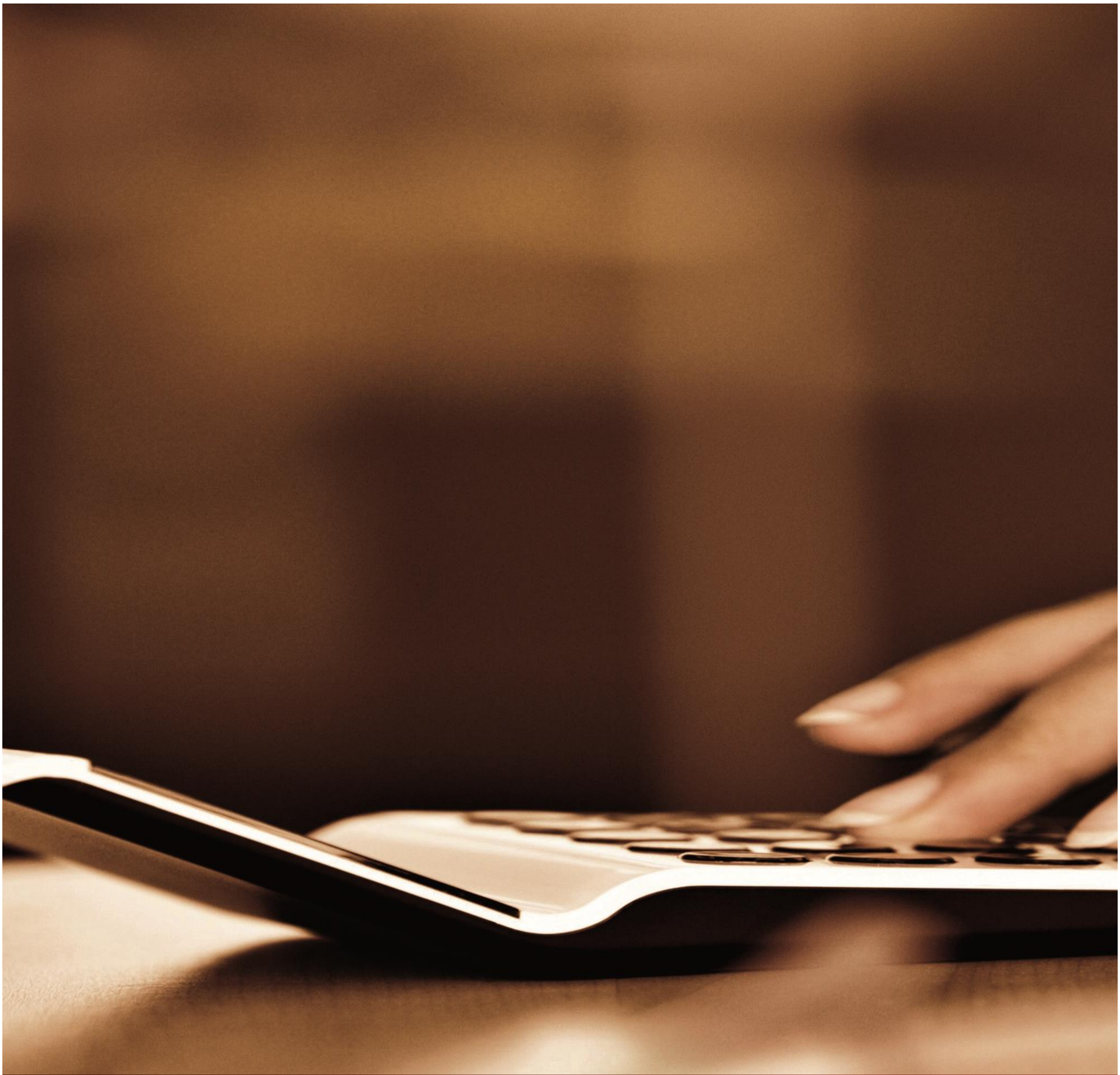


CREDENDO STE

SOLVENCY & FINANCIAL CONDITION REPORT 2017

04/05/2018

Contents

Summary

The Solvency and Financial Condition Report (SFCR) of Credendo Short-Term EU Risks (hereafter ‘Credendo STE’ or the ‘Company’) has been prepared according to the requirements of the Solvency II legislation as laid down in the Commission Delegated Regulation 2015/35. The SFCR follows the structure as set out in Annex XX of the Commission Delegated Regulation 2015/35 and discloses the narrative and quantitative information referred to in Articles 292 to 298 of that Regulation.

This report includes information regarding :

> the essentially mono-line credit insurance business of the Company, its 2017 underwriting performance, at an aggregate level and by material line of business, the performance of its investments and other material income and expenses

> the Company’s system of governance at end 2017, including an extensive description of :

- the structure of the Supervisory Board and Management Board, providing a description of their main roles and responsibilities and a brief description of the segregation of responsibilities within these bodies, their committees, and the main roles and responsibilities of key functions
- its remuneration practices
- the ‘fit and proper’ policy of the Company
- the risk management system and of how the risk management system including the risk management function are implemented and integrated into the organisational structure and decision-making processes, and of how the own risk and solvency assessment is conducted
- how the Company's internal control system and other key control functions (compliance, internal audit, actuarial) are implemented.

No area of Credendo STE’s governance system is assessed as ineffective or inadequate. When appropriate (i.e. measures already initiated during the reporting period or nuanced assessment), measures are/will be implemented under the supervision of the governing bodies of the Company.

> its risk profile, including information regarding the risk exposure and material risks of the Company at end 2017, how these risks are assessed and mitigated, and how assets are invested in accordance with the ‘prudent person principle’

> the valuation of the assets, technical provisions and other liabilities of the Company for Solvency II purposes

> the Company’s capital management strategy, the structure and quality of its own funds at end 2017 and the amounts of the Company’s Solvency Capital Requirement and Minimum Capital Requirement (calculated according to the Solvency II standard formula) at that date.

A. Business and Performance

The Chapter describes the business and performance of Credendo – Short-Term EU Risks (Credendo STE) during 2017.

A.1. Business

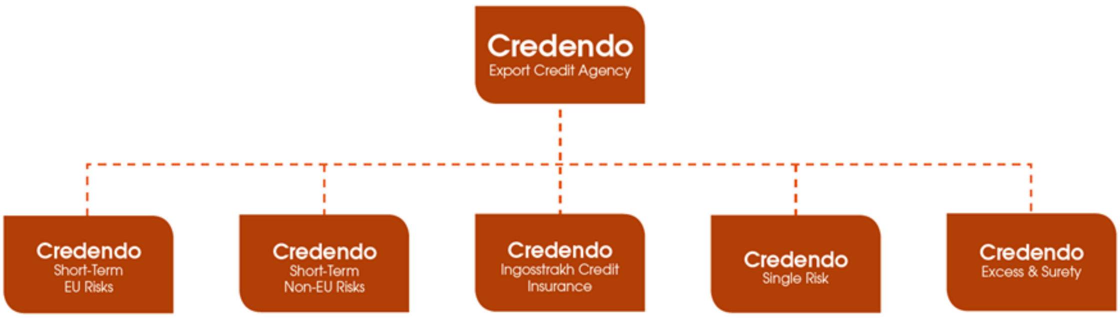
This section describes the legal and organizational structure of Credendo STE as well as its activities.

A.1.1. Structure

Credendo STE (or 'the Company') is a joint stock company incorporated and domiciled in Czech Republic. The address of its registered office is: Na Pankráci 1683/127, 140 00, Prague. The Company, formerly known as KUPEG úvěrová pojišťovna, a.s., was incorporated in 2005 with an initial capital of CZK 160 million. The capital has been increased to CZK 200 million by decision of the sole shareholder (Exportní garanční a pojišťovací společnost, a.s.) on September 5, 2005 on a CZK 40 million capital reimbursement. The Company specializes in underwriting of short-term credit risks in European markets, principally on open account terms. It operates in Czech Republic and has branches in Poland and Slovakia.

Credendo STE belongs to Credendo, which is the fourth largest European credit insurance group, present all over the continent and active in all segments of the credit insurance sector. The group provides a range of products that cover risks worldwide. Credendo group consists of Delcredere I Ducroire, known as Credendo – Export Credit Agency (Credendo ECA) and its five subsidiaries.

Organizational structure of Credendo group

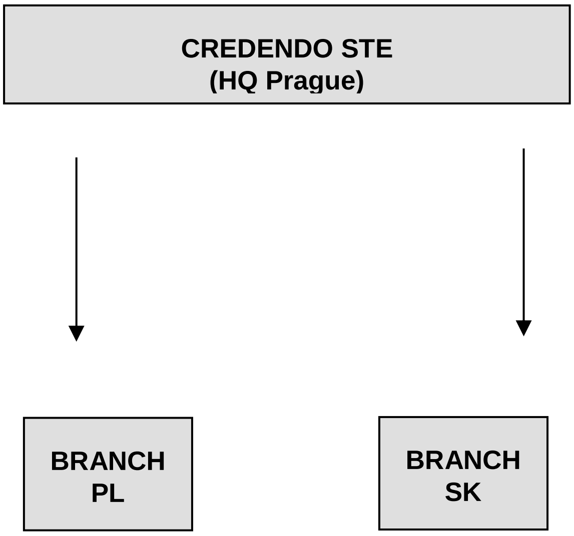


Credendo STE's sole shareholder[1] is Credendo ECA.

In 2012, Credendo STE established a branch in Slovakia (Bratislava). In 2015, a branch in Poland (Warsaw) was established.

[1] More information on the shareholders to be found in chapter B.1.3.

Chart : Organization of Credendo STE



In 2007, Credendo STN (Credendo Short Term non-EU risks SA, formerly Credimundi SA) and SACE BT each bought 33% of shares in Credendo STE. In May 2009, Credendo STN bought 33% of shares from SACE BT and became a majority shareholder of Credendo – Short-Term EU Risks, holding 66% of shares. The remaining part of shares (34%) were in hands of EGAP. In 2016, Credendo STN bought all the shares from EGAP and became the sole shareholder. In 2016, Credendo STN sold 100% of shares to Credendo ECA, which became in December 2016 the sole shareholder of Credendo STE.

The Czech National Bank[2] is responsible for supervision of Credendo STE.

PwC[3] is external auditor.

A.1.2. Business Lines

Credendo STE is active in short-term credit insurance and insures the political and commercial credit risks of trade transactions, especially on the EU market. The main product is a "Whole Turnover Insurance of Trade Receivables", which protects the policy holder from the loss it incurs because a specified debtor fails to make a payment when due under the original or modified payment terms. Essentially, Credendo STE insures the risk related to non-payment of current trade transactions which is caused by a problem with the debtor (insolvency or debtor default) or political events.

Credendo STE is exclusively active in credit insurance and suretyship and writes almost all its business in its home country Czech Republic and the countries where it has established a branch.

[2] Czech national bank Na Příkopě 28 115 03 Praha 1 tel.: +420 224 411 111 fax: +420 224 412 404
[3] PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734//2c, Id nr: 40765521, Praha 4, tel: +420 251 151 11, fax: +420 252 156 111.

A.2. Underwriting Performance

Credendo STE's underwriting performance in credit & suretyship in 2016 and 2017 has been the following – data refer to the statutory Czech accounting standards ("CAS") reported to the supervisor Czech National Bank ("CNB").

Table: Performance of underwriting activities in 2016 and 2017

('000 CZK)	Actual 2016	Actual 2017
Earned premium net of reinsurance	**129 441**	**150 542**
Gross written premium	364 577	440 451
Written premium - reinsurers' share (-)	-233 250	-289 909
Variation of the provision for unearned premium and unexpired risks – gross	-4 795	817
Variation of the provision for unearned premium and unexpired risks - reinsurers' share	2 909	-14
Other technical income net of reinsurance	43 715	43 154
Charges of claims net of reinsurance (-)	**-129 708**	**-117 687**
Gross claims paid	-233 071	-258 455
Claims paid – reinsurers' share (-)	149 750	155 063
Variation of the provision for claims – gross	-97 057	77 409
Variation of the provision for claims - reinsurers' Share	50 670	-91 704
Variation of other technical provisions net of reinsurance	-1 137	-4 693
Profit sharing and rebates net of reinsurance	1 143	4 183
Operating expenses net (-)	**-108 974**	**-82 162**
Acquisition costs	-71 118	-70 376
General expenses	-109 551	-112 630
Commissions from reinsurers (-)	71 695	100 844
Other technical expenses net of reinsurance (-)	184	-248
Variation of the provision for equalization & catastrophe	13 276	0
Technical result	**-52 060**	**-14 474**

Gross written premium in 2017 has increased by approx. 21% mainly due to new business in Poland as well as smooth development in Czech and Slovak Republic. Premium rate is on level of 0,14%. Loss ratio of 2017 is 43%. This is mainly due to positive development of one-off the biggest cases of the company, however slightly distorted by increases defaults in Poland compared to our Projections.

No changes in the product mix and legal/fiscal environment are assumed in the latest business plan. The risk mitigation methods used in 2017 continued in 2018-2020.

The most relevant external factors that could have important adverse impact on the underwriting performance and overall solvency needs are subject to scenario testing in the regular ORSA, especially changes in loss ratios due to worsening economic conditions applying to debtor risks and price variations in a changing insurance market.

A.3. Investment Performance

Table : Performance of investment activities 2016 and 2017

('000 CZK)	2016	2017
Financial income		
Income from financial investments	1 242	1 979
Financial expenses (-)		
Charges on financial investments	-1 294	- 3 590
Financial result	**-52**	**-1 611**

The income from investments (CZK 1 979 ths.) relates mostly to the interests received from bonds held during 2017 and interest received on term deposits.

A.4. Performance of other activities

	2016	2017
Other income and expenses		
Other income	9 354	13 709
Other expenses	-12 579	-16 240
Income tax		
Income tax from ordinary activities	27	0
Other taxes	-20	-2 548
Result from other activites and taxes	**-3 218**	**-5 079**

The other income and expenses represent the realized foreign exchange differences relating to operational daily business transactions in foreign currencies, mainly in Polish zloty, as well as the re-valuation of term deposits and bank accounts in foreign currencies (Polish zloty) at the closing dates.

A.5. Any other information

There is no other material information regarding Credendo STE's business and performance which should be included on top of the above.

B. System of Governance

This chapter contains a description of the system of governance of Credendo STE.

B.1. General information on the system of governance

B.1.1. Corporate bodies

a) Management Board

In addition to the powers granted to the Management Board by law and by the Articles of Association of the Company, the Management Board is responsible for determining, deciding and evaluating on a regular basis the general strategy and objectives of the Company and follow-up of the achievements.

The Board is responsible to determine, decide and evaluate the organisational and operational structure of the Company, aimed at supporting its strategic objectives and operations and validate the policies regarding governance *sensu stricto* as well as the prudential and financial reporting to the competent supervisory authorities.

With respect to risk management, the Board is responsible for setting the overall risk appetite and overall risk tolerance of the Company. The MB also approves the general policy and principles on risk management, draws the framework where the Company is willing to accept and retain risks and/or should avoid and transfer risks.

In that respect, the Board will also approve any periodic revision of the main strategies and policies in terms of risk management and ensures that such strategic decisions and policies are consistent with the structure, size and the specificities of the Company.

The Management Board can perform all necessary actions (except for the actions that are reserved by law or by the Articles of Association to the General Meeting of Shareholders) to accomplish the company objectives, especially with reference to the assessment of the general strategy of the Company.

The Management Board approves the Charter of the internal control functions, defining the statute of each internal control function and guaranteeing their required authority, resources and independence. At least once a year the internal control functions report to the Management Board on the execution of their mission. On their own initiative they can inform the Management Board and Supervisory Board of their concerns and warn of specific (risk) developments that have or could have a negative impact on the Company. The Management Board ensures that the effectiveness of the system of governance and the performance of the internal control functions is subject to an internal review at least once a year.

In general, the Management Board is responsible for the effective day-to-day management of the Company, including the implementation and elaboration of the strategy established by the Supervisory Board, taking into account the risk tolerance limits established by the Board.

Further, the Management Board is responsible for the implementation of the risk management system.

This includes translating the risk appetite framework and general policy on risk management into detailed policies, procedures and guidelines, execute the necessary measures to manage and mitigate the risks, ensure that all relevant risks to which the Company is exposed are identified, measured, appropriately managed, monitored and reported, and monitor the development of the risk profile of the Company and the risk management system.

Finally, the Management Board is also responsible for the implementation, follow-up and assessment of the organizational and operational structure of the Company, to ensure uniformity with the risk management and risk appetite framework. For that purpose, it will set up appropriate internal control mechanisms at all levels of the Company and assess the adequacy of these mechanisms.

The Board evaluates the general principles of the remuneration policy at least once a year to ensure it remains appropriate during changes to the company's operations or business environment.

b) Supervisory Board

The Supervisory Board, as the Company’s supervisory body, oversees the due exercise of the powers of the Management Board and the development of the Company’s business activities.

In its supervising role, the Supervisory Board ensures that a Management Board, responsible for the day-to-day management and effective governance of the Company, is established and monitors its performance. Further, it evaluates and approves the financial objectives (the business plan) as well as the operational and financial plan as prepared by the Management Board and reviews and evaluates the performance of the Company in light of the proposed financial objectives and business plans.

