Bâloise Vie Luxembourg S.A.

Solvency and Financial Condition Report

2016

Version 1.0

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List of abbreviations

ALM	Asset Liability Management
AOF	Ancillary Own Funds
ALCO-RICO	Asset Liability and Risk Committee
BOF	Basic Own Funds
CAA	Commisariat aux Assurances
CFO	Chief Financial Officer
ELC	Entity Level Control
EPIFP	Expected profits included in future premiums
ICRA	Investment Controlling and Risk Analysis
ICS	Internal Control System
IIA	Institute of Internal Auditors
ITGC	IT General Control
MCEV	Market Consistent Embedded Value
ORSA	Own Risk and Solvency Assessment
PPP	Prudent Person Principle
SCR	Solvency Capital Requirement
SST	Swiss Solvency Test
Undertaking	Bâloise Vie Luxembourg S.A.
VAT	Value Added Tax

I. Executive Summary

I.1 Introduction

Bâloise Vie Luxembourg S.A. is a life insurance company, part of, and strongly embedded in the Baloise Group (owned by Bâloise Holding Ltd, Switzerland, a Swiss based financial services provider, which offers insurance and pension solutions).

The purpose of this report is to satisfy the public disclosure requirements under the "Loi du 7 décembre 2015 sur le secteur des Assurances" including the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation (EU) 2015/35 and the EIOPA Guidelines on Reporting and Disclosure. The elements of the disclosure relate to business & performance, system of governance, risk profile, solvency valuation and capital management.

I.2 Highlights 2016

Bâloise Vie Luxembourg S.A. is ready for the future. We are relying on innovation, agility and an entrepreneurial culture – without neglecting our core insurance business. The Simply Safe strategy sets out ambitious targets for Baloise to achieve by 2021.

The year 2016 was characterized by a series of major events such as of new terrorist attacks in Europe, the migrant crisis, creating a general sentiment of insecurity across the entire European Union. The year was also shaped by economic policy uncertainties stemming from the vote for Brexit and the US election. In addition, the challenging, exceptional economic environment, such as the prolonged historically low interest rate environment, continues to persist.

In spite of these factors, Bâloise Vie Luxembourg S.A. generated healthy results in 2016.

For Bâloise Vie Luxembourg S.A. the year was mainly characterized by the continued integration and harmonization of activities acquired during 2014 from the Luxembourgish branch of P&V Assurances S.C.R.L.

Bâloise Vie Luxembourg S.A. has a sound capital base. The undertaking's capital strength in accordance with Solvency II was reported at a level of 206.5% at the end of 2016.

During the year 2017 we will continue to develop our information technology and digital tools in the pursuit of managing our portfolio optimally internally as well as through external networks.

I.3 Business and Performance

Despite difficult conditions healthy profit has been achieved.

In 2016, Bâloise Vie Luxembourg S.A. generated a very healthy profit in its life business despite a backdrop of difficult conditions.

The profit of the year amounting to EUR 10,991.5 thousand result in favorable market movements and positive net policy flows of the unit-linked business. It has also been driven by lower costs during the year under review, as well as higher realized gains linked to the sale of bonds.

in '000 EUR, for the year ended December 31	2016
Gross premiums written	1,051,673.8
Insurance with profit participation	58,853.2
Index-linked and unit-linked insurance	976,058.5
Other life insurance	16,762.1
Profit of the year	10,991.5
Own assets	574,454.1
Assets under management for unit-linked investments	5,854,495.5

These solid foundations mean the undertaking is ideally placed to deal with current challenges.

The increase of the own assets of around EUR 46,785.9 thousand is mainly due to an increase of the market value of our bonds and equities portfolios, and to a higher cash balance.

I.4 System of Governance

We practice sound, responsible corporate governance

As a company that adds value, Bâloise Vie Luxembourg S.A. has always attached great importance to practicing sound, responsible corporate governance and continues this tradition today.

The system of governance in place at Bâloise Vie Luxembourg is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the Fit and proper process applied, together with the company's Code of Conduct ensures the adequacy of key personnel such as the adequacy of key functions implemented according to Solvency II regulation.

I.5 Risk Profile

All material risks are identified, assessed and managed.

All risks as defined in the Baloise risk map are assessed on a regular basis by taking into account risk mitigating measures in place. In a first step risks are assessed in a bottom-up process by the functional department responsible (risk owner and risk controller). In a second step the assessments are aggregated at company level.

I.6 Valuation for Solvency purposes

Valuation principles and results are presented under both the Solvency II and local accounting guidelines (Local GAAP). Significant differences between these frameworks are documented. This not

only comprises differences in valuation principles, but also differences in recognition and/or in classification of certain assets and liabilities.

S.02.01 Balance Sheet - Local GAAP and Solvency II Valuation

			2016.12
	LocalGAAP	Solvency II	Difference
EUR '000			
Total assets	6,502,263.0	6,580,517.3	78,254.3
Total liabilities	6,429,299.4	6,439,185.3	9,885.9
Excess of assets over liabilities	72,963.6	141,332.1	68,368.4

I.7 Capital Management

Despite of a difficult market environment Solvency II quotas are at a high level

Despite the difficult market environment the undertaking's Solvency II quota was reported at a level of 206.5% at the end of 2016. The volatility adjustment is used to calculate the technical provisions and in this way has an impact on the undertaking's Solvency Capital Requirement as well as its Solvency II quota. The legal requirement to hold sufficient own funds to cover the solvency capital requirement has therefore been fulfilled.

Solvency position	2016.12
EUR '000	
Total available own funds to meet the SCR	134,209.4
Solvency Capital Requirement	65,007.0
Ratio of Eligible Own Funds to Solvency Capital Requirement	**206.5%**

II. Business and performance

II.1 Business

II.1.1 General information

Bâloise Vie Luxembourg S.A. (hereafter "the undertaking") is an insurance company incorporated in the Grand Duchy of Luxembourg as a limited liability company (société anonyme) on 6 May 1996 and published in the Memorial, special publication for companies and associations, under number B54686. The company is regulated by the Luxemburgish supervisory authority, the Commissariat aux Assurances, situated at 7, boulevard Joseph II, L-1840 Luxembourg.

The external auditor of Bâloise Vie Luxembourg S.A. is Ernst & Young S.A., whose registered office is at L-1855 Luxembourg, 35E, Avenue John F. Kennedy.

Bâloise (Luxembourg) Holding S.A. is the sole shareholder of the undertaking and a hundred percent subsidiary of the ultimate parent company Bâloise Holding Ltd. A simplified structure chart of the company is shown hereafter.

Bâloise Vie Luxembourg S.A. is included in the consolidated accounts of the Bâloise Holding Ltd headquartered in Basel, Switzerland, whose registered office is at CH-4002 Basel, Aeschengraben 21 (Switzerland).

II.1.2 Significant business and geographical coverage

Main business lines and geographical areas

The main business lines of the undertaking are index-linked and unit-linked insurance obligations and insurance obligations with profit participations. With respect to gross premiums written, the most important geographical areas which drive the business of the undertaking are Portugal, Luxembourg, Italy, Belgium, and France.

Significant business or other events

The undertaking went on conducted an important long-term project linked to the harmonization of its internal processes and products. This project, which already started in 2015, is fully part of an optimization approach according to the appliance of the Lean Six Sigma set of techniques and tools.

The aim is to improve the quality of process outputs by identifying and removing the causes of defects and minimizing variability in manufacturing and business processes.

On the regulatory side, 2016 marked the start of the new European Solvency II-regulation and preparations for the regulation concerning "Markets in Financial Instruments Directive II" (commonly referred to as MiFID2), "Packaged Retail and Insurance-based Investment Products" (PRIIPs) and the "European Market Infrastructure Regulation" (EMIR).

II.2 Performance of underwriting activities

II.2.1 Underwriting performance against prior reporting period

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

In 2016, Bâloise Vie Luxembourg S.A. continued to follow its selective and prudent underwriting approach. The result of the undertaking in local GAAP reflects the good performance over the year:

Position	2016
in '000 EUR	
Gross written premiums	1,051,674.0
Gross earned premiums	1,051,903.0
Gross claims expenses	−364,381.0
Gross operating expenses	−35,701.0
Reinsurance balance	−2,895.0
Technical result life	8,955.0

Increased gross written premiums are mainly driven by a strong growth rate in investment-type premiums and further supported by increased traditional individual life business. Gross written premium reached EUR 1.051 Mio, resulting in a slight decrease of 0.6%. Given the difficult economic situation, traditional products show a reasonable evolution, resulting in an increase amounting to 1.4%. The cash collection on financial products linked to unit-linked funds all around European countries remains stable at around EUR 972.7 Mio, resulting in a slight decrease of 1.2%.

The technical result of the year is in line with the expectation as no main claim occurred.

Bâloise Vie Luxembourg S.A. delivered an overall business profit of EUR 10,992 thousand.

II.3 Performance from investment activities

II.3.1 Review of current and prior period investment income and expenses

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

Overview of the investment performance as per financial statements

The table below shows an overview of the investment performance as per financial statements of the current period.

	2016					
in '000 EUR	Bonds	Equities	Property	Loans and mortgages	Cash and cash	Total
Recurring income	11,295.2	543.1	529.2	101.2	−21.2	12,447.5
Realised gains	2,886.9	2,091.2	186.0	0	0	5,164.1
Realised losses	−8.1	−571.3	0	0	−29.5	−609.0
Appreciation in value	0	0	0	0	0	0
Depreciation in value	0	−336.6	0	0	0	−336.6
Cost of investment management	−843.7	−48.3	0	0	0	−892.0
Operational profit	13,330.3	1,678.1	715.2	101.2	−50.7	15,774.1
Average investment portfolio	486,814.9	53,128.3	10,727.0	1,758.8	19,933.5	572,362.5
Investment performance 1)	2.7%	3.2%	6.7%	5.8%	−0.3%	2.8%

[1)] Calculation of investment performance: Operational profit / average investment portfolio

Current income (compared to previous period)

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

The split of the current income by asset class is presented in the previous paragraph.

Gains and losses recognized directly in equity

The following table shows the gains or losses recognized directly in equity. The gains or losses of equities and bonds classified as “available for sale” are directly recognized in the company’s equity accounts under IFRS rules.

in '000 EUR	2016
Gains and losses recognized directly in equity	
Unrealized gain and losses from bonds	78,503.5
Unrealized gain and losses from equities	3,951.4
Unrealized gain and losses from investment funds	124.7
Total	**82,579.6**

Investments in financial instruments based on repackaged loans

The undertaking does not invest in any financial instruments based on repackaged loans.

II.4 Performance of other activities

II.4.1 Review of current period and prior period other income and expenses

For year-end 2016 the other technical income and expenses amounting to EUR 10,143.8 thousand and EUR 712.5 thousand, respectively, mainly stem from Freedom of Service Business.

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II.5 Other relevant information

No supplementary information in addition to the information previously disclosed is considered material.

