRS statement

Gross technical provisions as at 31.12.2017.

Table 27 - Gross Technical Provisions 2017 (in EUR '000)

	IFRS	Solvency II	
Lines of business	**Life technical provisions**	**BELs**	**Risk margin**
Life excluding Unit-/Index-linked	97,878	96,548	6,423
Unit-/Index-linked*	1,290	837	53
Total	**99,168**	**97,385**	**6,476**

D.2.2.1 Recognition of Contracts, Segmentation into Homogeneous Risk Groups

All reinsurance treaties are divided into the relevant Solvency II LoBs. The vast majority of Life technical provisions are considered in the Other Life LoB.

VIG Re doesn't apply any contract boundaries because the cancellation of a treaty is not at the free will of the cedent or VIG Re.

The contracts are unbundled to main coverage and accidental riders. These two parts are modelled separately.

D.2.2.2 Details of the Relevant Actuarial Methodologies and Assumptions Used in the Calculation of the Technical Provisions

Methodology

Technical provisions are calculated as the sum of a best estimate and a risk margin. The projection is realized on two levels.

The first level comprises policy-per-policy calculation, allowing for reinsurance premium, claims, lapses, and commissions. Retrocession-related projections needed for calculation of reinsurance (=retrocession) recoverables are also calculated on this level.

At the second level, the cash flow from the first level is aggregated per the reinsurance treaty. Furthermore, on this aggregated level, the total cash flow (allowing for expenses) and profit/loss (and respective present values) are calculated.

Based on the requirement of the Czech regulator the present value of cash flows generated by the reserves deposited by primary insurers (change in the reserve, investment income on the reserve) are excluded from the value of best estimate liabilities. This was applied for the first time in the 2016 best estimate liabilities calculation.

Risk margin is calculated in line with VIG Guidelines on the Calculation of the Risk Margin under SII. A simplified method is used for the calculation of the risk margin. The SCR is projected based on relevant risk driver for projection of individual sub-modules of the SCR and multiplied with a rate of 6% (cost of capital); finally, the cash flows are discounted and aggregated.

Assumptions

The primary insurers' portfolio data, accounting data and economic assumptions are updated on annual basis.

The 2nd order assumptions and parameters used for model are reviewed on annual basis. The long-term principle is applied. It means the best estimate assumption is set with longer period in mind. If there is no significant reason to change the assumption, the assumption is not changed from year to year. During the model adjustment a set of analyses was done with a view to justify assumptions setting, including the sensitivities testing in order to quantify the impact of possible volatility in assumptions.

In line with the Company's methodology, for all treaties the mortality rates have been setup according to the country in which the cedant is dominated and the experience ratio was applied to the population mortality rates. The original experience ratio used for 2017 calculations was set based on realization in 2016 which was analysed within the scope of MCEV. The realization in total was much lower that's why the experience ratio of 55% has been used for the most of treaties. For new treaties the expert judgement of 80% was used. BE assumptions for experience mortality for 2018 year-end calculation have been updated based on total portfolio mortality information for 2018 and previous years if needed for each treaty, where such data are available.

There is not enough data of credible quality to set up the disability/morbidity rates based on the experience of cedants. The experience ratio for accidental and incapacity for work riders were kept at the same values of 50% as at 2017 calculations as there are not sufficient underlying data to properly update these assumptions. The experience rates for disability and critical illness riders were derived from the valuation rates provided by cedants. In some cases, more sets of valuation rates were provided. Then the selection was based on their share in the portfolio of policies. In case that no valuation table was provided by cedant, the rates of other cedant were used. During 2017 calculations an experience ratio of 65% was applied to provided valuation rates as a result of analysis within the scope of MCEV. In 2018 the Company has reviewed underlying portfolio data provided by the ceding companies and has updated the experience morbidity assumption based on actual portfolio development.

The Company includes several expense assumptions in the calculation of Best Estimate of Liabilities. These cover administrative, claims management, overhead and investment management expenses. Annual decrease of 12% is applied on the fix expenses to reflect the expectations about new business that will support to bear the fixed Company's costs. Compared to 2017 calculations there was a significant decrease in expense assumption as there was a restructuring of expense allocation in 2018 resulting in decrease of administration expenses allocated to Life portfolio.

Economic assumptions used for 2018 calculations are yield curves for different currencies and inflation rate. Both inputs are provided by the Group and therefore there is no change in methodology compared to 2017.

Key Options and Guarantees

VIG Re does not have any options or guarantees in Life reinsurance; therefore their value is equal to zero.

No future management actions or FDB are managed in line with the actual Company approach for life portfolio.

Policyholder behaviour does not need to be considered in the best estimate calculation because:

- the cedents are not allowed to cancel treaties wilfully,
- behaviour of policyholders is already captured in lapse rates.

Lapse Rates

For the setup of lapse rates, the principle of long-term assumptions is followed.

Company's portfolio covers several products that use treat-specific assumption on surrender modelling. For the treaties, where an updated information about portfolio development and about lapsed policies is available, the assumptions used are regularly re-assessed. For treaties, where such information is not available, lapse rates have been set up based on an expert judgement. Three types of lapse rate curves have been defined (lapse rate for term products, endowment products, mix of term and endowment products) and one of them has been assigned to each treaty, based on the portfolio structure.

Compared to 2017 the Company performed a regular update of treaty specific lapse rates from portfolio development information provided by primary insurers. Moreover, during 2018 a new product has been added into the portfolio of the Company. This product includes long-term care covers and a specific set of lapse assumptions is used for modelling of surrenders. The annual lapse rates are split by gender and rather than policy year they are age specific provided by the primary insurer.

Data Quality

One of the most significant challenges the Company faces in Life segment is the quality of provided input data. Therefore a set of data quality checks has been introduced to automatically reveal data inconsistencies in input fields populated by the primary insurers. The observed inconsistencies might be corrected up to certain level by expected values calculated from other related inputs. Unfortunately not all deficiencies might be assessed independently and therefore the cases, which the Company cannot revise on its own, further input is requested from the primary insurer.

Compared to 2017 calculation the list of data quality checks was significantly extended and automated to increase the validity of input data and restrict the potential errors due to manual adjustments. Moreover, in 2018 the Company performed a review of the input data structure provided by the primary insurers to better align the information for Solvency II calculations with booked IFRS figures.

