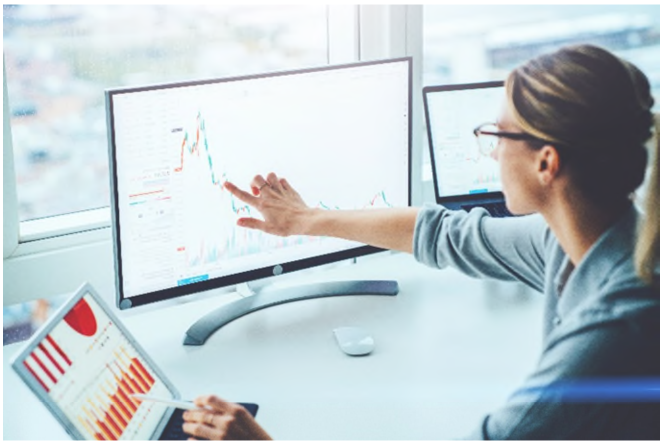

SFCR

Solvency and Financial Condition Report as of 31 December 2018

GRAWE Reinsurance Ltd.

Table of contents

List of abbreviations **4**

Summary **5**

A. BUSINESS AND RESULTS **7**

A.1 Business 7
A.2 Underwriting performance 9
A.3 Investment performance 11
A.4 Performance of other activities 13
A.5 Any other information 13

B. SYSTEM OF GOVERNANCE **14**

B.1 General information on the system of governance 14
B.2 Fit and proper requirements 20
B.3 Risk management system 23
B.4 Internal control system 29
B.5 Internal Audit function 31
B.6 Actuarial function 32
B.7 Outsourcing 32
B.8 Any other information 33

C. RISK PROFILE **34**

C.1 Underwriting risk 35
C.2 Market risk 41
C.3 Credit risk 44
C.4 Liquidity risk 46
C.5 Operational risk 47
C.6 Other fundamental risks 49
C.7 Other information 50

D. VALUATION FOR SOLVENCY PURPOSES **51**

D.1 Assets 54
D.2 Technical provisions 59
D.3 Other liabilities 67
D.4 Alternative methods of valuation 68
D.5 Other information 69

E. CAPITAL MANAGEMENT **70**

E.1 Own funds 70
E.2 SCR and MCR 73
E.3 Use of the duration-based equity-risk sub-module in the calculation of the Solvency CapitalRequirement 75
E.4 Differences between the standard formula and any internal models used 75

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement 75
E.6 Any other information 75

Annex 77

Glossary 90

Independent Auditor's Report 91

Note with regard to figures and rounding:

In general, figures are presented as per thousand EUR (kEUR) As a result of the use of automatic calculation aids, calculation differences caused by rounding may occur when adding up rounded amounts and percentages. Unless specified differently, calculations are based on data as per balance sheet date 31 December 2018

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List of abbreviations

Adj_{DT}	Adjustment term for deferred taxes
Adj_{TP}	Adjustment term for technical provisions
AG	Aktiengesellschaft (joint stock corporation)
Art.	Article
BE	Best Estimate
BSCR	Basic solvency capital requirement of Pillar 1
CCL	Cyprus Company Law
cf.	Latin: *confer*
CoC	Cost of Capital
EC	European Commission
ECB	European Central Bank
e.g.	Latin: *exempli gratia*
EIOPA	European Insurance and Occupational Pensions Authority from 01 January 2011
EPIFP	Expected Profits Included in Future Premiums
etc.	etcetera
GRAWE	Grazer Wechselseitige Versicherung Aktiengesellschaft
HR	Human Resources
HRG	Homogeneous risk group
i.e.	in other words
IAS/IFRS	International accounting standards in the respective last valid version endorsed by the EU
IBNR	incurred but not reported
ICCS	Insurance Companies Control Service
incl.	including
IS	Income statement
ISR	Interest supplement reserve
LAW	The Law on Insurance and Reinsurance Business and other Related issues of 2016 and additional Orders and Guidelines issued from the Superintendent
LoB	Line of Business
Ltd.	Limited
MCR	Minimum capital requirement
OECD	Organisation for Economic Cooperation and Development
ORSA	Own risk and solvency assessment of Pillar 2
Par.	Paragraph
PZV	Subsidised retirement investment products
SCR	Solvency capital requirement of Pillar 1
SI	Superintendent of Insurance
TÜV	Technical Inspection Association (German: Technischer Überwachungsverein)
VaR	The Value at Risk (VaR) denotes the threshold value that with the determined probability (=confidence level) is not exceeded within a defined period of time (=holding period).
VaR95	The Value at Risk that denotes the threshold value that is not exceeded within a defined period of time with a 95% probability.

Summary

GRAWE Reinsurance Ltd. (hereafter referred to as GRAWE RE) is a subsidiary of Grazer Wechselseitige Versicherung AG, an Austrian company which has grown since its initial founding by Archduke Johann of Austria in 1828 from its original form as a fire damage insurer into an international group in Central and Eastern Europe which unites insurance undertakings, real estate and financial services under one roof.

GRAWE RE was founded in 1999 and focuses mainly on proportional life and non-life reinsurance of the subsidiaries of Grazer Wechselseitige Versicherung AG.

A Business and Results

In the reporting year in the two business segments non-life reinsurance and life reinsurance, GRAWE RE generated in total written premiums of kEUR 18,367 (2017: kEUR 17,651) with focus on fire and other damage to property reinsurance, general liability, income protection and life reinsurance. The premiums written are offset by claims incurred amounting to kEUR 6,834 (2017: kEUR 6,288). In the reporting year in the annual financial statements according to IFRS, earnings before taxes in the amount of kEUR 11,488 (2017: kEUR 9,891) were generated.

The income from investments (incl. liquid funds) in the annual financial statements according to IFRS of GRAWE RE amounted to kEUR 11,392 (2017: kEUR 11,285). The most important goal in the investment is the continuous ensuring of the ongoing ability to fulfil the obligations from the reinsurance contracts.

B System of Governance

The system of governance means the management and control system of GRAWE RE. The organisation, tasks and authorisations of the Governance functions are defined in company-internal policies. In addition, the system of governance guarantees compliance with the compensation and outsourcing regulations as well as the fit and proper requirements of the Board of Directors and of key function holders.

C Risk Profile

The risk profile of GRAWE RE remains unchanged in comparison to previous year. The main risk categories for the solvency capital requirement (SCR) according to the Solvency II standard formula are the market risk, the underwriting risk Non-Life and cumulatively the underwriting risk Life and underwriting risk Health.

Furthermore, the capital requirement of internal risk view that was determined within the ORSA process is far below the solvency capital requirement according to the standard formula.

D Valuation for Solvency Purposes

The eligible own funds are determined on the basis of the economic balance sheet as surplus of the assets over liabilities. In the economic balance sheet, the assets and liabilities are set at market values.

This results in a valuation that deviates from the annual financial statements according to IFRS that have been approved and signed by the Board of Directors on 19 April 2019.

The differences between the technical provisions according to IFRS and the Best Estimates in the economic balance sheet result from the different perspectives and calculation methods. Additionally, the deviations come from the valuation of the investments in subsidiaries and the deferred tax liability. All remaining assets and liabilities remain the same. Due to the high solvency ratio, the use of any LTG transitional measure like volatility and matching adjustments were not considered.

E Capital Management

As at 31 December 2018 the SCR amounted to kEUR 29,246 (2017: kEUR 36,886). The superb own funds with the amount of kEUR 175,114 (2017: kEUR 221,955), make it possible for GRAWE RE to be a strong and reliable partner in years to come and provides the necessary reliability to the existing and future customers.

The SCR ratio, i.e. the comparison of the eligible own funds to the solvency capital requirement based on the calculations of the standard formula is as at 31 December 2018 598.8% (2017: 601.7%). The MCR of GRAWE RE was kEUR 7,311 (2017: kEUR 9,222). The ratio of the eligible own funds to the MCR amounted to 2395.1% (2017: 2406.9%).

The requirements to cover the SCR were constantly fulfilled during the whole reporting period.

Statement of the Board of Directors

The following solvency and financial condition report of GRAWE RE was prepared in all conscience in accordance with the law and the corresponding European regulations. It provides the truest possible reflection of the solvency and financial condition and gives a description on the business, the system of governance, the risk profile and the assets, liabilities and own funds as well as the solvency balance sheet.

This report was approved for publication with the resolution by the Board of Directors dated 19 April 2019.

A. BUSINESS AND RESULTS

A.1 Business

A.1.1 Business strategy

The business strategy of GRAWE RE focuses on proportional life and non-life reinsurance of the subsidiaries of Grazer Wechselseitige Versicherung AG, which are situated in Central and Eastern European countries (CEE) and make up 90% of all reinsurance treaties. The remaining 10% are attributable to contracts with external international clients. Around 2/3 of the business comes from general business and 1/3 from life reinsurance.

Our external clients are from well-known markets and have already been several years reinsured at Grazer Wechselseitige Versicherung AG before they became clients of GRAWE RE. Therefore, these clients meet our main targets, namely security, long lasting customer relationship and knowledge of the written risk categories. Furthermore, to minimize the risk, the share on the maximum amount of cover of these contracts is very low.

As long-lasting relationships with clients and mutual trust are essential for the business of GRAWE RE, almost all reinsurance contracts are concluded directly with clients, thus almost no brokers are involved in negotiations and conclusion of contracts.

As of 31 December 2018, 62% of premiums written of GRAWE RE are attributed to non-life reinsurance and 38% to life reinsurance.

As far as investments are concerned, a high importance is attached to security and long-term success and profit, in compliance with the legal provisions. This is reflected by long-term successful and security-oriented investments, for which market bets in the capital investment area as well as not transparent and complex products are generally renounced. In addition, defined spreads and limits exist per asset category.

Based on the above mentioned business principles, the following risk-related principles can be derived for GRAWE RE:

1. Safeguarding the continuance and sustainable prosperity of the company
2. Safeguarding the financial objectives
3. Achievement of the strategic objectives
4. Compliance with the legal provisions
5. Customer oriented service

The risk management and the internal control systems of GRAWE RE are aligned with the strategy of the company and thus ensure that both the financial and the strategic objectives are achieved as well as the legal and Solvency requirements are fulfilled.

A.1.2 Ownership structure and group affiliation

GRAWE RE is a 100% subsidiary of Grazer Wechselseitige Versicherung AG. At the top of GRAWE Group and as direct majority owner of Grazer Wechselseitige Versicherung AG, with shares in the volume of 100% of its capital, there is GRAWE-Vermögensverwaltung, with its registered office in Graz, a mutual insurance association and a mixed financial holding company pursuant to the Financial Conglomerate Act.

GRAWE RE is incorporated entirely into the consolidated annual financial statements of GRAWE-Vermögensverwaltung, 8010 Graz, Herrengasse 18-20.

The following simplified GRAWE Group structure shows the integration of GRAWE RE in GRAWE Group as of 31 December 2018:

(AT) GRAWE-Vermögensverwaltung
(AT) Grazer Wechselseitige Versicherung AG

(AT) HYPO BANK BURGENLAND AG	**(Re-)insurance companies in Central and Eastern Europe**	**(AT) GRAWE Immo Holding AG**
Subgroup Banks		**Subgroup Real estate**
	(CY) GRAWE Reinsurance Ltd.	

Affiliated undertakings

As of 31 December 2018 GRAWE RE was 100% owner of:

- Medlife Insurance Ltd.
- Flutrana Enterprises Ltd.

A.1.3 Auditor

The annual financial statements of GRAWE RE are audited by the appointed auditing and tax consulting company, KPMG Ltd., as of the balance sheet reference date 31 December 2018.

Contact details:

KPMG Limited
14 Esperidon
1087 Nicosia
Cyprus
Tel: +357 22 209 000
www.kpmg.com.cy

A.1.4 Supervisory authority

The responsible supervisory authority for GRAWE RE is the Superintendent of Insurance (SI) which is also the Head of the (Re-)insurance Companies Control Service (ICCS).

Contact details:

(Re-)insurance Companies Control Service (ICCS)
P.O. Box 23364,
1682 Nicosia
Cyprus
Tel.: +357 22 602 952
http://mof.gov.cy/en/directorates-units/insurance-companies-control-service

A.2 Underwriting performance

The following tables provide an overview of the underwriting performance according to the IFRS financial statements for non-life and life reinsurance.

	Premiums written		Earned premiums	
	2018	2017	2018	2017
Gross amount	kEUR	kEUR	kEUR	kEUR
Non-life reinsurance	11,331	10,915	11,235	10,807
Life reinsurance	7,036	6,736	6,968	6,701
Total	**18,367**	**17,651**	**18,203**	**17,508**

The following table gives an overview of claims incurred and operating expenses:

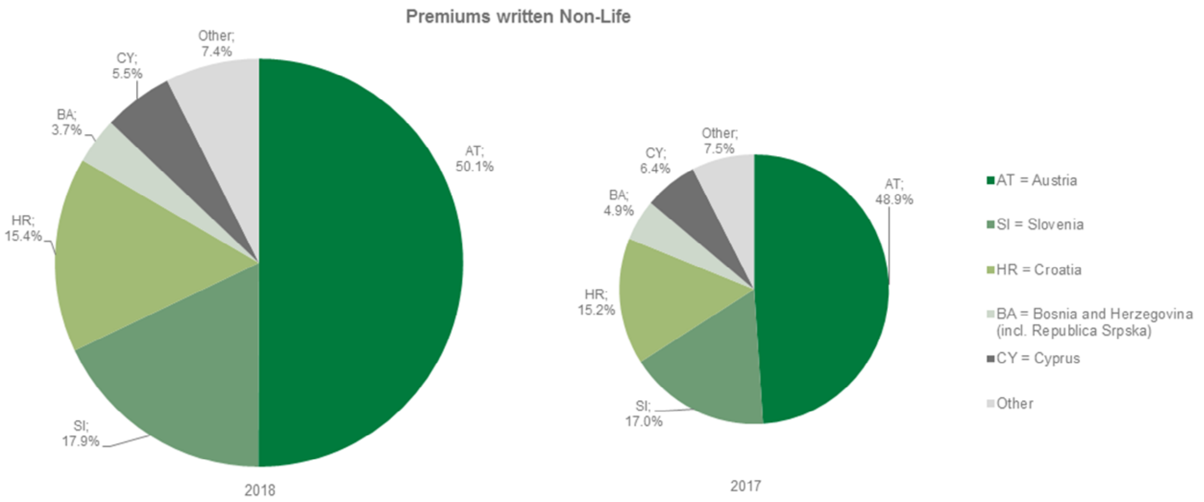
	Claims incurred		Operating expenses	
	2018	2017	2018	2017
Gross amount	kEUR	kEUR	kEUR	kEUR
Non-life reinsurance	5,111	4,965	5,177	4,899
Life reinsurance	1,723	1,323	1,251	1,486
Total	**6,834**	**6,288**	**6,428**	**6,385**

A.2.1 Non-life reinsurance

The following table shows the premiums written and the earned premiums in the non-life reinsurance in 2018 according to the material lines of business from the IFRS annual financial statements.

	Premiums written		Earned premiums	
	2018	2017	2018	2017
Gross amount	kEUR	kEUR	kEUR	kEUR
Income protection reinsurance	4,011	3,878	4,010	3,839
Fire and other damage to property reinsurance	5,518	5,268	5,431	5,217
General liability reinsurance	1,802	1,769	1,794	1,751
Total	**11,331**	**10,915**	**11,235**	**10,807**

GRAWE RE has long-lasting relationships with clients. The chart below gives a breakdown of the premiums written of the non-life reinsurance according to geographical regions, which remained stable compared to last year.



The following table gives an overview of claims incurred and operating expenses of non-life reinsurance:

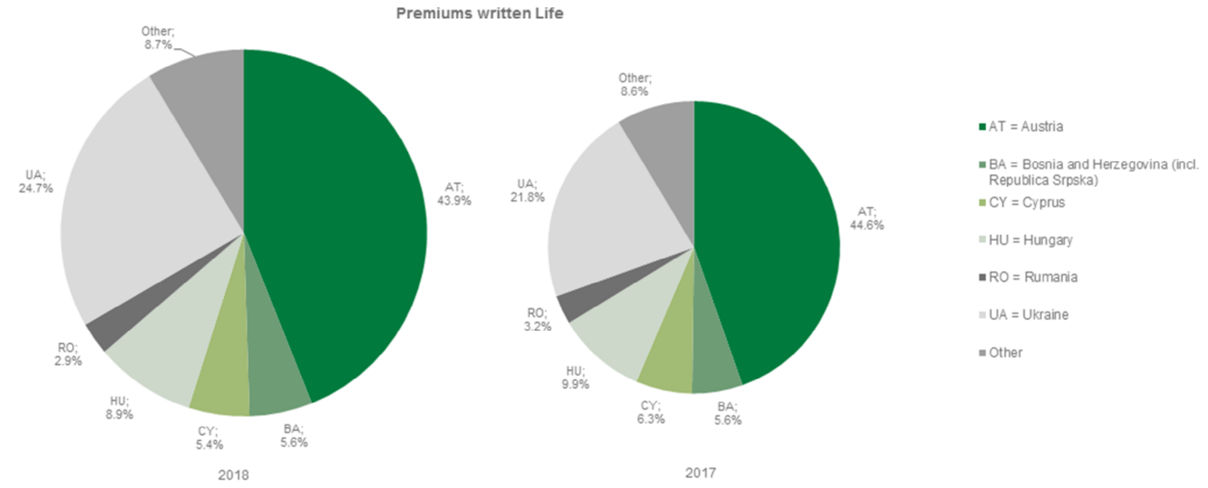
Gross amount	Claims incurred 2018 kEUR	Claims incurred 2017 kEUR	Operating expenses 2018 kEUR	Operating expenses 2017 kEUR
Income protection reinsurance	1,507	1,305	1,908	1,740
Fire and other damage to property reinsurance	2,823	2,952	2,417	2,365
General liability reinsurance	781	708	852	794
Total	**5,111**	**4,965**	**5,177**	**4,899**

A.2.2 Life reinsurance

The following table shows the gross premiums written and earned premiums of life reinsurance:

Gross amount	Premiums written 2018 kEUR	Premiums written 2017 kEUR	Earned premiums 2018 kEUR	Earned premiums 2017 kEUR
Life reinsurance	**7,036**	**6,736**	**6,968**	**6,701**

The following chart provides an overview of the composition of the premiums written in life reinsurance as of 31 December 2018, broken down according to geographical regions. It also shows that the distribution of the business is very stable.

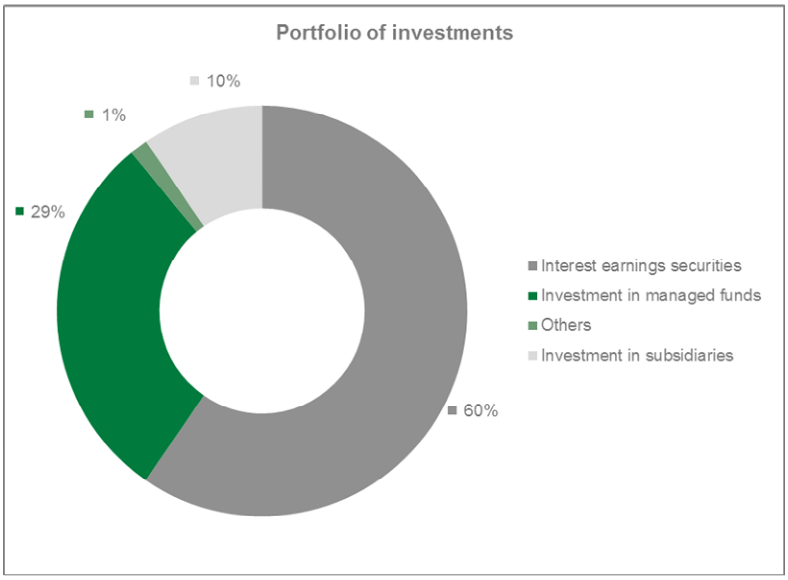


A.3 Investment performance

A.3.1 Structure of the investments

In the individual annual financial statements according to IFRS that are set in accordance to Article 2 of the Cyprus Company Law chapter 113, the investments (incl. liquid funds) in the non-life insurance amounted as of 31 December 2018 to kEUR 68,771 (2017: kEUR 97,627). In life insurance, the investments amounted to kEUR 46,417 (2017: kEUR 44,626).

The total portfolio of the investments at book values according to IFRS/CCL (incl. cash at bank and in hand) is comprised as follows as of 31 December 2018:



The investments as of the reference date 31 December 2018 do not include any investments in securitisations.

With regard to the transfer of the book values in the annual financial statements according to IFRS/CCL at the market values in the economic balance sheet, reference is made to section D.

