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## Summary

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The Solvency & Financial Condition Report (SFCR) has to be published each year by all insurance undertakings and groups. It provides qualitative and quantitative information on the business and performance, the system of governance, the risk profile, the valuation for solvency purposes and capital management of the undertaking.

The report has a harmonized structure that is defined by Annex XX to the Solvency II Delegated Acts Regulation and includes templates defined by Implementing Regulation containing quantitative information (Quantitative Reporting Templates (QRTs)).

All amounts quoted in this report and in the tables are in millions of euros unless otherwise stated.

### Highlights

- KBC Group Re is the reinsurance subsidiary of KBC Group, specializing in protecting the group's bank and insurance entities.
- KBC Group Re has a medium risk profile in line with the Risk Appetite Statement.
- KBC Group Re is strongly capitalized both in terms of level and quality of capital. The Solvency II ratio per 31/12/2017 amounts to 609% (including volatility adjustment).
- The LuxGaap result for 2017 amounted to 29 million EUR.
- Earned premiums went down by 8% totalling 20,5 million EUR.
- Combined ratio for 2017 came to a highly favorable 19,7%.
- A continued implementation of the KBC Group 'Three Lines of Defence' model is operated.

### Remarks

The information provided in this document has not been subject to an external audit. Disclosures have however been checked for consistency with other existing reports and were subject to the screening of authorized management representatives to ensure quality.

The 2017 Solvency & Financial Condition Report was distributed to the Board of Directors to ensure the appropriate approval of the management body as requested under Solvency II.

The Solvency and Financial Condition Report is available in English on the website of KBC Group Re and is updated on a yearly basis. Next update is scheduled for the end of April 2019.

## A. Business & performance

### A.1 Business

<b>Area of operation</b>	
<p>KBC Group Re SA is the Luxembourg reinsurance subsidiary belonging to the KBC Group. The company was incorporated on 20 March 1989.</p> <p>The company specializes in protecting the group's bank and insurance entities.</p>	
<b>Shareholders</b>	
<p>KBC Group Re is wholly owned by KBC Insurance NV, which is in turn wholly owned (directly and indirectly) by KBC Group NV. KBC Group NV is a listed company.</p>	
<b>Long-term credit ratings (27 October 2017)</b>	
	Standard & Poor's
KBC Group Re SA	A-
<b>Management</b>	
Day-to-day management	Ivo Bauwens
Chairman of the Board of Directors	Hans Verstraete
<b>Address</b>	
<p>KBC Group Re SA 4 rue du Fort Wallis L-2714 Luxembourg</p>	
<b>Supervisory authorities</b>	
KBC Group Re SA	KBC Group NV
Commissariat aux Assurances 7, boulevard Joseph II, L-1840 Luxembourg	Nationale Bank van België De Berlaimontlaan 14 1000 Brussel

<b>External auditor</b>
PwC Luxembourg 2 Rue Gerhard Mercator L-1014 Luxembourg
<b>Number of FTEs</b>
As at 31 December 2017 the company employed 8,6 persons (Full time equivalent)

The strategy of the company is embedded in the strategy of the KBC Group. For more detailed information, please see the KBC Group annual report for 2017.

KBC Group is an integrated bank-insurance group whose core markets are Belgium, Bulgaria, the Czech Republic, Hungary, Ireland and Slovakia for a total of more than 11 million clients. Its network is organized around ca. 1500 bank branches, insurance sales via own agents and other channels, as well as various electronic channels. The group employs some 42 000 persons.

KBC Group Re is the reinsurance subsidiary of KBC Group, specializing in protecting the group's bank and insurance entities. The underwriting activities of KBC Group Re consist in the 2 following segments:

1. The reinsurance of KBC insurance risks
2. The reinsurance of KBC operational risks

The KBC Insurance risks segment comprises acceptances that are made for optimization of the group's insurance retention and increasing capital flexibility within the KBC Insurance Group by deploying currently redundant capital of the company. For implementing this optimization, KBC Group Re has been chosen as centralizing placement vehicle for group wide reinsurance programs. KBC Group Re also participates in the other reinsurance placements of KBC direct insurance entities that are open to the external reinsurance market (profitability optimization) or enhances the local capital and/or net result profile (improved use of available capital).

The KBC Operational risks segment includes classical operational risks for a bank-insurer which are typically placed on facultative "program" basis, as covers for professional liability, fraud, cybersecurity and the various property belonging to KBC Group. It comprises also some specialty covers as safe deposit covers for clients of the bank or other para-banking insurance covers for bank clients. KBC Group Re supports the placement of those KBC programs by filling the gap between the deductibles/risk retentions of the individual KBC companies (original insureds) and the group deductible, by retaining - on behalf of KBC - the result volatile priority layers where capacity in the market is hardly available, and by facilitating access to the international price-worthy (re-)insurance capacity.

The income statement (LuxGaap) of KBC Group Re is shown in Table 1.

(X 1.000 EUR)	2017	2016	Change in amount	Change in %
<b>Net earned premiums Non-Life</b>	<b>20 526</b>	<b>22 308</b>	<b>-1 781</b>	<b>-8%</b>
Gross Earned premiums	32 612	34 689	-2 077	-6%
Ceded reinsurance premiums	-12 086	-12 381	296	-2%
<b>Net claims incurred</b>	<b>-48</b>	<b>-18 187</b>	<b>18 138</b>	<b>-100%</b>
Gross claims incurred	2 240	-16 403	18 643	-114%
Reinsurers' share in claims incurred	-2 288	-1 784	-505	28%
<b>Net operating expenses</b>	<b>-3 989</b>	<b>-2 905</b>	<b>-1 084</b>	<b>37%</b>
Net acquisition costs	-2 011	-977	-1 034	106%
Administrative expenses	-1 978	-1 928	-50	3%
<b>Investments Incomes</b>	<b>11 603</b>	<b>13 674</b>	<b>-2 070</b>	<b>-15%</b>
Interest income	11 508	13 140	-1 632	-12%
Dividend income	45	0	45	62241338%
Net realized result from investments	976	679	297	44%
Value adjustments	-816	0	-816	-
Other investments related incomes/costs	-110	-145	35	-24%
<b>Net other income</b>	<b>-73</b>	<b>-30</b>	<b>-43</b>	<b>144%</b>
<b>Change in the equalization provision</b>	<b>11 763</b>	<b>99 591</b>	<b>-87 827</b>	<b>-88%</b>
<b>Taxes</b>	<b>-10 813</b>	<b>-33 496</b>	<b>22 683</b>	<b>-68%</b>
<b>Result after tax</b>	<b>28 970</b>	<b>80 955</b>	<b>-51 985</b>	<b>-64%</b>

Table 1 Income statement, using LuxGAAP rules

The LuxGaap result of KBC Group Re amounted to 29 million EUR in 2017 (-64%). The result was in 2016 and 2017 importantly driven by diminutions of the equalization provision (99,6 million EUR in 2016 and 11,8 mln EUR in 2017). More details on the underwriting and investment performance are given in the following two sections.

## A.2 Underwriting performance

Earned premiums totalled 20,5 million EUR in 2017, showing a decrease of 8% from 22,3 million EUR in 2016.

	2017	2016
Net claims ratio	0,2%	81,5%
Net expense ratio	19,4%	13,0%
Combined ratio	19,7%	94,5%

Table 2 Non-life ratios

Volatility in earnings and ratios is unavoidable for KBC Group Re, which is in line with the mission of being the internal reinsurer of the KBC Group and due to the small size of the portfolio.

The net claims ratio decreased from 81,5% to an excellent 0,2% due to the absence of large claims in the portfolio (which is to a large extent composed of non-proportional reinsurance contracts) in 2017 and positive development of some past large claims.

The expense ratio went up from 13,0% to 19,4% due to the diminution of net earned premiums. 2016 was on top of that positively impacted by non-recurrent adjustments to commissions of some contracts of previous years (reduction of profit commission).

As a result, the combined ratio decreased from 94,5% to 19,7%, which is mainly attributable to the extremely low claims ratio.

More information about the underwriting performance can be found in the Quantitative Reporting Templates (QRT):

- S.05.01.02 – Premiums, claims and expenses by line of business
- S.05.02.01 – Premiums, claims and expenses by country

### A.3 Investment performance

At 11,6 million EUR at year-end 2017, total net investment income was down by 2,1 million EUR (-15%) as a result of:

- Lower interest incomes due to a declining portfolio volume and to a decrease in the return on the bonds portfolio caused by lower reinvestment yields
- Value adjustments for equity investments.

In the LuxGaap financial statements:

- investments in bonds are measured at amortized cost, minus impairments when it is expected that such impairments are permanent.
- investments in equities are measured using the 'lower of cost or market' method.

Table 3 shows the detailed valuation of those portfolios.

(X 1.000 EUR)	31/12/2017	31/12/2016	Change in amount	Change in %
<b>BONDS</b>				
Market value	476 988	577 733	-100 745	-17%
Book value	447 671	539 571	-91 901	-17%
Unrealized gains/losses	29 317	38 162	-8 844	-23%
<b>EQUITIES</b>				
Market value	23 761	1	23 760	2973731%
Book value	23 663	1	23 663	2961539%
Unrealized gains/losses	97	0	97	-

Table 3 Investment portfolio values

The volume of the bonds portfolio reduced significantly because of the distribution of a large dividend for the year 2016, and the decision to build an equity portfolio.

KBC Group Re does not have any investments in securitized products.

#### **A.4 Performance of other activities**

No other activities are material.

#### **A.5 Any other information**

No other information to report.



## **B. System of governance**

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### **B.1 General information on the system of governance**

#### ***Management structure of KBC Group Re***

According to the Articles of Association, the Company is managed by a Board of Directors. The Board of Directors is responsible for developing and approving the strategy and general policy for the company, including a risk, compliance and audit framework, and monitoring their implementation. The Board is also responsible for the appointment of the Managing Director.

