Solvency and Financial Condition Report 2019

VIG Re

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Summary

The purpose of Solvency Financial Condition Report (hereinafter “the 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 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 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 is in an excellent position to take the advantage of the opportunities of the European reinsurance markets. VIG Re adheres 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 527 million in 2019, 15% increase compared to 2018. The P&C business segment contributed with EUR 478 million, Health with EUR 26 million and Life with EUR 23 million.

In 2019 VIG Re delivered a profit before tax of EUR 26 million. The combined ratio for the period was 96.0%, surpassing 2018 by 3.5% percentage points. Contrary to 2018, where the underwriting result benefited from a very benign loss development, the underwriting result in 2019 was impacted by various natural catastrophe events in Japan, but also by an increased frequency of regional atmospheric events in Europe.

The slightly weaker than planned underwriting result was however offset by strong investment result of EUR 14.6 million (+ EUR 2.6 million), accounting for a return from investment of 2.5 % (2.3 % in 2018).

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.

During 2019 two of the key functions, Risk management and Compliance, were transferred from the Board Member responsible for the coordination of these areas to the Chief Risk Officer and Chief Compliance Officer respectively.

In addition, the Company established the Corporate Underwriting Department and introduced the Chief Underwriting Officer in order to support the underwriting risk management as the most significant risk area. The Corporate Underwriting Department provides assurance that the underwritten business is in compliance with the Company's Risk Strategy and General Underwriting Guidelines

Changes in the composition of Supervisory Board and Board of Directors during the year 2019 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 of 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 Company developed and implemented its own Partial Internal Model for Non-life Underwriting risk and Health NSLT Underwriting risk and applied for regulator's approval in June 2019. The project was led by Actuarial Services and Retrocession Services Department and supported by VIG Group ERM department. 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.

Based on the approval letter received from Österreichische Finanzmarketaufsicht (FMA) dated 10 December 2019, the model is already used for the 2019 year-end calculation. The Solvency Capital Requirement by risk module in accordance with the Company's Partial Internal Model for 2019 and with Standard Formula for 2018 are presented in the table below:

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

	2019	2018
Market risk	29 203	20 591
Counterparty default risk	29 068	21 469
Life underwriting risk	17 463	10 548
Non-Life underwriting risk	67 335	95 422
Health underwriting risk	19 158	14 172
Intangible asset risk	0	0
Diversification	-54 976	-43 252
Basic solvency capital requirement	107 251	118 950
Operational risk	15 916	13 921
Loss-absorbing capacity of technical provisions	0	0
Loss-absorbing capacity of deferred taxes	-13 042	-9 149
Solvency capital requirement	**110 125**	**123 722**

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 recoverables as well as from valuation of investments (especially held to maturity bond portfolio).

Capital Management

The Company's own funds comprise of the ordinary share capital, share premium, reconciliation reserve and subordinated liabilities.

Within the reconciliation reserve, the foreseeable dividend payments from profit are taken into account. Dividends are based on the dividend policy, which is also applied on the projected results.

With the application of Partial Internal Model, VIG Re's Solvency ratio for 2019 is calculated at 220%.

The Solvency Financial Condition Report 2019 was approved by the Board of Directors on 17 of April 2020.

Covid-19 update as of 17th of April 2020

The coronavirus, Covid-19, that began in China at the end of 2019, spread worldwide and was declared a pandemic by the World Health Organization on March 11, 2020.

The spread of COVID-19 has resulted in an exceptional situation that is examining the design and operation of our management and internal control system. As part of the business continuity management process, our priority is primarily to protect the health of our employees, ensure the processes associated with providing reinsurance services and maintain a standard level of service for our business partners. For this purpose the continuity of the Company is stable and secured. Following the Business Continuity Guideline, the crisis management team meets on a regular basis and assess further development of the situation.

We are monitoring the situation related to the pandemic for the main office in Prague and our branches and perform scenario impact analysis on regular basis. From a today's perspective, the Company expects a limited negative pact on the volume of business underwritten but no material adverse development on the Solvency or liquidity position. Nevertheless, the expected impact depends significantly on how long this situation persists.

The Company has further identified specific risks related to COVID-19, quantifies them and sets up monitoring to capture warning signals in a timely manner. With regard to underwriting risks, we primarily monitor risks related to business interruption, medical and life insurance. Although pandemic cover is in general explicitly excluded from the reinsurance contract and often also by the original policy, some incidental cover may prevail. We expect insurance companies may allow for ex gratia payments. The company does not underwrite any material credit & surety risks nor travel agency bonds.

In the area of market risks, this is mainly the evolution of share prices, bonds and market liquidity. The Company monitors closely the investment limits, on a weekly basis. Based on

the recommendation from CNB and EIOPA, the Company will not approve any dividend payment from the 2019 profit during the General Meeting scheduled for April 22, 2020.

Operational risks include, in particular, insufficient human resources, unavailability of our premises, unavailability of supplies and unavailability of information and communication technologies. Risks monitored also include a threat to the company's liquidity or imminent business risks related, for example, payment discipline.

The Solvency II balance sheet and Solvency Capital Requirements which are described in this report do not reflect any impacts of the pandemic.

Business and Performance

A.1 Business

A.1.1 Name and Legal Form of the Undertaking

VIG RE zajišťovna, a.s. is the company incorporated in the Czech Republic in the form of a joint-stock company, registered in the Commercial Register maintained with the Municipal Court in Prague, file no. B 14560 and with dentification no. 28445589 (hereinafter the "Company" or "VIG Re").

The address of the registered office and official webpage is as follows:

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 (hereinafter 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.

The 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 during the vesting period.

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 648/1a
186 00 Praha 8
Czech Republic
www.kpmg.cz

A.1.4 Holders of Qualifying Holdings in the Undertaking

Table 2 - Shareholders 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	55%	55%
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%
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	joint-stock company	Schottenring 30, 1010 Wien	15%	15%

A.1.5 Legal Structure

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

In line with its strategic focus on Continental European reinsurance markets, the Company opened a branch office in Frankfurt am Main, Germany, in September 2017 and in Paris, France, in November 2018. The economic data of the branches 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, a.s. This company operates in the area of real estate management.

Table 3 - VIG Re shares 2019

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	2.75%	2.75%

Table 4 - VIG Re shares 2018

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 2019

Economic Environment

Continuous political uncertainties, as well as continued weaker export markets and domestic demand, caused slowdown of the European economies in 2019. Brexit formally came into force on 31 January 2020, and an initial agreement temporarily settled the trade conflict between China and the US but is expected to be a source of continued uncertainty.

The International Monetary Fund (IMF) expects a further slowdown of the real growth rate of 2.3% in the developed economies in 2018 to 1.7% in 2019. Real growth for the eurozone is expected to slow down from 1.9% in 2018 to 1.2% in 2019.

The outbreak of the Coronavirus at the beginning of the year 2020 and the comprehensive measures adopted to curb its spread will most likely cause a severe economic recession. Although from a todays perspective it is still too early to assess for how long the measures ordered by the authorities will be in force, these have serious implications on the economy, with state budget deficits raising to unprecedent levels, companies in most effected industries like travel and transport - but also other service related industries - going out of business and unemployment raising. Apart from the direct economic impact which is likely to exceed the scale of the financial crisis 2008 /2009, this will also have an impact on the future economic, social and political setup of our society and the way we will conduct business.

Business Performance 2019

Profit before tax for the year 2019 amounts to EUR 26.2 million, creating a shareholder return on Shareholders' equity of 14.6%. Combined ratio for the period was 96.0%, surpassing 2018 by 3.5% percentage points. Other than 2018, where the underwriting result benefited from a very benign loss development, the underwriting result in 2019 was impacted by various natural catastrophe events in Japan, but also by an increased frequency of regional atmospheric events in Europe.

The slightly weaker than planned underwriting result was however offset by strong investment result of EUR 14.6 million (+ EUR 2.6 million), accounting for a return from investment of 2.5 % (2.3 % in 2018).

Administrative and other operating expenses amounted to EUR 11 million. Main expense categories are personal cost (52%), IT related costs (23%), outsourcing and consultancy (9%).

Table 5 - Income Statement (in '000 EUR)

	2019	2018
Premiums written	527 477	456 924
Property & Casualty	478 096	414 568
Life	23 499	19 110
Health	25 882	23 246
Combined ratio*	96.0%	92.5%
Result from investments	14 642	12 012
Profit before tax	26 242	26 177
Profit for the period	**20 803**	**20 812**

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

With regard to natural catastrophe losses, VIG Re was most notably impacted by the typhoon events Faxai and Hagibis in Japan, accounting for a net incurred loss of EUR 1.70 million and EUR 2.29 million, respectively. For Europe, the main contributing factor was storm in Italy in July 2019 (EUR 13.2 million VIG Re incurred loss), as well as the storms Eberhard in April (EUR 1.5 million VIG Re incurred loss) and Jörn/Klaus (EUR 1.7 million VIG Re incurred loss).

Major man-made losses were reported from Hungary (fire loss in rubber producing factory, EUR 0.34 million net incurred loss); Germany (fire loss in chemical factory, EUR 0.94 million VIG Re net) and from the Czech Republic (a public liability loss for negligence whilst servicing a power plant, EUR 0.76 million VIG Re net).

While VIG Re enjoys a strong growth of its Third Party business, reinsurance business assumed from insurance companies being member of VIG Group still accounts for 64% of our gross written premium. VIG Re closely cooperates with VIG holding and serves as a carrier that sets up Group wide reinsurance protection. Equally important is VIG Re's role as preferred reinsurer for VIG companies when meeting their individual reinsurance needs. VIG Re participates on local Non-Life treaty cessions of VIG companies with an average share of 39,3 %, strictly adhering to

arms- length principle. Total gross written premium from VIG companies in 2019 amounted to EUR 337.8 million (+4.9%). In 2019, we could welcome Wiener TU S.A. Vienna Insurance Group as a new member of VIG Group reinsurance community.

As in previous years, the business assumed from our clients in Central & Eastern Europe developed very positively. Despite ongoing market consolidation (Generali buying Adriatic Slovenica and Izvor, Ergo sale) and continuous centralisation of reinsurance buying from international groups active in the area, we were able to grow our book with non VIG clients in the area by 45,2 %.

Benefiting from a benign loss development – the region did only suffer from a small number of moderate atmospheric events – but also taking credit for our continued underwriting discipline and privileged position in the market – we closed the year with an excellent combined ratio of 79.8% for non-Group business, net after retro and admin cost.

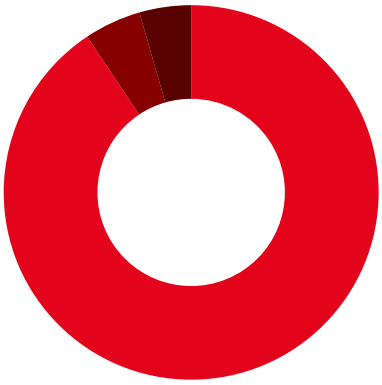
The successful development of VIG Re's branch in Germany, responsible for our non-life treaty business from clients outside of VIG Group in Germany, Austria and Switzerland expedited in 2019. The continued growth in our number of partners to now 58 clients proves our standing as sustainable and economic trusted reinsurer in the region. This and the trustful cooperation with our existing partners were the fundament for the increase of our premium income by 39.3%.

