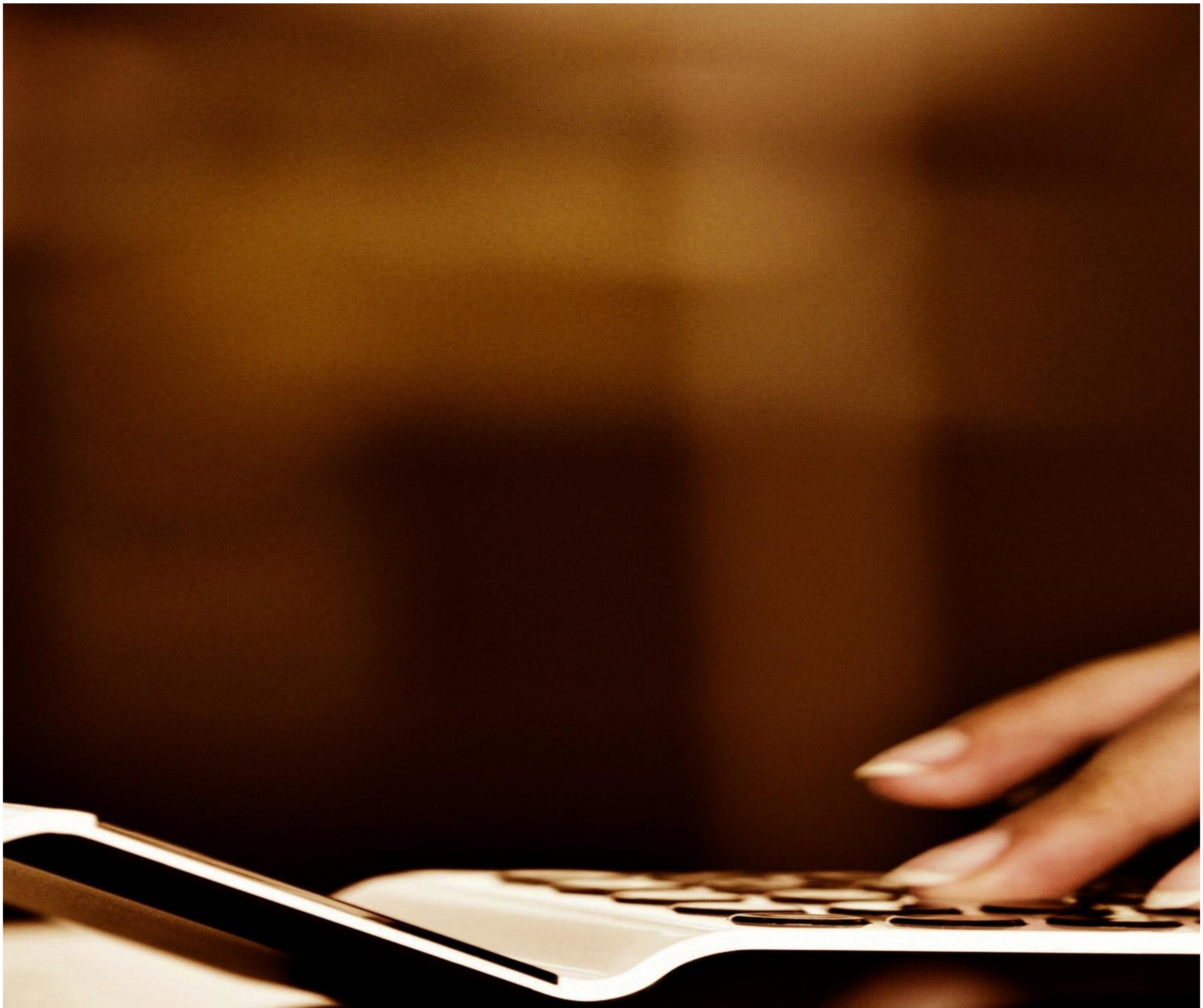

Credendo – Single Risk Insurance AG

SOLVENCY & FINANCIAL CONDITION REPORT 2018

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Summary

The Solvency and Financial Condition Report (SFCR) provides key information on the solvency and financial position of Credendo – Single Risk Insurance AG (hereinafter referred to as ”Credendo SR”) and ensures the creation of a transparent overall image to external addressees. In particular, this report provides information on Credendo SR's business and performance, describes the system of governance and its adequacy with regard to the risk profile, and provides information on valuation for solvency purposes and capital management. The main target group is not primarily the supervisory authority, but rather policy holders, investors, analysts, rating agencies and interested readers.

According to the statutory provisions of the Austrian Insurance Supervision Law (VAG), Credendo SR published the SFCR report for the first time on 20 May 2017 for 2016. Since then the SFCR report will be available to the target groups on an annual basis in order to gain new insights into the insurance company. The SFCR report consists of five chapters (A-E) with corresponding subsections.

This report also contains details of the specifics in respect of the legal and regulatory requirements of the business operation of the Swiss branch of Credendo SR in Geneva in accordance with Swiss insurance supervision law, Swiss Code of Obligations and FINMA Circular 2017/2 Corporate Governance - Insurers (risk management and internal control system), 2010/1 Remuneration systems, 2008/16 Responsible (r) Actuary, 2018/3 Outsourcing and 2016/3 ORSA. They have been summarized for the sake of clarity in the individual chapters A to E under the subsection “Any other information”.

A. Business and Performance

Credendo SR is a stock corporation with its head-office in Vienna (Austria) and a branch office in Geneva (Switzerland). It is a 100% owned subsidiary of the Delcredere I Ducroire (hereinafter: “Credendo ECA”) and operates in the property and casualty insurance, namely in the insurance class credit insurance and other financial losses, both in direct and indirect business (i.e. assumed reinsurance).

In the financial year 2018 gross written premiums amounted to EUR 22,713,4k(prior year: EUR24,053.8k). 2018was characterised by a particularly selective approach to Underwriting in order to improve sustainably the portfolio of commercial and political risk exposures.

The economic and political environment has adversely affected recoveries of past claims and has also resulted in new claims. In spite of a conservative Underwriting policy being in place, the cost of claim payments and provisions continued to weigh heavily on the company’s financial results so that the year 2018 had to be closed with a loss after taxes and reserves of EUR 5,791,787.82.

While this result definitely fell short of expectations, three positive and important milestones for the company could be achieved in 2018:

A capital increase of EUR 40m was approved in May, and fully subscribed by our parent company Credendo ECA. Consequently, Credendo Single Risk’s business is now supported by very solid capital base as evidenced by its Solvency Credit Ratio, which stood at 279.2% per 31 December 2018.

In September, the renowned credit rating agency Standard & Poor’ assigned a Financial Strength Rating of A- with stable outlook to Credendo SR. This rating should enable the company to access new and attractive business opportunities within its target client bracket.

Finally, in December an extraordinary shareholder meeting approved the transfer of the shares held by the company’s minority shareholder to the majority shareholder and parent company Credendo ECA. By February 2019, Credendo SR has now become a wholly owned subsidiary of Credendo ECA, which concludes the integration of Credendo SR into Europe’s fourth biggest credit insurance group.

B. System of Governance

The governance system of Credendo SR covers the outline of the company's individual business activities in terms of nature, scale and complexity, and reflects the underlying risk profile adequately.

Overall, Credendo SR has a three-member Management Board and 28 employees (11 of them in the Swiss branch in Geneva). The Supervisory Board consists of four shareholder representatives and two works council delegates and is responsible for the appointment of the members of the Management Board. The four key functions (risk management, actuarial function, internal control system and compliance function, internal audit function) and relevant committees are firmly anchored within the organisational structure and decision-making processes.

The remuneration system of Credendo SR is based on the basic principle of a fair remuneration corresponding to the skills and performance of the executives and employees. The current market practice is also taken into account. Negative incentive systems are avoided in order to guarantee a prudent and risk-conscious business practice. In order to ensure the required professional qualification and personal reliability of its managers and staff, Credendo SR has clearly defined "fit & proper" criteria in place. These criteria are reviewed as part of an evaluation process and ensure competent decision making within Credendo SR.

An appropriate and effective risk management system, comprising strategies, processes and reporting procedures based on group-wide risk assessments and evaluation, is a central element in the organizational structure and decision-making processes. Risk appetite, risk preferences and risk limits for day-to-day business are defined in the risk appetite agreed by the Supervisory Board at the proposal of the Management Board and compliance with these requirements reviewed by the Management Board. In the internal reporting, the risk management function also evaluates the identified risks

Once a year, or in the event of significant changes in the risk profile, a forward - looking assessment of capital requirements is carried out in the Own Risk and Solvency Assessment (ORSA). In order to have adequate decision bases for the liquidity requirements, the assumptions of the business plan are tested and subjected to various stress tests and scenario analyses.

The internal control system, which ensures compliance with legal and regulatory administrative rules and the company's own guidelines, is integrated into the individual processes and takes place alongside the workforce or directly upstream or downstream of the work processes. The processes are reviewed at least annually by process owners and controlled by the risk management function and the compliance function.

The independent compliance function ensures compliance with legal and regulatory requirements and internal policies to protect the reputation and integrity of Credendo SR.

As a further key function, Internal Audit reviews the legality, regularity and appropriateness of Credendo SR's business activities in accordance with an audit plan set up in consultation with the Management Board. The function is independent, outsourced to Ernst & Young Management Consulting GmbH, and reports directly to the Management Board.

The also independent actuarial function, outsourced to arithmetica Consulting GmbH in Austria and to Pittet Associés SA, Lausanne in Switzerland, prepares the actuarial calculations, assesses the quality of the data, identifies potential shortcomings, and makes suggestions for possible improvements and reports to the Management Board. Outsourcing activities are subject to a clear review process, which needs to be initiated before each planned outsourcing in order to ensure continuous quality. Apart from activities that must be performed by the service provider during the contract period, a reintegration process for outsourced activities has also been defined.

C. Risk Profile

Credendo SR calculates the Solvency Capital Requirement (SCR) according to the Solvency II standard formula. Based on these calculations quantifiable risks are covered and Credendo SR's regulatory capital requirement is determined.

Credendo SR is a mono-line non-life insurer, specializing in credit insurance. The financial and operational risks has always been low as calculated in the past and continue to be so in present calculations under Solvency Pillar 1. Contrary to this, especially the underwriting risk is considered high in terms of possible losses considering both the likelihood of the risk being realized and the impact of that risk when realised. Credit insurance business is often volatile, i.e. there is the risk of occasional large (outliers) losses occurring.

The SCR calculated in accordance with the standard formula amounted to EUR 19,017.8k (prior year: EUR 14,816.9k) as of 31 December 2018. At the same time, own funds available to cover the SCR requirement amounted to EUR 53,098.0k (prior year: EUR 21,087.7k). As of 31 December 2018, the BSCR amounted to EUR 18,264.9k, the diversification was EUR - 4,306.2k.

D. Valuation for Solvency Purposes

Credendo SR sets up its financial statement based on the Austrian accounting principles and then converts them into Solvency II values. Due to different valuation approaches and regulatory requirements between the Austrian Commercial Code (hereinafter: Unternehmensgesetzbuch - UGB) and the Solvency II regulations, differences arise within the different balance sheet items.

The valuation difference between the Solvency II balance sheet and the UGB balance sheet amounted to EUR 1,884.5k (prior year: EUR -2,556.0k) as of 31 December 2018. The technical provisions - Non-life result in a difference of EUR -6,576.0k (prior year: EUR -699.8k) and other liabilities in the field of severance obligations for EUR -3,4k (prior year: EUR 618.4k severance and pension obligations).

E. Capital Management

The capital management of Credendo SR aims to increase the financial capacity adequately through active capital management that ensures sound financial conditions. In addition, Credendo SR builds up adequate collateral buffers and aims at a SCR of at least 150% and an at least A-credit rating.

As of 31 December 2018 the UGB capital amounted to EUR 57,767.1k (prior year: EUR 23,558.9k) while the Solvency II own funds equalled to EUR 53,098.0k (prior year: EUR 21,087.7k). The difference therefore totalled EUR 4,669.1k (prior year: EUR 2,471.2k).

The own funds of Credendo SR solely consist of basic own funds that belong exclusively to Tier 1. Credendo SR has no ancillary own funds.

As of 31 December 2018 Credendo SR holds sufficient own funds to cover the regulatory capital requirements. The SCR was 279.20% (prior year: 142.32%), the Minimum Capital Requirement (MCR) was 1,116.81% (prior year: 569.29%).

A. Business and performance

A.1 Business

–Single Risk Insurance AG (former Garant Versicherungs-AG, hereinafter referred to as Credendo SR) is a joint stock company headquartered in Vienna and wholly owned by Credendo ECA. Credendo SR operates in the property and casualty insurance business, namely in the insurance class credit insurance and other financial losses, both in direct and indirect business (i.e. assumed reinsurance). Credendo SR´s core product is the provision of Single risk insurance. In this field, the company can draw on many years of experience. Credendo SR applies a holistic approach towards risk assessment with a thorough analysis of all factors influencing a transaction and thus can offer bespoke solutions for its customers.

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Prudential supervision in Austria by:	*Prudential supervision in Switzerland by:*
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Auditors for the current financial year in Austria:	*Auditors for the current financial year in Switzerland:*
PwC Wirtschaftsprüfung GmbH Donau-City-Straße 7 A-1220 Vienna Tel.: +43 1 501 88 - 0 Fax: +43 1 501 88 - 601 Website: www.pwc.at	**PricewaterhouseCoopers AG** Birchstrasse 160 CH-8050 Zürich Tel. +41 58 792 44 00 Fax +41 58 792 44 10 Website: www.pwc.ch

Table 1: General information

By year-end 98.32% of Credendo SR´s shares were held by DelcredereIDucroire, the Belgian Export Credit Agency (brand name Credendo ECA) with its headquarters in Brussels. The remaining 1.68% of shares were held by the Bank of Foreign Economic Affairs (Vnesheconombank), which has its headquarters in Moscow.

At an extraordinary general shareholder meeting on December 28, 2018 the exclusion of the minority shareholder was resolved. This resolution has been legally valid since February 2, 2019, the date of its registration in the commercial register. Since this date, DelcredereIDucroire has been a 100% shareholder of Credendo -Single Risk Insurance AG.

DelcredereIDucroire is an autonomous public institution whose activities as the Belgian ECA are guaranteed by the Belgian state. The goal of DelcredereIDucroire is to promote international trade relations as well as the exports of Belgian companies.

Figure 1 shows in a summarizing way the subsidiaries of the Delcredere|Ducroire (Credendo ECA) including the current ownership ratios.

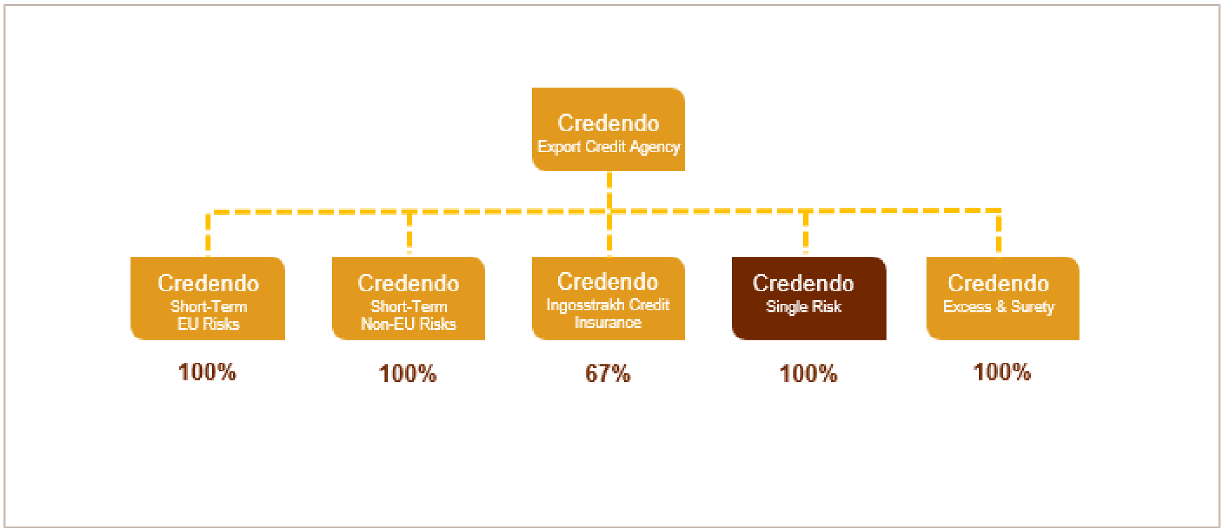

Figure 1: Overview of the company's structure

As already mentioned above, Credendo SR conducts the non-life insurance business in the insurance branches "credit insurance" and "other financial losses" both in direct and indirect business.
Credendo SR's portfolio mainly contains the next three lines of business (LoBs):

- Direct Single Risk: Cover for all sales to one debtor or for a single contract with one debtor/obligor
- Direct Turnover: A credit insurance policy that covers the insured's total credit sales
- Assumed Reinsurance: covering Single Risk as well as Turnover Risks (facultative & treaty business)

Figure 2 represents the gross written premiums per LoB.

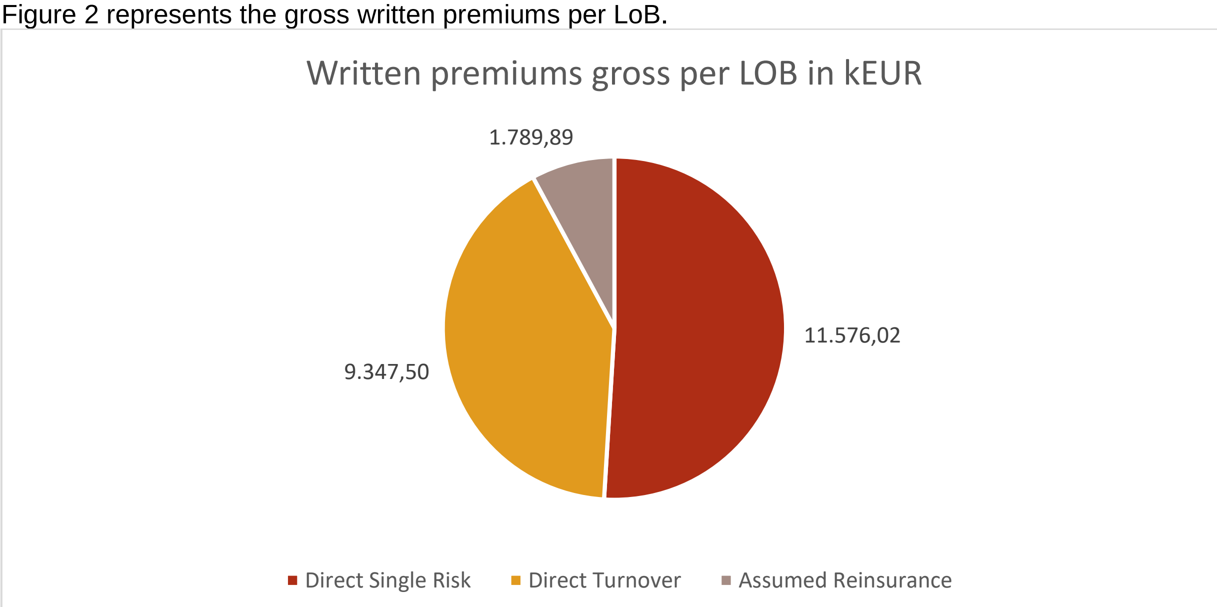

Figure 2: Overview written premiums gross per LoB

Policies where Credendo SR functions as the sole insurer make up around 39% of the joint SR-Premium volume. All the rest are policies where Credendo SR acts as a syndication (the latter part coming forth from the London market). Altogether, Credendo SR has outstanding risks in 154 countries.

Figure 3 displays the premiums per geographical area.

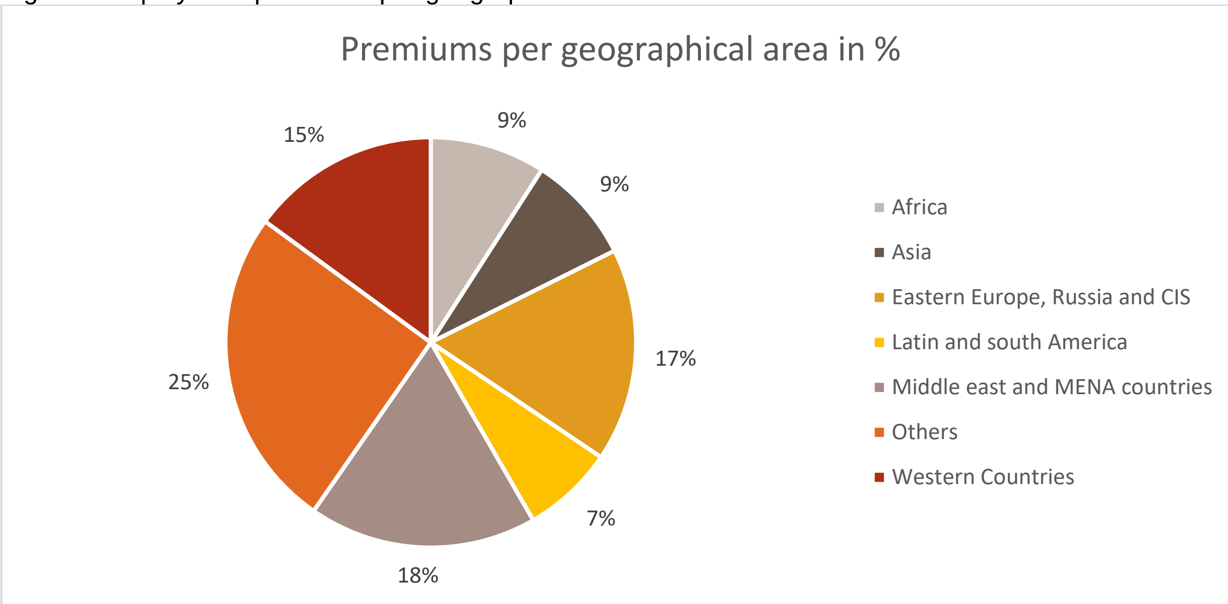

Figure 3: Overview premiums per geographical area

Significant developments and events during the reporting period

As a provider of Single Risk political and commercial risk insurance for predominantly emerging market domiciled risks, Credendo SR is exposed to global economic and political developments. The year 2018 saw trade conflicts, growing US-China tensions and a maturing global economic cycle. According to the IMF January 2019 Economic Outlook, global economic growth has passed its peak in 2018 with a rate of 3.7% and there appears to be broad consensus that economic growth will slow down in 2019. After four rises of the US Federal Funds Rate in 2018, USD interest rates increased from 1.5 % to 2.5%. This increase has negatively affected many emerging market economies whose servicing of their USD denominated debt has consequently become more expensive. In addition, over the past few months, emerging market economies have been tested by difficult external conditions like trade tensions, USD appreciation, capital outflows, and volatile oil prices.

