2018
Solvency and Financial Condition Report

Delta Lloyd Schadeverzekering N.V.

delta lloyd

Content Solvency II

Solvency and Financial Condition Report

Summary

Summary

Delta Lloyd Schadeverzekering's approach to the Solvency and Financial Condition Report

This Solvency and Financial Condition Report ('SFCR') provides public quantitative and qualitative disclosures for Delta Lloyd Schadeverzekering N.V. ('Delta Lloyd Schadeverzekering') on Solvency II as required by the Solvency II legislation. Delta Lloyd Schadeverzekering already discloses most of the information that is required to be included in the SFCR in its 2018 Annual Report ('Annual Report'). In order to ensure the most transparent and user-friendly approach, the information that is already included in the Annual Report is not duplicated in this SFCR. Therefore, this SFCR is prepared as a supplement to Delta Lloyd Schadeverzekering's Annual Report. It includes all information required to be disclosed in the SFCR, either through a specific reference to the Annual Report or as supplemental information.

As required by the Delegated Regulation (EU) 2015/35/Annex XX 'Structure of the Solvency and Financial Condition Report and Regular Supervisory Report', this SFCR follows the required standard chapter layout. The subjects addressed are based on Directive 2009/138/EC/ and (amended) Directive 2014/51/EU section 3 – Public Disclosures (articles 51-56), Delegated Regulation (EU) 2015/35 and (amended) Delegated Regulation (EU) 2016/467 chapter XII Public Disclosures (articles 292-298). Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates. Delta Lloyd Schadeverzekering is required to submit the so-called Quantitative Reporting Templates ('QRTs') to its supervisor Dutch Central Bank ('DNB'). A subset of these QRTs, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31 December 2018, are included in the appendix to this SFCR.

The amounts disclosed in this SFCR are, consistent with the amounts in the Annual Report, in thousands of euros unless stated otherwise.

The Solvency ratio, as well as the amounts disclosed in this SFCR are not final until filed with the regulators.

Chapter A 'Business and performance' describes the overall business profile and structure of Delta Lloyd Schadeverzekering. It also provides insight into the underwriting and investment performance of Delta Lloyd Schadeverzekering. Chapter B 'System of Governance' explains the organisational governance structure and looks into the role and execution of key Solvency II functions. Chapter C 'Risk profile' analyses Delta Lloyd Schadeverzekering's exposure to financial and non-financial risks and explains the risk mitigation techniques in place. Chapter D 'Valuation for solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and International Financial Reporting Standards ('IFRS'). Chapter E 'Capital management' discusses the composition of available and Eligible Own Funds and the calculation of the Solvency Capital Requirement ('SCR').

Material changes in 2018

On 5 December 2018, DL Schade received approval from DNB to apply the Partial Internal Model under Solvency II. Up to this point, Delta Lloyd Schadeverzekering reported on the Standard Formula. The approved Partial Internal Model was used to calculate regulatory capital requirements effective per 31 December 2018.

As part of the legal restructuring process, Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Schade) obtained approval from DNB, to execute the legal merger of Delta Lloyd Schadeverzekering into NN Schade. The legal merger became effective on 1 January 2019. As a result, NN Schade will assume all assets and liabilities of Delta Lloyd Schadeverzekering, including its subordinated notes of EUR 130 million. Consequently, this legal merger has no impact for 2018.

Eligible Own Funds

Solvency II requires to hold Eligible Own Funds for covering the Solvency Capital Requirement. The Eligible Own Funds are classified in three tiers depending on whether the own fund items are available to absorb losses on a going concern basis and/or in the case of winding-up as prescribed in the Solvency II Legislation. Tier 1 Own Funds items are the highest grade capital and Tier 3 Own Funds are the lowest grade capital.

Eligible Own Funds

In EUR thousand	2018	2017
Tier 1 (restricted and unrestricted)	267,537	325,935
Tier 2	87,442	71,973
Tier 3	1,955	9,149
Total Eligible Own Funds	**356,934**	**407,057**

The Own Funds decreased EUR 50,123 thousand to EUR 356,934 thousand in 2018. The main reason for the decrease is the capital distribution of EUR 64,000 thousand.

Impact of long term guarantees and transitional measures

The quantification of the impact of a change to zero of the volatility adjustment on Delta Lloyd Schadeverzekering 's Solvency capital ratio - represented by an adjustment on the amount of technical provisions, the SCR, the basic own funds and the Eligible Own Funds is included in the paragraph 'Matching and volatility adjustment, transitional measures and transitional risk-free interest rate term structure' in Section D.2 and QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix.

Summary continued

Solvency Capital Requirement

Delta Lloyd Schadeverzekering uses the Partial Internal Model ('PIM') approved by DNB to measure SCR.

Solvency Capital Requirement

In EUR thousand	2018*	2017**
Market risk	69,797	84,951
Non-market risk	325,715	428,011
Diversification	-96,386	-148,842
Partial Internal Model BSCR / Standard Formula BSCR	**299,126**	**364,120**
Operational Risk	33,987	34,795
Loss absorbing Capacity of Deferred Taxes	-59,028	-79,587
Total SCR	**274,086**	**319,328**

* SCR for YE2018 is based on Partial Internal Model
** SCR for YE2017 is based on Standard Formula

The SCR decreased EUR 45,242 thousand to EUR 274,086 thousand in 2018. This is mainly driven by the implementation of PIM and a decrease of the insurance portfolio, partly offset by the decrease of the LAC DT following the decreased corporate tax rate.

Delta Lloyd Schadeverzekering's Solvency II ratio

The following table presents the solvency ratio of Delta Lloyd Schadeverzekering at year-end 2018 (and reported at year-end 2017):

Solvency ratio

In EUR thousand	2018*	2017**
Eligible Own Funds (EOF)	356,934	407,057
Minimum Capital Requirement (MCR)	123,339	143,697
Solvency Capital Requirement (SCR)	274,086	319,328
Surplus	**82,848**	**87,729**
Ratio (%) (EOF/SCR)	**130%**	**127%**

* SCR for YE2018 is based on Partial Internal Model
** SCR for YE2017 is based on Standard Formula

Delta Lloyd Schadeverzekering was adequately capitalised at year-end 2018 with a Solvency II ratio of 130% based on Partial Internal Model. The Solvency II ratio of Delta Lloyd Schadeverzekering increased to 130% from 127%.

Business and performance

A. Business and Performance

Introduction

This chapter of the SFCR contains general information on Delta Lloyd Schadeverzekering, a simplified NN group structure and Delta Lloyd Schadeverzekering's financial performance over 2018.

A.1 Business

General

Reference is made to the section 'NN Group and Delta Lloyd Schadeverzekering at a glance' in the Annual Report of Delta Lloyd Schadeverzekering for the legal form of Delta Lloyd Schadeverzekering and Delta Lloyd Schadeverzekering's position within the legal structure of NN Group.

The supervisory authority responsible for financial supervision of Delta Lloyd Schadeverzekering:

Dutch Central Bank
Westeinde 1
1017 ZN Amsterdam
The Netherlands

The contact details of Delta Lloyd Schadeverzekering's external auditor are:

Mr. F.M. (Frank) van den Wildenberg RA
KPMG Accountants N.V.
Laan van Langerhuize 1
1186 DS Amstelveen
The Netherlands

Information on the appointment of the external auditor is included in the section 'Corporate governance- External auditor' in the Annual Report of Delta Lloyd Schadeverzekering.

Qualifying holdings

A 'qualifying' holding is a direct or indirect holding in Delta Lloyd Schadeverzekering which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking.

Delta Lloyd Schadeverzekering is a fully owned subsidiary of Nationale-Nederlanden Nederland B.V. ('NN Nederland') which in turn is a fully owned subsidiary of NN Insurance Eurasia N.V. NN Insurance Eurasia N.V. is fully owned by NN Group.

As per 31 December 2018, there were no holders of qualifying holdings in NN Group.

Material lines of business and related undertakings

Reference is made to section 'NN Group and Delta Lloyd Schadeverzekering at a glance' and section 'Report of the Management Board' in the Annual Report of Delta Lloyd Schadeverzekering for more information on the material lines of business of Delta Lloyd Schadeverzekering.

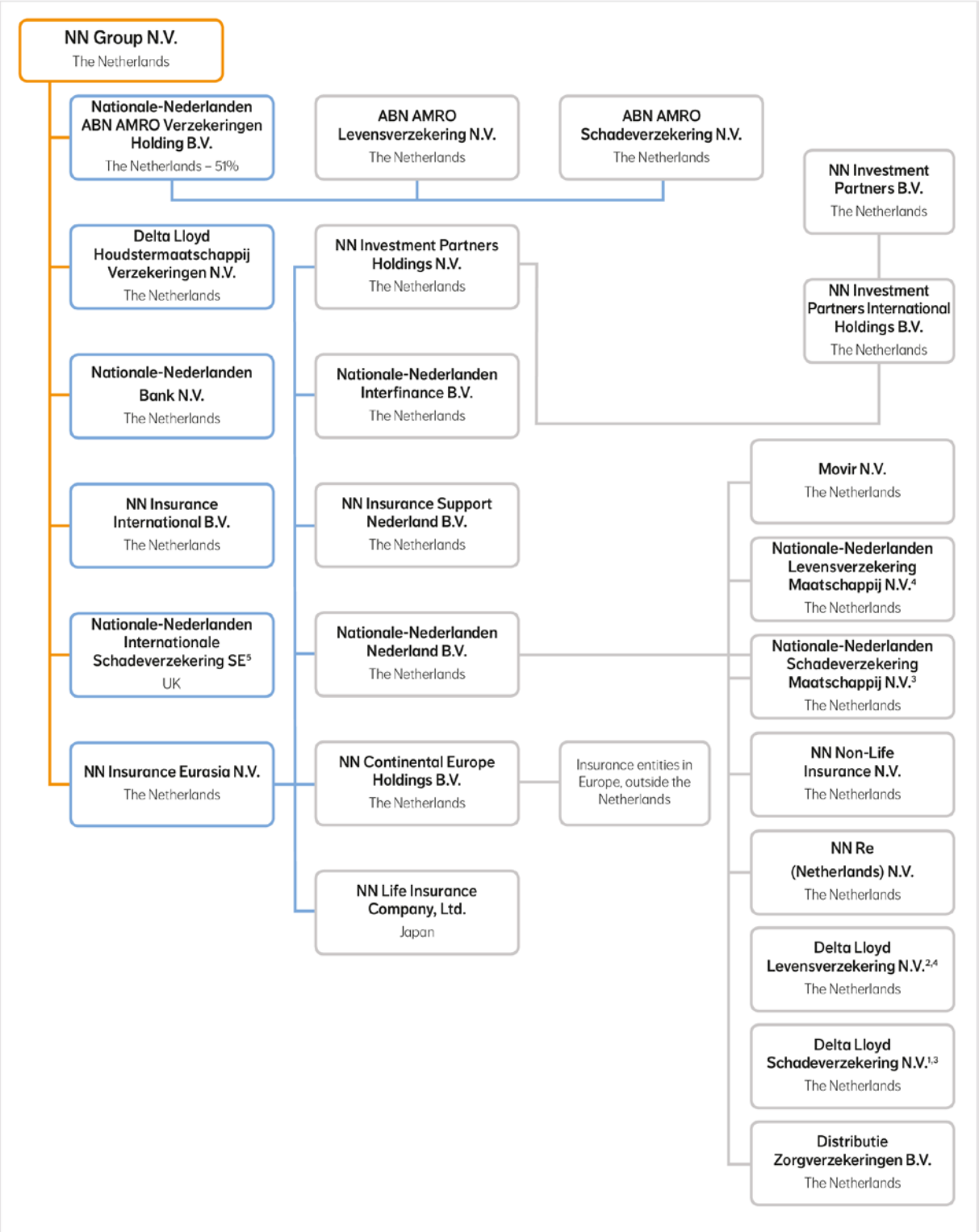
For information on any significant business events or other events that have occurred over the reporting period reference is made to the section 1 'Report of the Management Board- Financial developments' in the Annual Report of Delta Lloyd Schadeverzekering and note 2.7.26 'Subsequent and other events' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Reference is made to the section 'Corporate governance' in the Annual Report of Delta Lloyd Schadeverzekering for information on the governance and organisational structure of Delta Lloyd Schadeverzekering.