2019 was another successful year for the French Branch Office. As expected, further inroads were made with prospect clients as well as existing ones, translating into a very positive development with substantial enhancement of our portfolio and client base. In absence of significant large or Cat losses, the FY results 2019 developed positively as planned.

For Southern Europe we have managed to grow our book as well and increase our visibility and awareness in Iberia while enjoying a steady growth in Italy. There, our FY 2019 gross results were negatively impacted by above average atmospheric events.

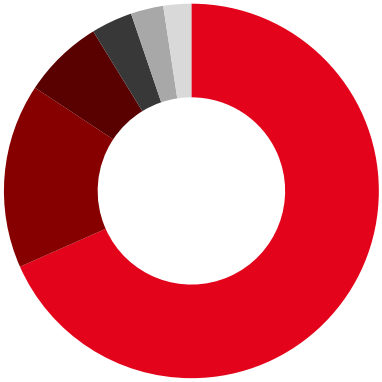
In total, our portfolio continues to become more mature and further diversified, be it in terms of client base, lines of business or distribution channels used which, combined with our long-term commitment and increased underwriting resources, positions ourselves favourably for the years to come.

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



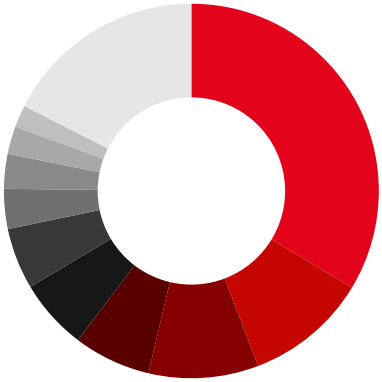
P&C	478 095
Health	25 882
Life	23 499

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



Property	326 853
Motor Third Party Liability	76 135
Motor Own Damage	33 180
General Third Party Liability	16 990
Marine	13 442
Personal Accident	11 495

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



Austria	160 764
Germany	50 542
Czech Republic	45 370
Italy	31 887
Poland	29 128
Turkey	25 282
Slovakia	16 500
France	14 393
Romania	11 428
Japan	9 124
Other*	83 677

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

The results for 2019 and 2018 from the underwriting activity are summarized in the tables below (in EUR '000).

Table 6 - IFRS Results of 2019 (in EUR '000)

2019	P&C	Life	Health	Total
Premiums written - gross	478 096	23 499	25 882	527 477
Premiums written - reinsurers' share	-207 033	-6 394	-1 046	-214 473
Net earned premiums	267 510	17 399	24 708	309 617
Other income		2 823	2	2 825
Claims incurred	-192 515	-11 386	-9 461	-213 362
Operating expenses	-71 868	-5 762	-6 793	-84 422
Underwriting result	**3,127**	**3,075**	**8,456**	**14 658**

Table 7 - 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**	**-2 745**	**19 129**

The underwriting result per geographical area and business segments for 2018 and 2019 is presented in the following tables:

Table 8 - Underwriting Result per segments 2019 (in EUR '000)

2019	Gross Earned Premium	Gross Claims & Expenses Incurred*	Gross Underwriting Result	Underwriting Result after Proportional retrocession	Total Net underwriting result
P&C CEE & VIG	315 240	-231 796	83 444	84 251	
P&C DACH	61 003	-63 052	-2 049	-2 124	
P&C WE	51 761	-55 407	-3 646	-3 935	
P&C Asia	9 889	-25 071	-15 182	-15 182	
P&C Facultative	9 956	-4 163	5 793	4 199	
Health	50 251	-49 951	300	-249	
Life	23 784	-19 974	3 810	261	
Total	**521 885**	**-449 415**	**72 470**	**67 221**	**14 658**

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

Adverse development of Typhoon losses in 2018 (mainly Jebbi and Trami) and new losses in 2019 (Faxai & Hagibis) dented into our results with EUR 4.55 million.

Table 9 - 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**

The underwriting result per significant line of business for 2018 and 2019 is presented in the following tables:

Table 10 - Underwriting Result per Line of Business 2019 (in EUR '000)

2019	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	191 182	-193 532	-2 350	-8 098	
Non-proportional Property	131 707	-85 202	46 505	52 682	
Non-proportional Casualty	51 460	-21 617	29 843	29 920	
Other motor	31 973	-33 180	-1 207	-1 242	
Motor vehicle liability	31 333	-37 218	-5 885	-5 317	
Medical expense	22 201	-13 826	8 374	7 827	
Life	23 784	-19 890	3 894	3 110	
Other	38 245	-44 950	-6 705	-11 661	
Total	**521 885**	**-449 415**	**72 470**	**67 221**	**14 658**

Table 11 - 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**

A.3 Investment Performance

A.3.1 Investment Performance in 2019

As for previous years, also the year 2019 was characterized by continued low interest rates in the euro area. Interest rates started to decrease at the beginning of the year and finished the year with mild recovery in the last quarter. European central bank (ECB) monetary policy remained accommodative. Equity markets recorded positive whole year with some fluctuation while keeping uptrend.

VIG Re invested in compliance with its Investment and Risk Strategy 2019 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 investing of cash inflow from the business.

Table 12 - Solvency II Investments (in EUR '000)

Investments	2019	2018
Property, plant & equipment held for own use	3 613	923
Investments	446 133	407 518
Holdings in related undertakings, including participations	6 537	11 762
Participations in fully consolidated insurance companies	0	6 759
Participations in fully consolidated non-insurance companies	6 537	5 003
Equities	530	0
Equities - listed	0	0
Equities - unlisted	530	0
Bonds	354 720	325 936
Government bonds	274 911	276 889
Corporate bonds	79 809	49 047
Collective Investments Undertakings	84 345	65 059
Deposits other than cash equivalents	0	4 761
Loans & mortgages	6 419	2 235
Deposits to cedants	117 576	114 364
Cash and cash equivalents	31 150	14 876

Comparing the values of 2018 and 2019 investments, an increase in values of bonds occurred, due to the revaluation effect of decreasing market yields and new investment into government and corporate bonds primarily of financial institutions. At the end of the year 2019, the Company received substantial amount of the short-term cash that has been kept on current accounts. Collective Investments Undertakings have been positively influenced by global stock market development and further by additional investments into fund certificates. Newly, private equity company B3i, has been purchased to slightly diversify the portfolio.

The Company valuated the participation in Wiener Re subsidiary (EUR 6.8 million) at zero in 2019 According to SII Regulation.

The Company has no investments in securitisation.

The investment result per asset class for 2018 and 2019 is presented in the following tables:

Table 13 - Investment Result of Individual Assets Classes 2019 (in EUR '000)

Asset category	Dividends	Interest	Net gains and losses	Unrealised gains and losses
Government Bonds	0	4,648	382	3,310
Corporate Bonds	0	1,510	518	312
Equity instruments	456	0	0	1 100
Collective investments undertakings	687	0	3 507	0
Cash and deposits	0	1	0	0
Mortgages and loans	0	93	0	438
Other investments	0	4 945	-472	-1
Total	**1 143**	**11 199**	**3 935**	**5 159**

Table 14- 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**

Interest revenues slightly declined in 2019 compared to 2018. During 2019 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, which include also the foreign currency revaluation, surged in 2019 driven by opportunities to realize available profits from both bonds and collective investments undertakings.

Expenses related to Investment activity in 2018 and 2019 shows table below:

Table 15- Expenses related to Investment Activity (in EUR '000)

	2019	2018
Expenses of investment activity	**3 159**	**1 928**
Interest for deposits from retrocessionaires	1 565	1 040
Expenses of asset management and securities	194	180
Interest expenses of subordinated debt	1 400	708
Depreciation and costs of property	0	0
Other expenses	0	0

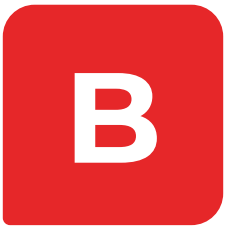
The total expenses related to investment (excluding the interest in deposits from retrocessionaires) increased from 888 TEUR in 2018 to 1 594 TEUR in 2019. The expenses of asset management rise along with investment portfolio increase and number of transactions. Interest expense related to subordinated debt doubled in 2019 whereas 2018 includes expense only for effective aliquot period.

A.4 Performance of other Activities

The Company granted loans, which resulted in a receivable amount of 6 419 TEUR (2 235 TEUR in 2018), as shown in the Company's balance sheet.

A.5 Any other Information

There are no other material information related to Business performance.



System of Governance

B.1 General Information on the System of Governance

The Company's system of governance is defined by valid and applicable law, a set of internal rules, procedures and reporting lines as governed by the documents of the Company (Articles of Association, Rules of Procedure of the corporate bodies) 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 statutory 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 valid and applicable (inter alia Act no. 90/2012 on Business Companies and Cooperatives (on Business Corporations), as amended (hereinafter the "**Act on Business Corporations**") and Insurance Act) and internal documents (decisions of the General Meeting, the Company's Articles of Association, Rules of Procedure of the Board of Directors, etc.).

Three Committees are established in order to support the Board of Directors, as described below.

The Company has set up a **Committee for Technical Reserves**, which is held at least 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 Chief Risk Officer who simultaneously exercises the office of Risk Management Function Holder, Chief Compliance Officer who simultaneously exercises the office of Compliance Function Holder, Actuarial Function Holder and Data Quality Manager. The Committee is chaired by Risk Management 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, risk 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 and Chief Risk Officer. The Committee is chaired by the Chief Underwriting Officer.

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, therefore in the course of the year 2019 four meetings of the Supervisory Board were held. Apart of its regular agenda which includes Report from the Audit Committee, Management Report, Report on Business Activities, Report on Wiener Re (subsidiary company of VIG Re), it discusses other relevant key topics. During the year 2019, major topics for the Supervisory Board were as follows:

- Approval of transfer of shares to the new shareholder by Czech National Bank
- Changes in the competences of the Board of Directors,
- Update to the composition of the Board of Directors,
- Approval of General Underwriting Guideline and Retrocession Guideline,

The Supervisory Board was also informed about the development of the solvency position of VIG Re and subsequently measures taken to improve this position and to strengthen the Risk Management area.

The composition of the Supervisory Board has changed in 2019 and the list of its members is to be found in the Annual Report 2019.

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

The following Committees have been established at VIG Re:

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

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 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 **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.

In addition to the above mentioned Committees, the Company has established the Audit Committee as a corporate body of the Company.

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 recommends the statutory auditor to the Supervisory Board. There was no change in the composition of the Audit Committee in the course of the year 2019 and the list of its members is to be found in the Annual Report 2019.

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. Actuarial Function.

Risk Management Function – until 30th June 2019 the Risk Management Function Holder was the member of the Board of Directors responsible for the coordination of risk management. Since 1st July 2019 the function was assigned to the Chief Risk Officer. Asset Risk Management is outsourced to Asset Risk Management department of Kooperativa pojišťovna, a.s., Vienna Insurance Group (see chapter B.8 Outsourcing) which is in close cooperation with the Risk Management Function. 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 – until 30th June 2019 the Compliance Function Holder was the member of the Board of Directors responsible for the coordination of compliance. Since 1st July 2019, the function was assigned to the Chief Compliance. The Compliance Function Holder at VIG Re is the representative towards the State Authority and holds the ultimate responsibility for the 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. 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 Corporate 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 for members of the Corporate Bodies and Key Function Holders creates 65-75% of the total annual remuneration and 25-35% 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
- Group financial year performance (for Board Members only)
- Underwriting performance of a specific profit center (for employees with material impact on risk profile excluding function holders)
- 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,

The goals related to underwriting performance (if applicable) and individual performance, are weighted with more than 70%.