This economic and political environment has adversely affected recoveries of past claims and has also resulted in new claims. In spite of a conservative Underwriting policy being in place, the cost of claim payments and provisions continued to weigh heavily on the company's financial results so that the year 2018 had to be closed with a loss after taxes and reserves of EUR 5,791,787.82.

While this result definitely fell short of expectations, three positive and important milestones for the company could be achieved in 2018:

A capital increase of EUR 40m was approved in May, and fully subscribed by our parent company Credendo ECA. Consequently, Credendo Single Risk's business is now supported by very solid capital base as evidenced by its Solvency Credit Ratio, which stood at 279.2% per 31 December 2018.

In September, the renowned credit rating agency Standard & Poor' assigned a Financial Strength Rating of A- with stable outlook to Credendo SR. This rating should enable the company to access new and attractive business opportunities within its target client bracket.

Finally, in December an extraordinary shareholder meeting approved the transfer of the shares held by the company's minority shareholder to the majority shareholder and parent company Credendo ECA. By February 2019, Credendo SR has now become a wholly owned subsidiary of Credendo ECA, which concludes the integration of Credendo SR into Europe's fourth biggest credit insurance group.

A.2 Underwriting Performance

Performance from underwriting activities on an aggregated level

The volume of gross written premiums amounted to EUR 22,713.4k (previous year: EUR 24,053.8k) and was 5.6% (previous year: 25.3%) lower than in the previous year. Credendo SR's technical performance is shown in more detail below and is compared with the previous year. The technical performance will be shown in an aggregated form as well as in the Solvency II – LoBs and for the geographical areas where Credendo SR is active at present.

Performance from underwriting activities broken down by significant LoBs

Table 2 and Table 3 show the gross and net performance from underwriting activities gross as well as net.

Gross

	Premiums, claims and expenses per LoB [kEUR]							
	Written premiums - gross		Earned premiums – gross		claims incurred- gross		Expenses incurred - gross	
	2018	2017	2018	2017	2018	2017	2018	2017
Credit and suretyship insurance	22,713.4	24,053.8	25,097.5	28,608.3	26,528.8	18,406.0	8,695.9	8,753.6

Table 2: Gross performance from underwriting activities

Net

	Premiums, claims and expenses per LoB [kEUR]							
	Written premiums - net		Earned premiums - net		Claims incurred- net		Expenses incurred - net	
	2018	2017	2018	2017	2018	2017	2018	2017
Credit and suretyship insurance	5,650.6	6,438.0	5,753.2	10,124.4	5,949.8	5,469.0	5,681.3	5,487.0

Table 3: Net performance from underwriting activities

The five most important countries (looking at gross written premiums) - non-life insurance obligations

Performance from underwriting activities broken down by significant countries

Table 5 summarizes the performance from underwriting activities by major geographical areas. These are the five most important countries when looking at gross written premiums. The remaining geographical areas are grouped under "Others". However, the main countries are usually subject to strong fluctuations. These fluctuations are among other factors dependent on political developments and change almost annually. Since the business is offered primarily through brokers, Credendo SR usually has no influence on the business volume per country or Insured. Since the XL-protection of ceded reinsurance cannot be attributed directly to a country, it is shown under "Others". This resulted in negative Net premiums in this item.

Premiums, claims and expenses per area [kEUR]	Five most important countries (looking at gross written premiums) – non-life insurance obligations					
Written premiums	**Switzerland**	**France**	**Luxembourg**	**Cyprus**	**Great Britain**	**Others**
	2018	**2018**	**2018**	**2018**	**2018**	**2018**
Gross	12,706.2	3,301.5	887.4	580.2	802.5	4,435.7
Net	10,601.4	2,977.7	887.4	580.2	437.1	-9,610.5
Earned Premiums						
Gross	12,700.3	3,977.5	935.7	619.8	908.5	5,955.7
Net	10,144.1	3,549.3	935.7	619.8	573.5	-10,069.3
Claims incurred						
Gross	8,966.6	796.7	1,767.8	283.0	2,902.2	11,916.4
Net	6,898.3	239.0	1,767.8	283.0	2,562.3	-1,156.2
Expenses incurred	2,324.7	1,448.1	386.6	175.	1,500.8	-154.4
Other expenses						-209.7
Total expenses	2,324.7	1,448.1	386.6	175.5	1,500.8	-364.1

Table 4: Overview of the performance from underwriting activities broken down by significant areas 2018

Premiums, claims and expenses per area [kEUR]	Five most important countries (looking at gross written premiums) – non-life insurance obligations					
Written premiums	**Switzer-land**	**France**	**Great-Britain**	**Luxem-bourg**	**Netherlands**	**Others**
	2017	**2017**	**2017**	**2017**	**2017**	**2017**
Gross	11,802.7	3,768.7	1,128.9	1,125.4	1,102.0	5,126.0
Net	9,356.2	3,316.8	1,128.9	1,125.4	920.2	-9,409.5
Earned Premiums						
Gross	11,879.5	5,272.9	932.7	1,516.3	1,269.2	7,737.6
Net	9,403.9	4,726.5	932.7	1,516.3	1,059.7	-7,514.6
Claims incurred						
Gross	11,706.6	1,924.8	315.4	-1,138.2	368.0	4,869.4
Net	10,763.0	1,638.1	315.4	-1,138.2	159.0	-6,268.3
Expenses incurred	1,681.2	1,187.0	319.8	391.9	363.9	1,540.3
Other expenses						186.1
Total expenses	1,681.2	1,187.0	319.8	391.9	363.9	1,726.3

Table 5: Overview of the performance from underwriting activities broken down by significant areas 2017

Comparison of the significant information, which the annual report obtains

Table 6 summarises the significant information, which the annual report obtains.

in kEUR	2018	2017
Written premiums	22,713.4	24,053.8
Earned premiums	5,753.2	10,124.4
Claims incurred	6,265.0	5,752.6
Expenses for profit-unrelated premium refunds	315.5	75.0
Operating expenses	5,366.1	5,203.5
Other underwriting income	650.2	
Other underwriting expenses	-440.5	-186.1
Change in equalisation reserve	483.0	-483.0
Underwriting profit	-5,500.8	-1,575.7

Table 6: Overview of the main information obtained in the annual report

Development of premiums

Credendo SR recorded a total premium income of EUR 22,713.4k (previous year: EUR 24,053.8k) in 2017 and is only active in the credit insurance LoB. The earned premiums during the 2017 financial year amounted to EUR 25,097.5k (previous year: EUR 28,608.3k), but comparison with the previous year is difficult because of the change in the method of provisioning.

Comparison with information contained in the annual report

Within direct business, the Single Risk activity, on which our business development is focused, decreased by 19.4% (after a decrease of 19.7% in previous year). Main reason is the low interest environment where high capacities exist in the markets especially in London. Therefore, premium rates are highly under pressure. At the same time, the turnover-business was reduced by 35.3% in 2017, but increased again in 2018 by 52.2%.

The inward facultative reinsurance decreased by 7.0% (previous year: 58.0%). Already in 2016, there was a strategic decision to avoid intra-group transaction broadly and to limit reinsuring Export Credit Agencies. The inward treaty reinsurance business decreased by 36.2% to a level of EUR 571.6k. Reason is that all treaties are in run-off to avoid risk accumulations.

The cession of premiums to reinsurance is still at a high level. Net premiums now amount to 24.9% of the gross premiums compared to 26.8% in 2017. On one hand, this is due to the increased quota share of our main treaty since 2017, on the other hand, it is due to high cost of Excess of Loss-protection and increased facultative cession.

Policies where Credendo SR acts as the only insurer amount to approx. 39% of the direct single risk premium volume. The remainder being policies where Credendo SR is acting as co-insurer in syndicated transactions (thereof the majority in the London market).

Claims incurred

According to P&L the net incurred claims show a loss of EUR -6,265.0k in the reporting year (previous year: loss of EUR -5,756.6k).

Comparison with the information contained in the annual report
Claims 2018 were still characterized by the difficult situation in commodity markets and the weak economic situation of the emerging markets.

Thus, the gross claim payments decreased significantly to EUR 22,710.1k (previous year: EUR 47,393.2k), at the same time recoveries amounting in EUR 6,350.9k (previous year: EUR 7,175.8k) could be accounted against. Compared to the previous year, the net claim payments decreased from EUR 9,702.9k in 2017 to EUR 5,675.5k, which is due to the functioning of the reinsurance structure.

Gross claim reserves increased significantly in 2018 by EUR 10,484.8k (prior year it was a reduction of EUR 21,527.8k). Main reason is the change in methodology of reservation from a mere expert assessment to a more objective system. Thus, above others the IBNR reserve increased from 4.566.9k EUR in 2017 to EUR 15,982.6k in 2018. Variation in net outstanding claim reserve resulted in a loss of EUR 589.6k (previous year: profit of EUR 3,950.4k).

Expenses for profit-unrelated premium refund
The expenses for profit-unrelated premium refunds jointly amounted to EUR -623.8k (previous year: EUR -391.9k) for the financial year 2018. The reinsurance part throughout this period amounted to EUR 308.3k (previous year: EUR 316.9k) which then in turn led to a net expense of EUR -315.5k (previous year: EUR -75.0k).

Comparison with the information contained in the annual report
Last year (2017), this value amounted to EUR 75.0k, which is a difference of 320.9%. The difference in profit-unrelated premium funds is mainly due to the fact that there were also Single-Risk policies with a No-claim bonus agreements.

Operating expenses
The expenses for the insurance operations amounted to EUR 8,380.7k (previous year: EUR 8,470.1k) in 2018. After subtracting the reinsurance commissions expenses ended up at EUR 5,366.1k (previous year: EUR 5,203.5k). The largest part of these expenses were acquisition costs, amounting to EUR 5,436.1k (previous year: EUR 5,820.8k).

Comparison with the information contained in the annual report
At 15.5% of gross written premium, external acquisition costs decreased versus prior year (16.3%). In direct business, rates declined from 15.2% to 14.2%, while in inward business rates rose from 27.5% to 29.6%. The reason for the decrease is the reduction of premiums in the single risk business, where higher commission rates are common compared to the turnover business.

Operating costs ended up at EUR 4,870.9k being 7.4% above prior year costs of EUR 4,536.8k. The increase being primarily due to the transfer of the pension system to an external pension fund.

Revenues from reinsurance commission decreased by 7.7% versus prior year. This is the direct consequence from reduced premium volume.

Other underwriting income and expenses
The other underwriting expenses deducted by other underwriting income amounted to an income of EUR 209.7k (previous year: expense EUR -186.1k) at the end of the reporting period.

Comparison with the information contained in the annual report
The expenses reduced by EUR 395.8k (previous year: EUR 145.0k). This position consist of interest for deposits and pension expenses for retirees. In terms of the deposit interests one-off income was achieved because of reimbursements. The pension expenses were influenced by outsourcing of the pension system to an external pension fund.

Equalisation reserve and result from underwriting activities performance
The change in equalisation reserve amounted to EUR 483.0k (previous year: EUR -483.0k).

The **result on ordinary activities** in the accounting year 2018 amounts to a loss of EUR -5,350.7k (previous year EUR -858.9k). Thereof the net technical result represents EUR -5,500.8k (previous year EUR -1,575.7k), and the non-technical result EUR 150.7k (previous year EUR 716.8k).

Comparison with the information contained in the annual report
In 2017, the equalisation reserve was endowed with EUR 483k.
Since the change in the equalisation reserve regulation in 2016, the equalisation reserve is not any longer calculated separately for direct and indirect business but is assigned to the direct business.

The technical result deteriorated versus 2017, and ended below expectations at a loss of EUR 5,983.8k before equalization reserve and EUR 5,500.8k after equalization reserve.

A.3 Investment Performance

The ordinary revenues from investments (including liquid funds) - which are current revenues minus expenses with the result from sales of investments – and valuation differences (from price, not from exchange rate differences) are displayed in Table 7. The effects of low yields achievable from investments in bonds with good credit ratings and from deposits with credit institutions are clearly visible. The main drivers of the investment performance are the fixed-income securities, generating a loss of EUR 199.3k (previous year profit: EUR 53.3k).

	Income		Change	
Income (net) from investment [kEUR]	**2018**	**2017**	**Absolute**	**in %**
Other investments	-209.9	68.0	-277.9	-408.7
1. Collective Investments Undertakings	8.7	8.7	0.0	0.0
2. Bonds	-199.3	53.3	-252.6	-473.9
3. Cash and cash equivalents	-19.4	5.9	-25.3	-428.8
Total	-209.9	68.0	-277.9	-408.7

Table 7: Overview of ordinary revenues from investments (including liquidity) - which combines current revenues and expenses with the result from sales of investments

The total investment income from financial assets and current accounts was EUR 222.1k (Prior year: EUR 22.8k, representing a yield of about 0.3%. This yield is on one hand the positive result of the appreciation of USD on the other hand it was negatively influenced by the turmoil on equity markets in the last weeks of December. It has to be noted that the policy on financial risks foresees investment in shares since the capital increase.

The hidden reserves in its investments of about EUR 88k of 2017 decreased to EUR 34.0k.

Net-revenue from investments
The revenue from investments (including liquidity) reflects the currently low yields on capital markets. For the calculation of the revenue from investments, the ordinary result is used. For this key figure, realised as well as unrealised exchange rate differences are not taken into account. The net-revenues are displayed in Table 8.

Net-revenue from investment	
2018	2017
-0.4%	0.2%

Table 8: Overview of net-revenue

Information on gains and losses recognised directly in equity
In the past reporting period, the Credendo SR did not experience any gains or losses, which can directly be recognised in equity.

Information on investment in securitisation
Since 2018, parts of the investment volume has been distributed to a **Special Fund**. Sub funds within this fund use Futures, Forwards and Derivatives to a minor extent, especially to hedge foreign exchange positions. Apart from that there are no **derivatives** or investments without guaranteed capital within the investments of Credendo – Single Risk Insurance AG.

A.4 Performance of other activities

A description of the other relevant income and expenses with comparison of last reported information

Other material income and expenses [kEUR]	2018	2017
Other material income	535.9	2,645.3
Of which exchange rate fluctuations	*512.9*	*2,613.9*
Other expenses	607.9	1,951.4
Of which exchange rate losses	*523.0*	*1,948.2*

Table 9: Overview of other relevant revenue and expenses in comparison to the previous reporting period

The Other non-technical result ended up at a loss of EUR 72.0k because of the volatility of currencies especially USD. Within these items, realized profits and losses as well as evaluations of receivables and payables and current bank accounts are reported.

Other non-technical income in the amount of EUR 535.9k (previous year: EUR 2,645.3k) mainly contains revenues from exchange rate profit.

Other non-technical expenses in the amount of EUR 607.9k (previous year: EUR 1,951.4k) primarily contain losses derived from exchange rates.

Leasing expenses
Corresponding to article 291 of the Delegated Regulation 2015/35, Credendo SR does not have any significant financing or operating-leasing contracts.

A.5 Any other information

Specifics in respect of the business and performance of the branch office in Switzerland:

In 2005, a branch office was founded in Geneva, Switzerland and in 2006 Swiss authorities granted the license to operate the insurance class of credit insurance and other financial risks in Switzerland. Finally, in 2007, business operations started to their full extent.

The branch office operates also non-life and accident insurance, namely in the insurance class credit insurance and other financial losses, both in direct insurance and in reinsurance assumed.

The branch office showed a loss after tax of CHF 2,911.4k according to Swiss GAAP (prior year: profit CHF 85.0k). The details are shown in a table in the appendix following the QRTs. The table is named "Branch Office Switzerland Financial situation report" and is part of the Appendix.

Business development

As a provider of Single Risk political and commercial risk insurance for predominantly emerging market domiciled risks, Credendo SR is exposed to global economic and political developments. The year 2018 saw trade conflicts, growing US-China tensions and a maturing global economic cycle. According to the IMF January 2019 Economic Outlook, global economic growth has passed its peak in 2018 with a rate of 3.7% and there appears to be broad consensus that economic growth will slow down in 2019. After four rises of the US Federal Funds Rate in 2018, USD interest rates increased from 1.5 % to 2.5%. This increase has negatively affected many emerging market economies whose servicing of their USD denominated debt has consequently become more expensive. In addition, over the past few months, emerging market economies have been tested by difficult external conditions.

This economic and political environment has adversely affected recoveries of past claims and has also resulted in new claims. In spite of a conservative Underwriting policy being in place, the cost of claim payments and provisions continued to weigh heavily on the company's financial results so that the year 2018 had to be closed with a loss after taxes and reserves of CHF 2.911,407.57 according to Swiss GAAP.

Written premiums in Switzerland represented 56.0% of the total premium of Credendo SR. The branch office in Switzerland is and will remain an important and integral part of Credendo SR's business activity.

Premium volume

The gross premium volume was 3.8% lower than in the previous year at CHF 13,951.4k. The breakdown of the written premiums for direct and indirect business is shown below split into gross, cession to reinsurers and self-retention (net).

Written premium before deduction of refund for no claim bonus									
Amounts in kCHF	Gross premiums 2018	Gross premiums 2017	Change	Reinsurers' share 2018	Reinsurers' share 2017	Change	net 2018	net 2017	Change
DIRECT	13,951.0	13,442,7	3.8%	-12,592.7	-11 170,7	12.7%	1,358.7	2 272,0	-40.2%
INDIRECT	0.0	0,0	0.0%	0.0	0,0	0.0%	0.0	0,0	0.0%
Total	**13,951.4**	**13,442,7**	**3.8%**	**-12,592.7**	**-11 170,7**	**12.7%**	**1,358.7**	**2 272,0**	**-40.2%**

Table 10: Written premium Switzerland in CHF

The Single Risk business, where our business development is focused on, stayed at the same level as in the prior year although premium rates are under pressure. The renewal of some policies was deliberately refrained from in line with the group strategy. Nevertheless, total gross premiums increased by 3.8% in comparison to previous year.

The cession of premiums to reinsurance further increased. Net premiums now amount to 9.7% of the gross premiums compared to 16.9% in 2017. On the one hand, this is due to the increased fronting business, on the other hand due to high cost of increased XL-protection and reinstatement premiums.

Finally, net written premiums ended up at CHF 1,358.7k, which was 40.2% below previous year.

Claims and recoveries
According to P&L the net incurred claims display a loss of CHF 1,866.5k in the reporting year (previous year: profit of CHF 630.2k).

The net claim payments 2018 decreased by 18% but were still influenced by the severe series of major claims from 2015 to 2017 due to the decline in commodity prices and the weak economic situation of the emerging markets.

The frequency of newly reported claims in 2018 decreased to the level of 2014. Nevertheless, two major claims popped up by the end of the year.

The gross claim payments without internal claim handling fees resulted in CHF 17,639.6k (previous year: CHF 18,588.2k), recoveries amounting in CHF 1,662.7k (previous year: CHF 2,179.7k) could be accounted against. Compared to the previous year, the net claim payments decreased from CHF 2,647.2k to CHF 2,169.8k.

Variation in outstanding claim reserve without unexpired risk reserve resulted in a profit of CHF 303.3k (previous year: profit of CHF 661.4k).

Acquisition- und Operating Cost
At 13.3% of gross written premium, external acquisition costs increased insignificantly versus prior year (13.1%).

Operating costs ended up at CHF 2,424.4k being 14.8% higher than prior year costs of CHF 2,112.7k. The increase being primarily due to the personnel and the cost related to moving to a new office.

Reinsurance commission increased by 10.0 % of increased cession rate in 2018.

Investment Income and other non-technical income
The investment income from financial assets and current accounts after deduction of expenses from financial assets ended up at a profit of CHF 61.2k after a loss of CHF 108.9k in prior year. This is for sure not satisfactory but has to be seen considering the short-term horizon of Credendo SR investments and the actual low interest environment. The fluctuation of currencies (EUR and USD) has supported this result.

Other non-technical result ended up at a loss of CHF 177.3k (previous year: profit of CHF 646.0k) resulting by the volatility of currencies especially USD and EUR. Within these items, realized profits and losses as well as evaluations of receivables and payables and current bank accounts are reported.

Result 2018

The technical result after equalization reserve splits into direct and indirect business as follows:

Technical Result									
Amounts in kCHF	Gross 2018	Gross 2017	Change	Reinsurers' Share 2018	Reinsurers' Share 2017	Change	Net 2018	Net 2017	Change
DIRECT	-317.4	-3,029.9	-89.5%	-2,431.1	2,695.1	-190.2%	-2,749.1	-334.7	721.3%
INDIRECT	0.0	-46.1	**-100.0%**	-34.2	-71.0	**-51.9%**	-34.2	-117.1	**-70.8%**
Total	**-317.4**	**-3,076.0**	**-89.7%**	**-2,465.8**	**2,624.1**	**-194.0%**	**-2,783.2**	**-451.9**	**516.0%**

Table 11: Technical result Switzerland in CHF

The technical result deteriorated versus 2017, and ended below expectations at a loss of 2,783.2k CHF after equalization reserve.

The non-technical result before taxes results in a loss of 116.2k CHF.

Finally, Credendo SR posts a profit of ordinary activities of 2,899.4k CHF and a profit after tax and reserves of 2,911.4k CHF.