D.2.2.3 Level of Uncertainty Associated with the Value of Technical Provisions

The methods and models used for technical provisions calculations are compliant with the SII requirements. The technical provisions as such are considered to be adequate and reliable. There are some limitations and uncertainties mainly caused by still relatively short market presence of VIG Re and overall data quality.

The biggest uncertainty is arising from missing detailed data. The estimated impact on results was assessed in an independent validation. Due to immateriality of the Life business and proved profitability there is no significant risk for VIG Re.

Independent validation of Best Estimate Liabilities calculation has identified main areas of uncertainty associated with the value of Technical Provisions for Life segment as a result of sensitivity analysis. For each driver the isolated effect of changing the assumption with all other model inputs set at their original best estimate value and without any adjustments of individual valuation mortality and critical illness rates is presented in the tables below.

Table 28 - Main Drivers for Decrease in Gross BEL 2018 (in EUR '000)

Assumption change	Impact on Gross BEL
Decrease in lapse rates	-5,992
SLT riders experience ration of 55%	-2,993
Mortality experience ratio alternative	-2,084
20% decrease in expenses	-1,628
10% increase in premium expected for the first month of projection	-872
NSLT riders experience ratio of 40%	-769
LTC experience ratio of 70%	-356

Table 29 - Main Drivers for Increase in gross BEL 2018 (in EUR '000)

Assumption change	Impact on Gross BEL
SLT riders experience ratio of 90%	8,844
Annual decrease for fix expenses of 6%	6,888
Increase in lapse rates	4,769
Mortality experience ratio shift up	4,692
NSLT riders experience ratio of 80%	2,310
20% increase in expenses	1,628
10% decrease in premium expected for the first month of projection	874
LTC experience ratio of 90%	337

D.2.2.4 Solvency II and IFRS Valuation Differences of Life Technical Provisions

The technical provisions of Life business are presented above in D.2.2. The differences in valuation between Solvency II and IFRS are discussed below.

The main differences between Solvency II and IFRS liabilities arise from:

- the Solvency II calculation uses best estimate assumptions while the IFRS assumptions include margins for adverse deviation,
- the Solvency II discount rate is specified by regulation (risk free rates provided by EIOPA) while for IFRS the discount rate is given contractually,
- Solvency II provisions include risk margin.

There are no additional specific differences between bases, methods and main assumptions between Solvency II and IFRS liabilities at the level of individual significant types of reinsurance.

D.3 Other Liabilities

As at 31 December the Company held the following liabilities:

Table 30 - Liabilities Comparison (in EUR '000)

	Solvency II Value		IFRS Value	
	2018	2017	2018	2017
Technical provisions – Non-Life	352,205	355,461	450,735	439,850
Technical provisions – Life (excluding index-linked and unit-linked)	99,625	102,970	94,520	97,877
Technical provisions – index-linked and unit-linked	-2,037	890	3,250	1,290
Deposits from reinsurers	4,832	5,401	4,832	5,401
Deferred tax liabilities	9,149	4,802	0	0
Debts owed to credit institutions	5	14	5	14
Financial liabilities other than debts owed to credit institutions	576	1,597	576	1,597
Insurance & intermediaries payables	68,685	90,637	68,685	90,637
Reinsurance payables	15,219	15,253	15,219	15,253
Payables (trade, not insurance)	3,437	2,463	3,437	2,463
Subordinated liabilities	35,708	0	35,708	
Any other liabilities, not elsewhere shown	10	11	10	11
Total Liabilities	587,414	579,499	676,977	654,393
Excess of Assets over Liabilities	**211,326**	**184,243**	**168,887**	**169,614**

D.3.1 Deposits from Reinsurers

Amounts provided from reinsurance companies to VIG Re, held for the payment of the (re-) insured losses stemming from the passive reinsurance arrangements.

The fair value for Solvency II is represented by the IFRS value. In case that cash flows arising from these liabilities are included in the best estimate calculation, these liabilities are valued at zero.

D.3.2 Deferred Tax Liabilities

Similarly to IFRS, deferred taxes are calculated in case of temporary differences between the Solvency II and Tax Balance Sheets (according to the national tax laws). IFRS value is taken as a basis for Solvency II valuation and then adjusted for the differences between Solvency II and tax balance sheets. Deferred taxes are not discounted under Solvency II. Deferred taxes are shown in net value, i.e. assets are offset against the liabilities.

D.3.3 Financial Liabilities Other than Debts Owed to Credit Institutions

The fair value approach in IAS 39 for the measurement at initial recognition of financial liabilities is a good approximation of the value in the Solvency II balance sheet. Subsequent measurement changes in own credit standing are not taken into the account in the Solvency II balance sheet.

D.3.4 Insurance & Intermediaries Payables

Amounts due/overdue for payment by the valuation date to ceding insurance undertakings and linked to active reinsurance business, but that are not technical provisions (e.g. commissions due to reinsurance brokers but not yet paid by VIG Re). This position also includes payables from reinsurance accepted.

Payables related to future premiums included in the best estimate valuation of technical provisions, are excluded.

D.3.5 Reinsurance Payables

Amounts payable past due to reinsurers (in particular current accounts) other than deposits linked to retrocession, which are not included in reinsurance recoverables. Includes payables to reinsurers that relate to retro-ceded premiums.

Material long-term payables are revalued to fair value using the expected cashflows (no such payables are currently recognised by VIG Re). In case of short-term payables the IFRS value is a reasonable proxy for the Solvency II valuation.

D.3.6 Payables (Trade, Not Insurance)

This item includes payables to employees, business partners other than insurance or reinsurance undertakings for their services, or other persons.

The fair value for Solvency II is represented by the IFRS value, which is determined at amortized costs (equals the nominal or repayment value).

D.3.7 Excess of Assets over Liabilities

The difference between assets and liabilities is shown here. This excess represents the value of basic own funds that – under respective restrictions – are available to cover the capital requirements. More details are discussed in Chapter E.1 – Own funds.

D.4 Alternative Methods for Valuation

Apart from the methods described above, the Company does not use any other alternative methods for valuation.

D.5 Any other Information

The Company does not have any further information on valuation for solvency purposes to be included in the SFCR.

E
Capital Management

E.1 Own Funds

The Company's available own funds reflect the ability of the Company to absorb any adverse impact stemming from a change in Solvency II balance sheet (assets and liabilities valuation) or resulting from a change in its own capital.

