adidas International Re DAC

Solvency and Financial Condition Report

Reporting period ended 31 December 2018

Contents

SUMMARY 3
A. BUSINESS & PERFORMANCE 4
A.1 Business 4
A.2 Underwriting Performance 5
A.3 Investment Performance 7
A.4 Performance of other activities 7
A.5 Any other information 7
B. SYSTEM OF GOVERNANCE 8
B.1 General information on the system of governance 8
B.2 Fit and proper requirements 10
B.3 Risk Management System including the own risk and solvency assessment 11
B.4 Internal Control System 12
B.5 Internal Audit Function 14
B.6 Actuarial Function 14
B.7 Outsourcing 15
B.8 Any other information 16
C. RISK PROFILE 17
C.1 Underwriting risk 17
C.2 Market risk 18
C.3 Credit risk 19
C.4 Liquidity risk 20
C.5 Operational risk 20
C.6 Other material Risks 21
C.7 Any other information 21
D. VALUATION FOR SOLVENCY PURPOSES 22
D.1 Assets 22
D.2 Technical Provisions 23
D.3 Other liabilities 27
D.4 Alternative methods for valuation 27
D.5 Any other information 27
E. CAPITAL MANAGEMENT 28
E.1 Own funds 28
E.2 Solvency capital requirement and minimum capital requirement 30
E.3 Use of duration-based equity risk sub module in calculation of the solvency capital requirement 31
E.4 Differences between the standard formula and any internal model used 31
E.5 Non-Compliance with the Minimum Capital Requirement and the Solvency Capital Requirement 31
E.6 Any other information 31
ANNEX I – QUANTITATIVE REPORTING TEMPLATES 31

SUMMARY

This Report refers to the business of adidas International Re DAC ('adidas International Re', 'the Company'), a captive composite reinsurer, authorised and supervised by the Central Bank of Ireland. It provides the reader with information on the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management for the reporting period ended 31 December 2018.

adidas International Re has prepared this report in accordance with the relevant articles of the Commission Delegated Regulation (EU) 2015/35, together with the Guidelines on reporting and public disclosure issued by EIOPA.

The Company's business strategy is to provide reinsurance coverage for certain employee benefits, property, marine, liability and supplier failure risks of adidas, which is one of world's largest sportswear companies. The impact of insurance risk volatility on the Company's capital base is mitigated through the purchase of retrocession from appropriate counterparties. Investment of the Company's funds is in line with the documented investment strategy, reflecting a 'prudent person' approach to the management of counterparty, concentration, interest rate and currency risk.

The Board has identified the key risks to which adidas International Re is exposed and established appropriate corporate governance, risk management and reporting mechanisms to ensure that the identified risks remain relevant, and that they are managed and reported on with appropriate levels of detail and frequency. The Company has established a comprehensive suite of risk policies and implemented a series of internal controls to ensure that adidas International Re can be managed in accordance with its governance and risk management systems. Documented escalation mechanisms are in place to ensure that any breaches in risk limits and tolerances, internal controls and governance requirements can be reported promptly to the appropriate individuals. Risks to which the Company is exposed are well understood and are used to determine the level of solvency and capital required over the business planning period and to better inform decision making within the Company.

There were no material changes to adidas International Re's business and performance, system of governance, risk profile, valuation for solvency purposes over the reporting period.

As at 31 December 2018, the Company had eligible own funds of €27.7m (2017: €22.7m) available to meet its Solvency Capital Requirement ('SCR') of €13.4m (2017: €8.4m); resulting in a Solvency Ratio of 206% (2017: 268%) which is in compliance with the regulatory solvency requirements per the Solvency II regulations. The Board of Directors is satisfied that the Company has adequate and appropriate capital to support its business operations. The Minimum Capital Requirement ('MCR') was also satisfactorily met at the year-end. There were no instances of non-compliance with the capital requirements during the period.

A. BUSINESS & PERFORMANCE

A.1 Business

adidas International Re DAC was incorporated in Ireland in 2002, and in line with the requirements of the Companies Act 2014 converted to a designated activity company ('DAC'), limited by shares, effective 23 June 2016. adidas International Re is a captive composite reinsurance undertaking, underwriting only the risks of the adidas Group. adidas International Re conducts all of its significant business activities from its offices in Ireland including:

- underwriting;
- premium invoicing and collection;
- claims reserving and payments; and
- investing.

The Company's operating and registered address is Third Floor, The Metropolitan Building, James Joyce Street, Dublin 1, Ireland.

adidas International Re is authorised by the Central Bank of Ireland ('CBI'), under the European Union (Insurance and Reinsurance) Regulations 2015, to carry out the business of life and non-life reinsurance.

The insurance supervision division at the CBI may be contacted at their offices in New Wapping Street, North Wall Quay, Dublin 1, Ireland.

KPMG is the appointed external auditor of the Company and is located at 2 Harbourmaster Place, IFSC, Dublin 1, Ireland.

The Company has underwritten employee benefits (income protection) risks of adidas' employees on a reinsurance basis across the world since 2003. The risks relate to employee death, disability, medical costs or accident and are written on a country by country basis. The majority of the reinsurance treaties renew on 1 January each year.

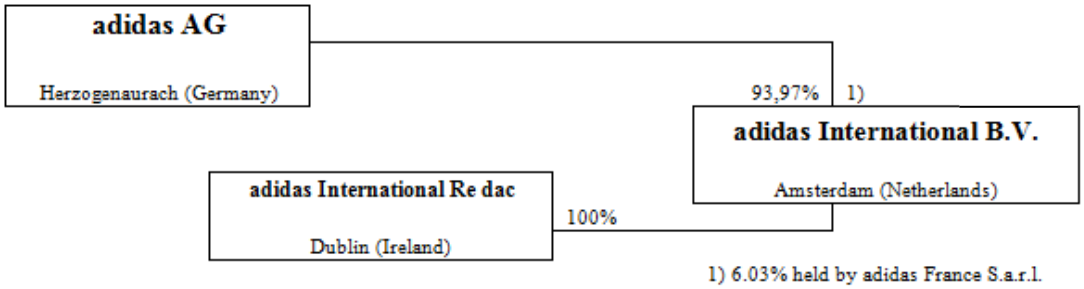
The Company has also entered into reinsurance agreements covering a specific retention on the risks below:

- Property
- Marine
- Liability
- Supplier Failure

The Company reinsures risks within the EU, North, South & Central America, Middle East, Asia, Australia and New Zealand.

adidas International Re is a 100% subsidiary of adidas International B.V., a company incorporated in the Netherlands.

The Company's ultimate parent undertaking is adidas AG, a publicly traded, German domiciled company, listed on the "Deutsche Börse" stock exchange in Frankfurt. The Group structure is outlined below:



Details on other Group subsidiaries and related undertakings are published within the adidas Annual Report and Financial Statements, 2018, which is available to download at

https://www.adidas-group.com/media/filer_public/e9/ba/e9bad34f-ca11-44f6-977f-364d0650feaf/annual_report_gb-2018-en_secured.pdf

The operation of the Company is subject to the local regulatory requirements in Ireland within which it operates. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, for example capital adequacy to minimise the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as they arise.

There have been no significant events during the reporting period which have had a material impact on the Company.

A.2 Underwriting Performance

The principal risks and uncertainties that the Company faces are, by the very nature of the business, those for which it provides or has provided reinsurance cover. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term.

Whilst considerable judgement is involved, the Directors adopt an appropriately prudent approach to the provision and valuation of adequate reinsurance reserves, with annual support being provided by the external actuary who serves as the Head of Actuarial Function.

The Company has implemented various risk mitigation measures to limit the Company's exposure as well as to reduce the volatility of its losses and hence underwriting performance. adidas International Re purchases stop loss reinsurance protection for the employee benefits programme to protect against concentration risk, as a significant number of employees work at certain adidas locations. The Company also purchase multi-line multi-year retrocession protection to assist with balance sheet protection.

Since the Company prepares its financial statements in accordance with FRS, the underwriting performance information outlined in this section is on an FRS basis.

	2018 EUR	2017 EUR
Gross premiums earned	35,092,791	36,507,068
Outward reinsurance premiums earned	(9,300,466)	(4,957,335)
Earned premiums, net of reinsurance	25,792,325	31,549,733
Gross claims incurred	(16,619,694)	(25,245,287)
Claims incurred – recoverable from reinsurers	(2,342,989)	1,792,453
Claims incurred, net of reinsurance	(18,962,683)	(23,452,834)
Allocation of investment income to the technical account	39,852	29,863
Operating Expenses incurred	(4,649,382)	(5,589,313)
Other Technical charges, net of reinsurance		(529,775)
Technical (loss) / profit	**2,220,112**	**2,007,674**

Proportional reinsurance premiums split by line of business are as follows:

(EUR k) Line of Business	2018	2017	Variance
Marine, aviation & transport	5,403	5,285	118
Fire & Other Damage to Property	3,011	3,590	-579
General Liability	1,017	1,166	-149
Miscellaneous Financial Loss	679	782	-103
Income Protection	15,682	20,727	-5,045
Total Earned Premium, net of reinsurance	**25,792**	**31,550**	**-5,758**

Premiums written relate to business incepted during the financial year and have resulted from contracts of reinsurance concluded in the Republic of Ireland.