Business and performance continued

Simplified NN group structure

The simplified NN group structure as at 31 December 2018 is as follows:



1 As of 1 March 2018, Delta Lloyd Schadeverzekering N.V. was transferred to Nationale-Nederlanden Nederland B.V.
2 As of 1 April 2018, Delta Lloyd Levensverzekering N.V. was transferred to Nationale-Nederlanden Nederland B.V.
3 As of 1 January 2019, Delta Lloyd Schadeverzekering N.V. ceased to exist as a result of the legal merger with Nationale-Nederlanden Schadeverzekering Maatschappij N.V.
4 As of 1 January 2019, Delta Lloyd Levensverzekering N.V. ceased to exist as a result of the legal merger with Nationale-Nederlanden Levensverzekering Maatschappij N.V.
5 On 16 November 2018 NN Group agreed on the sale of Nationale-Nederlanden Internationale Schadeverzekering SE.

Business and performance continued

A.2 Underwriting Performance (see A.3 below)

A.3 Investment Performance

For information on underwriting and investment performance, reference is made to section 'Report of the Management Board- Financial developments' in the Annual Report of Delta Lloyd Schadeverzekering. For the underwriting performance, reference is made to QRT S.05.01.02 ‘Premiums, claims and expenses by line of business’ in the Appendix.

Further reference is made to Note 2.7.3 ‘Details of income’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering for information on income arising from investments by asset class and the components of such income.

Gains and losses on investments recognised directly in equity are disclosed in Note 2.7.14 ‘Revaluation reserves’ and in the statement of comprehensive income in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Information on investment in securitisations is included Note 2.7.9 ‘Debt and equity securities’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering. Most of the investments in securitisations issued by third parties relate to debt instruments of structured entities regarding asset-backed securities classified as loans.

A.4 Performance of other activities

Delta Lloyd Schadeverzekering has no other activities.

A.5 Any other information

Reference is made to the section 'Report of the Management Board' in the Annual Report of Delta Lloyd Schadeverzekering for any other material information regarding the business and performance of Delta Lloyd Schadeverzekering.

System of governance

B. System of governance

Introduction

This chapter of the SFCR contains information on the system of governance of Delta Lloyd Schadeverzekering in addition to governance information included in the NN Group 2018 Financial Report and disclosed on NN Group's website. The additional information includes relevant committees within the Management Board, a description of the main roles and responsibilities of key functions and Delta Lloyd Schadeverzekering's approach to the 'fit and proper' requirements and to the Own Risk and Solvency Assessment.

B.1 General information on the system of governance

This chapter describes the structure of the committees and explains the responsibilities, members and interdependencies of each committee. This chapter sets out the governance and control framework effective in 2018.

Structure of governance and changes in system of governance

For a description of the structure of Delta Lloyd Schadeverzekering's administrative and management body, reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering. This source also describes the main roles and responsibilities of these bodies, provides a brief description of the segregation of responsibilities within these bodies and describes their relevant committees.

MB committees

The Management Board of Delta Lloyd Schadeverzekering performs the day-to-day management of Delta Lloyd Schadeverzekering and the overall strategic direction of Delta Lloyd Schadeverzekering.

The Charter of the Risk and Finance committees describes the Risk and Finance Committee Structure as instructed by NN Group and explains the responsibilities, memberships(s) and interdependencies of each committee. While the Management Board retains responsibility for the risk management of Delta Lloyd Schadeverzekering, it has delegated certain other responsibilities to committees. These committees are the Management Team Risk, the Model Committee, the Assets & Liabilities Committee and the Crisis Committee.

Roles and responsibilities of key functions

Delta Lloyd Schadeverzekering has organised its Solvency II key functions in accordance with the applicable Solvency II regulations. All key function holders within Delta Lloyd Schadeverzekering have passed the DNB's fit and proper test. All the Solvency II key functions are able to carry out their duties objectively and free from undue influence, and do not simultaneously perform conflicting activities. They all have been given an appropriate standing in the organization and can report relevant findings directly to the relevant Board(s).

Risk function

Role

The Chief Risk Officer of Delta Lloyd Schadeverzekering ('CRO') is the Head of the Risk function and is entrusted with the day-to-day responsibility for Delta Lloyd Schadeverzekering's risk management function. The CRO steers an independent risk organisation which supports the first line in their decision making, but which also has sufficient countervailing power to prevent excessive risk taking. The CRO must ensure that the Management Board is at all times informed of, and understands the material risks to which Delta Lloyd Schadeverzekering is exposed.

Responsibilities

Within the Management Board, the CRO is responsible for:

- Setting, and monitoring compliance with, Delta Lloyd Schadeverzekering's overall risk policies;
- Formulating the risk management strategy of Delta Lloyd Schadeverzekering and ensuring that it is implemented throughout Delta Lloyd Schadeverzekering;
- Supervising the operation of risk management and business control systems of Delta Lloyd Schadeverzekering;
- Reporting of the risks and the processes and internal business controls of Delta Lloyd Schadeverzekering;
- Making risk management decisions with regards to matters which may have an impact on the financial results of Delta Lloyd Schadeverzekering or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management

Compliance function

Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the Compliance function.

Other functions

The Actuarial function and Internal Audit function are also key functions within Delta Lloyd Schadeverzekering. For a description of these functions, roles and responsibilities and implementation in the Delta Lloyd Schadeverzekering structure, reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering .

System of governance continued

Remuneration
Remuneration is performed in line with the remuneration policies defined by NN Group. Reference is made to Note 2.7.5 'Employee information' as disclosed in the 2018 Financial statements of Delta Lloyd Schadeverzekering for information on the remuneration policy and practices regarding administrative, management and supervisory bodies and employees. Other information on remuneration is disclosed on NN Group's website: https://www.nn-group.com/Who-we-are/Corporate-governance/Remuneration.htm.

Transactions with related parties
Reference is made to Note 2.7.25 'Related party transactions' and Note 2.7.6 'Remuneration of the Management Board and Supervisory Board' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for information about material transactions during the reporting period. Section B.7 in this SFCR contains more information on intra-group outsourcing arrangements. Transactions with people who exercise a significant influence on Delta Lloyd Schadeverzekering and with members of the Management Board and Supervisory Board are disclosed in Note 2.7.6 'Remuneration of the Management Board an Supervisory Board' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Adequacy of system of governance
The assessment of the adequacy of the system of governance of Delta Lloyd Schadeverzekering to the nature, scale and complexity of the risks inherent in its business is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Consistent use of risk management, internal control systems and reporting procedures
Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of how the risk management and internal control systems and reporting procedures are implemented consistently throughout the organisation.

Own risk and solvency assessment at group and entity level
NN Group did not make use of the option provided for in the third subparagraph of Article 246(4) of Directive 2009/138/EC to conduct the own risk and solvency assessments at the level of the group and at the level of any subsidiary in the group simultaneously. Delta Lloyd Schadeverzekering makes use of the option provided for in the third subparagraph of Article 246(4) of Directive 2009/138/EC to conduct the own risk and solvency assessments at the level of the group of entities. The assessment is done for Delta Lloyd Schadeverzekering, Nationale-Nederlanden Schadeverzekering Maatschappij N.V., Movir N.V. and NN Non-Life Insurance N.V. as a whole.

B.2 Fit and proper requirements
For a description of Delta Lloyd Schadeverzekering's specific requirements concerning skills, knowledge and expertise applicable to the persons who manage Delta Lloyd Schadeverzekering, reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering. Requirements concerning skills, knowledge and expertise applicable to people who have other key functions, are included in the respective job profiles.

In accordance with the NN Group Governance Manual and applicable HR policies, the persons who effectively run Delta Lloyd Schadeverzekering and the persons fulfilling key functions should be fit and proper. During recruitment all candidates must have the professional qualifications, knowledge and experience that are required for sound and prudent management ('fit') and be of good repute and have integrity ('proper'). Where applicable the candidates must pass the DNB or AFM fit and proper test.

All persons holding key functions are assessed against their performance objectives, leadership behaviours and any other requirements from their job profiles during the annual performance cycle and specifically during the year-end appraisal.

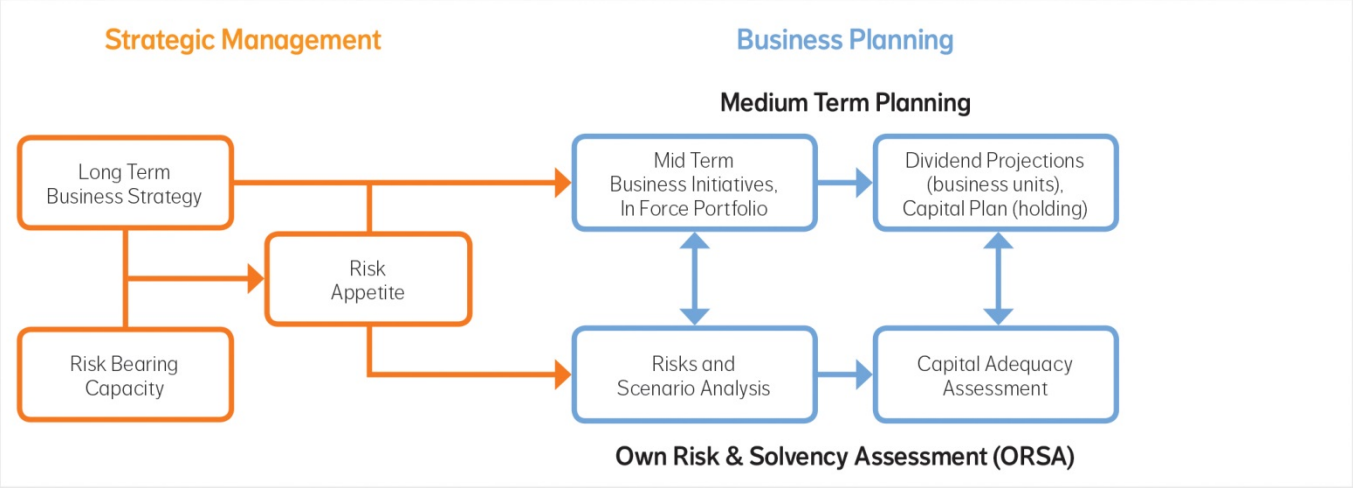
B.3 Risk management system including the own risk and solvency assessment
Description of Delta Lloyd Schadeverzekering's risk management system
Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the risk management system, which comprises of strategies, processes and reporting procedures, and how Delta Lloyd Schadeverzekering is able to effectively identify, assess, monitor, manage and report, on a continuous basis, the risks to which Delta Lloyd Schadeverzekering is or could be exposed on an individual and aggregated level. In the same note, a description is included on how the risk management system including the risk management function are implemented and integrated into the organisational structure and balanced decision-making processes of Delta Lloyd Schadeverzekering.

Own Risk and Solvency Assessment
Business strategy and objectives, key risk appetite statements, risk and capital management are aligned in the Own Risk and Solvency Assessment ('ORSA') in synchronisation with the yearly medium term business plan. The ORSA report supports the Management Board in assessing the overall risk and capital profile of the business under a wide range of scenarios.

The ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks a (re)insurance legal entity faces or may face and to determine the own funds necessary to ensure that the entity's overall solvency needs are met at all times. In particular, the ORSA:

System of governance continued

- Is a specific instrument within Delta Lloyd Schadeverzekering's risk management system: it is a high level forward looking analysis on capital adequacy under a wide range of scenarios based on the current and emerging risk profile of an entity, given its strategy and risk appetite
- Does not serve to calculate the capital requirement, although capital add-ons can be considered as a result of the ORSA
- Is an integral part of business planning . As such, the ORSA is linked to the strategic management process and related decision-making framework as illustrated below:



Regular frequency

Delta Lloyd Schadeverzekering prepares an ORSA at least once a year. In the ORSA, Delta Lloyd Schadeverzekering articulates its strategy and risk appetite; describes its key risks and how they are managed; analyses whether or not its risks and capital are appropriately modelled; and evaluates how susceptible the capital position is to shocks through stress testing and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of Delta Lloyd Schadeverzekering. Stress testing can also be initiated outside ORSA, either internally or by external parties such as DNB and the European Insurance and Occupational Pensions Authority ('EIOPA'). The ORSA for 2019 has been written taking the legal merger with NN Schade on 1 January 2019 and the approval to apply the Partial Internal Model per 31 December 2018, into account.