A.3.2 Result of the investment

The net total income incorporates current income from investments, realised profits and losses as well as depreciations from the following investment groups:

	Investment Income and realised Profits		Depreciations and realised Losses		Amortisations		Net Total Income	
Result of the investments	2018 kEUR	2017 kEUR	2018 kEUR	2017 kEUR	2018 kEUR	2017 kEUR	2018 kEUR	2017 kEUR
Available for sale financial assets securities	3,680	1,990	-50	0	-21	-19	3,609	1,971
Available for sale financial assets managed funds	2,326	813	-661	0	0	0	1,665	813
Investments in other equity securities	0	162	0	0	0	0	0	162
Investments in subsidiaries	6,114	8,338	0	0	0	0	6,114	8,338
Loans and receivables including bank balances	4	1	0	0	0	0	4	1
Total result of the investments	**12,124**	**11,304**	**-711**	**0**	**-21**	**-19**	**11,392**	**11,285**

The investment income is higher from the previous year mainly due to the realised gains made after the sale of a large bundle of investments made in order to finance an extraordinary dividend payment made in December 2018 of kEUR 33,400. There was also a slight increase from the dividend income from the funds but at the same time there was a decrease of income from investment in subsidiaries coming from the lower dividend paid by Medlife to GRAWE RE during the year.

In the reporting year, the annual financial statements drawn up pursuant to the provisions of the IFRS/CCL include profits or losses that were recognised directly in equity as per the below table.

Income for the year	2018 kEUR	2017 kEUR
Profit for the year	10,911	9,847
Other comprehensive income:		
Items that may be reclassified subsequently to the Income Statement:		
Available-for-sale financial assets		
Net fair value gain/loss on available-for-sale financial assets during the year	-3,118	718
Net gain transferred to the income statement on sale of available-for sale financial assets	-4,020	0
Other comprehensive income for the year, net of tax	-7,138	718
Total comprehensive income for the year	**3,773**	**10,565**

A.4 Performance of other activities

All material income and expenses were explained in the previous sections. In addition, there are no other material income and expenses that need to be listed in the reporting year 2018.

A.5 Any other information

Any relevant information regarding business and results are incorporated in the previous sections.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

B.1.1 Appropriateness

The system of governance of GRAWE RE guarantees a solid and prudent company management and is appropriate to the nature, scope and complexity of the business. The appropriateness and effectiveness of the internal control systems and of the other components of the system of governance are regularly checked by the Internal Audit department.

B.1.2 Board of Directors and key functions

B.1.2.1 Board of Directors

The management of the company is the responsibility of the Board of Directors which consists of five Board members (2 executive Board members and 3 non-executive Board members). The company is represented jointly by two members of the Board of Directors.

The allocation of responsibilities within the Board of Directors is defined in the rules of procedures of the company in which also the company management measures are listed that require the prior approval of the shareholder.

As of 31 December 2018, the Board of Directors of GRAWE RE consisted of:

Dr. Wolfgang Felser (Chairman, non-executive Board member)
Daniela Uhlmann, MA (executive Board member)
Dr. Thomas Hlatky (executive Board member)
Petros Petrides, BSC FCA (non-executive Board member)
Christos Michael, MA FCCA (non-executive Board member)

Mr. Felser is responsible for the areas law and compliance, HR and asset management. Additionally, he is the appointed Compliance Officer and in his role as Chairman also supervising the other members of the Board of Directors.

Mrs. Uhlmann is responsible for the areas risk management, IT services, marketing, accounting, finance and project management.

The responsibilities of Mr. Hlatky are the areas of life and non-life reinsurance, claims and sales.

Mr. Petrides and Mr. Michael form the Audit Committee and are additionally responsible for supervising the Board of Directors.

Each member of the Board of Directors has to present the important issues of the areas of responsibility at the Board meetings to make them subject of joint consultation and decision-making.

On demand of a Board member, important matters of another area of responsibility shall be dealt with in the overall Board; especially the Chairman can submit questions of any area of responsibility submitted to the Board for resolution.

B.1.2.2 Key functions (Governance functions)

In addition to the Board of Directors, the four Governance functions, namely the Risk Management function, Compliance function, Internal Audit function and Actuarial function are set up at GRAWE RE as "key functions".

B.1.2.2.1 Risk Management function

The Risk Management function draws up and defines the risk strategy and determines risk limits. The Risk Management function analyses risk-relevant data, aggregates risks and highlights risk concentrations. In addition, the Risk Management function prepares a report that gives an overview of the company's overall risk situation (ORSA) and updates the existing risk management policies at least annually.

B.1.2.2.2 Compliance function

The Compliance function monitors compliance with the external and internal requirements and advises the Board of Directors in particular with regard to compliance with the regulations valid for operating the business. It assesses the compliance risk and the possible effects of changes to the legal environment to the business of GRAWE RE. It also assesses the appropriateness of the in-house measures at the company to comply with the requirements.

B.1.2.2.3 Internal Audit function

The Internal Audit function provides independent and objective auditing and advising services. For this purpose, it draws up an annual audit plan on the basis of a risk-weighted audit land map that is to be approved by the Board of Directors.

Based on a risk-based audit approach, the Internal Audit department carries out ongoing and comprehensive audits of the legality, correctness and expediency of the entire business operations and audits of the appropriateness and effectiveness of the in-house control systems and of the other components of the system of governance.

B.1.2.2.4 Actuarial function

The Actuarial function carries out coordination, control and consulting tasks. It coordinates the necessary steps to calculate the technical provisions pursuant to the Solvency II regulations and controls the calculation process. In addition, it expresses and explains any concerns with regard to the appropriateness of the technical provisions.

The Actuarial function assesses the sufficiency and the quality of the data that are taken as basis for the calculation of the technical provisions and compares the Best Estimate values with the empirical values.

It provides assistance in the implementation of the risk management system, in particular regarding own risk and solvency assessment.

B.1.3 Material changes in the system of governance

There were no material changes to the system of governance in the reporting period.

B.1.4 Compensation policy and compensation practices

B.1.4.1 Principles of the compensation policy and importance of fixed and variable compensation components

The principles of the compensation policy are aligned to the corporate strategy, the mission statement of the Group, the goals and values as well as the long-term interests and the permanent performance of GRAWE RE and include measures to avoid conflicts of interest. The compensation policy is in line with the business and risk management strategy of GRAWE RE and its risk profile.

The compensation practices are reconcilable with a solid and effective risk management, conducive to it and do not encourage the taking of risks that exceed the risk tolerance thresholds of GRAWE RE. Within the overall compensation, the ratio between fixed and variable components is appropriate, whereat on the one hand the fixed compensation is high enough that an absolute economic dependence of the employee on the receipt of the variable component is avoided, and on the other hand, a flexible policy with respect to the variable compensation components is possible without restriction and thus, also the granting of a variable compensation can be renounced completely.

The variable compensation of the employees working in the Governance functions (Risk Management, Compliance, Internal Audit and Actuarial function) – if there is any - depends, in any case, on the success of the company and is independent of direct performance of the operative units and areas for which they are responsible for.

If employees which have a significant impact on the risk profile of GRAWE RE receive a variable compensation amounting to more than 25-30% of the annual basis compensation (below that level it is not expected that a significant financial incentive which encourages the taking of excessive risks exists), a retention of an adequate percentage of the variable compensation over 3 years will be applicable.

Employees with a significant impact on the risk profile of GRAWE RE are the members of the Board respectively the Heads of the key functions.

The payment of variable compensation components, with the exception of any variable compensation components to be accrued is made entirely in the form of monetary payments.

Voluntary severance/settlement payments are granted only on an exceptional basis and if, only in accordance with the work performed during the overall period of activity.

The persons subject to this compensation policy are not allowed to follow personal hedging strategies and to make use of compensations-related and liability-related (re-)insurances, which, if applicable, undermine the risk adaption effects enshrined in the compensation regulations.

B.1.4.2 Individual and collective performance criteria

At GRAWE RE, the variable compensation components are linked to individual and collective performance criteria.

B.1.4.2.1 Employees without management or earnings responsibility

The so-called "bonus" is a variable compensation component that can be granted for extraordinary performances (e.g. successful project completion) and is paid out as lump sum amount to the employees.

B.1.4.2.2 Executives (including Board of Directors)

Executives can get a variable compensation in form of an annual bonus. The amount of the variable compensation is by contract limited and may not exceed 25-30% of the annual fixed salary. The performance-related compensation components primarily depend on the earnings and financial position of GRAWE RE and are particularly focused on strengthening the own funds situation and the sustainable safeguarding of the competitiveness.

B.1.4.3 Supplementary pension or early retirement schemes

There is currently no supplementary pension or early retirement schemes for members of the Board of Directors.

B.1.5 Material transactions

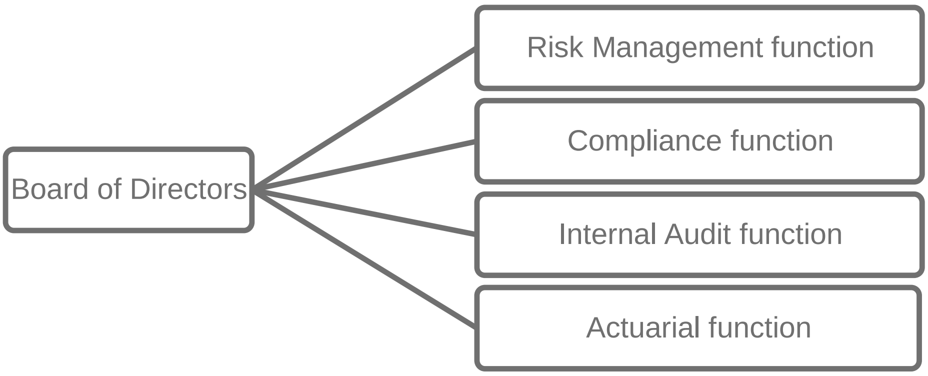
In the reporting period, there were no material transactions between GRAWE RE and its shareholders, persons who exercise a significant influence over the company, or members of the Board of Directors.

B.1.6 Governance structure

At GRAWE RE, Governance functions have been set up. Due to the limited size of the company a Governance Committee will be established in the future only if required by law or due to the size of the company.

B.1.6.1 Organisational integration

In the following, the integration of the system of governance in the business organisation of GRAWE RE is depicted in graphical form:



B.1.6.2 Authorisations, resources and operational independence

The Heads of the Governance functions have the authorisations and resources required to carry out their respective function. They are appropriate to the nature, scope and complexity of the business of GRAWE RE.

The Heads of the Internal Audit function and Actuarial function are professionally independent and report directly to the Board of Directors. Compliance and Risk management functions are carried out due to the limited size of the company from two Board members. Conflicts of interest are nevertheless not considered to be relevant as all important decisions are always taken on the level of the overall Board of Directors. For the Actuarial function and Internal Audit function personnel leasing agreements exist with Grazer Wechselseitige Versicherung AG.

All Heads of the Governance functions can only be appointed, re-appointed or dismissed by the overall Board of Directors.

B.1.6.3 Reporting and advising

B.1.6.3.1 Risk Management function

The reporting differentiates between the standard reporting at defined dates (annually or quarterly) and the ad-hoc reporting.

The standard reporting by the Risk Management function is divided into the risk assessment for the following year carried out once a year as part of the planning process of GRAWE RE (risk assessment) and the quarterly reporting of the risks occurred in the accounting year (risk reporting). The reports are made by the persons responsible for the risk (Risk Owners) to the risk management. The risk management creates risk reports that are (if material risk occurred) communicated to the Board of Directors.

In addition to the standard reporting, there is also a so-called ad-hoc reporting.

Furthermore, an ORSA report is created at least once a year by order of the Board of Directors and communicated to the Board of Directors for approval. The recipients of the report are, in addition to the Board of Directors, the Governance functions and the supervisory authority (SI).

The Risk Management function advises the Board of Directors on risk-relevant issues and proposes corresponding measures and cross-departmental measures to limit risks and their monitoring.

B.1.6.3.2 Compliance function

The reporting obligations of the Compliance function are the responsibility of the Compliance Officer as well as the compliance contact persons and incorporate the regular reporting and the ad-hoc reporting. The Compliance Officer sends a written report (Compliance annual report) to the Board of Directors once a year. In addition, the Compliance Officer reports to the Board of Directors immediately on important compliance issues (ad-hoc Compliance Report).

The reporting by the Compliance contact persons is done in the course of the risk management process. In addition, the Compliance contact persons report to the Compliance Officer on a quarterly basis on the compliance risks, compliance measures and the other compliance topics that relate to their area of responsibility. The results are incorporated into the annual report of the Compliance Officer. Important compliance topics are to be reported to the Compliance Officer immediately.

The Compliance function advises the Board of Directors in particular with regard to compliance with the regulations valid for the operation of the business and with regard to the implementation of compliance measures.

B.1.6.3.3 Internal Audit function

Promptly after completion of an audit, the internal audit function creates an audit report on the results of its audit activities. The reports are to be communicated to the overall Board of Directors. The approved audit reports will be distributed to the managers of the audited or affected divisions/departments.

Irrespective of these reports, the Internal Audit function has the obligation to inform the Board of Directors immediately, whenever the continuity, development or the viability of the company may be vulnerable or affected significantly. An immediate reporting is also mandatory, whenever a recorded interference with extensile dimensions must be corrected in time or its extension must be limited.

In the context of consultancy services, the Internal Audit function provides support for projects (in particular consulting regarding the design of internal control systems and implementation of projects) and work flows, in particular in respect of IT-support, in order to ensure compliance and to achieve the implementation of adequate controls.

B.1.6.3.4 Actuarial function

The Actuarial function draws up a written report to the Board of Directors and the supervisory authority once a year. The report documents the tasks carried out by the Actuarial function as well as the generated results and defines any defects clearly and unambiguously and contains recommendations on the elimination of such defects.

According to the LAW the tasks of the Actuarial function are as follows:

- Coordinate the calculation of technical provisions.
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions.
- Assess the sufficiency and quality of the data used in the calculation of technical provisions.
- Compare Best Estimates against experience.
- Inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions.
- Oversee the calculation of technical provisions in the cases set out in section 88.
- Express an opinion on the overall underwriting policy.
- Express an opinion on the adequacy of reinsurance arrangements.
- Contribute to the effective implementation of the risk-management system referred to in section 45, in particular with respect to the risk modelling underlying the calculation of the capital requirements set out in the Sixth Chapter, Sections 4 and 5 of this Part, and to the assessment referred to in section 46.

The Actuarial function submits information about the calculation of the technical provisions to the Board of Directors. These contain an analysis of the reliability and appropriateness of the calculation and of the uncertainty that the estimate of the technical provisions contains.

B.2 Fit and proper requirements

B.2.1 Requirements of skills, know-how and expertise

B.2.1.1 General

With regard to the qualification of members of the Board of Directors and key function holders, the knowledge acquired through theoretical training and practical experience has to be taken into account. Within the Board of Directors, the allocation of responsibilities is fundamental.

Regarding key function holders it has to be taken into account that their requirements are to be applied also to the deputies of the functions (if existent) accordingly proportional to the duration of the representation as well as the nature, extent and complexity of the business activity.

B.2.1.2 Board of Directors

B.2.1.2.1 Training and professional experience

Requirements for the professional qualification of Board members: Graduation from relevant professional degree programs/courses and/or external or internal trainings or corresponding education and further training.

At least two board members shall have adequate professional experience as a leader or expert; experience shall be assumed if a managing position for at least three years at GRAWE Group or an insurance or reinsurance undertaking of comparable size and type of business is certified. For further members, experience in other areas which are essential for running the (re-)insurance business and a leading position in corresponding companies are sufficient.

B.2.1.2.2 Know-How

Members of the Board of Directors must have know-how in the areas of (re-)insurance and financial markets, business strategy and business model, system of governance, financial analysis (accounting) and actuarial analysis as well as supervisory law and regulatory requirements.

In this context the Board must be considered in its entirety as adequately fit. Individual members with pronounced specialist know-how can compensate – particularly with regard to the allocation of responsibilities - less pronounced know-how of other members in these areas.

B.2.1.3 Key function holders

B.2.1.3.1 Training and professional experience

The holders of key functions have training specific to their field or sufficient professional experience. A specialist qualification sufficient for the respective area of responsibility in the areas relevant for insurance and reinsurance companies is usually at any rate to be assumed if a relevant degree has been completed and evidence is provided of at least three years of relevant professional experience.

If these requirements are not met, it is to be checked in individual cases whether the respective person has sufficient theoretical and practical knowledge. In this case, a different relevant training can be seen as sufficient instead of a relevant degree course.

B.2.1.3.2 Know-How

Detailed knowledge is required for the Heads of a Governance function. This includes know-how in the area of (re-)insurance and financial markets, business strategy and business model and the knowledge of the general regulatory conditions according to the respective function.

The Head of the Risk Management function, the Head of the Compliance function and the Head of Internal Audit function must have know-how in the area of the system of governance.

The Head of the Risk Management function and the Head of the Actuarial function have to have knowledge in the areas of financial analysis (accounting) and actuarial analysis (the risk management only to a limited extent). In addition, the Head of the Actuarial function has the necessary know-how of insurance mathematics and financial mathematics that is appropriate to the nature, scope and complexity of the risks associated with the business of GRAWE RE as well as relevant experience with regard to applicable professional and other standards.

B.2.2 Procedures for the fit and proper evaluation

B.2.2.1 Board of Directors

The overall Board of Directors is responsible for the fit and proper evaluation of members of the Board of Directors. The responsible Board member for HR can be entrusted with operational tasks such as the obtaining, forwarding and preparation of documents.

The aptitude assessment for new members of the Board of Directors has to be done before they are appointed, so that the overall Board of Directors can take the result of the aptitude assessment as basis for their decision. For the aptitude assessment a detailed CV, qualification certificates (highest qualification) and/or references for relevant professional experience (duration and content) and an actual criminal record certificate have to be submitted.

Before the appointment, a hearing can take place during which the members of the Board have the opportunity to also ask verbal questions to the candidate. The notification to the SI is to be made latest immediately after the new Board member has been appointed (but if possible already one month before the appointment).

B.2.2.2 Key function holders

The final decision regarding the appointment of key function holders is taken by the Board of Directors whereas the Board member responsible for HR can refer to other resources and/or departments (e.g. Internal Audit) to assess the specialist aptitude.

The documents and the results of the aptitude assessments will be documented/filed by the Board member responsible for HR.

All potential new employees undergo a multi-stage and structured application procedure, which includes besides psychometric, qualification-diagnostic potential analysis instruments also semi-structured interviews or aspects of assessment procedures.

The aptitude assessment for new key function holders is done in the course of an internal or external recruiting process. For the aptitude assessment a detailed CV, a structured HR questionnaire, qualification certificates (highest qualification) and/or references for relevant professional experience (duration and content) and an actual criminal record certificate have to be submitted.

The notification to the SI is to be made immediately after the appointment of the key function holder.

B.3 Risk management system

Risk management refers to all measures regarding the identification and management of risks that GRAWE RE is exposed to and therefore all harmonized and coordinated regulations, measures and procedures for the identification, monitoring and averting risks.

The task of the risk management is not to prevent risks, but to enter into risks in a conscious and goal-oriented manner and to systematically assess, control and monitor these undertaken risks and to prepare alternative measures in order to promptly counteract any threatening developments.

One goal of risk management is to create a company-wide risk culture, i.e. risk awareness in all decisions and actions in the business procedure.

Awareness of risks at all levels of the company is therefore necessary and involves basically all employees. A corresponding information and training is already implemented for new and existing employees within the framework of basic training of GRAWE RE.

B.3.1 Risk strategy

The following risk-related principles of GRAWE RE can be derived based on the business principles explained in section A.1.1:

1. Safeguarding the continuance and sustainable prosperity of the company
2. Safeguarding the financial objectives
3. Achievement of the strategic objectives
4. Compliance with the legal provisions
5. Customer oriented service

The sustainable equipment with own funds and its safeguarding are key factors for ensuring the continuance of the company.

The harmonization of the business strategy and the risk strategy takes place in the course of the annual planning as well as through early warning systems, scenario calculations, through the calculation of key figures and of the solvency capital requirement according to the Solvency II standard formula.

In addition, conclusions with regard to the equipment of own funds are drawn based on multi-year-planning, in the course of the company's own risk and solvency assessment (= ORSA process) and it is analysed whether the strategic targets can be achieved and/or the long-term compliance with the solvency capital requirement is ensured and, if applicable, measures have to be taken.

The risk management and the internal control systems of GRAWE RE are aligned with the strategy of the company and thus ensure that both the financial and the strategic objectives are achieved as well as the statutory solvency requirements are fulfilled.

B.3.2 Risk management process

The individual steps of the risk management process can be seen in the following chart.

The first step in the risk management process is the **risk identification**. It involves an analysis of the current situation of the risk management by scrutinising critical areas of the company as well as processes and by identifying risks in core processes and finding corresponding measures to mitigate or prevent risks.

The main focus here is predominantly on the risks with the potentially greatest financial effects.