Provision is made for notified losses on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate estimate being made of amounts recoverable from reinsurers. Claims incurred by line of business is set out below:

(EUR k)	Net Claims Paid, Net of Reinsurance			Movement in Claims Provisions		
Line of Business	2018	2017	Variance	2018	2017	Variance
Marine, aviation & transport	(2,560)	(2,280)	-280	(1,222)	(1,665)	444
Fire & Other Damage to Property	1,305	(5,406)	6,711	(4,046)	605	-4,651
General Liability	1,270	(1,340)	2,610	1,696	486	1,210
Miscellaneous Financial Loss	280	(11)	291	(93)	(31)	-62
Income Protection	(1,143)	(15,245)	14,102	(14,449)	1,435	-15,884
Total	**(848)**	**(24,282)**	**23,434**	**(18,114)**	**829**	**-18,943**

The profit after tax for the year ended 31 December 2018 amounted to €1.7m (2017: €1.9m).

A.3 Investment Performance

The Company allocates its investment portfolio as described below:

Cash and cash equivalents - Comprise cash in hand and other short term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Investment Funds - Investments in money market funds are held at market value.

The short-term maturities of the above asset classes aide the liquidity requirements of the business and ensures that funds do not need to be withdrawn prior to maturity to settle liabilities.

Intercompany Loan - On 1 December 2018, the Board approved the provision of an intercompany loan totalling €10m to adidas AG, having considered the impact on the Company's solvency requirements and the 'prudent person' requirements. The agreement is set to mature in three years with the Company having the right to reclaim the whole or any part of the loan before maturity, with five days prior notice.

The investment income for the year amounted to €63k (2017: €72k). A negative return of €54k (2017: €49k) was earned on cash and investment funds reflecting prevailing market rates. Interest income of €112k (2017: €121k) was earned on funds withheld by ceding undertakings. €5k was earned on the intercompany loan in the period.

The Company has no investments in securitised asset classes and all investment income is recognised in the Company's income statement.

A.4 Performance of other activities

adidas International Re does not engage in any activities other than those associated with captive reinsurance and has not entered into any leasing agreements.

A.5 Any other information

The Company recorded a foreign exchange loss of €345k (2017 Gain €121k) during the reporting period which is largely attributable to the movement in funds withheld by the cedants and premium currency volatility between inception and payment date. This is considered within appetite and not material to the overall financial performance of the Company.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In order to meet the requirements for sound corporate governance, ensure efficient conduct of business and to protect the interests of the Company's stakeholders, the Company has a comprehensive Governance and Risk Management system in place.

The Board of Directors of the Company ('the Board') acknowledges its responsibility to ensure that risks are fully understood and appropriately managed and has taken appropriate steps to ensure that risk management, reporting and control processes have been put in place in a manner which reflects the nature and scale of the captive's activities.

The Governance and Risk Management System of the Company may be described as relying on four cornerstones:

1) Governance Framework, aligned with the Company's strategic objectives, providing top level oversight by the Board, clear ownership and accountability for risks, as well as clear escalation and reporting channels.

2) Risk Management Framework which details the Company's strategic objectives in documented Risk Policies. For each risk, limits and operational checkpoints as well as functional identification, mitigation and monitoring processes are documented.

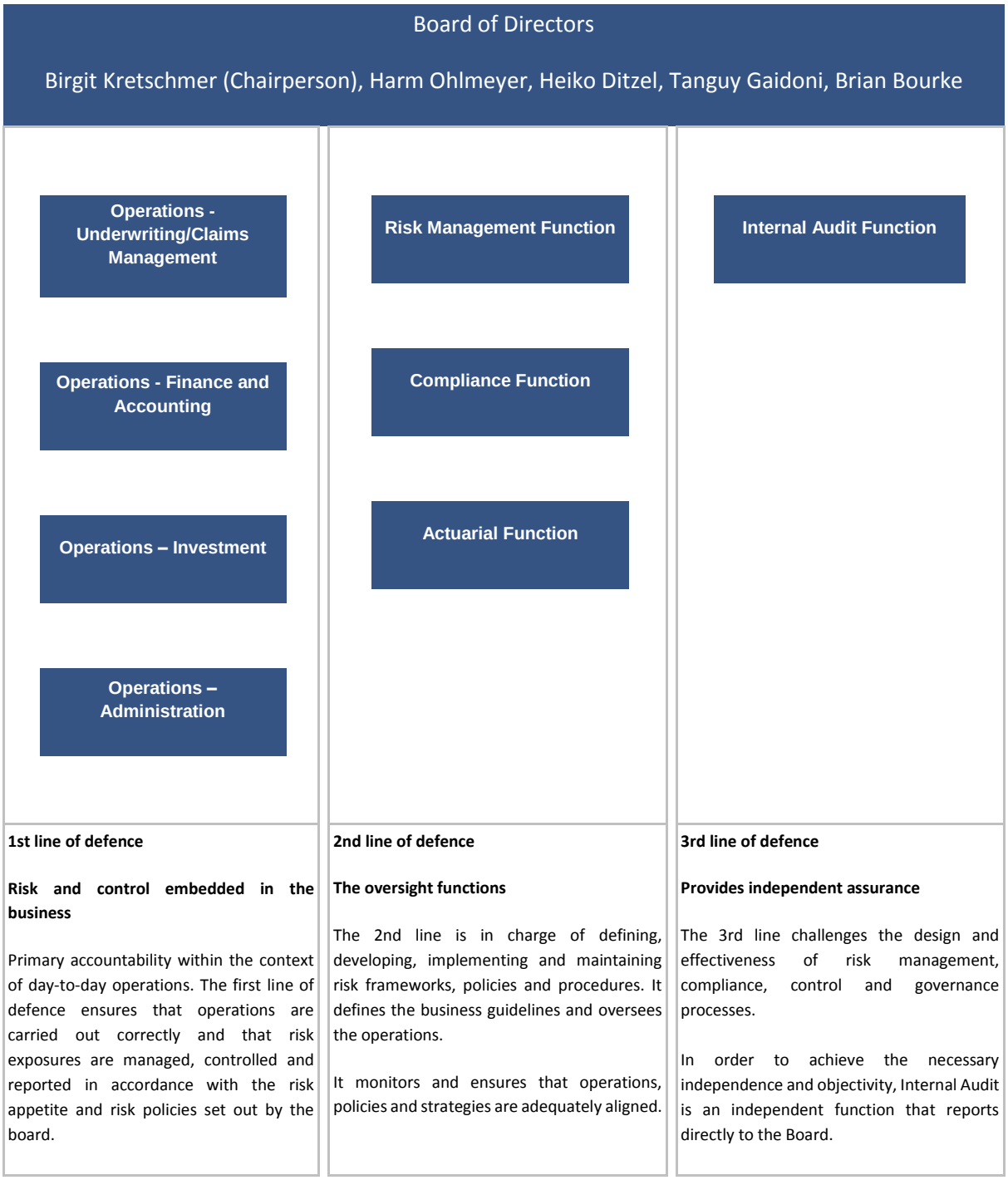
3) A series of Internal Controls, defining the architecture of processes required to manage the Company in accordance with its governance and risk management framework.

4) A Risk Register combining operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's global strategy objectives.

In order to achieve the Company's objectives, the Board has established a system of governance with the following core components:

- the Board of Directors is the focal point of the governance system and is ultimately accountable and responsible for the performance and conduct of the Company and, as such, must have at its disposal all required capabilities to achieve its duties;
- all authority emanates from the Board of Directors and responsibilities are delegated in such a manner so as to ensure that no one individual has unfettered powers of decision;
- an embedded Compliance Function aiming to ensure the continuous compliance of the Company with all applicable legal, regulatory and administrative requirements;
- an appropriate segregation of duties in order to enable the Risk Management, Internal Audit, Actuarial and Compliance Function to perform risk and business control mitigation, monitoring and reporting tasks;
- a meaningful and practical approach in documenting policies and strategies to formalise all processes in an efficient and fit-for-purpose manner; and
- structured reporting processes to enable an appropriate escalation of risks and issues to the Board of Directors in order to ensure a clear and comprehensive information process allowing the Board to conduct business in an efficient and prudent manner in line with the strategic objectives.

According to these principles, the chosen governance model is one of "three lines of defence" which is illustrated as follows:



The Board undertake responsibility for performing the equivalent function of an Audit Committee in relation to the reporting period ended 31 December 2018.

There have been no material changes to this structure in the period. Given the limited scale and complexity of the Company, and having reviewed the risks facing the Company thoroughly, the Board is satisfied that the system of governance in place is adequate.

Key Functions

The key functions of Risk Management, Internal Audit, Actuarial, Compliance and Operations have clear and defined lines of reporting directly to the Board. This is facilitated by the straightforward nature of the Company's structure and fit-for-purpose documented policies and procedures which are clearly communicated and well understood by all relevant parties. The Board has ensured that the key functions are appropriately resourced and have the necessary authority and operational independence to perform their roles. The Company has engaged Aon Insurance Managers (Dublin) Limited ('AIMD') for the provision of management services, under the terms of an outsourced service and management agreement which is overseen by the Board of Directors.