The financial investment income is shown in the following position per asset class and income type:

	2018			2017		
Amounts in CHF	Fixed income investements	Cash, deposits and other capital market investment	Total	Fixed income investements	Cash, deposits and other capital market investment	Total
Gains	207,306.0	181.7	207,487.7	253.242,0	121,0	253.363,0
Unrealised gains	0.0	270,062.0	270,062.0	2.126,0	0,0	2.126,0
Realised gains	53,210.3	0.0	53,210.3	228.057,0	0,0	228.057,0
Total	**260,516.3**	**270,243.7**	**530,760.0**	**483.425,0**	**121,0**	**483.546,0**

Table 12. Investment income Switzerland in CHF

The investment expenses consist on the following positions:

	2018	2017
Amounts in CHF	**Fixed income investements**	**Fixed income investements**
Depreciation and write-downs	-364,807.9	-420.881,0
Realised losses[1)]	-104,798.1	-171.582,0
Total	**-469,605.9**	**-592.463,0**

1) Expenses from investment management included in realised losses

Table 13: Investment expenses Switzerland in CHF

In the equity position, the liaison account with the head office Credendo - Single Risk Insurance AG Vienna and the accumulated deficit is accounted for.

Amounts in CHF	**2018**	**2017**
Liaison Account with Credendo SR , Vienna	18,930,056.0	14,869,227.4
profit reserve or cumulative losses as debit item		
Total profit/loss	-2,911,407.6	84,994.2
derived from profit/loss brought forward	-43,927.1	-1,029,153.8
Total Equity	**15,074,721.3**	**13,925,067.8**

Table 14: Equity Switzerland in CHF

Credendo SR has no other information of the reporting period that needs to be disclosed here.

B. System of Governance

B.1 General Information on the system of governance

A core element of the balanced corporate management and monitoring of Credendo SR is a functioning system of governance. For this reason, Credendo SR's system of governance defines the individual business activities in terms of type and scope, and takes the underlying risk profile adequately into account.

Organisational structure
Credendo SR currently employs 28 people, of whom 11 are employed in the Geneva branch office. The Management Board consists of three members. Their main responsibility for individual business areas was defined by a Supervisory Board resolution dating from 21 November 2014. The Management Board has appointed holders of the key governance functions or outsourced the functions to qualified providers. Regarding the outsourced functions, a person responsible for outsourcings was appointed within Credendo SR who is responsible for monitoring the performance of service providers. At present, the risk management function and compliance function are held by employees of Credendo SR, while the internal audit function and the actuarial function have been outsourced.

Figure 4 shows Credendo SR's organisational structure.

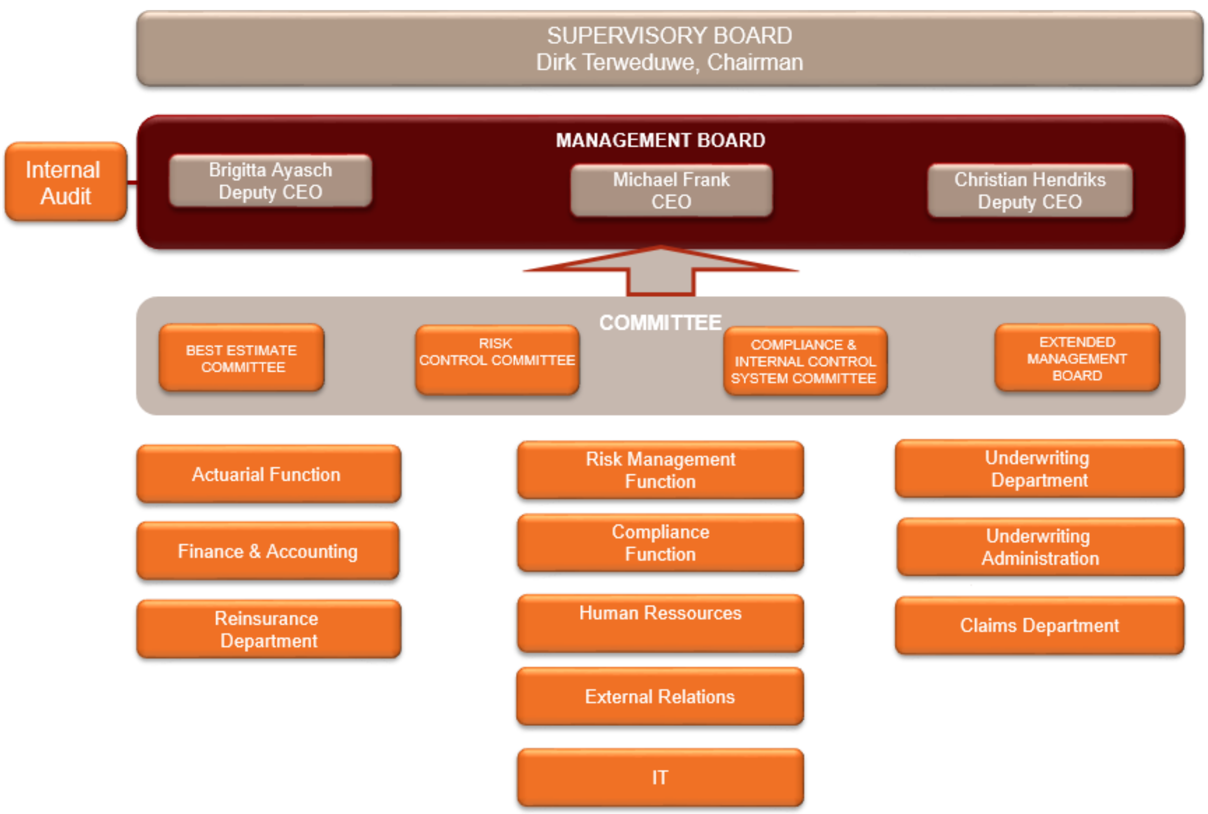

Figure 4: Credendo SR's organisational structure

The managers responsible for the individual corporate divisions (i.e. department heads) report to the members of the Management Board and communicate directly with the department's employees. The governance functions are organised as independent functions with direct reporting lines to the Management Board. They report to the Management Board at least quarterly, and directly report to the Supervisory Board at least once a year. The holders of the key functions, exercising their functions independently, report directly to the Management Board and to the Supervisory Board or, if required by law, to the responsible supervisory authority.

Management Board

The responsibilities of the Management Board include in particular: management of the company, preparation of the annual financial statements, internal audit, governance, ORSA reporting and approval of internal guidelines, the review of the reasonableness and effectiveness of the internal control system (ICS) and policies, as well as the approval of large underwriting risks.

The Supervisory Board entrusted each Board member with a primary responsibility for defined areas:

- Mag. Michael FRANK, Chairman of the Management Board: compliance, risk management, external relations, Human Resources (HR), administration, IT
- Christian HENDRIKS, member of the Management Board: underwriting department, claims
- Mag. Brigitta AYASCH, member of the Management Board: finance and accounting, reinsurance

The Management Board reports to the Supervisory Board on a regular basis (at least quarterly) on the business performance, the company's current position compared to the business plan and the asset, financial and earnings situation. The Chairman of the Supervisory Board has to be informed immediately in case of important business events. Written reports of the Management Board are verbally discussed during Supervisory Board meetings. Reports are approved or taken note of in accordance with the "Rules of Procedure for the Management Board" and the Rules of Procedure for the Supervisory Board". The Management has delegated respective competences and responsibilities to mangers and holders of key functions by means of employment contracts.

The Management Board manages the company's business in accordance with the law, the company's Articles of Incorporation and the internal rules of procedures, which were approved by the Supervisory Board. The Articles of Incorporation and the Rules of Procedure of the Management Board specify those activities, which require the approval of the Supervisory Board or the Annual General Meeting. The Management Board gives advice on any matter relating to Credendo SR's business and takes necessary decisions to manage, control and monitor the operating business.

Supervisory Board

The Supervisory Board of Credendo SR consists of four shareholder representatives and two members of the works council. The Supervisory Board is responsible for the appointment of the board members and for supervising the Management Board's responsibilities in accordance with the legal requirements.

Members of the Supervisory Board are as follows:

Dirk TERWEDUWE, Chairman of the Supervisory Board
Frank VANWINGH, Deputy Chairman
Nabil JIJAKLI, member
Ronny MATTON, member
Beatrix PISCHA-GREIGERITSCH, member (seconded by the works council)
Mag. Daniela ROUSSENOVA, member (seconded by the works council)

Due to its size and the very specific business model, no committees have been established on the level of the Supervisory Board. The functions of the Audit Committee and the Nomination and Remuneration Committee are performed by the entire Supervisory Board. The current members of the Supervisory Board, beside the members seconded by the works council, are members of the Executive Board or senior management of the holding company, Delcredere|Ducroire, which is also operating in the field of credit insurance. Therefore, the Supervisory Board's expertise in monitoring the business activity of Credendo SR and in supporting the Management Board are ensured.

The deliberations and resolutions of the Supervisory Board and the Management Board are recorded and implemented by the Management Board as part of its management function. The Supervisory Board and the Management Board are both responsible for the preparation and implementation of the governance system. As part of this responsibility, they are in charge of setting up standardised governance functions.

Holders of key functions

The holders of the key functions are obliged to perform and fulfil the responsibilities and obligations set out in the guidelines for the respective key functions. The holders of the key functions are nominated by the Management Board with the approval of the Supervisory Board and have to report to the Management Board regarding recent developments in the areas they are responsible for. A written report to the Management Board is prepared at least once a year.

The holders of the key functions are independent in their function and can report at their own initiative to the Management Board, the Supervisory Board or the Supervisory authority at any time and without being affected by external circumstances or persons. Based on these reports the Management Board can decide whether to take actions or not.

Figure 5 summarises the tasks of the key functions.

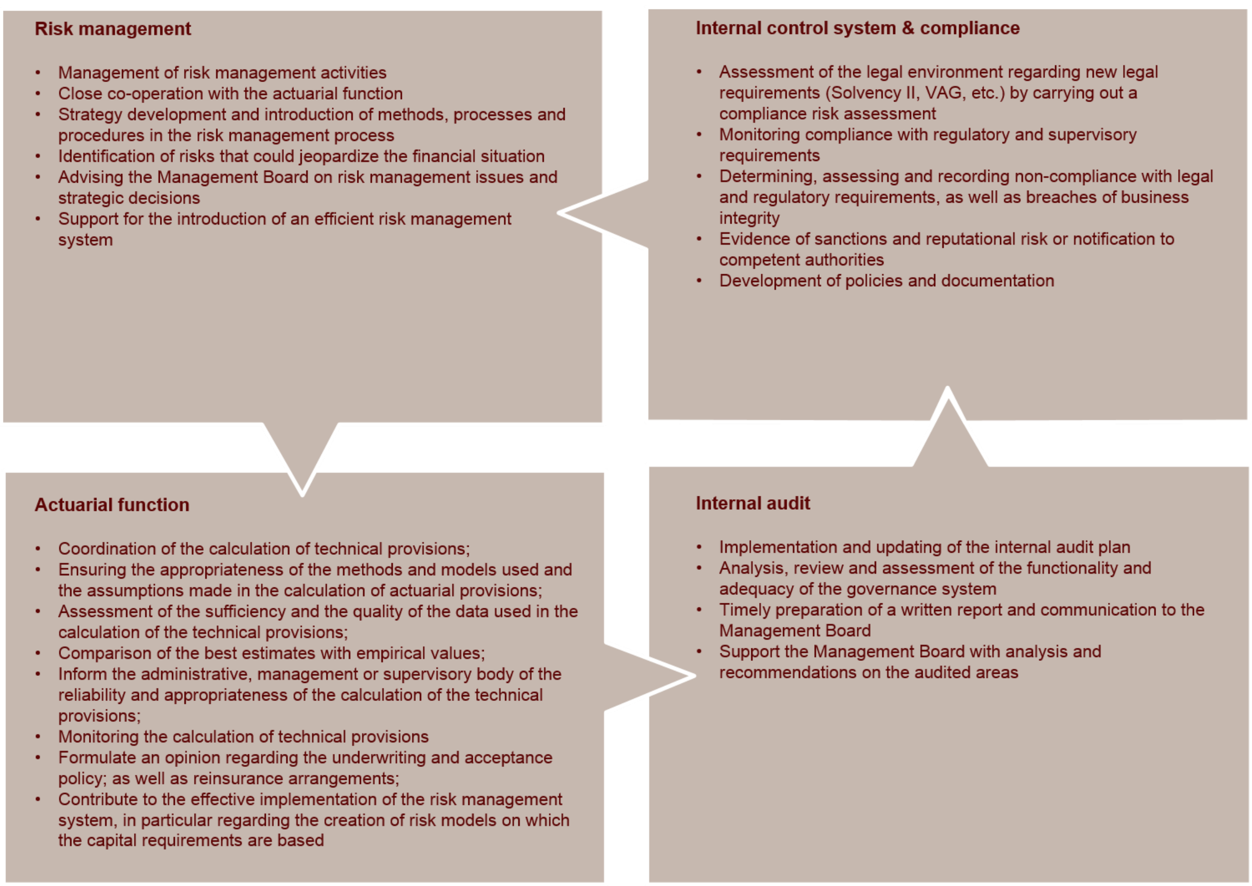

Figure 5: Overview of the tasks of each key function

Committees
Credendo SR set up the committees shown in Figure 6.

COMMITTEE	EXTENDED MANAGEMENT BOARD (EMB)	RISK CONTROL COMMITTEE (RCC – ORSA)	INTERNAL CONTROL COMMITTEE (ICS)	BEST ESTIMATE COMMITTEE (BEC- SCR)
Membership	• Management Board • CFO • Head of Reinsurance Department • Senior Underwriter • Claims Administrator • Risk Management • Compliance Function • Actuarial Function (once a year, according to needs)	• A minimum of two MB Members • CFO • Actuarial Function • Risk Management Function • Compliance Function	• A minimum of two MB Members • Compliance Function • Risk Management Function	• CFO • Actuarial Function • Financial & Reporting Expert • Risk Management Function
Frequency	• Quarterly, before quarter closings	• For preparation of ORSA Report according to needs	• At least once a month and as necessary	• Quarterly, after SCR calculations
Purpose	• Supervises the Claims and Reserves process and ensure that they are in accordance with company procedure • Review insurance policy conditions to determinate coverage • Decision on provisions	• Risk management framework and policies • Risk identification process, including emerging risk monitoring • Risk measuring performance against the risk appetite • ORSA • Stress testing, especially approval of stress scenarios to be tested	• Periodically review processes and procedures to ensure the effectiveness on internal system of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;	• To discuss data analysys and results of SCR calculations • Recomendadtion for posibly recalculations or re-parametrizations

Figure 6: Organisational structure - Credendo SR committees

Annual general meeting
The Annual general meeting has the purpose of a common decision-making process of its shareholders with regard to Credendo SR's matters. It decides on matters concerning the Articles of Incorporation, Rules of Procedure of the Supervisory Board, the Supervisory Board per se, important issues regarding the company´s strategy, and appoints and dismisses members of the Supervisory Board.

In the past reporting period, there were no changes in the governance structure that need to be disclosed in this document.

Remuneration system
The remuneration system of Credendo SR is based on the basic principle of a fair remuneration corresponding to the skills and performance of the executives and employees. The current market practice is also taken into account. Negative incentive systems are avoided in order to guarantee a prudent and risk-conscious business practice.

Within the Credendo ECA, there is a system for variable remuneration in place, which covers Management Board and Supervisory Board members, managing directors in the subsidiaries, as well as employees.

Remuneration principles and payment conditions
The basic principles of the group guideline for variable compensation are as follows:
- The variable remuneration is limited to a maximum of 25% of the annual income
- The variable remuneration is dependent on criteria that have to be met by the beneficiaries and can be influenced by them as well
- The criteria shall be defined as collectively as possible
- Calculation is done after the expiring of the period relevant for the bonus payment

- The criteria are set independently of the budget
- Quantitative and qualitative criteria must be met
- The criteria should be as straightforward as possible
- The fulfilment of the criteria supports long-term and positive developments
- The criteria should be defined as consistently as possible for a longer period in order to allow for continuous development

The following payment terms apply to all variable remuneration components at Credendo SR:
- Variable remuneration components up to a maximum of 25% of gross annual remuneration or EUR 30,000 are fully paid out within one month after granting
- In exceptional cases, if boni exceed 25% of the gross annual salary or EUR 30,000 they are only disbursed over a period of three years. 60% of the total amount of the bonus will be paid out in the first year, 20% in the second year and 20% in the third year. Boni are paid with the June salaries.

Variable remuneration of Management Board members
The members of the Management Board are covered by the variable remuneration system of the Credendo ECA and can receive a maximum of up to 25% of the annual salary (assessed and decided by the Supervisory Board). It is an individual bonus based on the valuation of a combination of quantitative and qualitative criteria that defines the amount of the variable remuneration.

Variable remuneration of employees
Credendo SR does not have a general system for the determination of a variable remuneration that applies to all employees. The Management Board can grant a variable remuneration. The Management Board is responsible for the approval of the variable remuneration and has to document it with a Management Board's resolution.

Supplementary pension
Management Board members are not eligible for a supplementary company pension as a rule. Employees in Vienna benefit from an attractive pension scheme based on a company agreement whose entitlements were transferred to an external pension fund in 2018. In Geneva branch, the company contributes to the "second pillar" of the pension scheme.

Material transactions
As of 31 December 2018, there have been no material transactions by members of the Management Board, the Supervisory Board or other key stakeholders of Credendo SR.

There are reinsurance relations in the form of quota-share treaties and Excess of Loss covers with the parent company.

Reporting lines and access to information
The governance functions support the Management Board and the Supervisory Board in monitoring the financial reporting, the auditing process, the internal control system (ICS) and the compliance with legal requirements. It is also entitled to propose investigations in specific areas if necessary.

Independence of the governance functions
The governance functions have unlimited access to all information within Credendo SR and can request internal resources to perform their tasks.

A governance function can also obtain legal opinions from experts outside the company if necessary, but has to consult with the Management Board and Supervisory Board beforehand.

Assessment of the adequacy of the governance system

On basis of the organizational structure shown in Figure 4 and the clear definition of the key functions' tasks and responsibilities, the appropriate independence of functions is ensured within Credendo SR. Potential conflicts of interest (within the structure and process organisation) are continuously identified and prevented by the implementation of specific measures. Due to these processes, the adequacy of the governance system can be guaranteed.

B.2 Fit and proper requirements

The members of the Supervisory Board and the Management Board, as well as the holders of key and management positions, were informed of the requirements regarding the "fit & proper" assessment set out in Table 15.

These requirements of knowledge, skills and experience ensure that competent decisions are made within Credendo SR. Besides the professional competence, the fulfilment of the requirements for personal qualifications is essential for members of the Management Board, the Supervisory Board and the holders of key functions.

The established requirements and procedures apply to new members of the executive bodies, holders of key functions, management members and employees.

Selection criteria for the selection of Management Board, Supervisory Board and key functions

Management Board, Supervisory Board and key function	
FIT	
Education and skills	Completion of relevant studies and courses or external and internal training courses or other appropriate trainings and education
Work experience	Appropriate professional experience (depending on the position: leadership experience as an executive or expert), relevant knowledge for the specific area
Expertise	• Regulatory framework, insurance expertise, knowledge of the company's organization, governance and control • Specially for the Management Board and Supervisory Board: Strategic planning and corporate governance, as well as knowledge of rights and obligations of the Management and the Supervisory Board
Governance criteria	Independence through the disclosure of potential conflicts of interest, in particular due to already acquired functions within the company as well as personal, professional and economic relations to major shareholders, to other members of the Management and / or the Supervisory Board.
PROPER	
	• No reasons for exclusion (conviction for fraudulent crime, harm to creditor's interests, etc.) • No conviction for any other criminal offence (a more than three months' imprisonment or a fine of more than 180 daily rates) • No legal and administrative criminal proceedings relevant for the position within Credendo SR • Legal and professional conduct, as well as sound financial conditions

Table 15: Selection criteria for the selection of Management Board, Supervisory Board and key functions

Responsibility

The Management Board and the Supervisory Board are responsible for the implementation of the fit & proper requirements. The human resources department, working closely together with the Management Board, is responsible for the assurance that the criteria, the central documentation of the suitability assessment and the preparation of measures to ensure suitability are up-to-date.

Evaluation process

The professional qualification of the people concerned is evaluated, in particular, during the admission process. Appropriate qualifications are acquired through appropriate specialist literature and ongoing training and development measures.

With regards to personal reliability, every member of the Supervisory Board or Management Board is required to immediately notify the Supervisory Board as a collective body, and every individual holding a key or management position is required to immediately notify the Management Board as a collective body, in the circumstances of any doubt raised concerning personal reliability. In doing so, the facts must also be provided in the shape of explanatory documents, in order to enable a rapid assessment as well as the adoption of appropriate measures.

Table 16 schematically shows the process concerning the assessment of management boards, Supervisory Boards and individuals holding key positions.

	Management Board	Supervisory Board	Key functions
General	Certain documents and forms are required for the suitability assessment: Curriculum vitae, criminal record, self-assessment of professional competence, etc.		
1. Responsibility	Supervisory Board as collective body	Supervisory Board as collective body	(entire) Management Board
2. Decision making-process	Candidates‘ self-assessment is the basis of the decision		
3. Implementation	For the implementation of the self-assessment, a checklist is being used. This checklist is to be assessed with “fit & proper“ or with “not fit & proper“. The overall assessment is based on a positive professional qualification, personal reliability (i.e. good reputation) and governance. The assessment has to be documented.		
4. Notification	The intended appointment of a member of the Management Board must be reported to the Austrian Financial Market Supervisory Authority (FMA) no later than one month before being in place. In case of doubt, the FMA can object to the professional qualification or personal reliability of the appointment.	The election of the chairman of the Supervisory Board must be reported to the FMA without delay. At the request of the FMA, the court for commercial matters may instantly revoke the election of the chairman.	The appointment of people who are responsible for key functions is to be reported to the FMA immediately after the appointment.
5. Measures in case of a negative assessment result	A future member of the Management Board may not be appointed in the event of a negative assessment; in case of an already acting member of the Management Board a reassessment is required.	A future member of the Supervisory Board may not be appointed in the event of a negative assessment; in case of an already acting member of the Supervisory Board, the shareholders must be informed.	Employees already in place experiencing a negative assessment must be replaced or the suitability must be ensured as soon as possible.
6. Assurance of suitability	Ensuring suitability is carried out in an internal process (ongoing training and further development measures as well as re-evaluations).		