At first the identified risks are classified into risk categories and into underlying individual risks. The categorisation simplifies the reconciliation and analysis of the risks as well as their steering.

During the initial identification of the risks of GRAWE RE, clear responsibilities for the risks were defined; whereby the assigned risk owners are responsible for the evaluation and the steering of these risks.

To assess the overall risk profile, a time horizon of one year and beyond that a 3-year risk perspective pursuant to the planning horizon of GRAWE RE is used.

In order to standardise the identification and evaluation of the risks within the individual departments of GRAWE RE, guidelines for the evaluation of potential risks and those that have already occurred will be provided besides a uniform risk list.

The second step in the risk management cycle is the **risk assessment and analysis**. As far as possible, the identified risks are quantified. Qualitative assessments are used for risks that cannot be quantified or are difficult to quantify (such as in the area of operational risks).

The assessment of the potential risks is carried out in the form of expert estimations by using risk evaluation matrices based on risk level and probability of occurrence (=risk assessment).

The selection of the risk level and the probability of occurrence results in the expected value of a risk per year. The standard risk assessment of the potential risks is implemented once a year as part of the planning process (third quarter).

In addition, in the risk analysis the materiality of the identified risks is defined and a risk ranking is carried out. In further analyses and in the determination of suitable risk steering measures, it will be especially focused on the material risks of GRAWE RE.

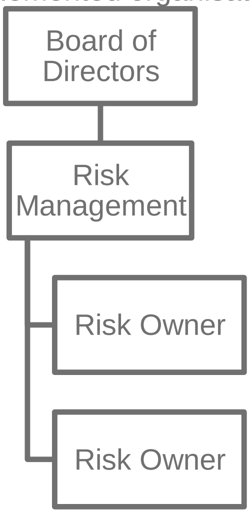
After the risk evaluation and analysis, the **risk steering** follows. During the risk steering, the risk profile, the internal overall solvency needs and the internal defined risk limits will be merged. It is to be ensured that the material risks are subsequently covered with corresponding capital resources. This is ensured by transferring risk-relevant information into corresponding measures (such as a withdrawal from certain business fields or the adaptation of products or in the investment). In doing so the principle of economic efficiency is taken into account.

As part of the **risk reporting** a standard reporting on set dates (i.e. annual, quarterly) or an ad hoc reporting can take place. Thereby, risks that have occurred and also have been reported within the risk assessment are reported within the standard reporting. In case of a significant change of the risk situation ad hoc reports are used.

Another step in the risk management process is the **risk monitoring**. The risk monitoring of the identified risks is the responsibility of the defined risk owners and is done on one hand by checking the compliance of risk limits and on the other hand by continuously monitoring the risk indicators. In addition, the effectiveness of the implemented risk-limiting measures and the development of the (re-)insurance and capital market are monitored in order to react as quickly as possible to changes.

B.3.3 Implementation of the Risk Management function

The Risk Management function is implemented organisationally as follows:



The Risk Management function is because of the fact that it is done by a Board member well integrated into the organisational structure and in the decision-making processes of GRAWE RE and is sufficiently independent in pursuing of its activity.

The Risk Management function reports directly to the overall Board of Directors and can only be appointed, re-appointed or dismissed by Board of Directors. For details on the Risk Management function, it is referred to section B.1.

The overall Board of Directors is responsible for the implementation of an appropriate risk management system.

The responsibilities in the risk management process are regulated as follows:

The evaluation, steering and monitoring of the individual risks are done by the **Risk Owners**. The identification and evaluation of the risks in connection with reserving is the responsibility of the **Actuarial function.** The latter also audits the appropriateness of the methods used.

As already stated in B.1.2.2, the risks related to compliance are identified and assessed by the **Compliance function**.

The **Internal Audit** creates a risk-oriented audit planning and assesses the effectiveness of the risk management system during its audits.

The **responsible Board member for HR** department implements the compensation policy that, among others together with the risk strategy serves the goal of guaranteeing a prudent management of the company and strengthening the effectiveness of the risk management.

The **Risk Management** is responsible for the coordination and the support of the risk owners and the merging of the results in order to determine the overall risk profile of GRAWE RE.

With regard to the main tasks and responsibilities of the Risk Management function, it is referred to section B.1.2.2.1. The authorisations, resources and operational independence are described in section B.1.6.2.

The reporting lines start on the one hand from the Risk Owners to the Risk Management and on the other hand from the Risk Management function to the overall Board of Directors. The reporting and advising by the Risk Management function are depicted in section B.1.6.3.1

B.3.4 Risk management for users of Internal Models

For the calculation of the solvency capital requirement according to Solvency II (Pillar 1), GRAWE RE only uses the standard formula.

B.3.5 Own risk and solvency assessment

The main goal of the own risk and solvency assessment (in brief ORSA) is the depiction of the real risk and solvency situation of the company according to the solvency requirements (Solvency II), whereby both the strategic, financial and technical goals of the business strategy and the risk limits of the risk strategy are taken into account.

Therefore, any material risk of GRAWE RE is taken into account, no matter if they can be quantified or not.

The ORSA links the risk management system with the company control and forms a linkage between the areas capital requirement, supervision and internal control as well as disclosure. This is done in compliance with the business strategy, taking into account the risk and capital management strategy. In the process, a forward-looking, future-oriented perspective is also taken into account in order to be able to include potential future risks in the overall risk analysis.

In the course of the review of the risk-bearing capacity, the internal solvency ratio is determined by comparing the overall solvency needs (= internal solvency capital requirement) and available own funds.

The ORSA is a fundamental control instrument for the Board of Directors and a central source of information for the other key functions of GRAWE RE as well as for the SI.

The ORSA process is configured taking into account the nature, scope and complexity of the risks of GRAWE RE.

In addition, there is a comparison between the results of the calculation of the solvency capital requirements according to Solvency II (SCR of Pillar 1) and the results of the calculation from the company-internal view as well as an assessment of a continuous compliance of the SCR and MCR and an assessment whether the requirements of the calculations of technical provisions are satisfying.

B.3.5.1 Description of the ORSA process

The ORSA process of GRAWE RE starts with the definition of the risk strategy. This must be done in accordance with the business strategy. In addition, the risk limits and the risk appetite are defined and already available limits are reviewed.

Within the calculation of the risk-bearing capacity, the overall solvency need is compared with the available own funds according to Pillar 1. The own funds are classified according to their quality into the so-called tier categories 1 to 3, whereby GRAWE RE only has own funds of the highest quality (therefore Tier 1). This results into an internal solvency ratio for a year.

The future perspective matters fundamentally in the ORSA process. The results of the 1-year and 3-year perspective are summarised in the ORSA report. However, the results influence the business and risk strategy and can, if applicable, result in an adjustment of the business and risk strategy.

Another part of the ORSA report considers the review of the appropriateness of the SCR calculations and/or SCR assumptions. This is also done in the course of the ORSA process by comparing results of Pillar 1 and Pillar 2. In addition, the compliance with regulations regarding technical provisions is checked in the course of the ORSA process and explained in the ORSA report.

The underlying assumptions for the ORSA risk evaluations and risk calculations as well as the results and findings from the ORSA process and from the SCR calculation are summarised in the ORSA report and discussed within various management bodies of GRAWE RE and approved by the Board of Directors.

These assumptions, results and findings are incorporated into management decisions and can result into adjustments of the business and risk strategy. After adoption of the ORSA report by the Board of Directors, this report is sent to the SI within two weeks.

A key point of the ORSA process - particularly when determining the overall solvency needs - is the assurance of the data quality. In GRAWE RE, this is ensured through uniform systems within GRAWE Group by using automatic or largely automatic interfaces, exact definitions of the individual data and audit-proof of the data but also by having close collaboration between the Governance functions and any other areas affected by the ORSA process.

B.3.5.2 Organisational structure and decision-making processes in the ORSA

The overall responsibility for an effective ORSA process lies within the overall Board of Directors. There is an ongoing reporting to the Board of Directors, assumptions about the planning figures for the business planning requirements for pillar 2 are discussed/agreed with them. This means that the Board of Directors has to be able to relate to the assumptions of the ORSA calculations, to scrutinise the results and consequently to derive management decisions. These in turn are incorporated into the ORSA process as a new basis.

In addition, the Board of Directors can decide to conduct an ad-hoc ORSA in the case of a significant change of the risk situation or the risk profile.

The Risk Management function coordinates and implements the ORSA process. With regard to the organisational structure and decision-making processes of the Risk Management function, reference is made to the section B.3.3.

B.3.5.3 Frequency of the ORSA

As a standard procedure, the ORSA process is carried out once a year, taking into account the planning cycle of GRAWE RE. The ORSA report is approved by the Board of Directors. The findings from the ORSA report are incorporated in turn into the business and risk strategy and in the decisions by the Board of Directors.

If significant changes result in the risk profile and/or in the available own funds of GRAWE RE, an ad-hoc ORSA (=not a regular ORSA) will be launched directly. Such changes can be triggered by internal decisions and factors (such as a fundamental change in the investment policy, the commencement or termination of a fundamental business field or the purchase or sale of a fundamental strategic investment) or also by external factors.

B.3.5.4 Determination of the overall solvency needs

The risk profile of GRAWE RE is derived from the risk evaluations of the risk assessment in the risk management process (cf. section B.3.2). In addition, the results of the SCR calculations according to the standard formula are analysed.

For the determination of the internal overall solvency needs, own internal methods are developed on the basis of "Value at Risk" calculations with a confidence level of 95% for one year (in brief: "VaR95") for the largest risk positions (from the risk assessment and/or from the SCR calculation) and/or internal stress tests and scenario analyses are carried out.

The largest risk positon in GRAWE RE is the market risks and the underwriting risk Life for which therefore "VaR95" calculations have been carried out in GRAWE RE. The remaining risks are predominantly evaluated using expert estimations. It should be noted that all material risks are included in the calculation of the overall solvency need, including those that are not taken into account in the standard formula. In addition, risks that are not adequately depicted in the standard formula such as the risk-free assessment of OECD government bonds are replaced with an evaluation in line with risk.

The overall solvency needs from the company-internal risk view result from the aggregation of the material risks determined. The risks are aggregated in the ORSA process, taking into account the correlation matrices of the standard formula of Pillar 1.

The projection of the overall solvency needs GRAWE RE is done based on the existing 3-year planning in the form of IFRS planning and represents a market value planning.

B.3.5.5 Interaction between capital management and risk management

As already explained in section B.3.5.1, in the calculation of the risk-bearing capacity, the overall solvency needs determined are compared with the available own funds as of the defined reference date. In addition to the quantity of the own funds, their quality and volatility (Tiering) are also relevant.

GRAWE RE only has own funds of the best tier category (Tier 1). Also the goal of GRAWE RE is to only have Tier 1 equity in the future.

In addition, it is ensured that there are realistic plans in increasing of own funds. This is done through a mid-term capital management plan that is set up annually, including forecast for the own funds and capital requirements. In the capital management plans the information from the risk management system and the ORSA report are to be taken into account. In addition, there is a detailed annual plan for the following year that includes the eligible own funds and the own funds requirement. This detailed plan is submitted to the overall Board of Directors along with the ORSA report.

If the forecasts reveal that the solvency ratio of GRAWE RE threatens to fall below the internally defined threshold, a corresponding corporate action plan has to be developed.

B.4 Internal control system

B.4.1 Description

The overall Board of Directors is responsible for setting up, monitoring and adapting an appropriate and effective internal control system on an ongoing basis that guarantees compliance with the valid legal and administrative regulations of GRAWE RE, the effectiveness and efficiency of the business activities with regard to the company goals and the availability and reliability of financial and non-financial information.

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

The first line of defence is formed by the risk owners (asset management, underwriting, claims handling, IT, etc.). They take the immediate operational decisions to control risks in order to comply with the set goals and limits. The second line of defence is formed by the Risk Management function, the Compliance function and the Actuarial function. The third line of defence consists of the Internal Audit department that audits and evaluates the effectiveness and efficiency of the internal control system on an ongoing basis and assists in the further development of effective controls in particular through follow-up audits.

The internal control system incorporates, among others, administrative and accounting procedures, an internal control framework, an appropriate notification and reporting system on all levels of GRAWE RE as well as a Compliance function.

The centralised documentation of the fundamental core processes, including the described checks, the coordination, checks of completeness for the updating and development of the internal control system is the responsibility of the qualified department.

The Risk Management department initiates the process of depicting the core processes and supports the process managers and/or employees in the depiction of the process. Through allocation of the documented activities to specific roles, the responsibility for carrying out the controls is clearly defined.

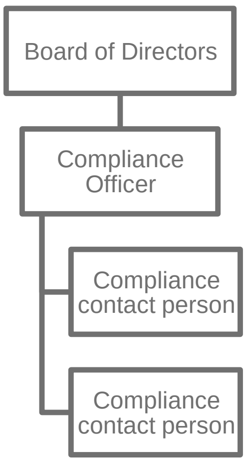
The risks identified in the processes, the corresponding controls, IT systems, roles and documents are managed in uniform "pool models" in order to gain a better overview on the one hand and to standardise terms on the other.

The internal control system of GRAWE RE consists of a large number of controls, where the most important ones are signing regulations, a consistent four eye principle, an adequate separation of functions, a limit setting and internal guidelines.

B.4.2 Implementation of the Compliance function

The Compliance function is part of the internal control system.

The Compliance function in GRAWE RE is exercised within the framework of a decentralised compliance organisation that can be depicted as follows:



The overall Board of Directors ensures an appropriate organisation of the Compliance function. In this process, it pays attention to the Compliance function being sufficiently resourced and being able to act independently. The overall Board of Directors is responsible for the implementation of the compliance requirements pursuant to Solvency II and decides on compliance-relevant measures and orders.

The Compliance Officer is the responsible Head of the Compliance function. He reports directly to the overall Board of Directors, is independent and free of instruction with regard to his field of expertise. In the event of absence of the Compliance Officer, his tasks and authorisations will be carried out by his deputy.

The Compliance contact persons carry out the Compliance function for their respective corporate area and ensure that all relevant compliance topics are covered.

With regard to the main tasks and responsibilities of the Compliance function, reference is made to section B.1.2.2.2. The authorisations, resources and operational independence are described in section B.1.6.2.

The reporting and advising by the Compliance function are depicted in section B.1.6.3.2.

B.5 Internal Audit function

B.5.1 Implementation of the Internal Audit function

In GRAWE RE, the Internal Audit function has been set up to carry out and to report directly to the overall Board of Directors which ensures an appropriate organisation and set up of the Internal Audit. It decides which measures are to be taken based on the findings by the Internal Audit and ensures that these measures are implemented.

The Head of the Internal Audit has to carry out the tasks of planning, controlling, monitoring and representing externally the Internal Audit. In his absence, he is represented by his deputy.

With regard to the main tasks and responsibilities of the Internal Audit function, reference is made to section B.1.2.2.3. The authorisations, resources and operational independence are described in section B.1.6.2.

The reporting and advising by the Internal Audit are depicted in section B.1.6.3.3.

B.5.2 Objectivity and independence

The Internal Audit carries out its tasks autonomously, independently, objectively, impartially and above all process-independently. The employees of the Internal Audit department only work for the Internal Audit department and are entrusted with no other tasks. They are not subject to instruction from any other department when carrying out the audit, the reporting and the evaluation of the audit results. The Internal Audit is not influenced when determining the scope of the audit, the executing of the order and during the reporting.

The members of the Internal Audit proceed in an impartial and unbiased manner when carrying out their audit work. The prohibition of self-auditing is complied with and conflicts of interest that occur are disclosed.

B.6 Actuarial function

The Actuarial function at GRAWE RE reports directly to the overall Board of Directors and is independent in its subject matter. The Board of Directors ensures an appropriate organisation and set up of the Actuarial function. It decides which recommendations from the Actuarial function are to be complied with to eliminate deficiencies, and ensures that these recommendations are implemented.

In his absence, the Head of the Actuarial function is represented by his deputy.

With regard to the main tasks and responsibilities of the Actuarial function, reference is made to section B.1.2.2.4. The authorisations, resources and operational independence are described in section B.1.6.2.

The reporting and advising by the Actuarial function are depicted in section B.1.6.3.4.

B.7 Outsourcing

B.7.1 Outsourcing policy

The outsourcing within GRAWE RE is defined as follows:

An outsourcing can be a simple outsourcing or an outsourcing of a critical or important operational function or activity (hereinafter also: "critical outsourcing").

A critical or important operational function or activity is a function or activity which GRAWE RE cannot continue its business activity without any material impairment, or perform continuously and satisfactory service to contractual partners or cannot meet material governance requirements.

An outsourcing of a critical or important operational function or activity results in requirements that have to be met additionally to the requirements of a simple outsourcing. The obligations of GRAWE RE regarding outsourcing therefore depend on whether a simple outsourcing or a critical outsourcing exists. At any rate, including intra-group outsourcing, GRAWE RE remains responsible for the fulfilment of all requirements under supervision law.

GRAWE RE does not carry out the outsourcing of a critical or important operational function or activity if this means a material impairment of the quality of its system of governance or an undue increase of the operational risk. Furthermore, such an outsourcing may not jeopardise the monitoring of the compliance with the regulations valid for the operation of the reinsurance by the SI or the permanent and defect-free provision of the service to contractual partners.

Regarding each outsourcing, it is regulated in the corresponding outsourcing contract that the service provider collaborates with the SI with regard to the outsourced task and that GRAWE RE, its auditors for the annual financial statements and the SI have access to the data and the business premises of the service provider with regard to the outsourced task.

B.7.2 Outsourcing of critical or important operational functions or activities

GRAWE RE has outsourced as of 31 December 2018 just two critical or important operational functions or activities, the Asset Management and IT services, to its mother company Grazer Wechselseitige Versicherung AG.

B.8 Any other information

Any important information regarding the governance system is described in the relevant section.

C. RISK PROFILE

A risk profile is the entirety of all risks that a company is exposed to on a certain reference date, taking into account the business planning horizon. The conditions under which the existence of GRAWE RE could be at risk can be derived from it.

In order to illustrate the risk profile of GRAWE RE, all risks entered into as well as potential risks are recorded individually and on aggregated basis, whereby the implemented risk mitigation techniques and other measures are taken into consideration.

To determine the risk profile, the largest risk positions from the internal risk assessment - cf. sections B.3.2 and B.3.5.1 are analysed and prioritised. In addition, the results from the calculations of the statutory solvency capital requirement (SCR) are analysed.

To limit the risks, GRAWE RE has defined internal risk limits. These are the limits that the company has imposed upon itself when entering risks. The compliance with the limits is on one hand attained by a well-functioning internal control system and on the other hand by efficient risk mitigation techniques.

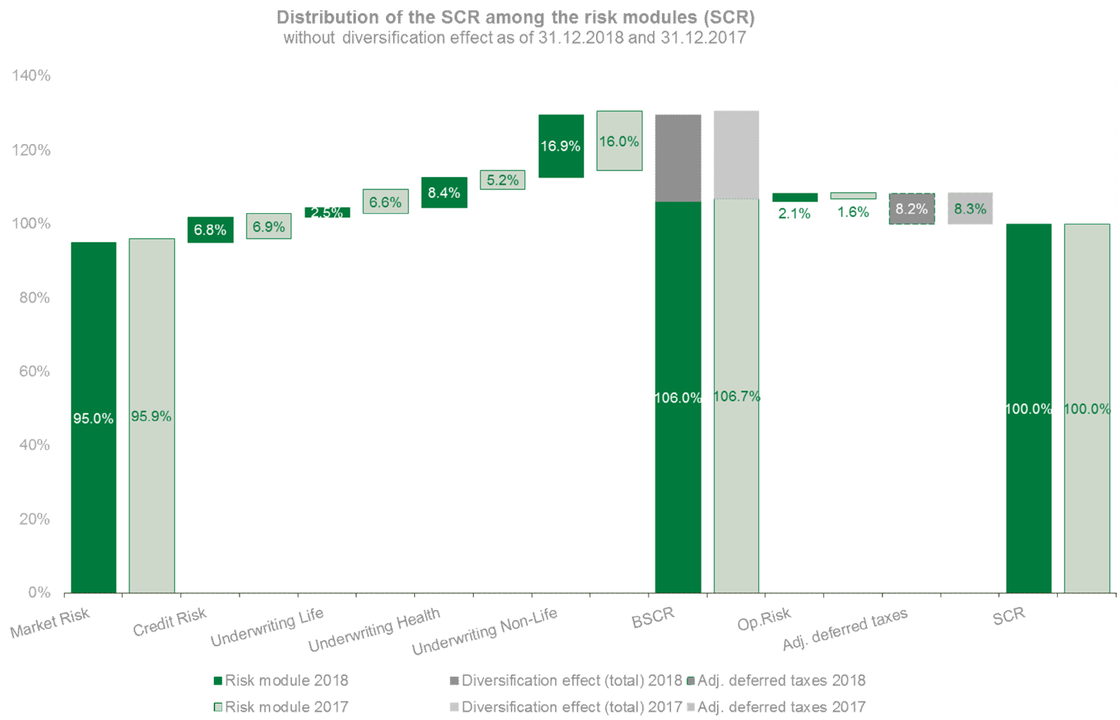
In case this internal limit is breached, an escalation process is started in which it is precisely defined who has to be informed and what measures have to be taken in order to reduce the risk again as quickly as possible.