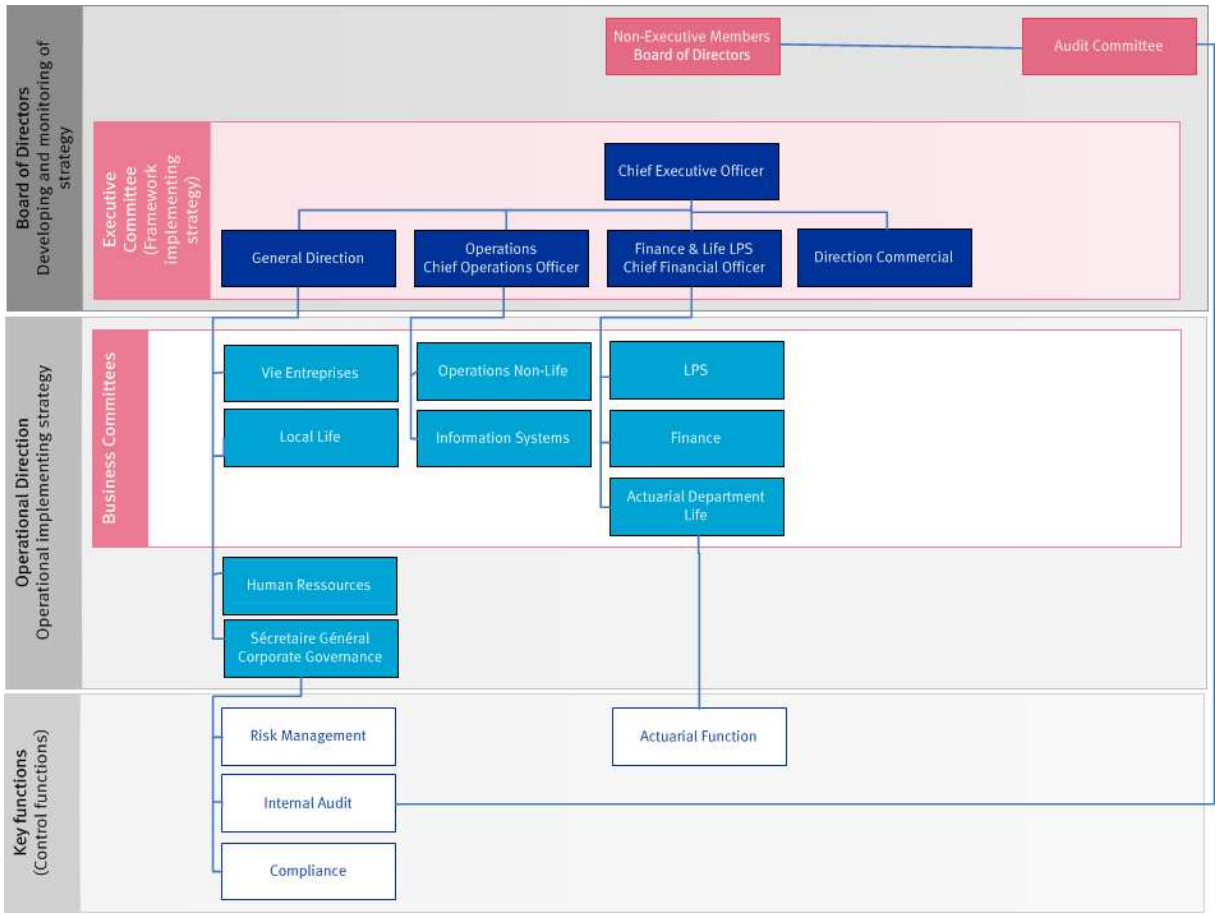
III. System of Governance

III.1 General information on the system of governance

III.1.1 Governance structure: overview and main changes

Good management is of great importance to the undertaking. As a result the appropriateness of its corporate governance is continuously challenged.

The undertaking's governance structure is illustrated in the chart below.



Bâloise Vie Luxembourg S.A. has a two-tier Board system with a clear division of responsibility between the two statutory governing bodies as defined in the "règlement d'organisation interne".

- The Board of Directors, which is responsible for defining general strategy and supervising the activities of the Executive committee, as well as designating, amongst themselves, the members of that Committee and revoking them;

- The Executive Committee, which is responsible for managing the company's insurance activities and thereby implementing the strategy as laid out by the Board of Directors. The Executive Committee is responsible for the framework set up necessary for the implementation of the strategy.

- The effective implementation of the strategy is performed by the Operational Direction whose tasks are concentrated on the integration of the strategy in every department throughout the company.

- As key functions, the risk management department, actuarial function, compliance function and internal audit department carry out the oversight responsibilities. The compliance, risk management and internal audit function are assigned to the Sécretaire Géneral, who is the link between the Operational Direction and the Executive Committee, therefore assuring independency from the operational business through the direct access to the Executive Committee and Board of Directors.

Board of Directors

Composition of the Board of Directors

The undertaking is led by Managing Directors and Non-Executive Directors. The Managing Directors are in charge of the undertaking's activity under the supervision of the Non-Executive Directors.

Concerning sound management it is important to differentiate between the following responsibilities

- The lead of the company activity (= Management function): executed by the Managing Directors, that take part in the Executive Committee

- The supervision of the management (= Supervisory function): executed by the Non-Executive Directors attending the Board of Directors

- The determination of global policy and strategy (= Policy function): executed by the Managing Directors and Non-executive Directors

The composition of the Board of Directors consists of managing and non-executive directors. Members of the Board of Directors are appointed for the duration of one year.

Withdrawing managers are eligible for re-election. The Board of Directors consists of Managing and Non-Executive Directors that are selected for a renewable term of one year. The majority is Non-Executive.

The group of Non-Executive Directors should have collective knowledge of all important company activities. The Non-Executive Directors are required to be individually sufficiently qualified and as a group have the necessary knowledge to perform their supervisory task.

Functioning of the Board of Directors

The Board of Directors meets at least three times a year. Additional meetings can be requested by the chairman, Vice chairman or two directors at any time it is required in the interests of the company. The considerations are collected in the minutes.

In order to support the Board of Directors, dedicated committees was created. Their functioning and reporting is detailed below.

Main roles and responsibilities of the Board of Directors

The Board of Directors is responsible for the following tasks:

- Determination of the general policy and strategy, goals and values of the undertaking;
- The approval and regular evaluation of the policy structure, the organization, internal controls and independent control functions of the undertaking;
- Regularly checking whether the undertaking has effective internal controls with respect to the financial reporting;
- The approval and regular evaluation of the rights and obligations of general policy and strategy of the undertaking with respect to
    - Commercial policy and structure;
    - Risk profile, policy and management;
    - Capital adequacy;
    - Outsourcing;
    - Business Continuity;
    - Integrity and acceptation policy;
    - Conflicts of interest.
- Supervision of management;
- Taking notice of the important findings of independent control functions of the undertaking, of the Statutory Auditor, of the CAA, or of specialized committees set up by the Board, supervision on the Executive Committee to prevent short-comings.

Decisions are taken by absolute majority of all members.

Main changes related to the Board of Directors

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Board level Committees

Composition of the Board Committees

The Board of Directors can set up, when appropriate, specialized committees for advice. The introduction of these committees may not influence the responsibilities of the Board. The Board of Directors approves an internal prescription consisting of the role, composition and functioning for each committee.

The undertaking's Board of Directors put an Audit Committee in place.

The Board of Directors gave a mandate to a Non-Executive Director to determine the variable and fixed remuneration of the Managing Directors in line with the approved rewarding system, but no remuneration committee is set up.

Functioning of the Board level committees

The constitution of the Audit Committee and its functioning guarantee the appropriateness of its role.

- The chair of the Audit Committee cannot be the Chair of the Board of Directors;
- The functioning of the Audit Committee is determined in the Internal Audit Policy;
- The members are exclusively Non-Executive members and at least one of them is independent; this cannot prevent that in order to improve its effectiveness, the chair or a member of the Executive Committee, member of the Internal Audit and the Statutory Auditor can participate to meetings, but without being member;
- The committee is collectively competent in relation to the activities of the financial undertaking, the financial treatment and reporting, accounting and audit;
- The members are objective;
- The Audit committee meets at least three times a year;
- The Audit committee reports to the Board of Directors.

Executive Committee

Composition

Every member of the undertaking's Executive Committee is in charge of a direction. The members are loyal to the decisions taken in the Executive Committee irrespective of their specific domains.

Every member of the Executive Committee has the necessary competences, knowledge and experience in all important activities of the undertaking, specifically with respect to the subjects under their direct responsibility.

Functioning of the Executive Committee

The Executive Committee normally meets weekly. Minutes are taken.

The Secrétaire Général is invited to attend the meetings on a permanent basis.

Roles and responsibilities of Executive Committees

The Executive Committee has the following tasks:

- Steering the entity with respect to local and group strategy;
- Taking the lead with respect to the activity of the undertaking and the expansion of the management structure;
- Supervision of the reporting, the line management and the compliance towards dedicated tasks and responsibilities;
- Providing proposals and advice to the Board with respect to the general policy and strategy of the undertaking. They supply the Board with all relevant information in order to assist the Board in taking decisions;
- Responsibility for the organization and lead of the internal control function and procedures, in particular the independent controls;
- Setting up an internal control system that secures with a sufficient level of confidence the reliability of internal reporting and the financial reporting process;
- Informing the Board of Directors about the financial position and all aspects necessary in order to perform its tasks appropriately;
- Reporting of the financial situation and structure, the internal control and independent control functions to the CAA;
- Transforming the risk appetite or strategy defined by the Board of Directors into operational policies and guidelines.

To ensure the undertaking's management as described above, the Executive Committee is assisted by a second level of management, Operational Direction.

The Comité de Direction Opérationelle will support the Executive Committee in performing particular tasks and missions assigned to it by the Executive Management Committee. The functions and missions are described by the Executive Committee.

Main changes related to the Executive Committee

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Key Functions

The company has appropriate control functions.

- The board ensures their functioning and uses their conclusions and advices to create a stronger policy structure, organization and internal control system;
- They have an adapted statute with the necessary privileges, resources, expertise and access within the organization;
- They are independent of the operational activity that they control;
- They report to the Managing and Non-Executive Directors with respect to the prescribed procedures;
- Their remuneration related to the results of the company is not material.

The following key control functions are in place at Bâloise Vie Luxembourg S.A.:

- Internal Audit
- Compliance
- Risk Management
- Actuarial function

Composition key functions

Internal Audit

The Internal Audit contributes to the good practice of corporate governance and helps the organization to achieve its goals by using a systematic, target-oriented approach to analyze, assess and report on the suitability and efficacy of the three processes of risk management, control and governance.

This internal audit policy describes the governance of Internal Audit function (intervention scope, governance, roles and responsibilities) as well as its organization (objectives, assignment, powers, activity, competence of internal auditors, reporting, collaboration with Baloise Group Internal Audit, collaboration with other control functions and quality control).

Internal Audit works following the standards of the IIA (Institute of Internal Auditors) and the Baloise Group Internal Audit Manual. For the execution of specific tasks, cooperation with external and specialized auditors is required.

The Internal Audit area covers the systematic assessment of the adequacy and effectiveness of the quality of the internal control system. On the one hand, the Internal Audit ensures that the processes take place as intended and supports the achievement of the company's objectives. On the other hand, recommendations are made to improve the efficacy, efficiency and profitability of these processes.

The domain of Internal Audit is the whole organization and its outsourced functions.

Internal Audit sets up a risk analysis over an annual basis, focused on global risks per domain.

The organizational set-up of Internal Audit at Bâloise Vie Luxembourg S.A. takes into account the undertaking's size. Internal Audit is part of the Governance department together with the CEO, Secrétaire Général, Compliance and Risk Management.

Internal audits by Group Internal Audit are also authorized. The audit and compliance functions are also judged by the Statutory Auditor, who reports to the Audit Committee.

The function is executed by one Internal Auditor.

Compliance

Bâloise Vie Luxembourg S.A. has determined the rights and obligations of compliance in the compliance policy, and a code of conduct. The code of conduct is available for all employees on the Intranet.

The policy and code of conduct describe the independent statute, assignment, competences, audit domain and methodology of the compliance department. The Compliance Officer works for and is authorized by the Executive Committee and Group Compliance.

The Compliance Officer is the contact person with respect to information related to money laundering and towards the “Parquet” of Luxembourg or CAA. In order to underline independency, the Compliance Officer has direct access to the Executive Committee, Board of Directors or Group Compliance without justifying his actions.

The compliance function is firstly orientated to the compliance of the undertaking with laws and regulations that are related to the integrity of the insurance business, including the code of conduct. The task of the Compliance Officer consists of checking, judging and encouraging these values.

Special attention is given to the prevention and proactive operating realized by advising, awareness, stimulating and facilitating. These objectives are realized by making available all important procedures, legal information of the companies and extracts from the law on the Intranet.

Cooperation with the Baloise Group is strong and based on the following cooperation.

- The Baloise Group Compliance Officer sets up standards;
- The Baloise Group Compliance Officer maintains a network in which Compliance Officers can exchange their knowledge and experience;
- The Compliance Officer delivers his reports to the Group Compliance Officer;

The main tasks of the Compliance Officer are

- The protection against the dissemination of the consumer's information with respect to insurance;

- Application of the anti-money laundering regulation;
- Preventing fiscal fraud by clients;
- Inhibiting trading with insider knowledge;
- Averting value manipulation;
- Deontological code with respect to actions related to own staff and mandatory for the undertaking;
- Checking compliance with the privacy law, anti-discrimination regulation and data protection as well as group directives;
- Follow-up of changes in the group code of conduct and local implementation;
- Setting up and follow-up of Compliance rules.

The function is executed by one Compliance Officer.

Risk Management

The Risk Manager supervises and monitors the different risks of the undertaking and reports regularly to the ALCO (Asset and Liability committee) and RICO (Risk Committee), the Executive Committee and the Board of Directors.

During the set-up of the risk management department the scale and size of the undertaking is taken into account (proportionality principles). The Risk Manager reports directly to the Executive Committee and can address himself directly to the Audit Committee and the Board of Directors when required. These privileges must guarantee the independency of the risk management and should prevent possible operational conflicts of interest.