Capital management serves to ensure compliance with legal and internal standards for quality and quantity in order to meet the solvency capital requirement and minimum capital requirement.

E.1.1 Objective, Policies and Processes for Managing Own Funds

The Company's objectives with respect to capital management are to ensure the continued existence of the Company as a going concern. Furthermore, the objective is to maintain an optimal capital structure in order to fulfil obligations to primary insurers, continue providing dividends to shareholders and to meet the Solvency II requirements. For this purpose, VIG Re has developed and implemented a capital management system which is based in the classification of own funds in quality classes (Tiers) along with their eligibility to meet the solvency capital requirement and minimum capital requirement.

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company applies Risk bearing capacity concepts, in which the ratio of eligible own funds over SCR and MCR and risk bearing buffer are reviewed. As part of own funds management, the Company produce Own Risk and Solvency Assessment report at least annually, or when the risk profile significantly changes. The ORSA exercise incorporates the business planning which is typically considered over a three-year horizon.

The process of capital management in VIG Re consists of the following steps:

Capital Adequacy Assessment

This step includes the current situation of capital adequacy which is accomplished by the calculation of own funds and capital requirements on quarterly basis. In this context it is ensured that that regulatory requirements for own funds are met and also that the internal defined requirements on risk tolerance and minimum solvency ratio of 125% are satisfied.

In case own funds are considered insufficient, measures are implemented depending on the situations acknowledged.

Capital Planning

Capital planning involves the monitoring of future capital situation. The Company plans the future development of the business and investment activities which are then used in the calculation of projected capital requirement and future available own funds during the ORSA process. Within the planning process it is considered how changes either in business volumes and business mix or changes in existing risk factors may affect profitability, risks and capital needs. Compliance with risk tolerance is also ensured during the planning process.

The outputs of the analysis from the adequacy assessment stage are then combined with business planning targets in order to determine possible capital deficiencies and future capital allocation.

Capital management measures

The results of the above mentioned steps in combination with business, investment and risk strategy are taken into consideration in order to determine possible capital management measures. A prudent assessment of capital adequacy and a careful capital planning are important phases when creating an understanding of the actions that maintain a proper balance between capital and risks. In order to implement capital management plan, measures are proposed for approval from the Management and Supervisory Board.

E.1.2 Own Funds Classified by Tiers

Apart of ordinary shares which can be changed by the General Meeting through a capital increase or decrease, other parts of own funds depend on the Company's economic decisions and on the market environment. The reconciliation reserve of Solvency II Balance Sheet is a significant source of capital. The source of reconciliation reserve is mainly the difference in the valuation of investments and technical provisions under IFRS principles and Solvency II market consistent approach.

The Company's own funds also take into account any foreseeable dividend payments from profit. Dividends are based on the dividend policy, which defines 85% distribution of profit after tax. This dividend policy is also applied to projected results.

The Company accepted a subordinated loan of EUR 35 million by VIG Re from VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe in June 2018.

Company's Equity as of 31 December 2018 (in EUR '000).

Table 31 - IFRS Equity and Solvency II Own Funds 2018 (in EUR '000)

IFRS equity		Solvency II own funds	
		Excess of assets over liabilities, thereof:	211,326
Ordinary share capital	126,850	**Ordinary share capital**	126,850
Share premium	49	**Share premium**	49
Retained earnings	40,868	**Reconciliation reserve**	66,736
		Subordinated liabilities	35,708
Other components	1,119	**Foreseeable dividends**	-17,690
Total shareholders' equity	**168,886**	**SII Own funds**	**229,343**

Based on a VIG Re Board of Directors proposal, the VIG Re Supervisory Board took a resolution to propose to the General Meeting a share capital increase of EUR 25 million. The General meeting approved the proposed capital increase and the additional capital was paid up during September 2017.

Company's Equity as of 31 December 2017 (in EUR '000).

Table 32 - IFRS Equity and Solvency II Own Funds 2017 (in EUR '000)

IFRS equity		Solvency II own funds	
		Excess of assets over liabilities, thereof:	184,243
Ordinary share capital	126,850	**Ordinary share capital**	126,850
Share premium	49	**Share premium**	49
Retained earnings	37,394	**Reconciliation reserve**	40,005
Other components	5,320	**Foreseeable dividends**	-17,338
Total shareholders' equity	**169,613**	**SII Own funds**	**166,904**

Foreseeable dividends are subject to final approval by the General Meeting and the Company's basic own funds are distributed to Tiers according to the following table:

Table 33 - Own Funds 2018 (in EUR '000)

2018	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary share capital	126,850	126,850	0	0	0
Share premiums	50	50	0	0	0
Reconciliation reserve	66,736	66,736	0	0	0
Subordinated liabilities	35,708	0	0	35,708	0
Total basic own funds	**229,344**	**193,636**	**0**	**35,708**	**0**

For 2017 the table was as follows:

Table 34 - Own Funds 2017 (in EUR '000)

2017	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary share capital	126,850	126,850	0	0	0
Share premiums	50	50	0	0	0
Reconciliation reserve	40,005	40,005	0	0	0
Subordinated liabilities	0	0	0	0	0
Total basic own funds	**166,905**	**166,905**	**0**	**0**	**0**

The Company's eligible own funds for SCR and MCR are presented below:

Table 35 - Eligible Own Funds 2018 (in EUR '000)

2018	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Total eligible to meet SCR	229,344	193,636	0	35,708	0
Total eligible to meet MCR	203,006	193,636	0	9,370	0

Table 36 - Eligible Own Funds 2017 (in EUR '000)

2017	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Total eligible to meet SCR	166,905	166,905	0	0	0
Total eligible to meet MCR	166,905	166,905	0	0	0

