Zavarovalnica Triglav, d.d.,
Miklošičeva 19, Ljubljana

SOLVENCY AND FINANCIAL CONDITION REPORT

of Zavarovalnica Triglav d.d.

for 2016

Ljubljana, May 2017

BOARD MEMBERS:

President of the Management: Andrej Slapar

Members of the Management Board: Benjamin Jošar

Uroš Ivanc

Tadej Čoroli

Marica Makoter

Content

Summary

Zavarovalnica Triglav d.d. (hereinafter: the Company) is the leading insurance company in Slovenia and the controlling company of the Triglav Group, the leading insurance/financial group in the Adria region. This report refers only to the parent company of the Triglav Group. The Solvency and Financial Condition Report of the Triglav Group will be compiled and available to the public within the set deadline, i.e. by 1 July 2017.

This report includes the content on the solvency and financial position of the Company in five main sections, as set out in the Commission Delegated Regulation[1]. This report is published by the Company for the first time and it will be available to the public on its website www.triglav.eu.

In Section A of the report, a more detailed presentation of the Company and information on its operations in 2016 are provided. The sound and profitable performance of the Company was confirmed by the rating agencies S&P Global Ratings and A.M. Best, which upgraded Zavarovalnica Triglav's rating from "A–" to "A".

In Section B of the report, the system of governance of the Company is described. It was adapted to the business principles, strategic objectives and the risk profile of the Company. The Company established a clear organisational structure with defined competences, powers and reporting lines as well as set up an internal control system and a business continuity system. The system of governance of the Company includes the following four key functions: the risk management function, the compliance function, the internal audit function and the actuarial function, as well as the relevant committees. The risk management system, which is an integral part of the system of governance , is also presented in detail. Based on the "three lines of defence" model, the risk management system consists of understanding of the risks assumed by the Company, integration of risk management into the organisational culture and structure, definition of the limits and the monitoring system for exposure to risks and taking appropriate action, as well as risk measurement and reporting.

In the framework of the risk management system, the Company regularly implements the own risk and solvency assessment (hereinafter: ORSA) process, which takes account of all the risks to which the Company is exposed to up to the date of calculation and the potential risks that may influence its operations over the next four-year period. In addition to the risk profile, the ORSA

[1] Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance and Article 261 of the Insurance Act.

process is the basis for the Management Board of Zavarovalnica Triglav (hereinafter: the Management Board) to make decisions on capital management in the strategy period and is well integrated into the strategic planning.

In Section C of the report, the risk profile of the Company is described. The Company monitors its risk profile based on the understanding of the assumed and potential risks, which are measured and assessed with internal methodologies and indicators, regulatory capital adequacy criteria, through the capital adequacy on the basis of own risk and solvency assessment and through the capital adequacy under the S&P valuation model. Further information is presented on six main types of risks and their management. The highest risks are market risks, which account for 53% of the risk profile of Zavarovalnica Triglav, followed by underwriting risks (34%). The report also contains descriptions of the implemented stress scenarios, whose results confirm adequate capital and financial strength of the Company.

In Section D of the report, the valuation methods for solvency purposes by individual asset and liability class are described in greater detail. The valuation of assets and liabilities is performed at fair value and by using the risk-free interest rate published by EIOPA[2], without making any adjustments to the curve.

In Section E, capital management of the Company is presented. Its objective is to efficiently use the available capital, which ensures the safety and profitability of business operations of the Company, a high degree of confidence of all stakeholders, compliance with the applicable regulatory requirements relating to capital adequacy, achievement of an appropriate capital adequacy level in the own risk and solvency assessment process and meeting the criteria of external rating agencies for achieving the A rating.

The Company calculates capital requirements using the standard formula, as set out in the Commission Delegated Regulation.

As at 31 December 2016, the Company was adequately capitalised and had at its disposal sufficient capital to cover both the solvency capital requirement and the minimum capital requirement.

The ratio of eligible own funds to cover the solvency capital requirement and the solvency capital requirement of the Company stood at 303% as at 31 December 2016. The ratio of eligible own funds to cover the minimum capital requirement and the minimum capital requirement of the Company stood at 892% as at 31 December 2016.