Goals are set up with a care to ensure that there is no conflict of interest to fulfil the goal. 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 30-40% 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 and Audit Committee 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, Supervisory Board, Audit Committee 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 – hence, 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 2019 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.

During 2019 the Company established the Corporate Underwriting Department and introduced the Chief Underwriting Officer in order to support the underwriting risk management as the most significant risk area. The Corporate Underwriting Department provides assurance that the underwritten business is in compliance with the Company's Risk Strategy and General Underwriting Guidelines.

Corporate Governance was strengthened by introducing the Corporate Governance Officer in June 2019.

On 27 February 2019 the Czech National Bank approved the transfer of 15% stake of the Company from Vienna Insurance Group AG, Wiener Versicherung Gruppe (VIG) to a new shareholder WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group (WSV). The respective resolution of CNB came into legal force as of 2 March 2019. The entry into the Central Securities Depository Prague was made on 8 March 2019.

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, the Supervisory Board and the Audit Committee.

B.2 Fit and Proper Requirements

The fit and proper requirements apply to all persons who effectively run the Company, persons performing key functions or persons with material impact on the Company's risk profile. 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 or have material impact on risk profile:

- Governance Functions
  - Internal Audit Function,
  - Compliance Function,
  - Risk Management Function,
  - Actuarial Function,
- Managing Directors of Foreign Branches
- Head of Non-Life Underwriting department
- Head of Life Underwriting department

Before appointing an individual to any of the above-mentioned persons, 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 2019 were:

- Risk Management Function – Ms. Alexia Alexiou, Chief Risk Officer;
- Compliance Function – Ms. Zuzana Nulíčková, Chief Compliance Officer;
- Internal Audit Function – 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 described in B.3.3.

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 consists of a transparent segregation of responsibilities into three different lines of defence, in order to avoid conflicts of interests, and the set-up of a system of prevention and effective controls.

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.

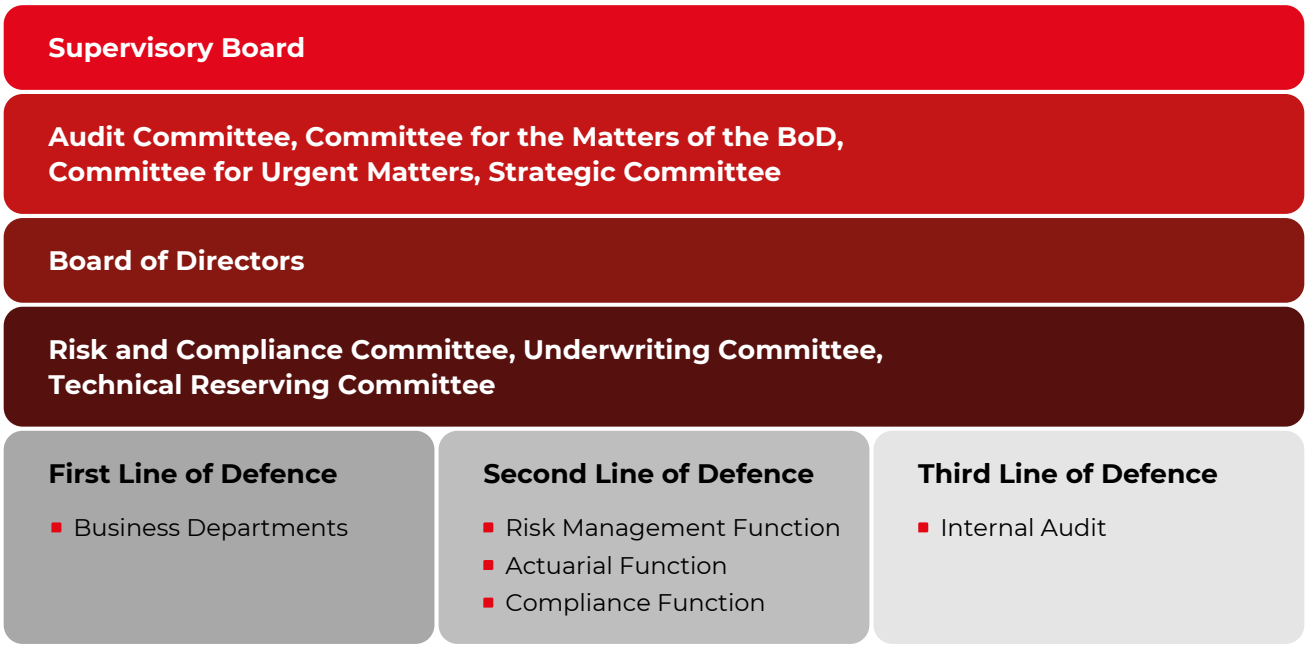
Third Line of Defence

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 established 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



The functions' independence is ensured by the fact that the persons responsible for key functions have direct access to the Board of Directors. This direct access also enables the Board of Directors to be closer to the areas covered by the key functions and to have access to the necessary information in order to more strictly exercise its duties. The cooperation between the functions and 1st line of defence is accomplished through the Committees with the participation of representatives from both lines of defence.

The organisational structure, which defines the bodies of the Company, is governed by the Organizational Regulations, which is regularly updated.

Board of Directors

The overall responsibility of risk management system is in the Board of Directors. 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.

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 team

Risk Management team 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 Risk Management 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.

The Chief Risk Officer, who simultaneously holds the Risk management function, has the responsibility for implementing, maintaining and developing the risk management system and reports directly to the Board of Directors.

B.3.2 Risk Management Process Implementation

Risk 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.

The Risk Strategy provides an overview of the risks related to the strategic initiatives and financial goals of VIG Re and the respective strategies and principles to manage those risks. Risk appetite is defined as the aggregate level and type of risk that the Company is willing and has the capacity to assume in order to achieve its objectives. The risk appetite depends on the balance achieved between solvency position, shareholders' requirements on profitability, risk expertise and possible risk mitigation. For VIG Re, Risk Strategy covers risk appetite for these parameters, by setting quantitative statements on:

- profitability, combined ratio and administrative ratio as financial goals
- comfort zone for solvency ratio as a risk indicator

The risk strategy qualitatively determines its risk appetite on acceptable and non-acceptable risks based on the expertise and experience of the Company for different types of risks as follows:

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

The Company is committed not to endanger the Risk Strategy while improving the financial KPIs. For this reason, a set of limits are established that enable the Management of the Company to monitor the performance on an ongoing basis, ensuring that the goals of Risk Strategy are met.

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 Governance of the Partial Internal Model

VIG Re uses a Partial Internal Model for Non-life Underwriting risk and Health NSLT Underwriting risk. The PIM was developed by Actuarial Services and Retrocession department supported by VIG Group ERM department and was approved in December 2019 by FMA.

The Board of Directors of VIG Re is responsible for the establishment of the framework described below.

Table 16 – Responsibilities of PIM processes

Process	Responsibility
SCR aggregation	Risk Management Function
Validation	Risk Management Function
Data Quality	Data Quality Manager
Technical Provisions	Actuarial Function
External Models	Head of Actuarial Services and Retrocession
Model Use	Head of Actuarial Services and Retrocession
Model Change	Risk Management Function
Integration	Risk Management Function
Documentation	Risk Management Function

The use of the model in various areas supports a sustainable development of the Company and risk management hence the model results are of high importance to the management of VIG Re. The partial internal model is used in the areas of business planning, pricing of the assumed reinsurance portfolio, accumulation control of business exposed to natural catastrophes and retrocession optimization of VIG Re.

In order to ensure the appropriateness of the results, the PIM is subject to certain requirements which are reflected in the validation process. The main purpose of validation is to guarantee that the partial internal model provides an adequate and robust assessment of risks underwritten by the Company. With this assessment, trust in the model results should be gained as well as knowledge about the limitations of the model, especially when looking at the tails of the probabilistic distributions. The validation is performed while ensuring adequate independence between the model operation and model operation parties. The results of the validation are approved by the Board of Directors.

The model processes which are stated in the table above are governed by clearly defined rules and procedures which are described in the Company's internal standards.

B.3.4 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. The process is organized in a manner which ensures the delivery of a proper assessment and a 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 and the PIM appropriateness.
- Forward looking assessment according to the Company's business plan.

The BoD of the Company is overall responsible for the adequate design, implementation and performance of the ORSA within the Company, the approval and the application of the ORSA Guideline. Most of the departments are involved in the ORSA process, 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.

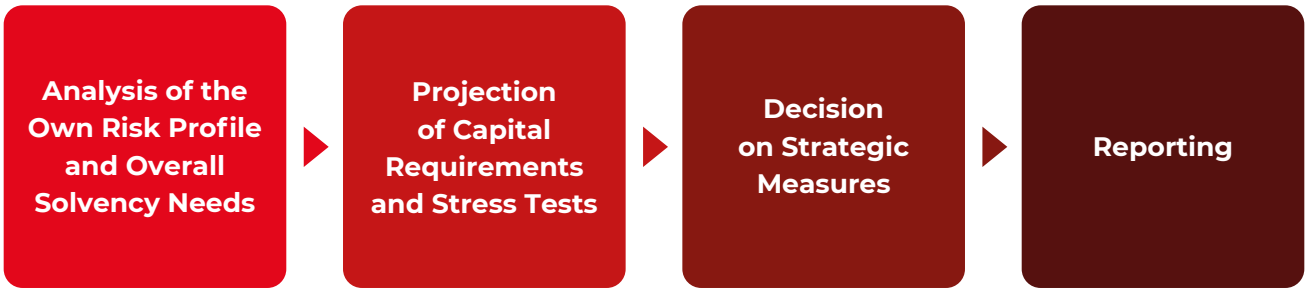
Based on the business planning of the Company, the overall Solvency needs, the regulatory capital needs and the available capital are assessed over the business planning horizon of the Company. The projection considers the latest forecasts and Solvency estimations that were performed before. Based on 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 Chief Risk Officer 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.

The overall efficiency of controls increased from 90.6 % in 2018 to 93.7% in 2019 as a result of a significant improvement in the processes of the VIG Re (e.g. IT, HR, Risk Management, Actuarial Processes, Reinsurance Accounting). 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 2019, based on the Compliance plan approved by Board of Directors, Compliance was concentrating on the area of data protection and international economic sanctions and embargoes. New anti-corruption measures have been introduced and implemented.

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 2019, Internal Audit reviews were in the area of Controlling, Planning and Reporting, but also operation of German Branch.

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 Report 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 Solvency II (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 Services & Retrocession 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 has not identified 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.

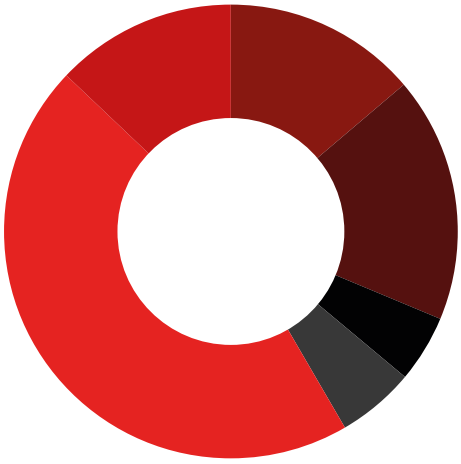
Risk Profile

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 after diversification is presented in the following graph.