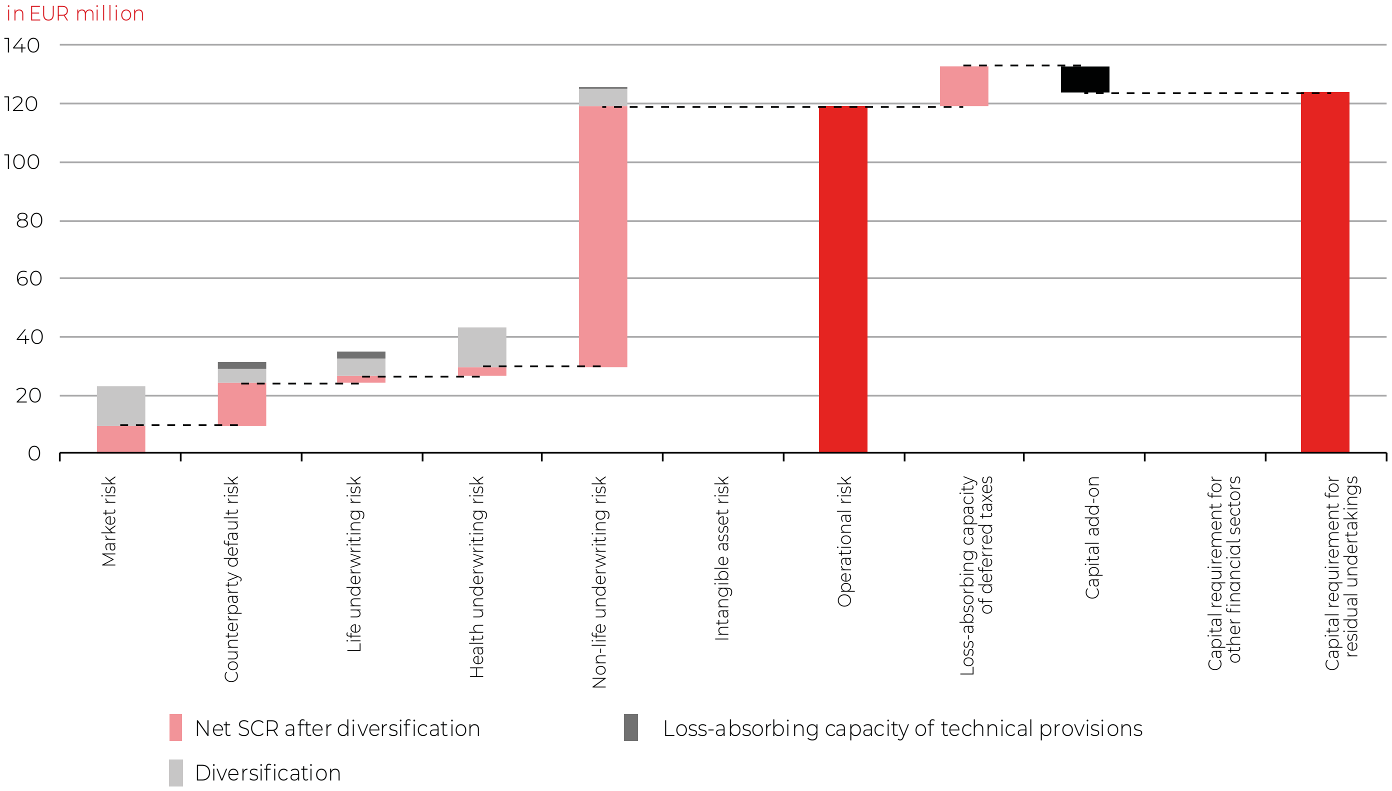
Tier 1 unrestricted own funds are increased mainly due the increased reconciliation reserve which is stemming from the difference in the valuation of Technical Provisions under Solvency II and IFRS. Tier 2 own funds include the subordinated loan which was accepted in 2018.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Amount of the Solvency Capital Requirement and Minimum Capital Requirement

The SCR of the Company as at 31 December 2018 is EUR 123.72 million (2017: EUR 127 million). The MCR of the Company as at 31 December 2018 is EUR 46.9 million (2017: EUR 53.7 million). The results per risk category are presented below:

Figure 9 - Composition of the Solvency Capital Requirement 2018



E.2.2 Solvency Capital Requirement Split by Risk Module

The Company is exposed to market risk derived predominantly from assets held by the Company to meet its reinsurance liabilities. The exposure to shocks in interest rates and currency also consider the exposure from underwriting risks including reinsurance recoveries.

The final solvency capital requirement of the Company is the aggregation of the market, counterparty, Life underwriting, Non-Life and Health underwriting risks, less a credit for diversification, deferred tax and then an additional charge for operational risk faced by the Company.

The cap to the loss-absorbing capacity of deferred taxes is the deferred tax liability in the Solvency II Balance Sheet which has increased compared to 2017.

Table 37 - Solvency Capital Requirement (in EUR '000)

	2018	2017
Market risk	20,591	23,288
Counterparty default risk	21,469	19,303
Life underwriting risk	10,548	8,136
Non-Life underwriting risk	95,422	95,246
Health underwriting risk	14,172	17,069
Intangible asset risk	0	0

Diversification	-43,252	-44,203
Basic solvency capital requirement	118,950	118,839
Operational risk	13,921	12,916
Loss-absorbing capacity of technical provisions	0	0
Loss-absorbing capacity of deferred taxes	-9,149	-4,800
Solvency capital requirement	**123,722**	**126,955**

E.2.3 Use of Simplification in Calculations of Sub-Modules, Use of Underwriting Specific Parameters

The Company used one simplification in the applying the standard formula, applied in the calculation of the risk mitigation of the retrocession contracts for the counterparty default risk calculation according to Article 107, Delegated Act 2015/35.

E.2.4 Inputs Used to Calculate the Minimum Capital Requirement

The input used to calculate the MCR of the Company are as follows. The underlying input data (net best estimates and net written premium) are also presented QRT S.28.01.

Table 38 - Underlying Input Data (in EUR '000)

SII Line of Business	Net best estimate	Net written premiums
Medical expense insurance and proportional reinsurance	0	20,729
Income protection insurance and proportional reinsurance	14,429	2,089
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	30,487	12,948
Other motor insurance and proportional reinsurance	2,015	34,343
Marine, aviation and transport insurance and proportional re	1,533	2,520
Fire and other damage to property insurance and proportional	29,449	87,391
General liability insurance and proportional reinsurance	10,794	4,170
Credit and suretyship insurance and proportional reinsurance	0	32
Legal expenses insurance and proportional reinsurance	28	20
Assistance and proportional reinsurance	0	0
Miscellaneous financial loss insurance and proportional rein	3	0
Non-proportional health reinsurance	1,464	3,458
Non-proportional casualty reinsurance	60,584	18,527
Non-proportional marine, aviation and transport reinsurance	2,646	1,236
Non-proportional property reinsurance	17,031	19,481
Total	**170,462**	**206,944**

The decrease of the MCR compared to 2017 is driven by the decreased net premiums due to retrocession scheme of 2018.