The Supervisory Board also examines all relevant financial statements, the report on relations between the controlling and controlled entity and on relations between the controlled entity and other entities controlled by the same controlling entity, the report on the Company’s business activities, assets and sales policy, the annual report and reviews the proposal for the distribution of the profit or coverage of the loss. It also presents a report on its activities to the General Meeting/sole shareholder.

Finally the Supervisory Board also performs the function of audit committee.

c) Specialized committees

The Management Board has created specialised committees to assist in certain tasks: the Underwriting Committee, and the Impairment Committee. The Claims Committee and the Commercial Committee were cancelled by the Management Board decision in 2017 and their agenda is now in direct responsiblity of the Management Board.

> Underwriting Committee

The Underwriting Committee is the company's executive body competent to approve credit limits and to set the level of maximum acceptable exposure, rating and validity of its decision for buyers or groups of economically connected buyers. The Underwriting Committee is the company's executive body competent to approve exposure also in bond insurance.

Competences

1.Credit limits

It is the exclusive competence of the Underwriting Committee to decide upon the requests for credit limits where the aggregate value of the requested and existing limits on a buyer or on an economically connected group of buyers exceeds the amount of EUR 5 million. Similarly, decision of the Committee is necessary during risk review of the buyer or economically connected group of buyers where total exposure exceeds EUR 5 million.

Where the exposure on a buyer or on an economically connected group of buyers exceeds EUR 10 million, final approval of the Management Board is necessary.

2.Bond Insurance

It is the exclusive competence of the Underwriting Committee to decide upon the approval of total exposure on a debtor or economically connected group of debtors in the bond insurance business in case the exposure exceeds EUR 2 million. Exposure below EUR 2 million can be approved by the Director responsible for bond insurance business line.

In case the exposure exceeds EUR 5 million, the approval of both the Credendo STE Underwriting Committee and the approval of the dedicated member of the Management Board are necessary.

> Impairment Committee

The Impairment Committee is the Company's body validating and approving technical provisions and estimates. It reviews the proper usage of expert judgement which plays a substantial role in setting of those. The Committee decides upon the following technical provisions or estimates:

- Reported But Not Settled (RBNS) claims provisions
- Estimated recoveries

B.1.2. Remuneration

Credendo STE aims to attract, motivate and retain the best resources capable of achieving the company mission in adherence to the group values. Effective compensation strategies represent a key driver to positively reinforce employee commitment, engagement and alignment with organisational goals.

The remuneration strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the staff members who are committed to maintaining a long-term career with Credendo STE. This means that the members of the Management Board, the heads of branches and all other staff are entitled to a fair remuneration.

The total compensation approach provides for a balanced package of fixed and variable components, each designed to impact in a specific manner the motivation and retention of staff members, in line with relevant market's competitive levels.

The total remuneration components are:

- Base (fixed) salary;
- Variable remuneration;
- Other benefits;
- Severance payments, where applicable.

The allocation of stock options or other share programs are not used in any form as an element or part of the remuneration package.

> **The base (fixed) salary** is mainly determined on the basis of the function of the employee, including responsibility and job complexity. The purpose of the base salary is to attract and retain staff members by paying market competitive pay for the role, skills and experience.

> **Variable remuneration** is defined as the remuneration not arising from the base (fixed) salary, but being paid provided some criteria are met. The components of the remuneration scheme are balanced so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid staff being overly dependent on the variable components and to allow the entity to operate a fully flexible bonus policy, including the possibility of paying no variable component.

Therefore, the bonus is capped by a well-defined maximum value and that maximum value should not represent more than 30 % of the fixed annual remuneration.

The variable remuneration system rests on basic principles aimed at reaching a threefold objective:

- to enhance the motivation of the beneficiaries;
- to stick to good governance principles;
- to favor consistency and administrative simplification.

The calculation of the bonus is based on well-defined criteria, combining quantitative and qualitative objectives. In general terms, the criteria are long term criteria, focusing the energies in the right direction and avoiding distortion of financial results based on short term interests, which can prove to be detrimental to the long term development of the Company.

Where variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the individual, of the business unit or branch concerned and of the overall result of the Company.

With respect to the assessment of the performance of the individual, it is based on a balanced set of indicators, which also include adherence to effective risk management and compliance. Financial and also non-financial criteria are taken into account when assessing an individual's performance.

As a consequence, the variable remuneration of the members of the Management Board and of heads of branches is the result of a combination between quantitative and qualitative criteria.

The variable remuneration of other staff is the result of a combination between collective corporate criteria and individual targets, both types of criteria are combined in a global score. For the collective corporate criteria the quantitative criteria growth and result are used. For the individual targets criteria, these are set for each staff member by the respective department´s director.

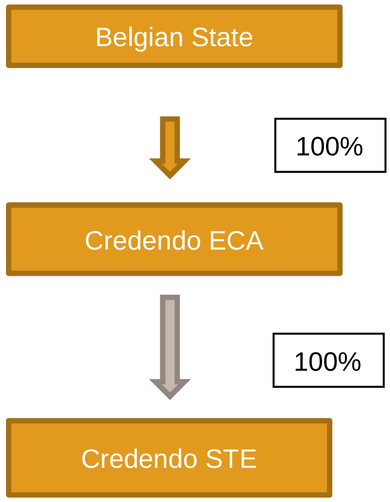
The variable part of remuneration of staff engaged in the internal control functions, if any, is independent from the performance of the operational units and areas that are submitted to their control.

> **Other benefits** are awarded on the basis local market practice and regulation. For example this can include meal vouchers, contribution to pension insurance, life insurance or employee loans for specific purposes.

Severance payments are payable in accordance with relevant local legislation and applicable collective agreements. Severance pay will constitute an appropriate compensation for early termination due to organisational changes, according to the applicable local legislation and collective bargaining agreements.

B.1.3. Shareholdership

The Company's shareholder is **Delcredere I Ducroire** (hereafter also referred to as Credendo ECA) holding 200 shares (100%). Credendo ECA is the Belgian Export Credit Agency created under the law of August 31, 1939 and performs its activities of export credit insurance, limited to the cover of mid- and long-term transactions, with the guarantee of the Belgian State.



Information about material transactions during the reporting period (2017) with shareholders and with persons who exercise a significant influence on the undertaking:

A Service level agreement with the current shareholder was concluded in 2016. A Service level agreement was also concluded with the previous controlling entity – Credendo STN (formerly known as Credimundi SA/NV) in 2013. Both SLAs are still valid.

B.1.4. Material transactions with AMSB members (members of the administrative, management or supervisory body)

There are no material transactions between the Company and AMSB members.

B.2. Fit and proper requirements

a) Policy

The Fit and Proper policy ensures that all persons who effectively run the Company or have other key functions at all times fulfil the following requirements:

- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
- they are of good repute and integrity (proper).

The Company's policy confirms the strategy to select and evaluate the suitability of the executive and non-executive directors, the head of branches and the internal control function holders in order to ensure an appropriate oversight over the activities of the Company, including its risk-taking decisions and to comply with the corporate values and long term interests of the Company.

Because of the different responsibilities of the mandates and positions that fall under the scope of this policy, specific requirements are applicable to the professional and personal abilities that are needed.

The detailed objectives, expected results and positioning, as well as the required skills and competences (fitness) are described in the different job descriptions that are drawn up for each of those mandates and positions, taking into account the aforementioned principles.

Regarding the professional integrity ("properness"), all positions under the scope of the Fit & Proper policy are required to be professionally honourable and of a good reputation. A person is considered to be professionally honourable (proper) if there is no evidence to the contrary or reasonable doubt about that person's good reputation.

A recruitment policy regarding the suitability of the members of the Management Board, the members of the Supervisory Board as well as of the internal control function holders and head of branches provides a framework methodology aimed at determining the skills and competencies of the members.

b) Implementation process

The persons that are eligible for an appointment as member of the Management Board are nominated by the Supervisory Board of the Company. The internal control function holders and the head of branches are nominated by the Management Board in consultation with the Supervisory Board.

The Company assesses the expertise and professional integrity of the aforementioned persons prior to their appointment according to the principles set out in the fit & proper policy, and will carry out a "due diligence" investigation, the specific level of which depends upon the planned position or mandate.

The selection interviews are carried out by a person from the Human Resources department or a member of the Management Board. HR is the responsible department for ensuring the Fit and Proper process. Final assessment is confirmed by the Management Board and/or Supervisory Board in case of member of the Supervisory Board.

Where the Company has completed the investigation and selection interviews and wishes to consider a person for a particular position, the internal selection decision, including any considerations upon which it is based, will be recorded in writing by the duly authorised party of the Company in consultation with the Human Resources department.

All competences listed in the rules will be covered in the investigation, either through the interview or by means of a thorough assessment, by focusing on specific examples from the applicants in which they describe situations where they might have demonstrated the required competences and behaviours or by focusing on concrete facts registered in their known position.

When a person changes the position, this will be considered as a new appointment, as well when there is a significant new distribution of tasks within the Management Board. This means that the fit and proper procedure needs to be applied again.

c) Re-evaluation

Re-evaluation of the members of the company bodies is made before their re-appointment after finishing their membership period, which is currently 3 years for Management Board as well as for Supervisory Board.

An extraordinary re-evaluation session takes place in one of the following situations:

- Organizational changes affecting the responsibility of the position;

- An event likely to influence their “fit and proper” status;
- The company deems that doubts might arise about the “fit and proper” status of a person who holds a position.

B.3. Risk management system including the Own Risk and Solvency Assessment

B.3.1. Risk management system

Credendo STE has implemented and maintains an effective risk management system that is compliant with the requirements thereon.

a) Risk appetite framework and tolerance limits

The Management Board and Supervisory Board of Credendo STE define a clear risk management strategy, consistent with the overall business strategy of the Company and reviewed annually. The risk management strategy consists of the risk appetite framework and the general policy on risk management.

The risk appetite is defined on group and individual level. The Group risk appetite sets general risk tolerances and risk preferences which are binding for all companies within the Group. The individual risk appetite is more detailed and reflects specificities of Credendo STE´s needs..

The risk appetite framework establishes the risks that Credendo STE is willing to accept, avoid, retain and/or transfer. The general risk appetite is translated for the main categories of risk into risk tolerances (i.e. quantitative risk appetite statements that guide in the selection of risks) and risk preferences (i.e. qualitative risk appetite statements that guide in the selection of risks) and further detailed through risk limits to guide day-to-day business operations.

The risk appetite framework and risk management strategy are reviewed on yearly basis.

b) General policy on risk management

The general policy on risk management defines how the risk management framework is structured and how it should operate in practice, in order to balance control, risk management and transparency. The document assigns roles and responsibilities within the risk management framework of the Company and ensures efficient decision-making processes. The policy on risk management serves as an umbrella document that introduces a cartography of formal specific documentation needed for an effective risk management system. The general policy on risk management sets out the risk management objectives and key principles, categorizes all material risks the Company is exposed to (based on a for Credendo common categorization and definition of risks) and defines clearly and in detail per risk type the strategy, policy, procedures and systems that have been implemented for the identification, assessment, mitigation, monitoring and control of the risks.

c) Specific policies per risk

The risk management strategy is further specified via adequate written policies per risk type to ensure implementation in day-to-day business:

Overall Business Strategy				
Risk Strategy > **Risk Appetite** > **Policy on Risk Management**			Other Strategies	
Policy on Underwriting Risk **> Technical Provisions Valuation Methodology**	**Policy on Financial Risks**	**Policy on Operational Risk** > Outsourcing Policy > BCP Policy	**Policy on Strategic Risk**	**Policy on Reputational Risk**
+ Policy on ORSA				
+ Policy on Capital Management				

The policy on financial risks combines related policies on financial risks as this fits with the organisational structure and processes within the Company. The policy thus comprises the implementation of the “prudent person”-principle and the strategy vis-à-vis market risk, concentration risk, ALM risk, liquidity risk and credit risk. The policy on operational respectively strategic reinsurance management is part of the policy on underwriting risk respectively capital management.

These specific policies per risk type, considered sub-policies to the above-mentioned policy on risk management, outline the framework that staff has to take into account when exercising their duties :

> the goals pursued by the policy

> the connection with the overall solvency needs assessment as identified in the forward looking assessment of the Company’s own risks (based on the ORSA principles), the regulatory capital requirements and the risk appetite framework

> the processes and (reporting) procedures applied to identify, assess, manage, monitor and report the risk area concerned

> levels of acceptable risk or risk limits in line with the overall risk appetite

> the tasks to be performed and the person or role responsible for them

Reference may be made to written guidelines and procedures. Guidelines further detail the policy document, with a key focus on the process stages (including activities with detailed roles and responsibilities). Procedures describe in detail the process that formalizes the way of acting or progressing in a course of a given set of actions (especially an established method…). As such, a comprehensive and coherent set of documents has been elaborated according to the following architecture of documentation:

	Document	Purpose
1.	Risk Management Strategy (Policy on risk management)	describe the risk management framework (principles, appetite) and risk governance (roles & responsibilities)
2.	Risk Policy (per risk type)	outline the risk management framework per risk type to guide staff in decisions and actions when exercising their duties
3.	Guidelines	further detail the policy document, with a key focus on the process stages
4.	Procedures	detail the process that formalizes the way of acting or progressing in a course of a given set of actions

All policies within the risk management framework, are subject to approval by the Management Board and Supervisory Board, not only for the original policy approval but also for any subsequent changes, unless these are minor. The policies are reviewed at least annually and the review is appropriately documented.

d) Risk identification and measurement system

The risk management system identifies and measures all material risks that the Company faces, including risks that are not or hard to quantify and/or risks not fully captured by the Solvency II required capital calculation. The latter relate to ALM risk, liquidity, concentration, strategic and reputation risks, which are all considered material risks that are identified and covered in the Company's risk management system.

All identified risks are measured, either quantitatively or qualitatively:

> The most material risk types are quantified using risk-based capital models. The Solvency II standard formula measures underwriting, market, counterparty and operational risks by a Value-at-Risk approach that captures risk at individual and aggregated level and takes risk correlation into account. Alternative quantifications using similar risk-based capital models may enrich the risk assessment. Alternative risk-based capital models used by the Company concern rating capital models, that typically quantify underwriting, market and counterparty risks, using comparable metrics.

> Less quantifiable risks (like strategic and reputation risks) are assessed using qualitative tags ("high, moderate, …") for likelihood and impact of the inherent and residual risks. Likelihood (or probability) represents the possibility that a given event will occur, while impact or severity represents its effect. Inherent risk is the risk in the absence of any actions to alter either the risk's likelihood or impact. Residual risk is the risk that remains after response to the risk. This assessment is done by maintaining a risk matrix to which all of the departments, control functions and outsourced functions participate, allowing for the connection of the governance and control system with the full risk picture.

Relevant risks are subject to a sufficiently wide range of stress tests and/or scenario analyses. Taking the Company's risk profile of a non-life credit insurer into account, the most relevant stress testing refers to shocks on the underwritten credit risks.

e) Risk reporting system

The Company has implemented reporting procedures and processes which ensure that information on its material risks is actively monitored and reported, allowing management and other key functions to take that information into account in their decision making process. The Company's risk management function reports on a quarterly basis to the Management Board and Supervisory Board and Credendo Group Risk Management function on solvency issues and material risk exposures, based on Credendo's risk categorization.

The forward-looking assessment of risks and solvency needs is reported as part of the annual ORSA report that is submitted to the Supervisory Board, accompanying the business plan.

The Company has also implemented reporting procedures and processes ensuring that the effectiveness of the risk management system is analyzed regularly and that appropriate modifications to the system are made where necessary.

f) Implementation process

The Company's risk-management system is well integrated into the organizational structure and in the decision-making processes.

The Company's Supervisory Board is responsible for ensuring that the implemented risk management system is suitable, effective and proportionate to the nature, scale and complexity of the risks inherent in the business. It is responsible for the development and setting of the business strategy, and approving and reviewing annually the related risk strategy, comprising the risk appetite framework and the policy on risk management. In order to materialize that strategy, the Management Board and Supervisory Board approve and review annually the policies per risk type as well as the policy on ORSA and on capital management. It monitors if the necessary measures are taken for the implementation of the risk management system according to the strategy as set. Finally, the Supervisory Board challenges the results of the own risk and solvency assessment (ORSA) and examines and approves the risk measurement system, its effectiveness, hypotheses and parameters.

The Management Board is responsible for the implementation of the risk management system along the directives of the Supervisory Board and takes the necessary measures for disposing of a permanent Risk Management function. The Management Board determines and imposes risk limits and processes and procedures to contain the risks within the risk tolerance levels set by the Supervisory Board and ensures the appropriateness of the reporting framework.

The Management Board is assisted by the Risk Management function (cf. infra). The Management Board ensures that the Risk Management function can operate on a permanent and independent basis.