Figure 8 - Composition of the SCR 2019



The total Solvency Capital Requirement for VIG Re resulted at EUR 110.1 million compared to EUR 123.7 in 2018. It is noted that the total SCR result is not comparable between the two years since the Company reported in 2018 using Standard Formula only, while in 2019 Non-Life Underwriting and Health NSLT Underwriting are reported with PIM.

The most material risks based on the year end 2019 SCR calculation are presented below:

Table 17 - Top 4 risks in SCR calculation (in EUR '000)

Risk Sub-Module	SCR
Non-life Underwriting risk	67 335
Market risk	29 203
Counterparty default risk	29 068
Health Underwriting risk	19 158

The Company has not provided, sold nor re-pledged any collaterals. In addition, 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, Spanish, Portuguese 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 prudent 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 quantitative risk assessment for Non-life and Health NSLT Underwriting risk is performed using an internal model, as the requirements and assumptions of the standard formula do not adequately reflect the Company's risk profile.

The capital requirement calculated by the Company's Partial Internal Model for 2019, and Standard Formula for 2018 for Non-Life Underwriting risk is presented below:

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

Risk Module	SCR	
	2019	2018
Non-life Underwriting risk	67 335	95 422

The decrease in Non-life Underwriting risk is a result of the PIM and its capability to properly capture and reflect the risk mitigating techniques used by the Company.

The capital requirement for Health Underwriting risk is presented below:

Table 19 - Health Underwriting Risk (in EUR '000)

Risk Module	SCR	
	2019	2018
Health Underwriting risk	19 158	14 172
SLT health underwriting risk	868	0
NSLT health underwriting risk	15 629	12 184
Health catastrophe risk	7 077	4 808
Diversification within health underwriting risk module	-4 416	-2 819

NSLT Health Underwriting risk is calculated with PIM for 2019, while SLT and Health Catastrophe are calculated using Standard Formula. For 2018 all figures were calculated based on Standard formula.

The majority of the Company's Health business is reflected by Non-Similar to Life Techniques.

Premium and Catastrophe Risk

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

Unlike single events where each loss is localized in one area and independent of one another, a catastrophe casts a large footprint, which is likely to affect a large number of risks.

In order to manage the risk, the Company has developed and established underwriting guidelines and directives which include defined risk classes and limits. 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.

On the quantitative side, the parametrisation of the Non-Life Premium and CAT risk modules and also the Health NSLT Premium risk module is done already during the underwriting process of the individual active reinsurance contracts. By this mechanism the Company ensures consistency

between outcomes of PIM and the view on the risks embedded in the reinsurance contracts at the time when they are underwritten.

Health catastrophe risk is calculated with Standard Formula and it's 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 guidelines and directives and sets underwriting limits on single exposures in order to mitigate and 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 contracts cover single assumed contracts or portfolios of assumed contracts. The portfolios may contain contracts from several reserving segments, several lines of business and proportional or non-proportional business.

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.

Risk Mitigation Techniques

Retrocession is a key mitigation technique utilized by the Company.

The Company pursues a prudent underwriting philosophy and portfolio management using the diversification benefits when assuming underwriting risks from different lines of business and geographies while monitoring potential concentration risks.

This also applies towards its retrocession protection which is prudently structured.

The largest Company´s Retrocession programme (both by volume and capacity) is the VIG Nat Cat programme which provides cover against single severe catastrophe events and further includes an aggregate annual excess-of-loss cover as a protection against an accumulation of smaller and midsize events during a year.

The Company is further protected by various Excess of Loss and Quota Share retrocession contracts for most of the lines of non-life business underwritten such as MTPL, Property, Motor Own Damage, Marine and Aviation, General Liability, Personal Accident. The net combined ratio of the non-life business is further protected by two stop-loss retrocession treaties.

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.

The retrocession adequacy and appropriateness are monitored by Actuarial Services and Retrocession department, also using the Partial Internal Model analyses.

C.1.2 Life Underwriting Risk

The Company's Life portfolio is significantly smaller compared to Non-Life.

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

Table 20 - Life Underwriting Risk (in EUR '000)

Risk Module	SCR	
	2019	2018
Life underwriting risk	17 463	10 548
Mortality risk	4 917	3 113
Longevity risk	0	641
Disability-morbidity risk	3 509	3 423
Life expense risk	882	929
Revision risk	0	0
Lapse risk	14 421	7 152
Life catastrophe risk	2 333	2 055
Diversification within life underwriting risk module	-8 599	-6 765

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 cannot 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.

The Company observed a significant increase in SCR coming from lapse risk in 2019. The main reason is presence of a mass lapse treaty in Company's life portfolio, which was remodelled in 2019 to properly reflect the risk borne by this contract. Moreover, the decrease in experience mortality rates led to additional increase of the lapse SCR.

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 catastrophe risk affecting life portfolio.

Increase in mortality SCR is mostly associated with growth of the life business and by lower experience mortality derived as a result of back-testing of assumptions.

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 others 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 prudent.

The 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.

The 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. For Non-life and Health NSLT Underwriting risk, various sensitivities are analysed as part of the PIM Validation process. The target of the sensitivity analysis is to identify the most sensitive parameters, to ensure the model's robustness and the appropriateness of its implementation. The analysed parameters consist of calculated input parameters, parameters set by expert judgment as well as structural aspects of the model (e.g. correlation structure).

The most material sensitivity shocks are described below:

- Increased correlation (+25% per correlation coefficient) for ultimate losses of premium risk which results in decreased Solvency ratio by 4.3 percentage points;
- Increased correlation (+25% per correlation coefficient) for ultimate losses of reserve risk resulting in lower Solvency ratio by 3.5 percentage points;
- 10% higher claims severity for all Nat Cat exposed contracts which results in 3.34% increased Non-life underwriting capital requirement, which results in 3.6 percentage points lower solvency ratio;
- 5% increase in claims technical provisions best estimates, ultimate losses and standard deviations for reserve risk which results in increased capital requirements by 1.3%. Taking into account the decrease in own funds the solvency ratio decreases by 15 percentage points.

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 lower volume of life portfolio compare to non-life, both scenarios result in immaterial changes of +/-4 percentage points on SCR ratio.

C.2 Market Risk

Market risk arises from the level and volatility of market prices of financial instruments. The exposure to market risk can be measure by the impact of predefined movements in the level of market risk factors such as stock prices, interest rates, property prices, credit spreads and FX exchange rates. The market risk is measured by standard formula of Solvency II approach. VIG Re assess market risk also with Value at Risk as another quantitative risk measure, which defines the maximum potential loss at given probability level and time horizon.

VIG Re invests in compliance with the prudent principles of its Investment and Risk Strategy. The investments are mainly focused into Fixed Income instruments. The bonds and loans made up 861,3% of total investment portfolio (69% government bonds and 31% corporate). The equities, alternative investments and participations follows by 4,7% and rest 2,6% belongs to real estate. Because of low yield environment in Eurozone, VIG Re invested higher amount into corporate bonds and high yield government bonds in 2019. The solvency capital requirements for investment funds are calculated with the look through approach. All investments are done within the limits per asset class stated in the approved Investment and Risk Strategy valid for 2019 and also in accordance with the limits set on the total portfolio in terms of rating structure, maturities, industry concentration or currency.

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

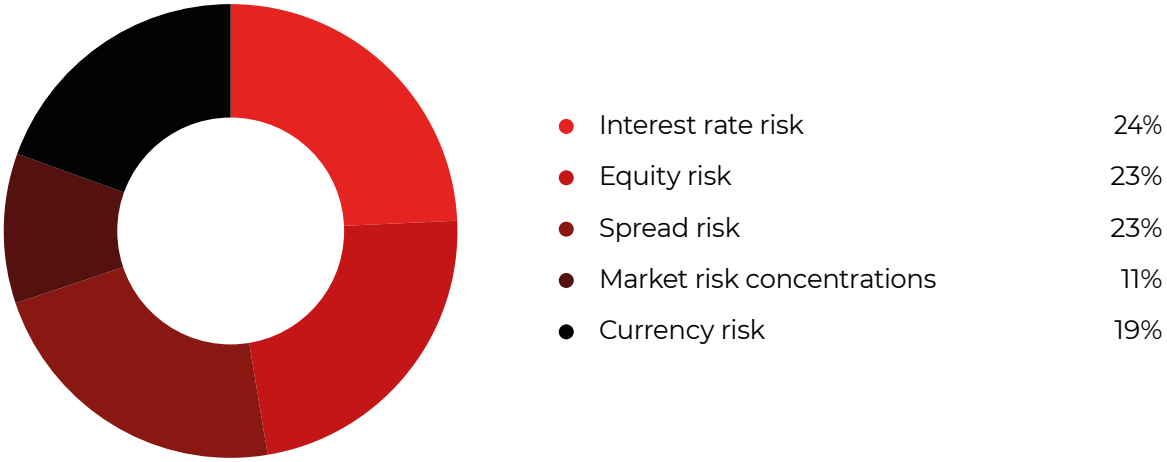
Table 21 - Market Risk (in EUR '000)

Risk Module	SCR	
	2019	2018
Market risk	29 203	20 591
Interest rate risk	11 862	10 757
Equity risk	11 242	9 596
Property risk	0	0
Spread risk	10 999	5 970
Market risk concentrations	5 182	2 177
Currency risk	9 505	4 960
Diversification within market risk Module	-19 587	-12 869

The main increase is identified in spread risk, driven by the new corporate bonds in portfolio, the increased market value, increased duration of new bonds and the termination of transitional measures for government bonds with non-domestic currency.

The composition of Market risk sub-modules before diversification are presented in the graph below:

Figure 9 - Composition of Market SCR 2019



C.2.1 Key Risks and Risk Mitigation Techniques

Equity Risk

Equity risk arises from the level or volatility of market prices for equities. The Company is exposed to equity risk from investment funds.

Spread Risk

Spread risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. Credit spreads are typically narrower for high rated securities and shorter durations. The Company is exposed to Spread risk from the corporate bond portfolio which increased significantly compared to last year.

Interest Rate Risk

Interest rate risk arises from all assets and liabilities, which are sensitive to changes in the term structure of interest rates or interest rate volatility. The interest rates in Eurozone remain at low level and the tenors at the beginning of the curve are negative already for an extended period.

The Company's exposure to interest rates arises primarily from the 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 comprises more than 90% of the Solvency II balance sheet. Other material national currencies are from 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

Concentration risk is the risk stemming either from a lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers. This extends to assets considered in the equity, spread risk and property risk, and excludes assets covered by the counterparty default risk. Given the well diversified portfolio of the Company, concentration risk is relatively low.

There is no exposure to property risk.

The Company issues the Investment and Risk Strategy 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.2.2 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 10 percentage points in SCR ratio. The opposite impact is identified under the scenario of decrease in interest rate curve.

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 3 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 22 - Counterparty Default Risk (in EUR '000)

Risk Module	SCR	
	2019	2018
Counterparty default risk	29 068	21 469
Type 1 exposures	18 183	13 320
Type 2 exposures	12 827	9 588
Diversification within counterparty default risk module	-1 941	-1 439

Counterparty default risk is increased in 2019 partially due to the PIM implementation as the hypothetical gross SCR is significantly higher compared to standard formula, affecting the risk mitigating effect. The capital requirements are also increased due to the Company's portfolio development.

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. The scope of the counterparty default risk includes risk-mitigating contracts, such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit exposures which are not covered by spread risk.