Table 16: Process concerning the assessment of Management Boards, Supervisory Boards and individuals holding key positions

B.3 Risk management system including the own risk and solvency assessment

Credendo SR has a sound risk management system. This includes strategies, processes and reporting procedures in order to recognize, measure, monitor, manage and report on the risks involved and their interdependencies on an individual basis. This was established in accordance with the risk management system of the holding company Credendo ECA and is based on group-wide risk assessments. These are, however, adapted to the Austrian and to the Swiss legal requirements as well as to the necessities and specifics of Credendo SR in order to cover the special needs arising from the size and the field of business.

Risk management is integrated into the organisational structure and decision-making processes of Credendo SR. It is consistent with the overall business strategy and a central point in strategic planning. Thus, it is the cornerstone for the company's sustained profitability, which is targeted by the company and formulated as a corporate objective.

A central element of the strategic planning process is the correlation of all management decisions with a defined degree of risk transparency, which defines the types of risks that can be taken in order to achieve sustainable and profitable growth. Risk management is therefore also of central importance as a control element.

The Supervisory Board decides annually on the risk appetite and the risk management strategy based on the proposal of the Management Board. For the most relevant risk categories, the risk tolerances (e.g. quantitative requirements for risk appetite, according to which risks are to be selected) and the risk preferences (e.g. qualitative requirements for risk appetite, according to which risks are to be selected) are derived from the pre-defined risk appetite in order to create a better guide for everyday business. The Management Board also examines to which extent the implementation of the risk management strategy, the requirements for risk assumptions and the legal and regulatory regulations are complied with.

In the course of the internal reporting by the risk management function, the identified risks are also assessed quantitatively, if possible. Subsequently, an assessment is made for the individual risk categories, which is done in cooperation with the actuarial function.

Table 17 displays the risk management process.

Phase	Question	Description
Risk identification	Which risks have a significant impact on Credendo SR?	• Risk identification based on a pre-defined risk category and an initial risk assessment. These risk categories are reviewed annually. • Identification of new risks to which Credendo SR is or could be exposed, including an analysis of external and internal factors causing possible changes
Risk analysis and valuation	What are the expected effects on Credendo SR as an insurance company?	• Risk assessment based on quantitative (e.g. value-at-risk approach) and qualitative (e.g. "qualitative tags") analysis, a so-called risk appetite framework • Implementation of various case scenarios

Risk controlling	How does Credendo SR deal with risks internally?	• Risk transfer and risk reduction techniques, e.g. through reinsurance • Set thresholds and limits (including risk tolerance areas) • Effectiveness control of the measures, incl. clear documentation (risk map) • Use of an indicator-based risk-controlling system, e.g. in the selection of customers
Risk monitoring	Does the Credendo SR impose effective measures?	• Controlling of risk mitigation and risk concentration • Ensuring compliance with MCR / SCR • Controlling of the overall risk tolerance, risk-bearing capacity and the risk profile

Table 17: Overview of the risk management process

The risk management system of Credendo SR identifies and measures all material risks including:

- Risk captured by Solvency II required regulatory capital calculation
- Risk not captured by the Solvency II required regulatory capital calculation
- Risk which is not (or hard) to quantify

At Credendo SR, no internal model is used, which means that no changes occur during the reporting period. Furthermore, no validation and evaluations other than in the standard approach are being carried out.

Own Risk and Solvency Assessment (ORSA)

Credendo SR uses an appropriate process of forward-looking Own Risk & Solvency Assessment (ORSA). This enables and encompasses the assessment of risks and includes the determination of corresponding capital needs (taking into account the specific risk profile, approved risk appetite and the business strategy), the continuous compliance with the requirements regarding regulatory capital and technical provisions, and the significance with which the risk profile deviates from the assumptions underlying the regulatory solvency capital calculation in the Solvency II Framework.

At Credendo SR, the Risk Control Committee is responsible for preparing the ORSA. The process begins in August and is completed by the end of November. On the one hand, the findings of the ORSA serve the budgeting process to ensure compliance with the equity requirements for the years to come; on the other hand, the ORSA is presented to the Supervisory Board at the year's end's meeting.

The first step is to create a risk profile. Eligible own funds for risk coverage are calculated in the course of the calculation process in accordance with the regulatory framework of Solvency II and limit the risk appetite. The valuation of own funds is made quarterly based on local accounting regulations and conform to Solvency II regulations. These are in particular:

1. Technical provisions gross for the Solvency II balance sheet (BE)
2. Technical provisions of reinsurer's share for the Solvency II balance sheet (BE)
3. Personnel provisions for the Solvency II balance sheet (BE)
4. Risk margin

Non-quantified risks are managed by strict internal controls as well as the annual risk assessment by the risk owner.

A forward-looking estimate of the capital requirements, coordinated by the finance department, is part of the annual budget preparation in which all departments are involved. Subsequently, the calculations of the minimum capital according to Solvency II and all other documents necessary for the planning are forwarded to the Management Board and the Supervisory Board, which then can take the necessary measures based on this information.

Continuous Compliance with Regulatory Capital Requirements and Forward-looking Capital Adequacy Assessment

Regulatory capital adequacy is monitored on a quarterly basis by relating available own funds to the risks assessed by the Solvency II standard formula. Taking into account the stability of the company's risk profile and the frequency and quality of calculations continuous compliance with the Solvency II regulatory capital requirements is ensured.

A forward-looking assessment of the regulatory and other capital needs is part of the annual business planning cycle. The business planning over a three-year time horizon involves input from across the whole company and is coordinated by the finance department. Solvency II regulatory capital calculations, taking into account expected changes to the risk profile and business strategy over the business planning period, and how these needs are expected to be covered are submitted to the Management Board and the Supervisory Board, together with the business plan.

Non-quantitative risks over the business-planning horizon are considered annually in the full ORSA. The assessment also documents the identification and explanation of the differences identified from the comparison of main risk profiles with the assumptions underlying the standard formula for the SCR calculation.

The forward-looking full ORSA also addresses the medium-term capital management plan, based on the business strategy, risk tolerance and ORSA insights, and includes among others:

- any strategies for raising additional own funds and planned capital issuance where necessary and the proposed timing for actions to improve the financial condition if need be.
- the maturity relating to the own fund items.
- the impact on the application of any limits in the applicable capital regime from issuance, redemption or repayment of, or other variation in the valuation of, an own funds item.
- distribution policy if applicable.

Stress Testing

To provide an adequate basis for the assessment of solvency needs and for decision-making, the sensitivity to the assumptions used in the business plan are tested by subjecting identified risks to a sufficiently wide range of stress tests and/or scenario analysis.
Taking Credendo SR's risk profile of a credit insurer into account, the most relevant stress testing refers to shocks on the underwritten credit risks. The stress-testing program includes:

During the annual full ORSA:

- Qualitative stresses from failure of a key process, loss of key functions or personnel, the occurrence of unforeseen external events
- Reverse stress testing, including the assessment of the probability of realization of these scenarios that could threaten the viability of Credendo SR, such as default by countries where important exposure is situated

Reviewing of the risk appetite framework
The risk appetite framework, which is part of risk management, is reviewed once a year by decision of the Management Board at the last meeting of the Supervisory Board of the year (normally at the end of November) taking the insights gained through the ORSA into account. The results of the discussion as well as the business strategy are then agreed upon. The risk-appetite framework states, which risks Credendo SR accepts, avoids, reduces or outsources. This is also known as risk tolerances.

Timing & Frequency
Regular ORSA process
Credendo SR's regular ORSA process provides for:

- Quarterly interim risk & solvency reports at Credendo SR, submitted to the Management Board 6-8 weeks after financial closing and once a year to the Supervisory Board: these reports provide for an updated assessment of the underwriting risks, which happen to be most material, and estimations on other quantified but less material and volatile risks.
- An annual forward-looking assessment of quantified Solvency II risks, submitted together with the 3 years forward-looking business plan in the 4th quarter to the Supervisory Board.
- An annual full forward-looking ORSA, including non-quantified risks, whereby the final draft is submitted to the Supervisory Board. Reference date for the analysis is the end of the previous financial year – as the SCR calculation is then to be reported for Pillar III.

The frequency of the assessment is considered more than adequate taking into account the risk profile and the limited volatility of the overall solvency needs relative to the capital position.

Non-regular ORSA
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 will 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. 'Significant' is defined as an instant reduction of the Solvency II capital adequacy ratio below a level of 110%.

Overall Solvency Needs (OSN)
The OSN of Credendo SR according to the current ORSA assessment are calculated as the plain sum of all risks which are quantified and are considered to be covered by the own funds at the moment.
For the purpose of ORSA, the risks are aggregated "as they are considered on individual risk level". The methods of risk measurement are not necessarily entirely consistent (i.e. they are not calibrated as to be the value at risk at a certain confidence level, which is equal for each risk). Credendo SR certainly evaluates its risk at a different quantile than the Solvency II standard formula, i.e. a lower "year event" (a "less than 200 year" event). According to these assumptions, a comparison of the results from the calculation of the OSN to those from Solvency II standard formula might be inadequate.

Business Plan
Credendo SR's risk management strategy states that risk appetite shall be considered in the business planning process, balancing goals for the operational objectives (typically built on forecasts for premium income and insured amounts, charges of claims and expenses, risk mitigation, etc.) and risk.

B.4 Internal control system

The internal control system (ICS)

The ICS of Credendo SR ensures that legal and regulatory requirements, as well as the corporate guidelines, are fulfilled at all times. The ICS includes all the coordinated internal measures, principles and procedures applied within Credendo SR in order to ensure compliance with legal and business policies, to ensure the regularity and data quality of the accounting, to ensure the effectiveness and efficiency of the operational processes, to protect the assets and to ensure the reliability of operational information.

The organisational measures of the ICS are integrated into the individual processes, meaning that these measured are either integrated during, before or after the process itself. The ICS is thus integrated operationally into all business processes.

The ICS is constantly being monitored in order to guarantee compliance with the defined processes and controls and in order to make adjustments if necessary in the event of a changing environment. In addition, the effectiveness, traceability and efficiency of the ICS are being reviewed periodically, the assessment being carried out by self-assessment or by an independent body, e.g. internal audit.

Responsibilities

The Management Board is responsible for the design and effectiveness of the ICS. It is also responsible for the reporting to the Supervisory Board. The process owner, the risk management function, the compliance function, the ones responsible for the assessment and the asset liability management (ALM), the internal auditors and the external auditor, inform the Management Board about the functionality and effectiveness of the ICS. The persons in charge are responsible each for clear defined areas of organization and control of ICS.

It is also necessary to monitor and document the execution of the processes' key controls. The ICS reports can be integrated into the regular reports of the individual (key) functions.

The individual processes have to be reviewed and adapted at least once a year by the process owners, the risk manager and the compliance officer. Additionally, necessary processes and controls are to be defined and implemented as required.

Control of the ICS

The risk management function and the compliance function control the ICS. The controls and tasks are clearly defined in the guidelines for each respective function. In 2018, an annual self - assessment procedure was introduced and performed with the employees at both locations, Geneva and Vienna. After summary and analysis, the results were included in the risk control matrix

The compliance function

The compliance function is an independent function that reports directly to the Management Board. The compliance function has the task to protect Credendo SR's good reputation and integrity. This is to be ensured by adhering to the applicable laws and regulations, as well as through the rigorous application of clearly defined ethical standards defined by the company.

The compliance function is either performed by a compliance officer, who is appointed by the Management Board in which case the compliance function has a direct reporting line to the Management Board, or the compliance function is exercised by a member of the Management Board itself. A deputy of the compliance officer is also appointed and exercises the rights and duties connected to the compliance function in case the compliance officer is absent.

The compliance function ensures that all necessary rules, processes and guidelines are in place and that within Credendo SR an environment is created, in which all employees are aware of the importance of complying with the regulations and ethical standards. In addition, the compliance function monitors and registers violations of the ethical principles of Credendo SR in order to ensure that they do not repeat themselves. Proposals for changes are addressed to the Management Board by the compliance function, which must approve them.

B.5 Internal audit function

Since 1st of January 2017, the internal audit function has been outsourced to the Ernst & Young Management Consulting GmbH.

The Credendo SR's internal audit function is a separate organisational unit which is exclusively responsible for the regular and comprehensive examination of the legality, regularity and expediency of the Credendo SR's business and business processes. This includes, in any event, the assessment of the adequacy and effectiveness of the internal control system as well as the other elements of the governance system. Internal auditing performs its tasks autonomously, objectively, impartially and independently of processes and / or systems.

Within the framework of these activities, internal auditors are also supposed to make important suggestions, recommendations, perform analysis and provide information concerning the audited areas to then report these to the Management Board, and on a quarterly basis to the Supervisory Board. The organisational units involved are requested to make the most of the results of the work of internal auditing in order to support the company's policy, as well as to improve operational procedures.

Organisation and structure
The internal audit department is independent of other activities which Credendo SR carries out and reports directly to the entire Management Board and the Supervisory Board. The responsibility for the establishment and functioning of internal auditing lies with the entire Management Board and cannot be delegated. The Management Board ensures that internal auditors can always carry out the duties assigned to them as well as ensuring that the internal auditors have sufficient and adequate quantitative and qualitative personnel and equipment.

Order of assignment
The order of assignment of the internal audit department is carried out by approval of the annual revision plan by the entire Management Board, or by the approval of a special audit commissioned by at least two members of the Management Board. Approval shall be given before the start of the examination period (that is, the actual calendar year).

In case of the initiation of a special audit by the internal auditors, the management of the company is to be informed immediately after the announcement of events or suspicious actions relevant to the special audit.

Likewise, the internal audit department controls the compliance function. The compliance officer can request assistance from the internal audit department in case of an independent investigation, after prior information from the Management Board, whereby the compliance officer retains responsibility for the investigation and must also report the results to the Management Board.

Principles of internal auditing and its exercising
Internal auditors carry out their duties independently, i.e. are not subject to any instructions, regarding the planning, auditing, reporting and evaluation of the results of the audit and the decision to initiate special audits. The right to issue special audits by at least two members of the Management Board shall remain unaffected. The internal audit department is not involved in decision-making or business processes or performs other tasks, which are not in line with the audit activity.

Internal auditing duties
Internal auditing is subject to secrecy in its activities. It shall observe the legal requirements, in particular those of data protection, and shall treat all information obtained in the course of its activities in a confidential manner. The internal auditors have to carry out their auditing activities with the greatest possible consideration for the operational procedures. In the event of a divergent view of the audited organisational unit and internal auditing competences, the Management Board shall decide.

Audit planning
Internal audit prepares an annual risk-oriented audit plan based on which audits are carried out. The audit plan includes the audit areas to be audited and the type of audit to be carried out. The nature, extent, complexity and risk content of the business area to be audited are taken into account, in addition to specific audit requirements of the Supervisory Board. Special audits can be initiated independently by the internal auditors, or mandated by the Management Board.

The audit plan is prepared independently by the auditors and submitted to the Management Board for approval. After approval by the Management Board, the audit plan is also submitted to the Supervisory Board for approval. Significant changes to the audit plan must be brought to the attention of the Management Board and the Supervisory Board without delay. The audit plan is kept available for at least seven years. However, the capacity planning of the internal audit department must be guided by the audit requirements.

B.6 Actuarial function

The actuarial function has been outsourced to arithmetica Consulting GmbH. The actuarial function is a function independent of the organisational units and the reporting function. The specific tasks of the actuarial function have already been described in section B.1.

The actuarial function is appointed by the Management Board and reports directly to the Management Board. A deputy for the actuarial function is also to be appointed. Credendo SR ensures that the actuarial function is carried out by individuals who have knowledge of insurance and financial mathematics appropriate to the nature, extent and complexity of the risks associated with insurance or reinsurance activities; individuals able to provide their relevant experience with regards to applicable professional and other standards.

Reporting to the Management Board
The report must be submitted to the Management Board and Supervisory Board at least once a year, this does not necessarily have to be done in a single report; different reports can be drawn up to the Supervisory Board and the Management Board, taking into account the proportionality principle. This report should document all tasks performed by the actuarial function as well as their results and possible shortcomings and recommendations.

B.7 Outsourcing

Assessment before outsourcing
A clearly defined assessment must be carried out before going through with any form of outsourcing. It defines which considerations are to be taken into account before outsourcing and the conditions under which further outsourcing from the service provider to a sub-service provider should be permitted. The processes that are to be observed during the contract period with the service provider are also defined here. All outsourcing requires a Management Board decision. Outsourcing does not include processes, services and activities which are unrelated to the insurance business and / or are of short duration (shorter than six months' time) and / or can be clearly classified as insignificant.

The significant constituents of the outsourcing process are summarised in Table 18.

Subject of outsourcing	In the course of the assessment preceding the outsourcing process, an exact description and, if necessary, a clear definition of the processes, services and functions to be outsourced are to be made.
Supervisory authorisation	If the outsourcing of important and / or critical processes, services and functions is being considered, considerations must be given to the necessary collection of regulatory approvals. Important or critical are in this case processes, services and functions, which are indispensable when it comes to Credendo SR guaranteeing its performance and obligations within its insurance activities. In case of any doubt, a clarification with the competent supervisory authority must be carried out.
Due Diligence	Credendo SR remains fully responsible for all outsourced processes, services and functions. In particular, these outsourced processes, services and functions are subject to Credendo SR's risk management and internal control system. Accordingly, the decision to outsource must be preceded by a reviewing process carried out with due diligence with regard to the subject of the outsourcing and the service provider.

Table 18: Overview of the significant constituents of the outsourcing process

Decision-making criteria
When selecting the service provider, the following criteria must be taken into account and documented:

- Professional competences and reputation of the service provider
- Legal power of the service provider to provide services
- Financial soundness
- ICS and emergency plans of the service provider
- Compliance with legal requirements by the service provider
- Availability of responsible and competent contact person

Outsourcing contractors
After the outsourcing has taken place, the monitoring, testing and evaluation of the processes, services and activities provided by the service provider must be carried out during the period of outsourcing. The members of the Management Board are entrusted with the task of assigning these tasks to the employees in charge of the respective matter (outsourcing officers).

The outsourcing contractors must have the necessary competences and skills to effectively monitor the outsourced activities and the associated risks.

The outsourcing officers have to inform the Management Board and the risk management function on a regular basis, but at least once a year about the quality and contractual conformity of the services of the service provider.

Outsourcing contract
An outsourcing contract between Credendo SR and the service provider is to be signed, which comprehensively regulates the reciprocal rights and liabilities between the contractual parties.

Outsourced functions

Table 19 displays the functions which the Credendo SR outsources.

Internal audit function	Outsourced to: Ernst & Young Management Consulting GmbH., (Location: Vienna, Austria)
Actuarial function	Outsourced to: arithmetica Consulting GmbH (Location: Vienna, Austria)

Table 19: Overview of the Credendo SR's outsourced functions

Outsourcing of the internal audit function to Ernst & Young Management Consulting GmbH. in accordance with the FMA as of 18 November 2016, signed by FMA-VU132.330/0002-VPR/2016.

Outsourcing of the actuarial function to arithmetica Consulting -GmbH in accordance with the FMA as of 6 November 2015, signed by FMA-VU132.330/0001-VPR/2015.

Monitoring of outsourced activities

The risk management system and the ICS of Credendo SR have to take account of outsourced activities or actions in their agendas. Furthermore, they have to monitor the actual service provision in order to effectively assess any associated risks. Credendo SR has evaluate appropriate criteria for the monitoring of the service provision and the risks. These criteria allow an efficient management of the outsourcing. These criteria are documented within the internal directives and also provide corresponding emergency plans in case the service provider does not deliver the contractually agreed services on time, or should the service provider terminate the contractual relationship.

Credendo SR also ensures that the necessary organisational structures and necessary knowledge of previously outsourced activities are provided in an appropriate time frame to enable a functioning reintegration. Emergency plans are subject to a periodic review.

B.8 Any other information

Specifics in respect of the governance system of the branch office in Switzerland:

General Information on the governance System in Switzerland

The Swiss branch of Credendo SR is included in the Governance System of the Austrian parent company as far as legally possible and permissible under FINMA Circular 2017/2 Corporate Governance - Insurers (risk management and internal control system, 2010/1 Remuneration systems, 2008/16 Responsible (r) Actuary, 2018/3 Outsourcing and 2016/3 ORSA, integrated.

Management Board

is responsible as a collective body for the company as a whole. However, the Swiss VAG provides for the function of a general representative, who is accountable to the supervisory authority FINMA as the responsible person. This function is held by Geneva based Member of the Management Board Christian Hendriks.

The other bodies of the company, such as the Supervisory Board and the Annual General Meeting, are responsible for both locations.

Holders of key functions

The key functions are staffed in a way, that they are not outsourced to third parties (with the exception of internal audit and actuarial function) but in such way that the holder of the function is active in Vienna and the deputy is active in Geneva. The tasks are the same as in Austria, and the activities of the established committees, composed of staff from both locations, cover the affairs of the entire company.

Remuneration system and Assessment of the adequacy of the governance system

The employees of the Swiss Branch are also included in the variable compensation system that applies to Credendo SR.

The organizational structure as shown in Figure 5 also ensures the appropriate separation of functions for the Swiss Branch. Possible conflicts of interest can be identified in time and prevented by appropriate measure. This ensures the appropriateness of the governance system in Switzerland as well.

Fit and proper requirements
For this, as in Austria, the "FIT & Proper" criteria defined by the Supervisory Authorities apply, according to which the selection of employees, especially in management positions and key functions, takes place. The criteria are described in point B.2 and also apply to the employees of the Swiss Branch.