B.3.2. ORSA process

The process of forward-looking Own Risk & Solvency Assessment (ORSA) allows for:

- the integrated and pro-active assessment and management of risks inherent in the business of the Company, and
- the determination of corresponding capital needs

as to ensure the viability of the Company in the longer term. The ORSA is integral part of the Company's strategy and systematically taken into account for strategic decision-making.

a) Policy on ORSA

The policy on ORSA, approved by the Management Board, is part of the Policy on Risk Management and sets out:

- the goals of the ORSA process
- the processes and methodologies used to conduct the ORSA
- the frequency and timing for the performance of the (regular) ORSA and the circumstances which would trigger the need for an ORSA outside the regular timescales
- the reporting procedures to be applied
- the process governance

Credendo STE has adequate, robust processes for

- identifying, assessing, monitoring and measuring its own risks, with input from across the whole Company
- calculating its overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy

The stress testing program is part of the ORSA policy and includes:

- Sensitivity analyses by stressing assumptions on modelled loss ratios in the business plan. The volatility of loss ratios illustrates insurers' capabilities to minimize that volatility through managing exposures (such as capping and managing down potential and real exposures, increasing deductibles, etc.), re-pricing risks, changing reinsurance protection…
- Sensitivity analysis to stressed premium rate assumptions
- Qualitative stresses from operational risk events. These qualitative stresses help to define triggers for action plans that answer 'what if'-questions. These are especially important in case of stressing of what are considered as "vital" (sub-)processes. The identification of such processes was part of the Business Impact Analysis performed in order to identify the critical processes and development of a detailed Business Continuity Plan
- Reverse stress testing, including the assessment of the probability of realization of these scenarios that could threaten the viability of the Company

The above stress testing program that is part of each ORSA (see Chapter 6 of the ORSA report) fits the Company's profile where risks are especially situated at the liabilities side (i.e. underwriting risk including CAT and reserve risk).

The ORSA process is embedded into the decision-making and business (planning) processes of the Company and requires

> Involvement of the Supervisory Board, executive and senior management

> Involvement of finance and business departments, and internal control functions

The ORSA processes fit into the Company's organizational structure and risk management system, taking into consideration nature, scale and complexity of the risks. The processes and (reporting) procedures are proper and adequate as to provide a complete and holistic risk understanding for the Company and appropriate results for the assessment and as to meet the core objectives of the ORSA process.

b) Implementation process

The regular ORSA process provides for

- An annual forward-looking ORSA, submitted together with the 3 years forward-looking business plan for approval to the Supervisory Board, assessing
  - the overall solvency needs taking into account quantified and non-quantified Solvency II risks, approved risk tolerance limits and the business strategy of the Company over the business planning time horizon
  - the compliance, on a continuous basis, with the Solvency II capital requirements, monitored by the risk management function, and with the rules regarding technical provisions and data quality, ensured by the actuarial function who also assesses potential risks from uncertainties linked to calculation of technical provisions
    - the significance with which the risk profile deviates from the assumptions underlying the SCR
- Quarterly risk & solvency reporting to the Supervisory Board (cf. B.3.1.e) Risk reporting system)

A non-regular or ad hoc ORSA is performed outside of the regular time-scales following any significant change in the risk profile. Circumstances that would trigger such a non-regular (partial) ORSA will mainly remain limited to underwriting risks, as these are the most material and therefore may change the risk and solvency profile significantly.

The forward-looking assessment of the solvency needs, coordinated by the risk management function, takes account of possible changes in the risk profile due to the strategy of the Company over the business planning time horizon. The solvency needs are assessed using different risk-based capital models, including the Solvency II standard formula, and consider the appropriate mitigation of risks faced in pursuing the business strategy and in stressed scenarios. The process also includes projection of the amount, nature and quality of own funds over the planning horizon. Possible management actions have regard to the actual capital adequacy level identified through the ORSA process compared to the target within the Board's risk appetite setting. These management actions are decided by the Management Board and relate to the risk exposure and/or resources to cover the risks.

B.3.3. Risk management function

The risk management function is a permanent independent function and structured in such a way as to facilitate the implementation of the risk management system within the Company. The embedding of the risk management function in the organizational structure of the Company and the associated reporting lines ensure that the function is objective and free from influence from other functions and from the management and Management Board.

The Company has a permanent Risk Management function within its organisational structure. The person holding the function fulfils the "fit and proper" requirements, i.e. his professional qualifications, knowledge and experience are adequate to enable sound and prudent management, and is of a good repute and integrity.

The main tasks of the Risk management function comprise :

- assisting the Management Board in the effective operation and monitoring of the risk management system and the coordination of risk management activities across the Company
- evaluating regularly the appropriateness and operational effectiveness of the risk management system to identify, measure, monitor, manage and report risks the Company is exposed to
- maintain an organisation-wide and aggregated view on the risk profile and identify and assess emerging risks
- oversee the calculation of the regulatory capital requirements and overall solvency needs and the reporting to supervisory authorities and other stakeholders
- report regularly to the Management Board, Supervisory Board and the Credendo Group Risk Management function on solvency issues and material risk exposures, based on Credendo's risk categorisation
- manage the own risk and solvency assessment (ORSA) process
- oversee reporting to supervisory authorities and other stakeholders

B.4. Internal control system

Credendo STE has a corporate environment encouraging a positive attitude towards internal controls.

B.4.1. Internal control system

The internal control system comprises all measures taken by the Company, under the responsibility of the Supervisory Board and the Management Board of the Company, which with a reasonable certainty must allow that:

- the financial and managerial information is reliable and correct,
- the management is well organised and prudent with defined objectives,
- the risks to which the Company is exposed are known and adequately managed, and
- the policies, procedures, plans and internal codes and guidelines are respected.

a) Objectives and principles

In the framework of its supervisory function the Supervisory Board needs to verify on a regular basis whether the Company has an adequate internal control system. It therefore assesses whether the Company is in line with all legal requirements and it needs to be informed of all measures taken to ensure that all requirements are met.

The Supervisory Board needs to encourage the creation of a positive environment towards suitable and effective control mechanisms within the Company. The suitability of the internal control system means that the internal control system is able to manage and mitigate identified risks in such a way that it allows the Company to realise its objectives. The effectiveness concerns the description of the internal control system and whether the measures are performed or not.

Under the supervision of the Supervisory, the Management Board is responsible for the set-up of an adequate internal control system which provides for all necessary measures to ensure an appropriate financial reporting, operational functioning and rules concerning compliance and integrity within the Company.

b) Rules for monitoring of procedures

All procedures are monitored through the Internal audit mission, which are planned by the Management Board with respect to the risk and procedures which are necessary to monitor.

Procedures related to the Risk Underwriting and Policy issuance are monitored also through the internal IT systems, which allows to set up rights for each employee according his responsibility with respect to the internal guidelines.

The 4 eyes control is applied as well.

c) Training, documentation, archiving

All staff is trained on yearly basis, especially on the Code of Conduct. Training is also provided for the specific topics of products and also for IT systems.

All documentation related to internal policies, resp. internal management and control system is available in the internal system for all staff. Once a new policy or an update of current policy is issued, all staff is informed and training of specific matters follows, if necessary.

B.4.2. Compliance function

The Compliance Function has been established to safeguard the reputation and integrity of the Company by actively promoting compliance with the relevant legislation and regulation, the internal codes and ethics, this by applying the integrity principles, as described in the Integrity Policy and Code of Conduct, and by ensuring and monitoring the practical implementation of those principles.

The Compliance Function is responsible for the identification, documentation, assessment and evaluation of the compliance risk and effectively supports the business areas in their duty to comply with relevant laws and regulations and internal procedures. The Compliance Function ensures the supervision over and testing of the compliance risks, formulates recommendations and reports to the Management Board.

The Compliance Function:

- is responsible for maintaining a good relationship based on mutual trust with the supervisory body responsible for regulatory compliance matters,
- executes its mission by establishing the necessary policies, procedures and guidelines and by creating a permanent environment of awareness among the employees with respect to the integrity rules applicable to them,
- assesses the appropriateness of internal guidelines and procedures and, if necessary, formulates suggestions to adapt;
- monitors, identifies, assesses and registers any failures to comply with the applicable integrity principles in order to prevent these failures to repeat, the legal and regulatory violations as well as infringements on professional integrity;
- keeps up and provides advice regarding new legislation, regulation and professional standards with respect to the integrity of the insurance activities, takes part in the editing of the guidelines for its implementation, and makes the necessary recommendations and submits them to the Executive Committee for approval,
- takes part in the deliberation regarding new products and services/markets, and significant changes in the organisation structure of the Company in respect of compliance risks.

B.5. Internal audit function

a) Implementation

Internal Audit is an independent and objective assurance and consulting activity. The function assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's governance, risk management and internal control. The Internal Audit function in Credendo STE is partially outsourced to a local audit company.

The objective of Internal Audit is to ascertain that the ongoing processes for controlling operations throughout all the Company’s entities are adequately designed and are functioning in an effective manner. In carrying out this work, the Internal Audit function will provide regular reports to the management, the audit committee and Credendo STE’s Supervisory Board on the adequacy and effectiveness of the systems of internal control, together with ideas, counsel, and recommendations to improve the systems, procedures and processes.

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company’s governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Company’s stated goals and objectives. This includes:

- the evaluation of risk exposure relating to achievement of the Company's strategic objectives;
- the full and precise analysis of financial and operational information and the means existing with the Company to measure, to organise and distribute such information;
- the analysis of the existing systems in order to assure the compliance with laws, regulations, general policies, plans and internal procedures;
- the analysis of the means serving to assure the safeguarding of the assets and, if relevant, the verification of the existence of those means;
- the evaluation of the effective and economic use of the instruments which the Company has at its disposal;
- the analysis of the operations and of the programs in order to evaluate if the results correspond to the objectives which have been set;
- the execution of specific audit missions at the request of Board or Management provided that it does not result in impairment of IA's independence or objectivity;
- the monitoring and the evaluation of governance processes;
- the monitoring and evaluation of the effectiveness of the Company's risk management processes;
- the reporting of significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board or Management;
- the performance of consulting and advisory services related to governance, risk management and control as appropriate for the Company provided that the IA assurance activity is still ensured;
- the coordination of certain activities of the statutory auditor and other external regulatory bodies or consultants or service providers in order for these to be executed as efficiently as possible.
- the periodical reporting on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;

The internal audit activities include as objective the development of effective controls at a reasonable price.

b) Independence and objectivity

Independence of the internal audit function vis-à-vis the audited activities requires the function to have sufficient standing and direct and unlimited access to the senior management and the management body, thereby enabling internal auditors to carry out their assignments with objectivity.

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

As stated above, the internal audit function is an outsourced function. In the organizational structure, the internal audit function is subordinated to the Management Board.

Persons providing internal audit have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. Persons providing internal audit are free from influence of persons responsible for the audited department or processes.

B.6. Actuarial function

The Actuarial function is a permanent and independent function within the Company that:

- coordinates the calculation of technical provisions and oversees the calculation of the case-by-case claims provisions, comprising the following tasks:

- apply methodologies and procedures to assess the sufficiency of technical provisions and to ensure that their calculation is consistent with the Solvency II requirements
- assess the uncertainty associated with the estimates made in the calculation of technical provisions
- ensure that any limitations of data used to calculate technical provisions are properly dealt with
- ensure that the most appropriate approximations for the purposes of calculating the best estimate are used for the case-by-case claims provisions
- ensure that homogeneous risk groups of (re)insurance obligations are identified for an appropriate assessment of the underlying risks
- consider relevant information provided by financial markets and generally available data on underwriting risks and ensure that it is integrated into the assessment of technical provisions;
- compare and justify any material differences in the calculation of technical provisions from year to year

> ensures the appropriateness of the methodologies, underlying models and assumptions, used in the calculation of technical provisions, for the specific lines of business of the subsidiary and for the way the business is managed, having regard to the available data

> assesses the sufficiency and quality of the data used in the calculation of technical provisions and whether the information technology systems used sufficiently support the actuarial and statistical procedures

> documents and maintains the technical provisions valuation methodology

> compares regularly best estimates against experience. When comparing best estimates against experience, the actuarial function reviews the quality of past best estimates and uses the insights gained from this assessment to improve the quality of current calculations. The comparison of best estimates against experience includes comparisons between observed values and the estimates underlying the calculation of the best estimate, in order to draw conclusions on the appropriateness, accuracy and completeness of the data and assumptions used as well as on the methodologies applied in their calculation

> supports the Risk Management function in the effective implementation of the risk management system, in particular with respect to the ORSA

The Management board of the Company bears overall responsibility for the Actuarial function.

The performance of the Actuarial function in the framework of a Service Level Agreement was outsourced to an external consultant until the end of July 2017. After that date internal actuarial capacity was used. The person performing the Actuarial function has proven his appropriate knowledge, experience and integrity. Duly mandated, he reports directly to the General Manager of the Company who remains hierarchically responsible. The actuarial function holder is an internal member of the Company (Actuary) and is responsible for the production and the signing of the actuarial function report.

The Actuarial Function is carried out by a person who has knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business of the insurance company, and is able to demonstrate his relevant experience with applicable professional and other standards.

The actuarial function holder fulfills the requirement of independency. Independency means that the actuarial function is free from influences that may compromise its ability to undertake its duties in an objective, fair and independent manner. This independency is achieved by a direct subordination to the Management Board.

B.7. Outsourcing

a) Policy

The Company may decide to outsource certain activities or functions if it considers this would lead to a better management of the Company given the expertise of the service provider and/or economy of scales which would arise from outsourcing the activities.

The Company will also perform a risk and impact analysis according to the principles explained in the policy. In case of the outsourcing of critical or important activities or functions, additional requirements apply.

Taking into account the principles of the outsourcing policy, the Management Board of the Company decides if a function or activity is to be considered as critical or important or not, approves all decisions to outsource such critical or important activities or functions and informs the Supervisory Board of this decision.

Whenever the Company decides to outsource an activity or function, the Company remains fully responsible for that activity or function even in case of intra-group outsourcing.

When a critical or important function or activity is outsourced, the Company guarantees that it possesses the necessary experience, knowledge and resources to maintain oversight and supervision over the outsourced activities and pay the necessary attention to the management of attendant risks, particularly as regards the operational risk. When outsourcing concerns an internal control function, the Company designates a person within its organisation with overall responsibility for this function who is fit and proper and possesses sufficient knowledge and experience regarding the outsourced function to be able to challenge the performance and results of the service provider.

b) Framework and monitoring

Each outsourcing activity is formalised in a written outsourcing agreement or service level agreement (SLA), in which a detailed description is given of the parties' rights and responsibilities and the rules of conduct that apply in carrying out the outsourced activities.

In case of the outsourcing of a critical or important function or activity, the outsourcing agreement states or will state in particular all of the following duties and responsibilities:

- the service provider's commitment to comply with all applicable laws, regulatory requirements and guidelines as well as policies approved by the outsourcing party and to cooperate with the undertaking's supervisory authority with regard to the outsourced function or activity;
- the service provider's obligation to disclose any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements;
- a notice period for the termination of the contract by the service provider which is long enough to enable the outsourcing party to find an alternative solution;
- that the outsourcing party is able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to policyholders;
- that the outsourcing party reserves the right to be informed about the outsourced functions and activities and their performance by the services provider as well as a right to issue general guidelines and individual instructions at the address of the service provider, as to what has to be taken into account when performing the outsourced functions or activities
- that the service provider shall protect any confidential information relating to the outsourcing party and its policyholders, beneficiaries, employees, contracting parties and all other persons;
- that the outsourcing party, its external auditor and the supervisory authority have effective access to all information relating to the outsourced functions and activities including carrying out on-site inspections of the business premises of the service provider;
- that, where appropriate and necessary for the purposes of supervision, the supervisory authority may address questions directly to the service provider to which the service provider shall reply;

- that the outsourcing party may obtain information about the outsourced activities and may issue instructions concerning the outsourced activities and functions;
- the terms and conditions, where applicable, under which the service provider may sub-outsource any of the outsourced functions and activities;
- that the service provider's duties and responsibilities deriving from its agreement with the outsourcing party shall remain unaffected by any sub-outsourcing.

Critical or important functions or activities outsourced by the Company relate to :

- the internal control functions : Internal Audit, (Actuarial function was outsourced to an external consultant until the end of July 2017, after that date the internal actuarial capacity was used.)
- supporting or non-operational functions : IT (incl. provision of data storage and day-to-day systems maintenance or support)
- All service providers of the above-mentioned functions or activities are located in the Czech Republic.

B.8. Any other information

Management and Control System Evaluation

The Management and Control System is set up in accordance with valid legislation, and during its implementation the size of the company and its risk profile were taken into consideration.

The internal control system in the company has been implemented at all levels, with the following approaches and principles taken into consideration:

a) Four-eyes control

b) Committees

c) Control by a superior

c) Setting of rights and access permissions in view of the particular work position

d) Internal control system - Internal audit, compliance functions, risk management system

e) Internal audit at the level of the group

g) Regular informing of the Management Board about financial reports and outputs from internal and external auditing

h) Elimination of conflicts of interest

i) Ensuring continuous operation – Business continuity plan and Disaster recovery plan

For the purpose of decisions, the company has set up a system of four-eyes checks, at almost all levels of decision making. This means that signing of insurance policies and decisions about payouts of insurance benefits are checked and co-signed by another employee of the particular division, whether an employee with the same decision powers or one with greater powers, depending on the circumstances of the particular case.

As for decisions regarding matters which have a more fundamental impact on the running of the company (such as exceptions from standard rules within a particular product, a more extensive claim, a high underwritten limit), such decisions are adopted by established commissions (see the points above), the members of which include members of the Management Board and the heads of individual divisions of the Company.