The database for the determination of the risk profile of GRAWE RE is the result of the determination of the internal overall solvency needs and the result of the calculation of the solvency capital requirement (SCR) of the standard formula as of 31 December 2018. With regard to the calculation of the solvency capital requirement, reference is made to the statements in section E.2.

GRAWE RE does not transfer any risks to special-purpose vehicles and does not hold any participation in such either. There are no off-balance-sheet positions as of the reference date 31 December 2018.

Neither company-specific parameters, nor the matching adjustment nor the volatility adjustment are applied.

The risk profile from the **SCR result** as per 31 December 2018 is comprised as follows:



The material risk positions of the SCR calculation are the market risk followed by the underwriting risk Non-Life, underwriting risk Health, credit risk and underwriting risk Life. The detailed risk values of the SCR calculation can be found in section E.2.

Materiality

At GRAWE RE, risks are classified as material if they have been assessed either in the "critical/red area" within the internal risk assessment or exceeded the threshold of 10% of the SCR on a sub-module basis after diversification. These include in any case the market risks as well as underwriting risk Non-Life.

With regard to the assessment of the materiality criteria, it should be noted that individual risks that are not assessed as material can exceed the limit threshold cumulatively.

In order to give a more detailed overview of the risk profile of GRAWE RE, all risks that meet the aforementioned criteria are explained in this report.

C.1 Underwriting risk

Underwriting risk is defined as the risk of loss, or adverse change in the value of (re-)insurance liabilities, due to inadequate pricing and provisioning assumptions. In the following, there is a sub-division of the underwriting risk into the areas of Life, Non-Life and Health reinsurance.

Just the catastrophe risk and lapse risk out of all underwriting risks of **life reinsurance** on normal basis are classified as material in GRAWE RE.

Within the life reinsurance **catastrophe risk** covers the risk of extreme fluctuations in mortality and disability

Lapse risk includes losses due to client behaviour deviating from the Best Estimate assumptions in contractual options such as termination/lapse, lump-sum option, waiver of premium, etc.

The underwriting risks of **non-life reinsurance** of GRAWE RE are comprised of the following risks:

- Premium and reserve risk
- Catastrophe risk.

Premium risk (= underwriting risk) are risks in which the realization of the technical results deviates from the expectation of the current financial year (e.g. due to a high amount of mass damages, numerous major damages and natural disasters, etc.).

The **reserve risk** describes the uncertainty that is associated with the forecast of the settlement of already incurred losses (e.g. incurred but not reported [IBNR] claims, legislative amendments, high increase in inflation, and increased cost on individual claims).

In the **catastrophe risks Non-Life** a differentiation is made between natural catastrophe risks, that include incidents caused by flood, hail, earthquake and windstorm, and disasters that are man-made (such as fire or liability).

GRAWE RE does not operate in the health reinsurance business itself. The risks of the income protection reinsurance are assigned according to the standard formula to the underwriting **Health similar to Non-Life** as following:

- Premium and reserve risk from Health similar to Non-Life and
- Catastrophe risk

C.1.1 Risk exposure

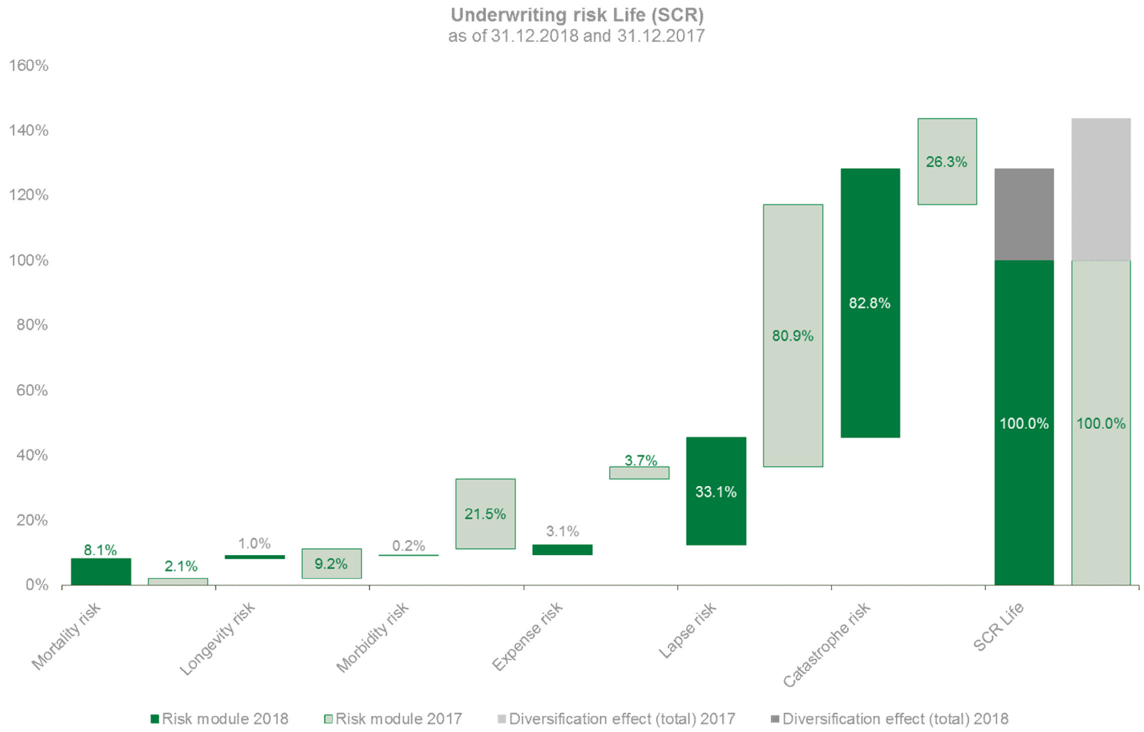
The risk exposure of GRAWE RE in the **underwriting Life** area – as already depicted in section C - is 2.5% (2017: 6.6%) of the total SCR.

The named risks are calculated on the basis of the so-called Best Estimate approach, which is a specification of the standard formula.

The Best Estimate constitutes of the present value, therefore the total value of the future liabilities discounted with an interest curve specified by EIOPA. This value is determined, by taking into account the value of the assets and comparing them with the liabilities.

For a more detailed explanation, reference is made at this point to section D.2.

Underwriting risk Life

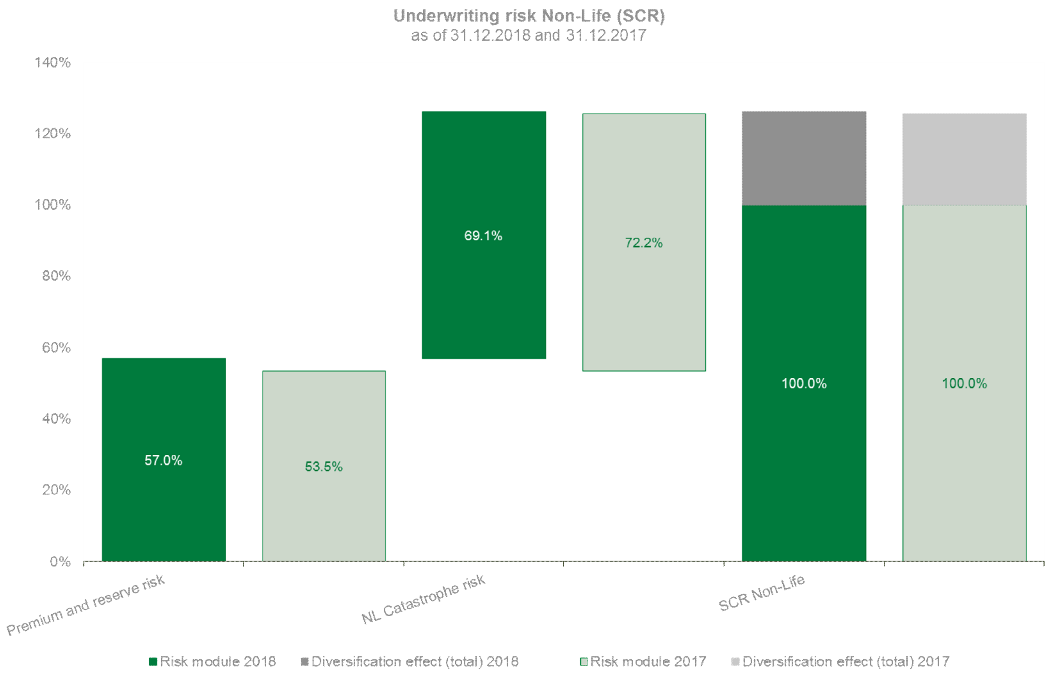


The largest risk positions in the underwriting risk Life in the standard formula are the catastrophe risk with a share of 82.8% (2017: 26.3%) on the SCR Life and the lapse risk with a share of 33.1% (2017: 80.9%). The decrease in lapse risk is mainly stemming from the change in the reinsurance treaty with Medlife that stipulates a reinsurance cover based on risk basis.

The catastrophe risk takes into account a higher rise in mortality rates in the following year.

The lapse risk of GRAWE RE is determined by the scenario lapse decrease (assumption: 50% of policies reinsured on normal basis are cancelled).

Underwriting risk Non-Life



The **underwriting risk Non-Life** has a material impact on the risk profile of GRAWE RE with 16.9% (2017: 16.0%) of the total SCR that is attributable mostly to the premium and reserve risk with a share of 57.0% (2017: 53.5%) on the SCR Non-Life. The remaining 69.1% (2017: 72.2%) are attributable to the Non-Life catastrophe risk. The development of underwriting risk Non-Life is rather stable due to the steady business.

In GRAWE RE the **premium and reserve risk** in the area of underwriting Non-Life consists of the fire and other property divisions as well as from the income protection reinsurance and general liability reinsurance.

The **catastrophe risk Non-Life** results from the natural catastrophes windstorm, flood, hail and earthquake and from the man-made scenarios (fire and liability).

For the internal risk analysis, specific scenarios are simulated at GRAWE RE based on the reinsurance portfolio for natural and man-made catastrophes. Due to the existing portfolio structure and the maximum burden of losses for GRAWE RE that may arise out of the reinsurance treaties, the respective amount for the single scenario events is relatively low.

Underwriting risk Health

The **underwriting risk Health** has a subordinate role in GRAWE RE with 8.4% (2017: 5.2%) of the total SCR. The risk is assigned to Health similar to Non-Life, from which 98.3% (2017: 97.5%) results from premium and reserve risk and 1.7% (2017: 2.5%) from health catastrophe risk which is determined by the mass accident scenario.

Prudent Person Principle applied on the coverage of technical provisions

The Prudent Person Principle stipulated in Article 139 of the LAW requires security, quality, liquidity and profitability for all assets as well as a sufficient and adequate coverage of the technical provisions. The assets that are held to cover the technical provisions are invested in the best interest of the reinsured persons and the shareholders.

In the **Life reinsurance** area, the concrete investment objective is dependent on the factors average actuarial interest rates, free equity capital in conjunction with the fluctuation of the value of the portfolio resulting from the target return and the structure of the liability side. The goal is the payment of any claims that may arise in the life reinsurance treaties, whilst minimising the investment risk and taking into account the risk-bearing capacity of the company

In the **Non-Life reinsurance** area, the specific investment goal is not subject to any minimum interest rates but rather having investments that can be easily converted into cash in case of large claims due to natural disasters, etc. A risk-appropriate profit is strived for at reasonable risk.

Technical provisions indicate in the balance sheet of (re-)insurance companies future obligations from reinsurance treaties in accordance with the statutory regulations for valuation. They must be also formed in the annual financial statement, if necessary, in a way to permanently ensure the obligations from reinsurance contracts.

The business accepted by GRAWE RE is predominately stemming from GRAWE Group members (90% of the business) and mainly has proportional quota share character. Thus, GRAWE RE as reinsurer recognizes its share of the original technical reserves of the ceding entities given in the reinsurance statements. As within GRAWE Group, the same standards and systems are applied and the underwriting follows a very conservative approach, the original reserves given within the reinsurance statements are known to be sufficient and do not require any additional reserves.

The **coverage requirement** comprises of the technical provisions in life and non-life. In life reinsurance, the coverage requirement must always be met in full by the assets earmarked for life provisions. In the non-life business, it is in general ensured for the long-tail divisions (such as liability or accident) that the assets match the term of the technical provisions as closely as possible.

The Prudent Person Principle applied on the coverage of technical provisions is ensured through the measures indicated above.

C.1.2 Risk concentration

Risk concentrations can jeopardise the solvency or liquidity of the (re-)insurance company. They can, for instance, arise from

- individual counterparties,
- groups of counterparties who are linked to one another,
- geographical areas or sectors, but also from
- natural catastrophes or man-made catastrophes.

The biggest risk in the area of non-life results from risk concentrations of events with low occurrence probability but big impact on the liabilities of GRAWE RE, such as natural catastrophes. The risks regarding non-life and health are closely monitored and they have been constant and on a low level in the past few years due to the quality of the underwriting and partners. The prudent approach on the specific risks will continue.

Furthermore, GRAWE RE acts as the guarantor for the premiums on pension policies (PZV) of two Group companies (parent company Grazer Wechselseitige Versicherung AG and HYPO Versicherung AG) and four external insurance companies.

The performance of this private pension scheme product is linked to the performance of investments which serve as an index for the value of the contract. These pension contracts guarantee the amount of gross premiums paid by the policy holders plus the extra premiums provided by the government of Austria in cases of death, and subject to some conditions, in cases of expiration or premature termination of the contracts. The Company provides cover for any death claims and guarantee payments paid by the ceding companies. The difference between the investment value of the contracts and the death benefit or guaranteed amount paid by ceding companies will be reimbursed by GRAWE RE.

The risks concerning PZV are calculated and monitored on a monthly basis. In overall, the risks do not represent a material risk in GRAWE RE in the internal view as the reinsurance treaty stipulates that the guarantee is only provided by GRAWE RE if the policy holder chooses one of the options as defined in the Austrian Income Tax Act (Section 108i – so called ‘intended use’). The percentage of intended use is currently at a low level, in a range of 5% to 10%. Furthermore, all PZV reinsurance contracts are 1-year contracts and can thus be yearly terminated.

In total and based on the SCR results, in no area neither in the area of Underwriting Life nor Underwriting Health nor Underwriting Non-Life concentrations are identified.

C.1.3 Retrocession and other risk mitigation techniques

In accordance with “Part 1 Definition and introductory provisions” of the LAW, **risk mitigation techniques** (including retrocession) describe all techniques which put insurance and reinsurance companies in the position to transfer a part or all of their risks to another party.

In the case of risk-mitigation techniques, it can be distinguished between reinsurance-based risk mitigation (i.e. retrocession) and financial risk-mitigation (i.e. financial derivatives).

In GRAWE RE, only traditional retrocession instruments are applied with retrocession partners that belong to the group. Retrocession is used to limit the risks assumed (=underwriting risks), especially peak risks. The portfolio will be homogenized and the volatility will be reduced. GRAWE RE uses in the area of underwriting risk retrocession as a risk-mitigating measure. Thus, peak risks and exposures can be covered or portfolios homogenised.

Derivatives and structured securities serve as financial risk mitigation instruments, e.g.

- interest rate structures (such as interest rate swaps),
- equity structures,
- structured loans and
- structured bonds (e.g. steepener callables, multiple tranches, reverse of convertibles)

GRAWE RE's investment strategy clearly states that such investments should be avoided and no direct investment in such instruments was in place as at 31 December 2018. Some of the above may be used by the asset managers that are managing the structured funds for protection purposes and never for speculative purposes.

The risk thereby lies within the fund management itself and not with GRAWE RE.

C.1.4 Liquidity risk future profits

The amount of Expected Profits Included in Future Premiums (in short EPIFP) is taken into account in the liquidity management.

The EPIFP is a Tier 1 own funds component (as part of the reconciliation reserve) and amounts to kEUR 34 (2017: kEUR 2,779) in the area of life reinsurance in GRAWE RE as of 31 December 2018.

C.1.5 Risk sensitivity

The risk sensitivities of the claims reserves in the Non-Life area in GRAWE RE are examined based on statistical methods. These calculations are done on the basis of division groups (according to the LoB of the standard formula) and by using confidence levels.

Moreover, within the Asset Liability Management interest rate sensitives were calculated and their impact on the relevant positions for assets and also for Best Estimates for technical provisions.

C.2 Market risk

GRAWE RE understands **market risk** to be the risk of a loss or disadvantageous change in the financial situation that results directly or indirectly from fluctuations in the amount and in the volatility of the market prices for the assets, liabilities and financial instruments.

C.2.1 Risk exposure

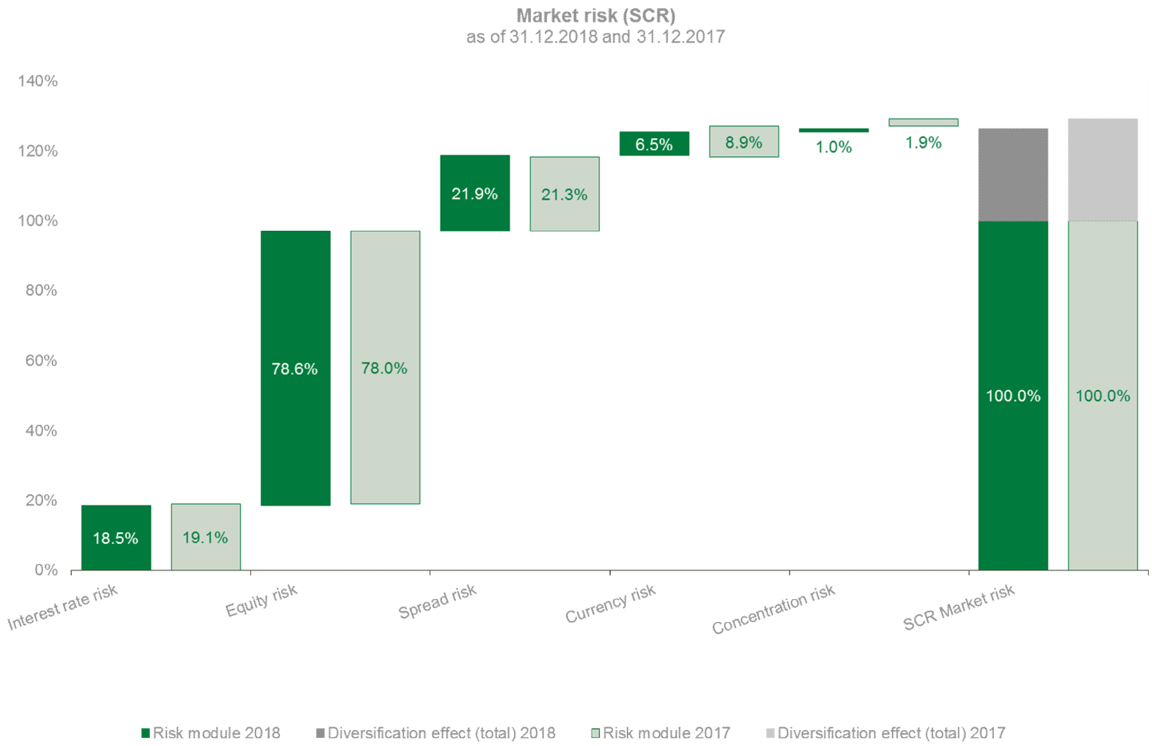
At GRAWE RE in an analogous way to the standard formula, the market risks are divided into the following sub-risks:

- Interest rate risk,
- equity risk,
- property risk,
- spread risk,
- currency risk and
- concentration risk.

The market risks of GRAWE RE form the largest risk position.

According to the specifications from Solvency II, all assets "are to be invested in a form and manner that guarantees the safety, the quality, the liquidity and the profitability of the entire portfolio" (Article 139 of the LAW). For the management of investments the principle of freedom of investment applies by taking into account the "Prudent Personal Principle”. Great attention is paid to the monitoring and management of the investment risks.

Only those types of investments, whose opportunities and risks can be understood and assessed adequately, shall be chosen.



The most material risk within the market risks of GRAWE RE is the **equity risk** amounting to 78.6% (2017: 78.0%) of the SCR market risk. The equity risk describes the possible volatilities in the share prices. The amount of the equity risk results primarily due to the strategic participation in Medlife Insurance Ltd. where the equity risk stemming from this participation is kEUR 19,513 (2017: kEUR 22,213) and an additional amount from Flutrana of kEUR 212 (2017: kEUR 212). The strategic participation is stressed according to the standard formula at a level of 22%. The remaining amount of risk comes from type 1 equity exposure stressed at 32.7% resulting in an additional equity risk of kEUR 2,313 (2017: kEUR 4,176) and equities type 2 stressed at 42.7% adding another kEUR 8 (2017: kEUR 1,546).