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). The reinsurance coverage is diversified over a large number of different international reinsurance companies that VIG Re assesses with 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 Strategy. Limits per tenor and bank are defined. Any new counterparty financial institution needs to be approved by VIG Group.

Spread risk

Spread risk analysis is include in C.2 Market risk.

C.3.2 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 as part of Asset Liability Management. This enables the Treasury department properly manage funds of the Company, in order to ensure that sufficient cash are available to fulfil the liabilities.

The risk is governed by the Investment and Risk Strategy. 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. Hence, the risk is assessed as low.

C.4.2 Expected Profit Included in Future Premiums ("EPIFP")

Expected profit included in the future premiums as at 2019 year end amounts to 62 624 TEUR (as at 2018 year end 74 069 TEUR) for Non-Life and Health portfolio.

The EPIFP for Life portfolio was estimated at 45 351 TEUR (28 925 TEUR in 2018).

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

C.4.3 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.

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

Table 23 - Operational Risk (in EUR '000)

Risk Module	SCR	
	2019	2018
Operational risk	15 916	13 921

The increase in the capital required is due to the Company's premium portfolio growth.

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 deep understanding of the underlying sources 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 risk 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.6 Other Material Risks

C.6.1 Other Risks

Among other risks the Company identifies strategic risk, of adverse business development related to poor business and investment decisions, or to inadequate communication and implementation of goals, or to a lack of adjustment capacity to changes in the economic environment, or to conflicting business objectives.

The Company is in the final implementation stage of the Strategy 2020 which included revise underwriting territories and product offering. The branches in Frankfurt and Paris are operating in line with VIG Re's standards.

VIG Re is also exposed to Reputational risk which is defined as the risk of adverse business development associated with damage to the Company's reputation. A loss of reputation can disrupt the confidence of customers, investors, or employees in the Company, and thus may lead to financial damage

On 15 October 2019, 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.

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 2019 the Company held the following assets (in EUR '000):

Table 24 - Assets Comparison (in EUR '000)

Assets	Solvency II		IFRS	
	2019	2018	2019	2018
Deferred acquisition costs	0	0	12 761	9 725
Intangible assets	0	0	1 247	2 133
Deferred tax assets	0	0	0	806
Property, plant & equipment held for own use	3 613	923	3 613	923
Investments, thereof:	446 133	407 518	442 968	395 232
Holdings in related undertakings, including participations	6 537	11 762	12 770	11 762
Equities	530	0	530	0
Equities - listed	0	0	0	0
Equities - unlisted	530	0	530	0
Bonds	354 720	325 936	345 323	313 650
Government Bonds	274 911	276 889	266 190	270 679
Corporate Bonds	79 809	49 047	79 133	42 972
Collective Investments Undertakings	84 345	65 059	84 345	65 059
Deposits other than cash equivalents	0	4 761	0	4 761
Assets held for index-linked and unit-linked contracts	5 046	3 152	4 997	3 250
Loans & mortgages	6 419	2 235	6 200	2 289
Reinsurance recoverables	190 402	171 333	242 586	234 886
Non-Life and Health similar to Non-Life	188 531	168 845	239 501	233 001
Non-Life excluding Health	174 206	153 918	222 674	219 077
Health similar to Non-Life	14 325	14 927	16 828	13 924
Life and Health similar to Life, excluding Health and index-linked and unit-linked	1 995	2 612	3 085	1 862
Health similar to Life	0	0	0	0
Life excluding Health and index-linked and unit-linked	1 995	2 612	3 085	1 862
Life index-linked and unit-linked	-124	-124	0	24
Deposits to cedants	117 576	114 364	94 940	97 403
Insurance & intermediaries receivables	82 303	56 712	82 303	56 712
Reinsurance receivables	39 027	26 849	39 027	26 849
Receivables (trade, not insurance)	437	422	437	422
Cash and cash equivalents	31 150	14 876	31 150	14 876
Any other assets, not elsewhere shown	408	357	408	357
Total assets	**922 512**	**798 741**	**962 638**	**845 863**

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 and 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 technical provisions cashflows.

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.

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.

According to IFRS16, Right of Use Assets are included in the total value of 2,471 TEUR for IFRS and also Solvency II valuation. It consists of the three rented premises for Headquarters and both branches.

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 participation in Wiener Re valued at 6,759 TEUR in IFRS Balance Sheet, is valued at 0 in Solvency II.

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 2019, VIG Re held only few bonds where no market quotation was available, representing 3.6% of the investment portfolio.

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 Company's retrocession panel is diversified over a large number of high rated international reinsurance companies that VIG Re assesses with adequate creditworthiness, to minimize the credit risk due to their insolvency, hence the result is not material. 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 latter 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, where there is reliable information available. Otherwise similar approach as for UPR and claims reserves is used. 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 2019 and 2018 by Solvency II 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 25 - Technical provision (in EUR '000)

SII Line of Business	SII LoB code	2019			2018		
		Best estimate	RM	Technical provision	Best estimate	RM	Technical provision
Medical expense proportional	H1	3 956	61	4 018	-8 772	102	-8 670
Income protection proportional	H2	17 143	660	17 803	15 876	652	16 528
Workers' Compensation proportional	H3	2	47	50	-5	3	-2
Health non-proportional	H4	10 454	413	10 866	15 248	246	15 494
Motor vehicle liability proportional	NL1	39 428	1 423	40 851	30 821	1 245	32 066
Other motor proportional	NL2	1 395	484	1 879	5 712	735	6 447
Marine, aviation and transport proportional	NL3	5 350	273	5 623	3 174	213	3 387
Fire and other property proportional	NL4	86 862	3 191	90 053	69 901	2 307	72 208
General liability proportional	NL5	17 833	1 475	19 308	12 621	632	13 253
Credit and suretyship proportional	NL6	1 079	127	1 206	652	199	851
Legal expenses proportional	NL7	19	101	119	20	2	22
Miscellaneous proportional	NL9	-4	103	99	1	0	1
Casualty non-proportional	NL10	145 435	13 572	159 007	158 931	12 010	170 941
Marine, aviation and transport non-proportional	NL11	15 789	386	16 175	10 811	422	11 233
Property non-proportional	NL12	59 663	4 021	63 684	15 780	2 665	18 445
Total		**404 404**	**26 336**	**430 740**	**330 771**	**21 433**	**352 204**

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

The level of the Technical provision increased compared to 4Q 2018. The level of risk margin grew by almost EUR 5 million which is linked to the growth of claims best estimate. In general, most Lines of Business grew as the business is growing, moreover the Company experienced several claims that affected the level of Best estimate. Most significant changes in the value of the major movements in best estimates from year to year are explained as follows:

- Increase in the value of Best estimate of Medical expense proportional is linked with change of a structure of a large single reinsurance treaty from proportional in 2019 to non-proportional in 2020.

- Fire and other property proportional increased mainly due the higher amount of reported but not settled claims. This is not caused by any adverse claims development but delay in claims settlement by the Company´s clients compared to what was observed on a historical data.
- Casualty non-proportional Best estimate decreased significantly mainly due to a settlement of one extraordinary large MTPL claim which has been paid out and therefore decreased the level of Best estimate. Disregarding this claim, the Best estimate grew to the proportion of accepted business.
- There was a substantial increase in Property non-proportional Best estimate. Main reason for such an increase were claims stemming from the typhoons Faxai and Hagibis in Japan. These claims experienced from these events were to a large degree mitigated by the retrocession programme.

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 with inception date in year 2019 comprise 96.1% (2018 figure: 96.4%) of portfolio measured by earned premium for the year 2019. 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 cedants.

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 cedants. 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 cedants, 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. Hence, 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 be reflected 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 cedants 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 cedants. The accounted values are recorded with different frequency for different cedants and often based on estimates. The estimates are calculated by both VIG Re and cedants. The accuracy of accounted values is driven by:

- Frequency of reporting with cedants
  - 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 cedants. 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 26 - Sensitivities (in EUR '000)

Assumption change	CP, gross	CP, net, after CDA, PAXL	PP, gross	PP, net, after CDA	Total BE, net
Basis scenario	456 316	243 585	-51 912	-27 711	215 873
Written premium up +5%	456 316	243 585	-55 043	-29 405	214 180
Written premium down -5%	456 316	243 585	-48 781	-26 018	217 567
Claims Paid up +5%	473 640	252 250	-36 030	-17 913	234 337
Claims Paid down -5%	438 992	234 863	-67 793	-37 509	197 354
RFR shock up (+100 bps)	439 322	237 500	-59 261	-30 623	206 877
RFR shock down (-100 bps)	475 457	250 081	-43 436	-24 544	225 538

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

Lines of busi-ness	IFRS		Solvency II		
	Outstanding claims provisions	Unearned premiums provision	Claim BELs	Premium BELs	Risk margin
Non-Life	464 624	14 818	412 484	-39 635	25 155
HNSLT	44 912	-1 847	43 832	-12 277	1 181
Total	**509 536**	**12 971**	**456 316**	**-51 912**	**26 336**

- 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 31.12.2019.

Table 28 - Gross Technical Provisions 2019 (in EUR '000)

	IFRS	Solvency II	
Lines of business	**Life technical provisions**	**BELs**	**Risk margin**
Life excluding Unit-/Index-linked and HSLT	91 236	78 787	12 530
Unit-/Index-linked*	4 997	5 322	846
HSLT	0	-1,932	1 284
Total	**96 233**	**82 177**	**14 661**

Gross technical provisions as at 31.12.2018.

Table 29 - Gross Technical Provisions 2018 (in EUR '000)

	IFRS	Solvency II	
Lines of business	**Life technical provisions**	**BELs**	**Risk margin**
Life excluding Unit-/Index-linked and HSLT	94 520	91 795	7 830
Unit-/Index-linked*	3 250	-2 227	190
HSLT	0	0	0
Total	**97 770**	**89 568**	**8 020**

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 With Profit Participation 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 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. Projection of cash-flows is realized on two levels.

The first level comprises policy-per-policy calculation, allowing for reinsurance premium, claims, lapses, commissions and retrocession-related projections needed for calculation of reinsurance (retrocession) recoverables.

At the second level, cash flows from the first level are aggregated per reinsurance treaty. Furthermore, during this step additional cash flows dependent on aggregated results of the given reinsurance contract (profit commission, administration expenses, brokerage, ...) are included in the calculation.

Based on the requirement of the Czech regulator the present value of cash flows generated by the reserves deposited by primary insurers covering the present value of the deposited reserve and investment income from the deposit are excluded from the value of best estimate liabilities.

Risk margin is calculated in line with VIG Guidelines on the Calculation of the Risk Margin under SII. The Company applies a simplification and projects the SCR based on relevant risk drivers for used for projection of individual sub-modules of the SCR. To get the annual costs the Company uses cost of capital rate of 6%.

Assumptions

The primary insurers' portfolio data and non-economic assumptions are updated on an annual basis. Economic assumptions are updated on a quarterly basis and are provided by VIG Group.

Assumptions and parameters used by the actuarial model are reviewed on an annual basis. The long-term principle is applied while setting up best estimates of assumptions. 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 set up according to the country in which the cedant is dominated and the experience ratio was applied to the population mortality rates. Since 2019 the Company started to collect information about the underlying portfolio development (active policies, claims, lapses and maturities) on the level of underlying policy which is part of the reinsurance program in a different and more granular. This should ensure better data quality and consistency for derivation of Company's assumptions. Nevertheless, since the structure of the data provided by single counterparties is different and the number of reported claimed policies was insufficient to derive credible conclusions, the derivation of experience assumptions had to be adjusted. Experience ratios for 2019 calculations were derived by a back-testing approach based on historical development of each treaty during the past years considering

- premium as an indication of the growth of the underlying portfolio,
- paid claims and claims reserve movement indicating the observed claim experience.