Table 39 - Minimum Capital Requirement (in EUR '000)

	2018	2017
Linear MCR	46,852	53,685
SCR	123,722	126,955
MCR cap	55,675	57,130
MCR floor	30,931	31,739
Combined MCR	46,852	53,685
Absolute floor of the MCR	3,600	3,600
Minimum Capital Requirement	46,852	53,685

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

The Company has not used the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Differences between the Standard Formula and Any Internal Model Used

The Company has calculated SCR with standard formula only.

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

The Company has maintained capital exceeded the minimum solvency capital requirement and its solvency capital requirement.

E.6 Any other Information

The Company does not have any further information regarding the capital management to be reported.

Abbreviations

Abbreviation	Detail
BELs	Best estimates of liabilities
BoD	Board of Directors
BF	Bornhuetter Fergusson Method
CEE	Central and Eastern Europe
DFM	Development Factor Methods
Commission Regulation 2015/35	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council
Directive 2009/138/EC	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009
EIOPA	The European Insurance and Occupational Pensions Authority
EPI	Expected premium income
ERM	Enterprise Risk Management
EUR	Euro
FDB	Future Discretionary Benefits
GDPR	General Data Protection Regulation Regulation (EU) 2016/679 of the European Parliament (General Data Protection Regulation)
Health SLT	Similar to Life Techniques
Health NSLT	Non-similar to Life Techniques
IASB	the International Accounting Standards Board
IBNER	Incurred but not enough reported
IBNR	Incurred but not reported
ICS	Internal control system
IDD	Insurance Distribution Directive (Directive (EU) 2016/97 (the Insurance Distribution Directive or "IDD")
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
LoBs	Line of Business
MCR	Minimum capital requirement
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty
QRT	Quantitative Reporting Templates
RBNS	Reported but not Settled
RCM	Risk Control Matrix
ResQ	Loss Reserving System for Insurance and Reinsurance
RSR	the Regular supervisory report
SCR	Solvency capital requirement
SFCR	the Solvency and financial condition report
SII	Solvency II
Solvency II	refers to Directive 2009/138/EC of the European Parliament and of the Council and related regulation
TP	Technical provision
VaR	Value at Risk
WIIW	Wiener Institut fur Internationale Wirtschaftsvergleiche

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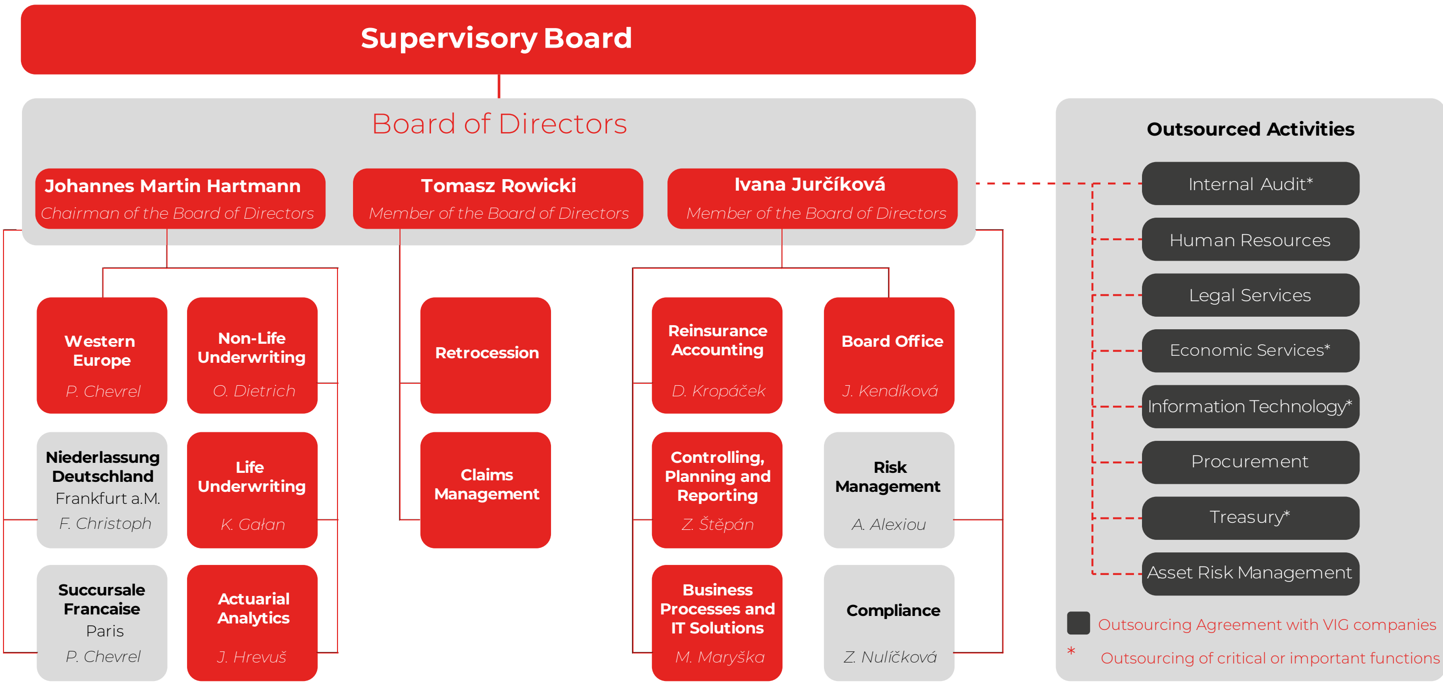
Annex I – Organisational structure as of 31 December 2018



Annex II – Quantitative Information

List of reports:

S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.12.01.02	Life and Health SLT Technical Provisions
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S.25.02.21	Solvency Capital Requirement – for undertakings using the Standard Formula and Partial Internal Model
S.28.01.01	Minimum Capital Requirement - Only Life or only Non-Life insurance or reinsurance activity
S.28.02.01	Minimum Capital Requirement – Both Life and Non-Life insurance activity

All figures are in thousands EUR.