Remuneration and material transactions

The members of the Board of Directors, with the exception of the Independent Non-Executive Director, receive no remuneration for their services as directors to the Company. There are no employees and consequently no remuneration is paid.

As a captive reinsurer, all adidas International Re's inward premium flows and outward claims payments relate to reinsured risks of the shareholder group. The Company also has an intercompany loan advanced to adidas AG. Other than these transactions which arise in the normal course of business, the Company had no material transactions during the reporting period with members of the shareholder group and none with members of the Board of Directors.

B.2 Fit and proper requirements

adidas International Re has documented its Fitness & Probity policy specifying the Company's approach to the selection and assessment of the persons who effectively run the Company or are responsible for other key functions.

In selecting individuals as directors or function holders, the Company takes account of the following factors:

- specific requirements of the role
- the skills, experience and relevant qualifications of the proposed individual
- results of due diligence enquiries
- conflicts of interest
- time requirements and other commitments
- competence and integrity
- financial soundness

Consideration is given to ensuring an appropriate mix of knowledge, skills and experience across the Board of Directors and for those roles where specialist skills are required e.g. Head of Actuarial Function, only those individuals possessing the pertinent qualifications and expertise will be considered.

For those roles which are prescribed by the CBI as Controlled Functions (CFs) and Pre-approval Controlled Functions (PCFs), the Compliance Function adopts appropriate control and due diligence processes in the selection and vetting of such individuals to ensure that they meet the regulator's fit and proper criteria. Written approval from the CBI is obtained prior to the appointment of PCFs. Appointed individuals are required to maintain on-going compliance with the Standards of Fitness & Probity and the guidance issued by the CBI. This is assessed by the Company on an annual basis.

B.3 Risk Management System including the own risk and solvency assessment

The Company has taken appropriate actions in order to:

- embed risk management as a key function within its governance structure; and
- develop and maintain effective processes and reporting procedures to identify, measure, monitor, manage and report, on a continuous basis, the risks to which the Company is exposed.

Risk refers to the effect of uncertainty on the Company's ability to meet its objectives. Risk management is a systematic approach to protect the business resources and income against losses and unexpected events so that objectives of the Company can be achieved without unnecessary disruption.

The Company's Risk Management System:

- sets out the level of risk acceptable by the Company (Risk Appetite and risk tolerance);
- identifies the risks which represent a threat to the achievement of its strategic objectives;
- identifies, defines and regularly measures key risk indicators enabling an efficient monitoring of risks;
- defines the appropriate actions to reduce the Company's risk exposure;
- ensures the risk management framework is implemented in day-to-day business processes; and
- regularly reviews controls and mitigation actions to ensure that they remain relevant and effective.

In order to achieve these objectives, the Risk Management System of the Company has been clearly documented and specified through specific risk management policies for each key risk category. The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

- Underwriting/Reserving
- Asset Liability Management ("ALM")
- Investment
- Liquidity and concentration
- Operational
- Reinsurance and other risk mitigation techniques
- Strategic

In addition to these, an outsourcing policy defining the key rules and criteria to be followed by each service provider has been determined. **Own Risk and Solvency Assessment**

The Company performs an Own Risk and Solvency Assessment ('ORSA') process annually in order to provide its Board of Directors with a forward-looking risk and capital assessment. The adequacy of the available capital, the Risk Appetite Framework and the appropriateness of the risk limits is assessed for the business planning period, considering the evolving risk profile. To this end, risks and scenarios to which the Company is exposed during the business planning period and which may affect the capacity to meet its reinsurance obligations or pose a threat to the achievement of its business objectives are taken into account.

Stress testing and scenario analysis are used to assess whether the available and future capital are sufficient in both expected and stressed situations. Business projections, stresses and scenarios are compiled by the Operations Functions with input and agreement from the Board of Directors to ensure that these are appropriate for the Company.

Capital and solvency projections are conducted by the Actuarial Function and validated by the Risk Management Function. Where applicable, any future additional capital needs will be identified and aligned to the Company's capital management plan i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

In line with CBI requirements, the Head of Actuarial Function provides an actuarial opinion to the Board of Directors in respect of the ORSA once the results of the ORSA process are presented to the Board for review and challenge. Following feedback and approval from the Board, the Company's ORSA report is finalised and results submitted to the CBI within 2 weeks.

The ORSA report provides clarity over projected risk assessments and solvency needs to three different stakeholders:

Stakeholder	Expectation	ORSA Report
Board of Directors	Matching projected risks vs. the Risk Appetite framework.	Provides a clear and prospective understanding of critical risk exposures and their relationship with Risk Appetite boundaries.
Shareholders	Detailed and prospective understanding about the risk of bankruptcy and potential need for future additional capital.	Provides a plan for capital needs on the time horizon of the financial planning.
Supervisory Authority	Detailed and prospective understanding of potential ORSA deviations compared to solvency capital requirements	Gathers information about: projected Solvency ratios; - explanations about deviations due to specific critical risks exposures.

The ORSA process described above ensures that the ORSA is integrated in the Company's decision-making and business planning process. Furthermore, monitoring procedures as set out in the risk management policies ensure that risk exposures are measured on a regular basis triggering exception reports to the Board.

The capital risk appetite for adidas International Re is to sustain its capital at a level sufficient to meet the Regulatory Solvency Capital Requirement at all times. The Board of Directors maintains a prudent approach to capital to ensure that adidas International Re is in a comfortable position to meet this obligation.

B.4 Internal Control System

The Internal Control System embedded in the Company's operations is a mix of processes undertaken by all stakeholders within the Company to provide reasonable assurance that the strategic objectives will be achieved.

In order to achieve the aforementioned objectives, the Internal Control framework of the Company is structured around five complementary components.

Component	Contents
1) Control environment	A strong "risk and control" culture is embedded within the Company's operations through the continuous oversight of the Board of Directors and the communication to all internal stakeholders of all governance and risk principles through the Company's governance manual.
2) Risk assessment	Procedures and policies are detailed and formalised in order to disclose the way of identifying, managing, controlling, mitigating and reporting issues relating to each risk category.
3) Reporting channels	Clear and structured reporting processes are in place enabling the Board of Directors to have access to relevant, complete, reliable, correct and timely communication related to internal as well as external events.
4) Monitoring process	The appropriate escalation of significant issues to the Board of Directors, the ongoing involvement of all internal stakeholders as well as the Internal Audit process enables the Company to continuously monitor and adapt when necessary its Internal Control System.
5) Control activities	The Company has developed a comprehensive set of preventive, detective or corrective control actions embedded in its daily operations.

In order to set out how the Internal Control System is implemented, the Company's processes and related control activities are documented, monitored and reviewed on a regular basis.

These items are designed by the Risk Management Function, approved by the Board of Directors and evaluated by the Internal Audit Function. They are reviewed as often as necessary but at least annually.

Compliance Function

The Compliance Function is an integral component of the Company's governance system. The Company has a dedicated Head of Compliance reporting to the Board of Directors, supported by a Compliance Officer who coordinates the activities of the Compliance Function.

The responsibilities of the Compliance Function include:

- utilisation of compliance management practices that contribute to the use of sound, responsible and sustainable business practices by the Company;
- presentation of an annual compliance plan to the Board of Directors, outlining specific areas which it will focus on during a particular year;
- promotion of a culture of compliance within the organisation;
- maintenance of a comprehensive compliance risk management control and reporting system in conjunction with the Risk Management Function to assist in managing the compliance risk faced by the Company;
- consideration of possible future changes in the legal environment and their potential effect on the Company as well as providing regular compliance and regulatory updates to the Board of Directors;
- identification and communication throughout the Company the laws, regulations and codes of conduct to which the Company is subject and assisting to embed compliance with these in the way the Company does business; and
- investigation and follow up of compliance breaches, ensuring timely reporting to the Board and in certain circumstances to outside bodies such as the CBI.

B.5 Internal Audit Function

Purpose and Objectives

The purpose of the Internal Audit Function is to serve as an independent function that objectively evaluates and recommends improvements with respect to the Company's Internal Control System by facilitating an objective and independent assessment of the processes and controls in place.

It assists the Company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes employed by the Company. The audit approach is risk based and in line with an annual audit plan which is provided by the Head of Internal Audit to the Board of Directors.

The Internal Audit Function and the appointed Head of Internal Audit report directly to the Board of Directors.

Independence and Impartiality

The Company's Internal Audit Function has been established to be independent of the activities audited, the operational functions and the Board of Directors.

The Internal Audit Function is free to report its findings and appraisals and to disclose them to the Board as required. This principle of independence ensures that the Internal Audit Function reports directly to the Board of the Company.