Spread risk in GRAWE RE represents 21.9% (2017: 21.3%) of the SCR market risk. The spread risk incorporates the values of assets, liabilities and financial instruments with regard to changes in the amount or in the volatility of the profit spread over the risk-free interest curve (credit spread). Changes in the credit spread arise, for instance, from a deterioration in the credit rating of security issuers.

Concentration risk includes the risks that are caused by a lack of diversification of the capital investment portfolio or by a high exposure to the default risk of a single issuer of securities or a group of related issuers. In GRAWE RE this risk represents only 1.0% (2017: 1.9%) of the SCR market risk.

The **interest rate risk** in GRAWE RE results from changes in the market value of interest-bearing financial instruments caused by changes in the interest curve and has a share of 18.5% (2017: 19.1%) of the SCR market risk. In the interest rate risk of the standard formula, in addition to the interest sensitivity of the investments (asset side) also those of the liabilities (of the life liability side) are taken into consideration.

Currency risk is the sensitivity of assets, liabilities and financial instruments with regard to changes in the amount or in the volatility of the exchange rates. Despite the currency-matched investment at GRAWE RE, the currency risk is only 6.5% (2017: 8.9%) of the SCR market risk.

Prudent Person Principle in the asset management

The Prudent Person Principle has always been taken into account at GRAWE RE in that investment has only been in assets whose risks can be identified, assessed, monitored, managed and steered. In addition, these risks must be integrated into the reporting system in an appropriate manner and taken into account in the calculation of the overall solvency needs during the ORSA process.

The investment policy of GRAWE RE is based on the goals specified by the Board of Directors of GRAWE RE with regard to the safety, profitability and liquidity of the invested funds. The paramount goal in the investment by GRAWE RE exists in the continuous safeguarding of the fulfilment of the obligations from the reinsurance contracts and at a second stage to maintain an acceptable return to the shareholders. In the long term, in-depth, well-balanced investment products offer the highest safety and the most sustainable profit, taking into account the risk/profit aspects as well as rating requirements. The balance of the strategic asset allocation goes beyond the statutory specifications and follows the longstanding, successful, safety-oriented strategy of GRAWE RE. A fundamental principle is the broad spread within the respective asset category.

It is ensured through limit setting and suitable control and reporting processes that no unwanted or excessive assumption of risk is possible within the investment process of GRAWE RE and that the investment policy sticks to the safety-oriented principles described.

The investment limits are analysed twice a year in the asset allocation meeting with the Board of Directors of GRAWE RE and checked for their validity and/or for any need for amendment.

The upper threshold for interest and equity structures is defined by limit setting. Without exception, purely speculative goals are not pursued. In addition, **structured products** (for interest hedging) are only used within the framework of the strategically selected asset allocation with the goal of cost efficiency and an improvement in the risk profile. When determining permissible volumes, the increasing risk content of the envisaged categories is taken into account.

C.2.2 Risk concentration

A material risk concentration is one that exceeds 10% of the SCR. The overall risk for year 2018 was below 10% so it was considered to not be material. For further details refer to section C.2.1.

C.2.3 Risk mitigation

GRAWE RE uses derivatives (incl. structured products) as a risk reduction technique in the market risks. These are so-called foreign currency forwards that are concluded within the investment funds as pure foreign currency hedging transactions.

GRAWE RE also uses such an instrument to convert once per year any USD dividend income received from Medlife in EUR considering that after performing the appropriate test the USD currency is not needed.

C.2.4 Liquidity risk future profits

The liquidity risk of future profits has already been dealt with in section C.1.4 and does not have any fundamental effects on the market risks.

C.2.5 Risk sensitivity

For the life insurance portfolio an extreme scenario, the so-called "liquidation scenario", is calculated. Under the assumption that the cedant has no new business and the consideration of the historically monitored cancellations and premium exemptions, it is shown with the aid of a cash flow depiction how the cash flows of the assets and the cash flows of the liabilities develop over the course of time until the end of the last contract. Even with an interest rate of 0%, this analysis shows that the expected obligations can be met at any time through the expected cash flows of the assets. It can thus be shown that there is sufficient asset liability management as well as sufficient liquidity.

C.3 Credit risk

The **credit risk** (also counterparty default risk) identifies the risk of loss or an adverse change in the financial situation, resulting from fluctuations in the creditworthiness of issuers of securities, counterparties and other debtors against which insurance and reinsurance undertakings have receivables. It occurs in the form of counterparty default risk, spread risk or market risk concentrations.

The possible types of the default risk in the form of spread risks or market concentrations were already dealt with under section C.2 meaning that in this section solely the counterparty default risk is explained..

C.3.1 Risk exposure

The counterparty default risk at GRAWE RE primarily relates to the possible loss of deposits at commercial banks (predominantly Group-internal) or the default of retrocession partners. The loss of custodian account receivables from insurance business taken as reinsurance, obligations of third parties or guarantees play a subordinated role or no role at all.

The counterparty default risk of the standard formula is around 6.8% (2017: 6.9%) of the total SCR and thus plays a subordinated role in the risk profile of GRAWE RE.

A major part of the bank deposits lies within Group-internal banks. GRAWE RE is solely reinsured at GRAWE AG which is not rated. As a result of the good solvency capital base the probability of default can be very well assessed and is thus minimised.

In the selection of external retrocession partners, a minimum rating of A- according to Standard & Poor's and/or Fitch or, in case of long-tail businesses, a minimum rating of A+ are aspired. Nevertheless GRAWE AG is considered to be an appropriate retrocessionaire for GRAWE RE as it is not only the parent company of GRAWE RE but with a SCR above 300% a solid and financially strong company and highly diversified. Thus, the risk of default is very low.

With regard to banks, business relationships are entered into primarily with banks with a minimum rating of A according to Standard & Poor’s and/or Fitch. If there is no rating available of one of the mentioned rating agencies, an internal evaluation of the business partner is carried out by increased analysis. Results from other rating agencies, annual reports, market experience, or other sources of information can be the basis for this.

In order to reduce the counterparty default risk, in addition to the guidelines attention is paid for credit and also a sufficient diversification of counterparties.

C.3.2 Risk concentration

The counterparty default positions primarily relate to Group-internal banks and reinsurance companies and/or to a low extent commercial banks and other reinsurance partners with whom longstanding business relationships exist. Both the external commercial banks as well as the external retrocession partners have excellent credit ratings.

With the commercial banks, there is also a division over several banks; however, the short-term investment of liquid funds fluctuates over the course of time due to liquidity requirements and availability and is also dependent on the respective bank conditions. The defined limits per commercial bank also apply for Group-internal banks are complied with at any rate.

C.3.3 Risk mitigation

In the area of counterparty default risk, no risk mitigation techniques are applied beyond the internal risk-minimising measures such as strict selection of the retrocession partner and commercial banks as well as diversification of the business partners.

C.3.4 Liquidity risk future profits

The liquidity risk of future profits has already been dealt with in section C.1.4 and does not have any effect on the counterparty default risk.

C.3.5 Risk sensitivity

For the assessment of the risk sensitivity of the counterparty default risk, following scenarios are used to quantify the default risk and to analyse the impact of the risk on the overall situation of the company:

- Shock of the probabilities of default or downgrade of the ratings
- Complete default of a bank

The results show that the impact on own funds and capital requirements is not significant.

C.4 Liquidity risk

The **liquidity risk** is the risk of losses arising from an actual or expected inability of the company to cover its financial obligations at the time of maturity.

According to “Part 1 Definition and introductory provisions” of the LAW, the liquidity risk designates the risk that the insurance and reinsurance undertakings are not able to realize investments and other assets in order to settle their financial obligations when they fall due.

The most common causes that can lead to the liquidity risk are:

- reduction in the value or in the usability of assets,
- the increase in the mismatch of maturities of assets and liabilities,
- the financial strength of the company and the perception of the markets that depend on a series of parameters (e.g. risk profile, solvency ratio, profitability, expected future trends, ratings, etc.) or
- an insufficient liquidity ratio of the company.

C.4.1 Risk exposure

The liquidity risk pursuant to the definition above is not explicitly depicted per se in the standard formula; nevertheless, the assessment of the liquidity risk in the risk management process and in the ORSA process is important. In particular, the occurrence of a material risk (e.g. in the case of natural catastrophes) could result in a liquidity shortage.

At GRAWE RE, a weekly cash flow report is created. This approach ensures that there is no liquidity shortage even with short-term unexpected and/or unplanned claims payments or other payment outflows.

Should there actually be an increased need for cash and liquidity in the short term, GRAWE RE would be in a position to sell securities (of a good rating) at short notice (e.g. within a day) in order to generate the necessary liquid funds. Approx. 85% of the bond portfolio of GRAWE RE consists of bonds of a good rating of BBB- and higher.

The investment grade rating allowable in GRAWE RE according to the internal limit system is at the moment at BB+. For the said reasons, the liquidity risk was internally rated at zero at GRAWE RE due to the nature of its business.

C.4.2 Risk concentration

No risk concentration was identified at GRAWE RE with regard to the liquidity risk.

C.4.3 Risk mitigation

In the liquidity risk area, no risk-mitigation techniques are applied besides the internal risk-minimising measures such as regular cash flow reports and a cash flow planning.

C.4.4 Liquidity risk future profits

The liquidity risk of future profits has already been dealt with in section C.1.4.

C.4.5 Risk sensitivity

The liquidity risk brings along a strong connection to other risks. For this reason, any increased liquidity need has also already been assessed with other scenarios. Further details can be found in section C.2.5.

C.5 Operational risk

The operational risk is the risk of loss that arises from the inappropriateness or the failure of internal processes, employees, systems or through external events. Legal risks are also included. The typical representatives of the operational risk include causes of business interruptions as the result of e.g. fire or flooding events or IT failures that make an uninterrupted continuation of the business operations difficult or impossible. In addition, however, they also include damage caused by conscious fraud, errors in daily work processes or also risks that arise from human errors.

The operational risks are in general more difficult to identify and evaluate than other risks, meaning that GRAWE RE places a special focus on the possible different characteristics and takes these into account in a comprehensive manner.

C.5.1 Risk exposure

The operational risk of GRAWE RE is calculated according to the standard formula, based on premiums collected and amounts to 2.1% (2017: 1.6%) of the SCR.

Particularly in the area of operational risks, the focus is not on quantification but on the development of suitable measures for the early identification of the risks and on the avoidance and reduction of its consequences (cf. section C.5.3)

C.5.2 Risk concentration

In the operational risks, risk concentrations could occur in the areas outsourced by GRAWE RE (e.g. in the case of an IT failure).

C.5.3 Risk mitigation

The potential operational risks can be reduced through suitable contingency plans such as the GRAWE IT contingency plan, Business Continuity Plan, etc.

The IT contingency management of GRAWE has been implemented since many years ago. In addition, there has been TÜV certification of the data centre of GRAWE since 2012. If an emergency occurs, an efficient staff and crisis management can thus be ensured.

Another central focus of the GRAWE IT contingency management is on the IT data security in order to ensure that no loss or misuse of critical data can occur. For this reason, there is a consistent system of security redundancies so that with minor failures of an IT system a smooth operation is ensured.

The Business Continuity Plan of GRAWE RE aims to ensure the upholding or restoration of the orderly business operations after an incident.

Anti-fraud measures and a well-functioning internal control system are other risk-mitigating measures within the operational risks.

In the cash-equivalent area of GRAWE RE, there are strict internal regulations and control procedures.

The effectiveness of the contingency plans is checked at regular intervals. The effectiveness of the internal control systems is regularly checked by the Internal Audit department of GRAWE RE in the course of the respective audits.

These risk-mitigating measures let to very low operational risks in the past at GRAWE RE.

C.5.4 Liquidity risk future profits

The operational risks do not result in any liquidity risk.

C.5.5 Risk sensitivity

To assess the risk sensitivity of the operational risks of GRAWE RE, scenarios for identified critical processes were defined in the contingency plans.

In the process, the worst-case scenarios are selected whose occurrence appears plausible for GRAWE RE. The potential scenarios include the failure of the IT over a lengthy period of time and the loss of the headquarters in Graz (e.g. due to a fire). It was ensured in the existing contingency plans that the effects (e.g. loss of several persons over a lengthy period of time or restricted access possibilities to the business premises) are taken into account accordingly.

The appropriateness of the scenarios and their underlying assumptions are checked jointly with the contingency plans at least once a year and the results are taken into account appropriately in the assessment of the risk-bearing capacity.

C.6 Other fundamental risks

In GRAWE RE, the following other risks were identified that are being continuously monitored:

- Strategic risks,
- Reputation risks,
- Risk from the asset liability management.

The named risks are not explicitly taken into account in the standard formula. Within the ORSA process, however, none of the named risks proved to be material.

Newly occurring risks and changes in the risk profile of GRAWE RE are quickly identified through the quarterly reporting based on the ad-hoc risk reports of the risk owners with regard to risks that have occurred or potential risks so that, if necessary, it is possible to react in a timely manner (e.g. in the form of risk-mitigation measures). A change in the risk profile can influence both the business strategy and the risk strategy.

C.6.1 Risk exposure

An explicit quantitative assessment by strategic or reputational risks is difficult, because they have mostly a quantitative impact in one or more other risk modules. Therefore, the assessment of strategic risks and reputational risks is made in the course of the annual risk assessment via an assessment matrix. These are non-material risks.

The **Asset Liability Management** is assessed in the course of stress tests (cf. section C.2.5). The results show that GRAWE RE also has sufficient own funds in extreme scenarios on the financial market.

C.6.2 Risk concentration

No risk concentrations are seen in the category “other fundamental risks”.

C.6.3 Risk mitigation

With the strategic and reputation risks, the focus is placed on the risk mitigation using contingency plans and other measures.

Through detailed risk analyses before strategically relevant business decisions, GRAWE RE counters **strategic risks** beforehand.

The reputation risk is monitored through the depiction of the most important risks and respective risks of GRAWE RE within the framework of the internal control system, whereby specifically the interaction with other risks is monitored as a reputation risk is frequently a trigger for the realisation of other risks. Potential reputation risks (among others also specific individual cases) are discussed within the Board of Directors. In addition, special countermeasures in the area of external communication and the next steps when an emergency occurs are described in contingency plans.

C.6.4 Liquidity risk future profits

There is no liquidity risk for the category “other material risks”.

C.6.5 Risk sensitivity

For strategically wide-reaching decisions applicable scenario assessments are always performed.

C.7 Other information

Any material information for the risk profile of GRAWE RE was mentioned in the previous sections.

D. VALUATION FOR SOLVENCY PURPOSES

The valuation of the assets and liabilities in the solvency balance sheet is based on the economic value. Paragraphs 1 and 2 of Article 9 of the Delegated Regulation for Solvency II are the basis provision for assets and liabilities being valued according to International Accounting Standards unless other regulations apply. As a general rule, the economic value thus corresponds to the market value pursuant to IFRS as adopted by the Commission in accordance with Regulation (EC) No 1606/2002 unless other provisions apply.

Pursuant to Section 77 of Chapter 6 of the LAW, insurance and reinsurance companies have to value their assets and liabilities for the determination of the values in the economic balance sheet as follows:

The **assets** are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

We do not have any leasing contracts in our portfolio.

The valuation of the assets and liabilities of GRAWE RE is based on the going-concern approach pursuant to Article 7 of the Delegated Regulation. The technical provisions are calculated pursuant to the regulations for technical provisions (Article 76 to 86 of the Solvency II Directive 2009/138/EC).

The values in the annual financial statements are determined according to IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law chapter 113.

Hereinafter the economic balance sheet of GRAWE RE as it is illustrated in the reporting table S.02.01 as of 31 December 2018 can be found. Only assets and other liabilities are applied that are used in the Solvency II balance template according to the technical operating standards for operations, formats and templates for the report of solvency and financial condition. Within the section D.1 and D.3 fundamentals, methods and relevant assumptions, that are the basics for the valuation of solvency purposes, are described for all relevant assets and other liabilities. Moreover, for these positions quantitative and qualitative descriptions for possible relevant differences in fundamentals, methods and relevant assumptions between the valuation for solvency purposes and the valuation according to IFRS/LAW are illustrated.

The economic balance sheet of GRAWE RE as of 31 December 2018 is as follows in the reporting table S.02.01:

Assets		Economic Balance Sheet 2018 kEUR	2017 kEUR
Goodwill	R0010	0	0
Deferred acquisition costs	R0020	0	0
Intangible assets	R0030	0	0
Deferred tax assets	R0040	0	0
Pension benefit surplus	R0050	0	0
Property, plant & equipment held for own use	R0060	18	25
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	192,043	231,808
Property (other than for own use)	R0080	0	0
Holdings in related undertakings, including participations	R0090	88,695	101,931
Equities	R0100	6	2,898
Equities - listed	R0110	6	10
Equities - unlisted	R0120	0	2,888
Bonds	R0130	69,433	85,367
Government Bonds	R0140	28,926	37,392
Corporate Bonds	R0150	40,507	47,974
Structured notes	R0160	0	0
Collateralised securities	R0170	0	0
Collective Investments Undertakings	R0180	33,908	41,613
Derivatives	R0190	0	0
Deposits other than cash equivalents	R0200	0	0
Other investments	R0210	0	0
Assets held for index-linked and unit-linked contracts	R0220	0	0
Loans and mortgages	R0230	0	0
Loans on policies	R0240	0	0
Loans and mortgages to individuals	R0250	0	0
Other loans and mortgages	R0260	0	0
Reinsurance recoverables from:	R0270	0	0
Non-life and health similar to non-life	R0280	0	0
Non-life excluding health	R0290	0	0
Health similar to non-life	R0300	0	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0	0
Health similar to life	R0320	0	0
Life excluding health and index-linked and unit-linked	R0330	0	0
Life index-linked and unit-linked	R0340	0	0
Deposits to cedants	R0350	0	0
Insurance and intermediaries receivables	R0360	4,856	5,111
Reinsurance receivables	R0370	0	0
Receivables (trade, not insurance)	R0380	6,476	8,820
Own shares (held directly)	R0390	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0	0
Cash and cash equivalents	R0410	1,622	2,463
Any other assets, not elsewhere shown	R0420	64	47
Total assets	**R0500**	**205,080**	**248,274**

Liabilities		Economic Balance Sheet 2018 kEUR	2017 kEUR
Technical provisions – non-life	R0510	11,944	12,205
Technical provisions – non-life (excluding health)	R0520	7,171	8,999
Technical provisions calculated as a whole	R0530	0	0
Best Estimate	R0540	6,649	8,348
Risk margin	R0550	522	651
Technical provisions - health (similar to non-life)	R0560	4,774	3,206
Technical provisions calculated as a whole	R0570	0	0
Best Estimate	R0580	4,479	3,028
Risk margin	R0590	295	178
Technical provisions - life (excluding index-linked and unit-linked)	R0600	5,879	4,657
Technical provisions - health (similar to life)	R0610	0	0
Technical provisions calculated as a whole	R0620	0	0
Best Estimate	R0630	0	0
Risk margin	R0640	0	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	5,879	4,657
Technical provisions calculated as a whole	R0660	0	0
Best Estimate	R0670	5,729	3,868
Risk margin	R0680	150	789
Technical provisions – index-linked and unit-linked	R0690	0	0
Technical provisions calculated as a whole	R0700	0	0
Best Estimate	R0710	0	0
Risk margin	R0720	0	0
Other technical provisions	R0730	0	0
Contingent liabilities	R0740	0	0
Provisions other than technical provisions	R0750	51	91
Pension benefit obligations	R0760	0	0
Deposits from reinsurers	R0770	0	0
Deferred tax liabilities	R0780	5,290	5,144
Derivatives	R0790	0	0
Debts owed to credit institutions	R0800	0	0
Insurance & intermediaries payables	R0820	1,698	148
Reinsurance payables	R0830	19	18
Payables (trade, not insurance)	R0840	86	56
Subordinated liabilities	R0850	0	0
Subordinated liabilities not in Basic Own Funds	R0860	0	0
Subordinated liabilities in Basic Own Funds	R0870	0	0
Any other liabilities, not elsewhere shown	R0880	0	0
Total liabilities	**R0900**	**24,965**	**22.319**
Excess of assets over liabilities	**R1000**	**180,114**	**225.955**

D.1 Assets

D.1.1 Explanation of the valuation differences per category of asset

D.1.1.1 Intangible assets

Currently, a purchased goodwill or deferred conclusion costs are not applied neither in the annual financial statements according to IFRS nor in the economic balance sheet of GRAWE RE.

Other intangible assets are valued at 0 in the economic balance sheet above and the same is for the financial statements prepared under IFRS.