Risk management system including the own risk and solvency assessment
Credendo SR risk management system is integrated into the organizational structure and decision-making processes for both location Vienna and Geneva, according to legal and regulatory requirements in Austria and Switzerland.

The risk management process as described in Table 12 is applied to the same extend for the Swiss Branch in order to cover special needs arising from the local specific field and to ensure the appropriateness of the risk Management system in Switzerland as well.

The operational implementation of risk management in Switzerland is carried out by annual risk identification, risk analysis and evaluation of all material risks.

The risk identification takes place via company-wide existing processes, supplemented by local specific expert opinions and / or estimations.

Monitoring and internal reporting of Swiss Branch specific operational risks are performed on regular basis.

The risk identification, risk analysis and evaluation, monitoring and reporting are carried out in collaboration between branch deputy in Geneva and Risk Management function.

ORSA
Due to the size of the branch office there is no legal obligation to report an own ORSA. The scenarios used in the ORSA are representative of the overall risk profile of the company and cover all significant aspects of the overall risk profile in Austria as well as in Switzerland.

The internal control system
The legal and regulatory requirements for the ICS are similar in Switzerland and Austria and are taken into account in the company's internal guidelines, measures, principles and procedures.

The organizational measures of the ICS are in the processes that cover the entire business activity at both locations.

Ongoing monitoring takes place at the Geneva location, through Self-Assessment and examination by the second line of defence (risk management and compliance) especially by the local deputy of the key function in collaboration with the functional owner. In 2018, a responsible person was appointed for monitoring and reporting on the Internal Control system in Switzerland.

Compliance function:
The Risk Management function and the Compliance function review the ICS on regular basis.

Through the local expertise by the respective deputies, the compliance with applicable regulations and laws in the Swiss Branch should be secured.

Internal audit function
The activity of Internal Audit in Switzerland is identical to that one described in section B.5. It is outsourced for the whole company outsourced to Ernst & Young Management Consulting GmbH., which means also for the Swiss Branch. It is carried out independently by the latter at both locations, according to a plan approved by the Management Board and the Supervisory Board.

Actuarial function

The actuarial function in Switzerland is outsourced to Pittet Associés SA, Lausanne, Switzerland. This company covers the legal and regulatory requirements that are binding and necessary in respect of the actuary for Switzerland.

Outsourcing:

The following activities are outsourced for the Swiss branch:

Internal Audit	Ernst & Young Management Consulting GmbH;
Actuarial Function	Pittet Associés SA, Lausanne, Switzerland
Accounting	Credendo – Single Risk, Austria.
SAP, Firewall, IT Services (partly)	DelcredereIDucroire
Asset Management (partly)	Credendo – Single Risk, Austria.
IT (partly) / Administration (partly)	Credendo – Single Risk, Austria.
Claims Management (partly)	Credendo – Single Risk, Austria.
Production / claims settlement (partly)	various Insurance Companies

The monitoring, testing and evaluation of the processes, services and activities provided by the respective service providers is carried out by outsourcing officers.

Credendo SR has no other information of the reporting period that need to be disclosed here

C. Risk Profile

Credendo SR calculates the Solvency Capital Requirement (SCR) according to the Solvency II standard formula. Based on these calculations all quantifiable risks are covered and Credendo SR's regulatory capital requirement is determined.

Credendo SR is a mono-line non-life insurer, specializing in credit insurance. While the financial or operational risks whose contribution to the SCR according to Solvency II calculated in the Quantitative Impact Studies (QIS) in prior years is relatively low, it is especially the underwriting risk that is considered large in terms of possible losses considering both the likelihood of the risk being realised and the impact of that risk when realised. Credit insurance business is often "fat tailed", i.e. there is the risk of occasional large (outliers) losses occurring.

Credendo SR measures risks both quantitatively and qualitatively:

- Underwriting risk, market risk and counterparty risk are measured quantitatively
- Less quantifiable risks (such as strategic risk and reputation risk) are measured qualitatively

The SCR is the sum of the Basic Solvency Capital Requirement (BSCR), the capital requirement for the operational risk and the adjustment of risk-minimising effects.
The BSCR of Credendo SR is derived by aggregating various risk classes and taking into account correlation effects:

- Market risk
- Credit risk/Counterparty default risk
- Non-Life underwriting

in kEUR	SCR 31.12.2018	SCR 31.12.2017	Difference
SCR	**19,017.8**	**14,816.9**	**4,200.9**
Operational risk	752.9	858.3	-105.3
Adjustments	0.0	0.0	0.0
BSCR	**18,264.9**	**13,958.6**	**4,306.2**
Diversification	-4,248.7	-2,799.5	-1,449.3
Market risk	5,194.1	2,886.8	2,307.2
Credit risk/Counterparty default risk	2,603.9	2,226.2	377.7
Non-life underwriting risk	14,715.6	11,645.0	3,070.6

Table 20: SCR & BSCR

As of 31 December 2018, the SCR equalled to EUR 19,017.8k (prior year: EUR 14,816.9k). At the same time, the own funds to cover the SCR amounted to EUR 53,098.0k (prior year: EUR 21,087.7k). As of 31 December 2018, the BSCR amounted to EUR 18,264.9k (prior year: 13,958.6k). The diversification was EUR 4,248.7k (prior year: EUR 2,799.5k).

The individual components of the BSCR as well as its reasons for a decline or increase are given in the following sub-chapters.

The composition of the SCR as of 31 December 2017 is shown in Figure 7.

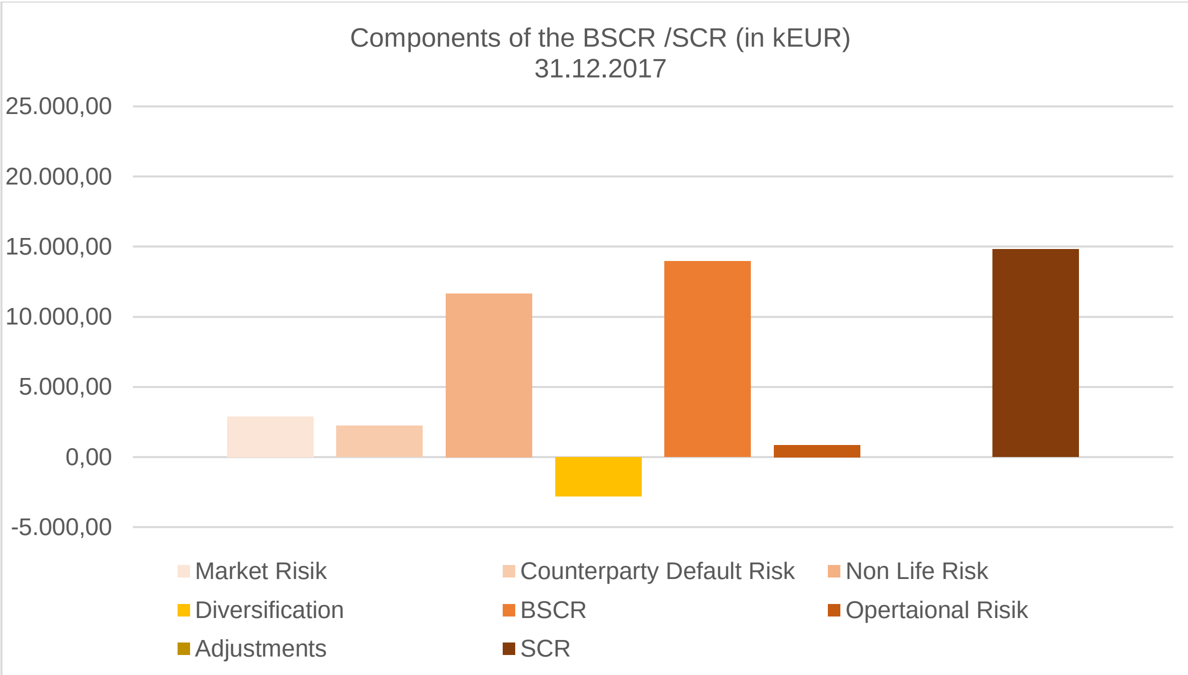

Figure 7: Components of the BSCR / SCR as per 31.12.2017

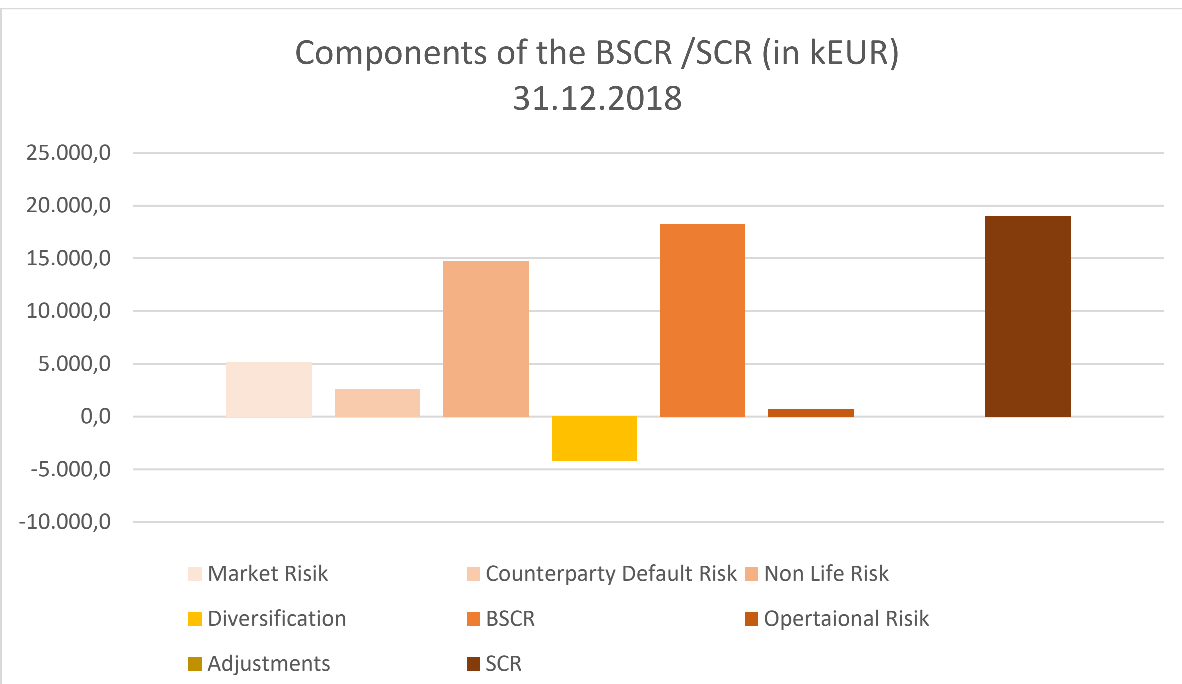

Figure 8: Components of BSCR / SCR as per 31.12.2018

Within the reporting period, Credendo SR has not made any changes to the risk assessment methods. However, minor adaptions may arise from changes in the interpretation as well as improvements of the modelling or parametrization.

C.1 Underwriting risk

1.1 Risk description

Credendo SR has identified the following underwriting risks as set out in Table 21. In case of any significant changes compared to the previous reporting period a detailed explanation is given.

Risk category	Risk sub-category	Description
Underwriting Risk	Premium and reserve risk	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
	Catastrophe risk (CAT)	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

Table 21: Overview of the underwriting risk

1.2. Risk exposure

Table 22 shows the exposure in underwriting risk. As of 31 December

in kEUR	2018	2017	Difference
Non-life underwriting risk	**14,715.6**	**11,645.0**	**3,070.6**
Diversification	-3,297.9	-2,727.7	-570.1
Premium and reserve risk	5,979.5	5,105.2	874.3
CAT	12,033.9	9,267.5	2,766.4
Lapse risk	0.0	0.0	0.0

Table 22: Risk exposure of the underwriting risk

2018 the underwriting risk amounted to EUR 14,715.6k. In particular, the CAT risk (catastrophic risk) is the most significant driver of the capital requirement.
Compared to last year the Non-Life Risk increased from EUR 11,645.0k by EUR 3,070.6. Reason is the increase in future estimated premiums. The impact can be seen in the premium risk as well as in CAT-risk.

1.3. Risk assessment

The underwriting risk is calculated in accordance with the Austrian VAG 2016 respectively Article 114 of the Delegated Regulation 2015/35. The sub-categories are subdivided according to the standard formula.

Premiums and reserve risk

The capital requirement for premiums and reserves is calculated by using a formula-based approach and the volume of premiums and reserve risk according to pre-defined LoBs.

For a correct segmentation, homogenous risk groups have to be defined. For the calculation of the SCR two homogeneous risk groups were transferred to the Solvency II Lines of Business. The results from the LoB "credit defaults" were transferred to the Solvency II LoB "Credit and suretyship insurance".

Catastrophe risk

The catastrophe risk consists of the following risks:

- Natural catastrophe risk
- Catastrophe risk of non-proportional property reinsurance
- Man-made catastrophe risk
- All other non-life catastrophe risks

The catastrophe risk of the credit insurance is assigned to the so-called "man-made risks". According to the Solvency II standard formula, the two largest claims are taken into account for “severity” (the severity of damages). For “frequency” (accumulation of damages), the loss of premiums of an entire year due to increased claims is used as a calculation basis.

1.4. Risk concentration

Risk category	Risk concentration	Monitoring process
Underwriting risk	Risk of having too high risks per debtor, per country or per sector	Regular monitoring and, where necessary, reduction of hazards

Table 23: Overview of risk concentration

1.5. Risk mitigation

The implemented risk mitigation techniques of Credendo SR aim at reducing the probability of occurrence as well as the extent of the possible losses. All risk mitigation activities are performed according to a cost-benefit analysis. During the reporting period, Credendo SR has undertaken a series of countermeasures to limit the risk exposure.

Credendo SR continuously monitors the effectiveness of the implemented risk mitigation measures. Therefore, the processes shown in Table 24 were established in this risk category.

Risk category / risk	Risk mitigation	Monitoring process
Underwriting risk	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.e. 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	• Verifying the retention limits established: this is part of the exposure monitoring by the risk management function • Monitoring of reinsurance recoverable and the creditworthiness of each reinsurer • Retaining deposits from reinsurers covering the ceded part of technical provisions.

Table 24: Overview of the risk mitigation processes

Use of Special Purpose Vehicles (SPVs)

Credendo SR does not use any SPVs to manage risks.

C.2 Market risk

2.1. Risk description

Credendo SR has identified the following sub-risks of market risk, displayed in Table 25.

Risk category	Risk sub-category	Description
Market risk	Interest rate risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from changes in the term structure of interest rates or in the volatility of interest rates
	Equity risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from changes in the level or in the volatility of market prices of equities
	Property risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from changes in the level or in the volatility of market prices of real estate
	Spread risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure
	Currency risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from changes in the level or in the volatility of currency exchange rates
	Market risk concentration	The risk stemming either from 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

Table 25: Sub-risks categories of the market risk

Credendo SR's capital requirement for market risk, the most important after underwriting risk, is largely determined by Credendo SR's financial investments. Since the capital increase in 2018, Credendo SR distinguishes between "tied assets" amounting to at least 150% of SCR and "free assets" in terms of investment. In respect of "tied assets" a very conservative investment strategy is maintained. The aim is not only to meet legal and regulatory requirements regarding the coverage of technical reserves but also to incur minimal risks only on its asset base and provide the liquidity needed at any point in time. This prudent investment policy targets in steady returns with relatively low volatility.

In respect of "free assets", new rules were defined allowing the addition of equity and real estate to bonds targeting at achieving more attractive yields for this part of the portfolio. In addition the diversification reduces dependence of the developments on the bond markets.

2.2. Risk exposure

in kEUR	2018	2017	Difference
Market risk	**5,194.1**	**2,886.8**	**2,307.2**
Diversification	-2,647.2	-895,7	-1,751.9
Interest rate risk	1,964.3	295.5	1,668.7
Equity risk	2,621.4	260.5	2,361.0
Property risk	0.0	0.0	0.0
Spread risk	1,682.6	438.4	1,244.2
Currency risk	1,473.8	2,506.6	-1,032.9
Market risk concentration	99.6	281.5	-181.9

Table 26: Risk exposures concerning the market risk

Table 26 shows the exposure to market risk. The interest risk increased versus 2017 significantly, since the investment horizon within “free assets” is much longer and the volume of bonds also increased sharply.

The highest of the market risks is now the Equity risk since it is foreseen to invest parts of the so called “Free assets” into Equity funds. In prior year only a bond fund where look-through was not applied was reported within this risk.

Although investment in Real Estate is foreseen according to the policy there is no property risk. Reason is that only funds of stocks in Real Estate are in the portfolio.

Credendo SR’s volume of premiums stems from more than 50% of foreign currencies. Therefore, a 25% shock is applied to unhedged currency positions. As of 31 December 2018, there was a higher degree of consistency between the foreign currency positions on the assets and liabilities side of the balance sheet versus prior year. The surplus of USD on the asset side was reduced partly by decrease of receivables for recoveries in USD, partly by conversion of USD into EUR.

Credendo SR holds a significant portion of investments in bonds and respectively times deposits. In 2018, the investment portfolio increased sharply due to investing the funds of the capital increase. Therefore, the spread risk increased from EUR 438.4k in 2017 to EUR 1,682.6k at the end of 2018. The decline of the concentration risk is preliminary due to the balanced spread of funds on different current accounts.

2.3. Risk assessment

Market risk is calculated in accordance with the Austrian VAG 2016 respectively Article 164 of the Delegated Regulation 2015/35. The sub-categories are subdivided according to the standard formula.

Interest rate risk

The interest rate risk includes such risks resulting from changes in the underlying base curve (interest rates of government bonds, swap risks and inflation).

To calculate the capital requirement, Credendo SR uses a duration-based approach on the asset side, taking into account an interest rate increase or decrease. The non-simplified approach is applied to the balance sheet items on the liabilities side (technical provisions from personnel provisions).

Equity risk

This risk category is made up of two different types of shares: type 1 comprises equities traded in a regulated market in countries which are members of the EEA or the OECD, type 2 includes all other shares.
The capital requirement is calculated as a result of an immediate permanent impairment of:

- 22% for type 1 and 2 shares with strategic focus
- 39% (49%) of all other type 1 shares (type 2 shares) including a "symmetric adjustments"

Since 2018, Credendo SR has shares within funds in its portfolio. In addition, a pure bond fund which is held beside the special fund, was included into this risk category as a simplification to avoid the application of look through approach. This leads to a slightly higher SCR than in case of application of the look through approach.

Property risk
The capital requirement is calculated as a result of an immediate permanent loss of value of 25%. Credendo SR has no direct participation in properties in its portfolio.

Spread risk
The capital requirement for this sub-risk category is calculated as the sum of the capital requirement of:
- Bonds and loans
- Tradable securities and other securitisation positions
- Credit derivatives

The capital requirements for the above products are calculated using a risk factor based on the quality of the loan and the duration of the underlying product. Credendo SR currently does not invest in securitisation positions or in credit derivatives.

According to Credendo SR's business strategy the "tied assets" are preliminary invested in bonds, where all securities are intended to be held to maturity. The spread risk arising from this strategy is monitored by continuous inspection of the external rating of the issuer. If a security migrates to non-investment grade, Credendo SR's management is informed and the option of sale is considered.
The special fund for the "free assets" is obliged to obey the same quality criteria.

Currency risk
The capital requirement for this risk category equals the sum of the capital requirements for the currency risk of each foreign currency. Foreign currencies are all currencies that are not used to prepare Credendo SR's financial statements.

To calculate the capital requirement, Credendo SR uses the standard formula according to Solvency II. This formula calculates two scenarios (increase / decrease of 25% of the foreign currency w.r.t. the local currency). The scenario that results in the larger capital requirement is taken into account for the calculation of the currency risk.

Market risk concentration
The capital requirement for this risk category is calculated on the basis of the "single name exposures"-companies. Companies belonging to the same group or the same financial conglomerate are treated as "single name exposure", as well as real estate properties located in the same building.

2.4. Risk concentration

As Credendo SR is exposed to main risk concentrations (shown in Table 27), processes were established for the purpose of monitoring this risk category.

Risk category / risk	Risk concentration	Monitoring process
Market risk	The risk concentration in sub-risk categories due to not well diversified investment activities	Regular reports and, if necessary, reallocation of investments

Table 27: Risk concentration in market risk

2.5. Risk mitigation

The implemented risk mitigation techniques of Credendo SR aim at reducing the probability of occurrence as well as the extent of the possible losses. All risk mitigation activities are performed according to a cost-benefit analysis. During the reporting period, Credendo SR has undertaken a series of countermeasures to limit the risk exposure.

Credendo SR continuously monitors the effectiveness of the implemented risk mitigation measures. Therefore, the processes shown in Table 28 were established in this risk category.

Risk category / risk	Risk mitigation	Monitoring process
Equity Risk	Purchase of Funds	Quarterly review of the report of the fund manager
Currency risk	ALM	Quarterly review of the balance sheet items
Spread risk	Sales of bonds which deteriorate in rating	Ongoing monitoring of external ratings
Spread risk	Investment in government bonds which are not subject to spread risks in accordance with the standard formula	Ongoing monitoring of the share of government bonds in the portfolio
Interest rate risk	Buying short-term investments and holding the investments until the end of their maturity	Monitoring of the maturities of assets and liabilities
Market risk	The Management Board determines limits on an annual basis for its financial investments per asset class which are reflected in the investment strategy. The investment strategy clearly determines the diversification of assets across the most important investment categories, the allocation of limits per counterparty, the type of financial instruments and the currencies	Financial instruments are monitored on a regular basis and managed in accordance with the "prudent person" principle

Table 28: Overview of the processes per risk category

C.3 Credit risk

3.1. Risk description

Table 29 displays the main identified risks concerning credit risk.