Monitoring between regular ORSAs: possible ad-hoc ORSA

To the extent necessary, outcomes of the ORSA are translated in ad-hoc ORSA triggers (i.e. events that lead to a significant shock in the risk profile and/or capital position), risk metrics and management actions for identified material risks. Monitoring of ad-hoc ORSA triggers and risk metrics is performed as part of the regular (Finance & Risk) control cycle. Developments are documented in internal Finance & Risk reports and discussed during board and/or delegated committee meetings. The CRO of Delta Lloyd Schadeverzekering is responsible for identifying the need of a(n) (partial) ad-hoc ORSA. In such cases, the relevant national supervisory authority is also informed.

The regular ORSA process as undertaken within Delta Lloyd Schadeverzekering

Strategy and risk appetite

A thorough re-assessment of strategy is usually done once every 3-5 years or when material developments in the (external or internal) environment give rise to an earlier re-assessment. Yearly assessments are made in the first half of the year whether to adjust the strategy for developments in the past year and/or revised assumptions on the future. Setting (and adjusting) the risk appetite is inextricably part of strategy setting (and adjusting).

Risk Assessment

Key to the ORSA is the identification of potentially solvency threatening risks by the management board, given their strategy and risk appetite. Basis for this risk assessment is NN Group's risk taxonomy. Modelled risks are subject to an appropriateness test (see below) and additional statistical stress testing (see below), both contributing to adequate capitalisation of these risks. Focus is therefore on non-modelled risks.

Appropriateness test of regulatory capital calculation

The assumptions and models for calculating regulatory solvency requirements are assessed against the actual risk profile. Differences are analysed in terms of future model improvements and/or non-modelled risks. The outcome of the analysis may lead to mitigating actions to overcome model shortcomings. If the deviations or uncertainties are considered material, quantification of the deviation is necessary in order to consider a (temporary) self-imposed capital add-on.

Capital projections

The projection basis consistent with the best-estimate assumptions and parameters used for the Business Plan best estimate financial forecasts, among others the yearly updated Macro Economic Scenario.

The Actuarial function is to confirm that the base-case and projected technical provisions represent a true and fair view of future liabilities. The Actuarial function also provides input concerning the risks arising from the calculation of technical provisions.

System of governance continued

Regulatory solvency is at the heart of the ORSA: Delta Lloyd Schadeverzekering must ensure that it is able to meet regulatory required solvency ratios. In addition, Delta Lloyd Schadeverzekering assesses:

- The quantity and quality of Own Funds over the Business Plan period
- The composition of Own Funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the Business Plan period

As - in principle - only NN Group raises capital in the financial markets.

Stress testing and overall assessment of capital adequacy

Based on the Business Plan and the outcomes of the ORSA risk assessment, (reverse) stress scenarios and their parameters are developed and documented. The Management Board is responsible for identifying the key uncertainties and the related scenarios.

Scenario testing, as well as (reverse) stress testing are required for each ORSA. When the outcomes of performed stress tests show solvency ratios dropping below 100%, realistic strategies for recovering solvency ratios will be considered and documented in the ORSA report. One of the management actions is a capital downstream to restore solvency ratios.

Ultimately, after all assessments and considerations (including formulated management actions) the ORSA is to conclude whether, going forward, the entity concerned is adequately capitalised under a wide range of scenarios over the planning horizon.

Governance of Delta Lloyd Schadeverzekering's Partial Internal Model

Per 31 December 2018 Delta Lloyd Schadeverzekering has implemented the Partial Internal Model and has organized the governance and validation of the model accordingly.

Model Validation

The model governance and validation function seeks to ensure that Delta Lloyd Schadeverzekering's models are fit for their intended purpose. Models and their disclosed metrics are approved by the Model Committee. The findings of the model validation function are also regularly reported to the Model Committee, via regular validations. This committee is responsible for modelling policies, processes, methodologies and parameters which are applied within Delta Lloyd Schadeverzekering. Furthermore, the model validation function carries out validations of risk and valuation models particular those related to Solvency II. Any changes to models that affect Delta Lloyd Schadeverzekering risk figures above a certain materiality threshold are presented to the Model Committee.

Model validation is not a one-off assessment of a model, but an ongoing process whereby the reliability of the model is verified at different stages during its lifecycle: at initiation, before approval, when the model has been redeveloped or modified and on a regular basis discussed and agreed with Model Development. It is not a mere verification of the mathematics or statistics of the model, but encompasses both a quantitative and qualitative assessment of the model. Accordingly, the validation process covers a mix of developmental evidence assessment, process verification and outcome analysis.

The validation cycle is based on a five-year period. This means that at least once every five years a model in scope will be independently validated. In general, the validation frequency relates to the relative materiality of the models in scope. In addition, reference is made for more detail to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Changes in the governance of Delta Lloyd Schadeverzekering's Partial Internal Model

On 5 December 2018, Delta Lloyd Schadeverzekering received approval from DNB to apply the Partial Internal Model under Solvency II. Up to this point, Delta Lloyd Schadeverzekering reported on the Standard Formula. The approved Partial Internal Model was used to calculate regulatory capital requirements effective per 31 December 2018.

B.4 The Internal control system

Reference is made to Note 2.7.1 'Risk management' of the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the implementation of the Internal control system.

B.5 Internal audit function

Reference is made to Note 2.7.1 'Risk management' of the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the implementation of the internal audit function.

B.6 Actuarial function

Reference is made to Note 2.7.1 'Risk management' of the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the implementation of the actuarial function.

System of governance continued

B.7 Outsourcing

External Outsourcing arrangements

NN Group has outsourced part of its IT processes to external service providers. There are no significant provisions recognised for doubtful debts or individually significant bad debt expenses on outstanding balances with these providers.

For these external outsourcing arrangements written service level agreements are in place, setting out:

- The mutual rights and obligations of the parties
- The duties and responsibilities of all parties involved
- The Service Provider's commitment to comply with applicable local laws and regulatory requirements, applicable to the outsourced function or activity and to cooperate with the Outsourcing Entity's relevant supervisory authority with regard to the outsourced function or activity
- The Service Provider's obligation to disclose any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements
- That the Service Provider and the Outsourcing Entity can only terminate the contract with a notice period
- That the Outsourcing Entity is able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to the policyholder and other clients
- That the Outsourcing Entity reserves the right to be informed about the outsourced functions and activities and their performance by the Service Provider as well as a right to issue general guidelines and individual instructions at the address of the Service Provider, as to what has to be taken into account when performing the outsourced functions or activities

Intra-group Outsourcing arrangements

In the normal course of business, NN Group entities enter into various transactions with entities within the Group. Transactions with entities within the Group take place on an arm's length basis and include distribution agreements, human resources-related arrangements and rendering and receiving of services. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances within the Group.

All intra-group transactions are conducted under market-consistent conditions. Included in the intra-group transactions were the following:

- Facility services carried out by group companies for insurance and other entities
- Various other shared services, including finance and information technology, carried out by group companies for insurance and other entities
- Staff of the insurance entities within NN Group in the Netherlands is employed by NN Insurance Personeel B.V. and Delta Lloyd Services B.V. Delta Lloyd Schadeverzekering is charged for its staff expenses by NN Insurance Personeel B.V. and Delta Lloyd Services B.V. under a service level agreement. Although these costs are not paid out in the form of salaries, they do have the character of staff expenses and they are therefore recognised as such. A staff provision for holiday entitlement and bonuses is recognised at NN Insurance Personeel B.V. and Delta Lloyd Services B.V. Actual spending is charged to the Delta Lloyd Schadeverzekering as per the contract with NN Insurance Personeel B.V. and Delta Lloyd Services B.V.
- Transactions between NN Group and Delta Lloyd Schadeverzekering concerning the payment of tax, as NN Group heads the fiscal unity in the Netherlands
- NN Re (Netherlands) N.V. carries out reinsurance activities of Delta Lloyd Schadeverzekering
- The transactions in financial instruments, namely shares, bonds, loans (excluding mortgage loans) and derivatives, are conducted via a management agreement with NN Investment Partners B.V. NN Investment Partners B.V. makes use of Nationale-Nederlanden Interfinance B.V. for the execution of the transactions involving certain derivatives
- NN Claims Services B.V. carries out the claim handling for the retail portfolio of Delta Lloyd Schadeverzekering

For intra-group outsourcing arrangements, a written service level agreement is normally in place similar to the one used for external service providers.

B.8 Any other information

Reference is made to the section 'Corporate Governance' in the Annual Report of Delta Lloyd Schadeverzekering and the NN Group website: https://www.nn-group.com/Who-we-are/Corporate-governance/Corporate-governance.htmfor other material information regarding the system of governance of Delta Lloyd Schadeverzekering and NN Group.

Risk profile

C. Risk profile

Introduction

This chapter of the SFCR contains information on the risk profile of Delta Lloyd Schadeverzekering and information on the 'prudent person principle' used when investing.

Risk profile per risk category

Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for quantitative and qualitative information on the risk profile per risk category. The following risk categories have been disclosed:

C.1 Non-market risk (Underwriting risk)

Non-Market risk is disclosed as insurance risk and business risk in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

C.2 Market risk

Market risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

C.3 Counterparty risk (Credit risk)

Counterparty Default risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

C.4 Liquidity risk

Liquidity risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

C.5 Operational risk

Operational risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

C.6 Other material risks

Business conduct risk

Business conduct risk is the risks related to unethical or irresponsible corporate behaviour, inappropriate employee behaviour and customer suitability of products. For more details reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Concentration risks

Delta Lloyd Schadeverzekering manages concentration risk with a limit structure. More information on the mitigation of several types of concentration risk is included in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Investing assets in accordance with the 'Prudent person principle'

Acceptable investments

Delta Lloyd Schadeverzekering complies with the prudent person principles as set out in Directive 2009/138/EC/article 132: Prudent person principle. NN Group maintains a Global Asset List, which contains all asset classes in which subsidiaries of NN Group are allowed to invest. Before an asset class is approved for this list, a specific assessment, called 'New Asset Class Assessment' ('NACA') must be followed.

The NACA should describe all relevant considerations on return, risk and operational consequences that are relevant to the decision whether a Business Unit of NN Group should invest in the proposed investment class.

The NACA request does not describe a specific transaction, but is a proposal for the potential investment in an investment class. The NACA should nevertheless address the quantitative impact of potential future investments and include proposed portfolio limits for the product. This should always be in line with NN Group internal policies as well as external constraints (such as regulatory limits).

Governance of investments

Within the three lines-of -defence model, investments are managed in the first line in close cooperation with NN Investment Office, reporting directly to the CFO of Delta Lloyd Schadeverzekering. The second line function reports to the CRO of Delta Lloyd Schadeverzekering. All stakeholders regularly meet in the Asset and Liability Committee ('ALCO') for discussing the most material issues. ALCO is involved in (but not limited to) oversight of market and investment risk taking, the definition of an investment strategy applicable to certain mandates and/or local financial markets, discussing quarterly figures and insights in interventions before end of quarter and capital position, risk metrics and balance sheet. Operational activities regarding investments are performed by NN Group's Business Unit NN Investment Partners, which also provide advice on proposed or current investments.

Risk profile continued

All investment related activities are performed within the boundaries as set by NN Group. These include among others the following:

- Asset Class Standard (NACA)
- Investment Management Policy
- Concentration Risk Standard
- ALM policy
- Interest Rate Risk Management Standard
- Liquidity Risk Reporting Standard
- Financial Regulations Standard
- Responsible Investment framework policy
- Investment Mandate Standard

Chief Investment Officer

Based on market views, local Business Unit requirements, input from its assets managers, the Chief Investment Officer will:

- Propose Investment Strategies for NN Group as well as for Delta Lloyd Schadeverzekering
- Prepare proposals for mandates and for delegated approval levels for the Asset Managers
- Prepare Performance Measurement Guidelines of all investment decisions taken under the delegated approval authorities

NN Investment Partners prepares a market view, proposes investment ideas based on market developments and Business Unit requirements and makes investment decisions within allocated limits/thresholds. NN Investment Partners executes the Performance Measurement Guidelines as prepared by the Investment Officer.

Sensitivity analysis

Reference is made Note 2.7.1 ‘Risk management’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the methods used, the assumptions made and the outcome of stress testing and sensitivity analysis for material risks and events.