The Managing Director's responsibilities include implementing and monitoring (together with the Board) the strategic plans, appointing all staff members, being the primary contact point between staff members and the Board, providing strong leadership to, and effective management of, the Company and otherwise carrying out the day to day management of the Company. This Managing Director does also assume the responsibilities and role of 'Dirigeant agréé' as defined in the Luxembourg regulation 'Loi du 7 décembre 2015 sur le secteur des assurances'.

The Board also acts as Audit, Risk and Compliance Committee (see infra).

The Board is composed of at least 3 members (currently 4) appointed by the General Meeting. Directors of KBC Group Re are not remunerated. The Managing Director is the sole Executive Director.

#### ***Audit Risk and Compliance Committee***

Within KBC Group Re, the Audit, Risk and Compliance Committee is not set up as a separate committee and the Board directly exercises its responsibilities regarding those topics within the audit, risk and compliance domains, i.e. the integrity of the financial reporting, the effectiveness of the internal control measures and risk management processes, and the implementation of the compliance rules.

Following persons, or their representative, participate as permanent guests during these Audit Risk and Compliance Committee meetings:

- The Internal auditor;
- The Chief Risk Officer (CRO) of the Business Unit Belgium of KBC;
- The Compliance Officer.

The external auditors are invited at least once a year.

#### ***Reporting of the control functions***

The local risk function, compliance function and actuarial function, and the group audit function report on their findings to the Board of Directors when acting as Audit Risk and Compliance Committee.

Group Risk, Group Compliance and the Group Actuarial Function Holder will, at the level of the KBC Insurance Group and KBC Group, report on their findings to:

- The Executive Committee of KBC Insurance NV and KBC Group NV.
- The Audit Committee, the Risk & Compliance Committee and the Board of Directors of KBC Insurance NV and KBC Group NV.

## B.2 Fit and proper requirement

Fit and proper requirements for the members of the Board of Directors are part of the company's Corporate Governance Charter which indicates the conditions of appointment of new board members, as well as the training requirements. Appointment conditions aim at a balanced composition of the Board, ensuring that the board members have adequate insurance and reinsurance expertise, general corporate management expertise and broader societal experience.

For the persons having a key function, propriety and fitness checks are part of the human resources management policy. This policy includes the request of showing the criminal record. Fitness checks are part of the recruitment process: formal qualification is checked as well as previous experience. Human resources procedures also include training requirements aiming at maintaining the qualification of employees.

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

### *Risk management framework*

Risk management is a key component of the strategic management within KBC Group. It refers to the coordinated set of activities to manage the risks that can affect KBC Group in its ability to achieve its objectives.

The KBC Risk Management Framework (KBC RMF) describes how risk management is performed on a continuous basis throughout the whole of KBC Group. As such, it is the single point of entry for all documentation on the risk management process within KBC Group. The risk management process consists of following steps:

- Risk identification
- Risk measurement
- Setting and cascading risk appetite
- Risk analysis, reporting and follow-up

The KBC RMF finds its origin in KBC's overall risk strategy, as defined by the Risk Appetite (the amount and type of risk that KBC is able and willing to accept in pursuit of its strategic objectives) as decided on by the Board of Directors. It consists of:

- A number of generic fundamental risk standards, concepts and tools that are applicable to all risk types, e.g. a common risk map, risk measurement standards and risk appetite standards.
- A set of risk-type-specific risk management frameworks.
- An integrated risk management framework describing how to integrate all risk-type-specific information in order to provide a complete view of the risk profile of KBC Group and its subsidiaries.

The KBC RMF defines minimum standards that all entities within the group must adhere to. Group frameworks must therefore be endorsed by local entities, including KBC Group Re. At the same time the implementation of each framework can be adjusted on the basis of local conditions/regulations.

The implementation of the KBC RMF is organized on the basis of the risk type specific frameworks, each having an implementation checklist to evaluate its implementation status. In

every entity or business unit of the group, a Chief Risk Officer is responsible for implementing the framework within the local risk function, and supporting the local business line management with the implementation of the framework in the business processes.

As the risk management landscape is in a state of constant flux due to changes in internal and external contextual elements (industry trends, regulatory requirements, expectations of key stakeholders, organisational structure, etc.), the components of the KBC RMF are reviewed on a regular basis to ensure their ongoing effectiveness.

### ***Risk governance***

Main components of the risk governance model for KBC Group Re are:

- The Board of Directors which decides on and supervises the risk appetite and risk strategy each year.
- The 'three lines of defence' model that is further described in section B.4.
- The 'Investment Committee' that assists the Board of Directors in the domain of investments and balance sheet management.

### ***Own risk and solvency assessment***

The KBC Insurance Group and its insurance and reinsurance subsidiaries undertake on a regular basis an Own Risk and Solvency Assessment (ORSA) to monitor and ensure that business is managed in a sound and prudent way.

KBC's ORSA policy describes the general KBC approach with respect to the ORSA-process and its outcome. It defines and describes the components, principles and characteristics of the ORSA-process within the KBC Insurance Group. KBC Group Re has locally endorsed the Group ORSA Policy, completed by a local addendum specifying the local legal, regulatory and organizational features of the company.

The ORSA is an integral part of the business strategy and is taken into account on an ongoing basis in the strategic decisions of the KBC Insurance Group. The KBC Insurance Group has decided to undertake the ORSA assessments at the level of the KBC Insurance Group and at the level of the individual material subsidiaries pertaining to the Insurance Group.

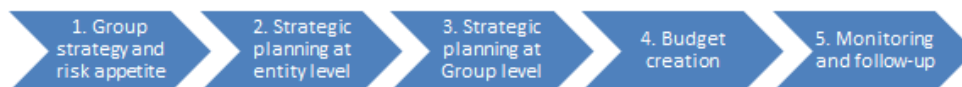
The main processes underlying the regular ORSA are executed on an annual basis and are closely linked to the Strategic Planning Process (Alignment of Planning Cycles or APC) which also follows an annual cycle. The APC streamlines the processes of financial planning, strategy review, risk appetite setting and internal solvency and capital adequacy assessment. Taking into account the fact that KBC's insurance business is sufficiently mature, this annual periodicity is deemed adequate.

On a quarterly basis, insurance integrated risk reporting reports on risk signals, the evolution of the risk profile and results of deep dives, stress & scenario testing. Local reports are distributed to the managing director and discussed during the meetings of the Board of Directors. At Group Level, the reports are discussed up to the level of the Executive Committee and the Board of Directors of KBC Group, and allow them to steer stress & scenario testing, request (ad-hoc) mid- and long-term risk assessments and review the internal model and underpinning ambition and approach.

The annual ORSA process assesses the situation and the data per 31 December and is submitted to the Supervisory authority before 30 June of the following year. KBC does not differentiate between the internal and the supervisory ORSA report. Each ORSA report is complemented with an ORSA record which contains all documents that have been used in the different steps of the ORSA.

The process for setting risk appetite is strongly intertwined with and part of the strategic planning process (or APC process), which streamlines the processes of financial planning, strategy review and internal solvency and capital adequacy assessment. APC thus constitutes the process for setting and cascading risk appetite.

The figure below shows the 5 phases of the APC process:



Based on the outcome of the above processes and assessments a conclusion is included in the ORSA report that will indicate to what extent the available capital is sufficient to cover the capital requirements. It links this conclusion to the:

- Evolution of amount and composition of available regulatory capital over a 3-year horizon and under different economic circumstances.
- Evolution of required regulatory capital over the 3-year planning horizon, taking into account expected changes to the risk profile of the entity/group.
- Impact of scenario analyses and sensitivities on required and available regulatory capital.

KBC Group Re relies on the Solvency II standard formula to assess its overall solvency needs. On an annual basis an assessment is performed to check whether the standard formula is appropriate in relation to the risk profile of the company.

## B.4. Internal control system

### *Three lines of defence concept*

In order to promote clear accountability for risk taking, oversight and independent assurance, a “Three lines of defence” concept is implemented at the KBC Group level. All the relevant internal stakeholders (and their roles & responsibilities) related to risk management are positioned within this model. The three lines of defence are defined as follows:

- Business line management, as the first line of defence, is responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which it is accountable. Business line management is also responsible for determining its risk appetite.
- The second line of defence (of which the Risk Function is part) includes all independent Support & Oversight Functions. The Risk function:
  - o Is responsible for identifying, measuring, monitoring and reporting risk on a group-wide basis, independently from the first line of defence.
  - o Sets the standards via the KBC Risk Management Framework and supports the business in its implementation.
  - o Challenges the business on their risk identification, measurement and response.
  - o Creates oversight over the Group’s control environment and risk exposure.
- The third line of defence is provided by internal and external audit, assuring an independent review and challenge of the Group’s risk management processes.





This “Three lines of defence” model ultimately reinforces the resilience of KBC's risk and control environment and safeguards the sustainability of the business model.

### **Compliance function**

The compliance function is part of the 2nd line of defence.

The compliance charter details the scope, responsibilities and governance of the compliance function. The Compliance Officer ensures that the charter is approved by the Board of Directors when acting as Audit Risk and Compliance Committee. The Compliance Charter was updated and approved in March 2018.

### **Function holders**

For KBC Group Re, the compliance function is locally grouped with the Risk Management function due to the size of the entity and the nature of its risks. The Local CRO is the key function holder for both functions.

## **B.5 Internal audit function**

The internal audit function of KBC Group Re is exercised by KBC Group Corporate Audit. The responsibilities of Internal Audit are to:

- Provide independent assurance to the Board of Directors and management on the effectiveness and efficiency of the processes of risk management, internal control and corporate governance that are in place.
- Support the Board of Directors and management in taking up their responsibilities in these processes.
- Report any serious issues or risks which it becomes aware of and to undertake any required investigations into high-risk situations.

- Make clear and actionable recommendations which address weaknesses noted during its work and to follow up on the implementation status of these recommendations.
- Carry out any assignment or projects entrusted to it by the Board of Directors or management.