B.6 Actuarial Function

The Company has established an effective Actuarial Function, including a nominated Head of Actuarial Function ('HoAF') approved by the CBI, which carries out the following key tasks:

- coordination of the calculation of technical provisions in conjunction with other outsourced actuarial resources;
- ensuring the appropriateness of the methodologies, underlying models and assumptions made in the calculation of technical provisions;
- assessment of the sufficiency and quality of the data used in the calculation of technical provisions. Where relevant, the Actuarial Function will provide recommendations on internal procedures to improve data quality;
- estimation of Solvency II technical provisions (both claims and premium provisions)
- comparison of best estimates against experience;
- reporting to the Board of Directors on the calculation, reliability and adequacy of technical provisions;
- calculation of the Solvency and Minimum Capital Requirements at the balance sheet date;
- ensuring results of technical provisions can efficiently feed into solvency capital calculations and Quantitative Reporting Templates (QRTs) on both a quarterly and annual basis;
- contributing to the effective implementation of the Risk Management System, in particular:
    i. with regard to risk modelling underlying the calculation of the Solvency and Minimum Capital Requirements; and
    ii. the application of stress scenarios to the solvency calculations as part of the Company's ORSA process.
- provision of opinions on:

- Technical provisions
- Solvency position
- Underwriting Policy
- Reinsurance arrangements
- ORSA

The HoAF reports to the Board of Directors and issues a report in writing at least annually documenting all of the material tasks that have been undertaken by the Actuarial Function during the reporting period.

In establishing the Company's Actuarial Function, the Board of Directors has ensured that the persons involved have the requisite qualifications and demonstrable experience in the area of non-life reserving and are fully conversant with the Solvency II requirements for the calculation of Technical Provisions.

B.7 Outsourcing

All functions and activities of the Company are eligible to be outsourced provided that specific criteria are satisfied in each instance.

The Board is responsible for the approval and termination of all outsourcing arrangements of critical or important functions or activities. Critical or important functions or activities include key functions relating to the Company's System of Governance and all functions within the Company that are fundamental to carry out its core business. The Board is responsible for ensuring notification to the CBI is made in a timely manner prior to the outsourcing of critical or important functions or activities, and thereafter where there have been material developments in relation to the service provider.

The objectives of adidas International Re's Outsourcing Policy are to ensure that the outsourcing of critical or important operational functions or activities does not lead to:

- Reduction in the Board's responsibility for, or influence over, key functions of the Company;
- Material impairment of the quality of the Company's System of Governance;
- Any impairment of the Company's ability to meet its regulatory requirements;
- Non-adherence to the Company's approved policies and procedures;
- Undue increases in operational risk or cost;
- Material impairment of the Company's ability to fulfil its obligations to stakeholders;
- Conflicts of Interest;
- Breach of the Company's data protection obligations.

The Board is responsible for assessing the risks associated with the outsourcing of critical or important functions or activities, carrying out the appropriate due diligence on the outsourced service provider and for reviewing the performance of outsourced service providers against their agreed and documented Service Level Agreements ('SLA').

The management of the Company is coordinated and carried out at its place of business in Ireland. adidas International Re engages outsourced service providers in order to access the expertise and strength and depth of resources necessary to manage the specific requirements of a regulated captive reinsurance company operating on a global basis.

The following critical or important functions / activities are outsourced:

Critical or important function	Outsourced Service Provider	Jurisdiction
Underwriting and claims administration	Aon Insurance Managers (Dublin) Limited (AIMD)	Ireland
Finance and accounting	AIMD	Ireland
Compliance Function	AIMD	Ireland
Risk Management Function	AIMD	Ireland
Actuarial Function	Aon Global Risk Consulting Sàrl	Luxembourg
Internal Audit Function	adidas Group and Aon Commercial Services Ireland Limited	UK and Ireland

B.8 Any other information

The Board is satisfied, based on its assessment of the frameworks which have been established and are in use, that the Company's system of governance is appropriate and adequate for the nature, scale and complexity of the risks inherent in its business operations.

There are no other material items to report in this section.

C. RISK PROFILE

The Risk Appetite Framework adopted by the Board sets out the level of risk that the Company is prepared to accept in the pursuit of its strategic objectives. It sets out:

- the Company's overall philosophy to risk taking and the expectations of shareholders;
- the Company's tolerance to loss of capital, profit volatility and other specified measures; and
- the risk limits that are acceptable in terms of exposures to different types of risk.

The Company's Risk Register combines operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's strategic objectives.

The Board's annual ORSA process is based on the company's current and expected risk profile over the business planning period and supports the Board in achieving its strategic objectives by taking a structured and combined approach of strategy, risk management and capital management.

C.1 Underwriting risk

The Company underwrites contracts that transfer insurance risk. The risk under any reinsurance contract is the possibility that the insured event occurs and the uncertainty that the Company will have sufficient assets to satisfy the amounts payable under the contract. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to variation in the Company's performance over the short term. Whilst considerable judgement is involved, the Directors ensure that suitable processes are in place to ensure the reliability, sufficiency and adequacy of the statistical and accounting data to be considered in both premium pricing and loss reserving exercises.

As the Company is a captive reinsurer, it is effectively insuring the risks of one customer, its parent group, and thus is exposed to risk concentration. However, diversification is achieved through the varying geographical locations of the underlying risks.

The principal assumptions underlying the Company's estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated large claim occurrences, economic conditions, internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates, especially taking account of the longer-term nature of the risks which the Company underwrites.

The Company manages these risks through the setting of appropriate policy limits and having adequate retrocession arrangements in place. The Company also monitors emerging issues and factors in their potential impact on the Company's pricing and claims reserving.

The primary risk mitigation technique utilised is the purchase of a retrocession as this provides balance sheet protection, from both claims severity and frequency, in an economically and administratively efficient manner. The effectiveness of these retrocession arrangements is assessed on a quarterly basis through the preparation of the Company's management accounts and reviewed at an overall

level on an annual basis. The primary focus of the Company's retrocession strategy is on the security and financial stability of reinsurers selected.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its underwriting exposures.

As part of the Company's ORSA process, a stress and scenario test incorporating significantly adverse claims experience was considered. While this scenario resulted in a reduction in the Company's available capital, the regulatory solvency requirements were still achieved.

Sensitivity analysis is also performed for underwriting risks by selecting conservative movements of gross and net claims reserves for financial statements purposes and holding all other assumptions constant.

	Total gross claims reserve	**Ceded claims reserve**	**Impact on PBT for the year**
	€	€	€
31-Dec-18			
Increase in loss reserves by 10%	3,204,556	(3,204,556)	-
Decrease in loss reserves by 10%	(3,204,556)	3,204,556	-
31-Dec-17			
Increase in loss reserves by 10%	3,528,017	(3,528,017)	
Decrease in loss reserves by 10%	(3,528,017)	3,528,017	

There were no material changes to the measures used to assess the underwriting risk exposure or the material risks over the reporting period. The impact of the gross loss reserves is mitigated by the reinsurance agreements in place.

Annual support and certification is provided by the Company's Actuarial Function.

C.2 Market risk

The risk of future changes in market prices, which would result in devaluation of investable assets, may result from several factors, including, but not limited to, value, liquidity, duration, composition, interest rates, foreign exchange rates and market fluctuations. The Company diversifies its portfolio to reduce the exposure to market fluctuations and market risk concentrations.

adidas International Re has an investment strategy in place in line with its Risk Appetite Framework and the related 'Prudent Person' regulatory requirements. The Company endeavours to:

- prudently invest with consideration of the prevailing financial market environment;
- ensure the Company invests appropriately so as not to result in the Company failing to meet its Solvency Capital Requirements;
- ensure that the Company holds assets of sufficient value and liquidity to meet all liabilities as they become due;
- maximise investment return within the levels of risk as defined by the Company's Risk Appetite;
- ensure compliance with the Liquidity Strategy and Policy;
- ensure compliance with the Asset-Liability Management Strategy and Policy; and

- ensure effective risk management of investments at all times, with due consideration of the risks associated with investments and procedures to monitor, manage and report these risks in a timely manner as part of the Company's overall Risk Management System.

Interest rate risk arises on the return on the Company's investments including cash, investment funds and the intercompany loan. The Company does not have significant interest rate risk as it primarily invests in short term instruments.

Diversification is achieved through investing in a mix of assets. Concentration risk increased since the prior year due to the presence of the intercompany loan. This increase is within the risk appetite set by the Board and the sensitivity of the Company's solvency requirements to changes in the asset portfolio was assessed as part of the 2018 ORSA process.

The Company is exposed to currency risk to the extent its assets and liabilities are denominated in a currency different from its functional currency. The Company seeks to mitigate currency risk by matching the assets and liabilities which arise in different currencies. The ultimate settlement of loss reserves is in the Company's reporting currency and as such its exposure to foreign exchange risk is minimal, it is only the premium which is exposed to currency volatility between booking and payment date.

There were no material changes to the measures used to assess the market risk exposure or the material risks (other than concentration risk as noted above) over the reporting period.

C.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The assets that are exposed to credit risk are:

- Cash and cash equivalents
- Investment funds
- Loans with Group undertakings
- Receivables from reinsurers

To manage these risks; funds are placed, in accordance with established policies and with highly rated third-party institutions. The sensitivity of the Company's solvency requirements to changes in the credit profile of its asset portfolio was assessed as part of the 2018 ORSA process.