Other material risks

Reference is made to the section 'Report of the Management Board' in the Annual Report of Delta Lloyd Schadeverzekering for any other information on any other material risks.

Risk exposure from off-balance sheet positions and transfer of risk to special purpose vehicles

Reference is made to Note 2.7.1 ‘Risk management’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering regarding the risk exposure of Delta Lloyd Schadeverzekering, including the exposure arising from off-balance sheet positions and describing the measures used to assess these risks.

As at 31 December 2018, no material risks were transferred to special purpose vehicles outside Delta Lloyd Schadeverzekering.

C.7 Any other information relevant to the risk profile of Delta Lloyd Schadeverzekering

Techniques used for mitigation of risks

Reference is made to Note 2.7.1 ‘Risk management’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the techniques used for mitigating risks and the processes for monitoring the continued effectiveness of these risk mitigation techniques.

Valuation for Solvency purposes

D. Valuation for Solvency Purposes

Introduction

This chapter contains information on the valuation for solvency purposes of assets, insurance liabilities and other liabilities of Delta Lloyd Schadeverzekering and explains the differences with the valuations in the Delta Lloyd Schadeverzekering 2018 Financial statements.

Reconciliation IFRS Balance sheet to Solvency II Balance sheet

As at 31 December 2018. In EUR thousand	IFRS	Presentation differences	Valuation differences	Solvency II
Assets				
Goodwill	3,047		-3,047	
Deferred acquisition costs	29,012		-29,012	
Deferred tax assets	20,193		-18,238	1,955
Reinsurance contracts	187,136		-23,116	164,021
Derivatives	64			64
Loans and receivables at amortised cost	297,286	8,360	780	306,426
Securities	1,552,917	16,299	1,297	1,570,513
Other assets	258,225	-24,660		233,565
Cash and cash equivalents	10,192			10,192
Total assets	**2,358,072**		**-71,336**	**2,286,736**
Equity				
Shareholders' funds	**151,477**		**68,237**	**219,714**
Total equity / Excess of assets over liabilities	**151,477**		**68,237**	**219,714**
Liabilities				
Subordinated debt	130,000	3,730	7,220	140,949
Insurance liabilities	1,903,212		-143,867	1,759,345
Provisions for other liabilities	1,006			1,006
Derivatives	4,357			4,357
Other liabilities	168,020	-3,730	-2,927	161,364
Total liabilities	**2,206,595**		**-139,574**	**2,067,021**
Total equity and liabilities	**2,358,072**		**-71,336**	**2,286,736**

Reference is made to the 2018 Financial statements of Delta Lloyd Schadeverzekering for more detailed information on the IFRS Balance sheet. Reference is made to QRT S.02.01.02 'Balance sheet' in the Appendix for the full Solvency II Balance sheet. The values in these tables may differ from those included in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering due to classification and valuation differences to reflect a risk management view.

The valuation and presentation differences between IFRS and Solvency II resulting from differences in accounting principles and methods are explained in the sections below. For items where no valuation difference occurred, reference is made to Note 2.6 'Accounting policies' and Note 2.7.24 'Fair value of financial assets and liabilities' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for a description of the bases, methods and main assumptions used for their valuation.

Details of these and other valuation differences are included in Section D.1- D.3 below.

D.1 Assets

Accounting principles, methods and main assumptions used

In general, Solvency II valuation requires a market consistent approach to the valuation of assets and liabilities. The default reference framework for valuing assets and liabilities, other than technical provisions, is IFRS as endorsed by the European Union ('IFRS-EU'). The exception is if the IFRS valuation principle does not reflect a market consistent valuation (e.g. amortised cost). For main assumptions used in fair valuing assets, reference is made to Note 2.7.24 'Fair value of financial assets and liabilities' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Goodwill

Goodwill and Value of Business Acquired ('VOBA') are not recognised for Solvency II purposes.

Deferred acquisition costs

Deferred Acquisition Costs are not recognised for Solvency II purposes.

Valuation for Solvency purposes continued

Deferred taxes

In the IFRS balance sheet, deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, are valued on the basis of the difference between the tax bases of assets and liabilities and their carrying values. A positive value to deferred taxes is only attributed where it is probable that future taxable profit will be available against which the deferred tax asset can be used, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or credits.

Reference is made to Note 2.7.18 'Income taxes' of the 2018 Financial statements of Delta Lloyd Schadeverzekering for more information on the origin of the recognition of deferred tax assets and the amount and expiry date of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the IFRS balance sheet.

In the Solvency II balance sheet, deferred tax assets and liabilities are recognised and valued in conformity with IFRS. However, the differences in valuation of assets and liabilities as set out in sections D.1 'Assets', D.2 'Technical provisions' and D.3 'Other liabilities' result in an decrease of EUR 18,238 thousand of deferred tax assets recognised in the Solvency II balance sheet as at 31 December 2018.

Reinsurance contracts

Reference is made to section D2 'Technical provisions' of this SFCR.

Loans

In the IFRS balance sheet, loans are reported at amortised cost. In the Solvency II balance sheet, loans are reported at market value. For loans that are repriced frequently and have had no significant changes in credit risk, the carrying values in the 2018 Financial statements of Delta Lloyd Schadeverzekering represent a reasonable estimate of the market value for Solvency II. For other loans the market value is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The market value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Valuation differences between IFRS and Solvency II for loans represents the difference between amortised cost and market value of EUR 780 thousand as at 31 December 2018. Presentation differences of EUR 8,360 thousand as at 31 December 2018 are caused by the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the loans ('dirty market value') and not separately as other assets as in the 2018 Financial statements of Delta Lloyd Schadeverzekering ('clean market value').

Securities and derivatives

In the IFRS balance sheet, securities and derivatives are reported at fair value. In the Solvency II balance sheet, securities and derivatives are reported at market value. There are no significant valuation differences between IFRS and Solvency II for securities and derivatives as fair value generally equals market value. Presentation differences of EUR 16,299 thousand as at 31 December 2018 are caused by presentation of accrued interest as part of the securities, instead of a separate presentation as accrual under IFRS. Solvency II requires accrued interest to be presented as part of the securities ('dirty market value') and not separately as other assets as in the 2018 Financial statements of Delta Lloyd Schadeverzekering ('clean market value').

Other assets

In the IFRS balance sheet, other assets are reported at their notional amounts. In the Solvency II balance sheet, other assets (with the exclusion of deferred taxes) are reported at market value.

Presentation differences of EUR 24,660 thousand as at 31 December 2018 consist of the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing investments ('dirty market value') and not separately as other assets as in the 2018 Financial statements of Delta Lloyd Schadeverzekering ('clean market value').

Cash and cash equivalents

In the IFRS balance sheet, cash and cash equivalents are reported at the notional amount. In the Solvency II balance sheet, cash and cash equivalents are reported at market value. There are no significant valuation differences between IFRS and Solvency II for cash and cash equivalents as the market value is not significantly different from the notional value.

Changes in valuation bases

During 2018, no material changes were made to the recognition and valuation bases, or estimations used, in the measurement of assets on the Solvency II balance sheet.

Valuation for Solvency purposes continued

D.2 Technical provisions ('Insurance contracts')

Value of the technical provisions

The value of technical provisions, including the amount of the Best Estimate of Liabilities ('BEL') and the Risk Margin ('RM') is disclosed below separately for each material line of business as at 31 December 2018:

Value of technical provisions by Solvency II Business Line

As at 31 December 2018. In EUR thousand	BEL	Risk margin	Technical provisions
Technical provision by Solvency II Business line:			
1. Non-Life	962,743	38,900	1,001,643
2. Health similar to Non-Life	36,942	1,500	38,442
3. Health similar to Life	691,193	28,067	719,261
Total	**1,690,878**	**68,467**	**1,759,345**

Bases, methods and main assumptions used for solvency valuation

Technical Provisions are measured for Solvency II purposes as the sum of the BEL and a RM. The BEL is equal to the probability-weighted average of the present value of the future liability cash flows. The RM is defined as the amount that an empty (re)insurance entity is expected to require in excess of the BEL in order to take over and meet the (re)insurance obligations.

Best estimate of liabilities

Delta Lloyd Schadeverzekering uses cash flow models and best estimate assumptions to determine the BEL under Solvency II. Premiums, benefits, expenses and other relevant cash flows are projected for the policy term – subject to contract boundaries – and discounted at the currency specific risk-free interest rate term structure to allow for financial risk with currency specific Credit Risk Adjustments ('CRA') and country specific Volatility Adjustment ('VOLA'). This is the full-cash flow approach and is typical for traditional business. Cash flows are projected on a combination of per policy basis and portfolio level.

Cash flows are projected deterministically since Delta Lloyd Schadeverzekering does not have material embedded options or guarantees.

The cash flow projections used in the calculation of the BEL are based on the best estimate assumptions. The cash flow projection reflects the expected realistic future demographic, legal, medical, technological, social, environmental and economic developments that will have a material impact on the BEL.

Basically, the assumptions, methods and resulting cash flows of the BEL used for IFRS and Solvency II valuation are equal. Differences in valuation relate to:

- discounting (P&C is not discounted for IFRS purposes) and
- the inclusion of the EPIFP provision under Solvency II

This is further elaborated in the Actuarial Function Report prepared by the local Actuarial Function Holder (“AFH’).

Delta Lloyd Schadeverzekering reports a relatively small portion of unmodelled Technical Provisions. This relates to the EPIFP of Volmacht. Based on Earned premium this provision is scaled. The AFH has provided an opinion that this approach is acceptable given the materiality of this part of the Technical Provisions.

Reinsurance and other recoverables

The BEL are estimated gross, without deduction of the amounts recoverable from reinsurance contracts. The amounts recoverable from reinsurance contracts and expected losses due to counterparty default are calculated separately. The principles used to calculate the amounts recoverable are consistent with those underlying the calculation of the gross BEL.

Risk margin

In addition to the BEL a RM is held to allow for non-hedgeable market and non-market risks. The calculation of the RM is performed by using a driver approach. Long-Term Guarantee ('LTG') measures are excluded from the discounting, when calculating the RM.

With the driver approach, the relevant sub-risk SCRs are projected using appropriate risk drivers, multiplied by the cost of capital of 6%, then discounted at the relevant risk free rate term structure. The sub-risk market value margins are aggregated using the relevant diversification factors. Note that this is a simplification as Solvency II requires the individual SCRs to be diversified at each future point in time.

Assumptions

Non-financial assumptions

Best estimate assumptions are set for expenses, mortality, morbidity and other relevant insurance risks using historical experience of the insurance portfolio. Assumptions are reviewed by Delta Lloyd Schadeverzekering at least annually and submitted to the Model Committee ('MoC') for approval, following Delta Lloyd Schadeverzekering’s model governance.

Policyholder behaviour regarding lapses, are taken into account subject to the boundaries of the contracts.

Valuation for Solvency purposes continued

Boundaries of insurance contracts for all products except Individual Disability are set equal to the contract term. For Individual Disability policies, this approach is justified by taking the 'en bloc' practices of Delta Lloyd Schadeverzekering into account.

Financial assumptions

Delta Lloyd Schadeverzekering follows EIOPA requirements in determining the basic risk-free rates and the VOLA to determine the relevant currency specific risk free rate term structure for valuation of Technical Provisions. Because EIOPA curves are not available in time for Delta Lloyd Schadeverzekering to start their valuations, Delta Lloyd Schadeverzekering follows NN Group using the EIOPA methodology to independently produce the curves. These are then compared to the published EIOPA curves when these are made available to ensure consistency between the EIOPA and the Delta Lloyd Schadeverzekering manufactured curves. At year-end 2018, the EIOPA and Delta Lloyd Schadeverzekering curves were consistent.

Changes in assumptions

During 2018, best estimate assumptions were reviewed and updated where necessary. No material assumption changes were implemented.

Options and guarantees

Delta Lloyd Schadeverzekering does not have material options and guarantees in the insurance liabilities.