Risk category	Risk sub-category	Description
Credit/Counterparty Default Risk	n.a.	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 the undertaking is exposed

Table 29: Overview of risks in credit risk

3.2. Risk exposure

According to Table 30 the default risk is the third largest risk for Credendo SR after the underwriting risk non-life and the market risk. The increase from EUR 2,226.2k in 2017 to EUR 2,603.9 in 2018 is explained by the increase in bank deposits, and further due to the increase of reinsurance receivables from technical reserves.

in kEUR	**2018**	2017	**Difference**
Credit/counterparty default risk	**2,603.9**	**2,226.2**	**377.7**
Diversification	-172.9	-152.9	-20.0
Type 1 (banks, reinsurance)	1,647.2	1,109.4	537.8
Type 2 (policyholder, insurance broker)	1,129.7	1,269.8	-140.1

Table 30: Risk exposure of credit/counterparty default risk

3.3. Risk assessment

The credit risk is calculated in accordance with the Austrian VAG 2016 respectively Article 189 of the Delegated Regulation 2015/35.

The credit risk includes the credit default, default of payment, as well as the deterioration of the creditworthiness of debtors, e.g. Insurers, brokers or reinsurers. Furthermore, the default of bank deposits is taken into account. A distinction is generally made between counterparty risks, sight deposits; derivatives and country risks related to foreign debtors or counterparties with cross-border payment obligations. Other crucial areas of potential default risk are the investment portfolio and receivables from reinsurance companies.

3.4. Risk concentration

As Credendo SR is exposed to main risk concentrations shown in Table 31 processes were established for the purpose of monitoring this risk category.

Risk category / risk	Risk mitigation	Monitoring process
Credit/counterparty default risk	Risk of building up excessive claims towards a single counterparty	Selection of reinsurers and investments according to internal guidelines (credit rating & rating), as well as a limit system

Table 31: Credit/counterparty default risk - risk concentration

3.5. Risk mitigation
The implemented risk mitigation techniques of Credendo SR aim at reducing the probability of occurrence as well as the extent of the possible losses. All risk mitigation activities are performed according to a cost-benefit analysis.

In this risk category, Credendo SR has implemented general risk mitigation techniques (setting limits, ongoing monitoring of economic and political developments and / or risk transfers through reinsurance).

C.4 Liquidity risk

4.1. Risk description
Credendo SR has identified the following sub-risk shown in Table 32 in the liquidity risk.

Risk category	Risk sub-category	Description
Liquidity Risk	Operational liquidity risk	The risk that day-to-day cash requirements in order to settle financial obligations when they fall due are not covered under normal conditions
	Strategic liquidity risk	The risk that liquidity needs in order to settle financial obligations when they fall due are not met on a longer-term basis

Table 32: Sub-risks in the liquidity risk

4.2. Risk exposure
The risk that day-to-day cash requirements are not covered under normal conditions is very low as insurance cash inflows usually cover cash outflows.

The investment policy states that 65% of "Tied assets" has to be held in liquidity or quoted government bonds respectively bonds secured by governments (all investment grade) where it should be possible to transfer immediately into liquidity without any delay.

The asset/liability management takes the time to maturity into account. The aims are regular monitoring and to match liquidity requirements with available liquidity. Resources to cover day-to-day cash requirements are, besides cash inflows from net written premiums and recourse payments from claims, available cash and deposit holdings and highly liquid financial investments. The risk that assets invested in by Credendo SR become illiquid is firmly mitigated by the investment policy prescribing that a large part of investments should be in cash and short-term funds and through minimum standards on credit risk for securities.

The strategic risk of liquidity, of not being able to meet liquidity needs on a longer-term basis, is mitigated by the fact that Credendo SR is a client at various major banks and hence possess sufficiently diversified sources of funding. In case of big claims payments reinsurance treaties foresee "cash loss clauses" so that additional liquidity can be retrieved quickly from reinsurance companies. Additionally, quota share reinsurers have to provide deposits covering the reinsurance part of technical provisions.

4.3. Risk assessment
The liquidity risk is neither calculated in the standard formula nor in the course of Credendo SR's ORSA. The risk can be assessed by comparing the maturity structure of the assets and liabilities in the balance

sheet. If there is a mismatch of these maturity dates, there is a risk that liquidity-raising costs will accrue. These costs may be incurred by the sale of investments or by taking out bridging loans.

4.4. Risk concentration

Credendo SR checks risk concentrations on a regular basis. In this risk category, no significant risk concentration was identified for the current reporting period.

4.5. Risk mitigation

The implemented risk mitigation techniques of Credendo SR aim at reducing the probability of occurrence as well as the extent of the possible losses. All risk mitigation activities are performed according to a cost-benefit analysis. During the reporting period, Credendo SR has undertaken a series of countermeasures to limit the risk exposure.

Credendo SR continuously monitors the effectiveness of the implemented risk mitigation measures. Therefore, the processes - shown in Table 33 - were established.

Risk category / risk	Risk mitigation	Monitoring process
Liquidity risk - operational	High share of investments in liquid positions, cash loss agreement with reinsurers	Biweekly liquidity analysis
Liquidity risk - strategic	Accuracy of maturities on the assets and liabilities side of the balance sheet	Analysis of durations

Table 33: Overview of processes per risk category

C.5 Operational risk

5.1. Risk description

Table 34 shows the sub-risks concerning operational risk identified by Credendo SR.

Risk category	Risk sub-category	Description
Operational Risk	Internal fraud risk	The risk of loss due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party
	External fraud risk	The risk of loss due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party
	Risk from employment, employment practices & workplace safety	The risk of loss arising from fluctuation of employees, acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events
	Risk from clients, products and business practices	The risk of loss arising from an unintentional or negligent failure to meet a professional obligation to specific clients, or from the nature or design of a product
	Damage to physical assets	The risk of loss arising from loss or damage to physical assets from natural disaster or other events
	Business disruption & system failures	The risk of loss arising from disruption of business or system failures
	Risk from execution, delivery and process management	The risk of loss from failed transaction processing or process management, from relations with trade counterparties and suppliers

Table 34: Risks in the area of operational risk

Operational risk covers a broad variety of possible risks that deal with a variety of possible causes.

Operational risks are considered by Credendo SR as difficult to quantify and to anticipate. In addition to identifying the most potentially adverse operational risks, Credendo SR assesses its vulnerability to these risks and implements processes and procedures to mitigate, monitor and control material operational risks, in light of the overall risk appetite. The more important impact/frequency operational risks that come out of Credendo SR's risk survey are related to business continuity and IT-processes.

5.2. Risk exposure

As shown in Table 35 the operational risk amounted to EUR 752.9k, which was a reduction of EUR 105.3k versus prior year as a consequence of the reduction of BSCR.

in kEUR	2018	2017	Difference
Operational risk	752.9	858.2	-105.3

Table 35: Operational risk exposure

5.3. Risk assessment

The underwriting risk is calculated in accordance with the Austrian VAG 2016 respectively Article 204 of the Delegated Regulation 2015/35. On this basis, the risk assessment is carried out.

5.4. Risk concentration

Credendo SR checks risk concentrations on a regular basis. In this risk category, no significant risk concentration was identified in the current reporting period.

5.5. Risk mitigation

Credendo SR has defined risk mitigation techniques which are listed in the following section.

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 full replication of IT was put in place. In case of disruption of one site (Vienna or Geneva), full operations could be proceeded from the second site promptly.

Electronic data processing

In 2015 Credendo SR replaced the existing insurance IT-tools and systems so that only one technical core-insurance platform is used. This resulted in increased efficiency and remedied identified deficiencies in processes.

Outsourcing

Credendo SR outsources certain services. 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. Agreements are in line with the appropriate policy.

Fraud risk

Credendo SR's insurance activities are conducted by qualified staff with the necessary experience and technical capabilities, acting in accordance with the integrity policy and code of conduct. Fraud risk is mitigated through the delegation of authorities' rules and the strict observance 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 commercial disputes. Credendo SR, like all other insurers, is subject to litigation in the normal course of its business. Although there is always uncertainty about the outcome of such type of litigation, it is not really possible to calculate a material effect, but it can be considered as not significant. Legal risks are closely monitored by the head of underwriting and the compliance function, according to the domains of responsibility that have been identified between both functions, as these risks may jeopardise the reputation of the entities.

C.6 Other material risks

6.1. Risk description

Table 36 shows the by the Credendo SR identified sub-risks concerning other material risks.

Risk category	Risk sub-category	Description
ALM-risk	n.a.	The risk of mismatch between the liabilities and the assets covering them
Strategic risk	n.a.	The risk of loss from the impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes
Reputational risk	n.a.	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

Table 36: Other material risks

ALM-risk

The 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, in particular with respect to the duration thereof and the currency composition. Not typically seen as an ALM-risk but important for Credendo SR is the counterparty risk in terms of geographical spread in assets and liabilities. This means that because of the reason that Credendo SR is specialized in taking risks in emerging markets it would not invest in those countries but mainly in Europe.

Strategic risk

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 SR has a well-established process for setting strategic high-level objectives 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 the Supervisory Board.

Reputational risk

Reputational risk is essentially regarded as a consequential risk related directly to the overall conduct of Credendo SR. Therefore, Credendo SR pays great attention to key values affecting the reputation of Credendo SR and Credendo ECA. These values are defined in Credendo SR's compliance policy, the code of conduct and the integrity policy.

6.2. Risk exposure

The reputation risk and other material risks are not subject to a quantitative assessment by Credendo SR.

6.3. Risk assessment

The assessment of other material risks is difficult (e.g. strategic and reputation risks). This means that less quantifiable risks are assessed using qualitative tags ("high, moderate, low") 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.

6.4. Risk concentration

Credendo SR checks the risk concentrations on a regular basis. In this risk category, no significant risk concentration was identified in the current reporting period.

6.5. Risk mitigation

The implemented risk mitigation techniques of Credendo SR aim at reducing the probability of occurrence as well as the extent of the possible losses. All risk mitigation activities are performed according to a cost-benefit analysis. During the reporting period, Credendo SR has undertaken a series of countermeasures to limit the risk exposure.

Credendo SR continuously monitors the effectiveness of the implemented risk mitigation measures. Therefore, the processes shown in Table 37 were established for this risk category.

Risk category / risk	Risk mitigation	Monitoring process
ALM -risk	Financial investments issuers are primarily in Europe or other OECD countries. Insurance covers are primarily risks in emerging countries	Determined in strategy and rules which are obeyed currently.
ALM -risk	• Rules to match duration of assets and liabilities by investing in short- and medium term investments	• The maturity of investments is monitored quarterly • The duration of provisions is monitored annually
Strategic risk	• Close monitoring of business trends • The quality of internal control and risk management, consistent with the strategic issues confronting	• A close follow-up by the internal control functions on changing regulatory expectations • Keeping track of developments in regulatory changes • The new IT-landscape should allow mitigating a more important impact/frequency strategic risk
Reputational risk	• A communication function that takes care of external communication concerning reputation-sensitive topics and acts/reacts in reputational risk incidents. • Adequate procedures for handling complaints with periodic reports by the complaints function to senior management and Management Board on the nature, scale and • frequency of such complaints by clients and brokers	• Ongoing monitoring, respectively also on the basis of complaints and reports.

	• Training and increasing risk awareness within the organization by the compliance function on the principles of the code of conduct, integrity policy and introduction by the risk management function to the risk management framework.	

Table 37: Overview of the processes of the risk mitigation

C.7 Any other information

Stress testing and sensitivity analysis

Stress testing and sensitivity analysis aim to provide an appropriate basis for the assessment of the solvency capital requirements and for the decision-making, and are basically carried out within the framework of the ORSA. Therefore the sensitivity of the assumptions which are used in the business plan are tested by subjecting identified risks to a sufficiently wide range of stress tests and/or scenario analysis.

Taking Credendo SR's risk profile of a credit insurer into account, the most relevant stress testing refers to shocks on the underwritten credit risks. The stress testing program includes:

- Accompanying the decision on the business plan:
  - Sensitivity analysis by stressing assumptions on modelled loss ratios in the business plan (which is the baseline scenario). The volatility of loss ratios illustrates insurers' capabilities to minimize volatility through managing exposures (such as capping and managing down potential and real exposures, increasing deductibles, etc.), repricing risks, adjusting reinsurance protection.
- During the annual full ORSA:
  - Qualitative stresses from failure of a key process, loss of key functions or personnel, the occurrence of unforeseen external events
  - Reverse stress testing, including the assessment of the probability of realisation of these scenarios that could threaten the viability of Credendo SR, such as default by countries where important exposure is situated.

The above stress testing program fits Credendo SR's profile where risks are especially situated at the liabilities side (i.e. underwriting risk including CAT and reserve risk).

During the ORSA process, Credendo SR also carried out the following scenario analysis:

- Scenario 1: This scenario describes a reduction of the planned recoveries starting from the projection year 2019. A reduction of approximately 80% is assumed. With this scenario, there is a high decrease of the own funds and therefore as well of the SCR-ratio over the planning horizon.

- Scenario 2: The scenario Stress 2 describes a total collapse of the Russian exposure due to political sanctions. The whole exposure defaults in the projection year 2019. The collapse of Russia exposure leads to a huge loss in the projection year 2019 and therefore the own funds decrease sharply. The SCR ratio reaches a critical level.

- Scenario 3: The scenario Stress 3 describes a scenario where the net loss ratio is expected to be approximately 80% in 2019, 2020 as well as 2021. In each projection year, the combined ratio is well over 100%. This leads to a result after tax which stays quite stable at a negative mark from 2019 onwards.

The results of these SCR scenario calculations were adequately considered by the Management Board in the context of business and capital planning in order to ensure a continuous and lasting sufficient capitalisation of the company.

Specifics in respect of the risk profile of the branch office in Switzerland:
Since the branch office operates in the same industry, the risk profile is more or less identical with the one described in the chapter above. Nevertheless Credendo SR established for the branch in Switzerland (CH) an own risk assessment for the analysis of the own solvency needs. Market risks, consisting of a Credit classification risk, an interest rate risk and a currency risk are considered.The following specifics can be mentioned:

Market risk:
In general, every calculation underlies the same assumptions as the calculation for the whole company. The future projections of balance sheet and income statement (31.12.2018 and onwards) are made for the whole business and thus had to be scaled down. This was implemented by a proportional approach, meaning that the proportion of CH business on the basis due date was taken and applied for every balance sheet item on the forecast due date 31.12.2018.
The investment of the capital increase was as well proportionally distributed to the Switzerland branch.

- Credit Classification risk
  The methodology of credit classification risk for the CH branch is the same as for the whole company. All securities are intended to be held to maturity. The credit risk arising from this strategy is monitored by continuous inspection of the external rating of the issuer. If a security migrates to non-investment grade Credendo SR's management body is informed and the option of sale is considered. An adverse scenario is established by a downgrading of the credit rating over the considered time-horizon.
  The calculation is done separately for bonds, banks as well as for reinsurance receivables of the CH branch. For bonds and banks, all counterparties are rated. If a reinsurance company has no rating, as Standard & Poor's rating of "BBB" is assumed.

- Interest rate risk
  The consideration of the interest rate risk for the CH branch follows the same assumptions as for the whole company. Hence, just assets are examined as liabilities are assumed to be non-interest bearing. The shock parameters for the duration approach are identical with the whole company calculation, being +20 basis points for 1 year, +60 basis points for 2 years and +120 basis points for 3 years

- Currency Risk: since the share of business in FX is usually close to 100% the Swiss branch has a higher currency risk if regarded isolated from Swiss view. Since trade flows in the world market are primarily denominated in USD and EUR also insurance cover is denominated in these currencies. Therefore, policies in CHF in this industry are rare. Nevertheless, this risk is reduced by balancing currencies on the asset and liability side.
  If looked at from the side of the whole company, an appreciation of CHF versus EUR increases administrative cost. At the same time, the income from premium does not increase since they are written in EUR and USD.

- Liquidity risk: Due to the low interest situation and the economic environment, it is at present hardly possible to enter into new business relations with banks in Switzerland. According to the quality criteria of our Policy on Financial Risks there are no additional Swiss banks complying with these standards accepting us as a customer. According to the system of limits in place to reduce counterparty default risk, only limited liquidity can be held in current accounts per bank. This risk is diluted by investing in quoted short-term bonds which can be sold quickly in case of need. In addition, payments can be executed out of the head-quarter at any time as long as free money transfers between Switzerland and EU are possible.

Supervisory- and legal risk: the legal framework in Switzerland has steadily become more demanding and stringent also for branch offices. This has resulted in continuously increasing costs for personnel and consulting services. There is a certain risk that small and specialised insurance branch offices can´t be maintained in a profitable way in Switzerland. Credendo SR aims at mitigating this risk by cost savings in other areas, inter alia by outsourcing of certain services and functions to the head-office.

Credendo SR has no other information of the reporting period that need to be disclosed here.

D. Valuation for Solvency Purposes

The derivation of the Solvency II balance sheet is carried out in accordance with the Solvency II Directive 2009/138/EC and the Delegated Regulation 2015/35. The principle of a separated valuation of individual assets and liabilities and the assumptions of the going concern principle apply to the valuation for solvency purposes.

In accordance with the requirements of Article 75 of the Solvency II Directive, the valuation is carried out based on current market values. As active markets do not exist for all assets (or liabilities), Credendo SR applies mark-to-market values according to the Solvency II fair value hierarchy. In case no observable market values are available, market-consistent valuation techniques (mark-to-model) are used.

According to Credendo SR, an active market fulfils the following three criteria:
- The products traded on the market are homogeneous;
- Willing buyers and sellers can be found at any time,
- Prices are available to the public.

D.1 Assets

Overview of assets

The accounting basis used for the valuation of assets in the annual financial statements is carried out according to the following accounting principles:
- §§ 203ff. UGB
- § 144 VAG 2016

The accounting basis used for the valuation of assets in the annual financial statements in accordance with the Solvency II is based on the following principles:
- Article 7 to 16 Delegated Regulation (EU) 2015/35
- §§148ff. VAG 2016

Due to different regulations and valuation approaches between the UGB financial statement and the Solvency II regulations, differences occur in the items of the balance sheet. The following tables show the individual assets of Credendo SR with both their UGB and the Solvency II value. Any existing differences in valuation are shown and explanations of differences in the valuation methods are provided.

Table 38 compares the Solvency II assets to the UGB assets. Only non-zero positions are listed.

Assets in kEUR	Solvency II value	UGB value	Differences in valuation
Intangible assets	0.0	126.3	-126.3
Deferred tax assets	514.0	4,2.	509.8
Property, plant & equipment held for own use	176.8	176.8	0.0
Investments (other than assets held for index-linked and unit-linked contracts)	57,499.4	57,320.6	178.8
Property (other than for own use)	0.0	0.0	0.0
Holdings in related undertakings, including participations	0.0	0.0	0.0
Bonds	22,429.9	22,253.1	176.8
Government bonds	10,561.7	10,463.0	98.7
Corporate bonds	11,868.2	11,790.1	78.1
Collective Investments Undertakings	35,069.5	35,067.5	1.9

Deposits other than cash equivalents	0.0	0.0	0.0
Reinsurance recoverables from:	11,488.7	10,021.7	1,466.9
Non-life and health similar to non-life	11,488.7	10,021.7	1,466.9
Non-life excluding health	11,488.7	10,021.7	1,466.9
Insurance and intermediaries receivables	7,479.6	7,479.6	0.0
Reinsurance receivables	1,477.8	1,477.8	0.0
Receivables (trade, not insurance)	336.0	336.0	0.0
Cash and cash equivalents	15,49.7	15,49.7	0.0
Any other assets, not elsewhere shown	170.3	170.3	-144.7
Total assets	94,192.2	48,730.99	1,884.5

Table 38: Overview of the assets according to Solvency II against the assets according to UGB

Table summarises the UGB and Solvency II valuation methods.

Assets	**Valuation method UGB**	**Valuation method Solvency II**	**Explanation of differences in the valuation**
Intangible assets	Acquisition value depreciated over its estimated useful life	Measurement only if market value is available	No active market applicable
Deferred tax assets	Acquisition value = different measurement between the balance sheet and the tax balance sheet	The deferred taxes on the Solvency II balance sheet include deferred taxes on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in the Solvency II balance sheet and the values ascribed to assets and liabilities as recognised and valued for tax purposes	These are currently not measured under Solvency II
Property, plant & equipment held for own use	Acquisition value depreciated over its estimated useful life	Economic value according to IAS 40 (Revaluation method)	Due to materiality reasons, no revaluation is carried out. The UGB value is assumed.
Property (other than for own use)	Acquisition value depreciated over its estimated useful life	Economic value according to IAS 40 (Revaluation method)	Due to materiality reasons, no revaluation is carried out. The UGB value is assumed
Bonds (government bonds and corporate bonds)	Depreciation according to moderate lower of cost or market principle	Mark to Market. The market values are measured by deposit statements from banks.	Differences due to the differences in the valuation method

	Pro rata interests: Pro rata temporis converted in EUR at year-end rate	$Balance\ sheet\ value = Rates_{Clean} \cdot nominal + pro\ rata\ interests$ Pro rata interests: No independent measurement under Solvency II. The Solvency II balance sheet value includes pro rata interests	
Collective Investments Undertakings	Depreciation according to moderate lower of cost or market principle	Mark-to-market: the market values are measured by deposit statements from banks	Differences due to the differences in the valuation method
Deposits other than cash equivalents	Acquisition value in foreign currency converted into the reporting currency (EUR) at year-end rate	Current account balance. Foreign currency converted into the reporting currency (EUR) at year-end rate. $Balance\ sheet\ value = account\ balance + pro\ rata\ interests$	Differences due to the differences in the valuation method
Reinsurance recoverables from: non-life and health similar to non-life and non-life excluding health	Nominal value	Proportion of reinsurance at Best Estimate of Provision for Claims Outstanding (PCO) and at Premium Provision (PPR)	Differences due to the differences in the valuation method
Insurance and intermediaries receivables	Nominal value	Nominal value (for durations less than 12 months) or present value in line with market interest rate (for durations more than 12 months)	Due to short durations the UGB value is assumed
Reinsurance receivables	Nominal value	Nominal value (for durations less than 12 months) or present value in line with market interest rate (for durations more than 12 months)	Due to short durations the UGB value is assumed
Receivables (trade, not insurance)	Nominal value	Nominal value (for durations less than 12 months) or present value in line with market interest rate (for durations more than 12 months)	Due to short durations the UGB value is assumed
Cash and cash equivalents	Nominal value	Nominal value	No revaluation necessary

Any other assets, not elsewhere shown	Nominal value	Nominal value	In UGB the pro rata interests are shown in a separate balance sheet item. In Solvency II they are presented in the asset class “fixed-term deposit and bonds”

Table 39: Overview of UGB and Solvency II valuation methods

Information regarding leasing agreements
Credendo SR has no financing or operating-leasing contracts.