While adidas AG is not rated, the Board has assessed the credit risk and is satisfied that the group has sufficient funds to meet its obligations under the loan agreement and that funds can be withdrawn by the Company at short notice.

The Company recognises the credit risks associated with its reinsurance arrangements. The Company manages its reinsurance risks by establishing a reinsurance strategy and this strategy sets out the minimum requirements for any reinsurance counterparty.

The Company retrocedes a portion of risk to reinsurers. The purchase of retrocession does not relieve the Company of its obligation to its policyholders and accordingly a credit risk exists to the extent that any retrocessionaire is unable to meet the obligations assumed under such retrocession agreements.

The Company mitigates this credit risk by reinsuring with counterparties who are considered appropriately credit worthy. Reinsurers that are not rated or do not fall within the pre-defined rating categories are approved on a case by case basis. The credit-worthiness of reinsurers is monitored on

a regular basis.

There were no material changes to the measures used to assess the credit risk exposure or the material risks over the reporting period.

C.4 Liquidity risk

The Company is exposed if proceeds from financial assets are not sufficient to fund obligations arising from its reinsurance contracts. The Company can be exposed to frequent calls on its available investment assets, principally from reinsurance claims. Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial obligations.

The Company has determined that liquidity risk does not represent a significant exposure to its business. This assessment is based on the fact that the Company has its investments held in highly liquid assets which it can access immediately or within a very short time frame without incurring material costs or penalties. Investments are in compliance with the Company's investment guidelines.

There were no material changes to the measures used to assess the liquidity risk exposure or the material risks over the reporting period.

The total amount of expected profits included in the future premiums is €6.8m.

C.5 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Company has a rigorous control framework and monitoring process in place to manage operational risk. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education, and assessment processes. Outsourced activities are monitored and managed in the same manner in line with the Outsourcing policy.

The Company cannot expect to eliminate all operational risk, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risk.

In addition, adidas International Re is subject to Internal and External Audit review.

adidas International Re maintains a regulatory dialogue with the CBI to mitigate the risk of any potential sanction or compliance breach as well as using expert, industry leading, service providers to provide its outsourced functions which helps avoid any material error or delay. In order to ensure the quality of the outsourced functions is as high as possible, adidas International Re puts in place service level agreements outlining key performance indicators against which its outsourced service providers can be monitored and assessed.

The Company does not consider that it is exposed to material residual risk in this area due to the formality that has been created around the Company’s processes and procedures including those for financial and regulatory reporting. There is no specific risk concentration associated with this category as internal controls include appropriate segregation of duties.

There were no material changes to the measures used to assess the operational risk exposure or the material risks over the reporting period.

C.6 Other material Risks

Strategic Risk

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes i.e. the risk associated with implementing the wrong strategy or failing to correctly implement the chosen strategy.

The control and monitoring actions/principles underlying the strategic risk management of the Company are:

- Review at least annually of the appropriateness of the high level overall objectives for the Company; the major risks facing the Company; the Risk Appetite for each of these major risks identified. The Board of Directors will ensure continuing appropriateness, at least annually and revisions shall be affected where necessary.
- Ensure the Company strategy is implemented correctly including approval, review and, monitoring of agreed Key Performance Indicators for the Company.
- Ensure all plans are regularly reviewed to ensure that Risk Tolerances are not exceeded individually or in total.

Sensitivity Risk

The Actuarial Function assesses annually the sensitivity of its estimate of the Company's unpaid claim liabilities of varying the key assumptions underlying its analysis. Given the nature of the Company's exposures, the key assumptions underlying the actuarial analysis are subject to a range of reasonable interpretations.

No other material risks have been identified.

C.7 Any other information

There are no other material items to report in this section.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

adidas International Re prepares its financial statements on a going concern basis in accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, the financial reporting standards applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103 Insurance Contracts (FRS 103), and the Companies Act 2014. There are a number of differences between the financial statement basis and the Solvency II valuation rules. Most of these differences are driven by the requirement for all assets and liabilities to be valued on a market consistent fair value basis under Solvency II.

At the end of the current reporting period adidas International Re has total assets valued at €46.0m (2017: €61.6m) for solvency purposes. The decrease in assets is primarily driven by a decrease in the reinsurer's share of technical provisions. This total comprises the following categories of assets:

	Solvency II Value	Statutory Accounts Value	Difference
ASSETS	**€**	**€**	**€**
Loans to affiliated undertakings (1)	10,005,425	10,000,000	5,425
Investment funds (1)	9,304,774	9,304,773	1
Cash and cash equivalents (2)	23,888,962	23,888,962	0
Accrued interest (1)	-	5,425	(5,425)
Insurance and intermediaries receivables (3)	-	5,645,797	(5,645,797)
Any other assets, not elsewhere shown (4)	11,675,841	11,675,841	0
Other assets (5)	37,780	37,780	0
Deferred acquisition costs (6)	-	36,000	(36,000)
Reinsurers share of technical provisions (7)	(8,893,846)	558,741	(9,452,587)
Total Assets	**46,018,936**	**61,153,319**	**(15,134,383)**

(1) These assets are stated at market value for both solvency and financial statement purposes, the only difference being the inclusion of accrued interest in the above balances on the Solvency II balance sheet. Accrued interest is disclosed as a separate line item in the financial statements.

(2) Cash and cash equivalents comprise cash at banks. Carrying amounts approximate fair value due to the liquid nature of the assets. There are no valuation adjustments for solvency purposes.

(3) Insurance and intermediary receivables comprise premium receivable from the cedants net of fronting costs. These future cashflows are treated as part of the calculation of technical provisions (Section D2 below).

(4) Any other assets, not elsewhere shown comprise funds withheld by cedants. There are no valuation adjustments for solvency purposes.

(5) Other assets comprise corporation tax receivable.

(6) Deferred acquisition costs relate to those cedant fronting fees that are deferred over the remaining policy period as at 31 December 2018. Such costs are treated as part of the calculation of technical provisions (Section D2 below).

(7) Reinsurers share of technical provisions is dealt with under Section D2 below.

Information on how the Company invests its assets and manages risk in this area, including how it achieves compliance with the 'prudent person principle', is set out in Sections C2 – C4 above. Operational risks relating to the Company's assets are managed according to the control framework described in Section B4 above.

D.2 Technical Provisions

Provision is made for notified losses on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate estimate being made of amounts recoverable from reinsurers. The Company has regard to the gross and net loss positions as indicated by the claim circumstances reported to date and loss projections carried out under the direction of the Head of Actuarial Function using actuarial techniques.

Reserves for reinsurance contract liabilities and reinsurance assets are based upon management's best estimate of the ultimate liabilities and are determined with the assistance of, and based on, the results of the analysis performed by the Actuarial Function. The reserves include estimates for both case reserves and losses incurred but not reported (IBNR).

The Solvency II Technical Provision is comprised of a Best Estimate of Liabilities (BEL) and a Risk Margin (RM). A reconciliation of the technical provisions in the financial statements to the technical provisions in the Solvency II balance sheet has been included below:

	€
Statutory Claims Reserves / OSCR	32,045,559
Removal of Prudence in OSCR	(5,266,340)
Undisc. Claim Provision / OSCR: Expected claims outflow from past events	26,779,219
Undisc. Premium Provision: Expected premium inflow (incl. debtors)	(43,072,992)
Undisc. Premium Provision: Expected claims outflow from future events (incl. debtors)	27,431,025
Undisc. Premium Provision: Expected expenses from future business	4,792,202
Undiscounted Technical Provisions	15,929,455
Discounting on Claim Provision	10,970
Discounting on Premium Provision	80,284
Discounted Technical Provisions	16,020,709
Risk Margin	1,440,975
Gross SII Technical Provisions	17,461,684

	€
Statutory Claims Reserves / OSCR	558,741
Removal of Prudence in OSCR	(205,888)
Retro premium creditor	(4,388,318)
Adjustment for the default of retrocessionaires	26
Undisc. Claim Provision / OSCR: Expected claims inflow from future events	**(4,035,440)**
Undisc. Premium Provision: Expected premium outflow	(4,847,549)
Undisc. Premium Provision: Expected claims inflow from future events	-
Undiscounted Technical Provisions	**(8,882,988)**
Discounting on Claim Provision	5,338
Discounting on Premium Provision	(16,196)
Discounted Technical Provisions	**(8,893,846)**
Risk Margin	-
Ceded SII Technical Provisions	**(8,893,846)**

The Solvency II Technical Provisions by line of business are noted below:

Gross of Retrocession

LOB	SII BE Claim Provision (Undiscounted)	SII BE Premium Provision (Undiscounted)	SII BE Total (Discounted)	Risk Margin	SII Technical Provisions
	€	€	€	€	€
Fire & Other Damage to Property	6,500,410	(519,276)	6,021,670	269,339	**6,291,009**
General Liability	2,732,720	(383,724)	2,303,054	96,089	**2,399,143**
Marine, aviation & transport	5,166,621	(3,423,737)	1,773,073	276,003	**2,049,076**
Income Protection	12,246,201	(6,074,307)	6,237,450	776,597	**7,014,047**
Miscellaneous Financial Loss	133,267	(448,720)	(314,537)	22,947	**(291,590)**
Total	**26,779,219**	**(10,849,764)**	**16,020,710**	**1,440,975**	**17,461,685**

Net of Retrocession

LOB	SII BE Claim Provision (Undiscounted)	SII BE Premium Provision (Undiscounted)	SII BE Total (Discounted)	Risk Margin	SII Technical Provisions
	€	€	€	€	€
Fire & Other Damage to Property	6,800,281	155,626	6,998,364	269,339	**7,267,703**
General Liability	3,215,347	(230,273)	2,935,448	96,089	**3,031,537**
Marine, aviation & transport	5,615,810	(2,532,396)	3,115,835	276,003	**3,391,838**
Income Protection	14,937,410	(3,050,412)	11,962,595	776,597	**12,739,192**
Miscellaneous Financial Loss	245,811	(344,761)	(97,687)	22,947	**(74,740)**
Total	**30,814,659**	**(6,002,216)**	**24,914,555**	**1,440,975**	**26,355,530**

The methodology used to calculate each of these elements of the technical provisions is discussed below.