With respect to the risk management, the undertaking applies the Group wide Risk Management Standards. These standards are related to organization, responsibilities, methodologies, rules, limits, controlling and reporting. The risk management is based upon these standards together with additional legal requirements requested by the supervisor.

The Risk Manager is responsible for the operational execution of the risk management policy. This includes :

- Advising the Executive Committee with respect to the strategic set up of the risk policy;
- Executing concretely and watching over a proactive risk policy;
- The implementation of an integrated risk management model;
- The practice of risk controls;
- Awareness and training of employees regarding risk management aspects;

- Reporting to ALCO, RICO, Executive Committee, Board of Directors, Audit Committee and Baloise Group Risk Management.

Actuarial Function

The Actuarial Function assists the management by

- Advising on the actuarial methods used for pricing, the set-up of the technical reserves and reinsurance for the launch of a new product or repricing that can influence the profitability of these products;
- Giving annual advice on the profitability of the products, the technical provisions, reinsurance and profit sharing;
- It informs the Executive Committee and the Board of Directors of the reliability and adequacy of the calculation of Solvency II technical provisions;
- The actuarial function produces a written report to be submitted to the Board of Directors on an annual basis. The report shall document all tasks that have been undertaken by the actuarial function and their results, and identifies any deficiencies and gives recommendations as to how such deficiencies should be remedied.

The actuarial function requires good qualification and necessary knowledge and experience of the applicable standards.

The actuarial function also fulfils prudential tasks, for example it certifies the model and methods used in the company that are communicated to the CAA.

Main changes related to key functions

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

III.1.2 Remuneration policy

Remuneration principles and objectives

Principles

The success of the company is materially dependent on the skills , capabilities and the performance of its employees. Therefore, it is vital to attract and develop well-qualified, competent and highly motivated employees and executives and retain them within the company. Baloise's remuneration policy and system are derived from these superordinate principles. The Baloise Group has put in place a remuneration policy that is also implemented in the Luxemburg subsidiaries.

Objectives

The objectives of the remuneration system are to further increase the emphasis on performance at Baloise and to strengthen employees and executives loyalty and commitment to the organization.

Remuneration components

Baloise views its compensation packages in the round and therefore factors in not only the basic salary plus short- and long-term variable remuneration but also other material and non-material benefits such as pension contributions, additional benefits, and staff development.

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned as well as the employee skills and expertise required in order to achieve the relevant business targets and objectives. When determining the level of its basic salaries, Baloise aims to position itself around the market median. In compliance with its code of conduct Baloise applies the internal fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount.

Short-term variable remuneration

Central factors that influence the amount of the short-term variable remuneration are individual performance and the overall result or, in other words, the economic value creation of the company. The connection thus created between the performance of the individual and the company's success is intended to motivate employees to achieve outstanding results. The short-term variable remuneration is always paid together with the March salary of the following year. Baloise places great importance on the sustainable management of the business and on a high correlation between the interest of shareholders and management. For this reason, considerable proportions of the senior management's variable remuneration are paid in the form of shares, i.e. members of the executive can choose which proportion of the short-term variable remuneration they wish to receive in cash and which as shares. This choice is limited for the most senior management level; here a graduated obligation to subscribe shares exists: CEO must draw at least 40 % of their short-term variable remuneration in the form of shares and Members of the Executive Committee must draw at least 30 % of their short-term variable remuneration in the form of shares. These subscribed shares remain blocked for three years and are subject to market risks during this period. In particular, the mandatory emoluments ensure that as responsibility and total remuneration increase, a significant share of the remuneration is paid with a deferred effect. They also promote risk awareness and encourage an economical and sustainable work-ethic.

Performance pool

The performance pool takes account of the entire Baloise Group's performance; its amount is determined by the Remuneration Committee after the end of the financial year concerned, and it factors in the following indicators resulting from systematic analysis :

- Business performance
- Capital-markets perspective compared with competitors
- Risks taken
- Strategy implementation

The individual allocation for the members of the Executive Committee is set by the Remunertion Committee. In principle, the most senior management level of the whole Group, the majority of executives in Switzerland as well as the respective functions abroad are considered for the performance pool.

Long-term variable remuneration

The company additionally provides performance share units (PSU) to the most senior executives as a long-term variable remuneration component. The PSU program permits the most senior executive level to participate more intensively in the value development of the company and promotes the long-term retention of high performers.

Pension schemes

The undertaking offers its employees an attractive pension solution in form of defined contributions as part of the 2nd pillar, which fulfils the following objectives:

- It meets the requirements of the insured should the following risk events occur: old age, death or invalidity;
- It permits an appropriate maintenance of a lifestyle enjoyed to date with a sufficiently high substitution rate (1st and 2nd pillar benefits combined) to replace discontinued earnings.
- The employer makes an average contribution to financing of occupational pensions.
- It is forward-looking, sound, can be calculated and is reasonably priced.
- Defined contributions depending on age of insured as well as function within the organization.

Members of the Executive Committee are insured in the undertaking's pension scheme. The same terms apply to them as to all other insured staff. The members of the Board of Directors are not insured in the Pension scheme.

III.1.3 Material transactions

Over the reporting period, there were no material transactions with shareholders, or with persons exercising a significant influence on the company or with members of the of the Board of Directors and the Executive Committee.

III.2 Fit and proper requirements

III.2.1 Fit and proper: Policy and process

Fit and proper principles and objectives

The undertaking has a Fit and Proper Policy in place which defines the procedure for assessing the fitness and propriety of persons who are effectively running the undertaking or have a key function.

The critical function holders which are in scope of the policy include the members of the administrative and supervisory body, i.e. the board of directors and the executive committee, as well as the heads of risk management and compliance, the actuarial function and internal audit.

Assessment process of key personnel

Fitness Check

Recruitment processes include application and assessment methodologies that ensure previous experience, qualifications, knowledge and skills are all taken into account, with specific references to the competences defined in the job description or role profile.

It is ensured that the management body has the breadth of expertise and experience to understand and continually challenge the company's business operations, strategic initiatives and major transactions.

The collective knowledge, competence and experience of the management body include awareness and understanding of:

- The wider business, economic and market environment in which the undertaking operates;
- The undertaking's business strategy and business model;
- The system of governance (risk management, oversight & controls);
- The financial and actuarial analysis;
- The regulatory framework, requirements and expectations relevant to it.

For external recruits and internal persons promoted to a position in scope of the Fit and Proper Policy, superiors and Human Resources assess their fitness according to the specific requirements set out in the job description. The superior makes the final decision on a person's required fitness.

Propriety Check

The undertaking requires that a range of specific checks are undertaken, designed to verify that the candidate is honest, of integrity, financially sound and of good reputation.

The undertaking imposes a range of requirements at the recruitment stage for new employees or in case of internal promotions. All documentation related to the above verifications is requested and reviewed by Human Resources prior to the employment offer to be made. Formal notes of face-to-face interviews, during which characteristics of propriety are also verified, are prepared by the personnel conducting the interview.

The principles applicable at original appointment, to ensure the Key critical function holders are honest, financially sound and of good reputation, apply on an ongoing basis as well.

All critical function holders are required to undertake a code of conduct training on subjects such as regulatory awareness, insider trading, anti-money laundering, and others. The Compliance function organizes regular trainings on the Code of Conduct.

The Fit and Proper Policy requires an initial and yearly assessment. They include a self-declaration, a sample of the criminal record, a copy of the passport and a Curriculum Vitae.

III.3 Risk management system including the ORSA

III.3.1 Risk management system overview

Risk Management is one of the core competences of the Baloise Group. The undertaking has suitable processes, models and structures in place in order to fulfil the need to continuously develop the capabilities as the situation requires and to therefore achieve the optimal result for Baloise. Integrated risk management users synergies across the group effectively.

Risk management is assigned to the Corporate Governance department under the general direction and functionally controlled by the Sécretaire Géneral. It is amongst others responsible for

- Risk measurement under consideration of group guidelines and local constraints;
- Regular risk reporting and ad-hoc escalation in case of critical risk occurrence;
- Conformance with regulatory requirements and the according dialogue

The decision-making body for all questions relating to Risk Management is the local Risk Committee.

Risk Strategy

The risk strategy is considered the cornerstone of the risk management organization. The aim of the risk strategy is to consciously steer the risks taken within defined ranges. Particularly, it aims to harmonize market based considerations on the one hand and strategic risk concerns on the other hand. Central to the risk strategy is the term "Risk Appetite" which defines the extent to which the undertaking is willing to take on risk in order to achieve strategic goals. Its main components are

- Compliance with regulatory requirements and capital protection
- Protection of the Profit and Loss statement of income

Risks considered as relevant for the undertaking are classified along the so-called "Risk Map" of the Baloise Group. The categorization is performed on three levels:

- Risk category
- Risk subcategory
- Risk type

RISK MAP

Business risks	Investment risks	Financial structure risks	Business environment risks	Operational risks	Management/ information risks
Technical risks, Life → Parameter risks → Worst-case scenario	Market risks → Interest → Shares → Currencies → Real estate → Market liquidity → Derivatives → Alternative investments	Asset liability risks → Interest fluctuation risk → (Re) financing, liquidity	Changes to regulations	IT and data security → Data → Software / hardware / network → Physical reliability → End User Computing	Structure of organisation
Technical risks, Non-Life → Premiums → Claims → Worst-case scenario → Creation of provisions	Credit risks	Concentration of risks → Accumulation risks → Cluster risks	Competitive risk	Personnel risks → Skills / capacities → Knowledge availability → Incentive systems	Corporate culture
Reinsurance → Premiums / rating → Default → Active reinsurance		Requirements for balance-sheet structure and capital → Solvency ratio → Other regulatory requirements	External events	Legal risks → Contracts → Liability and litigation → Tax	Strategy → Business portfolio → Risk steering
			Investors	Compliance	Merger and acquisitions
				Business processes → Process risks → Project risks → In- / Outsourcing	External communication
				Risk analysis and risk reporting → Risk analysis and risk assessment → Risk reporting	Financial statement, forecast, plan
					Project portfolio
					Internal misinformation

In order to monitor and steer the risks listed in the Risk Map, Baloise has implemented an extensive group-wide risk management. A holistic approach of an integrated risk management in order to identify, administer and assess risks in the areas internal control, compliance and risk management as well as risk steering is pursued. In addition to purely financial risks, operational as well as strategic and reputational risks are captured and quantified. In this manner, risk management is

consistently embedded in the decision making process. The effectiveness of the risk management becomes visible through amongst others the occurred risks and the effectiveness of the measures taken. The risk management and the respective systems and processes are further developed and revised on a continuous basis in order to guarantee long-term efficiency and continuous improvement.

III.3.2 ORSA process

ORSA compliance

The purpose of the undertakings Own Risk and Solvency Assessment (ORSA) is to provide a comprehensive overview of all risks the undertaking is exposed to or could be exposed to in the future, show the way these risks are managed and assess the overall capital requirements needs resulting thereof.

ORSA Governance

In line with the risk management organization, the ORSA process is based on the following model:

Risk owners represent the first line of defense for the assessment and management of the identified risks.

Risk controllers represent the second line of defense for the setup of the whole controlling and reporting framework.

The executive management has the overall responsibility for the execution of the ORSA and has to ensure that results are taken into account in the management of the undertaking. In addition, the board of directors is responsible to ensure and verify that the ORSA process is appropriately developed and implemented. After the approval of the ORSA by the Risk Committee, the board of directors receives and approves the ORSA report before it is submitted to the regulator.

ORSA process

The full ORSA reporting process is performed once a year resulting in the review and approval by the board of directors. Nonetheless, the ORSA as such is a continuous process in which risk management evaluates the impact of strategic decisions on the overall solvency needs. The process is tailored to fit into the undertaking's organizational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs. It is proportionate to the size and complexity of the company. In addition to the annual ORSA report, an ad-hoc reassessment is performed whenever the risk profile changes significantly.

The risk controllers determine in collaboration with the risk owners the risk's probability of occurrence and the potential loss caused by a specific risk. The risk is then classified according to group-wide limits. The risk grid ("Heat map") maps the standalone risks in connection with the limit system. Should a corresponding threat result, according measures are developed and put in place in order to reduce the risk exposure.

Documentation

The ORSA is documented in the ORSA report, which contains integral management information that is essential for the review and approval by management.

Review and approval

The results of the ORSA are discussed in the risk committee and could result in decisions and actions, for which the risk management function will have to ensure the corresponding follow-up.