To safeguard its independence and objectivity:

- Internal Audit reports and is accountable to the Board of Directors (acting as Audit Risk and Compliance Committee).
- The internal audit activity remains free from interference by any part of the organisation, including matters of audit selection, procedures, frequency, timing or report content.
- The appointment and dismissal of the head of Internal Audit belongs to the authority of the Audit Committee of KBC Group.
- Internal auditors are, during the exercise of their professional duties, authorised to have direct communication with any member of staff, as well as to access all premises and any records, files or data that are relevant to the performance of an assignment, subject to compliance with local regulations. All members of staff are requested to assist Internal Audit in fulfilling its roles and responsibilities.
- Internal Audit has the authority to perform assignments at its own initiative, subject to proper reporting to the Board of Directors.
- Internal Audit has the authority to inform directly, and at its own initiative, the Chairman of the Board of Directors, the Managing Director, the Statutory Auditors or the local Supervisory Authorities.
- Internal auditors must always be objective and impartial and seek to avoid any conflict of interest.
- Internal auditors are not directly involved in the operational organisation of an entity, nor in deciding, developing, introducing or implementing risk management and internal control measures.
- Internally recruited auditors respect a “cooling-off” period.
- Whenever practicable and without jeopardising competence and expertise, internal audit staff will periodically rotate within the internal audit function to boost independence.

Internal Audit periodically examines and evaluates the most risky areas of its scope and an audit plan is approved at least once a year by the Board of Directors when acting as Audit Risk and Compliance Committee.

The approach followed in performing the audit assignments is described in all resulting audit reports so that their readers can consider the findings against the approach followed. A risk-based approach is used as the primary auditing method. The level of assurance, which may be gained from Internal Audit’s work, is relative to the nature and extent of work carried out. It is therefore essential that the auditor involved, when giving a reasoned opinion, documents the nature and the extent of the work undertaken.

The implementation of the audit recommendations is the responsibility of line management that will communicate the status of this follow-up regularly to Internal Audit, for monitoring purposes.

The independence and objectivity of Internal Audit is assured by the Internal Audit Charter approved by the Board of Directors. The Charter also describes the functioning and organization of the Internal Audit function.

## B.6 Actuarial function

The Actuarial function is one of the key control functions that are defined in the Solvency II regulatory framework. Basically, the task of this function is to ensure that the company's Board of Directors is fully informed in an independent manner. It does this, for example, by:

- Advising on the calculation of the technical provisions (a.o. appropriateness of methodologies, appropriateness and quality of data used, experience analysis)
- Expressing an opinion on the overall underwriting policy
- Expressing an opinion on the adequacy of reinsurance arrangements
- Contributing to the effective implementation of the Risk Management system
- Reporting and giving recommendations.

Within the KBC Insurance Group, the Actuarial Function is implemented as follows:

- The Actuarial Function operates under the ultimate accountability of the Board of Directors.
- An 'Actuarial Function Holder' is appointed for every local entity and also on KBC Insurance Group level. The Actuarial Function Holder is to be registered on the pay-roll of the entity he/she is representing. Her/his duties cannot be outsourced to a party external to the entity.
- The Actuarial Function Holder coordinates the activities of the Actuarial Function. In general, 'a function' is the administrative capacity to undertake particular governance tasks and is – as such - not limited to one specific person or one organizational unit but can be assigned to several persons or departments subject to an adequate segregation of duties.
- The Actuarial Function has as basic task to ensure the independent 'second pair of eyes', needed for the Actuarial Function Holder to fulfil all of the assigned obligations. The Actuarial Function gives input to the Actuarial Function Holder a.o. in forming opinions, proposing recommendations and assisting in writing the Actuarial Function Report.

## B.7 Outsourcing

### *Outsourcing principles*

KBC Group Re outsources some of its activities.

In order to manage the risks relating to outsourcing, KBC Group Re has drafted an Outsourcing policy. This policy is applicable on intragroup and external outsourcing, and ensures that the company remains fully responsible of the outsourced activities and that the risks relating to these activities are well managed. The policy sets out:

- the definition of outsourcing as applied within KBC Group
- the restrictions, roles and responsibilities relating to outsourcing
- a high level process description, including the monitoring requirements
- principles and necessary clauses for the outsourcing agreements

### *Intragroup outsourcing*

As already stated in the previous sections, part of the control activities are exercised on group level with a view to centralization, independence, consistency and synergy. This includes parts of the Solvency II requirements: Solvency capital requirements calculation, elements of the Best

Estimate of technical provisions (e.g. Risk Margin), automated compilation of part of pillar 3 quantitative reports ...

The Internal audit function is fully outsourced to KBC Group.

Asset management is outsourced to KBC Asset Management NV.

### *External outsourcing*

KBC Group Re outsources parts of its ICT to a certified Luxembourg 'Professionnel du Secteur Financier'.

## **B.8 Any other information**

No other information to report.



## C. Risk profile

KBC Group Re is exposed to a number of typical industry-specific risks such as movements in interest rates and exchange rates, insurance underwriting risks, credit risks, operational risks, etc. In this section, we focus on the most material sector-specific risks we face.

The Risk Appetite Statement of KBC Group Re reflects the view of the Board of Directors and management on risk taking in general and in particular on the acceptable level and composition of risks in coherence with the desired return. This statement includes a specification of the risk profile and the risk appetite for each risk type into Low risk, Medium risk and High risk. This leads to a risk appetite and risk profile as depicted in Figure 1.

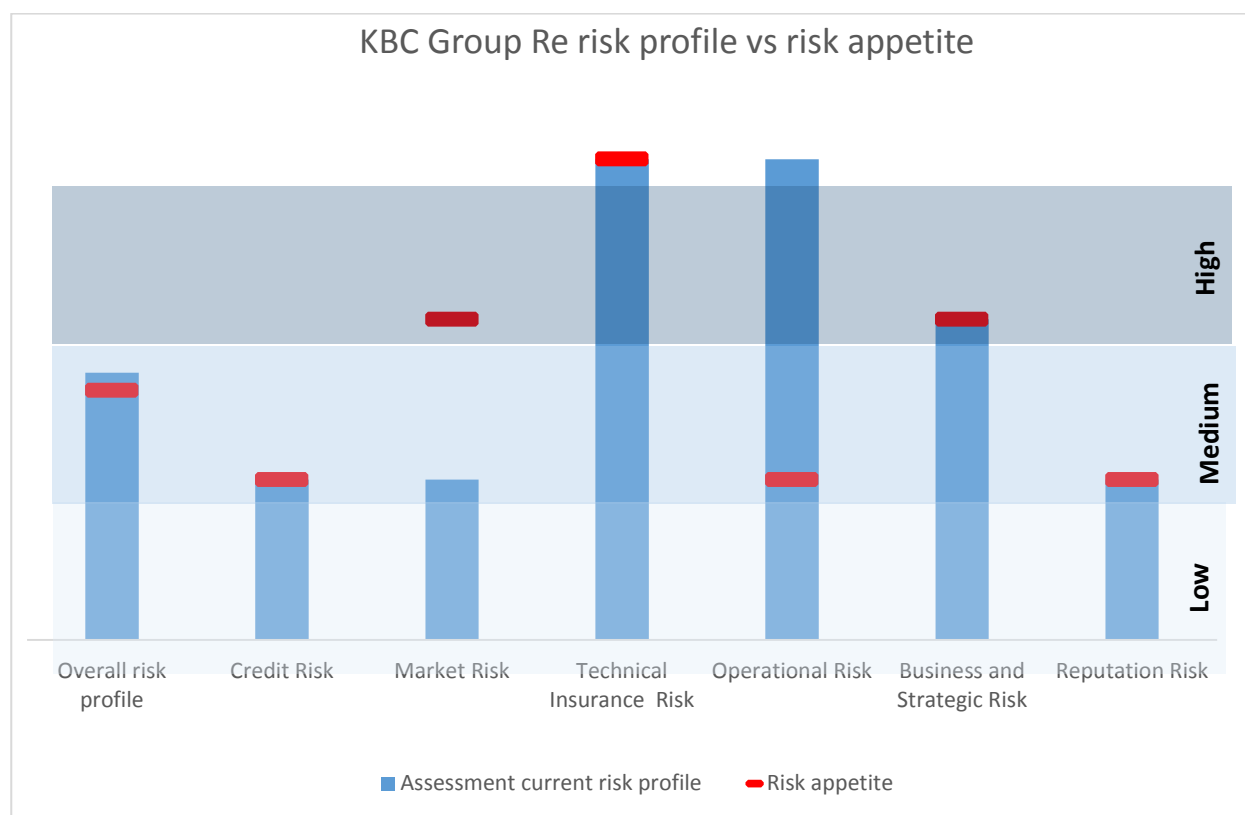


Figure 1 2018 Risk profile and Risk appetite of KBC Group Re

The next paragraphs describe the assessment of the risk profile per risk type. To come to an overall appreciation of the risk profile, the management has aggregated the risk profile per risk type and concluded that KBC Group Re has a medium overall risk profile.