All decisions adopted at the level of an administrative, management and/or control body of the company are documented as minutes, including minutes of the Management Board meetings and minutes of Supervisory Board meetings.

The Management Board obtains information at regular management meetings, which the Management Board attends and at which all important matters relating to the running of the company are resolved, such as information about newly entered into insurance policies, open claims, underwritten risks, etc. The Board also receives regular reports from internal auditing, the compliance officer and the risk manager.

The Supervisory Board then receives information about the Company via the Management Board, an external auditor and reports from the internal auditor, mainly including information about the development of the Company, individual divisions, economic results, reports from external auditing, etc.

Both bodies then have access to the database, from which they can generate necessary reports.

The internal control system of the company is based on three lines of defence.

In the first line, relevant heads of teams and divisions are responsible for management, control and reduction of risks.

The second line of defence is the implemented function of risk management, which involves oversight and monitoring of the risk management process by the heads of teams and divisions and assistance to owners of risks when reporting them, while the function of compliance involves responsibility for implementation of processes, so that they are in accordance with applicable legislation.

The third line of defence is the function of an internal audit, which based on a risk-oriented approach involves responsibility for effectiveness of identification and management of risks, including control of how the first and second lines of defence function.

In view of these principles and in view of the aforementioned set-up of management (company bodies, the means of decision making, control, etc.) and control, the company considers the Management and Control System to be reasonable for evaluation of the reasonableness of the management and control system of a particular insurer based on the character, scope and complexity of risks associated with the company's activities.

It is the company's understanding that the specified principles of management and control are reasonable in relation to the nature of risks, since both management and control are carried out at multiple levels, both along a horizontal line (management control, four-eyes checks) and a vertical line (internal auditing, risk management, compliance function). Through this system, the company has ensured that risks are regularly checked and managed and that their potential occurrence and impact minimised as much as possible.

C. Risk Profile

This chapter includes qualitative and quantitative information regarding the risk profile of Credendo STE. As mentioned in chapter B.3.1b Credendo STE categorizes all material risks the Company is exposed to, based on a for Credendo group common categorization and definition of risks. That risk typology distinguishes the following risk categories:

> underwriting risk
> asset-liability management (ALM) risk
> market risk
> credit/counterparty default risk
> liquidity risk
> concentration risk
> operational risk
> strategic risk
> reputational risk

All identified risks are measured, either quantitatively or qualitatively (cf. B.3.1d).

C.1. Underwriting risk

Underwriting or insurance risk is defined as "the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions". The Solvency II Framework distinguishes premium & reserve risk, defined as "the risk of loss or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements" from catastrophic risk, described as "the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events".

Underwriting risk is Credendo STE's most material risk. As can be seen in Annex VII, out of a total regulatory Solvency II capital requirement of 249.4 mio CZK at end 2017, capital required for only underwriting risk amounts to 203.1 mio CZK.

Proper execution of the processes of product design and pricing, policy and risk underwriting, provisioning, claims management and reinsurance management is a very important tool to identify, evaluate, mitigate, monitor and control underwriting risk. Product design and pricing risk is the exposure to financial loss resulting from transacting insurance business where the costs and liabilities assumed (in respect of a product) exceed the expectation in pricing (of that product line). Policy and risk underwriting may lead to risk concentrations and concentration risk. Concentration risk means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of undertakings - such exposures may as well be caused by underwriting risk. The valuation of technical provisions and a proper management of claims also are fundamental processes for risk management. Reinsurance, as a risk mitigation technique, enables to prudently manage and mitigate the underwriting risk, stabilise solvency levels, use available capital more efficiently and expand underwriting capacity. However, risk transfer creates counterparty risk or the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of reinsurers. Both solvency and liquidity could be jeopardised in the event of deficiencies in the reinsurance arrangements.

C.1.1. Underwriting risk processes

a) Product design & pricing

The risks related to the management of the risk/premium relationship of each product and the product risk itself are contained by the fact that Credendo STE offers only a limited number of specific types of insurance to professional customers - all policyholders are engaged professionally in an industrial or commercial activity and the insured risks relate to that activity.

The strategic positioning in terms of products to which exposure is sought, is defined by the risk preference stating that Credendo STE has an appetite for insurance risk in credit insurance and suretyship.

Specializing in providing specific types of insurance to specific customers segments is itself seen as a valuable tool for efficient and effective risk management. Moreover, the processes, procedures and information systems that are implemented allow for comprehensive product risk and pricing management. Underwriting guidelines have been established, identifying and controlling existing and potential risks of the product involved and managing the risk/premium relationship of the product. Credendo STE's pricing tool models all drivers of credit risk, using appropriate methodologies depending on the complexity of the risk and available data. Different risk categories are priced consistently. The model produces adequate premium rates to cover expected claims, operational expenses and the remuneration of capital.

The type of insurance risk Credendo STE is willing to accept is part of the group's risk appetite setting.

b) Provisioning

The management of technical provisions is an on-going process to ensure that the technical provisions are adequate for covering the obligations towards the policyholders. Suitable controls and procedures are in place to increase the reliability, sufficiency and adequacy of both the technical provisions and the data to be considered in the valuation.

The estimation of the ultimate liability arising from claims made under insurance contracts is Credendo STE's most critical accounting estimate. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The claims development triangles in Annex V show how the estimate of the gross cost of claims (claims paid and claims provisions under Solvency II valuation principle) for each accident or occurrence year develops over time. The accident or risk occurrence year is defined in terms of the (first) maturity date for the comprehensive policies product, in terms of date of bond calling for sureties and of reporting for inward reinsurance not administered by the Company.

Since Credendo STE mainly deals with short-term business, the gravity of these provisions is situated within the accident and one or two following years. The following tables show the development of IFRS reported claims for Credendo STE's direct business (gross and net of reinsurance):

Credendo STE	Incurred losses (mio CZK), gross												
Occurrence year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of claims incurred:													
At end of reporting year	168,1	143,1	229,9	497,0	263,8	285,8	933,4	284,9	220,3	233,9	354,5	372,6	
One year later	167,2	123,5	363,9	654,7	216,9	257,6	927,1	258,0	208,3	225,8	315,4		
Two years later	160,7	124,1	441,3	599,6	196,5	231,4	921,2	242,4	195,3	216,9			
Three years later	158,9	133,2	335,8	586,3	189,6	227,8	884,0	235,2	191,7				
Four years later	159,8	128,7	338,0	583,3	182,9	225,6	881,8	223,3					
Five years later	155,8	116,9	339,6	583,1	178,5	225,9	751,7						
Six years later	156,3	117,3	340,0	583,6	176,4	225,7							
Seven years later	156,8	117,5	340,3	580,6	176,1								
Eight years later	157,2	118,1	340,1	572,7									
Nine years later	158,3	118,4	337,6										
Ten years later	158,2	118,4											
Eleven years later	155,5												
Current estimate of cumulative claims	155,5	118,4	337,6	572,7	176,1	225,7	751,7	223,3	191,7	216,9	315,4	372,6	3 657,6
Cumulative payments to date	157,2	118,4	341,4	574,7	176,3	226,2	236,8	227,4	194,0	222,8	318,2	139,0	2 932,5
Liability in respect to prior years													-0,5
Additional legal costs													10,1
Total liability included in the balance sheet at 31/12/2017													**734,7**

Credendo STE	Incurred losses (mio CZK), net												
Occurrence year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of claims incurred:													
At end of reporting year	58,8	50,1	80,5	173,9	131,9	142,9	154,0	114,0	88,1	93,5	141,8	149,0	
One year later	58,5	43,2	127,4	229,2	108,4	128,8	137,2	103,2	83,3	90,3	126,2		
Two years later	56,3	43,4	154,5	209,9	98,2	115,7	135,2	96,9	78,1	86,8			
Three years later	55,6	46,6	117,5	205,2	94,8	113,9	112,2	94,1	76,7				
Four years later	55,9	45,0	118,3	204,2	91,4	112,8	120,2	89,3					
Five years later	54,5	40,9	118,9	204,1	89,3	113,0	112,6						
Six years later	54,7	41,1	119,0	204,3	88,2	112,8							
Seven years later	54,9	41,1	119,1	203,2	88,0								
Eight years later	55,0	41,4	119,0	200,4									
Nine years later	55,4	41,4	118,2										
Ten years later	55,4	41,4											
Eleven years later	54,4												
Current estimate of cumulative claims	54,4	41,4	118,2	200,4	88,0	112,8	112,6	89,3	76,7	86,8	126,2	149,0	1 255,9
Cumulative payments to date	55,0	41,4	119,5	201,1	88,1	113,1	94,7	91,0	77,6	89,1	127,3	55,6	1 153,6
Liability in respect to prior years													-0,2
Additional legal costs													4,5
Total liability included in the balance sheet at 31/12/2017													**106,6**

Parameter & modelling uncertainty for technical provisions is reduced by lodging responsibility for provisions valuation methodology and its maintenance with the actuarial function. On quarterly basis run- off analysis is performed to test the adequacy of provisions. Claims are reviewed regularly (at least as part of the quarterly financial closing cycle but additionally in function of relevant claim events) according to clearly documented claims provisioning guidelines.

Data completeness (for claims provisions) is fostered by introduction by a dedicated team of all claims reported in the systems. Strict internal controls are in place at Credendo STE:

> Premium and other provisions where algorithms are used to process data in the computing systems are reviewed by Finance department on monthly basis closing

> For reported claims reserves, guidelines exist on determining RBNS case reserves: non-attritional losses are subject to the 4-eyes principle; large losses are challenged in the Claims Committee

> The provisions are subject to a half-year basis liability adequacy test by the actuarial function, producing Solvency II compliant best estimate technical

> The actuarial function carries out both the tasks of ensuring the appropriateness of the methodologies used, including the assumptions made in the calculation of technical provisions, and the assessment of the sufficiency and quality of the data used for their calculation.

c) Claims management

Credendo STE has in place adequate claims management procedures covering the overall cycle of claims:

> Credendo STE has clear processes in place for the notification of claims by the policyholders. Claims should be reported to the insurer as per policy conditions. Dedicated staff captures relevant information in the information systems in a timely manner.

> Claims are processed and settled

- in accordance with the policy terms and conditions without undue delay
- in accordance with the sub-delegation of authority for claims handling and payment approved by management

- All non-standard situations are decided by the Head of Claims and Collection department or raised to the level of Management Board
- Complaints and dispute settlement
  - Staff has to act in accordance with the Code of Conduct, treating all claimants fairly and without conflict of interest
  - According to the latest annual report by Credendo STE's compliance function 4 complaints about claims handling was reported to the compliance function in 2017.

d) Policy & risk underwriting

Credendo STE manages these risks through its underwriting strategy ensuring that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Risk Governance

Proper procedures of risk identification and selection at the time of acceptance and underwriting of risks, including internal underwriting risk limits, are established and applied by all employees and branches. This framework enables Credendo STE to clearly and diligently assign risk decisions and manage risks, both for the complete underwriting portfolio as for every product that is offered.

The risk selection is guided by underwriting guidelines, a debtor rating procedure and the country risk classification and cover policy of Credendo Group. The underwriting process is strictly defined by clearly described and documented sub-delegation of authority and guidelines, approved by management, to underwrite risks at policy and risk acceptance level. In order to achieve a high level of efficiency, management has delegated the approval authority to take decisions throughout the entities, from individual underwriters to special committees that discuss, evaluate and underwrite risks. Small amounts will need less people of lower seniority, while important transactions will be evaluated by committees and people with higher seniority.

The risk appetite for underwriting risk is defined on group and individual level:

Risk Concentration

Appropriate procedures and processes are in place to identify, measure, monitor and manage concentration risk from credit risk exposures to a single debtor (group), a debtor country or sector to ensure that it stays within established policies and limits and mitigating actions can be taken as necessary. Indeed, Credendo STE's catastrophe (CAT) risk stems especially from systematic risk in the underwritten risk portfolio, representing the effect of unexpected changes in country or trade sector conditions on the payment capacity and behaviour of debtors. This systematic risk is determined by concentration and correlation effects.

Credendo STE's total potential exposure, i.e. the sum of all valid (underwritten) credit limits increased by 12,07 % between 2016 and 2017. The share of markets where Credendo STE operates directly through the Head Office or a branch (the Czech Republic, Poland and Slovakia) remained more or less stable in the aforementioned period at the level of 65%. Share of Germany on the total remained unchanged (around 6%). Share of exposure on buyers located in non-EU countries equals 5,25%. Switzerland is a non-EU country with the highest share (0,9% in 2017).

Exposures to a single counterparty, being a debtor (group) or a country, are subject to appropriate risk limits and managed taking into account potential correlations. Policies and procedures to monitor, manage and control these concentration risks are embedded in the risk management system, in line with the risk appetite setting and established limits.

Country risk

Credendo STE's exposure is typically concentrated in the lower country risk rating levels for political and assimilated events. Around 93 % of the sums insured are located in the lowest rating category 1 (OECD classification), while 7 % of the underwritten risks are located in the lower three political risk rating categories. Credendo STE has limited exposure in the highest risk category 7, which is mainly linked to run-off exposure (currently only 53 T EUR on Tajikistan).

Debtor risk

At end of 2017, the number of debtors insured by Credendo STE is near 40,000. The average buyer exposure (total potential exposure – TPE) in Credendo STE's credit insurance remains close to CZK 2,8m (EUR 110k).

C.1.2. Risk mitigation from (non-)proportional reinsurance

Credendo STE uses reinsurance to mitigate underwriting risk. The 2017 reinsurance program, applicable to Credendo STE's total business (including the suretyship), provides for:

- a quota share cession
- a per risk excess-of-loss protection for retained exposures

Reinsurance management

Reinsurance enables to mitigate the underwriting risk, and policies and procedures have been developed, enabling the prudent management of the use of reinsurance, including both the risks transferred (identifying the maximum net risk to be retained, appropriate to the established risk tolerance limits, and setting types of appropriate reinsurance arrangements) and the risks arising from reinsurance, namely counterparty risk. Credendo STE carefully selects its reinsurers and sets an internal requirement for all reinsurers to be rated at least investment grade. The choice of counterparties varies little from year to year, indicating an overall satisfaction with both the relationships and the creditworthiness of these counterparties – however the quota-share treaty lead has been changed in 2016. Furthermore, a strict follow-up and regular review of the relations and the performance of the agreements enable to optimise these agreements beyond the pure rating requirement.

As Credendo STE's risk profile is substantially influenced by the risk mitigation techniques used, the assessment of the impact and the effectiveness of reinsurance is important. When comparing the regular (i.e. including risk mitigation from reinsurance) SCR calculation for underwriting risk with the result without taking reinsurance into account, reinsurance saved about 557 mio CZK of regulatory SII capital required for underwriting risk at end 2017.

If there was no effective risk transfer, this would be taken into account in the assessment of the risk profile and overall solvency needs. However, the reinsurance protection leads to effective risk transfer:

- The reinsurance contracts cover the whole of Credendo STE's business
  - credit insurance & suretyship underwritten directly,

  There are no gaps identified in the reinsurance program that may result in more risks being retained than intended.
- The terms, conditions and exclusions stipulated in the reinsurance contracts are aligned with those of the underlying business and the above listed limits of cover (in terms of concentration and risk tenors) are adequate.
- The transfer has direct, explicit, irrevocable and unconditional features:
  - The reinsurance contracts provide a direct claim on the reinsurer (direct feature): the reinsurance contract stipulates that the liability of the reinsurer in respect of each cession declared commences and expires simultaneously and automatically with the liability of Credendo STE.
  - The risk details contain explicit reference to specific exposures (cf. supra), so that the extent of the cover is clearly defined and incontrovertible (explicit feature).
  - The reinsurance contracts are not subject to any clause, the fulfilment of which is outside the direct control of Credendo STE, that would allow the reinsurer to unilaterally cancel the cover or that would increase the effective cost of protection as a result of certain developments in the reinsured exposure (irrevocable feature). The 'losses and follow the fortune' clause clearly states that the reinsurer follows in all respects the fortunes of the reinsured, including any extra-contractual obligations and ex-gratia payments. All loss settlements, including compromise

settlements and allocated loss adjustment expenses, in connection with the original insurance are binding upon the reinsurer.

- They are not subject to any clause outside the direct control of Credendo STE that could prevent the reinsurer from its obligation to pay out in a timely manner in the event that a loss occurs on the underlying exposure (unconditional feature) : the ‘force majeure’ clause limits excusal of performance to maximum 30 days from the inception of an extraordinary circumstance or event.

Other risk management and internal control procedures mitigating risks related to reinsurance operations include:

> reinsurance deposit provided by the reinsurers in favour of Credendo STE - the value of deposits received from reinsurers amounted to 123,1 mio CZK at end 2017.

> Credendo STE renders reinsurance statements and performs reconciliation of accounts on a quarterly basis, thereby reducing considerably credit/asset risk as balances due from reinsurers do not build up or do not result in disputes over the outstanding balances

> The exposure is monitored as to comply with the exposure and retention limits established in the reinsurance agreements

> monitoring of the creditworthiness of each reinsurer - reinsurance recoverables are subject to a quarterly review.