Level of Uncertainty

For the level of uncertainty associated with the value of the technical provisions, reference is made Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Main differences between IFRS and Solvency II valuation of technical provisions

As at 31 December 2018. In EUR thousand	IFRS	Valuation differences	Solvency II
Technical provision by Solvency II Business line:			
1. Non-Life	1,117,090	-115,447	1,001,643
2. Health similar to Non-Life	54,888	-16,447	38,442
3. Health similar to Life	731,234	-11,973	719,261
Total	**1,903,212**	**-143,867**	**1,759,345**

Summary of main differences between IFRS and Solvency II as at 31 December 2018

At 31 December 2018, the valuation differences between the insurance and investment contracts recognised in the IFRS balance sheet and the technical provisions recognised in the Solvency II balance sheet of Delta Lloyd Schadeverzekering amounted to EUR 138,003 thousand. Methods and models used in calculating Solvency II technical provisions and IFRS insurance liabilities differ substantially. The main valuation differences between IFRS and Solvency II are outlined below:

- In accordance with IFRS 4 'Insurance contracts' all insurance contract liabilities are recognised on the basis of local pre-IFRS accounting policies with certain adjustments allowed under IFRS
- The BEL in Solvency II are calculated as the expected present value of future liability cash flows using best estimate assumptions
- A RM for non-hedgeable risks is added to the BEL to establish the Solvency II technical provisions
- The same interest rates are used for calculation of insurance contracts under IFRS and Solvency II. For Solvency II a risk-free interest rate curve with credit risk and VOLA where applicable is used. A matching adjustment is not applied. For IFRS this interest rate is also used for the Health SLT portfolio. Reserves relating to P&C and Health non-SLT are not discounted.
- The present value of future profits is recognised in Solvency technical provisions but not in IFRS reserves

Matching and volatility adjustment, transitional measures, and transitional risk-free interest rate-term structure

QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix provides the quantitative impact of excluding the so-called Long Term Guarantee ('LTG') measures and Transitional measures from Own Funds and the SCR. QRT S.22.01.21 mandate disclosure of the quantitative impact of excluding:

- Transitional measures on technical provisions
- Transitional measures on interest rates
- Volatility adjustment
- Matching Adjustment

on:

- Technical provisions
- Basic Own funds
- Eligible Own Funds to meet Solvency Capital Requirement
- Solvency Capital Requirement

Valuation for Solvency purposes continued

All the elements of which the impact is excluded in this QRT are an integral part of the Solvency II framework. The resulting Own Funds and SCR should therefore not be seen as a replacement of, or alternative for, the Own Funds and SCR as determined in accordance with Solvency II. For Delta Lloyd Schadeverzekering, the VOLA is of significant relevance given its liability profile and its approach to match cash-flows of these liabilities with corresponding fixed income instruments. Transitional measures in respect of technical provisions and interest rates and Matching Adjustment are not applied by Delta Lloyd Schadeverzekering.

Volatility adjustment

Delta Lloyd Schadeverzekering applies the yield curve as published by EIOPA for the calculation of the technical provisions under Solvency II. In line with Solvency II regulations, this yield curve includes a Volatility adjustment component. As at 31 December 2018, the level of the VOLA for the Euro currency was 24 bps (31 December 2017: 4bps). The application of the VOLA resulted in a reduction of EUR 19,422 thousand in technical provisions, contributing EUR 15,440 thousand (after tax) to Basic own funds and Eligible Own Funds as at 31 December 2018.

In the calculation of the SCR, Delta Lloyd Schadeverzekering assumes no change to the VOLA after a shock-event, but reflects the illiquidity of liabilities in the asset shocks to ensure appropriate solvency capital requirements. This VOLA approach is approved by DNB, in particular to ensure appropriate risk incentives on asset allocation decisions. Delta Lloyd Schadeverzekering also shocks all government bonds and its mortgage portfolio in the calculation of spread risk capital requirements.

If the VOLA would be excluded from the SCR calculation, the spread risk on government bonds and mortgages would, in the opinion of Delta Lloyd Schadeverzekering, need to be adjusted accordingly. However, for the completion of QRT S.22.01.21 ‘Impact of long term guarantees and transitional measures’ in the Appendix, Delta Lloyd Schadeverzekering is required to reflect only the impact of excluding the VOLA from Eligible Own Funds and the SCR, without adjusting for the spread risk on government bonds and mortgages.

The impact of removing the VOLA from Own Funds increased in 2018 versus 2017 as the level of the VOLA in the yield curve as published by EIOPA increased.

D.3 Other liabilities

Subordinated debt

In the IFRS balance sheet, subordinated debt are reported at amortised cost. In the Solvency II balance sheet, these borrowings are reported at market value, excluding an adjustment for Delta Lloyd Schadeverzekering’s own credit risk.

In Solvency II market value, (a change in) the own credit risk is not taken into account. The Solvency II market value of subordinated debt is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Valuation differences between IFRS and Solvency II for Subordinated debt of EUR 7,220 thousand represent the difference between amortised cost and market value, excluding an own credit element.

Other presentation differences include the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing liabilities (‘dirty market value’) and not separately as other liabilities as in the 2018 Financial statements of Delta Lloyd Schadeverzekering (‘clean market value’). Total presentation differences for subordinated debt amounted to EUR 3,730 thousand as at 31 December 2018.

Other liabilities

In the IFRS balance sheet, other liabilities are reported at the notional amount. In the Solvency II balance sheet, other liabilities are reported at market value.

Valuation differences between IFRS and Solvency II for other liabilities of EUR 2,927 thousand represent the difference between IFRS valuation and Solvency II valuation for reinsurance payables.

Presentation differences include the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing liability (‘dirty market value’) and not separately as other liabilities as in the 2018 Annual accounts of Delta Lloyd Schadeverzekering (‘clean market value’). Presentation differences amounted to EUR 3,730 thousand as at 31 December 2018.

Contingent liabilities and provisions

Part of the other liabilities are the contingent liabilities and provisions. In the IFRS balance sheet, provisions are recognised when:

- An entity has a present obligation (legal or constructive) as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

In the IFRS balance sheet, provisions are recognised for the amount representing the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Contingent liabilities are not recognised in the IFRS balance sheet. These are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

In the Solvency II balance sheet, all material contingent liabilities are recognised as liabilities for the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure.

Valuation for Solvency purposes continued

Valuation differences between IFRS and Solvency II for contingent liabilities and provisions represent:

- A recognition difference: contingent liabilities are not recognised in the IFRS balance sheet, but are recognised in the Solvency II balance sheet if the exposure can be reliably estimated
- A measurement difference: provisions are measured in the IFRS balance sheet using the best estimate outcome (i.e. the full amount that may be incurred), while Solvency II requires a provision for the probability weighted outcome (i.e. the probability multiplied by the impact of the differences as at 31 December 2018).

For more details on other provisions and contingent liabilities, reference is made to Note 2.7.17 'Provisions for other liabilities', Note 2.7.22 ‘Legal Proceedings’ and Note 2.7.23 'Off-balance sheet positions' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Leasing

Information on operating lease arrangements are recognised in Note 2.7.4 ‘Details of expenses’ and Note 2.7.24 'Off-balance sheet positions' in the 2018 Financial statements of Delta Lloyd Schadeverzekering. There are no financial lease arrangements within Delta Lloyd Schadeverzekering.

Expected profits in future premiums

For existing business, expected profits included in future premiums are reflected in the technical provisions and therefore contribute to the Own Funds. For more information on the expected profits in future premiums, reference is made to QRT S.23.01.01 ‘Own funds’ as included in the Appendix.

Outflow of economic benefits

For the expected timing of the outflows of economic benefits reference is made to Note 2.7.1 ‘Risk management’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering. Uncertainties surrounding the amount or timing of the outflows of economic benefits is described in the Liquidity Risk paragraph in Note 2.7.1 ‘Risk management’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering. The uncertainties in amount or timing of other liability cash flows are low. Deviation risk was not taken into account in the valuation of the other liabilities.

Changes during 2018

No significant changes were made to the recognition and valuation bases nor on estimations of the other liabilities during the reporting period.

D.4 Alternative methods for valuation

Alternative valuation methods used

Alternative valuation methods are used by Delta Lloyd Schadeverzekering to determine the fair value of assets and liabilities if quoted market prices in active markets are unavailable. Reference is made to Note 2.7.24 ‘Fair value of financial assets and liabilities’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering for more information on the valuation approaches used.

D.5 Any other information

Active markets

Information on the criteria used to assess whether markets are active is included in Note 2.6 ‘Accounting policies’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering. The valuation methods used if the markets are inactive are described in Note 2.7.24 ‘Fair value of financial assets and liabilities’.

Estimation uncertainties

For the major sources of estimation uncertainty, reference is made to Note 2.7.1 ‘Risk management’ in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Capital management

E. Capital Management

Introduction

This chapter of the SFCR contains information on the capital management of Delta Lloyd Schadeverzekering, including the reconciliation of IFRS equity to Solvency II Own Funds, Delta Lloyd Schadeverzekering's Minimum Capital Requirement ('MCR') and Solvency Capital Requirement ('SCR').

E.1 Own funds

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for:

- The objectives, policies and processes employed by Delta Lloyd Schadeverzekering for managing its Own Funds, including information on the time horizon used for business planning and on any material changes over the reporting period
- The structure, amount and quality of Own Funds, including the extent to which each material own fund item is available and subordinated, as well as its duration and any other features that are relevant for assessing its quality
- The amount of Eligible Own Funds to cover the SCR, classified by tiers

Solvency II Basic Own Funds represent the excess of assets over liabilities in the Solvency II balance sheet. It comprises the following items:

- Paid-in ordinary share capital and the related share premium account
- The amount equal to the value of net deferred tax assets
- A reconciliation reserve. The purpose of the reconciliation reserve is to reconcile the value of the above item to the total amount of the excess of assets over liabilities
- Paid-in subordinated liabilities

Delta Lloyd Schadeverzekering did not have ancillary Own Funds during 2018 or as at 31 December 2018.

Impact of long term guarantees and transitional measures

The quantification of the impact of a change to zero of the volatility adjustment and transitional interest rates on Delta Lloyd Schadeverzekering's financial position, represented by an adjustment on the amount of technical provisions, the SCR, the Basic Own Funds and the Eligible Own Funds is included in Section D.2 and QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix.

Items deducted from Own Funds

Under Solvency II, Own Funds are reduced by 'foreseeable dividends, distributions and charges'. This requirement is different from reporting under IFRS where dividends are deducted from equity (and a corresponding liability is recognised) when they are declared.

Recognition of 'foreseeable dividends and distributions' under Solvency II is relevant for Delta Lloyd Schadeverzekering in two circumstances:

1) Dividends

No foreseeable dividends are subtracted from the 31 December 2018 available equity.

2) Coupons on subordinated liabilities

From the equity per 31 December 2018 an amount of EUR 3,730 thousand is subtracted as accrued coupon in relation to the subordinated liabilities.

Quantitative explanation of the material differences between IFRS equity and excess assets over liabilities as calculated for solvency purposes is provided further in this section and section D 'Valuation for Solvency Purposes'.

Additional ratios

No additional ratios are disclosed in the Solvency and Financial Condition Report other than the ratios included in QRT S.23.01.01 'Own funds' as included in the Appendix plus those that are included by reference into this report.

Analysis of significant changes in Own Funds

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for an analysis of significant changes in Own Funds.

The principal loss-absorbency mechanism

During 2018, Delta Lloyd Schadeverzekering had no principal loss-absorbency mechanism in place.

Capital management continued

Reconciliation reserve

The reconciliation reserve equals the total excess of assets over liabilities reduced by the following key elements:

- Paid-in ordinary share capital and related share premium account
- Foreseeable dividends, distributions and charges

The reconciliation reserve is included in QRT S.23.01.01 'Own funds' in the Appendix to this report.

As at 31 December 2018 Delta Lloyd Schadeverzekering has a deduction for distributions and charges of EUR 3,370 thousand.