[2] European Insurance and Occupational Pensions Authority

A. Operations and business results

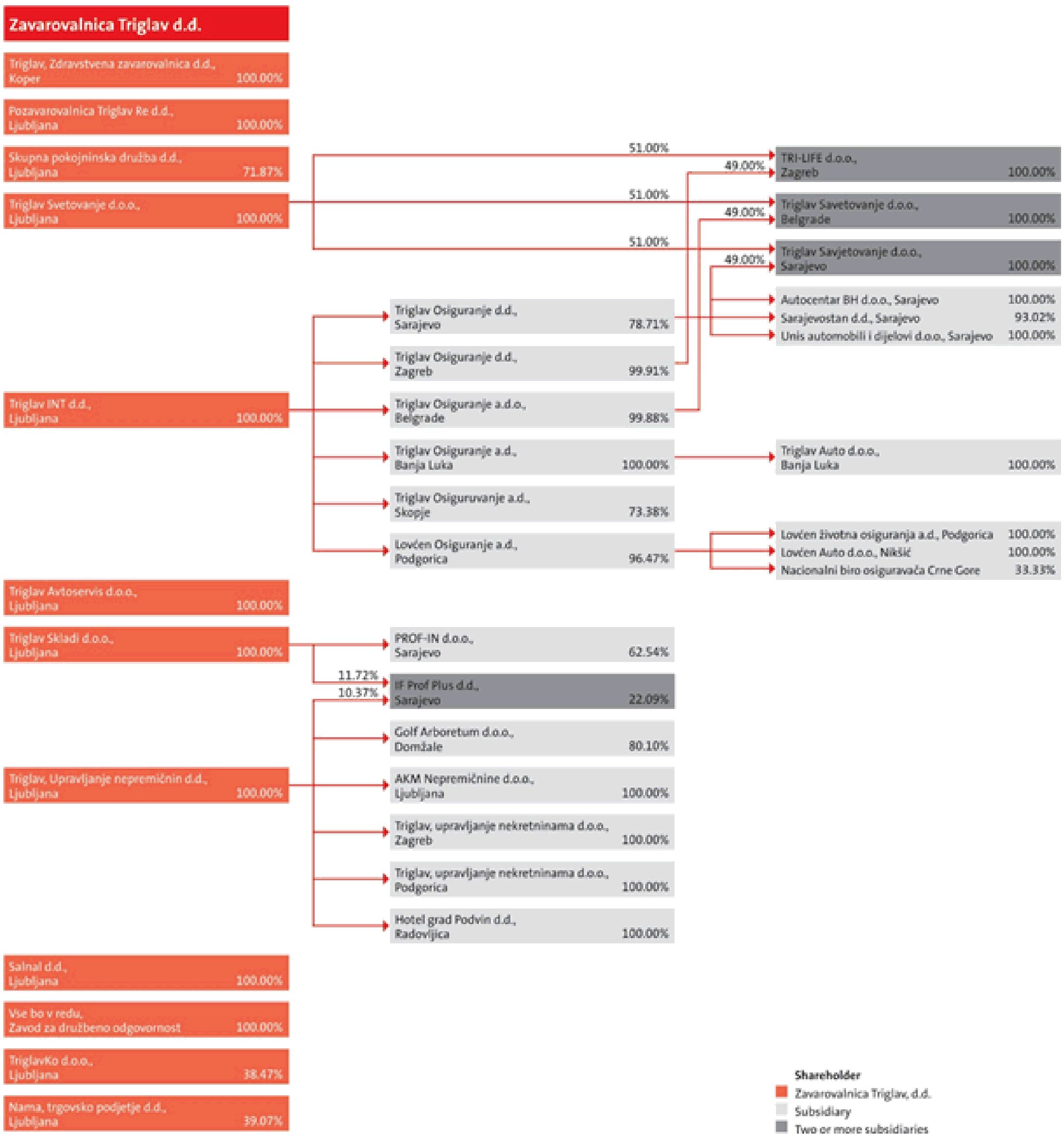
A.1. Business and Performance

A.1.1. About Zavarovalnica Triglav

Zavarovalnica Triglav d.d., headquartered in Ljubljana, Miklošičeva 19 is the controlling company of the Triglav Group (hereinafter: the Group) comprising 31 subsidiaries and 4 associated companies.

The structure of the Group is presented below.

Figure 1: The structure of the Group as at 31 December 2016



The Company's core business is insurance, specifically non-life insurance, life insurance, health insurance, supplemental voluntary pension insurance and reinsurance. As at the 2016 year-end, Zavarovalnica Triglav held a dominant position on the Slovene insurance market with a 29% market share.

In 2016, Zavarovalnica Triglav operated in all segments of non-life and health insurance with the exception of accident insurance for employees and legal expenses insurance. Of all the segments of non-life and health insurance, the Company books the most premium from property insurance against fire and other threats to property, other motor vehicle insurance and motor vehicle liability insurance.

In 2016, unit-linked insurance represented the largest segment of life insurance, followed by insurance with profit participation and other life insurance.

A.1.2. External audit

On 31 May 2016, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2016, 2017 and 2018.

The signatories of the Independent Auditor's Report are the director of the company Ernst & Young d.o.o. Janez Uranič and the certified auditor Primož Kovačič.

A.1.3. Supervisory body

The Company's supervisory body is the Insurance Supervision Agency, Trg Republike 3, Ljubljana (hereinafter: ISA).