C.1.3.Risk sensitivity

Underwriting risk being the most important risk in the Credendo STE risk profile, the impact of standard sensitivity analysis is larger than for other risks. This sensitivity analysis shows how profit or loss would have been affected if changes in relevant risk variable that were reasonably possible at the end of the reporting period had occurred. Relevant underwriting risk variables relate to premium rates and charges of claims. The impact on profit or loss is calculated on a pre-tax basis.

Taking Credendo STE’s risk profile of a short-term credit insurer into account, the most relevant stress testing as part of the ORSA process also refers to shocks on the underwritten credit risks:

> Sensitivity analyses by stressing assumptions on modelled loss ratios in the business plan (which is the baseline scenario). The volatility of loss ratios illustrates the capabilities to minimize volatility through managing exposures (such as capping and managing down potential and real exposures, increasing deductibles, etc.), repricing risks, changing reinsurance protection.

> Sensitivity analysis to stressed premium rate assumptions

> Reverse stress testing: how high net loss ratio will lead to a breach of minimum capital requirement

Considering the risk structure of Credendo STE, where the underwriting risk is the most important risk, the above mentioned scenarios are suitable for assessing the sensitivity of the capital to the most relevant risks.

C.2. Market risk

Market risk is defined as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Additional risk may stem from a lack of diversification in the asset portfolio.

> **Interest rate risk** stems from the risk of adverse movements in interest rates. Credendo STE’s exposure to interest rate risk is primarily limited to bonds and, if discounted as in Solvency II, technical provisions due to the fact that Credendo STE has no borrowings. Given the nature of the insurance activity, the insurance liabilities themselves are not sensitive to the level of market interest rates as they are contractually non-interest bearing. A higher interest rate lowers the value of the bonds and, if discounting is applied, the value of technical provisions.

- The capital charge for **equity** and property investments is nil as Credendo STE doesn't invest in such market instruments. .
- The credit risk inherent in the investment portfolio mainly concerns, term deposits and monetary funds and is covered by the **spread risk** capital charge. Where such instruments are involved, the clear strategic decision is taken to favour highly-rated counterparties. The government bonds are issued by the Czech government (rated AA) and are not evaluated for the credit risk according to the Solvency II standard formula. The below tables demonstrate the credit quality of financial investments at end 2016 and 2017 that are neither overdue nor impaired.

  Table: Credendo STE - Financial investments & cash (equivalents) with look-through rearrangement

31.12.2016	AAA	AA	A	BBB	Other	Total
Government bonds and T-bills		52 847				52 847
Bank Term Deposits			281 223	150 000		431 223
Cash and cash equivalents	16	10	24 587		592	25 205
Total	**16**	**52 857**	**305 810**	**150 000**	**592**	**509 275**

31.12.2017	AAA	AA-	A	BBB	Other	Total
Government bonds		272 516		89 857		362 373
Bank Term Deposits			5 940	50 000		55 940
Cash and cash equivalents			87 470		4 806	92 276
Total		**272 516**	**93 410**	**139 857**	**4 806**	**510 589**

- **Currency risk** is the risk of losses resulting from changes in the level or in the volatility of currency exchange rates. The Company's most material foreign currency positions at end 2016 and 2017 are as follows (in million EUR):

31.12.2016	Total value of all currencies	Value of main currency (CZK)	Value of remaining currencies (PLN)	Value of remaining other currencies (EUR)	Other currency
Assets	1 522 952	1 325 629	145 360	51 106	857
Liabilities	1 216 945	1 057 038	117 056	42 675	176
Own funds	306 007	306 007			

31.12.2017	Total value of all currencies	Value of main currency (CZK)	Value of remaining currencies (PLN)	Value of remaining other currencies (EUR)	Other currency
Assets	1 392 767	1 222 576	129 520	40 021	650
Liabilities	1 102 947	948 472	102 857	50 014	1 604
Own funds	289 820	289 820			

- **Concentration risk** may be caused by underwritten risks, counterparty risk/credit risk, investment or market risk, other risks, or a combination or interaction of all these risks. The Solvency II standard formula market risk module covers the additional risks stemming either from market risk concentrations due to 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 (market risk concentrations). Asset exposures to a single counterparty, either entity or group of entities, or to a geographic area are identified and managed in line with the risk appetite framework. Exposure to a single counterparty, combining the total of equity, bond, loan, derivative, bank deposit and reinsurance recoverable exposures, shall be less than 10 % of available own funds for counterparties having S&P rating worse than A- or equivalent which is a concentration risk benchmark used by external credit assessment institutions.

> The Solvency II market risk capital requirement not only covers the risk arising from the level or volatility of market prices of financial instruments but also properly reflects the structural mismatch between assets and liabilities. Credendo STE's **asset-liability management** (ALM) strategy takes into account the interrelation between different types of financial risks (market risk, credit risks, liquidity risks) originating especially on the asset side, and underwriting risks referring to the liabilities side. The framework is essentially short term given the characteristics of the non-life business.

  Credendo STE's ALM strategy is tailored to its needs - which are reduced as

  - only one single business line is operated and does not require further segmentation - moreover, it is dominated by one product (whole-turnover policy)
  - the product offering is plain vanilla (no options embedded in the insurance products etc.)
  - the underwriting risk is essentially short tail

  Taking the risk-mitigating characteristics of the short-term business into account, stress testing and scenario analysis on ALM risk is not part of the ORSA process.

  Credendo STE's ALM in terms of currency structure is subject to 'congruence' principles - 'congruence' means that all liabilities due in a currency are covered by assets denominated or realizable in that same currency. The general objective is to hold a comparable amount of assets and liabilities in foreign currency. This requirement is managed pragmatically :

  - a surplus of assets over liabilities in a foreign currency is generally sold on a spot basis
  - a shortage of assets compared to liabilities in a foreign currency triggers buying foreign currency in the form of deposit or short term government bonds

  The ALM in terms of term structure takes account of the risk characteristics of the business (mainly the term structure of the liabilities) and the following important mitigation :

  - at liabilities side : in credit insurance a waiting period of 5 months before claims payment is applicable in case of non-payment due to protracted default[4]
  - at assets side : a substantial part of the liabilities is covered by reinsurance recoverable assets – which are subject to a 'cash loss' clause in the reinsurance treaties

  Given the short pay-out pattern of the insurance liabilities, liquidity is key and is especially focused on operational rather than strategic considerations. This is reflected in the overall investment strategy that ensures that Credendo STE holds sufficient cash and diversified marketable securities to meet its obligations as they fall due.

C.2.1. Prudent person principle

The investment strategy clearly identifies the asset allocations across the main investment categories, possible allocation limits by counterparty, business sector, geography, type of instrument and currency, the return to be targeted and the nature of any outsourcing and requirements for the safekeeping of assets (custodial arrangements). With respect to the whole portfolio of assets, investments in assets and financial instruments are made in accordance with the prudent person principle (i.e. controlled risk-seeking). The Management Board updates limits on the financial investments per asset class that are reflected in the investment strategy.

Credendo STE invests all its assets in accordance with the 'prudent person' principle :

> Credendo STE only invests in assets and instruments the risks of which it can properly identify, measure, monitor, manage and control as well as appropriately take into account in the assessment of its overall solvency needs.

[4] There is no waiting period in case of bankruptcy or receivership.

- The prudent person principle is as much a behavioural standard as an assessment of judgments and investment decisions. Prudence is to be found in the process by which the investment strategy is developed, adopted, implemented, and monitored. It is the Management Board that approves the assets allocation strategy. There are only few persons entrusted to implement and monitor that strategy.
- Specialization allows acquiring the care and skill sufficient to the tasks of investment management and an adequate understanding of the risks associated with the investments, without relying only on the risk being adequately captured by the capital requirements

> All assets, including those covering the Solvency II Minimum Capital Requirement and the Solvency Capital Requirement, are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

  - Credendo STE does not hold financial assets which are not admitted to trading on a regulated financial market. In addition the localisation of the assets ensures their availability.
  - As the fair value of financial investments is determined based on market prices or dealer price quotations, Credendo STE is able to evaluate its own investments according to Solvency II valuation principles without depending solely on the valuation provided by the financial institution that has initially priced that investment.

> Assets held to cover the technical provisions are invested in a manner appropriate to the nature and duration of the insurance liabilities. Compliance with existing restrictions on covering assets from the local insurance regulations to protect policy holders' interests ensure that Credendo STE holds assets with sufficient values and enough liquidity to meet all (insurance and non-insurance) liabilities and enable payments as they fall due.

> Assets are properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer (group) or geographical area. The strategic asset allocation, which is part of the risk appetite framework, sets quantitative limits per type of asset, counterparty and geographical area. Both diversification among appropriate asset classes and within each asset class avoid the unwarranted concentration of investment and the associated accumulation of risk in the portfolio. Investment funds are allocated to the asset classes on a 'look-through' basis.

At the end of 2017 Credendo STE holds no financial instruments with characteristics similar to derivative products, asset-backed securities, collateralised debt obligations, hedge funds or alike.

C.3. Credit risk

Credit or counterparty default risk is defined as the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Credendo STE is exposed. The credit risk exposure arises from financial transactions with security issuers, debtors, intermediaries, policyholders or reinsurers. Most notably, there is a significant credit risk when considering the investment portfolio and when considering the reinsurance recoverables.

The risk appetite framework set by the Management Board caps exposure to any counterparty so that no single exposure could threaten the solvency position. The strategic asset allocation (cf. supra) includes limits that lead to sufficient diversification of credit risk exposure from financial investments and mitigation by imposing minimum credit quality.

Annex VII includes the capital charge for counterparty default risk as measured according to the Solvency II standard formula - the capital requirement for credit risk on financial instruments is, however, captured by the spread risk as part of the market risk module. The receivables from the insurance activities mostly concern exposures to typically unrated counterparties, like policyholders and brokers, for which the overall credit risk is mitigated through the diversification of the exposures. Substantial part of the Solvency II capital requirement stems from the counterparty default risk on reinsurers (especially related to reinsurance recoverables). The following table demonstrates the distribution of Credendo STE's reinsurance recoverables per rating category of the counterparty:

Table : Recoverables by reinsurers' rating category

Rating as per 31.12.2016	(%)
AA*	2%
AA-	34%
A+	29%
A	28%
A-	7%
Unrated	0%

*Note: * represents rating of intra-group entity, not relevant for credit risk assessment*

Rating as per 31.12.2017	(%)
AA-	48%
A+	29%
A	14%
A-	6%
Unrated or intercompany	3%

Credit risk is typically assessed through ratings reflecting the creditworthiness of the counterparty. The counterparty risk on reinsurers is assessed on the long-term foreign currency rating of the reinsurance company. The available ratings are proof of Credendo STE's prudent reinsurance policy. All rated reinsurers held at least an A- rating from a respected credit rating agency at 31.12.2017.

Credendo STE only uses external credit assessments issued or endorsed by an External Credit Assessment Institution (ECAI) in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council on credit rating agencies. The credit assessments used for estimating risk and capital charges are produced by Standard & Poor's, Moody's, Fitch or AM Best and are used consistently (over time).

> If more than one credit assessment from the mentioned ECAIs is available when assessing risk, the prudence inherent to the rules of Article 4, 4(e)(f) of Commission Delegated Regulation 2015/35 is applied and is considered to result in an appropriate assessment

> If only one credit assessment is available from the mentioned ECAIs, that assessment is considered appropriate taking into account that the exposures or financial instruments are not considered complex

C.4. Liquidity risk

Liquidity risk is defined as the risk that funds are not available in order to settle financial obligations when they fall due.

Credendo STE's principal cash outflow commitments are related to its insurance liabilities – the company does not hold (non-)derivative financial liabilities. The required degree of liquidity in the investment portfolio differs according to the nature of the insurance business, especially the possibility to foresee the amount and the time of the insurance payments. As mentioned on the ALM strategy, in credit insurance a waiting period of 5 months before claims payment is applicable in case of non-payment due to protracted default – which is the most frequent cause of non-payment for the Company's activity. The existence of this waiting period reduces the uncertainty of the timing and amount of the cash outflows. Moreover, there are no liquidity considerations (unexpected cash outflows) arising from policyholder behaviour.

Operational liquidity or cash management covers the day-to-day cash requirements under normally expected or likely business conditions. The operational liquidity strategy relies on :

- the overall investment strategy ensuring that Credendo STE holds sufficient cash and deposit holdings and an additional buffer from highly liquid financial investments to meet its obligations as they fall due – besides resources from net cash-inflows
- forecasting relevant cash-flows, especially related to premiums and claim payments and the reinsurers' part therein (a cash settlement for the reinsurers' share of larger losses may be demanded).[5]

Taking into account available resources and existing untapped sources of funding, and the fact that the company has no borrowings or significant financial liabilities, stress testing and scenario analysis on liquidity risk is not part of the ORSA. The strategic liquidity management reflects that the risk of liquidity needs not being met on a longer-term basis is firmly mitigated by the fact that Credendo STE is client with various major banks, that are sufficiently diversified sources of funding – but today no such loans are outstanding. Given the untapped debt capacity, no liquidity contingency plan has yet been formalized. As the Company has no (non-)derivative financial liabilities, no maturity analysis is disclosed.

C.5. Operational risk

Operational risk covers a broad variety of possible risks that deal with a variety of possible causes. The Solvency II Framework defines operational risk as "the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events". Credendo STE categorizes operational risks as follows: Internal fraud, external fraud, employment practices and workplace safety, clients, products and business practises, damage to physical assets, business disruption and system failures, execution, delivery and process management, legal risks.

Although the capital requirements for operational risks is calculated according to the standard formula for Solvency II capital requirements, Credendo STE considered operational risks as difficult to quantify and to anticipate. Operational risks are assessed annually by risk owners or process evaluators, using qualitative tags (such as high, moderate, …) for likelihood and impact of the inherent and residual risks. Operational risk events are dominating the risks identified in the Company's qualitative risk assessment.

These hard-to-quantify risks are managed by the Company's system of governance (policies, risk identification and mitigation processes) and strong internal controls as to avoid or mitigate them.

These risks are assessed qualitatively through:

- The risk matrix by using qualitative tags for likelihood and impact of the inherent and residual risks.
- Scenario analysis and stress tests as part of the ORSA process

Business Continuity / Disaster Recovery Plan

Contingency and business continuity plans should ensure the ability to operate on an on-going basis and limit losses in the event of severe business disruption. A detailed Business Continuity Management system (BCMS) defines roles and responsibilities of all employees in order to build up organizational resilience and reduce the impact on the organisation in case of a major incident.

The BCMS foresees a crisis management capability and a recovery competence that should assure acceptable predefined service levels for prioritized services and includes emergency plans in case of crisis or disaster.

In defining the BCMS the regulatory requirements, the needs and requirements of key employees as well as own organizational strategies and objectives have been considered. To ensure their performance the emergency plans are subject to periodical testing, evaluation, reporting and audit. These qualitative stresses help to define triggers for action plans that answer 'what if'-questions. These are especially important in case of stressing of what are considered as "vital" (sub-)processes.

[5] The Company does not take account of expected profit included in future premiums for solvency capital and technical provisions calculations.

The identification of such processes was part of the Business Impact Analysis performed in order to identify the critical processes and development of a detailed Business Continuity Plan.

Electronic data processing

Credendo STE uses several IT systems for electronic information processing. The Company pays great attention to the functionality of these systems. The disaster recovery plan specifying the procedures that the Company has to follow in the event of a disaster is updated and tested on regular basis.

Outsourcing

Credendo STE outsources certain services to external providers. Some of the services are partially outsourced to the parent Credendo ECA.

The outsourcing arrangements are subject to a formal and comprehensive written agreement covering the responsibilities of both parties and a qualitative description of the services. Policies and procedures for monitoring these outsourcing arrangements are in place.

Fraud risk

Credendo STE's insurance activities are conducted by qualified staff with the necessary experience and technical capabilities, acting in accordance with the Code of Conduct. Fraud risk is mitigated through the rules on delegation of authority, signature authority and the generalized application of the four eyes-principle.

Legal risk

Legal risk is defined as including, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. Credendo STE, like all other insurers, is subjected to litigation in the normal course of its business and does not believe that such type of litigation will have a material effect on its profit or loss and financial condition.

Legal risks are closely monitored by the compliance functions as these risks may jeopardise the reputation of the entities.

C.6. Other material risks

Strategic risk is defined as the risk of the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of the strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. Resources include communication channels, operating systems, delivery networks, and managerial capacities and capabilities.

Credendo STE has a well-established process for setting strategic high-level objectives, aligned with the Credendo strategy, that are effectively communicated within the organization and are translated into detailed 3-year business plans. These strategic goals and objectives are approved and overseen by the Management Board and Supervisory Board. The strategy and strategic goals are translated by the Supervisory Board into more detailed business and operational plans. Follow-up of the business and operational plans ensures close monitoring of the progress on the business and operational objectives as to detect any risk on and deviation from the strategy. Changes to the regulatory environment are monitored by the internal control and finance functions

Reputational risk is defined as the risk of potential damage to an undertaking through deterioration of its reputation or standing due to a negative perception of the undertaking's image among customers, counterparties, shareholders and/or regulatory authorities.

Reputational risk is essentially regarded as a risk consequent on the overall conduct of Credendo STE.

Reputational risk is managed and mitigated through:

- compliance with the Code of Conduct

- specific guidelines and procedures in business processes, especially processes for complaints handling
- the controls and corrective measures included in the risk survey

C.7. Any other information

There is no other material information regarding Credendo STE's risk profile which should be included.