Information regarding holdings in related undertakings
Credendo SR does not use alternative valuation methods regarding the valuation of related undertakings.

Changes regarding the recognition and valuation bases
In 2017, there were no changes in the recognition and valuation bases.

Sources of estimation uncertainty
Credendo SR does not expect any estimation uncertainties in the near future.

D.2 Technical provisions

Table 40 compares the technical provisions according to Solvency II to the assets according to UGB.

Liabilities in kEUR	Solvency II value	UGB value	Difference in valuation
Technical provisions – Non-life	23,089.6	16,483.6	6,576.0
Technical provisions calculated as a whole	n.a.	n.a.	n.a.
Best Estimate	21,681.7	n.a.	n.a.
Risk margin	1,377.9	n.a.	n.a.
Other technical provisions	n.a.	46.1	n.a.

Table 40: Overview of technical provisions according to Solvency II and UGB

Method for Solvency II valuation

The first step is the creation of homogeneous risk groups. Credendo SR's homogeneous risk groups are based on an analysis of the gross data from 2008, which has been carried out for the calculation of the Best Estimate and has since been checked annually and adapted if necessary.

The following parameters are used to determine the homogeneous risk groups:

- The risk / LoB
- The handling of the claims settlement
- The development of the insurance stock
- The ratio of claims expenses to earned premiums
- Control of the insurance stock

Furthermore, Credendo SR ensured that sufficient information is available for the assessment of each group. If necessary, small units are grouped into a risk group.

Table 41 shows the different segments / models.

Segment	Applied statistical method
Direct business payment default	
Gross claims incurred without VT145	Chain Ladder Incurred
Gross recoveries without VT145	Chain Ladder Incurred
Gross claims incurred VT145	Chain Ladder Incurred
Gross recoveries VT145	Chain Ladder Incurred
Reinsurance claims incurred without VT145	Chain Ladder Incurred
Reinsurance recoveries without VT145	Chain Ladder Incurred
Reinsurance claim incurred VT145	90% respectively 97% of Gross Chain Ladder Reserve as of 2016
Reinsurance recoveries VT145	90% respectively 97% of Gross Chain Ladder Reserve as of 2016
Indirect business payment default	
Gross claims incurred	Case Reserve (UGB/VAG)
Gross recoveries	Case Reserve (UGB/VAG)
Reinsurance claims incurred	Case Reserve (UGB/VAG)
Reinsurance recoveries	Case Reserve (UGB/VAG)

Table 41: Overview of different segments / models

Uncertainty of the value of the technical provisions
In general, the standard deviation for the forecast error indicates the spread of the Best Estimate reserve. Credendo SR calculates the standard deviation according to Wüthrich. A list is provided for the individual years of claims as well as for the total standard deviation.

Explanation of material differences in valuation according to Solvency II and UGB
Technical provisions according to UGB/VAG
The technical provisions according to UGB/VAG are subject to the prudence principle.

Formation and valuation of the provision for premium deferral
A provision for unearned premiums and a reserve for late incurred claims (IBNR) are created. It relates to business that has incepted at the provision's valuation date and represents the premiums for this incepted business less the premiums that have already been earned against these contracts (determined on a pro rata temporis basis). This measure is calculated gross of acquisition expenses. The temporal depreciation is carried out by calculating the date differences.

According to §10 (4) RLVVU, a cost reduction of 15vH is permissible. Valuation basis is the full amount.

Single claims reserve
In principle, a reserve is being set up for each individual claim reported in the claims department, taking into account the prudence principle. The created reserve intends to cover the expected claims including all settlement payment.
Based on the reported amount of policyholders, the amount of the reserve results from the combination of

- the expected compensation
- the expected recourses

The following information is taken into account as well:

- All mitigating measures during the vesting period
- Financial situation of the debtor
- New agreements
- Defined collaterals of policies

Formation and valuation of the provision for claims management expenses
Provisions have to be created for claims management expenses that cannot be measured to the extent of the exact amount at the reporting date as well as expenses that occur after the reporting date (claims expenses avoidance and claims expenses minimisation).

The provision further includes the contractual obligations, which have not yet been settled at the reporting date.

As Credendo SR's business volume is very low, the amount of the provision is set up as a valuation allowance rather than as a percentage value, as is the case of most other insurance companies.

Formation and valuation of the reserve regarding claims incurred but not reported (so called IBNR reserve)
Since 2016, instead of the unexpired risk provision, a provision for unearned premiums and a reserve for late incurred claims (IBNR) is formed.

In the case of the credit insurance, the policy conditions stipulate that the insurer must be informed of initial delays in payment. By the end of the waiting period, usually a large amount respectively a high percentage of the cases will be paid, restructured, and therefore no claims need to be reported. In this stage, the final amount of claims incurred is usually unknown. In case of insufficient information on possible claims incurred, Credendo SR sets up an IBNR reserve according to the method described below.

The IBNR reserve of the direct business and the reserve for reinsurers' share are valued on an individual basis. For this purpose, starting 2018 an objectified scheme has been implemented as a rule.

For the inward treaty business the IBNRs are set aside according to the declaration of the first insurer.

Best Estimate reserves – Solvency II

The Best Estimate calculation does not include any reserve buffers that comply with the prudence principle. The Best Estimate cash flows are discounted separately for their further use as part of the SCR and MCR calculations. The Best Estimate for non-life insurance obligations is calculated separately for Provision for Claims Outstanding (PCO) and for the Premium Provision (PPR).

Provision for Claims Outstanding (PCO)

The provision for claims outstanding applies to claims already incurred prior to the calculation date, irrespective of whether the claims resulting from the relevant claim have been reported to the policyholder or not. Credendo SR uses the Chain Ladder method to calculate the provision for claims outstanding.

Notation

The notation and procedures shown in Figure 9 are used to analyse and calculate the Best Estimate - PCO.

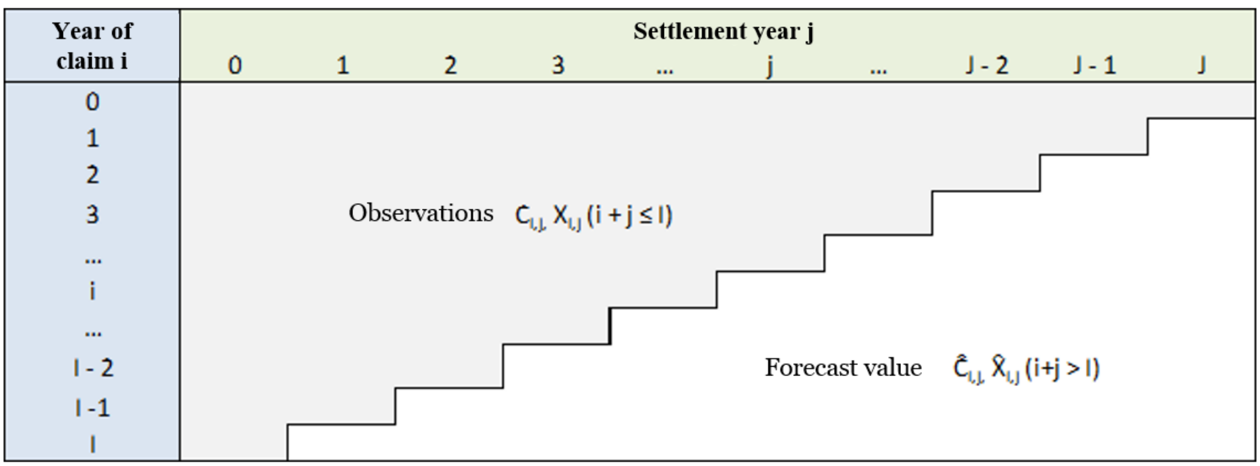

Figure 9: Analysis and calculation of the Best Estimate - PCO

The lines correspond to the years of claims i, while the columns correspond to the settlement years. The accumulated claims incurred Ci,j of the claims year i projected to settlement years j result in:

$$C_{i,j} = \sum_{k=0}^{j} X_{i,k}$$

where Xi, j corresponds to the incremental claims incurred level. Furthermore, it is assumed that the claims incurred level Ci, j are observable for i + j ≤ I and are not observable for i + j> I.

Best Estimates of future cash flows
If the Chain Ladder method is used on the basis of the payment values (CLP), the cash flows are generated directly from this procedure. Credendo SR, however, applies the Chain Ladder method based on the expense values (CLI). Therefore, expense items must be converted into payment balances in order to be able to infer the future payments (Best Estimate cash flow). Here, an average expenditure-to-payment ratio is calculated for each settlement year, which is applied to the projected expenses.

If expert estimates have been made in the calculation of Best Estimate claims provisions (for example, assumption of a reserve estimation according to the calculation bases used in the financial statements, etc.), these are taken into account accordingly in the cash flow calculation. If future payments are used (for example, for the calculation of the SCR or MCR), the discounting is per accounting year.

Claims triangles - types
After testing and verification of data, these are summed up to claims triangles. The following triangles are considered for calculating the Best Estimate claims reserve of Credendo SR:
- Data triangle of the payment levels
- Data triangle of the reserve levels
- Data triangle of the expense levels (payment levels + reserves)

Solvency II Premium Provision (PPR)
At present, the following simplification is applied to the premium Best Estimate:
$$\mathrm{BE} = \mathrm{CR} \cdot \mathrm{VM} + (\mathrm{CR} - 1) \cdot \mathrm{PVFP} + \mathrm{AER} \cdot \mathrm{PVFP}$$

VM *Volume measure for unearned premium*
PVFP *Present value of future premiums*
CR *Best Estimate combined ratio*
AER *Estimate of acquisitions expenses ratio*

For the purpose of this calculation, a distinction is made between the direct business and the indirect business as well as between the SR and the TO segment.

Counterparty risk adjustment (CDA)
According to Article 42 of the Delegated Regulation 2015/35, a CDA is calculated for the Best Estimate Claims Provision (PCO) and for the Best Estimate Premium Provision. This is performed according to the simplification in Article 61 of the Delegated Regulation 2015/35.

A default probability is assigned according to the credit rating that is assessed by an external rating agency. It is calculated for each reinsurance company separately and netted with a possible deposit in the reinsurance portfolio. The split into a CDA for claims provisions and a CDA for premium provisions is based on the proportion of the respective provision type in relation to the entire Best Estimate provision.

Risk margin
The risk margin is valued according to ***method 1*** **of Guideline 61, Paragraph 1.11.4. of the "Guidelines on the valuation of technical Provisions" [EIOPA-BoS-14/166 EN]**.
The calculation of the risk margin is in accordance with Article 37 of the Delegated Regulation 2015/35.
However, the calculation bases for the SCR valuation are projected per module. The following modules are considered on a separate basis:
- Market risk: Currency. However, this is 0 because, according to Article 38 (1) (h) Delegated Regulation 2015/35, market risk can be offset by appropriate asset-liability management.
- Non-life premium and reserve risk
- Non-life catastrophe risk
- Non-life lapse
- Default risk

- Operational risk

Matching Adjustment
Credendo SR does not use the matching adjustment.

Volatility adjustment
Credendo SR does not use the volatility adjustment.

Risk-free interest rate curve
The risk-free interest rate curve is not used.

Temporary deduction
The temporary deduction is not used.

D.3 Other liabilities

Table 42 compares other liabilities according to Solvency II against the other liabilities according to UGB. Only non-zero positions are listed.

Liabilities in kEUR	Solvency II value	UGB	Difference in valuation
Provisions other than technical provisions	398.4	398.4	0.0
Pension benefit obligations	370.9	347.2	23.6
Deposits from reinsurers	5,816.6	5,816.6	0.0
Insurance & intermediaries payable	1,737.2	1,737.2	0.0
Reinsurance payables	9,016.9	9,016.9	0.0
Payables (trade, not insurance)	694.7	694.7	0.0

Table 42: Overview of other liabilities according to Solvency II against the other liabilities according to UGB

Other liabilities	Valuation method UGB	Valuation method Solvency II	Explanation of differences in the valuation
Provisions other than technical provisions	Expected use	Settlement value according to IAS 37. For durations of more than 12 months, depreciation with market interest rate	Due to materiality reasons, no revaluation is carried out. The UGB value is assumed.
Pension benefit obligations	According to an actuarial method in line with AFRAC statement 27	Settlement value according to IAS 19	Differences due to discounting with different interest rates
Deposits from reinsurers	Repayment amount on the prudence principle	Settlement value	UGB value is assumed
Insurance & intermediaries payable	Repayment amount on the prudence principle	Nominal value (for durations less than 12 months) or present value in line with market interest rate (for durations more than 12 months)	UGB value is assumed
Reinsurance payables	Repayment amount on the prudence principle	Nominal value (for durations less than 12 months) or present value in line with market interest rate (for durations more than 12 months)	UGB value is assumed
Deferred tax liabilities	Passive deferred liabilities arise when the asset side/passive side of the trade balance sheet is higher/lower than the tax balance sheet.	The deferred taxes included in the Solvency II balance sheet include deferred taxes based on the difference between the assets and liabilities recognized in the Solvency II balance sheet and the recognized assets and liabilities for tax purposes	They are recognized as soon as there is a surplus of deferred tax liabilities
Payables (trade, not insurance)	Repayment amount on the prudence principle	Nominal value (for durations less than 12 months) or present value in line with market interest rate (for durations more than 12 months)	UGB value is assumed

Table 43: Overview of the valuation methods - Other liabilities

D.4 Alternative methods for valuations

Credendo SR does not use alternative methods for valuations.

D.5 Any other information

Specifics in respect of the valuation for Solvency purposes of the branch office in Switzerland:

Since the main supervision of Credendo SR is performed out of Austria, Solvency II is applicable for the whole company including the branch office. Therefore, everything said above is valid to its full extent also for the branch office.
It is not a requirement to prepare a Swiss Solvency Test (SST) according the circular 2017/3 SST point 2 if it is a branch of a foreign insurance company.

In respect of the rules for the preparation of the Swiss balance sheet the rules of Swiss Code of Obligations and of Swiss VAG are valid.
The biggest differences in the valuation derive from the unearned premium reserve and the equalization reserve.

The Austrian accounting does calculate the unearned premiums pro rata temporis at a cost charge of 15%. For the annual report of the Geneva branch, this cost charge must not be applied according to the Swiss Code of Obligations.

The Equalization reserve for credit insurance has to be set aside according to the method No. 2 in appendix 5 of agreement of 10th of October 1989 between Swiss Federation and EEC. This agreement concerns direct insurance with the exception of life insurance under the provision of lit. 2.3 of the method No. 2 in above mentioned appendix No. 5.

Credendo SR has no other information of the reporting period that need to be disclosed here.

E. Capital Management

E.1 Own funds

Objectives of the capital management

The capital management of Credendo SR has the following objectives:

- The financial strength of Credendo SR has to be increased adequately by means of active capital management.
- In case of occurrence of major damage events, substantial cuts or strong fluctuations in the financial markets, the financial strength and financial solvency of Credendo SR shall be be ensured
- Concerning the SCR: Credendo SR maintains a buffer between the available own funds and the capital needed to cover the aggregate risk by targeting a Solvency II capital adequacy ratio of at least 150 % as calculated by the Solvency II standard formula
- Regarding the external ratings: Credendo SR targets a rating capital adequacy corresponding to a minimum A-rating category.

In order to meet the OSN and other regulatory capital requirements, this is regularly monitored and a planning horizon of 3 years is applied to the planning.

Responsibilities of capital management

The individual responsibilities regarding the capital management are clearly defined by Credendo SR. The risk management function defines Credendo SR's risk appetite and creates a corresponding framework. In collaboration with the CFO, the risk management function plans the medium-term capital requirement, ensures the monitoring of the ORSA process and is responsible for the Solvency II reporting. As well as other disclosure obligations.

The reinsurance department, in turn, is responsible for an appropriate risk transfer and defines the reinsurance program.

The clearly defined responsibilities within the capital management process ensure that Credendo SR's capitalisation is always appropriate.

Process of capital management

Regarding the management of the capital requirements, Credendo SR has implemented the process shown in Figure 10.

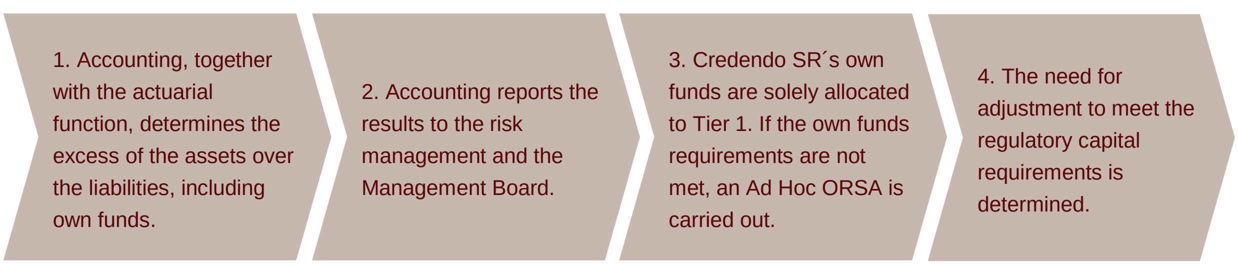

Figure 10: Process of capital management

At Credendo SR, all surpluses should be reinvested to build up own funds according to the current capital management policy. There is no distribution of dividends. The equity consists of the share capital plus capital reserves, as well as profits respectively losses carried forward.

Reconciliation from UGB to Solvency II
As of 31 December 2018, the UGB equity amounted to EUR 57,767.1k (previous year: EUR 23,558.92k). It consists of the ordinary share capital, which is the paid-up share capital (currently EUR 65,000.2k), and the losses carried forward. In 2018 the share capital was increased from EUR 25,000.2 by EUR 40,000.0k to EUR 65,000.2. The profits or losses carried forward represent a significant share of the retained earnings. As already mentioned, profits carried forward are reinvested in order to further improve the equity capitalisation. As a result of the loss situation in the financial years of 2017 and 2018, the reserves were reversed and a retained loss of EUR 5,791.8 was reported.

In comparison to this, the economic capital amounted to EUR 53,098.0k (previous year: EUR 21,087.7k) according to the regulatory valuation principles. Any deviations can be seen in the reconciliation from UGB to Solvency II.

in kEUR	2018	2017	Diffrence
Equity according to UGB	**57,767.1**	**23,558.9**	**34,208.2**
Revaluation assets	-1,884.5	-2,556.0	4,440.5
Revaluation technical provisions	-6,576.0	669.8	-7,245.8
Revaluation other provisions	22.5	-585.0	607.4
Others			
Economic capital (Solvency II)	**53,098.0**	**21,087.7**	**32,010.3**

Table 44: Reconciliation of the equity according to UGB to the economic capital

Explanation of the reconciliation
The difference between the UGB equity and the economic capital according to Solvency II is EUR -4,669.1k (previous year: EUR -2,471.2k) and is derived from the different treatment of the balance sheet items depended on the respective valuation approach. This is explained in detail in chapter D.

Composition of the own funds according to Solvency II
In accordance with Article 87 of the Solvency II Directive, the own funds comprise the sum of the basic own funds and the ancillary own funds.

The **Basic Own Funds (BOF)**, are composed of 3-Tier classes:

- **TIER 1** is mainly composed of ordinary share capital, ancillary share capital, retained profits and hybrid capital components such as subordinated liabilities
- **TIER 2** mainly comprises retrieved but unpaid ordinary share capital and subordinated liabilities
- **TIER 3** includes subordinated liabilities and deferred tax assets (provided that these are realized within 12 months).

The **Ancillary Own Funds (AOF)**, provide further subdivisions:

- **TIER 2 additional**: mainly consist of unpaid and not retrieved share capital (that is available on request)
- **TIER 3 additional own funds**: consist predominantly of the amount corresponding to the value of the deferred tax assets

According to Solvency II, the TIER-classes differ in their ability to absorb losses. TIER 1 has the highest or best ability to absorb losses, while TIER 3 has the worst ability.
In accordance with Solvency II, own shares, foreseeable dividends and investments in financial and credit institutions are deducted from the own funds.

Composition of the own funds
The own funds of Credendo SR consist exclusively of basic own funds (excess of assets over liabilities). Credendo SR has no ancillary own funds.

The amount of own funds equalled to EUR 53,098.0k for the financial year 2018 (previous year: EUR 21,087.7k).

Classification into TIER classes
Credendo SR only holds Tier 1 capital. There are no planned changes to the capital structure within the next few years. Credendo SR's business strategy is geared towards growth for the next few years, which is why it is necessary to provide sufficient capitalisation. In addition, sufficient capitalisation is vital for Credendo SR's business model in order to guarantee policyholders a sound security.

The composition of the individual Tier classes and the own funds for covering the SCR are shown in Table 45.

Tier-classes according to Solvency II			
in kEUR	**2017**	**2016**	**Difference**
Tier 1			
Ordinary share capital	*65,000.2*	*25,000.2*	*40,000.0*
Reconciliation reserve	*-11,902.2*	*-3,912.5*	*-7,989.7*
Tier 2	*0.0*	*0.0*	*0.0*
Tier 3	*0.0*	*0.0*	*0.0*
Own funds for covering the SCR	**53,098.0**	**21,087.7**	**32,010.3**

Table 45: Composition of the Tier classes

Covering the SCR and MCR by Tier-classes
Solvency II has limitations for charging the available own funds with the capital requirements (SCR and MCR). The limitations relevant to Credendo SR are shown in Table 46.