If the ORSA identifies that the risk profile is not appropriate for the undertaking, or the risk profile significantly deviates from the basic assumptions of the solvency capital requirements calculation, or the governance arrangements are inadequate, the risk committee has to set up appropriate action plans for remediation.

The submission of the ORSA supervisory report to the regulator is required within two weeks after the approval by the board of directors.

Interaction Capital management and Risk management system

On an annual basis a business plan is set up. The projection of the related Solvency Capital Requirements ("Forward Looking Solvency Position") is integrated in the business plan process. Risk increasing initiatives defined in the business plan process are reflected in the forward looking considerations. The undertaking is in the position to judge if the risks can be accepted without endangering its Solvency position.

III.4 Internal control system

III.4.1 Internal control system overview

The undertaking's internal control system is established as a key component of the integrated risk management framework. Effectiveness, traceability and efficiency of the implemented measures as well as concentration on the relevant risks are considered as important principles for the design and application of internal control. The undertaking's internal control system covers the financial reporting as well as Compliance and Operational risks.

The undertaking's internal control system pursues the objectives of compliance with laws and regulations, reliability of financial reporting and guaranteeing effective business processes in order to support obtaining company goals. With the implementation of the internal control system, the undertaking aims to raise risk awareness on all company levels and to focus on the identification and steering of essential risks that could threaten proper operational processes and therefore the undertaking's success.

Depending on the risk type to be considered, the undertaking applies entity-wide controls (so-called entity level controls, ELC), general IT controls (so-called IT General Controls, ITGC) and process controls in its internal control system. Measures are integrated in business processes and are

performed on all levels of the undertaking. The effectiveness is measured on a regular basis and appropriate measures are initiated in case of shortcomings identified.

The Baloise Group board of directors is responsible for an effective internal control system. It defines the objectives, the scope as well as the expansion level of the internal control system. Furthermore it has to assure an appropriate monitoring regarding the efficiency of the internal control system by the local executive committee and receives a regular reporting.

III.4.2 Compliance function

The undertaking's essential compliance themes are displayed in the Compliance Standards as referred to in the Baloise Group Compliance Policy. The Compliance Standards include specifications and control objectives for twelve different key topics (data protection and data security, insider trading, combating of money laundering, blacklisting, cartel law, fraud and code of conduct, archiving, duty of care in consulting, corruption, cross-border services, US persons and AEOI/FATCA) that constitute the basis for controlling and regular compliance reporting.

Objectives

The compliance function aims to ensure the undertaking's compliance with the laws and rules relating to the integrity of undertaking insurance including the Baloise Code of Conduct. It is the Compliance Officer’s task to examine, assess and encourage this compliance.

Moreover, special attention is paid to prevention and acting proactively by amongst others providing advice and raising awareness.

Roles and responsibilities

The Board of Directors fosters honorable conduct. Within the framework of its supervisory duty, the Board of Directors regularly verifies whether the undertaking has a suitable Compliance policy and corporate values, as well as an appropriate independent compliance function.

At least once a year, the Board of Directors verifies whether the compliance risks are identified and controlled adequately and that the Compliance policy is suitable for the undertaking's activities.

The Executive Committee develops an Compliance policy and updates it regularly. This policy defines the undertaking’s objectives and identifies and analyses the risks that the undertaking runs in this domain.

The Compliance Officer is responsible for implementing the Compliance policy. It is the Compliance Officer’s duty to examine, assess and encourage the observance of the Compliance policy.

The Compliance Officer reports to the Executive Committee and provides a regular explanation about the implementation of the compliance policy to the Executive Committee. The Compliance Officer's tasks include proceeding from his expert and advice function, implementing the Compliance policy, reporting to third parties on compliance topics as well as reporting to the Executive Committee, as well as the Board of Directors and the Baloise Group Compliance Officer regularly.

The key aspects of the Compliance Policy are comprised, amongst others, of

- drawing up an annual action plan;
- assessing internal guidelines and procedures;
- raising awareness among all employees about the compliance policy and training them in this area;
- supervising and testing observance of the compliance rules; formulating compliance recommendations;
- investigating and following up infringements of laws, regulations and deontological codes; the observations are derived from random checks and when the occasion arises in collaboration with Internal Audit;
- fulfilling the duties to report to third parties on compliance topics (such as the Cellule de renseignements financiers);
- reporting to the Executive Committee, Board of Directors and Baloise Group Compliance Officer (at least once a year);

Main activities of compliance function

The Compliance Officer works under the instruction of and is authorized by the Management and Board of Directors (Audit Committee). In order to guarantee the function's independence, the Compliance Officer has direct access to the Executive Committee, the Chairman of the Board of Directors and the Statutory Auditor, without needing to give justification.

Functioning

Organization chart:

The compliance function is assigned to the CEO and functionally controlled by the Sécretaire Géneral.

The Compliance Officer has the possibility, on his or her own initiative, to inform the Chairman of the Board of Directors or the members of the Audit Committee directly.

Reporting:

The Compliance Officer reports to the Executive Committee at least once a year about compliance realizations, principal attention points and scheduled activities for the following period.

The Board of Directors is informed about the Compliance position every year through the Audit Committee.

III.5 Internal audit function

III.5.1 Internal audit: organization and governance

Internal audit objectives and policy

The Internal Audit contributes to the good practice of corporate governance and helps the organization to achieve its goals by using a systematic, target-oriented approach to analyze, assess and report on the suitability and efficacy of the three processes of risk management, control and governance.

The internal audit policy describes the governance of the Internal Audit function (intervention scope, governance, roles and responsibilities) as well as its organization (objectives, assignment, powers, activity, competence of internal auditors, reporting, collaboration with Baloise Group Internal Audit, collaboration with other control functions and quality control). All internal employees can consult the policy on the intranet.

Internal audit organizational structure

Internal Audit is an element of Corporate Governance and an instrument of the Board of Directors. It supports the Board of Directors - the most senior corporate body - in performing its top-level management function. In this capacity, the Internal Audit performs its tasks on behalf of the Chairman of the Board of Directors and of the Audit Committee (an organ of the Board of Directors). Regular exchanges are held between internal auditors and Audit Committee.

Internal audit is administratively accommodated in the Corporate Governance division and is organizationally independent of any operating activities. The person carrying out the internal audit function does not assume any responsibility for any other function.

Internal audit functioning, main roles and responsibilities

The Internal Audit area covers the systematic assessment of the adequacy and effectiveness of the quality of the internal control system. On the one hand, the Internal Audit ensures that the processes take place as intended and supports the achievement of the company's objectives. On the other hand, recommendations are made to improve the efficacy, efficiency and profitability of these processes.

Internal audit possesses extensive, unlimited rights to information, inspection and control, which are necessary for it to fulfil its assignments.

Internal audit applies the standards of the Institute of Internal Auditors (IIA) and of the Baloise Group Internal Audit and is under the prudential supervision of the CAA.

III.5.2 Independence of internal audit

Independence principles/criteria

Primarily the “independence” of control functions means that:

- They have an appropriate constitution with the necessary powers, resources, expertise and access within the organization;
- They are hierarchically and organizationally independent from the operational activity to which they relate;
- They report both to executive and non-executive boards in accordance with the established procedures;
- The remuneration of the persons entrusted with these functions is not connected with the profitability of the activity involved.

Internal Audit function position within the organization

Internal audit is administratively accommodated in the Corporate Governance division and is organizationally independent of any operating activities. The person carrying out the internal audit function does not assume any responsibility for any other function and is an independent assessor of the quality of the internal control system.

Reporting arrangements

Internal Audit has unrestricted access to the Chief Executive Officer and to the Audit Committee.

The internal audit department can escalate any conclusions to the Board of Directors via the Audit Committee.

III.6 Actuarial function

III.6.1 Organization and key responsibilities

Actuarial policy and objectives

Detailed regulatory guidance defines the role and responsibility of the Actuarial Function. Bâloise Vie Luxembourg S.A. has implemented this model.

Key objectives of the Actuarial Function are to

- ensure proper data, models and processes to calculate the technical provisions in accordance with Solvency 2,
- comment on the appropriateness of an insurer’s underwriting and pricing policy,

- comment on the appropriateness of an insurer's reinsurance program, and to
- contribute to risk management.

Organization structure

In 2016, the actuarial function was embedded in the undertaking's actuarial department.

The actuarial function holder fulfills all fit and proper criteria including the internal criteria regarding necessary knowledge and experience of the applicable standards.

Roles and responsibilities

The actuarial function is required to report in writing to management at least once per year on the function's key objectives as stated above. Any such report shall document all tasks that have been undertaken by the actuarial function as well as their results, and shall clearly identify any deficiencies and give recommendations as to how such deficiencies should be remedied.

III.7 Outsourcing

III.7.1 Outsourcing policy and key aspects

Overview of the outsourcing policy

The outsourcing process defined in the undertaking's outsourcing policy consists of the following four steps:

- Strategic Assessment
- Evaluation, selection, contract
- Manage relationship and contract
- Termination and Exit

Once the Strategic Assessment has determined that a function or service is adequate for outsourcing a series of additional evaluations, which will involve various stakeholders and departments, must be conducted. As soon as the contract is signed the relationship management phase begins. The business relationship must be actively managed in line with its scope. This includes regular situation analyses in order to examine service quality and impairments. It must be evaluated whether the external service provider possesses adequate emergency plans. In addition, a regular review of goals and risk assessments has to be performed. In case the contract is terminated by either party, preparations for the transfer of work to another provider or for the return of these services to the undertaking have to commence immediately.

Critical outsourced services

The undertaking outsources no key functions. The following critical services are outsourced.

Outsourced Activity	Location of Service Provider
Investment advice	Switzerland
Datacenter harmonization	Luxembourg, Switzerland
Printing and external Mail	Luxembourg
Scanning and archiving	Luxembourg
Physical data storage	Luxembourg

Investment advice and a part of datacenter harmonization concern intragroup outsourcing.

III.8 Adequacy of the system of governance

The system of governance in place at Bâloise Vie Luxembourg is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the Fit and proper process applied, together with the company's Code of Conduct ensures the adequacy of key personnel.

III.9 Any other information

No supplementary information in addition to the information previously disclosed is considered material.

IV. Risk Profile

IV.1 Underwriting risk

For Bâloise Vie Luxembourg S.A., life underwriting risk covers the risk from providing life insurance coverage, such as mortality and longevity risk, the risk of higher or lower than expected termination of contracts by the policyholders (referred to as “lapse risk”) and the risk that the expenses for the ongoing management of the business exceed the expected amounts.

This risk refers to uncertainty as to the occurrence, amount and timing of insurance liabilities. In particular underwriting risk derives from the possibility that premiums are not sufficient to cover future claims, contracts expenses and extremely volatile events.

As of year-end 2016 Bâloise Vie Luxembourg S.A.'s capital requirements for life underwriting risk amount to EUR 51,299.7 thousand as measured by the Solvency II standard formula

IV.1.1 Risk exposure

The underwriting risk exposure of Bâloise Vie Luxembourg S.A. amounts to EUR 51,299.7 thousand as of year-end 2016. The exposure is mainly driven by lapse risk the undertaking is exposed to. Other sub risks include expense, mortality, longevity, catastrophe and disability risk and are described in the following.

Life underwriting risk

Mortality risk

Mortality risk exposure may result from long-term deviation of expected and actual mortality. It also stems from so-called catastrophe risk, i.e. a one off event such as a pandemic that causes a temporary but significant increase in mortality.

The mortality risk exposure results from the contractual obligation to pay certain death benefits when the insured person passes away within the coverage period. The undertaking charges a periodical fee to the policy holder in order to finance such a coverage, but bears the risk that the actual payments are higher than those anticipated and priced, e.g. because more individuals than expected died.

The main changes in the overall level of mortality risk result from changes in the business mix which is mostly driven by new business.

Longevity risk

Longevity Risk stems from contracts where the undertaking is exposed to paying higher amounts than expected due to a higher life expectancy. The main contracts concerned are lifelong annuity contracts. In addition, some longevity risk exposure is linked to contracts with deferred capital

payouts. The longevity risk capital stem from deferred capital contracts. The undertaking commits to pay a fixed amount if the assured person is alive at the time the contract matures.

The undertaking thus bears the risk of a higher life expectancy of the assured persons.

Lapse risk

The undertaking's lapse risk exposure stems from the policyholder's option to cancel the contract or to withdraw partial rights and obligations at any time during the contract's period. Lapses may have a favorable or adverse effect on the solvency position of a life insurer, depending on the nature of the business.

The Lapse risk stems from the difference between the expected lapse rate and the actual policyholder's lapse behavior as experienced by the undertaking.