D. Valuation for Solvency Purposes

This Chapter describes, separately for assets, technical provisions and other liabilities, the bases and methods used for their valuation for solvency purposes, together with an explanation of any major differences in the bases and methods used for their valuation in financial statements.

Credendo STE prepares financial statements based on Czech accounting standards (CAS) as well as financial statements based on the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002. The latter IFRS (International Financial Reporting Standards) financial statements are prepared for the Credendo Consolidated financial statements. The IFRS financial statements per 31 December 2016 have been prepared in accordance with IFRS as adopted by the European Union and published at that date, namely the standards published by the IASB (International Accounting Standards Board) and the interpretations issued by the IFRIC (International Financial Reporting Interpretations Committee).

The recognition criteria under IFRS are applied to the assets and liabilities in the Solvency II balance sheet. Assets and liabilities, other than technical provisions, are valued in the Solvency II balance in accordance with the IFRS standards provided that those standards include valuation methods that are consistent with the valuation approach set out in Article 75 of the 2009 Solvency II Framework Directive 2009/138/EC. Where those standards allow for the use of more than one valuation method or where the IFRS valuation methods are not consistent either temporarily or permanently with the valuation approach set out in Article 75 of Directive 2009/138/EC, valuation methods that are consistent with the latter article are used. Article 75 of the 2009 Solvency II Framework Directive requires for assets and for liabilities other than technical provisions that "insurance and reinsurance undertakings value assets and liabilities as follows:

(a) assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;

(b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

When valuing liabilities under point (b), no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made".

The chapter describes the valuation bases used for the IFRS financial statements and the Solvency II balance sheet. Comments on CAS-based valuation *(in italic)* are included only when there is a material difference with IFRS-based valuation.

D.1. Assets

The value for material classes of assets and quantitative differences according to respectively the IFRS financial statements and Solvency II balance sheet are as follows:

Credendo STE	31.12.2016		31.12.2017	
in thousands CZK	Solvency II value	IFRS financial statements value	Solvency II value	IFRS financial statements value
Assets				
Goodwill				
Deferred acquisition costs				
Intangible assets	0	3 005	0	1 033
Deferred tax assets	1 521	1 521	1 521	1 521
Pension benefit surplus				
Property, plant & equipment held for own use	6 335	6 335	4 515	4 515
Investments	484 069	484 069	418 314	418 314
Property (other than for own use)				
Participation and related undertakings				
Equities				
Bonds	*52 812*	*52 812*	*362 373*	*362 373*
Collective Investments undertakings				
Derivatives				
Deposits other than cash equivalents	*431 257*	*431 257*	*55 941*	*55 941*
Other investments				
Loans and mortgages				
Reinsurance recoverable	771 498	787 700	665 064	672 094
Deposits to cedants				
Insurance and intermediate receivables	6 404	30 539	4 724	29 260
Reinsurance receivables	9 650	150 100	52 811	121 026
Receivables (trade, not insurance)	4 830	4 830	6 029	6 029
Cash and cash equivalents	24 618	24 618	92 298	92 298
Any other assets, not elsewhere shown	214 027	78 274	147 492	54 741
Total assets	**1 522 952**	**1 570 991**	**1 392 768**	**1 400 831**

In the table above, major differences between Solvency II and IFRS values for Credendo STE, explaining lower total assets value in the latter statements, are Reinsurance recoverables and Insurance and reinsurance receivables.

> Reinsurance recoverables: the IFRS amount for reinsurance recoverables is calculated on claims provisions gross of expected recoveries while the Solvency II best estimate (and the part ceded) is lowered with the expected cash-flows from recoveries.

> Insurance and Reinsurance receivables: the Solvency II best estimate amount represents IFRS value additionally lowered by the outstanding balances not overdue and thus includes only reinsurance receivables overdue more than 30 days. The remaining amount of insurance receivables of CZK 24 536 ths. and reinsurance receivables of CZK 68 216 ths. not due are both reclassified to Any other assets.

> The following table describes the valuation bases, methods and main assumptions used for the valuation for solvency purposes and those used for their valuation in the IFRS financial statements.

ASSETS	IFRS financial statements	Solvency II balance sheet
Deferred tax assets	IAS 12 Recognised only against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse.	Other than the carry forward of unused tax credits and the carry forward of unused tax losses, this includes deferred taxes based on the difference between the values ascribed to assets and liabilities in the Solvency II balance sheet and the values ascribed to the same assets and liabilities for tax purposes. Deferred tax asset is recognised only as it is probable that taxable profit will be utilised.
Property, plant & equipment held for own use	IAS 16 Initial measurement : at cost Subsequent measurement : cost model	Idem – to IFRS valuation
Investments	IAS 39 Financial investments are initially recognised at fair value Financial investments carried at fair value through profit or loss, are initially recognised at fair value, Available-for-sale financial investments and financial investments at fair value through profit or loss are subsequently carried at fair value.	Idem to IFRS valuation
Reinsurance recoverables	IFRS 4 & IAS 39 Credendo STE performs an impairment test on its reinsurance recoverables. If there is objective evidence that the reinsurance related assets need to be impaired, Credendo STE reduces the carrying amount of those assets accordingly and recognises that impairment loss in the income statement.	Consistent with the valuation of technical provisions and with deduction for expected losses due to counterparty default. The reinsurance recoverables for claims provisions in the Solvency II balance sheet are net of expected recoveries.

ASSETS	IFRS financial statements	Solvency II balance sheet
	The reinsurance recoverables for claims provisions in the IFRS/ balance sheet are presented net of expected recoveries.	
Receivables	IAS 39 Measured at the amount expected to be recovered. The expected recoveries on expected and paid claims are presented as part of the (re)insurance recoverables.	Idem but the expected cash-in flows from recoveries on claims are taken into account for estimating Solvency II best estimate claims provisions. In addition the value represents only balances overdue more than 30 days.
Cash and cash equivalents	IAS 7, 39 Not less than the amount payable on demand	Idem

D.1.1. Deferred taxes

Deferred tax assets in the IFRS financial statements are only recognised for deductible temporary differences and losses carried forward if it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits. Credendo STE's ability to recover deferred tax assets is assessed through an analysis which is mainly based on the business plan and the uncertainty surrounding economic conditions and uncertainties in the markets in which Credendo STE operates. The underlying assumptions of this analysis are reviewed annually.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets in the Solvency II balance sheet arise from:

> Tax loss carry-forwards: CZK 8 M.

Taking the business plan into account, these deferred tax assets will be recoverable using the estimated future taxable income the Company is expected to generate taxable income over the business plan time horizon. The losses can be carried forward for next 5 years.

D.1.2.Property, plant & equipment held for own use

Property, plant and equipment comprise office furniture, computer hardware, other equipment, furnishing, vehicles and other tangible fixed assets. Although the IFRS financial statements measure these according to the cost model, the carrying values are used in the Solvency II balance sheet.

All property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss.

Depreciation is calculated using the straight-line method to allocate the cost of an item of property, plant and equipment to their residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

More than 50% of the balance represents net book values of vehicles only.

D.1.3.Investments

The Company classifies the following items as financial investments:

- Investments in securities.
- Deposits with financial institutions.

Investments in debt securities

(CZK ths.)	31 December 2017	31 December 2016
Quoted on domestic stock exchanges	272,516	52,812
Quoted on foreign stock exchanges	89,857	-
Total fair value	**362,373**	**52,812**

(CZK ths.)	31 December 2017	31 December 2016
Government bonds (Czech Republic) with fixed coupon	272,516	52,812
Government bonds (Poland) with fixed coupon	89,857	-
Total fair value	**362,373**	**52,812**

Purchase price of debt securities available-for-sale as at 31 December 2017 was CZK 364,437 ths. (2016: CZK 52,852 ths.).

Securities are valued on acquisition at cost. The cost of securities also includes direct costs related to the acquisition (e.g. fees and commissions paid to brokers, consultants or a stock exchange). Securities transactions are recognized on the settlement date.

All securities are stated at fair value as at the balance sheet date. The fair value of a security is determined as the market bid prices quoted by a relevant stock exchange or other active public market.

The Company classifies bonds and other debt securities into a portfolio of available-for-sale debt securities.

Bonds and other debt securities available for sale are neither debt securities at fair value through profit nor loss nor debt securities held to maturity. They comprise mainly debt securities that are held for liquidity management. Changes in the fair value are recognized in the income statement.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. All financial instruments held by the Company are regarded as quoted in an active market.

Deposits with financial institutions

(CZK ths.)	31 December 2017	31 December 2016
Deposits with financial institutions		
Domestic banks	55,940	424,519
Foreign banks	-	6,738
Total fair value	**55,940**	**431,257**

Deposits with financial institutions are stated at fair value as at the balance sheet date, which usually approximates the amortized cost.

D.1.4.Reinsurance recoverables

The IFRS reinsurance recoverables equal the part of gross technical provisions ceded to reinsurers. The reinsurance recoverables amount to CZK 672,1 mil. from claims and premium provisions including ceded part of expected recoveries from expected and incurred claims.

The SII reinsurance recoverables are valued as the difference between the best estimate technical provisions gross of reinsurance and net of reinsurance, adjusted for expected losses due to counterparty default risk.

> The Solvency II gross best estimate claims provisions are lowered with the expected cash-flows from expected recoveries of CZK 51,6 mil.

> Taking into consideration the mono-line non-life insurance activity and the available distinction between premium and claims best estimate provisions, simplifications have been used to calculate reliable and reasonably accurate approximations of the best estimate of technical provisions net of reinsurance : the best estimate provisions net of reinsurance are derived by applying Gross-to-Net techniques to the best estimates gross of reinsurance. The Gross-to-Net factors applied to the best estimates gross of reinsurance equal the ratio of the gross to net premium respectively claims provision per homogenous risk group in the IFRS/CAS accounts.

> The recoverables are calculated as the difference between the estimated best estimate provisions gross and net of reinsurance, respectively. No particular adjustment to the value of the reinsurance recoverables has been made for time differences between direct payments by the Company and recoveries from the reinsurers. This time difference is considered minimal given the short tail character of the business and the clauses present in the reinsurance treaties reducing the timing interval between large claim payments and reinsurance recoveries.

> The value of the reinsurance recoverables has been adjusted for expected losses due to counterparty default (CD) risk (for an amount of CZK 508 ths.) using the simplified calculation given in Article 61 of Commission Delegated Regulation 2015/35 :

$$Adj_{CD} = -\max\left(0,5 \cdot \frac{PD}{1-PD} \cdot Dur_{mod} \cdot BE_{rec}; 0\right)$$

where

– PD denotes the probability of default of that counterparty during the following 12 months

– Dur_{mod} denotes the modified duration of the amounts recoverable from reinsurance contracts with that counterparty in relation to the homogeneous risk group

– BE_{rec} denotes the amounts recoverable from reinsurance contracts with that counterparty in relation to that homogeneous risk group

– The assumption that the probability of default of the counterparty remains constant over time is considered realistic, taking into account the credit quality of the counterparties involved and the short term duration of the amounts recoverable from reinsurance contracts.

D.1.5.Any other assets

Other assets mainly represent estimated written premium for December 2017 of CZK 18,6 mil. accrued income from insurance contracts connected with monitoring and entrance fees of CZK 10,4 mil. and prepayments paid for business information, communications and other operating services. Solvency II balance is increased by reclassified balances of insurance and reinsurance receivables not overdue in the total amount of CZK 92,8 mil.

D.2. Technical provisions

The value of the technical provisions for the Company's lines of business – the non-proportional reinsurance has been set in run-off – used for the valuation for solvency purposes and those used for their valuation in IFRS financial statements is as follows:

Credendo STE	31.12.2016		31.12.2017	
in thousands CZK	Solvency II value	IFRS financial statements value	Solvency II value	IFRS financial statements value
Technical provisions calculated as a sum of BE and RM				
BEST ESTIMATE				
Premium provision				
Gross	57 929	58 227	68 611	69 143
Total recoverable from reinsurance before adjustment for expected losses due to counterparty default	-36 878		-43 507	
Total recoverable from reinsurance AFTER adjustments for expected losses due to counterparty default	-36 737	-32 217	-43 389	-43 933
Net Best Estimate of Premium Provision	21 192	26 010	25 222	25 210
Claims provision				
Gross	836 047	863 652	727 660	734 748
Total recoverable from reinsurance BEFORE adjustment for expected losses due to counterparty default	-735 185		-622 065	
Total recoverable from reinsurance AFTER adjustments for expected losses due to counterparty default	-734 761	-750 792	-621 675	-628 161
Net Best Estimate of Claims Provision	101 286	112 860	105 985	106 586
Total Best Estimate - gross	893 976	921 879	796 271	803 891
Total Best Estimate - net	122 478	138 870	131 207	131 796
RISK MARGIN	**18 372**		**14 564**	
TECHNICAL PROVISIONS - TOTAL	**912 348**	**921 879**	**810 835**	**803 891**

In order to facilitate a comparison, the claims provisions in the IFRS financial statements are presented in the above table net of expected recoveries. The gross CAS technical provisions amount to CZK 855,4 mil.

The gross SII technical provisions amount to CZK 810,8 mil. calculated as the sum of :

> Best estimate provisions of CZK 796,3 mil.

> A risk margin amounting to CZK 14,5 mil.

The following table summarizes the bases and methods used for the valuation of technical provisions in the IFRS financial statements and for Solvency II purposes. More detail on the methodologies and assumptions used in the valuation of the best estimate and the risk margin including details of any simplification and the associated level of uncertainty is available in the following paragraphs.

TECHNICAL PROVISIONS	IFRS/CAS financial statements	Solvency II balance sheet
Valuation basis	IFRS 4 Insurance liabilities correspond to an insurer's net contractual obligations	The value of technical provisions equals the sum of a best estimate and a risk margin. The best estimate corresponds to the probability-weighted average of future

TECHNICAL PROVISIONS	IFRS/CAS financial statements	Solvency II balance sheet
	under an insurance contract. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.	cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. The risk margin ensures that the value of the technical provisions is equivalent to the amount that (re)insurance undertakings would be expected to require in order to take over and meet the (re)insurance obligations and is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support these obligations over the lifetime thereof. The valuation does not rely on assumptions on : > Future discretionary benefits as these are not applied by Credendo STE > Future management actions > Policy behaviour (no lapse risk) The Company does not apply : > the matching adjustment referred to in Article 77b > the volatility adjustment referred to in Article 77d > the transitional risk-free interest rate-term structure referred to in Article 308c > the transitional deduction referred to in Article 308d of Directive 2009/138/EC
Premium provisions	The IFRS/CAS premium provisions comprise the amounts of the provision for unearned premiums and the provision for profit sharing and rebates. > For credit insurance contracts, surety contracts administered by Credendo STE, a provision for unearned premiums corresponds to the pro rata temporis share of the written premiums to be allocated to the period following the closing date in order to cover claims charges and operating costs of insured risks not	The premium provisions correspond to the expected present value of cash flows from future premium and all future claim payments, arising from future events post the valuation date that have not yet expired and fall within the contract boundary, and to related administrative expenses. The contract boundary definitions take account of Credendo STE's options to terminate the contract or amend premiums : > Credendo STE has the unilateral right

TECHNICAL PROVISIONS	IFRS/CAS financial statements	Solvency II balance sheet
	yet expired at the closing date. > Credendo STE constitutes a provision for profit sharing and rebates for in-force policies that foresee rebates or no-claim bonuses, which will be settled at the end of the closing date of the period for which the policy has been taken out. The provision is based on the contracts loss development which is regularly calculated over the insurance period.	at all times to change (and cancel) credit limits and surety facilities : therefore future deliveries under existing credit limits and new bonds under existing facilities fall outside the contract boundaries > Credendo STE has the right to adjust premium as to fully reflect reassessed risk The best estimate for Credendo STE's premium provisions is calculated according to the following simplification based on an estimate of the combined ratio per homogenous risk group: BE = CR * VM, where: > BE = best estimate of premium provision > CR = estimate of combined ratio per product line on a gross of acquisition cost basis > VM = volume measure for unearned premium (i.e. provision for unearned premium as in the IFRS accounts). It relates to business that has incepted at the valuation date and represents the premiums for this incepted business less the premium that has already been earned against these contracts (determined on a pro rata temporis basis). This measure is calculated gross of acquisition expenses. The above result is increased with a provision for future cash-flows related to profit sharing and rebates. The prudential margin in the IFRS provision for profit sharing & refunds is left out.
Claims provisions	Credendo STE has three types of provisions for claims in IFRS/CAS: > A provision for claims reported but not yet settled at the end of the reporting period, also known as RBNS provision (reported but not settled). For the credit insurance contracts and the surety contracts, the RBNS provision is calculated based on the probability of claim payment and probability of claim recovery on a case-by-case basis. The estimations	The best estimate provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Cash flow projections for the calculation include claim payments and expenses relating to these events. The best estimate claims provisions consist of: > A provision for claims incurred,

TECHNICAL PROVISIONS	IFRS/CAS financial statements	Solvency II balance sheet
	take account of the different nature of the causes of risk: political risks (i.e. when the default is due to political risks) and commercial risks (i.e. when the default is due to the debtor) are entirely different. > A provision for claims occurring during the period but reported after the end of the reporting period, also known as IBNR provision (incurred but not reported). The IBNR provision is aimed at insuring on a statistical basis, taking past experience into account, the final losses of claims incurred but not yet reported at closing date. Qualified estimation is based on the average period between the expiration of the maturity of receivables and date of notification of the claim. The total amount already known claims incurred during the average notification period is then used as a relevant basis for estimating the amount of provisions for claims intended to cover commitments from claims in the current period incurred but not reported. > The claims provisions in the IFRS balance sheet are net of expected recoveries on expected and paid claims. > A provision for internal and external claims handling expenses. The provision for claims handling expenses at Credendo STE is estimated based on a historic average per claim file of internal and external handling costs adjusted for cost inflation, the expected number of files with incurred losses and the average handling life of these files.	reported but not yet settled, estimated by means of a case by case method which consists in the simple sum of estimates of each claim reported at the data of reference of the valuation. . > A provision for claims incurred, but not yet reported and settled, estimated as a percentage of the provision for reported outstanding claims. > A provision for claims settlement expenses, based on the amount in the IFRS/CAS accounts but leaving out a prudential margin The sum of the above provisions is then split into different currencies according to their share in the statutory claims provisions and discounted using the related EIOPA yield curves. The claims provisions in the Solvency II balance sheet are net of expected recoveries on expected and paid claims.
Risk margin		The overall risk margin (RM) is determined as a percentage of the net best estimate of technical provisions. A level 3 in a hierarchy of simplifications is used where the future SCRs are assumed to be proportional to the best estimate

TECHNICAL PROVISIONS	IFRS/CAS financial statements	Solvency II balance sheet
		technical provisions for the relevant year. $$RM = CoC \cdot \sum_{t \geq 0} \frac{SCR(t)}{(1 + r(t+1))^{t+1}}$$

D.2.1.Homogeneous risk groups

To achieve an accurate valuation of technical provisions and avoid introducing distortions which might arise from combining dissimilar business, Credendo STE's (re)insurance obligations are segmented into homogeneous risk groups. As a monoline non-life insurance group, segmentation is facilitated as there is no need to unbundle insurance policies into life and non-life parts or into various business lines. The segmentation is applied both to gross premium provisions and gross claims provisions.