Figure 2 shows the amount of capital requirement based on the standard model as prescribed by the Solvency II regime which is in place since 01/01/2016. The required capital stood at 53,56 million EUR at year-end 2017, compared to an amount of available capital of 326,3 million EUR: the solvency ratio consequently amounts to 609%

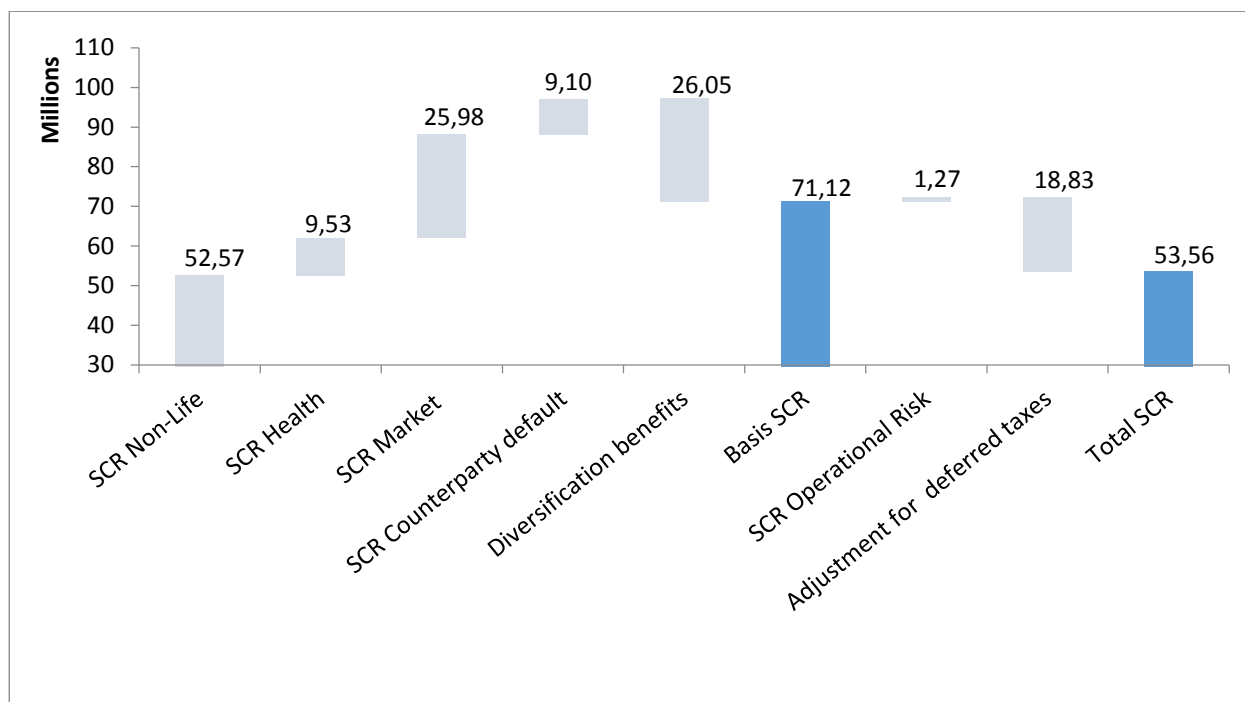


Figure 2 KBC Group Re Solvency II capital requirement as at 31/12/2017

## C.1 Underwriting risk

‘Underwriting risks’ or ‘Technical Insurance risks’ stem from uncertainty regarding the frequency of insured losses and how extensive they will be. As KBC Group Re is not active in life reinsurance, underwriting risk manifests itself in the non-life portfolio only (including health).

Underwriting risks can be divided into the following main types:

- Premium and reserve risks, which result from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements
- Catastrophe risks, which result from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events

All these risks are kept under control through appropriate underwriting, claims reserving and reinsurance policies, and through independent insurance risk management.

As described in section A.1, KBC Group Re is the reinsurance subsidiary of KBC Group, specializing in protecting the group's bank and insurance entities. In line with this role of internal reinsurer, some volatility in earnings is allowed as risks are not diversified over a large number of clients or products as for traditional (re)insurance companies. This explains why the risk profile of underwriting risk is predominant in Figure 1 and Figure 2.

Adequate procedures are in place to allow maintaining a sound quality of underwriting with good overall profitability over a complete underwriting cycle and within the prescribed retention limits, ensuring adherence to the group and local risk appetite. KBC Group Re on top of that holds a large solvency buffer to ensure its solidity.

As seen in Figure 2, SCR for underwriting all together represents 62,1 million EUR accounting for 64% of the undiversified basic Solvency II pillar 1 capital requirement. Table 4 highlights a predominance of ‘catastrophe’ risks in line with the company’s role within the KBC Group.

<i>mln EUR</i>	31/12/2016	31/12/2017	Change
SCR Non-Life	57,6	52,6	-8,7%
<i>Premium and reserve risk</i>	23,2	20,9	-9,9%
<i>Catastrophe</i>	47,2	43,3	-8,3%
<i>Diversification benefit</i>	-12,8	-11,6	-9,4%
SCR Health	12,0	9,5	-20,8%
<i>Premium and reserve risk</i>	0,8	1,0	28,4%
<i>Catastrophe</i>	11,8	9,2	-21,9%
<i>Diversification benefit</i>	-0,6	-0,7	25,1%
<b>Total SCR Insurance Risks before diversification</b>	<b>69,6</b>	<b>62,1</b>	<b>-10,8%</b>

Table 4 SCR Underwriting Risk of KBC Group Re (31/12/2017)

Overall the total capital charge for insurance risks decreased with 10,8% in 2017. This is due to:

- A decrease of SCR Non-Life (-8,7%) due to a diminution of the premium and reserves volumes
- A decrease of SCR Health (-20,8%) due to updated reinsurance coverage as from 01/01/2018.

## C.2 Market risk

Market risk is the risk of potential losses resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The various types of market risk which are discussed in this section are:

- Interest rate risk
- Spread risk
- Equity risk
- Currency risk
- Concentration risk

KBC Group Re is not exposed to 'Property risk'.

As seen in Figure 2, SCR for market risk represents 26 million EUR accounting for 27% of the undiversified basic Solvency II pillar 1 capital requirement. Table 5 shows the predominance of interest rate risks. Interest and spread risks reduced in 2017 because of the distribution of a large dividend for the year 2016, and the decision to build an equity portfolio. This decision explains the significant increase of equity risk.

<i>mln EUR</i>	31/12/2016	31/12/2017	Change
Interest rate risk	19,4	15,2	-21,8%
Equity risk	0,0	9,7	2557616,6%
Spread risk	13,4	11,6	-13,7%
Currency risk	0,6	0,5	-15,5%
Concentration risk	6,0	6,0	0,3%
<b>Total SCR market risk before diversification</b>	<b>39,5</b>	<b>43,0</b>	<b>9,1%</b>
Diversification benefits	14,9	17,1	14,7%
<b>Total SCR after diversification and adjustments</b>	<b>24,6</b>	<b>26,0</b>	<b>5,7%</b>

Table 5 SCR Market Risk of KBC Group Re (31/12/2017)

### Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities and financial instruments will change due to fluctuations in interest rates.

The main technique used to measure and monitor interest rate risk is the 10 BPV (basis point value) method, which measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire curve. Other techniques such as duration approach and stress testing are also used.

The required capital for interest risk is determined by calculating the impact on the available capital due to changes in the yield curve, and is the maximum loss resulting from (i) an upward shock or (ii) a downward shock according to the prescribed methodology. Due to its high capital buffer and to the low duration of its liabilities, it is the 'upward' shock that applies for KBC Group Re.

### Spread risk

Spread risk is the risk that the value of assets, liabilities and financial instruments will change due to changes in the level or in the volatility of credit spreads over the risk-free interest rates.

This risk is managed via a strategic asset allocation that ensures a well-diversified high-quality investment grade portfolio. Where relevant, credit ratings provided by the external rating agencies are used to select assets and set and monitor limits. A predominant part of the portfolio relates to sovereign exposures as shown in Table 6.

	31/12/2016		31/12/2017	
<i>mln EUR</i>	amount	in %	amount	in %
Equity (excl. Participations)	0,0	0,0%	23,8	4,7%
Cash	15,0	2,5%	1,6	0,3%
<i>of which term deposits</i>	0,0	0,0%	0,0	0,0%
<i>of which cash at bank</i>	15,0	2,5%	1,6	0,3%
Government Bonds	371,3	61,6%	320,9	62,8%
Corporate Bonds	216,2	35,9%	164,3	32,2%
<b>Total</b>	<b>602,6</b>	<b>100,0%</b>	<b>510,6</b>	<b>100,0%</b>

Table 6 Asset Mix KBC Group Re



As shown in Table 7, a limited part of the corporate bonds portfolio is not externally rated. In addition these relate to high quality issuers.

<b>CORPORATE BONDS - RATING DISTRIBUTION</b>				
<i>Rating</i>	<b>31/12/2016</b>		<b>31/12/2017</b>	
<i>Market value - mln EUR</i>	<i>amount</i>	<i>in %</i>	<i>amount</i>	<i>in %</i>
AAA	18,9	8,8%	14,1	8,6%
AA	51,3	23,7%	42,0	25,5%
A	98,2	45,4%	80,8	49,1%
BBB	31,0	14,3%	22,2	13,5%
BB	2,1	1,0%	2,1	1,3%
B		0,0%		0,0%
CCC-C		0,0%		0,0%
Non rated	14,7	6,8%	3,3	2,0%
<b>Total</b>	<b>216,2</b>	<b>100%</b>	<b>164,3</b>	<b>100%</b>

Table 7 Rating distribution of the Corporate bonds portfolio

Table 8 highlights that the country distribution of the sovereign bonds portfolio remained relatively stable.

<b>SOVEREIGN BOND - COUNTRY DISTRIBUTION</b>				
<i>Geographic distribution</i>	<b>31/12/2016</b>		<b>31/12/2017</b>	
<i>Market value - mln EUR</i>	<i>amount</i>	<i>in %</i>	<i>amount</i>	<i>in %</i>
<i>Luxemburg</i>	35,8	9,6%	37,6	11,7%
<i>Spain</i>	36,0	9,7%	32,3	10,1%
<i>Poland</i>	29,9	8,1%	29,6	9,2%
<i>Italy</i>	39,7	10,7%	28,5	8,9%
<i>Belgium</i>	23,5	6,3%	22,8	7,1%
<i>Ireland</i>	22,5	6,0%	21,7	6,8%
<i>Latvia</i>	19,9	5,4%	19,7	6,1%
<i>France</i>	23,2	6,2%	17,2	5,3%
<i>Lithuania</i>	14,6	3,9%	14,3	4,4%
<i>Slovenia</i>	6,0	1,6%	11,3	3,5%
<i>Netherlands</i>	11,4	3,1%	10,9	3,4%
<i>Other Euro-zone</i>	11,7	3,1%	1,2	0,4%
<i>Other European countries</i>	6,9	1,9%	11,9	3,7%
US	0,0	0,0%	0,0	0,0%
Rest of the world	27,2	7,3%	11,1	3,5%
<b>Total</b>	<b>371,3</b>	<b>100%</b>	<b>320,9</b>	<b>100%</b>

Table 8 Country distribution of the Sovereign bonds portfolio

Within the standard formula of the Solvency II regime, required capital for spread risk is equal to the sum of capital requirement for bonds, structured products and credit derivatives. Of those only the capital requirement for bonds is relevant for KBC Group Re in the absence of structured

products or derivatives in the portfolio. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

### Equity risk

Equity risk is the risk that the value of assets, liabilities and financial instruments will change due to changes in the level or in the volatility of market prices of equities.