Annex II

S.02.01.02

Balance sheet

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	923
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	407,518
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	11,762
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	325,936
Government Bonds	R0140	276,889
Corporate Bonds	R0150	49,047
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	65,059
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	4,761
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	3,152
Loans and mortgages	R0230	2,235
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	2,235
Reinsurance recoverables from:	R0270	171,333
Non-life and health similar to non-life	R0280	168,845
Non-life excluding health	R0290	153,918
Health similar to non-life	R0300	14,927
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2,612
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	2,612
Life index-linked and unit-linked	R0340	-124
Deposits to cedants	R0350	114,364
Insurance and intermediaries receivables	R0360	56,712
Reinsurance receivables	R0370	26,849
Receivables (trade, not insurance)	R0380	422
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	14,876
Any other assets, not elsewhere shown	R0420	357
Total assets	R0500	798,741

Annex II

S.02.01.02

Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	352,206
Technical provisions – non-life (excluding health)	**R0520**	328,855
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	308,425
Risk margin	**R0550**	20,430
Technical provisions - health (similar to non-life)	**R0560**	23,350
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	22,347
Risk margin	**R0590**	1,003
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	99,626
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	99,626
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	91,796
Risk margin	**R0680**	7,830
Technical provisions – index-linked and unit-linked	**R0690**	-2,037
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	-2,227
Risk margin	**R0720**	190
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	4,832
Deferred tax liabilities	**R0780**	9,149
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	5
Financial liabilities other than debts owed to credit institutions	**R0810**	576
Insurance & intermediaries payables	**R0820**	68,685
Reinsurance payables	**R0830**	15,219
Payables (trade, not insurance)	**R0840**	3,437
Subordinated liabilities	**R0850**	35,708
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	35,708
Any other liabilities, not elsewhere shown	**R0880**	10
Total liabilities	**R0900**	587,414
Excess of assets over liabilities	**R1000**	211,326

Annex II

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**									
Gross - Proportional reinsurance accepted	**R0120**	21,221	2,097	0	22,320	42,803	6,382	167,320	5,986	1,088
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	492	8	0	9,372	8,461	3,862	79,929	1,816	1,056
Net	**R0200**	20,729	2,089	0	12,948	34,343	2,520	87,391	4,170	32
Premiums earned										
Gross - Direct Business	**R0210**									
Gross - Proportional reinsurance accepted	**R0220**	21,255	1,964	0	22,140	41,755	6,259	167,025	6,681	971
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	500	9	0	8,347	8,325	3,730	78,094	1,807	939
Net	**R0300**	20,755	1,955	0	13,793	33,430	2,529	88,931	4,875	32
Claims incurred										
Gross - Direct Business	**R0310**									
Gross - Proportional reinsurance accepted	**R0320**	11,257	882	0	14,793	19,625	4,455	108,716	3,662	435
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	432	-102	0	5,760	4,728	2,591	33,483	1,119	422
Net	**R0400**	10,825	985	0	9,033	14,897	1,864	75,233	2,544	13
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	6,747	1,432	0	1,586	16,968	1,014	16,715	2,005	29
Other expenses	**R1200**									
Total expenses	**R1300**									

Annex II

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**								
Gross - Proportional reinsurance accepted	**R0120**	27	0	0					269,244
Gross - Non-proportional reinsurance accepted	**R0130**				9,314	42,735	5,010	111,510	168,569
Reinsurers' share	**R0140**	6	0	0	5,855	24,208	3,774	92,030	230,869
Net	**R0200**	20	0	0	3,458	18,527	1,236	19,481	206,944
Premiums earned									
Gross - Direct Business	**R0210**								
Gross - Proportional reinsurance accepted	**R0220**	26	0	0					268,077
Gross - Non-proportional reinsurance accepted	**R0230**				9,555	42,885	5,008	112,657	170,105
Reinsurers' share	**R0240**	6	0	0	5,720	23,545	3,751	92,063	226,835
Net	**R0300**	21	0	0	3,835	19,340	1,257	20,594	211,347
Claims incurred									
Gross - Direct Business	**R0310**								
Gross - Proportional reinsurance accepted	**R0320**	31	0	-12					163,843
Gross - Non-proportional reinsurance accepted	**R0330**				7,260	26,603	5,926	19,597	59,386
Reinsurers' share	**R0340**	4	0	1	2,674	15,425	4,928	20,837	92,301
Net	**R0400**	27	0	-13	4,587	11,178	998	-1,240	130,929
Changes in other technical provisions									
Gross - Direct Business	**R0410**								
Gross - Proportional reinsurance accepted	**R0420**	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	16	0	-6	443	-716	114	18,198	64,543
Other expenses	**R1200**								
Total expenses	**R1300**								64,543

Annex II

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**								19,110	19,110
Reinsurers' share	**R1420**								4,770	4,770
Net	**R1500**								14,341	14,341
Premiums earned										
Gross	**R1510**								19,379	19,379
Reinsurers' share	**R1520**								4,754	4,754
Net	**R1600**								14,625	14,625
Claims incurred										
Gross	**R1610**								13,531	13,531
Reinsurers' share	**R1620**								593	593
Net	**R1700**								12,938	12,938
Changes in other technical provisions										
Gross	**R1710**								1,174	1,174
Reinsurers' share	**R1720**								0	0
Net	**R1800**								1,174	1,174
Expenses incurred	**R1900**								3,867	3,867
Other expenses	**R2500**									
Total expenses	**R2600**									3,867

Annex II

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		AT	DE	HR	HU	IT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120	10,420	113,108	27,943	3,639	3,502	32,835	248,711
Gross - Non-proportional reinsurance accepted	R0130	32,678	52,637	13,000	1,778	3,064	3,252	146,362
Reinsurers' share	R0140	34,229	87,259	12,081	4,037	4,245	7,309	207,676
Net	R0200	8,870	78,486	28,862	1,380	2,321	28,779	187,396
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220	11,432	112,324	27,796	3,326	3,536	33,106	247,689
Gross - Non-proportional reinsurance accepted	R0230	32,872	52,472	13,265	1,792	2,983	3,483	147,206
Reinsurers' share	R0240	34,446	85,888	11,777	3,820	4,084	7,239	204,346
Net	R0300	9,858	78,907	29,283	1,299	2,434	29,350	190,549
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	5,478	65,293	20,864	2,227	769	18,606	146,570
Gross - Non-proportional reinsurance accepted	R0330	370	14,557	7,555	294	1,205	3,281	44,447
Reinsurers' share	R0340	1,738	28,440	8,277	3,178	1,720	3,913	81,835
Net	R0400	4,110	51,410	20,142	-657	254	17,974	109,182
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non- proportional reinsurance accepted	R0430							0
Reinsurers'share	R0440							0
Net	R0500							0
Expenses incurred	R0550	601	20,557	11,564	825	473	12,251	61,021
Other expenses	R1200							
Total expenses	R1300							61,021