Such information was compared with expected annual loss predicted by the actuarial model on current assumptions and experience ratios were updated where needed. This way the Company considers in the calculation not just the number of claims, but the overall claim experience and might project the expected claims in a more reasonable way.

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 as at 2018 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 are applied based on single tariffs or based on the tariff with the major share in the portfolio

of policies. In case that no valuation assumptions were provided, rates of a comparable portfolio with similar features were used.

The Company includes several expense assumptions in the calculation of Best Estimate of Liabilities. These cover administrative, claims management, overhead and investment management expenses. The allocation of total Company expenses to life portfolio increased slightly compared to 2018 due to the growth of the life business.

Economic assumptions used for 2019 calculations are yield curves for different currencies and inflation rate. Both inputs are provided by the Group and there is no change in methodology compared to 2018.

Key Options and Guarantees

The Company does not have any options or guarantees in its life reinsurance portfolio and therefore their value is set 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 cedants are not allowed to cancel treaties wilfully,
- behaviour of policyholders is already captured in lapse rates.

Lapse Rates

For the set up 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.

In 2019 the Company performed a regular update of treaty specific lapse rates from portfolio development information provided by primary insurers and reduced the number of contracts using expert judgment assumptions by substituting these by observed lapse rates derived from portfolio development provided by primary insurers.

Data Quality

One of the most significant challenges the Company faces in life segment is the quality of provided input data. To increase the data quality in 2019 the Company introduced a new data warehouse to collect all the life portfolio data and to keep a clear track about the portfolio development on the level of underlying insurance policy.

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 30 - Main Drivers for Decrease in Gross BEL 2019 (in EUR '000)

Assumption change	Impact on Gross BEL
Mortality experience ratio 5% relative shift down	-6 108
SLT riders experience ratio 5% relative shift down	-5 059
10% increase of premium based scaling factor	-2 488
20% decrease in expenses	-1 616
Increase in lapse rates	-538
NSLT riders experience ratio of 40%	-155

Table 31 - Main Drivers for Increase in gross BEL 2019 (in EUR '000)

Assumption change	Impact on Gross BEL
Mortality experience ratio 10% relative shift up	9 164
SLT riders experience ratio 10% relative shift up	8 313
Decrease in lapse rates	2 567
10% decrease of premium based scaling factor	2 489
20% increase in expenses	1 616
NSLT riders experience ratio of 80%	473

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,
- Differences in the scope of cash-flows between Solvency II and IFRS.

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 32 - Liabilities Comparison (in EUR '000)

	Solvency II Value		IFRS Value	
	2019	2018	2019	2018
Technical provisions – Non-Life	430 740	352 205	529 339	450 735
Technical provisions – Life (excluding in-dex-linked and unit-linked)	90 670	99 625	91 236	94 520
Technical provisions – index-linked and unit-linked	6 168	-2 037	4 997	3 250
Deposits from reinsurers	7 687	4 832	7 687	4 832
Deferred tax liabilities	13 042	9 149	863	0
Debts owed to credit institutions	6	5	6	5
Financial liabilities other than debts owed to credit institutions	4 703	576	4 703	576
Insurance & intermediaries payables	86 415	68 685	86 415	68 685
Reinsurance payables	16 588	15 219	16 588	15 219
Payables (trade, not insurance)	6 151	3 437	6 151	3 437
Subordinated liabilities	35 708	35 708	35 708	35 708
Any other liabilities, not elsewhere shown	9	10	9	10
Total Liabilities	697 887	587 414	783 701	676 977
Excess of Assets over Liabilities	**224 625**	**211 326**	**178 937**	**168 887**

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.

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.

Capital management in VIG Re aims to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. Own funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company has implemented a Risk bearing capacity concept, in which the ratio of eligible own funds over SCR and MCR are analysed. As part of own funds management, the Company performs the Own Risk and Solvency Assessment process at least annually, or on ad-hoc basis when the risk profile significantly changes. The ORSA process 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 assesses 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 estimation of future capital situation. The Company plans the future development of the underwriting business and investment activities, based on which the projected capital requirement and future available own funds are estimated as part of the ORSA process (forward looking assessment). 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. Adverse scenarios of different than expected development, and their impact on capital and solvency requirement are analysed in the ORSA as well. 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 Board of Directors and Supervisory Board.

In 2019 the Company's capital developed within the acceptable limits of Risk Bearing Capacity concept.

E.1.2 Own Funds Classified by Tiers

The Company's own funds comprise of the ordinary share capital, share premium, reconciliation reserve and subordinated liabilities.

Within the reconciliation reserve, the foreseeable dividend payments from profit are taken into account. Dividends are based on the dividend policy, which defines 85% distribution of profit after tax. This dividend policy is also applied on projected results.

The Company's own funds include a subordinated loan of EUR 35 million by VIG Re from VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe which was issued in June 2018.

Company's IFRS Equity as of 31 December 2019 are presented in the table below.

Table 33 - IFRS Equity 2019 (in EUR '000)

IFRS equity	2019	2018
Ordinary share capital	126 850	126 850
Share premium	49	49
Retained earnings	43 981	40 868
Available for sale reserve	8 056	1 119
Total shareholders' equity	**178 937**	**168 886**

The Company's Solvency II own funds as of 31 December 2019 are presented in the table below.

Table 34 - Solvency II Own Funds 2019 (in EUR '000)

Solvency II Own Funds	2019	2018
Excess of assets over liabilities	224 625	211 326
Foreseeable dividends	17 683	17 690
Ordinary share capital	126 850	126 850
Share capital	49	49
Subordinated liabilities	35 708	35 708
Reconciliation reserve	80 043	66 736
SII Own funds	**242 650**	**229 344**

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 35 - Own Funds 2019 (in EUR '000)

2019	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary share capital	126 850	126 850	0	0	0
Share premiums	49	49	0	0	0
Reconciliation reserve	80 043	80 043	0	0	0
Subordinated liabilities	35 708	0	0	35 708	0
Total basic own funds	**242 650**	**206 942**	**0**	**35 708**	**0**

For 2018 the table was as follows:

Table 36 - 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	49	49	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**

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

Table 37 - Eligible Own Funds 2019 (in EUR '000)

2019	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Total eligible to meet SCR	242 650	206 942	0	35 708	0
Total eligible to meet MCR	216 853	206 942	0	9 911	0

Table 38- 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

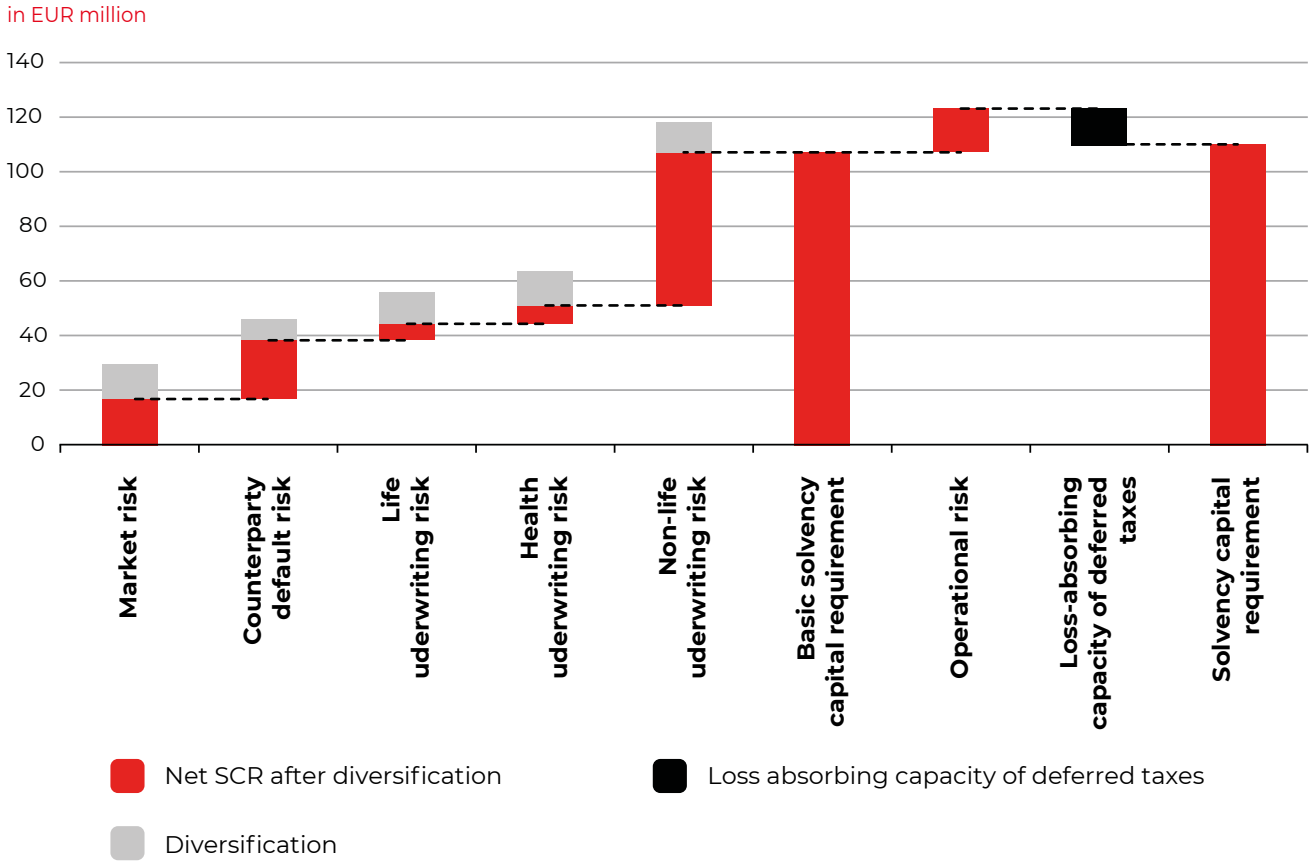
Tier 1 unrestricted own funds are increased mainly due the increased reconciliation reserve which is stemming from the difference in the valuation of Technical Provisions under Solvency II and IFRS. Tier 2 own funds include the subordinated loan which was accepted in 2018.

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 2019 is EUR 110.1 million (2018: EUR 123.7 million). The MCR of the Company as at 31 December 2019 is EUR 49.6 million (2017: EUR 46.9 million). The results per risk category are presented below:

Figure 10 - Composition of the Solvency Capital Requirement 2019



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 2018 due to increased hidden reserve of Technical Provisions.