The ALM strategies for the insurance business are based on a risk-return evaluation, account taken of the market risk attached to open equity positions.

Table 9 shows the geographic distribution of the equity portfolio.

Geographic distribution <i>mln EUR</i>	31/12/2016		31/12/2017	
	amount	in %	amount	in %
Europe	0,0	100,0%	23,8	100,0%
<i>Belgium</i>	0,0	100,0%	1,2	4,9%
<i>Germany</i>	0,0	0,0%	7,9	33,3%
<i>Spain</i>	0,0	0,0%	2,8	11,8%
<i>France</i>	0,0	0,0%	8,3	35,1%
<i>Italy</i>	0,0	0,0%	1,2	5,0%
<i>Netherlands</i>	0,0	0,0%	2,4	9,9%
US	0,0	0,0%	0,0	0,0%
Rest of the world	0,0	0,0%	0,0	0,0%
<b>Total</b>	<b>0,0</b>		<b>23,8</b>	

Table 9 Geographic distribution of the equity portfolio

### Currency risk

Currency risk is the risk that the value of assets, liabilities and financial instruments will change due to changes in the level or in the volatility of currency exchange rates.

Currency risk is currently not hedged as materiality is low. A risk budget is determined and followed up.

### Concentration risk

Concentration risk is the risk of an accumulation of exposures with the same counterparty.

To mitigate concentration risk, limits per (non-sovereign) issuer are foreseen in the investment strategy.

## C.3 Credit risk

Credit risk or counterparty default risk reflects in the Solvency II standard formula possible losses due to unexpected default or deterioration in the credit standing of the counterparties and debtors. Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk, and vice versa.

For KBC Group Re, this affects the following types of exposures or assets:

- Reinsurance
- Cash and deposits
- Deposits with ceding undertakings
- Receivables

In the Solvency II standard formula a distinction is made between two types of exposures:

- Type 1: Exposures that are low diversified but usually have a rating
- Type 2: Exposures that are generally diversified with unrated counterparties

The total requirement for counterparty risk is an aggregation of the capital requirement for type 1 exposure and the capital requirement for type 2 exposure by taking a 75% correlation.

As seen in Figure 2, SCR for counterparty default risk represents 9,1 million EUR accounting for 9% of the undiversified basic Solvency II pillar 1 capital requirement. Further details can be found in Table 10. Type 2 risk increased significantly due to an increase of deposits with ceding companies.

<i>mIn EUR</i>	31/12/2016	31/12/2017	Change
Type 1	1,8	1,3	-29,5%
Type 2	3,2	8,1	153,3%
Diversification benefits	-0,3	-0,3	-7,2%
<b>SCR Counterparty risk</b>	<b>4,7</b>	<b>9,1</b>	<b>93,5%</b>

**Table 10 SCR Counterparty Risk (31/12/2017)**

To mitigate the risk in respect of reinsurance, minimum target Financial Strength Ratings are required when entering into a reinsurance contract. More stringent requirements apply for long-tail business (like liability).

On top of that, from a KBC Group perspective, entities are limited in taking credit concentration risk in their portfolios by the Portfolio Limit System (PLS). Limits are monitored per asset class, where ceded reinsurance is one class (note that this system also mitigates credit risk in respect of investments). This particular type of credit risk is measured by means of a nominal approach (the maximum loss under reinsurance contracts) and expected loss, among other techniques. Name concentration limits apply, using internal or external ratings.

## C.4 Liquidity risk

Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. Liquidity risk is not quantified in the Solvency Capital Requirement under the Solvency II regime.

Currently, the liquidity risk is managed through monitoring of the Investment Policy. This policy ensures that the investment portfolio consists mainly of highly liquid positions. Recourse to 'repo' transactions is also allowed up to 25 million EUR. Liquidity risk is on top of that mitigated by the possibility figuring in retrocession contracts to request cash claim from reinsurers once contractually determined thresholds have been exceeded.

Table 11 illustrates that 66% of the total assets is considered as having a high liquidity value.

mIn EUR	31/12/2016	31/12/2017
Cash & Bank Deposits	15,0	1,6
Sovereign	371,3	320,9
Covered bonds	25,0	14,1
<b>Total liquid assets</b>	<b>411,3</b>	<b>336,6</b>
<b>Total invested assets</b>	<b>602,6</b>	<b>510,6</b>
<b>Liquid assets as a % of total assets</b>	<b>68%</b>	<b>66%</b>

Table 11 Liquidity of the assets of KBC Group Re

Table 12 shows the maturity profile of assets and liabilities. Assets are in all cases much larger than liabilities, which demonstrates that the company is not exposed to cash shortfall risk even in case of severe deterioration of the liabilities. This is due to the highly comfortable capital situation of KBC Group Re (large amount of surplus in comparison to liabilities).

mIn EUR	2 018	2 019	2 020	2 021	2 022	2 023	2 024	2 025	2 026	2 027	> 2028
Assets	116,3	92,3	48,7	55,3	35,8	39,9	54,0	29,8	12,9	8,8	22,9
Liabilities	-10,0	13,3	20,4	4,7	2,9	2,0	1,4	1,2	0,7	0,5	5,8
<b>GAP</b>	<b>126,2</b>	<b>79,0</b>	<b>28,3</b>	<b>50,6</b>	<b>32,9</b>	<b>37,9</b>	<b>52,5</b>	<b>28,6</b>	<b>12,3</b>	<b>8,3</b>	<b>17,1</b>

Table 12 Assets and liabilities gap (31/12/2017)

## C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error or sudden external events, whether man-made or natural. Operational risks include non-financial risks such as information and compliance risks, but exclude business, strategic and reputational risks.

As seen in Figure 2, the SCR operational risk represents 1,3 million EUR accounting for 1,3% of the undiversified basic Solvency II pillar 1 capital requirement.

A single, global framework for managing operational risk applies across the entire KBC Group, defined by the Group risk function. In accordance with this framework, operational risk is measured via inter alia:

- Evaluation of the status of internal control for each processes
- Evaluation of the individual risk profile for each specific risk within each process
- Evaluation of the control effectiveness for the controls mitigating those specific risks
- Estimation of the potential impact of the effective operational loss events

Operational risk is mitigated by:

- Controls (group-wide and locally defined)
- Risk transfer via insurance

## C.6 Other material risks

### *Business & strategic risk*

Business risk is the risk arising from changes in external factors (the macroeconomic environment, regulations, client behaviour, competitive landscape, socio-demographic environment, etc.) that impact the demand for and/or profitability of products and services.

Strategic risk is the risk due to not taking a strategic decision, to taking a strategic decision that does not have the intended effect or to not adequately implementing strategic decisions.

Business and strategic risks are assessed as part of the strategic planning process via a risk scan that identifies the top financial and non-financial risks. Besides the risk scan, business and strategic risks are continually monitored by means of risk signals being reported to management.

### *Reputational risk*

Reputational risk is the risk arising from the negative perception on the part of clients, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a financial institution's ability to maintain existing, or establish new business relationships and to have continued access to sources of funding.

Reputational risk is mostly a secondary or derivative risk since it is usually connected to and will materialise together with another risk. KBC Group refined the Reputational Risk Management Framework in 2016, in line with the KBC Risk Management Framework. The pro-active and re-active management of reputational risk is the responsibility of the business. Under the pillar 2 approach to capital, the impact of reputational risk on the current business is covered in the first place by the capital charge for primary risks.

## C.7 Any other information

### *Sensitivity analyses and stress testing*

Risk sensitivity and stress testing exercises are set up to uncover risks that otherwise stay unidentified and also allow observing how risk measurements would evolve under stressed conditions. These sensitivity exercises are performed on a regular basis.

Stress testing is an important risk management tool that adds value both to strategic processes and to day-to-day risk management (risk identification, risk appetite and limit setting, etc.). As such, stress testing is an integral part of the risk management framework, and an important building block of ORSA (the Own Risk and Solvency Assessment).

Stress tests can be initiated by the regulators (EIOPA, group regulator or local regulator), or be performed internally (within the insurance group or locally).

## D. Valuation for solvency purposes

This chapter contains information regarding the valuation of the balance sheet items. A detailed situation as per end 2017 is shown in Table 13. A more detailed composition of the Solvency II values can be found in the QRT S.02.01.02 regarding the "Balance Sheet".

For each material class of assets or liabilities:

- The bases, methods and main assumptions used for valuation for solvency purposes are described
- A quantitative and qualitative explanation of any material difference between the valuation for solvency purposes and the valuation in the financial statements is given.

31/12/2017 (X 1.000 EUR)	LuxGaap Value	Solvency II Value	Delta
Intangible assets	41	0	-41
Investments	479 541	508 997	29 456
<i>Equities</i>	23 663	23 761	97
<i>Bonds</i>	455 878	485 236	29 358
Deposits to cedants	33 097	33 097	0
Technical provisions - part of reinsurance	7 593	1 312	-6 281
Receivables	7 010	7 010	0
Cash	1 645	1 645	0
Tangible assets	155	155	0
Other assets	13 932	13 932	0
<b>TOTAL ASSETS</b>	<b>543 014</b>	<b>566 149</b>	<b>23 134</b>
Technical provisions	409 699	63 354	-346 345
<i>TP representing liabilities</i>	65 259	42 315	-22 945
<i>Risk Margin</i>		21 039	21 039
<i>Equalization Provision</i>	344 440	0	-344 440
Other provisions	49 571	49 571	0
Deposits from reinsurers	0	0	0
Payables	1 893	1 893	0
Deferred taxes	0	96 102	96 102
Other liabilities	0	0	0
<b>TOTAL LIABILITIES</b>	<b>461 164</b>	<b>210 920</b>	<b>-250 244</b>
<b>Excess of Assets over liabilities</b>	<b>81 851</b>	<b>355 229</b>	<b>273 378</b>

Table 13 Valuation of assets and liabilities in the financial statements and within Solvency II



## D.1 Assets

### D.1.1 FAIR VALUE MEASUREMENT

In line with the Delegated regulation, valuation of financial assets for solvency purposes is based on 'fair value'. The following three hierarchical levels are used to determine the fair value:

#### **Level 1: Fair value based on quoted prices in active markets**

The fair value hierarchy gives the highest priority to 'level 1 inputs'. This means that, when there is an active market, quoted prices have to be used to measure the financial assets or liabilities at fair value. Level 1 inputs are prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. They represent actual and regularly occurring market transactions on an arm's length basis. No valuation technique (model) is in this case involved.