Best Estimate Liability (BEL)

The BEL is the expected present value of the probability-weighted average of future cash-flows, using the relevant risk-free interest rate term structure.

Included within the BEL are the cashflows related to the IBNR and Claims reserves, as well as the cashflows in relation to the unearned and future premiums.

The RM is the cost of holding the SCR over the lifetime of the obligations. The cost of capital rate is set in the Solvency II Delegated Regulations to be 6% (2017: 6%) (above risk free). The RM is calculated using a risk driver approach to project the future capital requirements. Technical provisions are calculated gross of amounts recoverable from reinsurance contracts.

The key cashflows underlying adidas International Re's business, and therefore the BEL calculation are:

- Premiums
- Friction Costs (relating to acquisition costs including cedant's commission)
- Claims
- Future Expenses

All future cash flows need to be taken into account. There may be a number of possible cash flows stemming from events which have not yet been observed and so are not included in the data used to calculate the technical provisions. These events not in data (ENIDs) need to be allowed for explicitly. Cash flows should not take investment returns into account, as the time value of money is included at the risk-free rate. Further, assumptions must be made for any future management actions of the company including any decisions with regard to, for example, risk mitigation techniques.

Premiums

Under Solvency II, technical provisions are calculated on a discounted cash flow basis so unpaid premium cash flows are included within the valuation, subject to contract boundaries and contractual obligations. This is because the technical provision should include all cash flows associated with claims. Premiums are allocated to the claim provision or premium provision, based on the exposure period to which they relate. Premiums are only included within the technical provisions if they are within credit terms. If they are outside of credit terms (overdue) they should be considered as a debtor or creditor within the Solvency II balance sheet. In the Company's case, all debtors are treated within the premium provision, as they are considered not overdue. Under Solvency II's contract recognition basis, all premiums from the bound but non-incepted exposure are included in the technical provisions.

Claims

The BE of provisions for claims outstanding ("claims provisions") is the expected present value of all future claims payments and expenses arising from claims events that have occurred prior to or at the valuation date, including all incurred but not enough reserved ("IBNER") and incurred but not yet reported ("IBNYR") or incurred but not emerged ("IBNE") claims. This should also include all unpaid premium relating to earned exposures, which are within payment terms.

Claims payments are projected at annual intervals using the annual claims payment pattern derived from the historical claims data provided. The payments have subsequently been discounted to the valuation date using the relevant EIOPA risk-free rate curve at 31 December 2018, assuming future payments are made mid-year.

Expenses

The BE takes account of all cash flows arising from expenses (both allocated and overheads) that will be incurred in servicing existing reinsurance obligations during their lifetime. They are projected on an on-going business basis; that is, assuming that new business will be written in future. In addition, allowance is made for future inflation, consistent with the economic assumptions made elsewhere.

Expenses which cannot be directly allocated to claims are allocated to lines of business using realistic assumptions. In addition, expenses are allocated to claims provisions and premium provisions as appropriate.

Reinsurance Recoverables

As the gross technical provisions are calculated by underwriting year, the retrocession agreements relevant to all years were applied by the actuaries to all years to determine the reinsurance recoverables. Due to the relative simplicity of both inwards and outwards programmes, this method is considered the most reliable and adequate.

Risk Margin

The risk margin covers the discounted cost of capital that would be needed to support the full run-off of the liabilities and is intended to represent the 'market premium' that would need to be paid in order to transfer the portfolio of liabilities to another party. It is determined using a cost-of-capital approach, where the cost-of-capital rate is the annual rate to be applied to the SCR in each period necessary to support the obligations over their lifetime.

For this exercise, the second simplification provided in TP 5.32 from technical specifications (EIOPA-14/209) published by the EIOPA is used.

Main Assumptions

There have been no material changes in the relevant assumptions made in the calculation of the technical provisions compared to the previous reporting period.

The methods used rely on several assumptions. Amongst these, every method relies, at least to some extent, on the assumption that patterns observed in the past will be repeated in the future. In adopting these methods, the actuaries are assuming that the extent of departure from these assumptions will not have a material effect on their estimates.

adidas International Re records information a quarter in arrears. Claims data it utilised up to September 2018 with any large loss anomalies to be reported ad hoc, of which there were none.

Areas of uncertainty

- Estimates are "best estimates" in the sense that they represent the average of all possible outcomes.
- The actual amounts required to meet future claim payments may differ, even significantly, from our estimates. This estimation error can arise for a number of reasons, such as model specification error, parameter error and random error.

The Actuaries have employed techniques and assumptions that are appropriate for the purpose of this exercise, given the information currently available. However, future claims emergence may deviate, perhaps materially, from estimates. Models are simplified, cut down versions of reality which capture key features of the problem. Whilst aiding understanding this simplification adds uncertainty. Further uncertainty is created in using professional judgement; experienced professionals can quite reasonably look at the same facts and draw differing conclusions. Additionally, models are based on past experience which is subject to random variation, as well as the inherent random variation in the insurance process. Where possible, an indication of the uncertainty has been provided in the estimates.

In calculating its technical provisions on a Solvency II basis, adidas International Re has not applied any of the following items:

- matching adjustment referred to in Article 77b of Directive 2009/138/EC;
- volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC; and
- transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.3 Other liabilities

Aside from technical provisions, the valuation of which is detailed above in Section D2, adidas International Re has three other principal classes of liabilities:

	2018		
	Solvency II Value	**Statutory Accounts Value**	**Difference**
OTHER LIABILITIES	**€**	**€**	**€**
Deferred tax liabilities	592,216	-	592,216
Insurance & intermediaries payables	151,166	4,539,485	(4,388,319)
Other liabilities	135,899	135,899	-
TOTAL LIABILITIES	**879,281**	**4,675,384**	**(3,796,103)**

Deferred tax arises due to the valuation difference on the technical provisions and debtors between the Financial Statements Balance Sheet and the Solvency II Balance Sheet, multiplied by the applicable tax rate (12.5%). There is no deferred tax liability in the financial statements.

There is no difference between the valuation of the remaining liabilities for Solvency II purposes compared to Irish GAAP measurement principles which are deemed to approximate fair value.

D.4 Alternative methods for valuation

No alternative methods were used.

D.5 Any other information

No other information to report.

E. CAPITAL MANAGEMENT

E.1 Own funds

The Company has put in place a Capital Management policy to ensure that 'Own Fund' items, both at issue and subsequently, meet the requirements of the Solvency II capital regime. The objectives of the policy are to ensure that on an on-going basis the Company has:

- own fund items available to meet its capital requirements; and
- developed processes to ensure the appropriateness of its own fund items.

On an annual basis, the Company reviews the level, composition and classification of own fund items to ensure they continue to meet its own solvency needs, and its regulatory obligations in respect of Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR'). A 3-year forward-looking time horizon is used for business planning purposes and any anticipated changes to the Company's business and risk profile are factored into the ORSA process to assess the solvency and capital needs over the business planning period. It is intended that the Company's capital needs will be managed out of its existing pool of own funds and the efficient management of the Company's insurance business. Should additional funds be required outside of that, they will be advanced by the shareholder. There have been no material changes to this approach from the prior year.

The Company's own funds consist of the following items:

- Issued Share Capital; and
- Retained Earnings.

Any change to the share capital requires the approval of the Shareholder and the Board. Retained earnings are adjusted on a quarterly basis to take account of the profits/losses earned in the period together with any Solvency II valuation adjustments.

The payment of dividends is considered on an annual basis by the Board as part of its medium-term capital assessment. Potential dividends will be considered as part of the Company's ORSA process to ensure that the Company will continue to meet its solvency needs over the business planning period.

Any other qualifying own fund item requires the review and approval of the Board. In such instances, the Board must ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the capital classification.

The movement in basic own funds during the reporting period reflects the profits realised by the Company due to more favourable claims performance in the period as adjusted for the valuation of net technical provisions on a market consistent fair value basis under Solvency II.