Bâloise Vie Luxembourg S.A. analyses the effect of lapses on each contract individually to determine whether higher or lower than expected lapse rates pose a risk, or whether a shock lapse scenario – i.e. a scenario where a substantial amount of policyholders lapse their policies at almost the same point in time – is of most relevance from a solvency perspective.

The lapse risk is an important driver of the underwriting solvency capital requirement before diversification.

Disability-morbidity risk

Disability-morbidity contracts are offered as option to traditional insurance products. The option can be selected by the policyholder at the inception of the contract. The option offers supplementary coverage in case of illness or accident.

The disability-morbidity risk exposure stems from the difference between the expected disability-morbidity rates and the actual policyholder's disability-morbidity costs as experienced by the undertaking. The model used to determine the disability charges is updated on a yearly basis with more recent data.

Expense risk

Expense risk is inherent in any business and refers to the risk that actual expenses are higher than those estimated when determining the pricing of the business and ultimately the solvency position of the company. Such cost overruns could be the result e.g. of extraordinary events, of ineffective processes or systems, or of higher than expected inflation.

IV.1.2 Risk concentration

The concentration risk in life business may arise due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

Even though the portfolio is dominated by unit linked insurance business, the undertaking's exposure to underwriting risk is well diversified across a multitude of countries. This diversification also

extends to the lapse risk exposure as different legislation does not impact the undertakings entire business at the same time and in the same direction.

IV.1.3 Risk mitigation

In addition to the natural diversification effects between the different risk exposures (such as mortality and longevity risk) as well as diversification effects between the different lines of business underwritten, the undertaking uses the following risk mitigation techniques:

Reinsurance is used as a key risk mitigation technique for underwriting risk: The undertaking uses various reinsurance partners to transfer mortality and morbidity risks. The main goal of this risk transfer is to eliminate large individual risk exposures. As a result, the remaining coverage borne by the undertaking is stable over the entire insurance portfolio, which substantially contributes to assuring a stable solvency position. In addition, the overall risk composition is closely monitored on an ongoing basis.

The management of insurance contracts with profit sharing allow for additional risk mitigation. A possible course of action upon a changed risk situation could for example be to adapt the profit sharing to the new conditions in line with the stipulations of local regulation. The breakdown of the surplus to the policy holder and the undertaking considers not only local regulation but also market demands.

Lapse risk is borne by the undertaking but mitigated through product design such as flexibility of the products and investment choices.

The company mitigates expense risk by clear and effective processes as well as ongoing expense analysis.

IV.1.4 Risk sensitivity

Bâloise Vie Luxembourg S.A. applies various sensitivity and scenario analysis to those parameters that influence the underwriting risk. These analysis comprise the differing stress levels to each parameter according to Solvency II and the SST, respectively.

For each of the sensitivity investigated, one parameter is changed instantaneously in an unfavourable way (e.g. mortality rates are increased by 10% for business with mortality coverage) and this unfavourable change is maintained throughout the remaining coverage period of all contracts affected. For the scenario analysis, typically a one-off adverse effect is assumed to incur, e.g. the simultaneous cancellation of 40% of all profitable contracts.

When considering the sensitivities on a standalone basis, i.e. when ignoring any diversification effects between the individual risks, the undertaking's life underwriting risk exposure is driven by lapse and expense risk. Nonetheless, the stress tests considered did not result in a Solvency II ratio below 100%.

IV.2 Market risk

Market Risk is reflected by losses that arise from changes or fluctuations in market- prices that may result in a decrease of the value of assets held. The degree of risk depends on the extent to which market prices fluctuate and on the level of exposure.

As part of the undertaking's life insurance business, investment-linked life insurance contracts for the account of and at the risk of policyholders are offered. The financial liabilities generated in this connection are backed by assets – generally investment fund units – arising from these policies.

In measuring our market risk, we consider the split of our assets:

- Assets held for index-linked and unit-linked funds : 90.4% of the total Solvency II value of our assets
- Own assets : 9.6% of the total Solvency II value of our assets

For unit-linked contracts, assets are invested entirely at the risk of the policyholder who has the right to receive the value of the individual account value. Thus, the immediate beneficiary of an increase in e.g. stock prices is the policyholder. In turn, if market values decrease, the total value in the undertaking accounts decreases and thus the assets ultimately owned by the policyholder decrease. This would also lead to a decreasing fees income for the undertaking as it is directly linked to the market value of the underlying assets. Under certain conditions, the policyholders may use options or other derivative instruments to protect their investments against losses, but the net performance is borne by the policyholder.

As of year-end 2016, the gross Solvency Capital required to back the market risk amounts to EUR 55,804.9 thousand. It is mainly driven by the equity risk and the spread risk.

The following sections specifically address the interest rate risk, foreign currency risk, equity risk, spread risk, and property risk that are relevant for the undertaking.

IV.2.1 Risk exposure

Interest rate risk

Interest-rate risk is the risk that the undertaking's interest margin, and therefore its income, may be reduced by fluctuations in money-market and capital-market interest rates (income effect), or that the fair value of a portfolio of interest- rate sensitive products may decline (asset-price effect).

As of year-end 2016 the interest rate sensitive exposure of our own assets as well as unit-linked assets amounts to EUR 2,414,490.6 thousand under the Solvency II framework.

Foreign currency risk

The foreign currency risk describes the potential financial loss generated by changes in the exchange rates between currencies. The extent of the effective currency risk depends on:

- Net foreign currency exposure, i.e. the balance between currency assets and liabilities;
- The volatility of the respective currencies;
- The correlations of currencies with other risk parameters in the portfolio context.

As of year-end 2016 the currency sensitive exposure of our own assets as well as unit-linked assets amounts to EUR 1,456,006.1 thousand.

Equity risk

The undertaking is exposed to risks from price fluctuations on equity securities. Equity risk exposure includes common stocks, linked to equity unit trusts, private equity, common stocks portfolios backing participating-with-profit policyholder contracts and equities held for employee benefit plans.

It stems principally from:

- The undertaking's assets exposed to equity risk.
- The exposure to equity risk of the policyholder's investments in unit-linked assets: an adverse movement on the equity of the underlying assets results in a drop in their market value, leading to lower fee income for the undertaking. Furthermore, the decrease in market value influences directly the payment of benefits to the policyholder yielding to a decrease in liability that mitigates the assets drop.

As of year-end 2016 the equity risk exposure of our own assets as well as unit-linked assets amounts to EUR 2,834,000.8 thousand.

Spread risk

Spread risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

As of year-end 2016 the spread sensitive exposure of our own assets as well as unit-linked assets amounts to EUR 2,421,987.6 thousand.

Property risk

The property risk arises from investments in real estate due to negative developments with respect to the level or the volatility of market prices. Investment property is valued at fair value by the undertaking by using the Discounted Cash Flow (DCF) method. In addition, the real estate property is evaluated by external experts. The total exposure on the undertaking's own assets and on unit-linked assets as of year-end 2016 amounts to EUR 73,555.6 thousand.

IV.2.2 Risk concentration

Market risk concentration risks can stem either from lack of diversification in the asset portfolio or from large exposures to default risk by a single issuer of securities or a group of related issuers.

When assessing the undertaking's market risk concentration as of year-end 2016 according to the Solvency II standard formula, no relevant risk concentration is reported. All own assets from the equity, spread risk and property risk sub-modules are considered.

IV.2.3 Risk mitigation

In order to limit and monitor the undertaking's exposure to market risk, several mitigating measures are in place.

A conservative policy on asset allocation is applied. Regular reporting on the evolution of the undertaking's assets allows for a close monitoring of the risk exposure.

As part of the Baloise Group-wide Risk Management Standards, investment planning and appropriate asset and liability management ensure that any divergence in maturities and the interest-rate risk incurred are managed within the risk capacity available. Stress tests are also designed and run for this purpose on a regular basis acting as an early warning system.

The currency risk is mitigated by matching assets and liabilities (natural hedge).

The undertaking manages its equity risk as part of the overall investment risk management process, and applies limits as expressed in policies and guidelines. Specifically, the risk is mitigated by a meaningful diversification of risks across countries, industries and companies.

In order to limit the spread risk, the investment in a single issuer or debtor is restricted sufficiently. Rules are explicitly defined in the according Group Directive.

IV.2.4 Risk sensitivity

Very similar to the processes for analyzing underwriting risk, the undertaking applies various sensitivity and scenario analyses to those parameters that influence the market risk. These analyses comprise various stress levels to each parameter according to Solvency II and the SST, respectively.

In order to assess the market risk under Solvency II, following scenarios were used:

- Interest rate risk sensitivity is captured by using a relative shock to the basis EIOPA Risk free yield curve;
- Foreign currency risk scenario: Instantaneous decrease by 25% of the foreign currency exchange rates;
- Equity risk scenario: Instantaneous decline of the equity investments by around 40% or 50% depending of equity type;
- Spread risk scenario is determined based on the credit rating of the non-governmental issuers;
- Property risk scenario: Instantaneous decrease by 25% in real-estate investments.

Based on the analysis of the sensitivities on a standalone basis, i.e. when ignoring any diversification effects between the individual risks, the undertaking's market risk exposure is driven by foreign currency, equity and spread risk. The sensitivities considered do not result in a Solvency II ratio below 100%.

IV.3 Counterparty default risk

IV.3.1 Risk exposure

Counterparty default risk relating to assets held by insurance companies refers to the total potential downside risk arising from deterioration in the credit quality of a borrower or issuer. Credit risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings.

The risk increases when counterparties become concentrated in a single sector or geographic region. Economic trends that affect whole sectors or regions can jeopardize an entire group of otherwise unrelated counterparties.

The counterparty default risk takes into account the following components:

Type 1: Counterparty default risk exposures where diversification is low and the counterparty is likely to be rated. For the undertaking the exposure is driven by its reinsurance balance as well as the cash account balance.

Type 2: All remaining counterparty default risk exposures, such as insurance receivables arising from policyholders and intermediaries.

The default risk on counterparties for the unit-linked business is moderate for the company as the risk is borne by the policyholders; there remains only indirect exposure to Bâloise Vie Luxembourg S.A. via a reduction in fees (see Market Risk section for further details).

As of year-end 2016, the gross solvency capital requirements for counterparty default risk amount to EUR 9,731.8 thousand mainly driven by type 1 exposure.

IV.3.2 Risk concentration

No significant risk concentration with regards to Counterparty default risk is observed. Although a concentration in bank deposits exists when considering the type of counterparties, the deposits are distributed across numerous counterparties with much less significant single exposures.

IV.3.3 Risk mitigation

In order to account for the significance of credit risk stemming from spread and counterparty default risk, the undertaking tracks counterparty exposure at all times and monitors credit risk from a global point of view.

To restrict the credit or accumulation risk in the undertaking, the proportion that may be invested in a single issuer or borrower is strictly limited in the Group-wide Risk Management Standards. In addition, reinsurance contracts can only be concluded if they have been approved by Baloise Group Finance. In general, transactions may only be made with reinsurers that have a minimum rating of Standard & Poor's of "A-". This rule excludes captives and pools as reinsurers which are usually not rated.

The relevant rules are explicitly defined in the Group investment policy.

To limit the counterparty default risk exposure stemming from intermediaries and policyholders, an adequate procedure for the recovery of receivables is in place.

IV.3.4 Risk sensitivity

Overall, in terms of the capital position of Bâloise Vie Luxembourg S.A., measured according to the standard formula applicable according to Solvency II, the exposure by type of counterparty risk amounts to EUR 7,346.5 thousand for Type 1 exposure and EUR 2,921.9 thousand for Type 2 exposure. The sensitivities considered do not result in a Solvency II ratio below 100%.

IV.4 Liquidity risk

Typically, liquidity risk is referred to as the risk that directly transferable funds, such as cash or bank account amounts, are not available or not available at acceptable cost to an entity when needed to make due payments.

IV.4.1 Risk exposure

Liquidity risk is not considered as a key risk for a substantial part of the undertaking's balance sheet due to nature of the unit-linked business. This is because the main payments to be made for this type of business stem from obligations from insurance contracts, such as endowment benefits, annuities or payments due on (partial) surrender which are directly covered by the account values held on behalf of the policyholder and payments equal the proceeds from the sale of any position in those accounts.

Nonetheless, the undertaking is exposed to liquidity risk through the portfolio of traditional life insurance. A liquidity strain might not be sufficiently offset by the sale of assets or an alternative refinancing might not be in place sufficiently fast.

As of year-end 2016 the expected profit included in the future premium amounts to EUR 29,284.9 thousand.