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

	2019	2018
Market risk	29 203	20 591
Counterparty default risk	29 068	21 469
Life underwriting risk	17 463	10 548
Non-Life underwriting risk	67 335	95 422
Health underwriting risk	19 158	14 172
Intangible asset risk	0	0
Diversification	-54 976	-43 252
Basic solvency capital requirement	107 252	118 950
Operational risk	15 916	13 921
Loss-absorbing capacity of tech-nical provisions	0	0
Loss-absorbing capacity of de-ferred taxes	-13 042	-9 149
Solvency capital requirement	**110 125**	**123 722**

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 40 - Underlying Input Data (in EUR '000)

SII Line of Business	Net best estimate	Net written premiums
Medical expense insurance and proportional reinsurance	4 226	21 300
Income protection insurance and proportional reinsurance	17 212	3 467
Workers' compensation insurance and proportional reinsurance	2	19
Motor vehicle liability insurance and proportional reinsurance	34 907	17 928
Other motor insurance and proportional reinsurance	1 387	29 763
Marine, aviation and transport insurance and proportional re	2 504	4 214
Fire and other damage to property insurance and proportional	42 692	121 769
General liability insurance and proportional reinsurance	16 925	8 103
Credit and suretyship insurance and proportional reinsurance	123	83
Legal expenses insurance and proportional reinsurance	18	53
Assistance and proportional reinsurance	0	0
Miscellaneous financial loss insurance and proportional rein	0	21
Non-proportional health reinsurance	0	5 128
Non-proportional casualty reinsurance	74 595	32 117
Non-proportional marine, aviation and transport reinsurance	1 595	2 724
Non-proportional property reinsurance	23 901	49 190
Total	**220 087**	**295 882**

The increase of the MCR compared to 2018 is driven by the increased premiums due to the different retrocession scheme.

Table 41 - Minimum Capital Requirement (in EUR '000)

	2019	2018
Linear MCR	66 370	46 852
SCR	110 125	123 722
MCR cap	49 556	55 675
MCR floor	27 531	30 931
Combined MCR	49 556	46 852
Absolute floor of the MCR	3 600	3 600
Minimum Capital Requirement	49 556	46 852

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 been developing its Partial Internal Model (PIM) since 2015 and gained its approval in 2019. The model is part of the VIG Group PIM, however, contains many reinsurance specific adjustments. As of 31st December 2019, the calculation of the VIG Re´s Solvency Capital Requirement on solo level was based on the newly approved partial internal model.

The model has been developed internally by the Actuarial Services and Retrocession Department with the support of VIG Enterprise Risk Management and arithmetica Consulting GmbH.
The main motivation for development of the partial internal model was to more properly reflect the Company´s risk profile, especially specifics of more complex reinsurance structures which are often used in both active and passive reinsurance. The intention of the Company was also to develop a model which can be used as a powerful tool for various management decision.

The following graph presents all SCR sub-modules. The modules highlighted in red are calculated based on the Partial Internal Model:

Figure 11 - SCR Components

The application, structure and methodology of the model and its integration are described in the sections below.

The model covers all material underwriting risks in Non-life and in Health Underwriting business and is used not only for SCR calculation but also in other areas like:

- planning process,
- reinsurance pricing,
- accumulation control for natural catastrophe and
- retrocession optimization.

The calculated solvency capital requirement corresponds to the value-at-risk for a change in own funds with a confidence level of 99.5% over a period of one year.

The model parametrisation is performed on two different granularity levels. The reserve risk is parametrised on individual reserving segment level, whilst the parametrisation of the premium and catastrophe risk is performed on individual active reinsurance contact level where both attritional and large claims are also randomly simulated. The parametrisation of premium and catastrophe risk is performed already during the renewal process when each individual contract is quoted and for each contract an actuarial stochastic model is created. After the renewal period all the individual stochastic models are aggregated into a large one where also retrocession structure is set.

The Company´s historical accounting data are used for the parametrisation of the reserve risk, for each homogenous reserving group the claims technical provisions best estimate and their standard deviations on one-year horizon are estimated. To reflect the specifics of each active reinsurance contract individual renewal data provided by each client are used wherever possible for parametrisation of the premium and catastrophe risks. Where these data are not sufficient individual market data are used.

The whole model allows for a one-year modelling of the underwriting result in the non-life insurance business using a Monte Carlo simulation. In this simulation, a multitude of possible scenarios is generated based on a random number generator. A possible realisation of profit and loss items is estimated (premiums, losses, etc.) for each scenario on gross and net of reinsurance level. Overall, the generated scenarios allow for the identification of risk drivers and analysis of possible extreme events.

Diversification effects in the model between the sub-modules stem directly from the Monte Carlo simulation and from the implemented correlation structures that use copulas to take into account all material dependencies that occur in reality. This includes, among other things, the correlation of portfolio performance, losses and reserve levels between the modelled lines of business.

In comparison to the standard formula, the model allows for a better reflection of the Company´s risk profile. The individual reserving groups within each individual Solvency II line of business are more homogenous and parametrised on the Company´s historical data. Within the premium and catastrophe risk the Company performs the parametrisation on each active reinsurance contract level and also incorporates all characteristics of that contract into the individual

stochastic pricing model. Due to the detailed nature of the model also all characteristics of the complex retrocession programme can be integrated.

Therefore, the model is also used for steering of the Company including underwriting decisions, business planning and retrocession purposes. The adequacy of the data and methods is reviewed annually as part of the comprehensive validation. If necessary, the modelling can be adapted quickly to changes in the risk profile. Detailed information on the validation process and governance system for the PIM is provided in section B.3.3.

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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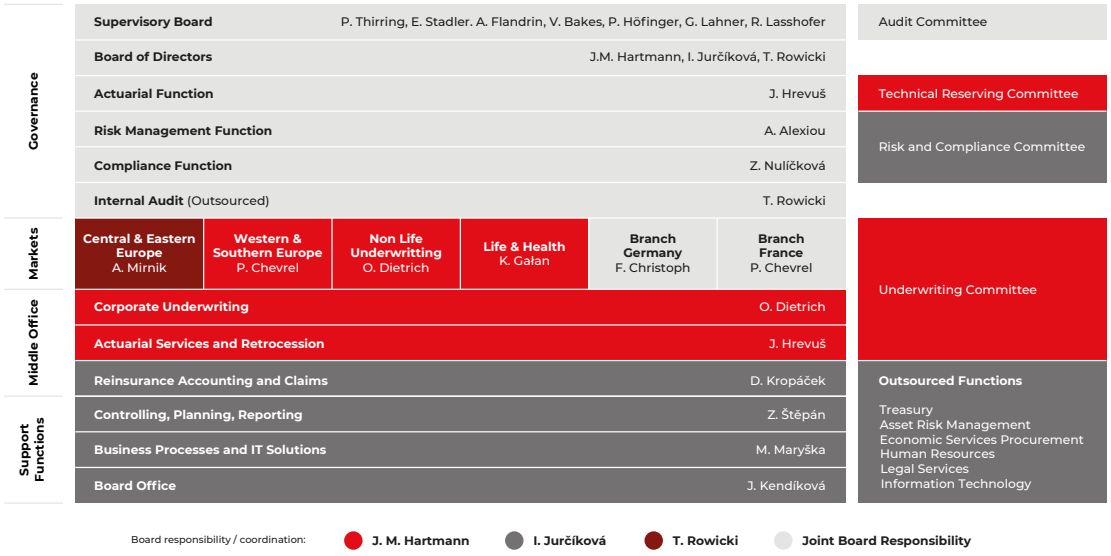
Annex I – Organisational structure as of 31 December 2019



Annex II
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	3 613
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	446 133
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	6 537
Equities	**R0100**	530
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	530
Bonds	**R0130**	354 720
Government Bonds	**R0140**	274 911
Corporate Bonds	**R0150**	79 809
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	84 345
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	5 046
Loans and mortgages	**R0230**	6 419
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	6 419
Reinsurance recoverables from:	**R0270**	190 402
Non-life and health similar to non-life	**R0280**	188 531
Non-life excluding health	**R0290**	174 206
Health similar to non-life	**R0300**	14 325
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	1 995
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	1 995
Life index-linked and unit-linked	**R0340**	-124
Deposits to cedants	**R0350**	117 576
Insurance and intermediaries receivables	**R0360**	82 303
Reinsurance receivables	**R0370**	39 027
Receivables (trade, not insurance)	**R0380**	437
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**	
Cash and cash equivalents	**R0410**	31 150
Any other assets, not elsewhere shown	**R0420**	408
Total assets	**R0500**	922 512

Annex II
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	430 740
Technical provisions – non-life (excluding health)	**R0520**	398 003
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	372 849
Risk margin	**R0550**	25 155
Technical provisions - health (similar to non-life)	**R0560**	32 737
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	31 556
Risk margin	**R0590**	1 181
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	90 670
Technical provisions - health (similar to life)	**R0610**	-647
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	-1 932
Risk margin	**R0640**	1 284
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	91 317
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	78 787
Risk margin	**R0680**	12 530
Technical provisions – index-linked and unit-linked	**R0690**	6 168
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	5 322
Risk margin	**R0720**	846
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	7 687
Deferred tax liabilities	**R0780**	13 042
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	6
Financial liabilities other than debts owed to credit institutions	**R0810**	4 703
Insurance & intermediaries payables	**R0820**	86 415
Reinsurance payables	**R0830**	16 588
Payables (trade, not insurance)	**R0840**	6 151
Subordinated liabilities	**R0850**	35 708
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	35 708
Any other liabilities, not elsewhere shown	**R0880**	9
Total liabilities	**R0900**	697 887
Excess of assets over liabilities	**R1000**	224 625

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**	22 368	3 478	19	31 560	31 971	7 675	194 213	9 009	541
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	1 068	11		13 632	2 207	3 461	72 444	906	458
Net	**R0200**	21 300	3 467	19	17 928	29 763	4 214	121 769	8 103	83
Premiums earned										
Gross - Direct Business	**R0210**									
Gross - Proportional reinsurance accepted	**R0220**	22 201	3 567	19	31 333	31 973	7 759	191 182	8 875	581
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	1 009	14		13 186	2 132	3 513	70 493	877	547
Net	**R0300**	21 192	3 553	19	18 146	29 842	4 247	120 689	7 998	34
Claims incurred										
Gross - Direct Business	**R0310**									
Gross - Proportional reinsurance accepted	**R0320**	8 428	1 446	9	31 591	16 441	5 438	130 903	10 943	742
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	399	50	1	11 940	2 092	2 306	40 966	738	735
Net	**R0400**	8 029	1 397	8	19 652	14 350	3 132	89 937	10 205	7
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**	0	-88	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	-88	0	0	0	0	0	0	0
Expenses incurred	**R0550**	5 358	1 656	6	3 858	16 744	1 346	37 924	3 364	24
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**	60	0	22					300 917
Gross - Non-proportional reinsurance accepted	**R0130**				11 512	52 553	5 766	133 230	203 060
Reinsurers' share	**R0140**	7	0	1	6 383	20 435	3 042	84 040	208 096
Net	**R0200**	53	0	21	5 128	32 117	2 724	49 190	295 882
Premiums earned									
Gross - Direct Business	**R0210**								
Gross - Proportional reinsurance accepted	**R0220**	71	0	22					297 583
Gross - Non-proportional reinsurance accepted	**R0230**				11 568	51 460	5 801	131 688	200 518
Reinsurers' share	**R0240**	6	0	1	6 345	20 405	3 013	84 358	205 898
Net	**R0300**	64	0	21	5 224	31 055	2 789	47 330	292 203
Claims incurred									
Gross - Direct Business	**R0310**								
Gross - Proportional reinsurance accepted	**R0320**	30	0	4					205 976
Gross - Non-proportional reinsurance accepted	**R0330**				7 604	18 720	8 908	76 098	111 331
Reinsurers' share	**R0340**	9	0	4	5 836	-370	7 507	43 174	115 386
Net	**R0400**	21	0		1 768	19 090	1 401	32 924	201 920
Changes in other technical provisions									
Gross - Direct Business	**R0410**								
Gross - Proportional reinsurance accepted	**R0420**	0	0	0					-88
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	-88
Expenses incurred	**R0550**	36	0	14	82	2 380	214	5 648	78 656
Other expenses	**R1200**								0
Total expenses	**R1300**								78 656