Reconciliation IFRS equity to Own Funds

Reconciliation IFRS equity to Solvency II Basic Own Funds

In EUR thousand	2018	2017
IFRS 'Shareholders' funds	151,477	226,342
Elimination of deferred acquisition costs and other intangible assets	-32,059	-40,029
Valuation differences on assets	-21,039	-10,206
Valuation differences on liabilities, including insurance and investment contracts	139,574	109,733
Deferred tax effects on valuation differences	-18,238	-15,043
Excess assets/ liabilities	**219,715**	**270,798**
Subordinated debt	140,949	139,989
Foreseeable dividends and distributions	-3,730	-3,730
Basic Own Funds	**356,934**	**407,057**

The differences between IFRS Shareholders' Equity in Delta Lloyd Schadeverzekering's 2018 Financial statements and Solvency II Basic Own Funds of Delta Lloyd Schadeverzekering as at 31 December 2018 are mainly caused by:

Valuation differences:

- Goodwill is not recognised under Solvency II
- Intangible assets are not recognised under Solvency II
- Deferred acquisition costs are not recognised under Solvency II as separate balance sheet item
- Loans and advances are measured differently on the IFRS and Solvency II balance sheets
- Reinsurance contracts are measured differently
- Insurance and investment contract liabilities are measured differently
- The other adjustments mainly consist of the change in net Deferred Tax Assets or Deferred Tax Liabilities caused by using different valuations for some Solvency II balance sheet items whilst the tax base of these items remained the same

Reference is made to section D 'Valuation for Solvency Purposes' for more information on the valuation and consolidation differences between IFRS and Solvency II.

Eligibility of Own Funds

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for the eligibility of Own Funds of Delta Lloyd Schadeverzekering.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR

Reference is made to QRT S.25.02.21 in the Appendix and Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for the amount of the SCR split by risk categories.

Delta Lloyd Schadeverzekering determined the SCR including:

- Loss-absorbing capacity of deferred taxes ('LAC DT'). Delta Lloyd Schadeverzekering's total loss in a 1-in-200 adverse event would be offset by tax recoveries and these are recognised to the extent to be expected to be recoverable. The determination of LAC DT is significantly dependent on various assumptions, such as capitalisation assumptions, the assumed investment returns and the projection period.

Capital management continued

Deferred tax under Solvency II

The total deferred tax amount in Solvency II arises from:

- Taxable or deductible temporary differences because the carrying amount of assets or liabilities in the balance sheet differs from the tax base of those assets or liabilities. These differences multiplied by the tax rate are recognised as a net deferred tax liability or a net deferred tax asset (per legal entity) in the balance sheet. Reference is made to section D.1 'Assets' for the deferred tax asset recognised in the Solvency II balance sheet.
- The LAC DT on the SCR.
- Unused tax losses that are available for carry forward for tax purposes.

Not all valuation differences between the tax basis and Solvency II and SCR shocks will lead to deferred tax as certain elements are exempt for tax. For example: valuation differences on certain equity securities and the equity shock in the SCR on these securities do not result in a deferred tax effect when equity returns are exempt from tax. Therefore, these are excluded from the valuation differences and SCR amounts in order to arrive at the deferred tax balances for Solvency II.

The total deferred tax amount for Solvency II is therefore built up in a number of steps:

- deferred tax assets on unused tax losses
- +/- deferred tax assets/liabilities from valuation differences between IFRS and tax basis (except for non-taxable items)
- = deferred tax asset/liability in the IFRS balance sheet (deferred tax for IFRS)
- +/- deferred tax assets/liabilities from valuation differences between Solvency II and IFRS (except for non-taxable items)
- = deferred tax asset/liability in the Solvency II balance sheet (deferred tax for Own Funds)
- + deferred tax on SCR (LAC DT on the SCR) (except for non-taxable items)
- = total deferred tax amount for Solvency II

The 'total deferred tax amount for Solvency II' represents the deferred tax position that would be reflected in a Solvency II balance sheet that is fully shocked in line with the SCR shock. Any net deferred tax asset/benefit - whether for IFRS, Own Funds or SCR - must be tested for recoverability. The general guidance on assessing recoverability is summarised as follows:

- Tax assets can only be recognised when it is concluded that their recoverability is probable. This applies to both deferred tax assets from timing differences, deferred tax assets from unused tax losses carried forward and the LAC DT on the SCR.
- Deferred tax assets are recoverable when:
    - There are sufficient deferred tax liabilities relating to the same taxation authority and the same taxable entity. These deferred tax liabilities must be expected to reverse either in the same period as the tax asset or in periods into which a tax loss can be carried back or forward
    - It is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward)
    - Tax planning opportunities are available

Deferred taxes in the IFRS and Solvency II balance sheet are nominal, undiscounted, amounts. Therefore, recoverability testing also only considers nominal, undiscounted, amounts.

Specific guidance applies under Solvency II in respect of item b. 'Sufficient taxable profit' as, different from IFRS, this refers to Solvency II based profits (before and after a shock event) and not to regular (IFRS-based) profits.

In order to assess the recoverability of deferred tax, the total deferred tax amount for Solvency II (i.e. deferred tax in the Solvency II balance sheet plus the LAC DT on the SCR) must be equal to or lower than the total recoverable deferred tax amount in a Solvency II environment.

The recoverable amount must be assessed at the legal entity level and may not - except for the Solvency II balance sheet deferred tax asset only - include amounts from other entities in the Group, independent of existing fiscal unities or tax groups. While from a legal, tax and economic perspective the recoverability would benefit from the existence of a fiscal unity, and therefore the benefit from a fiscal unity is 'real', the Q&As as published by DNB prohibits reflecting the benefit of a fiscal unity in supporting the LAC DT on the SCR. The fiscal unity may be reflected in supporting the deferred tax asset in the Solvency II balance sheet.

As the total deferred tax amount for Solvency II (i.e. the deferred tax asset that exists in a fully shocked SCR balance sheet) is the highest amount, it acts as starting point for the recoverability test. This total amount reflects the differences between the tax values and the Solvency II values for all assets and liabilities and the tax benefit on the SCR. Only if the total deferred tax is non-recoverable, the recoverability of the deferred tax in Own Funds becomes separately relevant.

NN Group holds the capital buffers for the Group companies. Therefore after a 1-in-200 adverse event Delta Lloyd Schadeverzekering is dependent on recapitalisation from NN Group to continue as a going concern after a shock. The tax recoverability test of Delta Lloyd Schadeverzekering is performed on this basis.

Capital management continued

The total recoverable deferred tax amount in a Solvency II environment may come from various sources and includes both recoverability from items that never impact taxable profits and reverse over time as well as sources of profits and losses that would emerge in a Solvency II environment or a Solvency II environment after a SCR-type shock would have occurred. The recoverability is therefore based on an estimation of the total taxable results (including both income and expenses) that is expected to arise in a Solvency II environment after the shock. The sources of recoverability include all components of the estimated future taxable results, irrespective whether these are income ('profit') or expense ('loss'). In this calculation the change in tax percentage from 25% to 20.5% is included, that became in force in the Netherlands in December 2018.

The following items may be included in determining the total recoverable deferred tax amount:

- The amount of the risk margin in the technical provision
- Taxable return on capital after the shock, after recapitalisation to 100% SCR if applicable, net of expected dividends.
- Reversal of the net effects of the credit-spread shock
- Taxable part of investment spread in excess of interest accretion on liabilities and funding costs over their (expected average) remaining duration.
- Profits from estimated new business
- Other taxable items

Delta Lloyd Schadeverzekering has sufficient recoverable amounts to support the total deferred tax position recognised.

The net deferred tax asset is classified as Tier 3 capital. Tier 3 capital cannot exceed 15% of Delta Lloyd Schadeverzekering's SCR. Further information on Tiering is included in Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering.

Minimum Capital Requirement

In EUR thousand	2018	2017
Eligible Own Funds to cover MCR	294,865	354,675
of which Tier 1 unrestricted	214,030	257,919
of which Tier 1 restricted	53,507	68,016
of which Tier 2	27,328	28,739
MCR	**123,339**	**143,697**

For the MCR (and its inputs) as calculated in accordance with the formulas in the Solvency II regulations, reference is made to QRT S.28.01.01 as included in the Appendix.

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

Delta Lloyd Schadeverzekering has not used the duration-based equity risk sub-module during the reporting period.

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

Internal Model vs Standard Formula

Delta Lloyd Schadeverzekering applies a Partial Internal Model as it better reflects the risk profile of the entity and contains additional benefits for risk management purposes, whilst the Standard Formula adequately captures the risk profile of the international businesses.

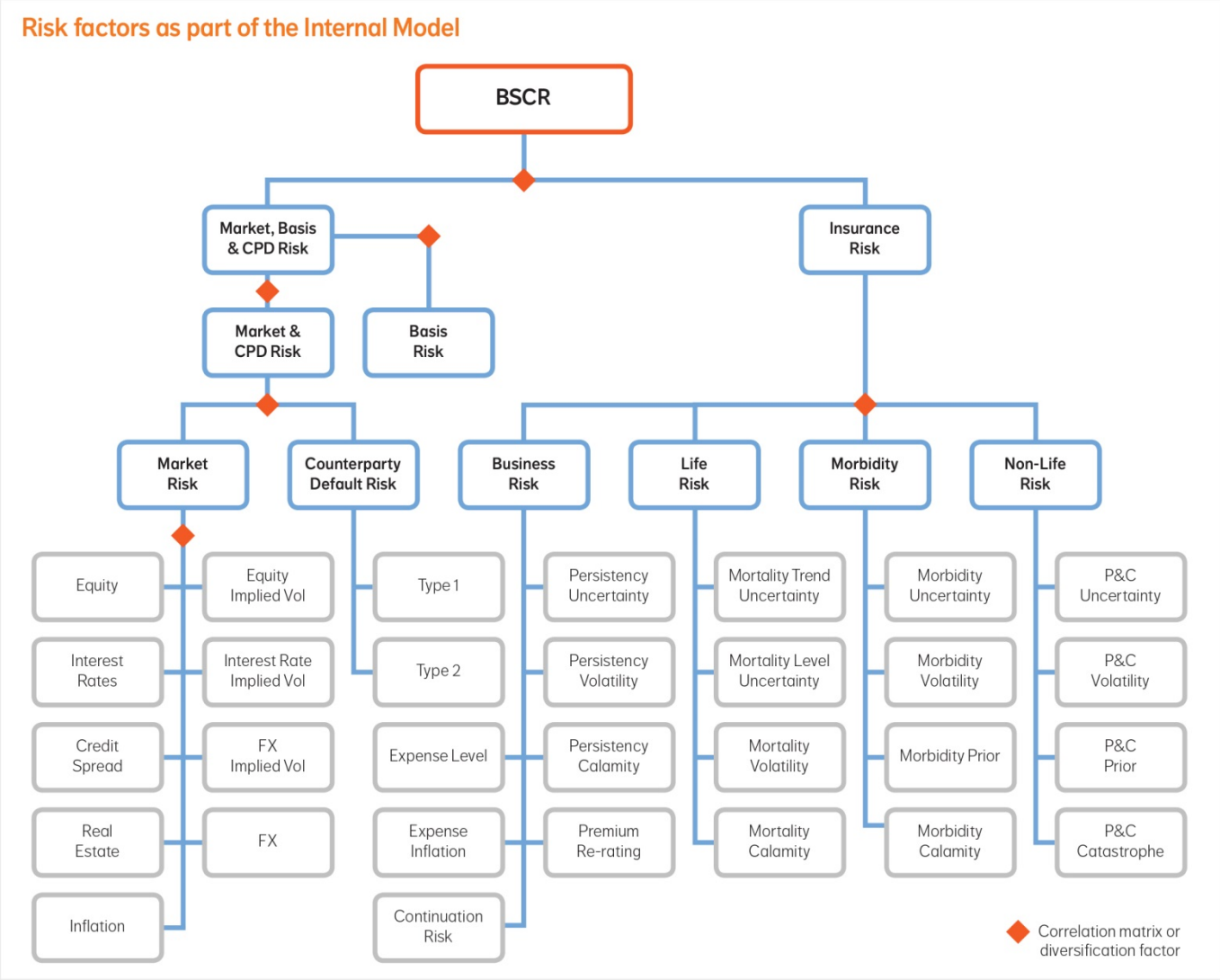
In particular:

- An Internal Model approach better reflects the specific assets and therefore the market risk in the portfolio of Delta Lloyd Schadeverzekering e.g. property risk, sovereign and other credit spread risks. In addition the approach to the most significant non-market risks within Delta Lloyd Schadeverzekering such as Disability/Morbidity and catastrophe windstorm is better tailored to the specific portfolio characteristics and statutory reserves set up according to local company law
- In the case of Disability/Morbidity Risks the product features and experience in the Dutch market are different from those in the wider European market, e.g. greater emphasis is placed on claimants returning to work in the Netherlands
- In the case of the non-life catastrophe windstorm risk in P&C products the Internal Model better reflects the risk profile in the Delta Lloyd portfolio which differs due to the type of property
- The Standard Formula diversification assumptions do not recognise all the diversification of risks that exists in the NN portfolios.
- The Internal Model accounts for the volatility adjustment by means of an approach recognizing the illiquidity of liabilities in the asset shocks. Reference is made to section D.2 (in paragraph 'Matching and volatility adjustment, transitional measures and transitional risk-free interest rate term structure') for further information on Delta Lloyd Schadeverzekering's volatility adjustment.