Credendo STE's underwritten risks portfolio is derived mainly from credit insurance or comprehensive policies directly underwritten by Credendo STE.

D.2.2.Premium provisions

The premium provisions at the valuation date include the valuation of all recognised obligations within the boundary of the (re)insurance contracts, for all exposure to future claims events, where cover has incepted prior to the valuation date.

> The best estimate *BE* for the premium provisions is calculated according to the following simplification based on an estimate of the combined ratio *CR* per homogenous risk group:

  *BE = CR * VM.*

  That formula does not take future premiums for the underlying obligations into account as there are none within the contract boundaries for Credendo STE. The combined ratio *CR* per homogenous risk group applied is the sum of a longer-term average expense and claims ratio.

  The future cash-flows, derived from a payout pattern based on chain ladder projection of a paid loss triangle, have been discounted with the EIOPA Euro yields curve. The latter impact however is negligible.

> The above calculated premium provision is complemented with a provision for profit sharing and rebates for Credendo STE's in-force comprehensive policies that foresee rebates or no-claim bonuses. The provision is based on a statistical rate set at the average benefit payments vis-à-vis premiums of the 5 past years. This rate is applied to the written premium volume of the 6 months preceding the closing date based on the assumption that the benefits and rebates are paid yearly and the policies are on average half way the period for which they have been taken out.

> The use of parameters that are calibrated on a longer data series (like the *CR* in above formula, the statistical rate for the provision for profit sharing and rebates) reduces significantly the level of uncertainty associated with the best estimate premium provisions for solvency purposes.

D.2.3.Claims provisions

Provisions for claims outstanding relate to the cash-flows 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 cash-flows projected comprise all future claims payments and include all claims management and claims administration expenses.

The best estimate is partly determined on the basis of an individual assessment of each loss event exceeding CZK 2 mil, and partly using an expertly fixed rate applied on the volume of originally reported claims during the claims waiting period (for smaller claims - to CZK 2 mil). Coefficients are based on a long-term ratio of claims paid to originally reported volumes of outstanding claims and are regularly back-tested. This method of simplification is based on the fact that Credendo STE operates with a relatively small portfolio of insurance contracts, for which it has sufficient information, but can not - due to the low number of claims - test some features of regularity. All expected payments and related expenses, including expected future recovery are broken down into yearly intervals in accordance with the expected time of claims indemnification.. Most of the cash flows fall into a subsequent annual period.

The calculation method for IBNR loss events is based on regular actuarial methods that use triangulated development statistics. During the year the simplified method is used: the IBNR loss events are modeled as a percentage of the provision for reported outstanding claims.

The undiscounted best estimate of the projected ultimate losses and the claims handling expenses provisions are then split into different currencies according to their share in the IFRS/CAS claims provisions and discounted using the related EIOPA yield curves.

The best estimate provision for claims handling expenses equals the amount in the IFRS/CAS.

As said in C.1.1b, the estimation of the ultimate liability arising from claims is Credendo STE's most critical accounting estimate. The claims development triangles in Annex V provide a measure of the Company's ability to estimate the ultimate value of claims. However, as Credendo STE mainly deals with short-term business, the gravity of the claims provisions is situated within the accident and one or two following years, after which the development flattens. Parameter & modelling uncertainty for technical provisions is further reduced by lodging responsibility for provisions valuation methodology and its maintenance with the Actuarial function. Quarterly boni-mali analyses back-test the methods used for claims provisions against accounting data and guarantee the reliability of the methods chosen.

D.2.4.Risk margin

The calculation of the risk margin assumes that the whole portfolio of (re)insurance obligations is taken over by another (re)insurance undertaking (the reference undertaking). The Solvency Capital Requirement of that reference undertaking captures the underwriting risk with respect to the transferred business, market risk if it is material, credit risk with respect to reinsurance contracts, intermediaries, policyholders and any other material exposures which are closely related to the (re)insurance obligations, and operational risk. There is no loss-absorbing capacity of technical provisions and deferred taxes and no future management actions assumed.

Credendo STE's risk margin is determined as a percentage of the net best estimate of technical provisions. A level 3 in a hierarchy of simplifications is used where the future SCRs are assumed to be proportional to the best estimate technical provisions for the relevant year. No renewals and future business are taken into account.

The overall risk margin is entirely allocated to the 'credit & suretyship' business line.

D.3. Other liabilities

The value for material classes of other liabilities and quantitative differences according to the IFRS financial statements and Solvency II balance sheet at end 2016 and 2017 are as follows:

Credendo STE	31.12.2016		31.12.2017	
in thousands CZK	Solvency II value	IFRS financial statments value	Solvency II value	IFRS financial statements value
Liabilities				
Technical provision - non life	912 348	921 879	810 835	803 891
Best Estimate D	*893 976*		*796 271*	
Risk margin	*18 372*		*14 564*	
Other technical provision				
Contingent liabilities				
Provision other than technical provision	665	665	1 630	1 630
Deposits from reinsurers	85 002	85 002	123 113	123 113
Deferred tax liabilities				
Derivatives				
Debts owned to credit institutions				
Financial liabilities other than debts owed to credit				
Insurance and intermediaries payables	629	2 839	601	2 849
Reinsurance payables	2 685	144 036	7 230	92 222
Payables (trade, non insurance)	9 552	9 551	12 122	12 122
Subordinated liabilities				
Any other liabilities, not elsewhere shown	206 064	81 029	147 416	60 176
Total liabilities	**1 216 945**	**1 245 001**	**1 102 947**	**1 096 003**
EXCESS OF ASSETS OVER LIABILITIES	**306 007**	**325 990**	**289 821**	**304 828**

Major differences in the above table between Solvency II and IFRS values for Credendo STE, explaining a substantially higher total liabilities value in the latter statements, relate to:

- Technical provisions: the IFRS amount for technical provisions includes the gross part of expected recoveries from expected and incurred claims while the Solvency II best estimate is lowered with the expected cash-flows from recoveries.
- Reinsurance payables: The Solvency II best estimate and, thus, the part ceded is lowered by the outstanding balances not overdue more than 30 days. The remaining amount of reinsurance receivables of CZK 84,9 mil. not due are reclassified to Any other liabilities.
- Credendo STE has no financial liabilities and, thus, explaining valuation differences between the Solvency II balance sheet and the general purpose financial statements from the impact of (changes in) its own credit risk is not applicable.

OTHER LIABILITIES	IFRS financial statements	Solvency II balance sheet
Provisions other than technical provisions	IAS 37 The amount recognised is the best estimate of the	Idem

OTHER LIABILITIES	IFRS financial statements	Solvency II balance sheet
	expenditure required to settle the present obligation at the balance sheet date. The best estimate is the amount an entity would rationally pay to settle the obligation or to transfer it to a third party at the balance sheet date.	
Deposits from reinsurers	IAS 39	Idem
Deferred tax liabilities	IAS 12 A deferred tax liability should be recognised for all taxable temporary differences	Other than the carry forward of unused tax credits and the carry forward of unused tax losses, include deferred taxes based on the difference between the values ascribed to assets and liabilities in the Solvency II balance sheet and the values ascribed to the same assets and liabilities for tax purposes
Payables	IAS 39 Measured at amortised cost	Idem
Any other liabilities, not elsewhere shown	IAS Other liabilities differ from payables as they arise from non-insurance-related activities.	Idem

D.3.1.Provisions other than technical provisions

Accounting provisions other than technical provisions (and contingent liabilities) are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The amounts recognized in the financial statements (CZK 1,63 mil.) relate to Credendo STE provisions for unpaid holidays only.

D.3.2. Deposits from reinsurers

Deposits from reinsurers represent 40% from the ceded part of written premium as a guarantee of the reinsurers' obligation. The actual deposit is set up each quarter and released after one year together with the interest in the corresponding quarter in the following year.

Interest paid in connection with retained deposits is derived as 80% of 3M EURIBOR.

D.3.3. Other liabilities – other

The amount mainly represents the reinsurers' share of estimated written premium, brokers commission from estimated written premium, XOL reinstatement premium and bonuses to employees including social and health security. In addition, the Solvency II amount includes a reclassified amount of reinsurers liabilities not overdue.

D.4. Alternative methods for valuation

Credendo STE's use of quoted market prices is based on the criteria for active markets, as defined in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002. As these alternative criteria are satisfied, no alternative valuation methods are used.

D.5. Any other information

Other material information regarding the valuation of assets and liabilities for solvency purposes concerns :

D.5.1.Assumptions on future management actions & policy holder behavior

No assumptions about future management actions or about policy holder behavior have been made for the valuation of assets and liabilities, including technical provisions.

D.5.2.Governance on valuation of assets & liabilities

Processes for the preparation and processing of the Company financial statements

> General principles used in preparing the Company's financial statements

The overall consistency of the process is maintained through compliance with certain general principles such as:

- the segregation of incompatible duties: control of approval levels: the names of the people authorized to commit the Company and the various levels of approval required according to the type of commitment (validation of expenses and payment authorization) are defined and made available to the people in charge of book-keeping so as to ensure the transactions have been properly approved
- the comprehensive recording of transactions the regular review of assets (property, plant and equipment, receivables, cash and cash equivalents)
- compliance with applicable accounting policies and selected accounting methods

> Main measures implemented to ensure the quality of the financial statements of the Company

- Cash and investment (participations) transactions

  The comprehensive and adequate recording in the accounts of investment and cash transactions is performed by the Finance Department. The comprehensive recording of transactions and the cash flows recognized relies on the reconciliation of transactions identified by the Finance Department, with information collected from market. The accounting treatment chosen is reviewed by the Member of the Management Board.

  Investments are valued in line with the results of impairment tests conducted for the preparation of the Credendo financial statements.

- Forecast accounting data

  Accounting data in the forecast income statement is reconciled with the cash flow forecasts prepared by the head of the Finance Department and supported by the Group and with the budget analysis data relating to operating costs.

- One data analysis process covering all activity

  Regardless of the activity in question (ad hoc analysis, quarterly accounts closure, forecasts or business plan preparation), the control procedures mainly relate to the following data:

  - External data: reinsurance terms and conditions, financial assumptions and tax rates
  - Internal data: commercial activity (premiums, premium rates, etc.), risk exposures, changes in loss ratios and in cost ratios, and overheads
  - Compliance with accounting rules: provisions booked on premiums, provisions booked on claims, monitoring of provisions releases

  - Analysis of the economic added value of the Company, carried out by business line
- Specific features of procedures for drawing up budgets and for business plan forecasting

  Business plans are drawn up based on the following cycle:

  - The Company draws up its budget consolidating business information supported by financial data and then approved by the Management Board.
  - The business plan packages are sent to the Group & Management Control department
  - Presentation of the business plan to the Board for approval
- Independent reviews within the Finance Department

  Accounting entries recorded by employees of the Finance Department are reviewed by the Accounting controller and Head of Finance. The Member of the Management Board reviews the accounting treatment of complex transactions and period-end closing activities carried out by the Finance Department.
- Asset/Liability Management process is performed by the Finance department and monthly reviewed by a member of the Management Board.

E. Capital Management

E.1. Own funds

E.1.1. Own funds management framework

Own funds are managed as to optimize the mix of available resources, taking into account that capital requirements are to be covered by own funds but also that different metrics are applied according to regulatory, rating agency or shareholders' view. The own funds management aims to maximize available resources that provide full absorption of losses on a going-concern basis.

The capital planning strategy aligns the internal capital demand (based on projections of capital requirements taking account of the risk appetite and longer term business strategy) and the internal capital supply (own funds) over the business planning period, identifying possible needs to raise additional resources:

> To capture changes in the risk profile that may affect future capital requirements the business and capital planning horizon includes minimum 3 years

> Capital requirements are projected according to the risk-based capital concepts used in the risk appetite framework for defining the overall risk tolerance

> Capital planning includes projection of the expected development of own funds over the planning period (including changes in structure and quality and the need to raise new own funds)

> The ORSA processes include testing sensitivity to the assumptions used in the business plan by subjecting identified risks to a sufficiently wide range of stress tests, reverse stress-tests as well as scenario analyses. The ORSA report includes a contingency plan if stress testing points to capital inadequacy under adverse circumstances occurring with realistic frequency. The contingency plan outlines how the Company might respond in the result of a stressed situation, especially what relevant compensating measures and offsetting actions it could realistically take to restore or improve capital adequacy, and the ability to raise own funds of an appropriate quality in an appropriate timescale to ensure that capital requirements can be met.

Optimizing capital management includes assessing whether to retain or transfer risks, taking the projection of capital required into account. The risks transferred especially relate to underwriting risk while the risk transfer takes the form of reinsurance where a portion of the risks assumed is ceded to other insurers. The reinsurance program should support the business objectives and strategies and help to mitigate risk, identifying the level of risk transfer appropriate to the approach to risk and defined risk limits (i.c. established risk tolerances and maximum net risk to be retained) and taking into consideration the risk appetite framework and the availability and cost of reinsurance.

Capital management discipline is enforced by an effective monitoring process on a quarterly basis of the Solvency II capital adequacy and other key indicators related to the risk appetite framework. Reviewing the reinsurance strategy is part of the annual review of the business strategy (i.e. business plan). That review is underpinned by the assessment of whether the existing reinsurance program and reinsurance counterparties continue to provide adequate, appropriate and secured risk transfer – without gaps resulting in more risks being retained than intended – and of the impact of likely adverse events through stress testing and scenario analysis to ensure that the catastrophe reinsurance cover can be relied upon to reduce the impact to a magnitude that will not threaten viability.

E.1.2.Structure & quality of own funds

Annex VI details the structure and quality of Credendo STE's own funds at end 2017. The reconciliation reserve is uniquely determined by the excess of assets over liabilities from valuation differences.

The following table includes the valuation differences vis-à-vis the IFRS financial statements:

Own Funds : structure & quality In thousands CZK	31.12.2016	31.12.2017
Tier 1	**304 486**	**288 300**
Ordinary paid-up share capital	200 000	200 000
Surplus funds (IFRS)	124 468	103 309
Reconciliation reserve - excess of assets over liabilities - valuation differences vis-à-vis IFRS		
Difference in the valuation of assets	-48 038	-97 693
Difference in the valuation of technical provisions	9 530	-6 945
Difference in the valuation of other liabilities	18 526	89 629
Tier 2		
Tier 3	**1 521**	**1 521**
Net deferred tax assets	1 521	1 521
Minority interests		
Available own funds		
Eligible own funds	**306 007**	**289 821**

Key elements of the reconciliation reserve concern the valuation differences mentioned in Chapter D, especially:

- Solvency II technical provisions calculated as a sum of best estimates and risk margin. The best estimates include the expected recoveries of expected and paid claims (while these are presented separately in CAS/IFRS)
- Solvency II reinsurance recoverables based on best estimate technical provisions and adjusted for expected losses due to counterparty default.

Credendo STE has no capital instruments issued as (subordinated) debt and does not hold own shares. Apart from the net deferred tax assets (DTAs), all own fund items are classified in Tier 1 as all items are undated, permanently available to absorb losses and completely subordinated. Net deferred tax assets are recognized as Solvency II Tier 3 own funds and eligible to cover capital requirements up to 15 % of the Solvency Capital Requirement. As the latter condition is fulfilled and as there are no restrictions on the Tier 1 items taken into account, all funds available are eligible for covering the regulatory capital requirements of the Company.