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**							574	22 926	23 499
Reinsurers' share	**R1420**							0	6 394	6 394
Net	**R1500**							574	16 532	17 105
Premiums earned										
Gross	**R1510**							574	23 210	23 784
Reinsurers' share	**R1520**							0	6 384	6 384
Net	**R1600**							574	16 826	17 399
Claims incurred										
Gross	**R1610**							8	16 286	16 293
Reinsurers' share	**R1620**							0	2 346	2 346
Net	**R1700**							8	13 940	13 947
Changes in other technical provisions										
Gross	**R1710**							0	2 649	2 649
Reinsurers' share	**R1720**							0		
Net	**R1800**							0	2 649	2 649
Expenses incurred	**R1900**							226	5 536	5 762
Other expenses	**R2500**									
Total expenses	**R2600**									5 762

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	IT	PL	TR	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120	10 940	119 968	36 524	25 182	14 693	24 124	231 430
Gross - Non-proportional reinsurance accepted	R0130	34 537	56 409	17 180	6 710	14 436	5 369	134 641
Reinsurers' share	R0140	30 565	75 798	9 722	3 207	12 443	16 102	147 836
Net	R0200	14 912	100 579	43 983	28 685	16 685	13 391	218 235
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220	10 907	119 697	36 218	25 787	14 582	23 049	230 239
Gross - Non-proportional reinsurance accepted	R0230	34 450	56 540	17 196	6 620	13 882	5 443	134 130
Reinsurers' share	R0240	31 065	75 504	9 654	3 096	12 233	15 723	147 275
Net	R0300	14 292	100 732	43 760	29 311	16 230	12 768	217 095
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	5 666	78 333	30 216	14 520	10 248	23 513	162 497
Gross - Non-proportional reinsurance accepted	R0330	7 323	21 374	6 466	10 172	6 511	508	52 354
Reinsurers' share	R0340	4 423	31 775	4 823	997	4 749	12 132	58 898
Net	R0400	8 566	67 932	31 859	23 695	12 011	11 890	155 953
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420		0	88	0	0	0	88
Gross - Non- proportional reinsurance accepted	R0430							0
Reinsurers'share	R0440							0
Net	R0500		0	88	0	0	0	88
Expenses incurred	R0550	691	28 497	11 592	10 363	629	1 897	53 669
Other expenses	R1200							
Total expenses	R1300							53 669

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	55	8 645	4 930	1 018	6 839		21 487
Reinsurers' share	R1420	3	55	0	31	1 401		1 490
Net	R1500	52	8 590	4 930	987	5 438		19 997
Premiums earned								
Gross	R1510	55	8 944	4 930	1 018	6 838		21 785
Reinsurers' share	R1520	3	55	0	31	1 401		1 490
Net	R1600	52	8 889	4 930	987	5 438		20 295
Claims incurred								
Gross	R1610	17	13 003	2 088	138	699		15 945
Reinsurers' share	R1620	0	12	0	3	347		363
Net	R1700	17	12 991	2 088	135	352		15 583
Changes in other technical provisions								
Gross	R1710	0	4 722		0	-1 747		2 975
Reinsurers' share	R1720	0	0	0	0	0		0
Net	R1800	0	4 722		0	-1 747		2 975
Expenses incurred	R1900	23	1 567	2 888	299	2 318		7 095
Other expenses	R2500							
Total expenses	R2600							7 095

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**									84 109	84 109
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									1 871	1 871
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**									82 238	82 238
Risk Margin	**R0100**									13 376	13 376
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**									97 485	97 485

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**					-1 932	-1 932
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**					0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**					-1 932	-1 932
Risk Margin	**R0100**					1 284	1 284
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**					-647	-647

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**	19	-1 989	-5	875	-3 338	-267	5 524	-52	-1
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0140**	-30	-1	0	-939	22	32	8 041	238	-51
Net Best Estimate of Premium Provisions	**R0150**	48	-1 988	-5	1 814	-3 360	-299	-2 517	-290	51
Claims provisions										
Gross	**R0160**	3 938	19 132	8	38 553	4 733	5 617	81 338	17 885	1 080
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0240**	-240	-67	0	5 460	-14	2 814	36 129	669	1 007
Net Best Estimate of Claims Provisions	**R0250**	4 178	19 200	8	33 094	4 747	2 802	45 209	17 215	72
Total Best estimate - gross	**R0260**	3 956	17 143	2	39 428	1 395	5 350	86 862	17 833	1 079
Total Best estimate - net	**R0270**	4 226	17 212	2	34 907	1 387	2 504	42 692	16 925	123
Risk margin	**R0280**	61	660	47	1 423	484	273	3 191	1 475	127
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	4 018	17 803	50	40 851	1 879	5 623	90 053	19 308	1 206
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-270	-68	0	4 521	8	2 846	44 170	908	956
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	4 288	17 871	50	36 330	1 871	2 777	45 883	18 400	250

Annex II
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		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**	-30	0	-9	-10 301	-8 331	-640	-33 367	-51 912
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0140**	0	0	0	31	-3 363	-474	-27 707	-24 200
Net Best Estimate of Premium Provisions	**R0150**	-30	0	-9	-10 332	-4 967	-166	-5 660	-27 711
Claims provisions									
Gross	**R0160**	49	0	5	20 755	153 766	16 429	93 030	456 316
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0240**	1	0	0	14 632	74 204	14 668	63 469	212 731
Net Best Estimate of Claims Provisions	**R0250**	48	0	5	6 123	79 562	1 761	29 561	243 585
Total Best estimate - gross	**R0260**	19	0	-4	10 454	145 435	15 789	59 663	404 404
Total Best estimate - net	**R0270**	18	0	-4	-4 209	74 595	1 595	23 901	215 873
Risk margin	**R0280**	101	0	103	413	13 572	386	4 021	26 336
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				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	R0320	119	0	99	10 866	159 007	16 175	63 684	430 740
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	1	0	0	14 663	70 840	14 194	35 762	188 531
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	119	0	99	-3 797	88 166	1 981	27 923	242 209

Annex II
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	Underwriting year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**In Current year**	**Sum of years (cumulative)**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											510	**R0100**	510	510
N-9	**R0160**	95 692	45 215	11 552	4 592	4 230	2 718	1 769	1 804	5 127	741		**R0160**	741	173 439
N-8	**R0170**	51 121	15 559	7 194	2 452	3 176	2 803	2 522	2 054	506			**R0170**	506	87 387
N-7	**R0180**	68 402	30 623	9 894	3 552	2 095	3 163	1 054	1 483				**R0180**	1 483	120 266
N-6	**R0190**	127 182	63 330	20 545	9 181	3 424	3 046	1 269					**R0190**	1 269	227 976
N-5	**R0200**	101 922	51 290	31 124	17 053	11 263	22 668						**R0200**	22 668	235 320
N-4	**R0210**	91 074	57 115	28 775	13 680	8 143							**R0210**	8 143	198 787
N-3	**R0220**	77 712	48 501	15 283	4 348								**R0220**	4 348	145 844
N-2	**R0230**	115 710	77 398	23 800									**R0230**	23 800	216 907
N-1	**R0240**	86 865	27 494										**R0240**	27 494	114 359
N	**R0250**	37 750											**R0250**	37 750	37 750
												Total	**R0260**	128 711	1 558 545

Annex II
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Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted data)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											11 108	R0100	10 731
N-9	R0160	0	0	0	0	0	0	29 796	27 741	22 555	22 323		R0160	22 016
N-8	R0170	0	0	0	0	0	18 838	12 362	10 422	8 655			R0170	8 001
N-7	R0180	0	0	0	0	21 141	17 726	17 851	16 121				R0180	15 221
N-6	R0190	0	0	0	25 831	23 984	16 422	14 477					R0190	13 599
N-5	R0200	0	0	53 183	61 413	49 947	18 358						R0200	17 013
N-4	R0210	0	82 976	67 489	49 581	30 094							R0210	27 402
N-3	R0220	89 889	61 459	44 135	29 521								R0220	26 447
N-2	R0230	142 139	108 345	70 599									R0230	68 467
N-1	R0240	101 617	82 393										R0240	77 994
N	R0250	176 706											R0250	169 417
												Total	R0260	456 308

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			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type under	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	80 043	80 043			
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	242 650	206 943		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/E	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Annex II
S.23.01.01
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**	242 650	206 943		35 708	
Total available own funds to meet the MCR	**R0510**	242 650	206 943		35 708	
Total eligible own funds to meet the SCR	**R0540**	242 650	206 943	0	35 708	0
Total eligible own funds to meet the MCR	**R0550**	216 854	206 943	0	9 911	
SCR	**R0580**	110 125				
MCR	**R0600**	49 556				
Ratio of Eligible own funds to SCR	**R0620**	220,3%				
Ratio of Eligible own funds to MCR	**R0640**	437,6%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	224 625
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	17 683
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**	80 043
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	45 351
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	62 624
Total Expected profits included in future premiums (EPIFP)	**R0790**	107 975

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
1	Market risk	29 203	0		
2	Counterparty default risk	29 068	0		
3	Life underwriting risk	17 463	0		
4	Health underwriting risk	19 158	15 629		
5	Non-life underwriting risk	67 335	67 335		
6	Intangible asset risk	0	0		
7	Operational risk	15 916	0		
8	LAC Technical Provisions (negative amount)	0	0		
9	LAC Deferred Taxes (negative amount)	-13 042	0		

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	165 101
Diversification	R0060	-54 976
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	110 125
Capital add-ons already set	R0210	0
Solvency capital requirement	R0220	110 125
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	0
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	-13 042
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
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	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

		Yes/No
		C0109
Approach based on average tax rate	R0590	Yes

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	-13 042
LAC DT justified by reversion of deferred tax liabilities	R0650	-13 042
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	-13 042

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	60 370

		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	4 226	21 300
Income protection insurance and proportional reinsurance	R0030	17 212	3 467
Workers' compensation insurance and proportional reinsurance	R0040	2	19
Motor vehicle liability insurance and proportional reinsurance	R0050	34 907	17 928
Other motor insurance and proportional reinsurance	R0060	1 387	29 763
Marine, aviation and transport insurance and proportional reinsurance	R0070	2 504	4 214
Fire and other damage to property insurance and proportional reinsurance	R0080	42 692	121 769
General liability insurance and proportional reinsurance	R0090	16 925	8 103
Credit and suretyship insurance and proportional reinsurance	R0100	123	83
Legal expenses insurance and proportional reinsurance	R0110	18	53
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	21
Non-proportional health reinsurance	R0140	0	5 128
Non-proportional casualty reinsurance	R0150	74 595	32 117
Non-proportional marine, aviation and transport reinsurance	R0160	1 595	2 724
Non-proportional property reinsurance	R0170	23 901	49 190

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
MCR_L Result	R0200	5 999

		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	78 244	
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	5 446	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		4 380 055

Overall MCR calculation

		C0070
Linear MCR	R0300	66 370
SCR	R0310	110 125
MCR cap	R0320	49 556
MCR floor	R0330	27 531
Combined MCR	R0340	49 556
Absolute floor of the MCR	R0350	3 600
		C0070
Minimum Capital Requirement	R0400	49 556

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**				

Annex II

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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		