D.1.1.2 Deferred tax assets

The deferred tax assets in the economic balance sheet amount to 0 and also the same in the financial statements according to IFRS.

In the economic balance sheet, a tax rate of 12.5% for the determination of the deferred taxes was applied in the reporting year at GRAWE RE in the balance sheet for both life and non-life business.

D.1.1.3 Property, plant and equipment

Property, plant and equipment are presented at cost net of accumulated depreciation and any possible impairment. Depreciation on property, plant and equipment is calculated on a monthly basis using the straight-line method over their estimated useful lives using the rates shown in the table below.

	Annual %
Furniture and fittings	25
Leasehold Improvements	25
Equipment	25
Computer hardware	25

The assets residual values and useful life are reviewed, and adjusted if appropriate, at each reporting date. The depreciation provision is included in the administration expenses.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

D.1.1.3.1 Property, plant and equipment for own use

The valuation for this item is calculated as the description above and the value was kEUR 18 in both, the annual financial statements under IFRS and the economic balance sheet reported under Solvency II.

D.1.1.4 Holdings in related undertakings including participations

The economic value of holdings in related undertakings and participations corresponds to the market value. The market value of holdings in related undertakings and participations is determined pursuant to Article 13 Par. 1 Letter b of the Delegated Regulation with the adjusted equity method. There is no valuation at listed share prices as holdings in related undertakings and participations of GRAWE RE do not include any shares in stock-exchange-listed companies.

The market value of the participation in Medlife Insurance Ltd in the amount of kEUR 87,733 is determined based on the own funds calculated and reported quarterly under the LAW and the economic balance sheet submitted as at 31 December 2018 to the SI after converting the total amount from USD to EUR using the rate 1.145. The market value of the participation in Flutrana Enterprises Limited in the amount of kEUR 962 is determined as per the total equity or own funds of the latest available financial statements as at 31 December 2018 that have been prepared under the relevant IFRS standards.

D.1.1.5 Equities, bonds and organisms for common investments (excluding assets for index and unit linked contracts)

Shares, securities via participation and supplementary capital and other non-fixed-interest-bearing securities, bonds and organisms in common investments that are not held within the framework of unit and index-linked life insurance are valued in the annual financial statements according to market values as these are described in current IFRS's.

The economic value of these assets corresponds to the fair value of the asset to be applied at the time of the valuation. To determine the fair value to be applied, the valuation hierarchy defined in section D.1.2.1 is applied.

The fair value of equities, organisms in common investments that are not held for unit- and index-linked life insurance, as well as of bonds corresponds to the book value or a market value that is above the book value.

The are no valuation differences regarding equities, bonds and collective investment undertakings between the value in the economic balance sheet and the book value according to IFRS as of the reference date 31 December 2018.

D.1.1.6 Derivatives

In the portfolio of GRAWE RE, there were no freestanding, open derivative liabilities neither in the economic balance sheet as of 31 December 2018 nor in the annual financial statements according to IFRS as per 31 December 2018.

As stated in section C.2.1, derivatives are used within the framework of investment funds if they result in an optimisation/improvement in the investment performance.

D.1.1.7 Receivables from reinsurances and intermediaries

Receivables from reinsurance companies are indicated under this item.

Receivables in the economic balance sheet are valued with the economic value. In the process, it is assumed that all receivables have a term of up to 12 months. The consideration of these short-term receivables is done at the nominal value less individual and general value adjustments carried out and for reasons of proportionality corresponds to the approach in the annual financial statements according to IFRS.

D.1.1.8 Receivables (trade not insurance)

The receivables, trade not insurance primarily include receivables towards affiliated companies. In addition, receivables towards other insurance companies that do not originate from the reinsurance and receivables, trade not insurance towards suppliers as well as receivables towards tax and levies' authorities are indicated under this item.

Receivables in the economic balance sheet are valued with the economic value. In the process, it is assumed that all receivables have a term of up to 12 months. These short-term receivables are considered with the nominal value less individual and general value adjustments; this corresponds to the approach in the annual financial statements according to IFRS.

D.1.1.9 Cash and cash equivalents

The item includes domestic cash and deposits at banks. Foreign cash (currencies) and deposits at banks in foreign currency will be converted at the ECB reference exchange rate as of the balance sheet reference date.

The liquid funds are valued at the nominal value in the annual financial statements according to IFRS. This value corresponds to the present value pursuant to the International Accounting Standards. There are thus no differences between the approach of the economic balance sheet and the book value in the annual financial statements according to IFRS.

As of 31 December 2018 cash and cash equivalents amounted to kEUR 1,622 in the economic balance sheet as well as in the balance sheet according to IFRS.

D.1.1.10 Any other assets, not elsewhere shown

This item includes accruals from interest on tax pre-payments. The other assets in the economic balance sheet are valued at the economic value. For reasons of proportionality, the book value of the economic balance sheet corresponds to the book value in the annual financial statements according to IFRS and amounts to kEUR 64 as of 31 December 2018. The accrued interests from securities are assigned in the economic balance sheet to the market value of the investments for which it is incurred and displayed in the corresponding balance sheet position of the economic balance sheet.

D.1.2 Assessments that can fundamentally influence the valuation approaches

D.1.2.1 Valuation models of financial assets

The fair value of shares, investment funds that are not held for unit and index-linked life insurance, other non-fixed-interest-bearing securities, bonds and other fixed-interest-bearing securities corresponds to the book value or a stock exchange/market value.

D.1.2.1.1 Listed prices on an active market (Level I)

Financial assets are valued based on the market prices that are listed on active markets for same assets.

Definition of an active market

An active market is considered as a market on which business transactions take place with assets in sufficient frequency and volume so that price information is available on a continuous basis. If a financial instrument is managed on a recognised market/stock exchange, it is called a listed financial instrument. Regular transactions between independent contractual partners are not required for this but a low trading volume, a low number of transactions and the expansion of the bid-ask spread (spread) generally indicates the lack of an active market.

Another characteristic of liquidity is the volume of the issue. It can be usually assumed that under prevalent market conditions benchmark issues (from a volume of around EUR 500 million) can be seen as liquid.

In the valuation, GRAWE RE fundamentally assumes that sovereign bonds in the respective country currency can be seen as liquid.

Price sources to determine the listed market prices

The price sources of the market prices are defined by the Asset Management department, transferred to their system and continually updated.

Securities whose valuation prices can be found in the Bloomberg information system will be rated at this price if it concerns liquid market prices. With investment funds, the valuation is done by the fund management program of Security KAG that is continually updated based on the current price information.

D.1.2.1.2 Valuation methods based on verifiable market data (Level II)

In cases in which there is no listing on a stock exchange or a market cannot be seen as active due to limited activity of the market, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences are used to determine the fair value of a security.

D.1.2.1.3 Model valuations (Level III)

In cases in which neither listed prices on an active market (Level I) nor verifiable market data (Level II) are available, to determine the fair value of a security valuation models are used that are based on assumptions and estimates.

GRAWE RE applies valuation procedures that are appropriate for the respective circumstance and for which sufficient data are available to measure the fair value to be applied, whereby in compliance with IFRS 13 the use of relevant verifiable input factors is maximised and that of non- verifiable input factors minimised.

If the most important parameters of the model (e.g. interest curves, credit spreads...) can be monitored on the market, the security to be valued will be valued on the basis of these methods.

The goal when using a valuation method is to determine the price at which under current market conditions on the valuation reference date an orderly business transaction could take place between two independent market participants when the asset would be sold or the liability transferred.

The following three valuation methods are in compliance with Art. 10 Par. 7 of the LAW:

- **Market-based approach** - uses prices and other relevant information that are generated by market transactions and include identical or comparable assets, liabilities or a group of assets or liabilities (e.g. a business operation)
- **Cost-based approach** - reflects the amount that would currently be required in order to replace the service capacity of an asset (current replacement costs)
- **Income-based approach** - converts future amounts (payment streams or costs and earnings) into a single current (discounted) amount that reflects the current market expectations with regard to these future amounts (cash value method)

Non-verifiable input factors are used to calculate the fair value to be applied if relevant verifiable input factors are not available. A company develops non-verifiable input factors using the information that is available in the best possible form in this circumstance which may include the company's own data. In the process, all available information about the assumptions made by market participants is to be taken into account.

If non-verifiable input factors are used, the company's own data must be adjusted.

D.1.2.1.4 Value reductions of financial assets

GRAWE RE checks at least on each report reference date whether there are objective indications for a value reduction in an asset. All assets are assessed for specific value reductions.

Indications of a need for a value reduction can be, e.g.:

- Payment arrears
- Failed redevelopment measures
- Threat of insolvency and over indebtedness
- Deferment or waiver of payment obligations of the borrower
- Opening of insolvency proceedings

D.1.2.2 Deferred tax

The deferred tax equals the expected future tax profits (deferred tax assets) or tax payment (deferred tax liability). The evaluation of deferred taxes is based on the difference between the value of each individual asset and each individual liability in the economic balance sheet and in the fiscal balance sheet. The temporary differences determined in such a way are multiplied with the individual corporate tax rate. There is no discounting of the deferred taxes.

Permanent differences between the economic balance sheet and the fiscal balance sheet do not trigger any tax deferrals pursuant to IAS 12.

A positive value may only be assigned to deferred tax assets if it is probable that there will be taxable profits in future against which the deferred tax claim can be offset, whereby all legal and administrative regulations regarding temporal restrictions for the carry forward of not yet used tax credits or the carry forward of not yet used fiscal losses are taken into account.

Deferred tax assets and liabilities in Cyprus are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The deferred tax assets are indicated under the item "Deferred tax assets" of the assets in the economic balance sheet and the deferred tax liabilities under the item “Deferred tax liability”. There is no netting with the posted deferred tax liabilities in the economic balance sheet. In the economic balance a tax rate of 12.5% was applied for the valuation of deferred taxes for GRAWE RE.

D.1.2.3 Holdings in related undertakings

The economic value of holdings in related undertakings and participations corresponds to the market value. The market value of holdings in related undertakings and participations is determined pursuant to Article 13 Par. 1 Letter b of the Delegated Regulation with the adjusted equity method.

There is no valuation at quoted market prices as holdings in related undertakings and participations of GRAWE RE do not include any shares in stock-exchange-listed companies.

Any changes in the own funds of the participating subsidiaries, i.e. their profits and/or losses thus have a direct effect on the fair value of the participation.

The market value of the participation in Medlife Insurance Ltd in the amount of kEUR 87,733 is determined based on the own funds calculated and reported under the law and the economic balance sheet submitted as at 31 December 2018 to the SI after converting the total amount from USD to EUR using the rate 1.145. In the financial statements as at 31 of December 2018 under IFRS this investment is shown at a cost of kEUR 10,011.

The market value of the participation in Flutrana Enterprises Limited in the amount of kEUR 962 is determined as per the total equity or own funds of the latest available financial statements as at 31 December 2018 that have been prepared under the relevant IFRS standards. In the financial statements as at 31 of December 2018 under IFRS this investment is shown at a cost of kEUR 1,000.

D.2 Technical provisions

The technical provisions represent all current claims from ceding companies against GRAWE RE. They are calculated for the balance based on actuarial principles.

The technical provisions under Solvency II are derived as the sum of two components: the Best Estimate (in non-life further split into claims provisions and premium provisions) and the risk margin. The calculation of the risk margin is explained in section D.2.7.

D.2.1 Non-Life

D.2.1.1 Premium provision

Basis for calculating the premium provision is the upright contract portfolio. The basic idea is the "profitability of a reinsurance contract", including cash flow projections for all relevant cash flows and discounting them with the EIOPA interest curves. In general, the Best Estimate of the premiums provision is the difference between the discounted future premium income and the future costs that arise from claims under consideration of inflation expectations and the specific contract boundaries. For GRAWE RE, the premium provision is calculated under consideration of the accepted reinsurance contract boundaries as the unearned premium multiplied by the combined ratio.

Premium provisions Non-Life		Gross Best Estimate		Net Best Estimate		Reinsurance Recoverables	
		2018	2017	2018	2017	2018	2017
LoB	**Type of reinsurance**	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
14x	Income protection reinsurance	462	350	462	350	0	0
19x	Fire and other damage to property reinsurance	574	668	574	668	0	0
20x	General liability reinsurance	220	244	220	244	0	0
	Total Non-Life	**1,256**	**1,262**	**1,256**	**1,262**	**0**	**0**

The premium provision Non-Life amounted to kEUR 1,256 (2017: 1,262), which shows are stable development.

D.2.1.2 Claims provision

Basis for the calculation of the claims provision are the loss triangles (paid claims) which are built starting with the year 2000 (the year 2000 was chosen on a Group level in order to guarantee a consistent approach). The Best Estimate of the claims provision equals the probability weighted average of future payment for obligations from claims that have occurred. The method used for the calculation of claims provision is the chain-ladder approach. The completion of the triangle to a quadrangle is made by multiplication with settlement factors derived from historic claims data. The settlement factors are estimations for the expected increase of the claims in consecutive settlement years. Indexation is omitted (i.e. no inflation-adjusted claims triangles) due to the fact that the price index is already included in the payment pattern. These cash flows are discounted or shocked with the risk-free interest structure curves specified by EIOPA.

Claims provisions Non-Life		Gross Best Estimate		Net Best Estimate		Reinsurance Recoverables	
		2018	2017	2018	2017	2018	2017
LoB	Type of reinsurance	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
14x	Income protection reinsurance	4,016	2,678	4,016	2,678	0	0
19x	Fire and other damage to property reinsurance	2,309	2,081	2,309	2,081	0	0
20x	General liability reinsurance	3,547	5,355	3,547	5,355	0	0
	Total Non-Life	**9,872**	**10,114**	**9,872**	**10,114**	**0**	**0**

The claims provision amounted to kEUR 9,872 (2017: kEUR 10,114) as of 31 December 2018.

D.2.1.3 Value of the technical provisions according to LOBs

The technical provisions under Solvency II are derived as the sum of the Best Estimate (consisting of the claims provision and the premium provisions) and the risk margin.

Technical Provisions Non-Life		Best Estimate (gross = net)		Risk Margin		Technical Provision	
		2018	2017	2018	2017	2018	2017
LoB	Type of reinsurance	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
14x	Income protection reinsurance	4,478	3,028	295	178	4,773	3,206
19x	Fire and other damage to property reinsurance	2,883	2,749	247	231	3,130	2,980
20x	General liability reinsurance	3,767	5,599	275	420	4,042	6,019
	Total Non-Life	**11,128**	**11,376**	**817**	**829**	**11,945**	**12,205**

D.2.2 Life

To calculate the Best Estimate life three different types of life reinsurance treaties are to be considered, each with a different method of calculation for the technical provision.

Reinsurance on normal basis: In this case GRAWE RE has the same liabilities as the cedant including optional liabilities stemming from savings premiums. Currently GRAWE Ukraine (reinsurance of endowment insurance) is reinsured on normal basis. The endowment insurance of GRAWE Ukraine is the only portfolio which does not only pay in case of death but also in case of maturity and which offers profit participation. However, this portfolio is not open to new business and is continuously decreasing.

Reinsurance on risk basis: Reinsurance only covers mortality risk and the contract term is only one year. The cash inflows (risk premium) and the cash outflows (benefit payments) are therefor also limited to one year, which facilitates the Best Estimate calculation.

Reinsurance for tariff 'PZV': This is an Austrian pension product ("Prämiengeförderte Zukunfts-Vorsorge") with tax relief by the government. It is defined as an index-linked tariff with connected capital guarantees.

D.2.2.1 Value of the technical provisions according to LOBs

The technical provisions under Solvency II comprise of a Best Estimate and a risk margin.

Technical Provisions Life		Gross Best Estimate		Risk Margin		Technical Provisions	
		2018	2017	2018	2017	2018	2017
LoB	**Typ of reinsurance**	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
36	Insurance with profit participation on accepted reinsurance	9,479	9,104	146	501	9,625	9,605
36	Other life insurance on accepted reinsurance	-3,750	-5,236	3	288	-3,747	-4,948
	Total Life	**5,729**	**3,868**	**149**	**789**	**5,878**	**4,657**

As mentioned above with regard to the business reinsured on normal basis, not only single risks are reinsured but according to the reinsurance share (percentage) premiums and benefits of the portfolio of the cedants are shared.

For the contract portfolio on normal basis separate calculations are performed and the result according to the accepted reinsurance share is considered as reinsurance portfolio. Basis for the Best Estimate calculations are the original contractual cash flows (premiums, benefits, profit participation, etc.) of the cedants.

For risk premium business there is a simplified calculation because the contract term is only one year and reinsurance covers only mortality risk. The cash flows can be shortened to one year and both, cash inflow (risk premium) and cash outflows, can easily be shocked and compared.

The market value for PZV is calculated based on an option pricing method similar to a Black-Scholes-Merton approach using numerical simulations (Monte Carlo Method) to value the capital guarantee embedded. As the relevant reinsurance contracts are one-year-contracts (contract boundary), the considered time period in the calculation for the Best Estimate of PZV for GRAWE RE is always the subsequent year.

D.2.3 Description of the amounts that can be collected from retrocession contracts (reinsurance recoverables)

The reinsurance recoverables result as the difference between the gross and the net result for the Best Estimate Life and Non-Life. In GRAWE RE, gross results equal net result.

D.2.4 Description of the uncertainty level

D.2.4.1 Non-Life

For the claims provision confidence intervals are calculated where appropriate. The idea is to be able to statistically assess the fluctuation. The confidence intervals show a possible range with different safety levels for the Best Estimate.

D.2.4.2 Life

Within GRAWE RE, there are three different types of life reinsurance treaties, each with a different method of calculation of the technical provision.

Regarding business reinsured on normal basis calculations are performed using the calculation program Sec-Profit-Plus. The calculation program SecProfitPlus is separated into two parts, the deterministic part to deal with the guaranteed cash flows and the stochastic part to simulate the future discretionary benefits of the ceding company. Business reinsured on normal basis may include the payment of bonuses as declared by the ceding company. As the amount of these payments is not at the discretion of GRAWE RE, they do not form part of the future discretionary benefit (FDB) of GRAWE RE itself but are added to the deterministic part. The deterministic calculation is based on the book value of cash flows, it applies the parameter of second order and discounts the weighted cash flows to the balance sheet reference date. The calculation bases of second order are obtained with statistical methods. In the description of the degree of uncertainty, a differentiation is to be made between the two components in deterministic and simulated form.

In the deterministic part the Best Estimate is calculated from the following three main parameters:

1. Contractual cash flow,
2. Probability,
3. Discount factor.

While the contractual cash flows are determined by the nature of the contractual terms and the discount rate is by definition determined by a fixed specification, the uncertainty is influenced exclusively by the calculation bases of second order. In this way, the deterministic Best Estimate depends on the uncertainty of the calculation bases of second order.

Regarding business reinsured on risk premium basis and reinsurance for tariff 'PZV' the level of uncertainty is regarded immaterial due to the fact that the relevant reinsurance contracts are one-year-contracts (contract boundary).

D.2.5 Qualitative and quantitative explanation of the valuation differences per LOB, differences in the basics, methods and assumptions used

The most fundamental differences to the book values that are shown in the following table result from the market-consistent evaluation of the Solvency II reserves pursuant to the principles of orderly accounting (= book value according to IFRS) and according to the fair value principle (= market value).

Technical Liabilities	Economic Balance Sheet		Financial Statements IFRS		Deferred Liability Tax Rate 12.5%	
	2018	2017	2018	2017	2018	2017
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Risk margin (NL excl. Health)	522	651	760	842	30	24
Best Estimate (NL excl. Health)	6,650	8,348	9,678	9,957	379	201
Best estimate Life	5,729	3,868	42,934	32,803	4,651	3,617
Risk margin Life	149	789	1,117	8,403	121	952
Risk margin (NL health)	295	178	349	354	7	22
Best Estimate (NL health)	4,478	3,028	5,301	5,652	103	328
Total	**17,823**	**16,862**	**60,139**	**58,011**	**5,290**	**5,144**

The valuation is done according to the hierarchy of the Regulation (EU) No. 1126/2008 pursuant to the fair value principle. Differences in the valuation and in the results are based on fundamentally different assumptions between the book value according to IFRS and the economic value.