IV.4.2 Risk concentration

The undertaking is not exposed to significant liquidity risk concentration.

IV.4.3 Risk mitigation

In addition to local regulation requirements, a central liquidity planning is required by the Group-wide Risk Management Standards. Adequate investment planning and appropriate asset and liability management ensure that the exposure is monitored and managed on a regular basis. Limits for acceptable liquidity risk are defined in the undertaking's Liquidity policy and follow-up on a regular basis via the undertaking's key risk indicator reporting.

IV.4.4 Risk sensitivity

Because liquidity risk is already captured in its material parts by counterparty default risk and operational risk, no sensitivities for liquidity risk needs to be calculated in addition.

IV.5 Operational risk

IV.5.1 Risk exposure

For Bâloise Vie Luxembourg S.A., operational risk covers the risk of financial losses arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk also includes legal and compliance risks. Management and information risks (including strategy risks) as well as business and environment risks are considered as separate categories of risk.

The risks are regularly identified, assessed, controlled and steered via the "Own Risk and Solvency Assessment" process. Internal processes deal with a variety of tasks, including the writing of new insurance contracts, administering existing contracts and their underlying investments, preparing documents required by regulatory and tax authorities and preparing financial reporting for Bâloise Vie Luxembourg S.A.. Typically, IT systems support these processes, and such systems may not work or not work properly, causing stalled processes or e.g. wrong data or documents. Human error may as well affect the correct execution of business processes.

IV.5.2 Risk concentration

Bâloise Vie Luxembourg S.A. has not identified any risk concentration with respect to operational risk during the reporting period. Nonetheless, a large part of the business stems from the unit-linked business through the Freedom of Services provisions. Regulatory changes are closely monitored in the countries where the undertaking operates.

IV.5.3 Risk mitigation

Bâloise Vie Luxembourg S.A mitigates its operational risks by various techniques to make processes and systems as robust as possible. These includes information security procedures, business continuity planning, ongoing training for employees, clear process descriptions and responsibilities,

back-up solutions and double signatures for all key decisions. Regular key risk indicator reporting ensures close monitoring and timely detection of operational risks gaining importance. These process related measures are accompanied by state of the art IT systems.

In addition, process risks resulting from lack of application of procedures or application of inadequate procedures are mitigated by the undertaking's effective internal control system.

IV.5.4 Risk sensitivity

The undertaking bases its quantification of operational risk on the standard formula according to Solvency II. This approach assumes some flat-rate losses on premium volume and size of business portfolio.

As of year-end 2016 the capital requirements for operational risk amount to EUR 5,202.7 thousand as measured by the Solvency II standard formula which represents the negative impact for the undertaking if all of the negative impacts described would happen at the same time. The considered sensitivity does not result in a Solvency II ratio below 100%.

IV.6 Other relevant information (including other material risks)

Major other material risks include business and environment risks, management and information risks as well as emerging risks.

Business environment risks and management and information risks arise directly or indirectly through the business environment or the strategic activities of a company.

Emerging risks are new or foreseeable risks, which cannot or cannot easily be quantified (for example due to the lack of historical data), but which might have a major financial impact. Within Baloise, emerging risks are identified and analyzed according to an early warning system and assessed by grouping them along a risk radar. Identified emerging risks include for example cyber risk and digitalization.

V. Valuation for solvency purposes

V.1 Assets

V.1.1 Basis, methods and assumptions for the valuation of each material class of assets

Solvency II incorporates the measurement approach for assets according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Bâloise Vie Luxembourg S.A. applies these principles already for its contribution to the group financial statements of its ultimate holding company, Baloise Group.

S.02.01 Balance Sheet: Assets under Local GAAP and Solvency II Valuation

2016.12

Assets	LocalGAAP	Solvency II	Difference
EUR '000			
Intangible assets	5,096.2	0	−5,096.2
Property, plant & equipement held for own use	140.8	140.8	0
Property (other than for own use)	1,443.5	10,820.0	9,376.5
Equities	15,641.8	19,593.2	3,951.4
Government Bonds	273,215.6	340,733.1	67,517.4
Corporate Bonds	160,899.0	179,382.1	18,483.1
Assets held for index-linked and unit-linked contracts	5,854,495.5	5,854,495.5	0
Loans & mortgages	1,651.0	1,651.0	0
Reinsurance recoverables from:	2,797.9	−2,474.1	−5,272.0
Insurance & intermediaries receivables	8,756.9	8,756.9	0
Cash and cash equivalents	85,428.3	85,428.3	0
Other	92,696.6	81,990.7	−10,705.9
Total assets	6,502,263.0	6,580,517.3	78,254.3

Intangible assets

The statutory value of intangible assets consists of the acquisition values deducted by the accumulated regular amortizations. The position is composed of formation expenses, software and the goodwill of an externally acquired client portfolio.

In the Solvency II balance sheet the intangible assets are presented with a value of zero as none of the items listed above meet the strict Solvency II requirements for recognition as an asset.

Property, plant and equipment held for own use

The statutory value of tangible assets consists of the acquisition values deducted by the accumulated regular amortizations. The position is composed of hardware, machines, furniture and installations.

The tangible assets consist of hardware, machines, furniture and installations. In Solvency II balance sheet as well as in statutory balance sheet values are acquisition values deducted by the accumulated regular amortizations. Hardware and machines are amortized over 4 years, furniture and installations are amortized over 10 years.

Property (other than for own use)

The statutory value of real estate consists of acquisition value minus depreciation. The depreciation rate of buildings amounts to 2%, the depreciation rate of installations amounts to 10%.

The real estate's market values have been recalculated on the basis of the discounted cash flow method, in the following referred to as DCF method, in December 2016 for the property "Bonnevoie".

Investment properties

No investment properties can be found in the portfolio.

Participations

The company does not hold participations.

Financial assets

The statutory value of equities and investment funds is the lower of cost or market value. The equities' and investment funds' market values are obtained by an external source. The prices are compared to the ones provided by custodians. All investment funds are held in CHF and most of the equities are held in EUR.

The statutory value of bonds consists of acquisition value and depreciations based on the „scientific amortized cost"-method. The bond's market values are obtained by an external source and compared to the ones provided by the custodians. The majority of the bond portfolio is held in EUR.

Bâloise Vie Luxembourg S.A. is holding granted policy loans amounting to EUR 1,651.0 thousand. All policy loans are held in EUR. For policy loans an initial calculation for each contract was performed at the beginning. Each following year just the transactions for the current year are considered. This procedure is confirmed by external audit.

As of year-end 2016 Bâloise Vie Luxembourg S.A. is holding term deposits amounting to EUR 25.0 thousand. All term deposits are exclusively held in EUR. Term deposits were not subject to revaluation.

Additionally it can be stated that no derivatives can be found in the undertaking's own assets.

Assets held for index-linked and unit-linked funds

The investments for the benefit of life insurance policy-holders who bear the investment risk are presented with the market value.

Reinsurance recoverable and receivables

In the Solvency II balance sheet insurance receivables, reinsurance receivables as well as other receivables are not subject to revaluation, as depreciations for doubtful receivables are already booked in local GAAP, if we consider the accounting values to be not appropriate. In consequence we consider the receivables to be presented on the basis of our best knowledge.

The reinsurance recoverable is subject to revaluation as the best estimate of the liabilities has been recalculated too. It is determined as the difference between the gross and net cash flows coming from the current reinsurance contracts.

Deferred tax assets

No deferred tax asset can be found on the balance sheet.

Any other assets

The other accruals on the active side generally concern charges which have been paid in advance and unit linked transitory accounts. The positions are determined for local closing and not subject to revaluation.

V.1.2 Reconciliation to financial reporting

The differences in methodology between the statutory balance sheet and the Solvency II values are already explained in the previous section.

V.2 Technical provisions

V.2.1 Technical provisions valuation

Technical provisions by line of business: overview

Technical provisions are the largest item on an insurance undertaking's balance sheet, meaning an undertaking's financial strength is sensitive to movements in their value.

The tables below provide an overview of the composition of the undertaking's technical provisions per line of business based on the valuation for solvency purposes:

Life technical provisions

In '000 EUR	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Best Estimates (Gross of Recoverables)	498,897.5	5,743,939.6	21,842.3	6,264,679.4
Risk Margin	6,108.6	21,750.5	4,975.6	32,834.6
Reinsurance Recoverables	−50.6	0	−2,427.9	−2,478.6
Technical Provisions (Net of Recoverables)	505,056.6	5,765,690.0	29,241.5	6,299,988.1
Technical Provisions	505,006.1	5,765,690.0	26,817.9	6,297,514.0

Valuation of the best estimate and risk margin: methods and key assumptions

Best estimate

The Best Estimate is determined as the expected future cash flows taking into account the time value of money. Most of the undertaking's cash flows are modelled deterministically so that a single risk free yield curve is used combined with a set of deterministic assumptions to obtain the present value of the expected future cash flows. The technical provisions are calculated gross using a cash flow basis with a separate explicit calculation for reinsurance, also using a cash flow basis. Life insurance obligations are segmented according to minimum requirements.

The risk free yield curve used for determining the Best Estimate does contain a Volatility Adjustement. The impact of a change to zero of the volatility adjustment on the technical provisions amounts to EUR 6,734.1 thousand.

The lines of business which are not relevant for Bâloise Vie Luxembourg S.A. have been omitted from the figures presented.

The cash flows include future cash in-flows. Provisions are therefore net of future premium receipts which can make them negative.

Recognition of contracts

The majority of the undertaking's portfolio is recognized until the relevant maturity dates to determine the expected future cash flows. However, future premiums related to collective insurance business are out of the boundary of recognized contracts as only future cash-flows associated to recognized obligations should be included in the best estimate according to Solvency II regulation.

Reinsurance

All technical provisions are calculated on a gross basis. Where applicable, reinsurance ceded is calculated separately following the same principles. The measurement of reinsurance receivables makes allowance for expected non-payment whether caused by default by the reinsurer or by dispute with the reinsurer.

Expenses

Assumptions about future expenses are required in order to cover the full range of future cash flows stemming from the undertaking's business portfolio. Since the undertaking is an established enterprise operating with stable annual expenses, the starting point for expectations about future expenses is the costs incurred in the most recent period. These expenses are allocated to the lines of business and then run-off over the remaining term of individual contracts.

Risk Margin

The risk margin increases the overall value of the technical provisions from the discounted best estimate to an amount equivalent to a theoretical level needed to transfer the obligations to another insurance undertaking.

The cost of capital approach requires the risk margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the current obligations over their lifetime. The SCR over the lifetime of the actual obligations is modelled such that the proportion of the best estimate over the SCR remains constant.

Assumptions

Assumptions used within the calculation of Solvency II technical provisions must be consistent both with financial market information and “generally available” insurance risk data. They must be documented, justified and validated in line with the validation and back-testing requirements.

Uncertainty

The best estimate must correspond to the probability-weighted average of future cash-flows and will therefore allow for uncertainty in these future cash-flows. In this context, allowance for uncertainty refers to the consideration of the variability of the cash-flows necessary to ensure that the best estimate represents the mean of the full distribution of those cash-flows. Allowance for uncertainty does not suggest that additional margins are included within the best estimate.

Causes of uncertainty in the cash-flows that shall be taken into consideration in the estimation of the best estimate and the application of the valuation technique, where relevant, may include the following:

- Fluctuations in the timing, frequency and severity of claim events;
- Fluctuations in the amount of expenses;
- Uncertainty in policyholder behavior;

- The exercise of discretionary future management actions;
- Path dependency, where the cash-flows depend not only on circumstances such as economic conditions on the cash-flow date, but also on those circumstances at previous dates;
- Interdependency between two or more causes of uncertainty.

Changes since last reporting period

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

V.2.2 Reconciliation to financial reporting

Technical provisions for solvency purposes is EUR 18,488.9 thousand lower than the technical provision provided in the financial statements. The main difference between those valuation methods is the recognition from the solvency II provision of the present value of future profit. The remaining differences come from the other financial statements that need to be market-valued.

The reconciliation of the technical provision from the financial statements to the solvency position is done by deducting unrealized gains on own assets and undisclosed assets SII positions from the own fund (see the table below).

In '000 EUR	Total
Technical Provisions (Financial Statements)	6,316,002.9
Own Fund (financial Statement)	72,963.6
Own fund (Sovency II)	−141,332.1
Deferred Tax Liabilities	−28,374.8
URG on own assets	99,453.1
Profit on Reinsurance Recovrables	−5,272.0
Profit Non Insurance Recievables	−7,497.0
Not Disclosed assets under SII (Intangible Assets)	−8,429.8
Residual (*)	0
Technical Provisions (Solvency II)	6,297,514.0

V.3 Other liabilities

V.3.1 Basis, methods and assumptions used for valuing other liabilities

For the pension plan for Baloise employees the IFRS value is taken.