Expected developments of the own funds

A forward-looking quantified assessment of own risks and solvency needs and of available own funds connected to the business planning has been submitted to the Management Board meeting of 7 December 2017.[6] Own funds are projected not to change fundamentally in structure nor quality. No intention to repay or redeem any own-fund item nor plans to raise additional own funds are included in the business plan so far.

[6] This forward-looking assessment is included in the ORSA supervisory report.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

Annex VII includes the amounts of the Solvency Capital Requirement as calculated by the standard formula and split by risk modules, as well as of the Minimum Capital Requirement. At the end of 2017, the (final amount of the) Solvency Capital Requirement and the Minimum Capital Requirement for Credendo STE amounted to:

Solvency & Minimum Capital Requirement In thousands CZK	31.12.2016	31.12.2017
Non-life underwriting risk	218 811	203 092
Market risk	55 262	18 982
Counterparty default risk	30 736	30 119
Diversification	-48 884	-26 707
Basic Solvency Capital Requirement	255 925	225 487
Loss-absorbing capacity of TP/DF [(1)]		
Operational risk	26 819	23 888
Solvency Capital Requirement (A)	282 744	249 375
Minimum Capital Requirement	99 974	94 979
Eligible own funds (B)	306 007	289 821
Solvency ratio (B)/(A)	**108%**	**116%**

[(1)] Loss-absorbing capacity of technical provisions (TP) : not applicable
Loss-absorbing capacity of deferred taxes (DF) : not applied

The solvency ratio, calculated as eligible own funds as a percentage of the SCR, amounts to 116%. No undertaking-specific parameters have been used for the standard formula parameters. No simplified calculations have been used for the risk- and sub-modules of the standard formula.

The MCR equals the absolute floor of the Minimum Capital Requirement.

E.3. Use of the duration-based equity risk sub-module in the calculation of the SCR

Being a non-life insurer, Credendo STE is not using the duration-based equity risk sub-module for the calculation of its Solvency Capital Requirement.

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

No (partial) internal model is used by Credendo STE to calculate the Solvency Capital Requirement.

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

Credendo STE has not experienced any non-compliance with either the Minimum Capital Requirement or Solvency Capital Requirement during 2017 or previous reporting periods (since such calculations have been made).

E.6. Any other information

There is no other information considered material that would warrant a disclosure.

Annexes

These Annexes contain the templates that need to be disclosed as part of the SFCR. However, the following templates have not been included as they are empty or not-relevant for Credendo STE:

> template S.12.01.02 specifying information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance ('health SLT');
> template S.22.01.21, specifying information on the impact of the long term guarantee and transitional measures;
> template S.25.02.21 specifying information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model;
> template S.25.03.21 specifying information on the Solvency Capital Requirement calculated using a full internal model;
> template S.28.02.01 specifying the Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity.

ANNEX I Balance sheet using the valuation in accordance with Article 75 of Directive 2009/138/EC (S.02.01.02)

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	1 520 857,11
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	4 514 701,56
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	418 313 830,22
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	362 373 367,70
Government Bonds	**R0140**	362 373 367,70
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	55 940 462,52
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	665 063 862,39
Non-life and health similar to non-life	**R0280**	665 063 862,39
Non-life excluding health	**R0290**	665 063 862,39
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	4 724 416,83
Reinsurance receivables	**R0370**	52 810 738,88
Receivables (trade, not insurance)	**R0380**	6 029 784,48
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	92 297 528,15
Any other assets, not elsewhere shown	**R0420**	147 492 278,37
Total assets	**R0500**	1 392 767 997,99

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	810 835 226,49
Technical provisions – non-life (excluding health)	R0520	810 835 226,49
Technical provisions calculated as a whole	R0530	810 835 226,49
Best Estimate	R0540	796 271 210,81
Risk margin	R0550	14 564 015,68
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	1 630 266,50
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	123 112 702,66
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	600 986,48
Reinsurance payables	R0830	7 230 458,34
Payables (trade, not insurance)	R0840	12 122 124,89
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	147 415 719,31
Total liabilities	R0900	1 102 947 484,67
Excess of assets over liabilities	R1000	289 820 513,32

ANNEX II Premiums, claims and expenses (template S.05.01.01)

		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**									440 451 549,83
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**									289 909 268,67
Net	**R0200**									150 542 281,16
Premiums earned										
Gross - Direct Business	**R0210**									441 268 794,97
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**									289 923 957,08
Net	**R0300**									151 344 837,89
Claims incurred										
Gross - Direct Business	**R0310**									164 413 602,52
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**									52 259 557,21
Net	**R0400**									112 154 045,31
Changes in other technical provisions										
Gross - Direct Business	**R0410**									-15 859 367,55
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**									-9 284 910,37
Net	**R0500**									-6 574 457,18

ANNEX III Premiums, claims and expenses by country (template S.05.02.01)

		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		PL	SK	DE	RU	HU	
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Premiums written								
Gross - Direct Business	**R0110**	195 639 204,80	128 579 519,00	31 225 767,00	19 013 519,00	12 962 412,00	9 524 633,00	396 945 054,80
Gross - Proportional reinsurance accepted	**R0120**							
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	134 894 025,75	83 065 771,56	20 418 844,87	11 421 573,01	7 777 447,20	5 714 779,80	263 292 442,19
Net	**R0200**	60 745 179,05	45 513 747,44	10 806 922,13	7 591 945,99	5 184 964,80	3 809 853,20	133 652 612,61
Premiums earned								
Gross - Direct Business	**R0210**	196 002 207,73	128 818 094,60	31 283 705,51	19 048 798,04	12 986 463,38	9 542 305,68	397 681 574,95
Gross - Proportional reinsurance accepted	**R0220**							
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	134 900 550,02	83 070 059,49	20 419 886,20	11 422 207,08	7 777 879,48	5 715 097,43	263 305 679,71
Net	**R0300**	61 101 657,70	45 748 035,11	10 863 819,31	7 626 590,96	5 208 583,91	3 827 208,25	134 375 895,23
Claims incurred								
Gross - Direct Business	**R0310**	-75 064 904,40	150 278 449,02	22 427 291,99	6 933 023,96	10 155 637,79	5 602 023,52	120 331 521,88
Gross - Proportional reinsurance accepted	**R0320**							
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	-89 971 758,29	90 167 069,41	13 456 375,20	4 159 814,37	6 093 382,67	3 361 214,11	27 266 097,48
Net	**R0400**	14 906 853,89	60 111 379,61	8 970 916,80	2 773 209,58	4 062 255,12	2 240 809,41	93 065 424,40
Changes in other technical provisions								
Gross - Direct Business	**R0410**	-7 044 393,55	-4 629 771,09	-1 124 348,22	-684 621,01	-466 738,41	-342 954,08	-14 292 826,36
Gross - Proportional reinsurance accepted	**R0420**							
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**	-4 226 636,13	-2 777 862,65	-674 608,93	-410 772,61	-280 043,05	-205 772,45	-8 575 695,82
Net	**R0500**	-2 817 757,42	-1 851 908,44	-449 739,29	-273 848,41	-186 695,36	-137 181,63	-5 717 130,54
Expenses incurred	**R0550**	43 635 327,03	28 678 348,84	6 964 588,49	4 240 771,27	2 891 133,64	2 124 372,14	88 534 541,42
Other expenses	**R1200**							3 852 354,81
Total expenses	**R1300**							92 386 896,23

ANNEX IV Non-life technical provisions (template S.17.01.01)

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010						
Direct business	R0020						
Accepted proportional reinsurance business	R0030						
Accepted non-proportional reinsurance	R0040						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross - Total	R0060			68 611 078,25			
Gross - direct business	R0070			68 611 078,25			
Gross - accepted proportional reinsurance business	R0080						
Gross - accepted non-proportional reinsurance business	R0090						
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100			43 506 669,62			
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110			43 506 669,62			
Recoverables from SPV before adjustment for expected losses	R0120						
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130			0,00			
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140			43 389 228,59			
Net Best Estimate of Premium Provisions	R0150			25 221 849,66			
Claims provisions							
Gross - Total	R0160			727 660 132,57			
Gross - direct business	R0170			727 660 132,57			
Gross - accepted proportional reinsurance business	R0180						
Gross - accepted non-proportional reinsurance business	R0190						
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200			622 065 049,71			
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210			622 065 049,71			
Recoverables from SPV before adjustment for expected losses	R0220						
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			621 674 633,80			
Net Best Estimate of Claims Provisions	R0250			105 985 498,76			
Total Best estimate - gross	R0260			796 271 210,81			
Total Best estimate - net	R0270			131 207 348,42			
Risk margin	R0280			14 564 015,68			
Amount of the transitional on Technical Provisions							
TP as a whole	R0290						
Best estimate	R0300						
Risk margin	R0310						
Technical provisions - total							
Technical provisions - total	R0320			810 835 226,49			
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330			665 063 862,39			
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340			145 771 364,10			
Line of Business: further segmentation (Homogeneous Risk Groups)							
Premium provisions - Total number of homogeneous risk groups	R0350			1,00			
Claims provisions - Total number of homogeneous risk groups	R0360			1,00			
Cash-flows of the Best estimate of Premium Provisions (Gross)							
Cash out-flows							
Future benefits and claims	R0370			61 338 303,95			
Future expenses and other cash-out flows	R0380			20 994 989,94			
Cash in-flows							
Future premiums	R0390						
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400			13 722 215,65			
Cash-flows of the Best estimate of Claims Provisions (Gross)							
Cash out-flows							
Future benefits and claims	R0410			831 505 772,08			
Future expenses and other cash-out flows	R0420			9 991 894,14			
Cash in-flows							
Future premiums	R0430						
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440			113 837 533,66			
Percentage of gross Best Estimate calculated using approximations	R0450			100,00			
Best estimate subject to transitional of the interest rate	R0460						
Technical provisions without transitional on interest rate	R0470			810 835 226,49			
Best estimate subject to volatility adjustment	R0480						
Technical provisions without volatility adjustment and without others transitional measures	R0490			810 835 226,49			

ANNEX V Non-life insurance claims in the format of development triangles (template S.19.01.01)

Accident year / Underwriting year	Z0020	Underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
Prior	R0100																0,00
N-14	R0110	24 276 867,34	73 152 588,44	4 286 083,71	-2 736 104,44	-1 302 880,73	-2 207 599,55	-345 649,73	-230 777,21	-127 751,76	0,00	-217 072,25	0,00	-18 275,12	-1 512 314,49	0,00	
N-13	R0120	20 377 549,82	68 293 319,00	-2 670 341,55	2 384 083,25	7 059,76	94 837,09	-3 569 636,96	-227 273,78	-2 068 124,58	0,00	0,00	0,00	0,00	0,00		
N-12	R0130	22 485 333,00	126 988 354,70	-13 578 577,70	-6 270 392,34	-564 934,47	24 715 826,77	-830 520,63	-512 020,13	-727 447,05	-32 375,64	0,00	-17 980,92	0,00			
N-11	R0140	24 778 338,00	88 616 875,20	12 292 010,79	-5 354 231,55	-1 010 226,70	-1 002 496,28	-23 474,04	-69 839,21	0,00	-772 899,76	-245 519,62	-637 833,78				
N-10	R0150	8 477 258,00	59 057 960,29	-966 403,21	379 248,38	1 657 648,89	-183 653,72	196 521,44	-6 402,58	0,00	-285 202,24	0,00					
N-9	R0160	24 576 504,19	406 318 256,82	158 046 348,50	-12 027 489,30	-3 391 745,00	-4 942 531,86	-1 192 562,65	-619 254,02	-631 282,15	-6 586 013,34						
N-8	R0170	50 539 803,87	303 444 065,32	839 817,28	-14 813 018,51	-2 610 389,85	-1 454 809,26	-2 004 638,82	-1 646 430,58	-1 906 380,18							
N-7	R0180	51 884 997,92	118 550 395,84	1 805 811,75	-6 115 972,56	-6 016 743,40	-2 875 309,57	-2 073 748,84	-234 526,71								
N-6	R0190	62 199 380,36	203 557 868,61	-10 457 072,82	-5 103 406,38	-1 854 335,59	-1 591 985,29	-1 024 889,73									
N-5	R0200	80 325 121,87	165 714 298,13	-12 613 425,80	-4 538 993,84	-1 557 207,63	-1 288 520,20										
N-4	R0210	61 098 615,91	206 957 532,28	-7 626 411,14	-5 753 381,19	-13 262 985,48											
N-3	R0220	48 829 128,79	118 475 793,97	-10 494 479,71	-4 083 169,08												
N-2	R0230	95 787 912,33	163 974 388,12	-2 752 802,16													
N-1	R0240	84 217 453,38	236 388 978,97														
N	R0250	67 176 090,89															

		In Current year
		C0170
	R0100	0,00
	R0110	0,00
	R0120	0,00
	R0130	0,00
	R0140	-637 833,78
	R0150	0,00
	R0160	-6 586 013,34
	R0170	-1 906 380,18
	R0180	-234 526,71
	R0190	-1 024 889,73
	R0200	-1 288 520,20
	R0210	-13 262 985,48
	R0220	-4 083 169,08
	R0230	-2 752 802,16
	R0240	236 388 978,97
	R0250	67 176 090,89
Total	R0260	271 787 949,20

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350
Prior	R0100																-63014,73
N-14	R0110	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-258 710,64	
N-13	R0120	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
N-12	R0130	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-190 976,48			
N-11	R0140	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1 190 922,58	-1 729 448,25				
N-10	R0150	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00					
N-9	R0160	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	866 945,53	-3 854 045,57						
N-8	R0170	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-2 085 730,62							
N-7	R0180	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-215 706,82								
N-6	R0190	0,00	0,00	0,00	0,00	0,00	462 528,46	-508 076,79									
N-5	R0200	0,00	0,00	0,00	0,00	647 216 701,12	522 150 836,50										
N-4	R0210	0,00	0,00	0,00	3 152 329,01	-4 106 180,01											
N-3	R0220	0,00	0,00	1 573 236,64	-2 322 969,51												
N-2	R0230	0,00	8 058 602,72	-6 011 947,25													
N-1	R0240	201 130 746,86	-2 866 679,82														
N	R0250	236 810 371,85															

		Year end (discounted data)
		C0360
	R0100	-62 406,87
	R0110	-256 215,04
	R0120	0,00
	R0130	-189 134,27
	R0140	-1 712 765,50
	R0150	0,00
	R0160	-3 816 868,33
	R0170	-2 065 611,06
	R0180	-213 626,05
	R0190	-503 175,73
	R0200	517 114 018,33
	R0210	-4 066 570,61
	R0220	-2 300 561,48
	R0230	-5 953 954,26
	R0240	-2 839 027,00
	R0250	234 526 030,43
Total	R0260	727 660 132,57

ANNEX VI Own funds (template S.23.01.01)

		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 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	200 000 000,00	200 000 000,00		X	
Share premium account related to ordinary share capital	**R0030**				X	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**				X	
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	88 299 656,21	88 299 656,21			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**	1 520 857,11				1 520 857,11
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**	289 820 513,32	288 299 656,21			1 520 857,11
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	289 820 513,32	288 299 656,21			1 520 857,11
Total available own funds to meet the MCR	**R0510**	288 299 656,21	288 299 656,21			
Total eligible own funds to meet the SCR	**R0540**	289 820 513,32	288 299 656,21			1 520 857,11
Total eligible own funds to meet the MCR	**R0550**	288 299 656,21	288 299 656,21			
SCR	**R0580**	249 375 073,08				
MCR	**R0600**	94 979 000,00				
Ratio of Eligible own funds to SCR	**R0620**	1,1622				
Ratio of Eligible own funds to MCR	**R0640**	3,0354				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	289 820 513,32	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	201 520 857,11	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	88 299 656,21	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		
Total Expected profits included in future premiums (EPIFP)	**R0790**		

ANNEX VII Solvency Capital Requirement calculated using the standard formula (template S.25.01.21)

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	18 982 009		
Counterparty default risk	R0020	30 119 476		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	203 092 141		
Diversification	R0060	-26 706 689		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	225 486 937		

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	23 888 136,32
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	249 375 073,08
Capital add-on already set	R0210	
Solvency capital requirement	R0220	249 375 073,08
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	

ANNEX VIII Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity (template S.28.01.01)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	40 234 978,44

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**		
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**		
Other motor insurance and proportional reinsurance	**R0060**		
Marine, aviation and transport insurance and proportional reinsurance	**R0070**		
Fire and other damage to property insurance and proportional reinsurance	**R0080**		
General liability insurance and proportional reinsurance	**R0090**		
Credit and suretyship insurance and proportional reinsurance	**R0100**	131 207 348,42	150 542 281,16
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**		
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	**R0200**	

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

Overall MCR calculation

		C0070
Linear MCR	**R0300**	40 234 978,44
SCR	**R0310**	249 375 073,08
MCR cap	**R0320**	112 218 782,89
MCR floor	**R0330**	62 343 768,27
Combined MCR	**R0340**	62 343 768,27
Absolute floor of the MCR	**R0350**	94 979 000,00
		C0070
Minimum Capital Requirement	**R0400**	94 979 000,00