Annex II

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		AT	DE	PL	SK		
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**	58	9,143	3,294	948	3,768		17,211
Reinsurers' share	**R1420**	3	60	3	1	650		717
Net	**R1500**	56	9,083	3,292	947	3,117		16,495
Premiums earned								
Gross	**R1510**	58	9,451	3,294	948	3,765		17,516
Reinsurers' share	**R1520**	3	64	5	1	652		725
Net	**R1600**	56	9,386	3,289	947	3,113		16,791
Claims incurred								
Gross	**R1610**	6	12,509	284	24	539		13,362
Reinsurers' share	**R1620**	0	37	0	0	206		243
Net	**R1700**	6	12,472	284	24	333		13,119
Changes in other technical provisions								
Gross	**R1710**	0	3,450	0	0	-1,960		1,490
Reinsurers' share	**R1720**	0	0	0	0	0		0
Net	**R1800**	0	3,450	0	0	-1,960		1,490
Expenses incurred	**R1900**	27	1,501	2,462	308	1,427		5,724
Other expenses	**R2500**							
Total expenses	**R2600**							5,724

Annex II

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**									89,568	89,568
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									2,488	2,488
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**									87,081	87,081
Risk Margin	**R0100**									8,020	8,020
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**									97,589	97,589

Annex II

S.12.01.02

Life and Health SLT Technical Provisions

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**						
Risk Margin	**R0100**						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**						

Annex II

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	-10,419	-802	-5	1,018	-156	-306	5,032	1,109	-19
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-1	-3	0	-4,456	3,863	-356	7,770	-78	118
Net Best Estimate of Premium Provisions	**R0150**	-10,418	-799	-5	5,474	-4,020	51	-2,738	1,187	-136
Claims provisions										
Gross	**R0160**	1,647	16,678	0	29,803	5,868	3,480	64,869	11,512	670
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-303	1,450	0	4,790	-166	1,997	32,683	1,904	597
Net Best Estimate of Claims Provisions	**R0250**	1,950	15,228	0	25,013	6,035	1,483	32,186	9,607	74
Total Best estimate - gross	**R0260**	-8,772	15,876	-5	30,821	5,712	3,174	69,901	12,621	652
Total Best estimate - net	**R0270**	-8,468	14,429	-5	30,487	2,015	1,533	29,449	10,794	-63
Risk margin	**R0280**	102	652	3	1,245	735	213	2,307	632	199
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									

Annex II

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions - total										
Technical provisions - total	**R0320**	-8,670	16,528	-2	32,066	6,447	3,388	72,208	13,253	851
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-304	1,447	0	334	3,697	1,641	40,452	1,827	715
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-8,366	15,081	-2	31,732	2,750	1,747	31,756	11,426	136

Annex II

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	**R0060**	-8	0		-1,627	-12,392	-117	-47,802	-66,495
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-7	0	-2	341	-7,364	-718	-40,569	-41,463
Net Best Estimate of Premium Provisions	**R0150**	-1	0	2	-1,968	-5,028	600	-7,233	-25,031
Claims provisions									
Gross	**R0160**	29	0	1	16,875	171,323	10,928	63,583	397,267
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	0	0	13,444	105,711	8,883	39,319	210,309
Net Best Estimate of Claims Provisions	**R0250**	29	0	1	3,432	65,612	2,045	24,264	186,958
Total Best estimate - gross	**R0260**	20	0	1	15,248	158,931	10,811	15,780	330,772
Total Best estimate - net	**R0270**	28	0	3	1,464	60,584	2,646	17,031	161,927
Risk margin	**R0280**	2	0		246	12,010	422	2,665	21,433
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best estimate	**R0300**								
Risk margin	**R0310**								

Annex II

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	**R0320**	22	0	1	15,494	170,941	11,233	18,445	352,206
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-7	0	-2	13,784	98,347	8,165	-1,250	168,845
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	30	0	3	1,710	72,594	3,067	19,696	183,360

Annex II

S.19.01.21

Non-Life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	UWY

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											0
N-9	R0160	94,746	37,216	14,228	6,742	2,838	2,395	322	1,166	274	607	
N-8	R0170	95,692	45,215	11,552	4,592	4,230	2,718	1,769	1,804	5,127		
N-7	R0180	51,121	15,559	7,194	2,452	3,176	2,803	2,522	2,054			
N-6	R0190	68,402	30,623	9,894	3,552	2,095	3,163	1,054				
N-5	R0200	127,182	63,330	20,545	9,181	3,424	3,046					
N-4	R0210	101,922	51,322	31,168	17,053	11,263						
N-3	R0220	91,042	57,072	28,775	13,680							
N-2	R0230	77,712	48,501	15,283								
N-1	R0240	115,710	77,399									
N	R0250	86,863										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	0	0
	R0160	607	160,535
	R0170	5,127	172,698
	R0180	2,054	86,881
	R0190	1,054	118,783
	R0200	3,046	226,707
	R0210	11,263	212,728
	R0220	13,680	190,568
	R0230	15,283	141,496
	R0240	77,399	193,110
	R0250	86,863	86,863
Total	R0260	216,377	1,590,369

Annex II

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Non-Life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		Development year										
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	**R0100**											0
N-9	**R0160**	0	0	0	0	0	0	0	16,029	14,353	12,471	
N-8	**R0170**	0	0	0	0	0	0	29,796	27,741	22,555		
N-7	**R0180**	0	0	0	0	0	18,838	12,362	10,422			
N-6	**R0190**	0	0	0	0	21,141	17,726	17,851				
N-5	**R0200**	0	0	0	25,831	23,984	16,422					
N-4	**R0210**	0	0	53,183	61,413	49,947						
N-3	**R0220**	0	82,976	67,489	49,581							
N-2	**R0230**	89,889	61,459	44,135								
N-1	**R0240**	142,139	108,345									
N	**R0250**	101,617										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	11,599
	R0170	21,801
	R0180	9,332
	R0190	16,281
	R0200	14,974
	R0210	45,074
	R0220	42,870
	R0230	38,360
	R0240	103,010
	R0250	93,966
Total	**R0260**	397,267