The statutory and Solvency II balances concerning other liabilities are composed of the following positions:

in '000 EUR	Statutory accounts value	Solvency II value	Delta
Other liabilities	108,293.8	136,668.6	28,374.8
Provisions other than technical provisions	5,952.4	5,952.4	0
Deferred tax liabilities	0	28,374.8	28,374.8
Debts owed to credit institutions	98.4	98.4	0
Insurance & intermediaries payables	96,858.0	96,858.0	0
Reinsurance payables	5,002.7	5,002.7	0
Payables (trade, not insurance)	2,285.4	2,285.4	0
Any other liabilites, not elsewhere shown	3,099.6	3,099.6	0

The provisions other than technical provision contain the provisions for pensions and similar obligations. They are determined annually by the actuary and recalculated with the DBO method for IFRS group reporting. In calculating its defined benefit obligations towards its employees, the undertaking makes assumptions about the expected return on plan assets, the economic benefits embodied in assets, future increases in salaries and pension benefits, the discount rate applicable and other parameters. The most important assumptions are derived from past experience of making estimates.

The other provisions are determined in detail for each year-end. They are composed by all quantified risks, which are already known, and charges known but not yet invoiced. The measurement of provisions requires assumptions to be made about the probability, timing and amount of any outflows of resources embodying economic benefits. A provision is recognized if such an outflow of resources is probable and can be reliably estimated. The value of statutory accounts and Solvency II is identical. The deferred tax liabilities contain the total net deferred taxes on the differences between all statutory balance sheet positions and the Solvency II value. The tax rate applied for deferred taxes is the new income tax rate at 29.3% due to the decrease of the corporate income tax rate from 21% to 19% as of 01.01.2017 (part of Luxembourg's fiscal reform).

The creditors arising out of insurance and reinsurance operations as well as the other creditors are not subject to revaluation, as they have no duration.

The amounts owed to credit institutions concern negative balances on current bank accounts and are presented with the actual value corresponding to external bank confirmations at year-end.

The other liabilities, not elsewhere shown, are principally composed by tax liabilities to the Italian tax authority. As the company is acting as an intermediary advancing the tax charges for the policy holders, the position is also booked as debtor on the asset side. The position is determined for year-end and not subject to revaluation, as the booking entries on asset and liability side are neutral.

V.3.2 Reconciliation to financial reporting

Liabilities	LocalGAAP	Solvency II	Difference
EUR '000			
Contingent liabilities	0	0	0
Provisions other than technical provisions	5,952.4	5,952.4	0
Pension benefit obligations	0	0	0
Deposits from reinsurers	0	0	0
Deferred tax liabilities	0	28,374.8	28,374.8
Derivatives	0	0	0
Debts owed to credit institutions	98.4	98.4	0
Financial liabilities other than debts owed to credit institutions	0	0	0
Insurance & intermediaries payables	96,858.0	96,858.0	0
Reinsurance payables	5,002.7	5,002.7	0
Payables (trade, not insurance)	2,285.4	2,285.4	0
Subordinated liabilities	0	0	0
Subordinated liabilities not in Basic Own Funds	0	0	0
Subordinated liabilities in Basic Own Funds	0	0	0
Any other liabilities, not elsewhere shown	3,099.6	3,099.6	0
Total liabilities	**6,429,299.4**	**6,439,185.3**	**9,885.9**

The differences in methodology as well as the quantitative impacts between the statutory balance sheet and the Solvency II values are already explained in the previous section.

V.4 Other relevant information

No further relevant information is reported.

VI. Capital Management

VI.1 Own funds

VI.1.1 Capital management: objectives, policy and processes

Capital is a scarce and strategic resource, which requires a clearly defined, rigorous and disciplined management approach in order to ensure efficient and effective deployment. This approach must balance the needs and requirements of stakeholders including shareholders, regulators, employees and customers.

Objectives

The Insurer's main objectives in capital management are the following:

- to fulfil the solvency requirements defined by the regulatory frameworks of each operating segment (non-life segment and life segment);
- to ensure business continuity and the capacity to develop its activity;
- to continue guaranteeing an adequate remuneration of shareholders' capital;
- to pursue the optimal ratio between equity and debt, by ensuring adequate remuneration of all capital and debt sources;
- to determine impact on pricing policies which are consistent with risk levels of each activity sector and,
- to create value to shareholders.

The undertaking has to comply with local laws and regulations and/or local supervisory authorities requirements regarding a minimum capital. This minimum capital should be maintained as per local legislative framework in order to fulfill its insurance obligations. This minimum level of capital has been continuously maintained during the financial year.

Policy

The undertaking has a Capital Management policy in place that sets forth the principles and guidelines applied within the own funds management context. It sets forth the overall definition of capital and capital adequacy ratios. The guidelines aim for an effective and optimized capital management. Moreover, the policy highlights the different activities within the capital management framework: capital planning, capital contingency and capital allocation.

Additionally, the document displays the governance structure that supports capital management. This policy will cover the roles and responsibilities and reporting requirements needed to support the objectives described above.

The undertaking is considered to have sufficient capital as long as Available Capital levels remain above the Solvency Required Capital level.

For the specific situations when capital sufficiency levels could be breached, the undertaking has a capital contingency plan in place. If such situation is reached, then recovery can come from retained profits or other actions.

Processes

The main goal of the capital management process is to optimize the capital structure, composition and allocation of capital within the undertaking. Additionally, the undertaking aims at a profitable ~~fund~~ growth and protecting its viability and profitability dividends of the undertaking. The process also ensures continued eligibility of own fund items through close monitoring of the eligibility criteria.

Capital management planning takes into account the following:

- The required capital linked to expected level of risk and risk appetite, as well as risk assessments;
- Own funds projection over a time horizon of three years;
- The capital level the undertaking wants to hold, which considers:

  - Legal requirements and anticipated changes

  - Growth ambitions and future capital commitments

  - Security buffers to ensure that obligations according to the Risk Appetite Policy are met
- Dividend policy (and future capital raising).

Capital allocation is performed based on the following principles:

- Capital (re)allocation based on business plans which meet strategic and performance objectives;
- Allocation takes into account optimizing expected value creation, risk and capital use.

VI.1.2 Own funds analysis

Own funds overview

Under Solvency II, own funds represent those funds of the entity that are available to compensate the financial impact of adverse scenarios for the insurer. An insurer needs to hold certain amounts of own funds covering specific capital requirements (SCR and MCR).

Own funds are categorized into three different “Tiers”: Tier 1 is the highest class, typically characterized by unconditional availability of the funds in case of losses by the insurer. Funds in Tier 2 and Tier 3 respectively generally have limitations as to the amount of funds available, the

conditions for availability or the period during which they are available. Accordingly, an insurer may only use Tier 1 own funds to cover capital requirements without restrictions, subject to certain limitations for specific instruments.

The own funds of Bâloise Vie Luxembourg S.A. entirely consist of Tier I funds.

Own funds structure and composition

Solvency II guidance further distinguishes own funds by the way they are funded: Generally speaking, “basic own funds” are fully paid in, whilst “ancillary own funds” are only available by an insurer on demand.

As of year-end 2016, no ancillary own funds are presents and in this way a breakdown is obsolete. The basis own funds exclusively belong to the Tier 1 category.

Analysis of change for all tiers:

As the Basic Own Funds of the company only consist of Tier 1 capital, no further remarks are made.

Deductions and restrictions

As all capital is Tier 1, no deductions and restrictions are observed. No ring fenced funds are present.

Basic own funds (BOF)

The basic own funds are exclusively composed of reconciliation reserve and ordinary share capital.

Ordinary share capital

The subscribed capital of the undertaking amounts to EUR 32,680 Thousand divided into 54 790 shares without a designated nominal value.

There is no share that may be issued in connection with option plans.

Subordinated liabilities

As at 31 December 2016, the undertaking has not issued subordinated liabilities.

Reconciliation reserve

The table below reconciles this amount with the own funds reporting for the figures year-end 2016.

Reconciliation reserve	Total
In '000 EUR	
Excess of assets over liabilities	141,332.1
Own shares (included as assets on the balance sheet)	0
Forseeable dividends and distributions	7,122.7
Other basic own fund items	32,680.3
Restricted own fund items due to ring fencing	0
Reconciliation reserve	101,529.0
ExpectedProfits	
Expected profits included in future premiums (EPIFP) - Life business	0
Expected profits included in future premiums (EPIFP) - Non- life business	0
Total EPIFP	0

The figures represent the difference between local and Solvency II balance sheets: local own funds are the sum of the subscribed capital, the reserves and the profit brought forward. The addition of the reconciliation reserves results in the Solvency II available capital. The own funds are obtained by deducting foreseeable dividends and any own shares held as items used to reduce the reconciliation reserve.

Ancillary own funds (AOF)

Structure ancillary own funds

No ancillary own funds are present.

Methods of valuation AOF

Not relevant.

VI.1.3 Transitional arrangements

No own fund items are subject to transitional arrangements.

The volatility adustment is used by the undertaking to calculate the technical provisions and has then an impact on the company's financial positions as the Solvency Capital Requirement or the eligible own funds to cover the Solvency Capital Requirement.

The table below shows the impact of a change to zero of the volatility adjustment on the undertaking's financial positions at 31.12.2016.

S.22.01.21. Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
EUR '000						
Technical provisions	R0010	6,297,514.0	0	0	6,734.1	0
Basic own funds	R0020	134,209.4	0	0	−4,787.8	0
Eligible own funds to meet Solvency Capital Requirement	R0050	134,209.4	0	0	−4,787.8	0
Solvency Capital Requirement	R0090	65,007.0	0	0	1,811.2	0
Eligible own funds to meet Minimum Capital Requirement	R0100	134,209.4	0	0	−4,787.8	0
Minimum Capital Requirement	R0110	29,253.1	0	0	815.0	0

VI.1.4 Eligible amount of own funds to cover the SCR and MCR

Eligible Own funds

As already stated before, the capital structure of the undertaking is very straightforward. The table below confirm that the company more than meets its requirements.

S.23.01.01. Own funds: eligible own funds and capital requirements

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	134,209.4	134,209.4		0	0
Total available own funds to meet the MCR	R0510	134,209.4	134,209.4			
Total eligible own funds to meet the SCR	R0540	134,209.4	134,209.4	0	0	0
Total eligible own funds to meet the MCR	R0550	134,209.4	134,209.4	0	0	
SCR	R0580	65,007.0				
MCR	R0600	29,253.1				
Ratio of Eligible own funds to SCR	R0620	206.5%				
Ratio of Eligible own funds to MCR	R0640	458.8%				

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

Reconciliation with Financial Statement equity

The difference between the local own funds and the Solvency II available capital is illustrated below.

In '000 EUR	Local	Solvency II	Delta
Own Funds	72,963.6	141,332.1	68,368.4
Subscribed capital	32,680.3	32,680.3	0.0
Revaluation reserves	0.0	0.0	0.0
Reserves	4,860.9	4,860.9	0.0
Reconciliation ro local results	0.0	68,368.4	68,368.4
Adjustment reinsurance	0.0	-5,272.0	-5,272.0
Adjustment other assets	0.0	83,526.3	83,526.3
Adjustment technical provisions	0.0	18,488.9	18,488.9
Adjustment other liabilities	0.0	-28,374.8	-28,374.8
Benefit brought forward	24,430.9	24,430.9	0.0
Result of the year	10,991.5	10,991.5	0.0

Notable differences in figures resulting from differences in measurement under the Solvency II regime and local accounts are explained by:

- The adjustment in reinsurance is linked to the transfer from local reserves to best estimate;
- The adjustment of other assets concern bonds, property and equities which are valued at a higher market value than the local book values;
- The technical provisions are revaluated on best estimate basis resulting in a gain for the undertaking;
- The adjustments of the other liabilities concern the deferred tax liabilities.

VI.2 SCR and MCR

VI.2.1 SCR and MCR: overview and key changes

Solvency position

As of year-end 2016 the Solvency capital requirement of the undertaking amounts to EUR 65,007.0 thousand. This amount is split over the different risk modules of the Solvency II standard formula as illustrated in the table below.