Covering the SCR and MCR according to Solvency II Level 2	
SCR covering	
Minimum Tier 1 capital	50% of the own funds
MCR covering	
Minimum Tier 1 capital	80% of the basic own funds

Table 46: Credendo SR relevant limitations

The eligible own funds of Credendo SR are shown in Table 47. Credendo SR thus fulfils all quality requirements for the Solvency II capital requirements.

Eligible to SCR	**In kEUR**	**In % of own funds**
Tier 1 capital of eligible own funds	53,098.0	100.0%
Eligible to MCR	**In kEUR**	**In % basic own funds**
Tier 1 capital of eligible basic own funds	53,098.0	100.0%

Table 47: Eligible own funds

Other obligatory disclosures

Credendo SR does not use any transitional arrangements regarding the own funds, as well as for the ancillary own funds.

Credendo SR has no further information to report on capital loss compensation mechanisms than the previously mentioned characteristics of the Tier classes and the ability to absorb losses.

In addition to the in "QRT S.23.01" required ratios of eligible own funds to SCR and MCR, no other ratios have been disclosed by Credendo SR.

Reconciliation reserve

The reconciliation reserve is primarily composed of the surplus of the assets above the liabilities amounting to EUR 53,098.0k (previous year: EUR 21,087.7k) and the other basic own funds EUR 65,0000.2k (EUR 25,000.3k).

Components in kEUR	Description	2018	2017	Difference
Excess of assets over liabilities	This is the excess of the assets above the liabilities as listed in the Solvency II balance sheet	53,098.0	21,087.7	32,010.3
Own shares (held directly and indirectly)	This is the sum of shares held directly and indirectly by the company	0.0	0.0	0.0
Foreseeable dividends, distributions and charges	These are the company's foreseeable dividends, distributions and charges	0.0	0.0	0.0
Other basic own funds items	These are the basic components of Article 69 (a) i to v, Article 72 (a) and Article 76 (a), as well as the basic own funds components approved by the supervisory authority pursuant to Article 79 of the Delegate Regulation (EU) 2015/35	65,000.2	25,000.3	40,000.0
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	This is the total amount of the adjustment of the compensation reserve due to the existence of restricted own fund items in ring fenced funds and matching adjustment portfolios at group level	0.0	0.00	0.0
Sum reconciliation reserve		**-11,902.2**	**-3,912.5**	**-7,989.7**

Table 48: Composition of the reconciliation reserve

No transitional arrangements were implemented by Credendo SR. Credendo SR neither uses ring fenced funds nor a matching adjustment portfolios.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As of 31 December 2018, Credendo SR has sufficient eligible own funds to cover the capital requirements.
The Solvency Capital Requirement (SCR) amounted to 279.20% (previous year: 142.32%).
The Minimum Capital Requirement (MCR) amounted to 1,116.81% (previous year: 569.29%).

Credendo SR monitors the developments of the MCR and SCR ratios on a quarterly basis. A decrease of the capital requirement ratios below the threshold of 120% will be reported immediately to the Management Board, which will then investigate the origin and if necessary, initiate appropriate countermeasures.

Credendo SR uses the standard formula for calculating the SCR and MCR. Table 49 shows the development of the SCR and MCR in the various risk modules according to the standard formula.

Solvency capital requirement kEUR	2018	2017	Difference
According to risk modules			
Market risk	5,194.1	2,886.8	2,307.2
Counterparty default risk	2,603.9	2,226.2	377.7
Underwriting risk non-life	14,715.6	11,645.0	3,070.6
Operational risk	752.9	858.2	-105.3
Diversification	-4,245.7	-2,799.5	-1,449.3
Solvency Capital Requirement (SCR)	**19,017.8**	**14,816.9**	**4,200.9**
Minimum Capital Requirement (MCR)	**4,754.4**	**3,704.2**	**1,050.2**

Table 49: Development of SCR/MCR

The composition and calculation of the SCR is described in detail in section C of this report. Credendo SR does not use simplified calculations or undertaking-specific parameters (USPs) in order to determine the SCR.
No internal model is implemented and no change to an internal model is currently planned.
Both the MCR and the SCR developed as expected during the reporting period.

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

Credendo SR uses no duration-based equity risk sub-module in the calculation of the solvency capital requirement.

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

Credendo SR uses the standard formula and there is no internal model implemented.

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

Credendo SR was at all times in 2018 compliant with the minimum capital requirement and the solvency capital requirement.

E.6 Any other information

Specifics in respect of the branch office in Switzerland:

It is not a requirement to prepare a Swiss Solvency Test (SST) according the circular 2017/3 SST point 2 if it is a branch of a foreign insurance company. There is a monthly review on the coverage of the reserves by the tied assets for the Swiss branch. In order to ensure the coverage, a required amount is determined with the technical, direct provisions. This required amount is compared to the tied assets, consisting of bonds and bank deposits. There was a surplus at any time in 2018.

According to the FINMA circular 2016/02 point 114 the Swiss branch does not need its own financial report if specific details of the Swiss business are provided in the report on the Solvency and Financial Condition Report of the head office. For the SFCR 2018 components of the Swiss business are additionally considered with the topics of business activity and the quantitative submission of the income statement.

Credendo SR has no other information of the reporting period that need to be disclosed here.

Vienna, 18th of April 2019

The Management Board

signed

Mag. Michael Frank
Chairman of the Management Board

signed

Mag. Brigitta Ayasch
Member of the
Management Board CFO

signed

Christiaan Hendriks
Member of the
Management Board

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AER	Acquisitions expenses ratio
AFRAC	Austrian Financial Reporting and Auditing Committee
ALM	Asset-liability management
AOF	Ancillary own funds
BOF	Basic own funds
BSCR	Basic solvency capital requirement
CAT	Catastrophe risk
CEO	Chief executive officer
CFO	Chief financial officer
CR	Best estimate combined ratio
FINMA	Swiss Financial Market Supervisory Authority FINMA
FMA	Austrian Financial Market Supervisory Authority
Credendo ECA	DelcrederelDucroire
Credendo SR	Credendo – Single Risk insurance AG
CDA	Counterparty default risk adjustment
IKS	Internal control system
LoB	Line of Business
MCR	Minimum Capital Requirement
OECD	The Organisation for Economic Co-operation and Development
ORSA	Own Risk and Solvency Assessment
QIS	Quantitative Impact Study
QRT	Quantitative Reporting Templates
RCC	Risk Control Committee
PCO	Provision for Claims Outstanding
PPR	Premium Provision
PVFP	Present Value of Future Premiums
SCR	Solvency Capital Requirement
SPV	Special Purpose Vehicles
SR	Single Risk insurance business
TO	Turnover business
UGB	Austrian Commercial Code
USP	Undertaking-specific parameters
VAG	Insurance Supervision Law
VM	Volume measure for unearned premium

Annex 1: Regulatory requirements

This appendix lists all regulatory requirements which the SFCR entails. In addition to these regulatory requirements, this document has been prepared in accordance with articles 35 & 51 to 56 of the Solvency II Directive 2009/138/EC (Level 1) and § 241 to §244 of the Austrian Commercial Code 2016 (Level 4).

Chapter A

Chapter A provides information on the business and performance of the insurance company, in accordance with article 293 of the Delegated Regulation (Level 2) and the guidelines 1 and 2 of EIOPA-BoS-15/109 (Level 3).

Chapter B

Chapter B provides information on the governance system of the insurance company, in accordance to article 294 of the Delegated Regulation (Level 2) and guidelines 3 and 4 of EIOPA-BoS-15/109 (Level 3).

Chapter C

Chapter C provides information on the risk profile of the insurance company, in accordance to article 295 of the Delegated Regulation (Level 2) and guideline 5 of EIOPA-BoS-15/109 (Level 3).

Chapter D

Chapter D provides information on the valuations requirements to Solvency II, in accordance to article 296 of the Delegated Regulation (Level 2) and guidelines 6 to 10 of EIOPA-BoS-15/109 (Level 3).

Chapter E

Chapter E provides information on the capital management of the insurance company, in accordance to articles 297 and 298 of the Delegated Regulation (Level 2) and guidelines 11 to 13 of EIOPA-BoS-15/109 (Level 3).

Annex 2: Quantitative Reporting Templates

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	513.986,71
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	
Property (other than for own use)	**R0080**	176.781,96
Holdings in related undertakings, including participations	**R0090**	57.499.398,82
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	22.429.926,76
Structured notes	**R0160**	10.561.737,62
Collateralised securities	**R0170**	11.868.189,14
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	35.069.472,06
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**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	11.488.683,22
Health similar to non-life	**R0300**	11.488.683,22
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	11.488.683,22
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**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	7.479.589,37
Own shares (held directly)	**R0390**	1.477.785,49
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	336.014,73
Cash and cash equivalents	**R0410**	
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	15.049.707,13

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	23.059.598,97
Technical provisions – non-life (excluding health)	R0520	
TP calculated as a whole	R0530	
Best Estimate	R0540	21.681.702,65
Risk margin	R0550	1.377.896,32
Technical provisions - health (similar to non-life)	R0560	
TP 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	
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
TP calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provision	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	398.367,06
Pension benefit obligations	R0760	370.881,00
Deposits from reinsurers	R0770	5.816.563,30
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	1.737.162,75
Reinsurance payables	R0830	9.016.947,57
Payables (trade, not insurance)	R0840	694.700,42
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	41.094.221,07
Excess of assets over liabilities	R1000	53.097.979,69

S.05.01.02
Premiums, claims and expenses by line of business

		Credit and suretyship insurance
		C0090
Premiums written		
Gross - Direct Business	**R0110**	20.923.521,47
Gross - Proportional reinsurance accepted	**R0120**	1.789.885,46
Gross - Non-proportional reinsurance accepted	**R0130**	
Reinsurers' share	**R0140**	17.062.826,61
Net	**R0200**	5.650.580,32
Premiums earned		
Gross - Direct Business	**R0210**	22.568.761,20
Gross - Proportional reinsurance accepted	**R0220**	2.528.750,32
Gross - Non-proportional reinsurance accepted	**R0230**	
Reinsurers' share	**R0240**	19.344.356,28
Net	**R0300**	5.753.155,24
Claims incurred		
Gross - Direct Business	**R0310**	26.186.332,42
Gross - Proportional reinsurance accepted	**R0320**	342.505,87
Gross - Non-proportional reinsurance accepted	**R0330**	
Reinsurers' share	**R0340**	20.579.012,82
Net	**R0400**	5.949.825,47
Changes in other technical provisions		
Gross - Direct Business	**R0410**	-623.837,08
Gross - Proportional reinsurance accepted	**R0420**	
Gross - Non- proportional reinsurance accepted	**R0430**	
Reinsurers'share	**R0440**	-308.292,11
Net	**R0500**	-315.544,97
Expenses incurred	**R0550**	5.681.323,64
Other expenses	**R1200**	-209.702,00
Total expenses	**R1300**	5.471.621,64

S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		Switzerland	France	Singapore	Luxemburg	Netherlands	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	348.413,74	12.706.168,99	3.301.459,62	466.129,04	580.229,00	802.479,48	18.204.879,87
Gross - Proportional reinsurance accepted	**R0120**	0,00	0,00	0,00	421.257,40	0,00	0,00	421.257,40
Gross - Non-proportional reinsurance accepted	**R0130**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Reinsurers' share	**R0140**	0,00	2.104.724,42	323.750,46	0,00	0,00	365.357,04	2.793.831,92
Net	**R0200**	348.413,74	10.601.444,57	2.977.709,16	887.386,44	580.229,00	437.122,44	15.832.305,35
Premiums earned								
Gross - Direct Business	**R0210**	409.470,12	12.632.702,64	3.977.511,49	401.675,65	619.812,05	908.500,94	18.949.672,89
Gross - Proportional reinsurance accepted	**R0220**	0,00	67.577,37	0,00	534.034,64	0,00	0,00	601.612,01
Gross - Non-proportional reinsurance accepted	**R0230**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Reinsurers' share	**R0240**	0,00	2.556.200,20	428.244,23	0,00	0,00	334.951,49	3.319.395,92
Net	**R0300**	409.470,12	10.144.079,81	3.549.267,26	935.710,29	619.812,05	573.549,45	16.231.888,98
Claims incurred								
Gross - Direct Business	**R0310**	-11.335,75	8.966.642,45	796.716,39	1.637.554,59	282.969,43	2.813.861,86	14.486.408,97
Gross - Proportional reinsurance accepted	**R0320**	0,00	0,00	0,00	130.230,42	0,00	88.305,31	218.535,73
Gross - Non-proportional reinsurance accepted	**R0330**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Reinsurers' share	**R0340**	0,00	2.068.324,52	557.680,53	0,00	0,00	339.858,01	2.965.863,06
Net	**R0400**	-11.335,75	6.898.317,93	239.035,86	1.767.785,01	282.969,43	2.562.309,16	11.739.081,64
Changes in other technical provisions								
Gross - Direct Business	**R0410**	19.238,61	-501.244,72	-14.865,40	0,00	0,00	-6.348,60	-503.220,11
Gross - Proportional reinsurance accepted	**R0420**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Gross - Non- proportional reinsurance accepted	**R0430**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Reinsurers'share	**R0440**	0,00	-71.655,40	-7.903,80	0,00	0,00	-10.244,81	-89.804,01
Net	**R0500**	19.238,61	-429.589,32	-6.961,60	0,00	0,00	3.896,21	-413.416,10
Expenses incurred	**R0550**	108.845,56	2.324.733,12	1.448.067,68	386.590,70	175.526,54	1.500.778,96	5.944.542,56
Other expenses	**R1200**							0,00
Total expenses	**R1300**							0,00

S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance
		Credit and suretyship insurance
		C0100
Technical provisions calculated as a whole	**R0010**	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**	
Technical provisions calculated as a sum of BE and RM		
Best estimate		
Premium provisions		
Gross	**R0060**	9.152.961,75
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	3.092.866,08
Net Best Estimate of Premium Provisions	**R0150**	6.060.095,67
Claims provisions		
Gross	**R0160**	12.528.740,90
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	8.395.817,14
Net Best Estimate of Claims Provisions	**R0250**	4.132.923,76
Total Best estimate - gross	**R0260**	21.681.702,65
Total Best estimate - net	**R0270**	10.193.019,43
Risk margin	**R0280**	1.377.896,32
Amount of the transitional on Technical Provisions		
Technical Provisions calculated as a whole	**R0290**	
Best estimate	**R0300**	
Risk margin	**R0310**	

		Credit and suretyship insurance
		C0100
Technical provisions - total		
Technical provisions - total	**R0320**	23.059.598,97
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	11.488.683,22
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	11.570.915,75

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	**AM_8**

Gross Claims Paid (non-cumulative)

Development year

	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											
N-9	**R0160**	4.656.033	12.214.994	-102.127	-5.463.579	-149.046	-329.192	0	-533.671	0	0	
N-8	**R0170**	471.677	2.385.096	273.332	5.575.459	0	0	-8.703	0	0		
N-7	**R0180**	3.646.895	282.454	-2.311.633	-83.647	-62.329	0	0	0			
N-6	**R0190**	458.548	1.549.645	-20.001	2.225.178	205.722	-66.191	-140.659				
N-5	**R0200**	4.754.508	8.422.811	7.206.461	997.741	-277.816	-467.635					
N-4	**R0210**	3.124.297	7.893.052	-458.809	805.457	2.469.729						
N-3	**R0220**	5.871.457	14.029.606	8.280.060	10.452.220							
N-2	**R0230**	50.660.542	24.920.756	-3.615.852								
N-1	**R0240**	5.718.675	2.074.888									
N	**R0250**	4.492.943										

	In Current year	**Sum of years (cumulative)**
	C0170	**C0180**
R0100		
R0160	0	10.293.411,41
R0170	0	8.696.861,43
R0180	0	1.471.740,92
R0190	-140.659,13	4.212.242,23
R0200	-467.635,15	20.636.069,86
R0210	2.469.728,74	13.833.725,15
R0220	10.452.220,33	38.633.343,78
R0230	-3.615.851,79	71.965.446,68
R0240	2.074.887,69	7.793.563,01
R0250	4.492.943,27	4.492.943,27
Total R0260	15.265.633,96	182.029.347,74

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Development year

	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			**Year end (discounted data)**
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			**C0360**
Prior	**R0100**													**R0100**	
N-9	**R0160**	0	0	0	0	0	0	0	0	0	0			R0160	0
N-8	**R0170**	0	0	0	0	0	0	0	0	0				R0170	0
N-7	**R0180**	0	0	0	0	0	0	0	0					R0180	0
N-6	**R0190**	0	0	0	0	-2.411.744	-543.825	-1.705.861						R0190	-1.653.706,83
N-5	**R0200**	0	0	0	-2.402.861	-657.926	-1.839.560							R0200	-1.783.318,51
N-4	**R0210**	0	0	1.378.711	591.357	324.900								R0210	314.967,14
N-3	**R0220**	0	11.852.565	1.698.998	-174.104									R0220	-168.781,43
N-2	**R0230**	12.018.406	-3.139.044	-7.385.287										R0230	-7.159.494,18
N-1	**R0240**	1.359.116	8.273.791											R0240	8.020.833,69
N	**R0250**	15.429.987												R0250	14.958.241,03
													Total	R0260	12.528.740,90

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	65.000.208,00	65.000.208,00			
Share premium account related to ordinary share capital	**R0030**					
~~I~~initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	-11.902.228,31	-11.902.228,31			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
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**	53.097.979,69	53.097.979,69			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					

Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	53.097.979,69	53.097.979,69			
Total available own funds to meet the MCR	**R0510**	53.097.979,69	53.097.979,69			
Total eligible own funds to meet the SCR	**R0540**	53.097.979,69	53.097.979,69			
Total eligible own funds to meet the MCR	**R0550**	53.097.979,69	53.097.979,69			
SCR	**R0580**	19.017.779,95				
MCR	**R0600**	4.754.444,99				
Ratio of Eligible own funds to SCR	**R0620**	279,2018%				
Ratio of Eligible own funds to MCR	**R0640**	1.116,8071%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	53.097.979,69	-
Own shares (held directly and indirectly)	**R0710**		-
Foreseeable dividends, distributions and charges	**R0720**		-
Other basic own fund items	**R0730**	65.000.208,00	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		-
Reconciliation reserve	**R0760**	-11.902.228,31	-
Expected profits		53.097.979,69	-
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**		-

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	5.194.070,46		
Counterparty default risk	R0020	2.603.924,82		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	14.715.585,73		
Diversification	R0060	-4.248.726,40		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	18.264.854,61		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	752.925,35
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	19.017.779,95
Capital add-on already set	R0210	
Solvency capital requirement	R0220	19.017.779,95
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	2.442.680,02

		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**	10.193.019,43	5.650.580,32
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	2.442.680,02		
SCR	R0310	19.017.779,95	-	-
MCR cap	R0320	8.558.000,98		
MCR floor	R0330	4.754.444,99		
Combined MCR	R0340	4.754.444,99		
Absolute floor of the MCR	R0350	3.700.000,00		
-	-	C0070		
Minimum Capital Requirement	R0400	4.754.444,99		

Annex 3: Swiss financial situation report: quantitative template

Table: Branch Office Switzerland Financial situation report

Financial situation report: quantitative template "Performance Solo NL"

Currency: CHF or annual report currency

Amounts stated in thousands

		Total		Direct Swiss business		Direct non-Swiss business		Indirect business	
				Other branches		Total		Miscellaneous	
		Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	Gross premiums	13.442,72	13.951,42	13.442,72	13.951,42			0,00	0,00
2	Reinsurers' share of gross premiums	-11.170,72	-12.592,74	-11.170,72	-12.592,74			0,00	0,00
3	Premiums for own account (1 + 2)	2.272,00	1.358,68	2.272,00	1.358,68			0,00	0,00
4	Change in unearned premium reserves	-26,94	-295,43	-202,75	-392,15			175,81	96,73
5	Reinsurers' share of change in unearned premium reserves	-164,77	61,99	-100,15	96,73			-64,61	-34,74
6	Premiums earned for own account (3 + 4 + 5)	2.080,30	1.125,24	1.969,10	1.063,25			111,20	61,99
7	Other income from insurance business		64,38	0,00	64,38				0,00
8	**Total income from underwriting business (6 + 7)**	2.080,30	1.189,61	1.969,10	1.127,63			111,20	61,99
9	Payments for insurance claims (gross)	-16.540,19	-15.976,92	-16.540,19	-15.976,92			0,00	0,00
10	Reinsurers' share of payments for insurance claims	13.892,97	13.807,11	13.892,97	13.807,11			0,00	0,00
11	Change in technical provisions	3.914,49	5.822,80	3.914,49	5.822,80			0,00	0,00
12	Reinsurers' share of change in technical provisions	-1.897,52	-5.519,52	-1.897,52	-5.519,52			0,00	0,00
13	Change in technical provisions for unit-linked life insurance								
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	-630,24	-1.866,53	-630,24	-1.866,53			0,00	0,00
15	Acquisition and administration expenses	-3.868,85	-4.273,95	-3.646,95	-4.273,95			0,00	0,00
16	Reinsurers' share of acquisition and administration expenses	1.964,13	2.167,64	1.970,56	2.167,64			-6,43	0,00

17	Acquisition and administration expenses for own account (15 + 16)	-1.904,72	-2.106,32	-1.676,38	-2.106,32			-228,33	0,00
18	Other underwriting expenses for own account	2,81		3,92	0,00			-1,11	0,00
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	-2.532,15	-3.972,85	-2.302,71	-3.972,85			-229,44	0,00
20	Investment income	483,55	530,76						
21	Investment expenses	-592,46	-469,61						
22	**Net investment income (20 + 21)**	-108,92	61,15						
23	Capital and interest income from unit-linked life insurance								
24	Other financial income	1.050,06	265,87						
25	Other financial expenses	-404,02	-443,20						
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	85,27	-2.899,41						
27	Interest expenses for interest-bearing liabilities								
28	Other income								
29	Other expenses								
30	Extraordinary income/expenses								
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30)**	85,27	-2.899,41						
32	Direct taxes	-0,28	-12,00						
33	**Profit / loss (31 + 32)**	84,99	-2.911,41						