Own fund items at the end of reporting period and the prior year comparative period are as follows:

	2018 €'000	2017 €'000
Ordinary paid up share capital	635	635
Reconciliation reserve	27,043	22,025
Total basic own funds	**27,678**	**22,660**

At the end of the current reporting period, eligible own funds available to meet the Company's SCR and MCR is €27.7m (2017: €22.7m), comprised solely of Tier 1 capital.

The equity position as shown in the Company's 2018 year-end financial statements can be reconciled to the basic own funds balance under Solvency II as follows:

	2018 €'000
Equity per the Company's financial statements	23,532
Adjustments to technical provisions	6,031
Removal of reinsurance debtors and deferred acquisition costs	(1,293)
Deferred tax liability	(592)
Own funds (excess of assets over liabilities for solvency purposes)	**27,678**

Adjustments are made to technical provisions in line with the valuation methodologies set out in section D.2 above. This results in the removal of reinsurance debtor and deferred acquisition cost balances as the future cash flows in relation to these items are dealt with as part of the calculation of technical provisions. Deferred tax is provided on these adjustments at the applicable tax rate. These adjustments are reflected in the Company's reconciliation reserve.

The Company's own funds are not subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2 Solvency capital requirement and minimum capital requirement

At the end of the current reporting period, adidas International Re's SCR and MCR have been calculated as €13.4m (2017: €8.4m) and €5.3m (2017: €3.8m) respectively.

The SCR is intended to correspond to the capital the Company needs to hold in order to limit the probability of ruin, in the following 12 months, to 0.5%, i.e. ruin would occur less than once in every 200 years. The SCR calculated at the end of the current reporting period, relates to the capital required to support the business over the prospective 12 months; covering both existing liabilities and business written during 2019. Based on the Company's eligible own funds of €27.7m (2017: €22.7m), the Company has a solvency ratio at 31 December 2018 of 206% (2017: 268%).

The SCR has been calculated using the standard formula and without the application of any undertaking specific parameters.

The split of SCR by risk modules is shown below, together with the prior year comparative:

€'000	31-Dec-18	31-Dec-17	Variation	
Market risk	**2,052**	**345**	**1,708**	**496%**
Interest rate	29	268	- 238	-89%
Spread	533	115	418	365%
Concentration	1,978	56	1,922	3416%
Default risk	**2,623**	**1,868**	**755**	**40%**
Health risk	**9,209**	**4,239**	**4,970**	**117%**
Similar to non-life risk	8,035	4,239	3,796	90%
Premium/Reserve	8,035	4,239	3,796	90%
CAT	2,918	-	2,918	100%
Non-life risk	**5,365**	**4,453**	**912**	**20%**
Premium/Reserve	5,286	4,318	968	22%
Lapse	919	1,089	- 170	-16%
BSCR	**12,980**	**7,450**	**5,530**	**74%**
Adj.	- 592	- 113	- 480	426%
Op. risk	1,053	1,107	- 54	-5%
SCR	**13,441**	**8,444**	**4,997**	**59%**
MCR	**5,297**	**3,800**	**1,497**	**39%**
Eligible Capital	**27,678**	**22,660**	**5,017**	**22%**
Solvency Ratio	**206%**	**268%**	**-62%**	**-23%**

Some of the key drivers of the capital requirement for adidas International Re are:

- Non-Life (Property) Underwriting Risk
  The non-life underwriting risk increased by 20% due to an increase in the property premium, as well as a reduction during the year of ceded receivables attributed to the non-life policies, resulting in an increase in net non-life claims reserves.

- Market Risk
  The market risk increased from €0.3m in 2017 to €2.1m in 2018 primarily due to the addition of the intercompany loan of €10m, resulting in an increase in both spread and concentration risks.

- Health underwriting risk
  The Health risk increased by 117% from 2017 to 2018 due primarily to the reduction during the year of ceded receivables attributed to Employee Benefits. The removal of these receivables has now resulted in an increase in the net claims reserves, translating into an increase in the premium/reserve risk charge from €4.2m in 2017 to €9.2m in 2018.

- Default Risk
  The default risk increased by 40% largely due to the rating of the cedant on the Employee Benefit programme dropping from 2–A down to 3–BBB under SII, which translates into a probability of default of 0.24% compared to 0.05% previously under SII.

The MCR for adidas International Re is calculated in accordance with the standard formula. Setting the MCR involves these steps:

- Firstly, a factor-based calculation is applied using premiums and reserves as the drivers.
- The value of this calculation is either capped or floored such that the value of the MCR is between 25% and 45% of the value of the SCR.
- Finally, the Absolute Minimum Capital Requirement ('AMCR') is applied. This is a monetary floor on the value of the MCR. For reinsurance captives this is currently set at €1.2m (2017: €1.2m),
- adidas International Re's calculated MCR of €5.3m is higher than the AMCR.

E.3 Use of duration-based equity risk sub module in calculation of the solvency capital requirement

There was no use of duration-based equity risk sub module in the calculation of the SCR.

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

adidas International Re used the standard formula in determining its SCR and MCR and did not rely on any internal model.

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

There are no instances of non-compliance with the MCR and SCR.

E.6 Any other information

There is no other information to report.

Note: Tables within this report and the Annex contain minor rounding differences in certain instances due to amounts being displayed as whole numbers or in thousands while the source workings underlying the annual reporting templates are calculated to two decimal places. These differences are immaterial.

ANNEX I – QUANTITATIVE REPORTING TEMPLATES

The following reporting templates are appended to this report:

S.02.01.02 – Balance sheet*

S.05.01.02 – Premiums, claims and expenses

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 – Non-Life technical provisions*

S.19.01.21 – Claim development triangles*

S.23.01.01 – Own funds*

S.25.01.21 – SCR using standard formula*

S.28.01.01 – MCR*

*templates subject to external audit.

Amounts are in EUR'000

ANNEX I - QUANTITATIVE REPORTING TEMPLATES

The following reporting templates are appended to this report:

S.02.01.02 - Balance Sheet

S.05.01.02 - Premiums, claims and expenses

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 - Non Life technical provisions

S.19.01.21 - Claim development triangles

S.23.01.01 - Own funds

S.25.01.21 - SCR using standard formula

S.28.01.01 - MCR

S.02.01.02 - Balance Sheet (In thousands of EUR)

		C0010
		Solvency II value
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	9,305
R0080	Property (other than for own use)	
R0090	Holdings in related undertakings, including participations	
R0100	Equities	0
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	0
R0140	Government Bonds	
R0150	Corporate Bonds	
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective Investments Undertakings	9,305
R0190	Derivatives	
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	10,005
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	10,005
R0270	Reinsurance recoverables from:	-8,894
R0280	Non-life and health similar to non-life	-8,894
R0290	Non-life excluding health	-3,169
R0300	Health similar to non-life	-5,725
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	
R0330	Life excluding health and index-linked and unit-linked	
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	38
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	23,889
R0420	Any other assets, not elsewhere shown	11,676
R0500	**Total assets**	46,019

S.02.01.02 - Balance Sheet (In thousands of EUR)

		C0010 Solvency II value
Liabilities		
R0510	Technical provisions – non-life	17,462
R0520	Technical provisions – non-life (excluding health)	10,448
R0530	Technical provisions calculated as a whole	
R0540	Best Estimate	9,783
R0550	Risk margin	664
R0560	Technical provisions - health (similar to non-life)	7,014
R0570	Technical provisions calculated as a whole	
R0580	Best Estimate	6,237
R0590	Risk margin	777
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	Technical provisions - health (similar to life)	0
R0620	Technical provisions calculated as a whole	
R0630	Best Estimate	
R0640	Risk margin	
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	Technical provisions calculated as a whole	
R0670	Best Estimate	
R0680	Risk margin	
R0690	Technical provisions – index-linked and unit-linked	0
R0700	Technical provisions calculated as a whole	
R0710	Best Estimate	
R0720	Risk margin	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	592
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	151
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	
R0880	Any other liabilities, not elsewhere shown	136
R0900	Total liabilities	18,341
R1000	**Excess of assets over liabilities**	27,678

S.05.01.02 - Premiums, claims and expenses (In thousands of EUR)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110									
Gross - Prop reinsurance accepted	R0120		21,685				7,166	3,993	1,349	
Gross - Non-Prop reinsurance accepted	R0130									
Reinsurers' share	R0140		6,002				1,763	982	332	
Net	R0200	0	15,683	0	0	0	5,403	3,011	1,017	0
Premiums earned										
Gross - Direct Business	R0210									
Gross - Prop reinsurance accepted	R0220		21,685				7,166	3,993	1,349	
Gross - Non-Prop reinsurance accepted	R0230									
Reinsurers' share	R0240		6,002				1,763	982	332	
Net	R0300	0	15,683	0	0	0	5,403	3,011	1,017	0
Claims incurred										
Gross - Direct Business	R0310									
Gross - Prop reinsurance accepted	R0320		15,619				2,669	2,062	-3,827	
Gross - Non-Prop reinsurance accepted	R0330									
Reinsurers' share	R0340		36				-998	-686	-790	
Net	R0400	0	15,583	0	0	0	3,666	2,748	-3,037	0
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Prop reinsurance accepted	R0420									
Gross - Non-Prop reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550		4,070				543	249	246	
Other expenses	R1200									
Total expenses	R1300									