Risks covered by the internal model which are not –or differently- covered in the standard formula

Risk arises from the possibility that actual experience will negatively deviate from expectations, which results in economic losses for Delta Lloyd Schadeverzekering. In this respect, Delta Lloyd Schadeverzekering identified the following risk factors, and developed probability distributions for these various risk factors, as part of its Internal Model, which leads to the Basic Solvency Capital requirement ('BSCR'):

Capital management continued



In addition to the risks covered in the Standard Formula, the Internal Model includes the following risks:

- Inflation risk is defined as the risk associated with adverse changes in both realised and future expected inflation rates
- Equity implied volatility refers to the possibility of adverse changes in Solvency II Own Funds due to adverse changes in the level of equity implied volatilities
- Interest rate implied volatility refers to the possibility of adverse changes in Solvency II Own Funds due to adverse changes in the level of interest rate implied volatilities
- Foreign Exchange implied volatility refers to the possibility of adverse changes in Solvency II Own Funds due to adverse changes in the level of foreign currency implied volatilities
- Basis risk is the risk that occurs if the underlying asset or liability behaves differently than the underlying hedge instrument
- Continuation risk refers to political, country or legal risk

Capital management continued

The most important differences between the Internal Model and the Standard Formula in covered risk factors are:

- Interest Rate Risk:
  - The Internal Model incorporates several shocks, including non-parallel ones, to the curve instead of only two parallel shocks used in the Standard Formula
  - When interest rates are at low levels, the Internal Model uses absolute shocks, while the Standard Formula uses relative shocks
  - The Internal Model allows for negative interest rates, whereas the Standard Formula does not
  - In the Internal Model, first, the shock is applied to the interest rates and then the resulting rates are extrapolated to the Ultimate Forward rate. In the Standard Model the interest rates are first extrapolated to the Ultimate Forward rate and afterwards the shock is applied
  - In the internal model interest rates converge to the UFR after shock and thereby follow the dynamics of the balance sheet, whereas in the Standard Formula there is no convergence to the UFR after shock
- Equity Risk:
  - Level of shocks differs mainly because it is calibrated to the equity portfolio of NN Group
- Credit Spread Risk:
  - Shocks in the Internal Model apply to all fixed income assets, whereas the Standard Formula does not apply shocks to the bonds issued by countries which are EU members
  - In the Internal Model mortgages and loans are treated under Credit Spread Risk, whereas in the Standard Formula these are shocked as part of Counterparty Default Risk
- Real Estate Risk:
  - Shock applied in the Standard Formula is calibrated to historical prices observed in the UK property market, while the shock in the Internal Model is calibrated to actual exposures of Delta Lloyd Schadeverzekering
- Counterparty Default Risk:
  - Counterparty Default Risk module in the Standard Formula includes shocks applied to mortgage exposure, which are included under the Credit Spread module in the Internal Model
- Diversification within the Market Risk module:
  - The Internal Model assumes significant diversification between Interest Rate risk, on the one hand, and Credit Spread and Equity risks, on the other. Under the Standard Formula, diversification between these risks is different.
- Morbidity Risk:
  - For some products (e.g. WGA-EBD) the benefits are very specific to the Dutch market and depend on Dutch legislation. The regular Standard Formula calibration is based on Europe wide experience and does not fit the Dutch market well. Furthermore, the Standard Formula calculation does not take all risks into account that are present in the WIA products.
- Non-life Catastrophe Risk:
  - Delta Lloyd Schadeverzekering's own data does not fit the Standard Formula assumptions. For CAT Windstorm, the specific characteristics of the NN portfolio (e.g. building characteristics – private or commercial) and a more advanced model that predicts the path of storm have been used to more accurately capture the risk profile of the business than is possible with the Standard Formula. For CAT man made liability, the Standard Formula applies a factor to the premium received for each type of risk. A more sophisticated simulation approach to model different catastrophes and claims based on a historic data analysis shows that the Standard Formula does not fully reflect the risk profile of our business.

Capital requirements for operational risk is calculated based on the Standard Formula, and added to the combined BSCR. Next, loss absorption capacity of taxes are included.

The table below shows the results for the steps described above.

Solvency Capital Requirement

In EUR thousand	2018*	2017**
Market risk	69,797	84,951
Non-market risk	325,715	428,011
Diversification	-96,386	-148,842
Partial Internal Model BSCR / Standard Formula BSCR	**299,126**	**364,120**
Operational Risk	33,987	34,795
Loss absorbing Capacity of Deferred Taxes	-59,028	-79,587
Total SCR	**274,086**	**319,328**

* SCR for YE2018 is based on Partial Internal Model
** SCR for YE2017 is based on Standard Formula

Further reference is made to the QRT 25.02.21 in the Appendix.

Capital management continued

The nature and appropriateness of the data used in the Internal Model

Market data is collected from pre-defined external data sources. The market data methodologies are based on the following key principles:

- All relevant market data must be used when it is available and is of sufficient quality, i.e. data derived from deep, liquid and transparent ('DLT') markets; for most of the market risk models Delta Lloyd Schadeverzekering uses standard well established market data sources,
- The market data used should be of sufficient quality; e.g. for most of the market risk models standard well established market data sources are used. The data is analysed for correctness as part of the calibration process;
- From the last observable liquid market data point, extrapolation methods must be used to complete the data set
- Extrapolated market data should:
  - Be free of arbitrage
  - Be based on sound theoretical assumptions and/or expert judgment
  - Follow a smooth path from the entry point to the unconditional long-term level
- Estimates of ultimate long-term rates or levels should be stable over time, and only change because of changes in long-term expectations
- For non-market risks in general, an appropriate selection of company-specific data is made to give the best possible fit to our risk profile

Qualitative and quantitative information on the material sources of Delta Lloyd Schadeverzekering 's diversification effects

The material group diversification effects arises from:

- Diversification within market risk module of EUR 5 million as at 31 December 2018 including diversification effects between interest rate risk, on the one hand, and credit spread and equity risk, on the other
- Diversification between market risk and non-market risk of EUR 96 million as at 31 December 2018

The use of the Internal Model

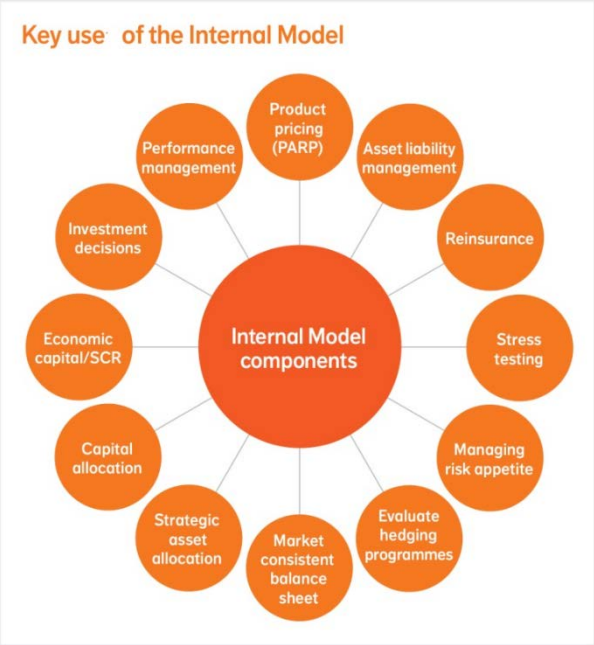
The Internal Model allows Delta Lloyd Schadeverzekering to treat different risk management activities in a consistent way:

- The model provides a framework which is consistent across risk types, businesses and the key uses such as market valuation, capitalisation, product pricing, investments, monitoring of risk appetite and risk mitigation/transfer
- The model facilitates adequate risk management at all levels of the organisation and provides a framework to measure, monitor and manage risks versus Delta Lloyd Schadeverzekering's risk appetite
- The model allows Delta Lloyd Schadeverzekering to manage risk in many different ways, e.g.:
  - Manage individual risk types at a much more granular approach, i.e. a stochastic (loss distribution) approach
  - Manage volatility in a stochastic rather than deterministic approach
  - Supports valuation, scenario- and stress analysis by running scenarios in a simple way using replicating portfolios
- The model allows Delta Lloyd Schadeverzekering to proactively define its risk measurement and management approach rather than awaiting (generic) industry changes to the Standard Formula

The Internal Model is used for different purposes. It is used to measure and manage the risks at all levels within the company, thus covering the entire loss distribution. This information is not only used to determine the SCR to cover tail risks. It is also used for, amongst others, wider risk management, capital management and business decisions such as product pricing and asset allocation.

The following diagram provides an overview of the key uses of the Internal Model.

Capital management continued



The methods used in the Internal Model for the calculation of the probability distribution forecast and the Solvency Capital Requirement

For the market risk models the Normal Inverse Gaussian distribution is mostly used. The class of the NIG distributions is a flexible set of distributions that includes fat-tailed and skewed distributions. For some market risk models e.g. for the real estate risk model where fewer data points are available, the Normal or t-distribution are used.

Where there is lack of annual data, higher frequency data is used for the calibration of the distribution parameters. The distribution is then annualised for the calculation of the SCR.

To assess the quality of the calibration, the goodness-of-fit tests and back testing are applied.

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for more information on the risk measure and time period used in the Internal Model.

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

Delta Lloyd Schadeverzekering complied with the MCR and the SCR during the reporting period.

E.6 Any other information

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Schadeverzekering for any other material information regarding the capital management of Delta Lloyd Schadeverzekering.

Appendix 1

Appendix 1: Quantitative Reporting Templates that form part of the Solvency and Financial Condition Report

This appendix includes certain Quantitative Reporting Templates ('QRTs') of Delta Lloyd Schadeverzekering, required to be reported to DNB and to be publicly disclosed:

Reference number	Title	Description
S.02.01.02	Balance sheet	Balance sheet information using Solvency II valuation methodology
S.05.01.02	Premiums, claims and expenses by line of business	Information on premiums, claims and expenses using the valuation and recognition principles used in NN Group's Consolidated annual report
S.12.01.02	Life and Health SLT Technical Provisions	Information on Life and Health similar to life technical provisions by line of business
S.17.01.02	Non-Life Technical Provisions	Information on Non-life and Health similar to Non-life technical provisions by line of business
S.19.01.21	Non-Life insurance claims	Information on Non-life Gross Claims paid and Best Estimate provision
S.22.01.21	Impact of long term guarantees and transitional measures	Information on the impact of the long term guarantee and transitional measures
S.23.01.01	Own funds	Information on own funds, including basic own funds
S.25.02.21	Solvency Capital Requirement	Information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity	Information on the Minimal Capital Requirement calculation.

All amounts in this appendix are recorded in EUR thousand.