Annex II

S.22.01.21

Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010					
Basic own funds	R0020					
Eligible own funds to meet Solvency Capital Requirement	R0050					
Solvency Capital Requirement	R0090					
Eligible own funds to meet Minimum Capital Requirement	R0100					
Minimum Capital Requirement	R0110					

Annex II

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	126,850	126,850			
Share premium account related to ordinary share capital	**R0030**	50	50			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	66,736	66,736			
Subordinated liabilities	**R0140**	35,708			35,708	
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	229,344	193,636		35,708	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					

Annex II

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	229,344	193,636		35,708	
Total available own funds to meet the MCR	**R0510**	229,344	193,636		35,708	
Total eligible own funds to meet the SCR	**R0540**	229,344	193,636	0	35,708	0
Total eligible own funds to meet the MCR	**R0550**	203,006	193,636	0	9,370	
SCR	**R0580**	123,722				
MCR	**R0600**	46,852				
Ratio of Eligible own funds to SCR	**R0620**	185,4%				
Ratio of Eligible own funds to MCR	**R0640**	433,3%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	211,326
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	17,690
Other basic own fund items	**R0730**	126,900
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0
Reconciliation reserve	**R0760**	66,736
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	28,925
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	74,069
Total Expected profits included in future premiums (EPIFP)	**R0790**	102,994

Annex II

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	20,591		
Counterparty default risk	R0020	21,469		
Life underwriting risk	R0030	10,548		
Health underwriting risk	R0040	14,172		
Non-life underwriting risk	R0050	95,422		
Diversification	R0060	-43,253		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	118,950		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	13,921
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-9,149
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	123,722
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	123,722
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex II

S.25.02.21

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	
Diversification	R0060	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	
Capital add-ons already set	R0210	
Solvency capital requirement	R0220	
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Annex II

S.28.01.01

Minimum Capital Requirement - Only Life or only Non-Life insurance or reinsurance activity

Linear formula component for Non-Life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	43,068

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	0	20,729
Income protection insurance and proportional reinsurance	**R0030**	14,429	2,089
Workers' compensation insurance and proportional reinsurance	**R0040**	0	0
Motor vehicle liability insurance and proportional reinsurance	**R0050**	30,487	12,948
Other motor insurance and proportional reinsurance	**R0060**	2,015	34,343
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	1,533	2,520
Fire and other damage to property insurance and proportional reinsurance	**R0080**	29,449	87,391
General liability insurance and proportional reinsurance	**R0090**	10,794	4,170
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	32
Legal expenses insurance and proportional reinsurance	**R0110**	28	20
Assistance and proportional reinsurance	**R0120**	0	0
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	3	0
Non-proportional health reinsurance	**R0140**	1,464	3,458
Non-proportional casualty reinsurance	**R0150**	60,584	18,527
Non-proportional marine, aviation and transport reinsurance	**R0160**	2,646	1,236
Non-proportional property reinsurance	**R0170**	17,031	19,481

Annex II

S.28.01.01

Minimum Capital Requirement - Only Life or only Non-Life insurance or reinsurance activity

Linear formula component for Life insurance and reinsurance obligations

		C0040
MCRL Result	**R0200**	3,784

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**	0	
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**	0	
Other life (re)insurance and health (re)insurance obligations	**R0240**	89,656	
Total capital at risk for all life (re)insurance obligations	**R0250**		2,716,300

Overall MCR calculation

		C0070
Linear MCR	**R0300**	46,852
SCR	**R0310**	123,722
MCR cap	**R0320**	55,675
MCR floor	**R0330**	30,931
Combined MCR	**R0340**	46,852
Absolute floor of the MCR	**R0350**	3,600
		C0070
Minimum Capital Requirement	**R0400**	46,852

Annex II

S.28.02.01

Minimum capital Requirement - Both Life and Non-Life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	**R0010**		

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	**R0020**				
Income protection insurance and proportional reinsurance	**R0030**				
Workers' compensation insurance and proportional reinsurance	**R0040**				
Motor vehicle liability insurance and proportional reinsurance	**R0050**				
Other motor insurance and proportional reinsurance	**R0060**				
Marine, aviation and transport insurance and proportional reinsurance	**R0070**				
Fire and other damage to property insurance and proportional reinsurance	**R0080**				
General liability insurance and proportional reinsurance	**R0090**				
Credit and suretyship insurance and proportional reinsurance	**R0100**				
Legal expenses insurance and proportional reinsurance	**R0110**				
Assistance and proportional reinsurance	**R0120**				
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**				
Non-proportional health reinsurance	**R0140**				
Non-proportional casualty reinsurance	**R0150**				
Non-proportional marine, aviation and transport reinsurance	**R0160**				
Non-proportional property reinsurance	**R0170**				

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Minimum capital Requirement - Both Life and Non-Life insurance activity

		Non-life activities	Life activities
		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210				
Obligations with profit participation - future discretionary benefits	R0220				
Index-linked and unit-linked insurance obligations	R0230				
Other life (re)insurance and health (re)insurance obligations	R0240				
Total capital at risk for all life (re)insurance obligations	R0250				

Annex II

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Minimum capital Requirement - Both Life and Non-Life insurance activity

Overall MCR calculation

		C0130
Linear MCR	**R0300**	
SCR	**R0310**	
MCR cap	**R0320**	
MCR floor	**R0330**	
Combined MCR	**R0340**	
Absolute floor of the MCR	**R0350**	
		C0130
Minimum Capital Requirement	**R0400**	

Notional non-life and life MCR calculation		**Non-life activities**	**Life activities**
		C0140	**C0150**
Notional linear MCR	**R0500**		
Notional SCR excluding add-on (annual or latest calculation)	**R0510**		
Notional MCR cap	**R0520**		
Notional MCR floor	**R0530**		
Notional Combined MCR	**R0540**		
Absolute floor of the notional MCR	**R0550**		
Notional MCR	**R0560**		