S.05.01.02 - Premiums, claims and expenses (In thousands of EUR)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				TOTAL
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110								0
Gross - Prop reinsurance accepted	R0120								34,193
Gross - Non-Prop reinsurance accepted	R0130								0
Reinsurers' share	R0140			221					9,300
Net	R0200	0	0	-221	0	0	0	0	24,892
Premiums earned									
Gross - Direct Business	R0210								0
Gross - Prop reinsurance accepted	R0220			900					35,093
Gross - Non-Prop reinsurance accepted	R0230								0
Reinsurers' share	R0240			221					9,300
Net	R0300	0	0	679	0	0	0	0	25,792
Claims incurred									
Gross - Direct Business	R0310								0
Gross - Prop reinsurance accepted	R0320			-93					16,430
Gross - Non-Prop reinsurance accepted	R0330								0
Reinsurers' share	R0340			94					-2,343
Net	R0400	0	0	-187	0	0	0	0	18,773
Changes in other technical provisions									
Gross - Direct Business	R0410								0
Gross - Prop reinsurance accepted	R0420								0
Gross - Non-Prop reinsurance accepted	R0430								0
Reinsurers' share	R0440								0
Net	R0500	0	0	0	0	0	0	0	0
Expenses incurred	R0550			55					5,162
Other expenses	R1200								
Total expenses	R1300								5,162

S.05.01.02 - Premiums, claims and expenses (In thousands of EUR)

		Line of Business for: life insurance obligations						Life reinsurance obligations		TOTAL
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									0
Reinsurers' share	R1420									0
Net	R1500	0	0	0	0	0	0	0	0	0
Premiums earned										
Gross	R1510									0
Reinsurers' share	R1520									0
Net	R1600	0	0	0	0	0	0	0	0	0
Claims incurred										
Gross	R1610									0
Reinsurers' share	R1620									0
Net	R1700	0	0	0	0	0	0	0	0	0
Changes in other technical provisions										
Gross	R1710									0
Reinsurers' share	R1720									0
Net	R1800	0	0	0	0	0	0	0	0	0
Expenses incurred	R1900									0
Other expenses	R2500									
Total expenses	R2600									0

S.05.02.01 - Premiums, claims and expenses by country (In thousands of EUR)

		Home country	Country (by amount of GWP)					Total for top 5 countries and home country
			IT	BM	US	DE	LI	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110							0
Gross - Proportional reinsurance accepted	R0120		21,685	7,166	3,993	1,349		34,193
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140		6,002	1,763	982	332	221	9,300
Net	R0200	0	15,683	5,403	3,011	1,017	-221	24,892
Premiums earned								
Gross - Direct Business	R0210							0
Gross - Proportional reinsurance accepted	R0220		21,685	7,166	3,993	1,349	900	35,093
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240		6,002	1,763	982	332	221	9,300
Net	R0300	0	15,683	5,403	3,011	1,017	679	25,792
Claims incurred								
Gross - Direct Business	R0310							0
Gross - Proportional reinsurance accepted	R0320		15,619	2,669	2,062	-3,827	-93	16,430
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340		36	-998	-686	-790	94	-2,343
Net	R0400	0	15,583	3,666	2,748	-3,037	-187	18,773
Changes in other technical provisions								
Gross - Direct Business	R0410							0
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non-proportional reinsurance accepted	R0430							0
Reinsurers' share	R0440							0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550		4,070	543	249	246	55	5,162
Other expenses	R1200							
Total expenses	R1300							5,162

S.17.01.02 - Non Life technical provisions (In thousands of EUR)

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050												
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060		-6,028				-3,404	-493	-396				-448
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		-3,034				-894	-677	-154				-104
Net Best Estimate of Premium Provisions	R0150	0	-2,994	0	0	0	-2,510	184	-242	0	0	0	-344
Claims provisions													
Gross	R0160		12,265				5,177	6,515	2,699				133
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		-2,691				-448	-300	-478				-113
Net Best Estimate of Claims Provisions	R0250	0	14,956	0	0	0	5,626	6,814	3,178	0	0	0	246
Total Best estimate - gross	R0260	0	6,237	0	0	0	1,773	6,022	2,303	0	0	0	-315
Total Best estimate - net	R0270	0	11,963	0	0	0	3,116	6,998	2,935	0	0	0	-98
Risk margin	R0280		777				276	269	96				23
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	R0320	0	7,014	0	0	0	2,049	6,291	2,399	0	0	0	-292
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	-5,725	0	0	0	-1,343	-977	-632	0	0	0	-217
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	12,739	0	0	0	3,392	7,268	3,032	0	0	0	-75

S.17.01.02 - Non Life technical provisions (In thousands of EUR)

		Accepted non-proportional reinsurance				TOTAL
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
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	R0050					0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060					-10,769
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					-4,864
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	-5,906
Claims provisions						
Gross	R0160					26,790
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					-4,030
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	30,820
Total Best estimate - gross	R0260	0	0	0	0	16,021
Total Best estimate - net	R0270	0	0	0	0	24,915
Risk margin	R0280					1,441
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290					0
Best estimate	R0300					0
Risk margin	R0310					0
Technical provisions - total						
Technical provisions - total	R0320	0	0	0	0	17,462
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	-8,894
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	26,356

S.19.01.21 - Claim development triangles (In thousands of EUR)

Gross Claims Paid (non cumulative absolute amount)

		0	0	0	0	0	0	0	0	0	0	10+	Current year	All years
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100												0	0
N-9	R0160	4,370	6,297	-177	414	250	143	-55	-360	31	45		45	10,959
N-8	R0170	5,965	7,396	1,657	1,180	-26	29	1,356	68	3			3	17,628
N-7	R0180	4,894	8,889	4,782	721	-24	108	22	37				37	19,429
N-6	R0190	6,194	7,654	1,709	296	-23	103	15					15	15,947
N-5	R0200	7,097	8,527	1,509	2,444	233	-45						-45	19,764
N-4	R0210	8,600	8,418	-160	263	-49							-49	17,072
N-3	R0220	9,212	10,231	2,698	-677								-677	21,465
N-2	R0230	12,189	9,449	1,067									1,067	22,705
N-1	R0240	11,438	11,897										11,897	23,336
N	R0250	7,438											7,438	7,438
												Total	19,730	175,743

Gross undiscounted Best Estimate Claims Provisions - Development year (non cumulative absolute amount)

		0	0	0	0	0	0	0	0	0	0	0	Year End (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											6	6
N-9	R0160								602	558	418		418
N-8	R0170							268	77	159			159
N-7	R0180						763	718	699				700
N-6	R0190					290	169	200					200
N-5	R0200				1,759	537	507						507
N-4	R0210			2,947	1,161	812							811
N-3	R0220		6,118	2,836	1,035								1,034
N-2	R0230	17,128	7,113	3,202									3,191
N-1	R0240	18,921	5,983										5,984
N	R0250	13,759											13,779
												Total	26,790

S.23.01.01 - Own funds (In thousands of EUR)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	635	635			
Share premium account related to ordinary share capital	R0030	0				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	27,043	27,043			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	0				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	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				
Total basic own funds after deductions	R0290	27,678	27,678	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
Total ancillary own funds	R0400	0			0	0

S.23.01.01 - Own funds (In thousands of EUR)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	27,678	27,678	0	0	0
Total available own funds to meet the MCR	R0510	27,678	27,678	0	0	
Total eligible own funds to meet the SCR	R0540	27,678	27,678	0	0	0
Total eligible own funds to meet the MCR	R0550	27,678	27,678	0	0	
SCR	R0580	13,441				
MCR	R0600	5,297				
Ratio of Eligible own funds to SCR	R0620	2.059292655				
Ratio of Eligible own funds to MCR	R0640	5.225491479				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	27,678
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	635
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	27,043
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	6,806
Total Expected profits included in future premiums (EPIFP)	R0790	6,806

S.25.01.21 - SCR using standard formula (In thousands of EUR)

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0090	C0100
Market risk	R0010	2,052		
Counterparty default risk	R0020	2,623		
Life underwriting risk	R0030			
Health underwriting risk	R0040	9,209		
Non-life underwriting risk	R0050	5,365		
Diversification	R0060	-6,270		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	12,980		

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	1,053
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-592
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	13,441
Capital add-on already set	R0210	
Solvency capital requirement	R0220	13,441
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01 - MCR (In thousands of EUR)

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	5,297

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	11,963	15,683
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	3,116	5,403
Fire and other damage to property insurance and proportional reinsurance	R0080	6,998	3,011
General liability insurance and proportional reinsurance	R0090	2,935	1,017
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	0

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
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation		C0070
Linear MCR	R0300	5,297
SCR	R0310	13,441
MCR cap	R0320	6,048
MCR floor	R0330	3,360
Combined MCR	R0340	5,297
Absolute floor of the MCR	R0350	3,600
Minimum Capital Requirement	R0400	5,297