The fundamental differences are listed in the table below:

	IFRS	Solvency II
Addressees	creditor protection	supervisory authority, other insurance undertakings, rating agencies, customers
In general	use of relevant IFRS and IAS to value at fair value	market-consistent valuation
	standards based assumptions	realistic assumption
	creation of hidden reserves where permitted by IAS	disclosure of hidden reserves
	accounting and valuation options as per appropriate IFRS and IAS	defined in guidelines and technical specifications
	according to IAS 39 Financial Instruments measurement and recognition	fair value and time value
	no counterparty default	probability of the counterparty default is considered
	behaviour of the counterparty is not considered	behaviour of the counterparty is considered
	no preview on the economic development	economic development is anticipated
	management rules are applied once	management rules are adapted gradually to the simulation path
Claims Reserves	valuation of the payments to the counterparty according to reasonable commercial assessment and in accordance with IFRS 4	market-consistent valuation

	principle of prudence and case-by-case assessment and in accordance with IFRS 4	principle of expected value and actuarial calculation of the final result of claims
	net view in self retention and in accordance with IFRS 4	gross view without deduction of reinsurance recoverable and net view after reinsurance
	discounting with the actuarial interest rate and in accordance with IFRS 4	discounting with the risk-free interest rate
Life Reserves	actuarially calculated value of the obligations including declared and allocated profit shares and in accordance with IFRS 4	all probability weighted cash flows including future surplus participation
	use of an actuarial interest rate taking into account the maximum interest rate regulation and in accordance with IFRS 4	use of an interest rate curve with upward and downward shocks published by EIOPA

D.2.5.1 Relevant changes in the assumptions for the calculation of technical reserves

The most important changes in the calculation program SecProfitPlus were:

- Data quality enhancement for calculation of morbidity;
- Change of programming language to Python.

Following changes in the cedant's assumptions of the valuation have been adapted:

- Remodeling of the mortality of second order;
- Remodeling of probabilities for lapses and waivers of premium;
- Adaptation of shock on expenses;
- Reinsurance premium and benefit on a policy-by-policy basis;
- Risk basis calculation for Medlife;
- Incorporation of reinsurance commissions.

D.2.5.2 Calculation bases of the second order

The fundamental drivers for the difference between book value and market value in life reinsurance are the calculation bases of second order. Calculation bases of first order are those calculation bases that are determined in a very cautious way as they are used for example for the valuation of cover funds.

In contrast to those cautiously selected calculation bases first order, the more realistic calculation bases are described as calculation bases of second order. These relate to the following parameters:

- Risk-free interest curve
- Cancellation probability
- Premium exemption probability
- Mortality
- Costs.

The risk-free interest curve (without volatility adjustment) specified by EIOPA and relevant for the balance sheet reference data is applied. This has a big impact especially for technical provisions in Life. Further calculation bases are derived from company internal data.

D.2.5.3 Description matching adjustment and portfolio

Due to the high solvency ratio, the use of a LTG measure was not considered.

D.2.5.4 Statement on the use of the volatility adjustment

Due to the high solvency ratio, the use of the volatility adjustment was not considered.

D.2.5.5 Statement on the use of the risk-free transfer interest rate

Due to the high solvency ratio, the use of a risk-free transfer interest rate was not considered.

D.2.6 Significant simplifications and description of the level of uncertainty in calculating the technical provisions

The technical provisions were calculated pursuant to the regulations for technical provisions (Articles 76 to 86 of the Solvency II Directive 2009/138/EC). Regarding business reinsured on normal basis the behaviour of the policy holders is taken into consideration in the form of lapse and premium exemption probabilities according to calculation bases of second order of the ceding companies.

D.2.7 Calculation of the risk margin

In addition to the Best Estimate, the technical provisions also include the risk margin. The calculation of the risk margin is done in accordance with the standard model via the cost-of-capital (CoC) approach. The consideration of this approach is that the total portfolio is transferred to a reference company that invests without risk and handles this portfolio. The costs for holding solvency capital for risks that exist despite risk-free investment are depicted by the risk margin.

The cost of capital rate specified in the Solvency II standard model is 6%. Besides the underwriting risk, also the unavoidable market risk, the credit risk as well as the operational risk have to be included in the calculation.

The used method corresponds regarding the content to simplification no. 1 of EIOPA guidelines for the assessment of technical provisions (EIOPA-BoS-14/166 DE).

D.3 Other liabilities

D.3.1 Explanation of the valuation differences per category of liability

D.3.1.1 Provisions other than technical provisions

In IAS 37.36, the IFRS standardises the consideration of the provisions with the most probable value or with the expected value pursuant to IAS 37.39. From the current perspective, no fundamental deviations to the book value according to IFRS result in this position; therefore the approach in the annual financial statements according to IFRS corresponds to the valuation approach in the economic balance sheet.

D.3.1.2 Deferred tax liabilities

The deferred tax liabilities are indicated under the item "Deferred tax liabilities" of the liabilities in the economic balance sheet. There is no netting with the posted deferred tax assets in the economic balance sheet. The tax rate used is again 12.5% and the amount reported is kEUR 5,290 and are derived from the differences in liabilities between the economic balance sheet values and the annual financial statements under IFRS values as shown in the table used in section D.2.5.

D.3.1.3 Payables (trade, not insurance)

Other liabilities are valued with the repayment amount. There are no differences between the approach of the economic balance sheet and the book value in the annual financial statements according to IFRS.

D.3.1.4 Reinsurance payables

Reinsurance payables are the liabilities to be settled and resulting from the invoicing for the reinsurance ceded.

An offsetting with receivables is only to be done if this offsetting is legally permissible on the reference date for the invoicing; an offsetting with custodian account receivables is, however, not permitted under any circumstances.

There are no differences between the approach of the economic balance sheet and the book value in the annual financial statements according to IFRS.

D.3.1.5 Payables (trade, not insurance)

The item "Payables (trade, not insurance)" includes mainly taxes for Value Added Tax and employee payroll and defence tax and some employee bonus and the total amount as at 31 December 2018 is kEUR 86. The book value in the annual financial statements according to IFRS thus corresponds to the value of the economic balance sheet.

D.3.1.6 Insurance payables

Insurance payables are the liabilities to be settled and resulting from the invoicing of the reinsurance submitted from cedants.

An offsetting with receivables is only to be done if this offsetting is legally permissible on the reference date for the invoicing; an offsetting with custodian account receivables is, however, not permitted under any circumstances.

D.3.2 Assessments that can fundamentally influence the valuation approaches

D.3.2.1 Deferred taxes

The risk-mitigating effect of deferred taxes (ability of deferred taxes to compensate for losses [Adj_{DT}]) in the economic balance sheet is based on deferred tax liabilities possibly being reduced or deferred taxed assets being increased in the event of loss.

Pursuant to Art. 207 Par. 1 of the Delegated Regulation, the ability of the deferred taxes to compensate for losses corresponds to the total from the basic capital requirement (BSCR), the adjustment of the ability to compensate for losses through the technical provisions (Adj_{TP}) and the capital requirement for the operational risk, multiplied with the individual corporate tax rate.

The amount of the ability of deferred taxes to compensate for losses is limited to the lower value of the amount determined pursuant to Art. 207 and/or the amount of the netted deferred tax liabilities indicated in the economic balance sheet and is taken into account as a deduction item from the SCR. Further explanations are made in section D.1.2.2.

D.4 Alternative methods of valuation

Pursuant to Art. 9 Par. 4 of the Delegated Regulation (EU) 2015/35, the use of deviating methods for valuation is permissible if the methods used

(1) are also applied within the framework of the creation of the annual financial statements or of the consolidated statements,
(2) the valuation method complies with Article 75 of the Solvency II Directive,
(3) the company does not value this asset or this liability according to IFRS,
(4) an valuation of the assets and liabilities pursuant to IFRS entails costs for the company that based on its administrative costs would be disproportionate overall.

GRAWE RE only uses alternative price determination in an immaterial extent (for subsidiary companies like in Flutrana Entrerprises Limited) in order to determine the valuation approach in the economic balance sheet. The costs to make a more up to date evaluation from using the financial statements of the previous year as simply more than the actual effect it will have in the overall results.

In the following areas, GRAWE RE uses alternative valuation methods to determine the valuation approach in the economic balance sheet:

D.4.1 Alternative price determination for securities

The market price for securities for which no market price of a liquid market is available is determined via the risk-free interest curve and a supplement. The following hierarchy is complied with to determine the supplement:

a) use of a liquid security of the same debtor of the same credit rating,
b) use of credit default swaps,
c) determination of credit supplements at banks who carry out primary issues for various issuers (of varying credit ratings),
d) determination of a credit spread for equivalent securities.

The valuation hierarchy of financial assets is explained in section D.1.2.1.

Private placements are regularly checked for liquidity and value of the prices and if there is illiquidity priced with alternative valuation methods.

D.4.2 At-equity approach for shares in affiliated companies and participations

The fair values of holdings in related undertakings and participations are determined pursuant to Article 13 Par. 1 letter b) with the adjusted equity method as of the balance sheet reference date and/or correspond to the book value pursuant to Article 13 Par. 6.

Any changes in the own funds of the participating subsidiaries, i.e. their profits and/or losses thus have a direct effect on the fair value of the participation.

D.5 Other information

D.5.1 Currency conversion

Assets, reserves and liabilities in foreign currency will be converted into euros at the ECB reference rate as of the balance sheet date.

D.5.2 Materiality

The principle of proportionality and materiality is implemented pursuant to Art. 9 Par. 4 of the Delegated Regulation (EU) 2015/35 in accordance with the nature, scope and complexity of the company.

With regard to the determination of the materiality threshold in the valuation of the assets and liabilities in the economic balance sheet, reference is made to the definition of the IAS 8.5.

E. CAPITAL MANAGEMENT

E.1 Own funds

Under Solvency II, the own funds requirement of an insurance company is oriented to the latter's actual risk profile (cf. statements in section C). The higher the risks that an insurance company is exposed to, the higher the solvency capital requirement (SCR) or the minimum capital requirement (MCR) that the company has to cover with creditable own funds.

The determination of the own funds that can be taken into consideration to cover SCR and MCR is based on a three-phase procedure:

In a first step, the own funds in the economic balance sheet are calculated as the surplus of the assets over the liabilities. This surplus is indicated in the depiction of the economic balance sheet in section D. The economic valuation of the assets and liabilities, however, deviates from the valuation according to existing IFRS accounting regulations (cf. statements in section D). The own funds indicated in the economic balance sheet are described as basic own funds.

The basic own funds can also include so-called subordinated liabilities. The capital management guidelines of GRAWE RE currently do not make provision for the issue of such liabilities.

Supplementary own funds can be requested from the shareholders to compensate for losses, but are not included in the economic balance sheet and may only be taken into account after approval from the financial market supervisory authority. The taking out of supplementary own funds is not envisaged in the valid capital management guideline of GRAWE RE.

In a second step, the own funds components are allocated to three categories ("Tiers") as these can compensate for losses in varying degrees in accordance with their availability and term.

In its economic balance sheet, GRAWE RE only indicates own funds components that have an indefinite term, are free of encumbrances and are permanently available and thus can be classified as Tier 1 capital.

Finally, if applicable, there will be a limitation of the offset ability of Tier 1, Tier 2 and Tier 3 capital as individual own funds components do not have full ability to compensate for losses in an emergency.

In the company-internal capital management guideline, GRAWE RE has formulated the goal of only holding basic own funds of Tier 1 quality.

In order to achieve this goal, in particular the following rules are to be complied with in the case of corporate actions:

- Only ordinary shares may be issued. In the process, the statutory provisions valid for the share issue are to be complied with.

- It is to be ensured that all own funds components are fully paid up at all times or are covered by assets with value.
- It is to be ensured that the own funds components are not encumbered by the existence of agreements or associated transactions or as the result of a group structure via which the effectiveness as capital is undermined.
- Neither subordinated liabilities maybe used.
- No treasury stock may be held.

No corporate actions are planned in the financial years 2019 until 2021.

The annual general meeting of GRAWE RE is responsible for the decision taking regarding dividend payments. The Board of Directors has to submit to the annual general meeting a proposal for the dividend payment. For the year 2018 a dividend payment of kEUR 5,000 will be proposed. On the 4 December 2018 the Board of Directors agreed on a dividend payment from the accumulated retained earnings of years 1999-2005 with both years inclusive amounting to kEUR 33,400. The proposal was approved on 12 December 2018 at an Extraordinary General Meeting also by the shareholders and the payment was executed.

The proposal is to be developed with regard to commercial and strategic interests of all stakeholders (in particular but not solely of the shareholders) but must at any rate take into account the following aspects:

- the statutory provisions, in particular the provisions under company law and supervisory law regarding the dividend payments;
- the resourcing at any time of the company with sufficient own funds to meet the capital requirements as of 31 December of the last financial year;
- key business events since 31 December of the last financial year for which a negative influence on the own funds and the fulfilment of the capital requirements is expected;
- the detailed planning for the ongoing financial year and the resulting forecast of the own funds and of the capital requirements;
- the medium-term capital management plan and the resulting forecast of the own funds and of the capital requirements.

With the proposal to the general shareholders' meeting, the Board of Directors has to ensure that as a result of the dividend payment neither the current nor the forecasted solvency ratio falls below 125%.

E.1.1. Own funds according to IFRS

The paid-up capital of GRAWE RE consists as of 31 December 2018 of 10,001,000 units of shares with a nominal value of 1.00 EUR each. The company does not hold any treasury stock at all.

E.1.2. Own funds pursuant to Solvency II

The own funds resulting from the economic balance sheet as of 31 December 2018 are comprised of the positions depicted in the overview listed below.

GRAWE RE does not have any subordinated liabilities or any supplementary own funds.

The total own funds therefore correspond to the total of the basic own funds.

Based on these characteristics, the basic own funds of GRAWE RE are to be classified solely as "Tier 1" pursuant to Art. 69 to Art. 71 of the Delegated Regulation. They can be offset in an unlimited amount to cover SCR and MCR.

	Total 2018 kEUR	of which Tier 1 unlimited kEUR	Total 2017 kEUR	of which Tier 1 unlimited kEUR
Paid-up share capital	10,001	10,001	10,001	10,001
Capital reserves	280	280	280	280
Reconciliation reserve	164,833	164,833	211,674	211,674
Total of the basic own funds	**175,114**	**175,114**	**221,955**	**221,955**

The reconciliation reserve corresponds to the total surplus of the assets over the liabilities less the items named in Art. 70 Par. 1 of the Delegated Regulation. In the past financial year, no dividend payment was agreed.

The reconciliation reserve of GRAWE RE is therefore calculated as follows:

	Total 2018 kEUR	Total 2017 kEUR
Surplus of the assets over the liabilities	**175,114**	**221,955**
Paid-up share capital	10,001	10,001
Capital reserves	280	280
Other basic own funds	**-10,281**	**-10,281**
Reconciliation reserve	**164,833**	**211,674**

E.1.3. Explanation of the differences in valuation

The differences in valuation between the own funds of the economic balance sheet and the own funds according to IFRS are comprised of the following positions:

	Difference in valuation	
	2018 kEUR	**2017** kEUR
Difference in the valuation of assets	77,684	90,920
less: difference in the valuation of technical provisions	42,316	41,148
less: difference in the valuation of other liabilities	-5,290	-5,144
Total amount of the reserves from the annual financial statements	55,123	88,750
Contingency Reserve, not included in the own funds according to IFRS, therefore deduction	0	0
Reserves from the annual financial statements, adjusted to reflect the valuation differences from Solvency II	**169,833**	**215,674**
Surplus of the assets over the liabilities that can be assigned to the other basic own funds	10,281	10,281
Surplus of the assets over the liabilities	**180,114**	**225,955**

The difference in the valuation of the assets results from the market values applied in the economic balance sheet exceeding overall the book values in the balance sheet according to IFRS.

With the technical provisions, the Best Estimate overall is substantially below the book values in the IFRS balance sheet.

The differences in the valuation of other liabilities results primarily from the carrying of deferred taxes as liabilities.

E.2 SCR and MCR

GRAWE RE calculates the solvency capital requirement (SCR) with the Solvency II standard formula.

This is intended to reflect a capital need that makes it possible for the company to compensate for unforeseen losses in the next year. The SCR is calibrated in such a way that it corresponds to a Value at Risk of the basic own funds at a confidence level of 99.5% over a period of one year or to put it another way, a "1-in-200"-year ruin event is simulated. The calibration guarantees that all quantifiable risks that an insurance company is exposed to are taken into consideration.

When applying the standard formula GRAWE RE does not use neither simplifications for individual modules nor sub-modules or company-specific parameters nor the matching adjustment. No use was made of the application of the volatility adjustment either.

As of 31 December 2018, the SCR of GRAWE RE was kEUR 29,246 (2017: kEUR 36,886) and, based on risk modules, is comprised as follows:

		2018	Share on SCR	2017	Share on SCR
Market risk	Interest rate risk	5,140	17.6%	6,737	18.3%
	Equity risk	21,840	74.7%	27,596	74.8%
	Property risk	0	0.0%	0	0.0%
	Spread risk	6,077	20.8%	7,517	20.4%
	Concentration risk	281	1.0%	686	1.9%
	Currency risk	1,794	6.1%	3,130	8.5%
	Diversification	-7,340	-25.1%	-10,306	-27.9%
	TOTAL	27,791	95.0%	35,361	95.9%
Counterparty default risk		1,986	6.8%	2,542	6.9%
Life underwriting risk	Mortality risk	59	0.2%	51	0.1%
	Longevity risk	8	0.0%	223	0.6%
	Disability risk	2	0.0%	521	1.4%
	Lapse risk	240	0.8%	1,964	5.3%
	Cost risk	22	0.1%	89	0.2%
	Revision risk	0	0.0%	0	0.0%
	Catastrophe risk	602	2.1%	638	1.7%
	Diversification	-206	-0.7%	-1,058	-2.9%
	TOTAL	727	2.5%	2,428	6.6%
Health underwriting risk	Health (similar to Life)	0	0.0%	0	0.0%
	Premium and reserve risk	2,419	8.3%	1,873	5.1%
	Lapse risk	0	0.0%	0	0.0%
	Health (similar to Non-Life)	2,419	8.3%	1,873	5.1%
	Catastrophe risk	150	0.5%	150	0.4%
	Diversification	-108	-0.4%	-107	-0.3%
	TOTAL	2,460	8.4%	1,916	5.2%
Non-Life underwriting risk	Premium and reserve risk	2,820	9.6%	3,154	8.6%
	Lapse risk	0	0.0%	0	0.0%
	Natural catastrophes	2,613	8.9%	3,446	9.3%
	Man-made catastrophes	2,207	7.5%	2,500	6.8%
	Other catastrophes	0	0.0%	0	0.0%
	Catastrophe risk	3,420	11.7%	4,258	11.5%
	Diversification	-1,293	-4.4%	-1,513	-4.1%
	TOTAL	4,947	16.9%	5,898	16.0%
Basic SCR (BSCR)		31,014	106.0%	39,371	106.7%
Operational risk		626	2.1%	592	1.6%
Adjustments technical provisions (Adj_{TP})		0	0.0%	0	0.0%
Adjustments deferred taxes (Adj_{DT})		-2,394	-8.2%	-3,077	-8.3%
Adjustments (Adjustment term)		-2,394	-8.2%	-3,077	-8.3%
SCR (capital requirement)		**29,246**	**100.0%**	**36,886**	**100.0%**

The ratio of the eligible own funds to the SCR (solvency ratio) was 598.8% (2017: 601.7%) as of the reporting reference date. The own funds were sufficiently fulfilled in the whole reporting period.

The **minimum capital requirement (MCR)** constitutes the minimum volume of capital that the insurance company must hold at any time in order to be able to continue its business activities further.

The MCR is calculated in a three-stage procedure in accordance with the Solvency II calculation regulations:

The linear MCR is determined as a function of the net Best Estimate, the net written premiums and the risk capital for the unit-linked and index-linked life insurance that are to be multiplied with specified factors.

For the linear MCR calculated in Step 1, it is checked whether it is between 25% and 45% of the SCR. If this is the case, the linear MCR is then used further for the third step of the calculations.

If, however, the linear MCR is below 25%, 25% of the SCR will then be applied in Step 3. If it is over 45%, 45% of the SCR will then be included in the calculations of Step 3.

It is checked whether the value from Step 2 has an absolute lower threshold stipulated by law. If this is the case, then the result from step 2 corresponds to the MCR. If the calculation result from step 2 results in a lower value than the absolute lower threshold, the MCR will be increased to this lower threshold.

The MCR of GRAWE RE corresponds to 25% of the SCR (MCR floor). As of the reporting reference date 31 December 2018, the MCR of GRAWE RE was kEUR 7,311 (2017: kEUR 9,222).

The ratio of the eligible own funds to the MCR amounted to 2395% (2017: 2407%).

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

Not relevant.

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

Not relevant.

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

Not relevant.

E.6 Any other information

Any relevant information was mentioned in the previous sections.