S.25.01 Solvency Capital Requirement for undertakings on Standard Formula

	Gross solvency capital requirement
EUR '000	
Market risk	55,804.9
Counterparty default risk	9,731.8
Life underwriting risk	51,299.7
Health underwriting risk	
Non-life underwriting risk	
Diversification	−28,557.8
Intangible asset risk	0
Basic Solvency Capital Requirement	88,278.5
Calculation of Solvency Capital Requirement	
Operational risk	5,202.7
Loss-absorbing capacity of technical provisions	−816.6
Loss-absorbing capacity of deferred taxes	−27,657.6
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	65,007.0
Capital add-on already set	0
Solvency capital requirement	65,007.0

The Minimum Capital Requirement as of year-end 2016 is EUR 29,253.1 thousand. The inputs used to calculate it are:

- The Best Estimate per Line of Business, net of reinsurance as presented in the valuation chapter (V.2. technical provisions per LoB) and linearly combined along with the Capital At Risk of EUR 1,676,425.3 thousand. The linear coefficients used are defined in article 251 of Delegated Acts.
- The upper bound of MCR defined as 45% of the SCR above.
- The lower bound of MCR defined as 25% of the SCR above.

The volatility adustment is applied in the calculation of the technical provisions. At year-end 2016 the impact of a change to zero of the volatility adjustment on the Solvency Capital Requirement amounts EUR 1,811.2 thousand and on the Minimum Capital Requirement amounts EUR 815.0 thousand (see S.22.01.21 in the Annex).

Material changes in SCR and MCR

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

VI.2.2 Simplified calculations and entity specific parameters

No simplifications are used.

VI.2.3 Use of the duration-based equity risk sub-module for SCR calculation

Use and Supervisor approval (Art. 304)

The duration-based equity risk approach is subject to prior supervisory approval once the Solvency II regime enters into force. The current application of the approach does not pre-empt any future decision by national supervisory authorities to approve or not to approve such approach.

The undertaking does not apply the duration-based equity risk sub-module for the calculation of its Solvency Capital Requirements.

VI.3 Non-compliance with the MCR and the SCR

VI.3.1 Amount of non-compliance

Bâloise Vie Luxembourg S.A. has been compliant with the Solvency II Minimum Capital Requirements and the Solvency Capital requirements during the entire reporting period.

VI.3.2 Explanations of causes, effects and remedial actions

Not relevant.

VI.4 Other relevant information

No supplementary information in addition to the information previously disclosed is considered material.

Annex

S.02.01.02. Balance sheet: assets

EUR '000		Solvency II value C0010
Assets		
Intangible assets	R0030	0
Property, plant & equipement held for own use	R0060	140.8
Property (other than for own use)	R0080	10,820.0
Equities	R0100	19,593.2
Government Bonds	R0140	340,733.1
Corporate Bonds	R0150	179,382.1
Assets held for index-linked and unit-linked contracts	R0220	5,854,495.5
Loans & mortgages	R0230	1,651.0
Reinsurance recoverables from:	R0270	−2,474.1
Insurance & intermediaries receivables	R0360	8,756.9
Cash and cash equivalents	R0410	85,428.3
Other		81,990.7
Total assets	R0500	**6,580,517.3**

S.02.01.02. Balance sheet: liabilities

EUR '000		Solvency II value C0010
Liabilities		
Technical provisions – non-life (excluding health)	R0520	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0600	531,824.0
Technical provisions – index-linked and unit-linked	R0690	5,765,690.0
Deposits from reinsurers	R0770	0
Insurance & intermediaries payables	R0820	96,858.0
Other		44,813.3
Total liabilities	R0900	**6,439,185.3**
Excess of assets over liabilities	R1000	**141,332.1**

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

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
EUR '000										
Premiums written										
Gross	R1410		58,853.2	976,058.5	16,762.1	0	0	0	0	1,051,673.8
Reinsurers' share	R1420		0	147.5	4,757.5	0	0	0	0	4,905.1
Net	R1500		58,853.2	975,911.0	12,004.5	0	0	0	0	1,046,768.7
Premiums earned										
Gross	R1510		58,953.4	976,058.5	16,890.7	0	0	0	0	1,051,902.6
Reinsurers' share	R1520		0	147.5	4,773.2	0	0	0	0	4,920.7
Net	R1600		58,953.4	975,911.0	12,117.5	0	0	0	0	1,046,981.9
Claims incurred										
Gross	R1610		34,325.9	323,093.7	5,209.0	0	0	0	0	362,628.7
Reinsurers' share	R1620		0	0	1,308.8	0	0	0	0	1,308.8
Net	R1700		34,325.9	323,093.7	3,900.2	0	0	0	0	361,319.9
Changes in other technical provisions										
Gross	R1710		25,822.7	819,387.1	2,108.6	0	0	0	0	847,318.4
Reinsurers' share	R1720		0	0	0	0	0	0	0	0
Net	R1800		25,822.7	819,387.1	2,108.6	0	0	0	0	847,318.4
Expenses incurred	R1900		7,496.3	25,508.5	4,710.2	0	0	0	0	37,715.0
Other expenses	R2500									712.5
Total expenses	R2600									38,427.6

S.05.02.01. Premiums, claims and expenses by country: life obligations

		Home country	Top 5 countries (by amount of gross premiums written) — life obligations					Total for top 5 countries and home country (by amount of gross premiums written)
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		PORTUGAL	ITALY	BELGIUM	FRANCE	SPAIN	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
EUR '000								
Premiums written								
Gross	R1410	202,626.2	354,314.3	130,035.1	119,606.1	118,023.1	72,462.3	997,067.1
Reinsurers' share	R1420	4,578.0	0	6.9	138.5	38.8	0.2	4,762.3
Net	R1500	198,048.3	354,314.3	130,028.2	119,467.6	117,984.3	72,462.2	992,304.8
Premiums earned								
Gross	R1510	202,812.6	354,314.3	130,035.1	119,632.8	118,041.4	72,462.3	997,298.5
Reinsurers' share	R1520	4,578.0	0	6.9	138.5	38.8	0.2	4,762.3
Net	R1600	198,234.6	354,314.3	130,028.2	119,494.3	118,002.7	72,462.2	992,536.3
Claims incurred								
Gross	R1610	57,766.4	40,823.7	24,996.8	143,361.6	43,591.3	1,220.0	311,759.8
Reinsurers' share	R1620	1,339.6	0	0	−30.8	0	0	1,308.8
Net	R1700	56,426.9	40,823.7	24,996.8	143,392.4	43,591.3	1,220.0	310,451.0
Changes in other technical provisions								
Gross	R1710	147,455.6	351,209.6	114,939.4	28,006.8	108,902.0	74,955.3	825,468.6
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	147,455.6	351,209.6	114,939.4	28,006.8	108,902.0	74,955.3	825,468.6
Expenses incurred	R1900	8,358.2	2,803.5	1,056.2	1,742.6	1,478.1	554.0	15,992.5
Other expenses	R2500							634.0
Total expenses	R2600							16,626.4

S.12.01.02. Life and Health SLT Technical Provisions (part 1 of 4)

			Index-linked and unit-linked insurance			Other life insurance		
		Insurance with profit participation	All contracts Index-linked and unit-linked	Contracts without options and guarantees	Contracts with options or guarantees	All contracts Other life insurance	Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
EUR '000								
Technical provisions calculated as a whole	R0010	0	0			0		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0		
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	R0030	498,897.5		5,739,187.7	4,751.9		0	21,842.3
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	−50.5		0	0		0	−2,423.6
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	498,948.0		5,739,187.7	4,751.9		0	24,265.9
Risk Margin	R0100	6,108.6	21,750.5			4,975.6		
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0110	0	0			0		
Best estimate	R0120	0		0	0		0	0
Risk margin	R0130	0	0			0		
Technical provisions - total	R0200	505,006.1	5,765,690.0			26,817.9		

S.12.01.02. Life and Health SLT Technical Provisions (part 2 of 4)

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		C0090	C0100	C0150
EUR '000				
Technical provisions calculated as a whole	R0010	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0	0
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	0	0	6,264,679.4
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0	0	−2,474.1
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0	0	6,267,153.5
Risk Margin	R0100	0	0	32,834.6
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	0	0	0
Best estimate	R0120	0	0	0
Risk margin	R0130	0	0	0
Technical provisions - total	R0200	0	0	6,297,514.0

S.12.01.02. Life and Health SLT Technical Provisions (part 3 of 4)

		Health insurance (direct business)		
		All contracts	Contracts without options and guarantees	Contracts with options or guarantees
		Health insurance (direct business)		
		C0160	C0170	C0180
EUR '000				
Technical provisions calculated as a whole	R0010	0		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0		
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030		0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0	0	0
Risk Margin	R0100	0		
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	0		
Best estimate	R0120		0	0
Risk margin	R0130	0		
Technical provisions - total	R0200	0		

S.12.01.02. Life and Health SLT Technical Provisions (part 4 of 4)

		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0190	C0200	C0210
EUR '000				
Technical provisions calculated as a whole	R0010	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0	0
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0	0	0
Risk Margin	R0100	0	0	0
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	0	0	0
Best estimate	R0120	0	0	0
Risk margin	R0130	0	0	0
Technical provisions - total	R0200	0	0	0

S.17.01.02.01 Non-Life Technical Provisions

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.19.01.21.01: Non-life insurance claims

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.22.01.21. Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
EUR '000						
Technical provisions	R0010	6,297,514.0	0	0	6,734.1	0
Basic own funds	R0020	134,209.4	0	0	−4,787.8	0
Eligible own funds to meet Solvency Capital Requirement	R0050	134,209.4	0	0	−4,787.8	0
Solvency Capital Requirement	R0090	65,007.0	0	0	1,811.2	0
Eligible own funds to meet Minimum Capital Requirement	R0100	134,209.4	0	0	−4,787.8	0
Minimum Capital Requirement	R0110	29,253.1	0	0	815.0	0

S.23.01.01. Own funds: basic own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
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	32,680.3	32,680.3			
Share premium account related to ordinary share capital	R0030	0	0			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	0	0			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	101,529.0	101,529.0			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0			
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	0	0			
Total basic own funds after deductions	R0290	134,209.4	134,209.4			0

S.23.01.01. Own funds: ancillary own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
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					

S.23.01.01. Own funds: eligible own funds and capital requirements

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	134,209.4	134,209.4		0	0
Total available own funds to meet the MCR	R0510	134,209.4	134,209.4			
Total eligible own funds to meet the SCR	R0540	134,209.4	134,209.4	0	0	0
Total eligible own funds to meet the MCR	R0550	134,209.4	134,209.4	0	0	
SCR	R0580	65,007.0				
MCR	R0600	29,253.1				
Ratio of Eligible own funds to SCR	R0620	206.5%				
Ratio of Eligible own funds to MCR	R0640	458.8%				

S.23.01.01. Own funds: reconciliation reserve

		C0060
EUR '000		
Reconciliation reserve		
Excess of assets over liabilities	R0700	141,332.1
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	7,122.7
Other basic own fund items	R0730	32,680.3
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	101,529.0
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	29,284.9
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	29,284.9

S.25.01.21. Solvency Capital Requirement for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
EUR '000				
Market risk	R0010	55,804.9		
Counterparty default risk	R0020	9,731.8		
Life underwriting risk	R0030	51,299.7	None	
Health underwriting risk	R0040		None	
Non-life underwriting risk	R0050		None	
Diversification	R0060	−28,557.8		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	88,278.5		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	5,202.7
Loss-absorbing capacity of technical provisions	R0140	−816.6
Loss-absorbing capacity of deferred taxes	R0150	−27,657.6
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	65,007.0
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	65,007.0
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01. Minimum Capital Requirement: MCRL result

Linear formula component for life insurance and reinsurance obligations

		C0040
EUR '000		
MCRL Result	R0200	60,090.0

S.28.01.01. Minimum Capital Requirement: total capital at risk

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
EUR '000			
Obligations with profit participation - guaranteed benefits	R0210	494,021.7	
Obligations with profit participation - future discretionary benefits	R0220	4,926.4	
Index-linked and unit-linked insurance obligations	R0230	5,743,939.6	
Other life (re)insurance and health (re)insurance obligations	R0240	24,265.9	
Total capital at risk for all life (re)insurance obligations	R0250		1,928,903.7

S.28.01.01. Minimum Capital Requirement: Overall MCR calculation

Overall MCR calculation

		C0070
EUR '000		
Linear MCR	R0300	60,090.0
SCR	R0310	65,007.0
MCR cap	R0320	29,253.1
MCR floor	R0330	16,251.7
Combined MCR	R0340	29,253.1
Absolute floor of the MCR	R0350	3,700.0
Minimum Capital Requirement	R0400	**29,253.1**