#### **Level 2: Fair value based on observable market data**

Observable inputs are also referred to as 'level 2 inputs' and reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Observable inputs reflect an active market. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs include discounted cash flow analysis, reference to the current or recent fair value of a similar instrument, or third-party pricing, provided that the third-party price is in line with alternative observable market data.

#### **Level 3: Fair value not based on observable market data**

Unobservable inputs are also referred to as 'level 3 inputs' and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability including assumptions regarding the risks involved. Unobservable inputs reflect a market that is not active. For example, proxies and correlation factors can be considered to be unobservable in the market.

### D.1.2 MAIN ASSETS CATEGORY

#### *Intangible assets*

Intangible assets cannot be sold separately and are not recognized in the Solvency II framework: valuation for solvency purposes is set to nil.

In the LuxGaap financial statements, those assets (mostly software licenses) are valued at acquisition costs, and depreciated on a straight-line basis over their estimated useful lives.

#### *Investments*

Investments of KBC Group Re are mostly composed of bonds (95.33%).

Valuation for solvency purposes is based on 'fair value' as defined in section D.1.1.

In the LuxGaap financial statements:

- investments in bonds are measured at amortised cost, minus impairments when it is expected that the impairment in value is permanent
- investments in equities are measured using the 'lower of cost or market' method

### *Technical provisions – part of reinsurance*

See section D.2.

### *Deposits to cedants*

Deposits to cedants are valued at their nominal value, both in LuxGaap and for solvency purposes. Value adjustments are made when the realisable value is uncertain.

### *Receivables*

Receivables are valued at their nominal value, both in LuxGaap and for solvency purposes. Value adjustments are made when the realisable value is uncertain.

### *Cash*

Cash is valued at fair value, both in LuxGaap and in Solvency II.

## **D.2 Technical provisions**

KBC Group Re is exclusively active in non-life reinsurance (this includes health which is underwritten according to non-life principles). Technical Provisions of pure non-life and health policies are measured in a common process with identical methods and main assumptions. As such, both can be considered as a single business activity.

### **D.2.1 TECHNICAL PROVISIONS – VALUATION FOR SOLVENCY PURPOSES**

In general, the technical provisions on the Solvency II economical balance sheet have to be calculated as the sum of a Best Estimate and a risk margin:

- The **Best Estimate** corresponds to the probability-weighted average of future cash flows, taking into account the time value of money, using the relevant risk-free interest rate term structure.
- The **risk margin** is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the (re)insurance obligations over their lifetime. The cost of capital is defined by the regulator and is set at 6%.

When calculating the Best Estimate, a projection of the estimated future cash flows is consequently made. Those cash flows are subsequently discounted using the risk free interest rate term structure, prescribed by the regulator.

The calculation of the Best Estimate requires the contracts to be split up in homogeneous risk groups. These are groups with similar characteristics and dynamics, for which the same assumptions are then used when projecting the cash flows in the future. The company therefore makes a distinction between 'short-tail' and 'long-tail' lines of business.

Solvency II requires calculations to be performed separately for 'premium provisions' and 'provisions for claims outstanding'. Both types of provisions are calculated according to different (standard) actuarial techniques.

Part of the reinsurers in both types of provisions is determined as the difference between the gross and the net of reinsurance provisions, less an adjustment for expected (mean) reinsurers' default.

### **Premium provision**

The premium provision relates to claim events occurring after the valuation date and during the remaining in-force period (coverage period) of existing policies held by the undertaking.

The calculation of the gross Best Estimate of the premium provisions relates to:

- All expected future premiums for existing policies
- All future claim payments for existing policies, arising from future events past the valuation date.
- All expenses related to the above: allocated or unallocated claims expenses, ongoing administration of these policies, future acquisition costs, overhead expenses, ...

The premium provision is calculated on the assumption that the portfolio of policies in the risk group is stable enough, such that claims experience from the past can be used to make predictions of claims that will occur in the future. Also the assumptions regarding the timing of future cash flows are based upon past claims experience.

### **Provisions for claims outstanding**

The provisions for claims outstanding relate to claim events that have already occurred but are not settled yet, regardless of whether the claims arising from these events have been reported or not.

Different techniques are used, depending on the claim size: attritional claims are valued using actuarial techniques while large claims are valued on an individual claim level. An estimate is also made for those claims that have already occurred but have not yet been reported at valuation date. The Best Estimate for claims outstanding also includes provisions for claim handling costs, both internal and external.

### **Impact of volatility adjustment**

KBC Group Re applies the volatility adjustment for discounting cash flows to determine the Best Estimate. Table 14 shows the moderate impact of this volatility adjustment.

<b>31/12/2017</b> <b>(X 1.000 EUR)</b>	<b>Amount with</b> <b>Volatility</b> <b>adjustment</b>	<b>Impact of</b> <b>volatility</b> <b>adjustment set</b> <b>to zero</b>
Technical provisions	62 042	62
Basic own funds	326 259	-46
Eligible own funds to meet Solvency Capital Requirement	326 259	-46
Solvency Capital Requirement	53 560	0
Eligible own funds to meet Minimum Capital Requirement	326 259	-46
Minimum Capital Requirement	13 390	0

**Table 14 Impact of the volatility adjustment (31/12/2017)**

### ***Level of uncertainty***

In line with the Solvency II requirements, the uncertainty on the Technical Provisions is assessed. Within the KBC Group this is done via a 'Measurement risk assessment' process.

Due to its role of internal reinsurer of KBC Group, gross results of KBC Group Re are very volatile and single large claims dominate the technical provisions. For KBC Group Re, the 'Measurement risk assessment' consequently reveals that uncertainty around the final amount of Technical provisions is high. The Best Estimate calculation process is to an important extent based on expert judgement for the large claims and a large amount of uncertainty cannot be avoided.

KBC Group Re compensates this phenomenon with a sound capital and reinsurance policy.

### ***D.2.2 TECHNICAL PROVISIONS – LUXGAAP VALUATION***

In LuxGaap a distinction is made between the following types of provisions:

- Provision for unearned premiums
- Provision for claims outstanding
- Equalization provision

Those provisions are not discounted.

#### ***Provision for unearned premiums***

The provision for unearned premiums comprises the amount representing the part of premiums written which is to be allocated to subsequent financial years. It is computed separately for each contract.

This applies to gross premiums and premiums ceded to reinsurers.

#### ***Provision for claims outstanding***

The provision for claims is established on the basis of reports and individual estimates received from the ceding companies, where necessary supplemented with other information available. The amount of provision ceded to reinsurers is then calculated based on contractual agreements.

For 'claims incurred but not reported' at balance sheet date, an IBNR (Incurred But not Reported) provision is set aside. This IBNR provision is calculated using actuarial techniques.

A provision for the internal costs of settling claims is calculated at a percentage that is based on past experience.

#### ***Equalization provision***

In accordance with the rules applicable for reinsurance companies in Luxembourg, an equalization provision must be established by KBC Group Re. Based on the grand ducal regulation relating to the supervision of reinsurance companies, the annual allocation to this provision equals the sum of the technical results and a share of the financial result until the provision reaches a ceiling. This ceiling is determined by applying to the net reinsurance premiums a multiple based on actuarial methods and approved by the local supervisor (multiples depend on the risk bucket).

In the event of a loss in a subsequent accounting period, a share of the equalization provision must be reintegrated into the result of the year in order to compensate for the loss.

This provision is not recognized under the Solvency II regime and set to nil. This complies with the fair value valuation principle.

### **D.3 Other liabilities**

Other liabilities mainly relate to tax provisions and deferred taxes:

- Current tax provisions: the estimated amount of taxes payable until valuation date serves as valuation amount both for solvency purposes and in the LuxGaap financial statements.
- Deferred taxes result from the netting of deferred tax liabilities over deferred tax assets. Those deferred taxes are not recognized in the LuxGaap statements and arise from:
  - o Carry forwards of unused tax losses (deferred tax asset)
  - o Temporary differences between the SII value of assets and liabilities and their value as recognized for tax purposes

Net deferred tax liability amounts as per 31/12/2017 to 96,1 million EUR, mainly due to a difference in the valuation of technical provisions (non-recognition of the equalization provision in Solvency II).

### **D.4 Alternative methods for valuation**

Not applicable for KBC Group Re.

### **D.5 Any other information**

Other material information about valuation does not apply.

## E. Capital Management

The solvency of KBC Group Re is calculated on the basis of the Solvency II regime.

The minimum solvency ratio required by the regulator amounts to 100% of the Solvency Capital Requirement (SCR). Within KBC Group, the capital management process aims at reaching an optimal balance between regulatory requirements, rating agencies views, market expectations and management ambitions. It is a key management process relating to all decisions on the level and composition of the capital, both at group level and locally.

An important process in this context is the Alignment of Planning Cycles (APC). As explained in Chapter B, this yearly process aims to create an integrated three-year plan in which the strategy, finance, treasury and risk perspectives are collectively taken into account. In this process, the risk appetite of the group is set and cascaded by setting risk limits at entity level. The APC is not only about planning: it is also about closely monitoring the execution of the plan in all its aspects.