Appendix 1 continued

S.02.01.02 Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	1,955
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,570,577
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	3,987
Equities - listed	R0110	
Equities - unlisted	R0120	3,987
Bonds	R0130	1,526,382
Government Bonds	R0140	693,593
Corporate Bonds	R0150	804,390
Structured notes	R0160	1,097
Collateralised securities	R0170	27,302
Collective Investments Undertakings	R0180	40,144
Derivatives	R0190	64
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	306,426
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	196,846
Other loans and mortgages	R0260	109,580
Reinsurance recoverables from:	R0270	164,021
Non-life and health similar to non-life	R0280	160,027
Non-life excluding health	R0290	159,735
Health similar to non-life	R0300	291
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	3,994
Health similar to life	R0320	3,994
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	7,135
Insurance and intermediaries receivables	R0360	127,071
Reinsurance receivables	R0370	57,461
Receivables (trade, not insurance)	R0380	63,494
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	10,192
Any other assets, not elsewhere shown	R0420	9,786
Total assets	**R0500**	**2,318,118**

Appendix 1 continued

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	1,040,085
Technical provisions – non-life (excluding health)	R0520	1,001,643
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	962,743
Risk margin	R0550	38,900
Technical provisions - health (similar to non-life)	R0560	38,442
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	36,942
Risk margin	R0590	1,500
Technical provisions - life (excluding index-linked and unit-linked)	R0600	719,261
Technical provisions - health (similar to life)	R0610	719,261
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	691,193
Risk margin	R0640	28,067
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	1,006
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	4,357
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	46,306
Reinsurance payables	R0830	62,551
Payables (trade, not insurance)	R0840	81,436
Subordinated liabilities	R0850	140,949
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	140,949
Any other liabilities, not elsewhere shown	R0880	2,453
Total liabilities	**R0900**	**2,098,403**
Excess of assets over liabilities	**R1000**	**219,714**

Appendix 1 continued

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)								
		Income protection 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
		C0020	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Premiums written										
Gross - Direct Business	R0110	88,377	175,717	156,475	47,958	356,175	85,830		21,429	15,468
Gross - Proportional reinsurance accepted	R0120	-121	-0		-711	-2,617	-1,220	-468		
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	95	413	1,258	1,923	97,066	580	-248	21,425	14
Net	R0200	88,161	175,304	155,217	45,324	256,492	84,031	-221	4	15,453
Premiums earned										
Gross - Direct Business	R0210	89,128	178,842	161,441	48,937	384,216	86,877		21,599	15,641
Gross - Proportional reinsurance accepted	R0220	-121	-0		-711	-2,617	-1,220	-468		
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	95	413	1,258	1,923	94,105	580	-248	21,443	14
Net	R0300	88,912	178,429	160,182	46,303	287,494	85,078	-221	156	15,627
Claims incurred										
Gross - Direct Business	R0310	56,385	164,949	97,898	14,338	284,815	61,546		5,595	7,860
Gross - Proportional reinsurance accepted	R0320	-34	111		1,357	322	-480	-345		
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	-36	391	150	-3,494	70,584	-162	-904	11,229	
Net	R0400	56,388	164,669	97,748	19,190	214,554	61,228	559	-5,633	7,860
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**	**25,641**	**52,738**	**51,084**	**21,127**	**121,690**	**33,830**	**-111**	**-3,590**	**4,137**
Other expenses	R1200									
Total expenses	R1300									

Appendix 1 continued

		Line of Business for: accepted non-proportional reinsurance			Total
		Casualty	Marine, aviation, transport	Property	
		C0140	C0150	C0160	C0200
Premiums written					
Gross - Direct Business	R0110				949,693
Gross - Proportional reinsurance accepted	R0120				-5,137
Gross - Non-proportional reinsurance accepted	R0130	-46	42	78	74
Reinsurers' share	R0140				122,525
Net	R0200	-46	42	78	822,104
Premiums earned					
Gross - Direct Business	R0210				988,345
Gross - Proportional reinsurance accepted	R0220				-5,137
Gross - Non-proportional reinsurance accepted	R0230	-46	42	78	74
Reinsurers' share	R0240				119,583
Net	R0300	-46	42	78	863,699
Claims incurred					
Gross - Direct Business	R0310				693,909
Gross - Proportional reinsurance accepted	R0320				932
Gross - Non-proportional reinsurance accepted	R0330	3,327	229	2,073	5,629
Reinsurers' share	R0340	26	17	254	78,054
Net	R0400	3,301	212	1,820	622,416
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**	**61**	**-26**	**-6**	**307,551**
Other expenses	R1200				
Total expenses	**R1300**				**307,551**

Appendix 1 continued

		Line of Business for: life insurance obligations		Total
		Health insurance	Health reinsurance	
		C0210	C0270	C0300
Premiums written				
Gross	R1410	110,593		110,593
Reinsurers' share	R1420	2,549		2,549
Net	R1500	108,044		108,044
Premiums earned				
Gross	R1510	112,214		112,214
Reinsurers' share	R1520	2,561		2,561
Net	R1600	109,654		109,654
Claims incurred				
Gross	R1610	31,246	-275	30,972
Reinsurers' share	R1620	1,579		1,579
Net	R1700	29,667	-275	29,392
Changes in other technical provisions				
Gross	R1710			
Reinsurers' share	R1720			
Net	R1800			
Expenses incurred	**R1900**	**31,582**		**31,582**
Other expenses	R2500			
Total expenses	**R2600**			**31,582**

Appendix 1 continued

S.12.01.02 Life and Health SLT Technical Provisions

		Health insurance (direct business)		Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees		
		C0160	C0170	C0200	C0210
Technical provisions calculated as a whole	R0010				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020				
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate	R0030		685,509	5,684	691,193
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		3,994	0	3,994
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		681,515	5,684	687,199
Risk Margin	R0100	27,836		231	28,067
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110				
Best estimate	R0120				
Risk margin	R0130				
Technical provisions - total	R0200	713,346		5,915	719,261

Appendix 1 continued

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Income protection 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
		C0030	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions Gross	R0060	-2,929	27,818	-10,634	5,993	56,492	7,434		-6,132	229
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-66	-214	-751	60	689	56		-2,347	-76
Net Best Estimate of Premium Provisions	R0150	-2,864	28,032	-9,883	5,933	55,803	7,378		-3,785	305
Claims provisions Gross	R0160	39,871	359,540	16,983	59,924	236,016	152,536	2,256	40,862	3,239
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	357	9,592	644	28,152	78,170	2,605	0	40,832	
Net Best Estimate of Claims Provisions	R0250	39,514	349,947	16,339	31,773	157,846	149,931	2,256	30	3,239
Total Best estimate - gross	R0260	36,942	387,357	6,349	65,917	292,507	159,970	2,256	34,730	3,468
Total Best estimate - net	R0270	36,650	377,979	6,456	37,705	213,648	157,309	2,256	-3,756	3,544
Risk margin	R0280	1,500	15,729	258	2,677	11,691	6,496	92	1,410	136
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	38,442	403,087	6,606	68,594	304,198	166,466	2,347	36,140	3,605
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	291	9,378	-108	28,212	78,859	2,662	0	38,486	-76
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	38,151	393,709	6,714	40,382	225,339	163,804	2,347	-2,345	3,681

Appendix 1 continued

		accepted non-proportional reinsurance			Total Non-Life obligation
		Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	R0060	0	0	0	79,607
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	-2,686
Net Best Estimate of Premium Provisions	R0150	0	0	0	82,292
Claims provisions					
Gross	R0160	5,848	364	2,048	920,078
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	336	115	1,889	162,712
Net Best Estimate of Claims Provisions	R0250	5,512	249	159	757,366
Total Best estimate - gross	R0260	5,848	364	2,048	999,685
Total Best estimate - net	R0270	5,512	249	159	839,658
Risk margin	R0280	237	15	83	40,400
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	6,086	379	2,131	1,040,085
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	336	115	1,889	160,027
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	5,750	264	242	880,058

Appendix 1 continued

S.19.01.21 Non-Life insurance claims (Gross claims paid)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											7,726
N-9	R0160	217,861	185,923	66,378	24,300	12,670	8,943	8,793	3,923	3,711	6,316	
N-8	R0170	242,891	240,295	66,022	20,570	14,241	10,798	10,166	5,087	5,324		
N-7	R0180	268,521	258,225	82,508	40,633	22,841	15,412	20,961	6,588			
N-6	R0190	281,956	257,717	84,342	39,663	20,899	13,669	11,840				
N-5	R0200	254,744	250,442	88,564	31,906	16,704	8,905					
N-4	R0210	239,243	226,386	73,502	25,323	12,312						
N-3	R0220	251,722	207,939	60,710	23,346							
N-2	R0230	330,033	230,902	61,175								
N-1	R0240	286,562	164,414									
N	R0250	292,803										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	7,726	7,726
N-9	R0160	6,316	538,818
N-8	R0170	5,324	615,394
N-7	R0180	6,588	715,688
N-6	R0190	11,840	710,086
N-5	R0200	8,905	651,265
N-4	R0210	12,312	576,766
N-3	R0220	23,346	543,717
N-2	R0230	61,175	622,109
N-1	R0240	164,414	450,975
N	R0250	292,803	292,803
Total	**R0260**	**600,748**	**5,725,347**

Appendix 1 continued

S.19.01.21 Non-Life insurance claims (Gross undiscounted best estimate claims provisions)

		Development year									
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											44,882
N-9	R0160								10,681	12,254	14,026	
N-8	R0170							52,755	21,213	21,884		
N-7	R0180						37,746	37,943	23,396			
N-6	R0190					61,613	39,395	54,426				
N-5	R0200				81,702	54,919	48,715					
N-4	R0210			99,631	70,699	60,412						
N-3	R0220		168,825	109,620	91,494							
N-2	R0230	284,082	165,087	156,707								
N-1	R0240	289,531	168,672									
N	R0250	248,108										

			Year end (discounted data)
			C0360
Prior		R0100	44,242
N-9		R0160	13,768
N-8		R0170	21,498
N-7		R0180	23,107
N-6		R0190	53,746
N-5		R0200	47,913
N-4		R0210	59,503
N-3		R0220	90,051
N-2		R0230	154,555
N-1		R0240	166,436
N		R0250	245,261
Total		**R0260**	**920,078**

Appendix 1 continued

S.22.01.21 Impact of long term guarantees and transitional measures

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	1,759,345			19,422	
Basic own funds	R0020	356,934			-15,440	
Eligible own funds to meet SCR	R0050	356,934			-15,440	
SCR	R0090	274,086			65,789	
Eligible own funds to meet MCR	R0100	292,205			-18,356	
Minimum Capital Requirement	R0110	123,339			29,605	

Reference is made to Section D.2 for more information on the impact of long term guarantees and transitional measures.

Appendix 1 continued

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	45,378	45,378			
Share premium account related to ordinary share capital	R0030	406,837	406,837			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-238,185	-238,185			
Subordinated liabilities	R0140	140,949		140,949		
An amount equal to the value of net deferred tax assets	R0160	1,955				1,955
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	356,934	214,030	140,949		1,955
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	356,934	214,030	140,949		1,955
Total available own funds to meet the MCR	R0510	354,979	214,030	140,949		
Total eligible own funds to meet the SCR	R0540	356,934	214,030	53,507	87,442	1,955
Total eligible own funds to meet the MCR	R0550	292,205	214,030	53,507	24,668	
SCR	R0580	274,086				
MCR	R0600	123,339				
Ratio of Eligible own funds to SCR	R0620	1.30				
Ratio of Eligible own funds to MCR	R0640	2.37				

Appendix 1 continued

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	219,714
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	3,730
Other basic own fund items	R0730	454,170
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-238,185
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	6,870
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	29,277
Total Expected profits included in future premiums (EPIFP)	**R0790**	**36,146**

Appendix 1 continued

S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
1001	Total capital requirement for market risk	69,797	69,797		
1003	Total capital requirement for counterparty default risk	24,923	24,923		
1004	Overall Insurance Risk	271,220	271,220		
1005	Overall Business Risk	31,285	31,285		
1006	Operational risk	33,987	33,987		
9	Loss absorbing capacity for deferred taxes if not modelled within components	-59,028	-59,028		

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	372,185
Diversification	R0060	-96,386
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	275,799
Solvency capital requirement excluding capital add-on	R0200	275,799
Capital add-ons already set	R0210	
Solvency capital requirement	R0220	274,086
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	-59,028
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 Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix 1 continued

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

		C0010
MCR_{NL} Result	R0010	153,918

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	36,650	88,161
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	377,979	175,304
Other motor insurance and proportional reinsurance	R0060	6,456	155,217
Marine, aviation and transport insurance and proportional reinsurance	R0070	37,705	45,324
Fire and other damage to property insurance and proportional reinsurance	R0080	213,648	256,492
General liability insurance and proportional reinsurance	R0090	157,309	84,031
Credit and suretyship insurance and proportional reinsurance	R0100	2,256	
Legal expenses insurance and proportional reinsurance	R0110		4
Assistance and proportional reinsurance	R0120	3,544	15,453
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,945	2,265
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150	5,512	
Non-proportional marine, aviation and transport reinsurance	R0160	249	42
Non-proportional property reinsurance	R0170	159	78

		C0040
MCR_{L} Result	R0200	14,431

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	687,199	
Total capital at risk for all life (re)insurance obligations	R0250		

		C0070
Linear MCR	R0300	168,349
SCR	R0310	274,086
MCR cap	R0320	123,339
MCR floor	R0330	68,521
Combined MCR	R0340	123,339
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	123,339

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