Nicosia, 19 April 2019

The Board of Directors

Dr. Wolfgang Felser

Dr. Thomas Hlatky

Daniela Uhlmann, MA

Petros Petrides, BSC FCA

Christos Michael, MA FCCA

Annex

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	17,981
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	192,042,827
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	88,695,309
Equities	**R0100**	6,056
Equities - listed	**R0110**	6,056
Equities - unlisted	**R0120**	0
Bonds	**R0130**	69,432,980
Government Bonds	**R0140**	28,925,620
Corporate Bonds	**R0150**	40,507,360
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	33,908,482
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	0
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	4,856,314
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	6,476,379
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	1,622,412
Any other assets, not elsewhere shown	**R0420**	63,711
Total assets	**R0500**	205,079,623

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	11,944,133
Technical provisions – non-life (excluding health)	R0520	7,170,616
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	6,648,744
Risk margin	R0550	521,872
Technical provisions - health (similar to non-life)	R0560	4,773,517
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	4,478,601
Risk margin	R0590	294,916
Technical provisions - life (excluding index-linked and unit-linked)	R0600	5,878,852
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	5,878,852
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	5,729,314
Risk margin	R0680	149,538
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	50,500
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	5,289,518
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	1,697,609
Reinsurance payables	R0830	18,618
Payables (trade, not insurance)	R0840	86,128
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	24,965,358
Excess of assets over liabilities	R1000	180,114,266

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				
		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	Property	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	-	-	-	-	-	-	-	-	-	-	-	-					
Gross - Proportional reinsurance accepted	**R0120**	-	4,010,477					5,518,291	1,802,292									11,331,060
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**	-	18,618	-	-	-	-	-	-	-	-	-	-					18,618
Net	**R0200**	-	3,991,859	-	-	-	-	5,518,291	1,802,292	-	-	-	-					11,312,442
Premiums earned																		
Gross - Direct Business	**R0210**	-	-	-	-	-	-	-	-	-	-	-	-					
Gross - Proportional reinsurance accepted	**R0220**	-	4,010,576	-	-	-	-	5,430,594	1,794,295	-	-	-	-					11,235,466
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**	-	18,618	-	-	-	-	-	-	-	-	-	-					18,618
Net	**R0300**	-	3,991,958	-	-	-	-	5,430,594	1,794,295	-	-	-	-					11,216,848
Claims incurred																		
Gross - Direct Business	**R0310**	-	-	-	-	-	-	-	-	-	-	-	-					
Gross - Proportional reinsurance accepted	**R0320**	-	1,506,598	-	-	-	-	2,823,277	780,835	-	-	-	-					5,110,711
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**	-	-	-	-	-	-	-	-	-	-	-	-					
Net	**R0400**	-	1,506,598	-	-	-	-	2,823,277	780,835	-	-	-	-					5,110,711
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	-	-	-	-	-	-	-	-	-	-	-	-					
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-	-	-	-					
Gross - Non- proportional reinsurance accepted	**R0430**																	
Reinsurers' share	**R0440**	-	-	-	-	-	-	-	-	-	-	-	-					
Net	**R0500**	-	-	-	-	-	-	-	-	-	-	-	-					
Expenses incurred	**R0550**	-	1,908,402	-	-	-	-	2,417,072	851,836	-	-	-	-					5,177,310
Other expenses	**R1200**																	
Total expenses	**R1300**																	5,177,310

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**								7,036,019	7,036,019
Reinsurers' share	**R1420**								-	
Net	**R1500**								7,036,019	7,036,019
Premiums earned										
Gross	**R1510**								6,968,482	6,968,482
Reinsurers' share	**R1520**								-	
Net	**R1600**								6,968,482	6,968,482
Claims incurred										
Gross	**R1610**								1,723,160	1,723,160
Reinsurers' share	**R1620**								-	
Net	**R1700**								1,723,160	1,723,160
Changes in other technical provisions										
Gross	**R1710**								(2,638,925)	(2,638,925)
Reinsurers' share	**R1720**								-	
Net	**R1800**								(2,638,925)	(2,638,925)
Expenses incurred	**R1900**								1,250,689	1,250,689
Other expenses	**R2500**									
Total expenses	**R2600**									1,250,689.03

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**
	R0010		AT	HR	SI			
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Premiums written								
Gross - Direct Business	**R0110**	-	-	-	-			-
Gross - Proportional reinsurance accepted	**R0120**	625,106	6,092,193	1,749,740	2,026,139			11,331,062
Gross - Non-proportional reinsurance accepted	**R0130**	-	-	-	-			-
Reinsurers' share	**R0140**	-	18,618		-			18,618
Net	**R0200**	625,106	6,073,575	1,749,740	2,026,139			11,312,443
Premiums earned								
Gross - Direct Business	**R0210**	-	-	-	-			-
Gross - Proportional reinsurance accepted	**R0220**	664,776	6,038,877	1,714,869	1,996,425			11,235,466
Gross - Non-proportional reinsurance accepted	**R0230**	-	-	-	-	-		
Reinsurers' share	**R0240**	-	18,618		-			18,618
Net	**R0300**	664,776	6,020,258	1,714,869	1,996,425			11,216,847
Claims incurred								
Gross - Direct Business	**R0310**	-	-	-	-			-
Gross - Proportional reinsurance accepted	**R0320**	(119,077)	3,220,741	640,942	673,818			5,110,710
Gross - Non-proportional reinsurance accepted	**R0330**	-	-	-	-			-
Reinsurers' share	**R0340**	-	-	-	-			-
Net	**R0400**	(119,077)	3,220,741	640,942	673,818			5,110,710
Changes in other technical provisions								
Gross - Direct Business	**R0410**	-	-	-	-			-
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-			-
Gross - Non- proportional reinsurance accepted	**R0430**	-	-	-	-			-
Reinsurers' share	**R0440**	-	-	-	-			-
Net	**R0500**							
Expenses incurred	**R0550**	247,067	2,647,163	898,781	1,044,790			5,177,310
Other expenses	**R1200**							
Total expenses	**R1300**							5,177,310

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
	R1400		AT	BA	HU			
		C0220	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**
Premiums written								
Gross	**R1410**	378,382	5,088,211	391,588	625,992			7,036,019
Reinsurers' share	**R1420**	-	-	-	-			-
Net	**R1500**	378,382	5,088,211	391,588	625,992			7,036,019
Premiums earned								
Gross	**R1510**	401,507	4,984,773	384,506	646,220			6,968,482
Reinsurers' share	**R1520**	-	-	-	-			-
Net	**R1600**	401,507	4,984,773	384,506	646,220			6,968,482
Claims incurred								
Gross	**R1610**	82,631	1,408,749	143,683	(30,571)			1,723,160
Reinsurers' share	**R1620**	-	-	-	-			-
Net	**R1700**	82,631	1,408,749	143,683	(30,571)			1,723,160
Changes in other technical provisions								
Gross	**R1710**	(60,343)	2,699,268		-			2,638,925
Reinsurers' share	**R1720**	-	-	-	-			-
Net	**R1800**	(60,343)	2,699,268		-			2,638,925
Expenses incurred	**R1900**	146,579	296,361	153,977	385,757			1,250,689
Other expenses	**R2500**							-
Total expenses	**R2600**							1,250,689

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct			Annuities stemming from non-life insurance contracts and relating to health insurance	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**									5,729,314	5,729,314						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									-	-						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**									5,729,314	3,867,828						
Risk Margin	**R0100**									149,538	149,538						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	**R0110**																
Best estimate	**R0120**																
Risk margin	**R0130**																
Technical provisions - total	**R0200**									5,878,852	5,878,852						

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												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	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**		462,011					573,639	219,681									1,255,331
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**																	
Net Best Estimate of Premium Provisions	**R0150**		462,011					573,639	219,681									1,255,331
Claims provisions																		
Gross	**R0160**		4,016,589					2,308,794	3,546,631									9,872,014
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**																	
Net Best Estimate of Claims Provisions	**R0250**		4,016,589					2,308,794	3,546,631									9,872,014
Total Best estimate - gross	**R0260**		4,478,601					2,882,433	3,766,311									11,127,345
Total Best estimate - net	**R0270**		4,478,601					2,882,433	3,766,311									11,127,345
Risk margin	**R0280**		294,916					247,043	274,829									816,788
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**																	
Best estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**		4,773,517					3,129,475	4,041,141									11,944,133
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**																	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**		4,773,517					3,129,475	4,041,141									11,944,133

Annex I
S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	Z0010	Fire and other property damage

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15&+		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170	C0180
Prior	R0100																-1	R0100	-1	-1
N-14	R0110	298,404	167,821	48,035	9,380	5,610	2,937	44,299	425	(492)	106	124	4,422	-	-	-		R0110	0	581,072
N-13	R0120	375,547	153,041	27,077	26,057	(2,690)	3,050	763	74	(1,846)	60	(820)	6,116	-	-			R0120	0	586,428
N-12	R0130	346,221	159,247	32,845	29,905	11,515	8,258	9,642	506	1,208	1,093	388	19,231	(309)				R0130	-309	619,749
N-11	R0140	599,413	341,337	22,385	14,611	7,646	(681)	4,208	172	(598)	(9)	(18)	5,558					R0140	5,558	994,023
N-10	R0150	1,343,942	407,573	58,568	24,726	8,694	8,035	5,650	352	(371)	317	1,812						R0150	1,812	1,859,299
N-9	R0160	1,480,186	506,533	77,887	(8,092)	41,810	3,016	12,922	36,182	28,344	1,189							R0160	1,189	2,179,978
N-8	R0170	1,039,436	278,010	13,578	18,843	8,431	2,155	2,420	(92)	839								R0170	839	1,363,619
N-7	R0180	1,028,392	310,541	63,561	19,339	8,335	5,630	3,951	6,829									R0180	6,829	1,446,577
N-6	R0190	1,281,704	574,097	69,528	47,409	12,377	14,402	3,481										R0190	3,481	2,002,997
N-5	R0200	1,232,110	632,016	83,669	43,994	10,167	10,453											R0200	10,453	2,012,409
N-4	R0210	1,379,888	656,780	51,697	23,064	8,292												R0210	8,292	2,119,720
N-3	R0220	1,511,806	535,658	105,538	48,076													R0220	48,076	2,201,079
N-2	R0230	1,513,152	750,950	128,623														R0230	128,623	2,392,724
N-1	R0240	1,747,781	1,012,767															R0240	1,012,767	2,760,548
N	R0250	1,992,582																R0250	1,992,582	1,992,582
																	Total	R0260	3,220,191	25,112,805

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15&+		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350		C0360
Prior	R0100																(0)	R0100	0
N-14	R0110															(0)		R0110	0
N-13	R0120														(1)			R0120	-1
N-12	R0130													(3)				R0130	-3
N-11	R0140												(143)					R0140	-143
N-10	R0150											20,026						R0150	20,058
N-9	R0160										23,516							R0160	23,613
N-8	R0170									15,482								R0170	15,549
N-7	R0180								20,532									R0180	20,569
N-6	R0190							42,136										R0190	42,093
N-5	R0200						62,880											R0200	62,714
N-4	R0210					75,306												R0210	74,924
N-3	R0220				97,942													R0220	97,197
N-2	R0230			153,810														R0230	152,478
N-1	R0240		297,762															R0240	295,490
N	R0250	1,154,015																R0250	1,152,088
																	Total	R0260	1,956,625

Annex I
S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year | **Z0010** | **General liability reinsurance**

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15&+	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Prior	R0100																133,659	133,659	133,659
N-14	R0110	219,375	191,440	82,036	114,936	22,973	17,933	15,169	14,791	3,970	8,588	630	473	1,511	313	2,732		2,732	696,870
N-13	R0120	205,760	179,384	169,944	39,890	21,707	9,260	11,105	10,477	38,353	41,583	25,297	1,637	4,913	19,698			19,698	779,008
N-12	R0130	267,225	336,094	65,722	54,582	39,933	23,819	12,093	26,947	38,134	48,356	6,009	62	563				563	919,538
N-11	R0140	370,838	183,726	80,003	62,824	20,453	18,432	12,413	37,491	-10,393	6,303	4,790	1,268					1,268	788,147
N-10	R0150	196,744	158,073	46,694	65,269	65,245	47,642	21,428	6,699	1,141	12,525	1,204						1,204	622,665
N-9	R0160	202,075	182,806	80,307	42,244	18,857	10,467	9,167	10,790	13,705	2,878							2,878	573,296
N-8	R0170	213,616	172,262	83,571	58,378	34,385	23,654	17,409	23,904	4,894								4,894	632,073
N-7	R0180	215,358	172,788	63,711	43,744	30,565	26,599	8,888	23,420									23,420	585,072
N-6	R0190	208,152	182,398	96,374	104,082	68,492	36,941	31,300										31,300	727,739
N-5	R0200	231,256	197,206	64,246	66,334	62,245	43,231											43,231	664,518
N-4	R0210	232,801	186,604	87,094	46,090	51,422												51,422	604,010
N-3	R0220	212,558	183,602	45,693	75,727													75,727	517,580
N-2	R0230	223,587	160,054	48,191														48,191	431,831
N-1	R0240	217,600	169,130															169,130	386,730
N	R0250	212,717																212,717	212,717
Total	R0260																	822,035	9,275,453

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15&+	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350	C0360
Prior	R0100																48,247	48,332
N-14	R0110															52,781		52,989
N-13	R0120														60,256			60,513
N-12	R0130													82,261				82,400
N-11	R0140												71,672					71,461
N-10	R0150											59,593						59,027
N-9	R0160										60,805							59,792
N-8	R0170									82,703								80,907
N-7	R0180								91,254									88,848
N-6	R0190							149,709										145,575
N-5	R0200						160,667											155,710
N-4	R0210					179,644												173,758
N-3	R0220				206,717													200,033
N-2	R0230			250,963														243,360
N-1	R0240		351,132															341,373
N	R0250	560,642																548,711
Total	R0260																	2,412,789

Annex I
S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year | **Z0010** | **Income protecti...nal reinsurance**

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15&+		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170	C0180
Prior	R0100																-14,038	R0100	-14,038	-14,038
N-14	R0110	219,830	539,474	204,450	89,984	32,741	9,034	4,952	783	419	1,383	822	1,799	954	-6,316	59		R0110	59	1,100,369
N-13	R0120	237,165	555,480	277,676	107,951	34,900	11,755	23,735	2,668	5,575	377	4,153	335	-1,542	54			R0120	54	1,260,283
N-12	R0130	212,996	670,432	196,868	64,461	19,834	5,330	24,042	3,213	-84	2,154	6,226	774	2,100				R0130	2,100	1,208,346
N-11	R0140	359,951	566,335	272,499	120,017	43,371	16,253	19,832	3,349	2,739	5,822	-70	778					R0140	778	1,410,874
N-10	R0150	193,069	485,960	222,030	64,966	34,171	36,868	18,632	22,494	1,264	15	375						R0150	375	1,079,843
N-9	R0160	235,339	484,857	177,099	142,619	24,658	45,692	2,461	4,414	700	80,142							R0160	80,142	1,197,981
N-8	R0170	278,346	430,829	174,031	81,082	21,256	6,445	1,415	3,728	3,796								R0170	3,796	1,000,927
N-7	R0180	249,232	505,874	194,009	74,548	27,018	7,096	96,869	6,797									R0180	6,797	1,161,443
N-6	R0190	281,138	451,400	191,385	59,634	25,745	58,264	180										R0190	180	1,067,746
N-5	R0200	286,722	495,036	162,421	43,761	35,314	19,196											R0200	19,196	1,042,449
N-4	R0210	297,342	425,606	185,181	57,820	169,405												R0210	169,405	1,135,355
N-3	R0220	280,917	429,673	179,203	213,338													R0220	213,338	1,103,130
N-2	R0230	288,307	514,788	274,919														R0230	274,919	1,078,013
N-1	R0240	285,078	550,201															R0240	550,201	835,278
N	R0250	555,137																R0250	555,137	555,137
																	Total	R0260	1,862,437	16,223,136

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15&+		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350		C0360
Prior	R0100																-515	R0100	-514
N-14	R0110															-3,899		R0110	-3,909
N-13	R0120														-5,673			R0120	-5,698
N-12	R0130													-3,917				R0130	-3,941
N-11	R0140												-4,506					R0140	-4,513
N-10	R0150											-2,800						R0150	-2,776
N-9	R0160										-1,146							R0160	-1,074
N-8	R0170									7,534								R0170	7,653
N-7	R0180								13,988									R0180	14,214
N-6	R0190							22,675										R0190	22,961
N-5	R0200						38,889											R0200	39,239
N-4	R0210					64,112												R0210	64,546
N-3	R0220				110,063													R0220	110,520
N-2	R0230			215,648														R0230	216,166
N-1	R0240		479,329															R0240	480,085
N	R0250	2,108,621																R0250	2,111,810
																	Total	R0260	3,044,768

Annex I
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 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	10,001,000	10,001,000			
Share premium account related to ordinary share capital	**R0030**	279,768	279,768			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	164,833,497	164,833,497			
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**	175,114,266	175,114,266			
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**	175,114,266	175,114,266	-	-	-
Total available own funds to meet the MCR	**R0510**	175,114,266	175,114,266	-	-	
Total eligible own funds to meet the SCR	**R0540**	175,114,266	175,114,266	-	-	-
Total eligible own funds to meet the MCR	**R0550**	175,114,266	175,114,266	-	-	
SCR	**R0580**	29,245,747				
MCR	**R0600**	7,311,437				
Ratio of Eligible own funds to SCR	**R0620**	598.77%				
Ratio of Eligible own funds to MCR	**R0640**	2395.07%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	180,114,266	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**	5,000,000	
Other basic own fund items	**R0730**	10,280,768	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	164,833,497	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	34,289	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	-	
Total Expected profits included in future premiums (EPIFP)	**R0790**	34,289	

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	27,790,812		
Counterparty default risk	**R0020**	1,986,226		
Life underwriting risk	**R0030**	726,896		
Health underwriting risk	**R0040**	2,460,327		
Non-life underwriting risk	**R0050**	4,947,026		
Diversification	**R0060**	(6,897,702)		
Intangible asset risk	**R0070**	-		
Basic Solvency Capital Requirement	**R0100**	31,013,585		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	626,398
Loss-absorbing capacity of technical provisions	**R0140**	-
Loss-absorbing capacity of deferred taxes	**R0150**	(2,394,236)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	-
Solvency Capital Requirement excluding capital add-on	**R0200**	29,245,747
Capital add-on already set	**R0210**	-
Solvency capital requirement	**R0220**	29,245,747
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	-
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	-
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	-

Annex I
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	2,236,822

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	4,478,601	4,010,479
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	2,882,433	5,523,581
General liability insurance and proportional reinsurance	R0090	3,766,311	1,802,190
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	1,142,944

		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	9,479,383	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		1,131,723,990

Overall MCR calculation

		C0070
Linear MCR	R0300	3,379,766
SCR	R0310	29,245,747
MCR cap	R0320	13,160,586
MCR floor	R0330	7,311,437
Combined MCR	R0340	7,311,437
Absolute floor of the MCR	R0350	3,600,000
		C0070
Minimum Capital Requirement	R0400	7,311,437

Glossary

Base point:
100 base points correspond to 1% and depict the change on financial markets.

Bid-ask spread:
The bid-ask spread is the difference between the price (bid) that a buyer is willing to pay for an asset and the price (ask) that a seller is willing to accept to sell. The wider this spread gets, the less a market is considered as liquid and active in regards to the traded security.

Correlation:
Measurement for the linear connection between two characteristics

Credit spread:
Credit spread in finance denotes the difference in profit between an interest-bearing asset and a risk-free reference interest rate of the same term.
It is intended to show the additional risk premium that an investor receives if he does not wish to invest without risk.

Derivatives:
Derivatives are instruments of futures trading and financial instruments whose value is derived from the development of the value of one or more basic values (underlyings). The value of the derivative is oriented to the value of the underlying, in positive or negative dependency.

Diversification effect:
Reduction of the risk potential through diversification that results from the fact that the negative result of a risk can be compensated by the more favourable result of another risk if these risks are not fully correlated.

Investment grade:
An investment grade is the description for or an achievable status of companies or securities that have a good rating and thus have "investment quality". A minimum rating for investment grade is a rating of BBB (Standard & Poor's) or Baa (Moody's). Investments below this threshold are described as non-investment grade as they are mostly of a speculative nature and associated with higher risk.

SCR ratio:
The SCR ratio constitutes the ratio of the own funds to the regulatory solvency capital requirement pursuant to Solvency II.

Solvency:
Own funds of an (re-)insurance company.

Scenario analyses:
Analyses of the effects of a combination of different events

SCR ratio:
The SCR ratio constitutes the ratio of the own funds to the regulatory solvency capital requirement pursuant to Solvency II.

Value at Risk:
The Value at Risk is a recognised key ratio to evaluate risks. A Value at Risk of EUR 1 million with a confidence level of 95% and with a holding period of 1 year means that the potential loss within 1 year will not exceed the amount of EUR 1 million with a probability of 95%.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF

GRAWE REINSURANCE LIMITED

REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of Grawe Reinsurance Limited (the "Company"), prepared as at 31 December 2018:

- S.02.01.02 - Balance sheet
- S.12.01.02 – Life and Health SLT Technical Provisions
- S.17.01.02 – Non-Life Technical Provisions
- S.23.01.01 – Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 31 December 2018 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 – Non life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report

Our objectives are to obtain reasonable assurance about whether the relevant QRTs of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Solvency and Financial Condition Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

KPMG Limited

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

19 April 2019