Next to APC, an Own Risk and Solvency Assessment (ORSA) is conducted on a regular basis, in accordance with Solvency II requirements. The aim of the ORSA is to monitor and ensure that business is managed in a sound and prudent way and that the company is adequately capitalised in view of its risk profile and the quality of its risk management and control environment. The ORSA process draws to a large extent on the same 'core processes' and includes APC, risk appetite setting and ongoing business, risk and capital management processes.

### E.1 Own funds

Solvency II regulations require the (re)insurance companies to classify own-fund items in accordance with quality criteria into three tiers. Classification depends upon whether they are basic own fund or ancillary own-fund items, and the extent to which they possess the following characteristics:

- the item is available, or can be called up on demand, to fully absorb losses on a going-concern basis, as well as in the case of winding-up (permanent availability)
- in the case of winding-up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policy holders and beneficiaries of insurance and reinsurance contracts, have been met (subordination).

**Tier 1** capital consists of basic own funds that present both the permanent availability and subordination characteristics

**Tier 2** capital consists of ancillary own funds and of basic own funds that present only the subordination characteristics

**Tier 3** capital consists of any basic or ancillary own funds that are not classified as tier 1 and tier 2.

Table 15 details the capital position of KBC Group Re, which is exclusively composed of Tier 1 items.



(X 1.000 EUR)	31/12/2016	31/12/2017
<b>Own funds - Tier 1</b>	335 616	326 259
LuxGaap shareholders equity	129 637	81 851
Dividend payout (-)	-80 955	-28 970
Deduction intangible fixed assets	-71	-41
Valuation difference investments	38 297	29 456
Valuation difference technical liabilities	355 265	340 065
<i>of which equalization provision</i>	<i>356 203</i>	<i>344 440</i>
Deferred taxes	-106 557	-96 102

**Table 15 Capital position of KBC Group Re**

An extensive explanation of the reconciliation from the LuxGaap equity to the Solvency II eligible own funds is presented in Chapter D.

By the end of 2017, Tier 1 Own funds amounted to 326,3 million EUR, eligible to cover both the Minimum Capital Requirement and Solvency Capital Requirement. The small decrease (-2,8%) compared to year-end 2016 is due to a reduction of the equalization provision in the LuxGaap financial statements leading to a commensured dividend pay-out.

More information about the “Own funds” can be found in the QRT S.23.01.22.

## E.2 Solvency Capital Requirement & Minimum Capital Requirement

The Solvency Capital Requirement and Minimum Capital requirement are calculated based on the standard model. No (partial or full) internal model is used. KBC Group Re does not use simplifications or undertaking specific parameters when applying the standard formula.

A detailed split of the Solvency Capital Requirement by risk modules can be found in Figure 2 in Chapter C, where individual risk profiles are also extensively discussed.

KBC Group Re met the solvency requirements. As can be seen in Table 16, the solvency ratio stood at 609% at 31/12/2017.

(X 1.000 EUR)	31/12/2016	31/12/2017
<b>Own funds - Tier 1</b>	335 616	326 259
Solvency capital requirement (SCR)	54 199	53 560
Ratio of Eligible own funds to SCR	619%	609%
Minimum capital requirement (MCR)	13 550	13 390
Ratio of Eligible own funds to MCR	2477%	2437%

**Table 16 Solvency ratios of KBC Group Re (31/12/2017)**

More information can be found in the Quantitative Reporting Template (QRT) S.25.01.22.

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

Not applicable for KBC Group Re.

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

Not applicable for KBC Group Re.

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

KBC Group Re is compliant with the Minimal Capital Requirement as well as with the Solvency Capital Requirement.

### **E.6 Any other information**

No other information to report.

# ANNEXES

## S.02.01.02 – Balance sheet (x 1.000 EUR)

	Solvency II value			Solvency II value	
	C0010			C0010	
Assets	R0010		Liabilities	R0510	63354
Goodwill	R0020		Technical provisions – non-life	R0520	58447
Deferred acquisition costs	R0030	0	Technical provisions – non-life (excluding health)	R0530	
Intangible assets	R0040		Technical provisions calculated as a whole	R0540	40462
Deferred tax assets	R0050		Best Estimate	R0550	17985
Pension benefit surplus	R0060	155	Risk margin	R0560	4907
Property, plant & equipment held for own use	R0070	508997	Technical provisions - health (similar to non-life)	R0570	
Investments (other than assets held for index-linked and unit-linked contracts)	R0080		Technical provisions calculated as a whole	R0580	1853
Property (other than for own use)	R0090		Best Estimate	R0590	3054
Holdings in related undertakings, including participations	R0100	23761	Risk margin	R0600	0
Equities	R0110	23760	Technical provisions - life (excluding index-linked and unit-linked)	R0610	0
Equities - listed	R0120	1	Technical provisions - health (similar to life)	R0620	
Equities - unlisted	R0130	485236	Technical provisions calculated as a whole	R0630	
Bonds	R0140	320893	Best Estimate	R0640	
Government Bonds	R0150	164343	Risk margin	R0650	0
Corporate Bonds	R0160		Technical provisions – life (excluding health and index-linked and unit-linked)	R0660	
Structured notes	R0170		Technical provisions calculated as a whole	R0670	
Collateralised securities	R0180		Best Estimate	R0680	
Collective Investments Undertakings	R0190		Risk margin	R0690	0
Derivatives	R0200		Technical provisions – index-linked and unit-linked	R0700	
Deposits other than cash equivalents	R0210		Technical provisions calculated as a whole	R0710	
Other investments	R0220		Best Estimate	R0720	
Assets held for index-linked and unit-linked contracts	R0230		Risk margin	R0730	
Loans and mortgages	R0240		Other technical provisions	R0740	
Loans on policies	R0250		Contingent liabilities	R0750	49571
Loans and mortgages to individuals	R0260		Provisions other than technical provisions	R0760	
Other loans and mortgages	R0270	1312	Pension benefit obligations	R0770	0
Reinsurance recoverables from:	R0280	1312	Deposits from reinsurers	R0780	96102
Non-life and health similar to non-life	R0290	1312	Deferred tax liabilities	R0790	
Non-life excluding health	R0300		Derivatives	R0800	
Health similar to non-life	R0310		Debts owed to credit institutions	R0810	
Life and health similar to life, excluding health and index-linked and unit-linked	R0320		Financial liabilities other than debts owed to credit institutions	R0820	
Health similar to life	R0330		Insurance & intermediaries payables	R0830	1152
Life excluding health and index-linked and unit-linked	R0340		Reinsurance payables	R0840	741
Life index-linked and unit-linked	R0350	33097	Payables (trade, not insurance)	R0850	
Deposits to cedants	R0360	6677	Subordinated liabilities	R0860	
Insurance and intermediaries receivables	R0370	333	Subordinated liabilities not in Basic Own Funds	R0870	
Reinsurance receivables	R0380		Subordinated liabilities in Basic Own Funds	R0880	
Receivables (trade, not insurance)	R0390		Any other liabilities, not elsewhere shown	R0900	210920
Own shares (held directly)	R0400		Total liabilities	R1000	355229
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0410	1645	Excess of assets over liabilities		
Cash and cash equivalents	R0420	13932			
Any other assets, not elsewhere shown	R0500	566149			
Total assets					

## S.05.01.02 – Premiums, claims and expenses by line of business (non-life insurance and reinsurance obligations) (x 1.000 EUR)

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of Business for: accepted non-proportional reinsurance				
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Total
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0200
<b>Premiums written</b>																
Gross - Direct Business																
R0110																
Gross - Proportional reinsurance accepted																
R0120		33	0	0		192	3664	7561	9		21	4134				15614
Gross - Non-proportional reinsurance accepted																
R0130													166	5148	149	11781
Reinsurers' share		0	0	0		0	1127	1851	0		0	970	0	2511	0	5627
Net		33	0	0		192	2536	5711	9		21	3164	166	2637	149	20772
<b>Premiums earned</b>																
Gross - Direct Business																
R0210																
Gross - Proportional reinsurance accepted																
R0220		33	0	0		192	3417	7561	9		21	4134				15568
Gross - Non-proportional reinsurance accepted																
R0230													166	5148	149	11781
Reinsurers' share		0	0	0		0	1127	1851	0		0	970	0	2511	0	5627
Net		33	0	0		192	2290	5711	9		21	3164	166	2637	149	20226
<b>Claims incurred</b>																
Gross - Direct Business																
R0310																
Gross - Proportional reinsurance accepted																
R0320		-69	24	-1		146	146	-5233	-95		40	-430				-5473
Gross - Non-proportional reinsurance accepted																
R0330													371	1316	76	1471
Reinsurers' share		1		190		2	-30	-3871	7		18	77	-1	1144	-3	177
Net		-70	24	-191		143	176	-1361	-102		22	-507	372	171	78	1293
<b>Change in other technical provisions</b>																
Gross - Direct Business																
R0410																
Gross - Proportional reinsurance accepted																
R0420		0	0	0		0	0	0	0		0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted																
R0430																
Reinsurers' share		0	0	0		0	0	0	0		0	0	0	0	0	0
Net		0	0	0		0	0	0	0		0	0	0	0	0	0
<b>Expenses incurred</b>																
R0500																
Net		2	0	0		74	729	937	26		4	382	29	616	9	3989
<b>Other expenses</b>																
R1200																0
<b>Total expenses</b>																3989

## S.05.02.01 – Premiums, claims and expenses by country (non-life obligations) (x1.000 EUR)

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010						C0070
R0010			BE	BG	CZ	HU	GB	
		C0080						C0140
<b>Premiums written</b>								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120		13083	35	773	140	669	14700
Gross - Non-proportional reinsurance accepted	R0130		10327	1831	3376	1046		16580
Reinsurers' share	R0140		7807	998	2137	717		11658
Net	R0200		15603	868	2013	470	669	19622
<b>Premiums earned</b>								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220		13083	35	773	140	669	14700
Gross - Non-proportional reinsurance accepted	R0230		10327	1831	3376	1046		16580
Reinsurers' share	R0240		7807	998	2137	717		11658
Net	R0300		15603	868	2013	470	669	19622
<b>Claims incurred</b>								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	-201	-5704	0	217	-9	53	-5645
Gross - Non-proportional reinsurance accepted	R0330	-12	1348	-105	1618	333		3182
Reinsurers' share	R0340	79	-2829	122	326	16	1	-2285
Net	R0400	-293	-1527	-227	1509	308	52	-178
<b>Changes in other technical provisions</b>								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420		0	0				
Gross - Non-proportional reinsurance accepted	R0430		0	0				
Reinsurers' share	R0440							
Net	R0500		0	0				
Expenses incurred	R0550		2253	258	710	176	122	3519
Other expenses	R1200							
Total expenses	R1300							3519

S.17.01.02 Non-Life Technical Provisions (x1.000 EUR)

	Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance						Total Non-Life obligation
	Medical expense insurance C0020	Income protection insurance C0030	Workers' compensation insurance C0040	Motor vehicle liability insurance C0050	Other motor insurance C0060	Marine, aviation and transport insurance C0070	Fire and other damage to property insurance C0080	General liability insurance C0090	Credit and suretyship insurance C0100	Legal expenses insurance C0110	Assistance C0120	Miscellaneous financial loss C0130	Non-proportion at health reinsurance C0140	Non-proportion at casualty reinsurance C0150	Non-proportion at marine, aviation and property reinsurance C0160		
R0010																	
R0050																	
R0060																	
R0140																	
R0150	0	-11	0	0	0	-56	-759	-2534	0	-8	-1410	-59	-1783	-51	-3626	-10296	
R0160	0	-11	0	0	0	-56	-553	-1839	0	0	-1007	-59	-375	-51	-1244	-5203	
R0240		1	523			97	887	12520	-438	0	1944	1399	82393	138	17245	52611	
R0250	0	1	523	0		97	884	9778	-218	0	1677	1399	16682	138	1611	2001	
R0260	0	-10	-523	0	0	41	128	9986	-438	0	-8	534	1340	6510	87	15619	
R0270	0	-10	-523	0	0	41	331	7939	-218	0	-8	670	1340	6507	87	14000	
R0280	0	1076	37	0	0	462	8793	2132	1	0	1	605	1941	2460	437	3041	
R0290																	
R0300																	
R0310																	
R0320	0	1066	560	0	0	503	8922	12118	-437	0	-6	1139	3281	88971	524	16713	
R0330	0	0	0	0	0	0	-203	2047	-220	0	0	-136	0	203	0	-381	
R0340	0	1066	560	0	0	503	9124	10070	-217	0	-6	1275	3281	88767	524	17093	

**Technical provisions calculated as a whole**  
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default - associated to 'TP' calculated as a whole  
**Technical provisions calculated as a sum of BE and RM**  
Premium provisions  
Gross  
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default  
Net Best Estimate of Premium Provisions  
**Claims provisions**  
Gross  
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default  
Net Best Estimate of Claims Provisions  
**Total Best estimate - gross**  
**Total Best estimate - net**  
**Risk margin**  
**Amount of the transitional on Technical Provisions**  
Technical Provisions calculated as a whole  
Risk margin  
**Technical provisions - total**  
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total  
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total



## S.22.01.22 – Impact of long term guarantees and transitional measures (X1.000 EUR)

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	<b>R0010</b>	62042	0	0	62	0
Basic own funds	<b>R0020</b>	326259	0	0	-46	0
Eligible own funds to meet Solvency Capital Requirement	<b>R0050</b>	326259	0	0	-46	0
Solvency Capital Requirement	<b>R0090</b>	53560	0	0	0	0
Eligible own funds to meet Minimum Capital Requirement	<b>R0100</b>	326259	0	0	-46	0
Minimum Capital Requirement	<b>R0110</b>	13390	0	0	0	0

## S.23.01.22 – Own funds (X1.000 EUR)

### Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

Ordinary share capital (gross of own shares)  
 Share premium account related to ordinary share capital  
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings  
 Subordinated mutual member accounts  
 Surplus funds  
 Preference shares  
 Share premium account related to preference shares  
 Reconciliation reserve  
 Subordinated liabilities  
 An amount equal to the value of net deferred tax assets  
 Other own fund items approved by the supervisory authority as basic own funds not specified above

### 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

### Deductions

Deductions for participations in financial and credit institutions

### Total basic own funds after deductions

### Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand  
 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand  
 Unpaid and uncalled preference shares callable on demand  
 A legally binding commitment to subscribe and pay for subordinated liabilities on demand  
 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC  
 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC  
 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
 Other ancillary own funds

### Total ancillary own funds

### Available and eligible own funds

Total available own funds to meet the SCR  
 Total available own funds to meet the MCR  
 Total eligible own funds to meet the SCR  
 Total eligible own funds to meet the MCR

### SCR

### MCR

### Ratio of Eligible own funds to SCR

### Ratio of Eligible own funds to MCR

### Reconciliation reserve

Excess of assets over liabilities  
 Own shares (held directly and indirectly)  
 Foreseeable dividends, distributions and charges  
 Other basic own fund items  
 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced

### Reconciliation reserve

### Expected profits

Expected profits included in future premiums (EPIFP) - Life business  
 Expected profits included in future premiums (EPIFP) - Non- life business

### Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
R0010	41693	41693		
R0030				
R0040				
R0050				
R0070				
R0090				
R0110				
R0130	284566	284566		
R0140				
R0160				
R0180				
R0220				
R0230				
R0290	326259	326259	0	0
R0300				
R0310				
R0320				
R0330				
R0340				
R0350				
R0360				
R0370				
R0390	0			

Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
R0400			0	0
R0500	326259	326259	0	0
R0510	326259	326259	0	0
R0540	326259	326259	0	0
R0550	326259	326259	0	0
R0580	53560			
R0600	13390			
R0620	609%			
R0640	2437%			

C0060	
355229	
0	
28970	
41693	
284566	
5203	
5203	

## S.25.01.22 – Solvency capital requirement (for groups on Standard Formula) (X1.000 EUR)

Market risk  
Counterparty default risk  
Life underwriting risk  
Health underwriting risk  
Non-life underwriting risk  
Diversification  
Intangible asset risk  
**Basic Solvency Capital Requirement**

### Calculation of Solvency Capital Requirement

Operational risk  
Loss-absorbing capacity of technical provisions  
Loss-absorbing capacity of deferred taxes  
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC  
**Solvency capital requirement excluding capital add-on**  
Capital add-on already set  
**Solvency capital requirement**

### Other information on SCR

Capital requirement for duration-based equity risk sub-module  
Total amount of Notional Solvency Capital Requirement for remaining part  
Total amount of Notional Solvency Capital Requirements for ring fenced funds  
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios  
Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010	25 977,01		
R0020	9 096,60		
R0030	0,00	None	
R0040	9 530,38	None	
R0050	52 567,17	None	
R0060	-26 052,08		
R0070	0,00		
R0100	71 119,09		

	C0100
R0130	1 269,45
R0140	0,00
R0150	-18 828,26
R0160	0,00
R0200	53 560,28
R0210	0,00
R0220	53 560,28
R0400	
R0410	
R0420	
R0430	
R0440	

**S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (X1.000 EUR)**

### Linear formula component for non-life insurance and reinsurance obligations

MCRNL Result	<b>C0010</b>			
	<b>R0010</b>	9741		
			Net (of reinsurance/SPV ) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			<b>C0020</b>	<b>C0030</b>
Medical expense insurance and proportional reinsurance	<b>R0020</b>	0	0	
Income protection insurance and proportional reinsurance	<b>R0030</b>	0	33	
Workers' compensation insurance and proportional reinsurance	<b>R0040</b>	523	0	
Motor vehicle liability insurance and proportional reinsurance	<b>R0050</b>	0	0	
Other motor insurance and proportional reinsurance	<b>R0060</b>	0	0	
Marine, aviation and transport insurance and proportional reinsurance	<b>R0070</b>	41	192	
Fire and other damage to property insurance and proportional reinsurance	<b>R0080</b>	331	2536	
General liability insurance and proportional reinsurance	<b>R0090</b>	7938	5711	
Credit and suretyship insurance and proportional reinsurance	<b>R0100</b>	0	9	
Legal expenses insurance and proportional reinsurance	<b>R0110</b>	0	0	
Assistance and proportional reinsurance	<b>R0120</b>	0	21	
Miscellaneous financial loss insurance and proportional reinsurance	<b>R0130</b>	670	3164	
Non-proportional health reinsurance	<b>R0140</b>	1340	166	
Non-proportional casualty reinsurance	<b>R0150</b>	16307	2637	
Non-proportional marine, aviation and transport reinsurance	<b>R0160</b>	88	149	
Non-proportional property reinsurance	<b>R0170</b>	14000	6154	

### Linear formula component for life insurance and reinsurance obligations

MCRL Result	<b>C0040</b>			
	<b>R0200</b>	0		
			Net (of reinsurance/SPV ) best estimate and TP calculated as a whole	Net (of reinsurance/SPV ) total capital at risk
			<b>C0050</b>	<b>C0060</b>
Obligations with profit participation - guaranteed benefits	<b>R0210</b>			
Obligations with profit participation - future discretionary benefits	<b>R0220</b>			
Index-linked and unit-linked insurance obligations	<b>R0230</b>			
Other life (re)insurance and health (re)insurance obligations	<b>R0240</b>			
Total capital at risk for all life (re)insurance obligations	<b>R0250</b>			

### Overall MCR calculation

Linear MCR	<b>C0070</b>	
	<b>R0300</b>	9741
SCR	<b>R0310</b>	53560
MCR cap	<b>R0320</b>	24102
MCR floor	<b>R0330</b>	13390
Combined MCR	<b>R0340</b>	13390
Absolute floor of the MCR	<b>R0350</b>	1200
	<b>C0070</b>	
<b>Minimum Capital Requirement</b>	<b>R0400</b>	13390