A.1.4. Ownership structure

The largest shareholders of Zavarovalnica Triglav are Zavod za pokojninsko in invalidsko zavarovanje Slovenije (hereinafter: ZPIZ), holding 34.47% of all shares, whereas SDH d.d. (the legal successor of Slovenska odškodninska družba d.d.) owns 28.09% of total shares. Both of these shareholdings have remained unchanged in 2016. The third largest shareholder Addiko bank d.d. - custody account (formerly Hypo Alpe-Adria Bank) increased its stake by 0.2 percentage points in 2016. Among the top ten shareholders, Unicredit Bank Austria – fiduciary account increased its stake the most in 2016, i.e. by 0.8 percentage points.

Table 1: Top ten shareholders of Zavarovalnica Triglav as at 31 December 2016

Shareholder	Equity stake (in %)	Voting rights (in %)
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	**34.47**	**34.51**
SDH d.d., Ljubljana	**28.09**	**28.12**
Addiko Bank d.d., Zagreb, Croatia	**6.45**	**6.46**
Hrvatska poštarska banka d.d., Zagreb, Croatia	**1.42**	**1.42**
Clearstream Banking SA., Luxembourg, Luxembourg	**1.31**	**1.31**
Balkan Fund, Luxembourg, Luxembourg	**1.28**	**1.28**
UniCredit Bank Austria, Vienna, Austria	**1.18**	**1.18**
Pozavarovalnica Sava Re d.d., Ljubljana	**0.73**	**0.73**
Kuwait Investment Authority, Safat, Kuwait	**0.70**	**0.70**
The Bank of New York Mellon, New York, USA	**0.69**	**0.69**

A.1.5. Major business events and achievements in 2016

- Revised strategy: The Triglav Group adopted a revised Strategy for the 2017-2020 period. The Group has set out on a path to become a modern, innovative and dynamic insurance/financial group, which will firmly remain the leader both in Slovenia and the wider region by pursuing its vision, values and strategic goals.
- Upgraded credit ratings: The credit rating agencies S&P and A.M. Best upgraded the Company's credit rating from "A–" to "A". Both ratings have a stable medium-term outlook.
- Good business results: The Company again operated at a profit and surpassed the budgeted business results.
- Dividend payment: As at 31 December 2016, dividend payments accounted for 64% of the net profit of the Triglav Group for 2015 or 87% of accumulated profit of Zavarovalnica Triglav.
- Changes made to the Supervisory Board and its committees: The shareholders appointed Igor Stebernak a new member to the Supervisory Board of Zavarovalnica Triglav (hereinafter: the Supervisory Board), after which the Supervisory Board appointed Igor Stebernak its Chairman.
- Renewal of the term of office of the Management Board Member, Employee Representative: Based on the proposal of the Workers' Council of Zavarovalnica Triglav, the Supervisory Board reappointed Marica Makoter to the Management Board as Employee Representative for a new five-year term of office, commencing in December 2016.
- Re-establishment of the suspended voting rights based on the Securities Market Agency Decision: Following the Securities Market Agency Decision, the suspended voting rights were re-established to the following shareholders: Zavod za pokojninsko in invalidsko zavarovanje d.d., Slovenski državni holding d.d., Telekom Slovenije d.d, Eles d.o.o., PS za avto d.o.o., Savske elektrarne Ljubljana d.o.o., Pošta Slovenije d.o.o., Elektro Celje d.d., ECE d.o.o., Elektro Ljubljana d.d., Elektro Primorska d.d. and the Republic of Slovenia.

- Solvency II. Successful business operations under the Solvency II regime indicate high capital adequacy and financial stability of the Company.
- Challenging conditions on financial markets. Return on investment was significantly influenced by the situation on financial markets with low and/or zero interest rates and the high volatility on stock markets.
- Mass loss events. The storms with hail, the April frost and local flooding in Slovenia affected the Company's operations.

A.2 Underwriting performance

The Company sells non-life and life insurance. The segmentation of both sets of insurance for the purpose of financial statements is set out in the Insurance Act (ZZavar-1). For solvency purposes, the insurance segmentation, i.e. non-life insurance, health insurance and life insurance, is defined in the Commission Delegated Regulation.

The first difference in the segmentation relates to accident insurance linked to the basic life insurance products, which are recorded under life insurance for the purpose of financial statements and under non-life insurance for solvency purposes. The second notable difference in the segmentation relates to annuities stemming from non-life insurance contracts. For the purpose of financial accounts, these annuities are recorded under non-life insurance, whereas for solvency purposes they are recorded under life insurance. The third difference relates to health insurance, which falls under non-life insurance for the purpose of financial statements, while for solvency purposes it is treated separately. The other differences in the segmentation result from various insurance classes determined in the ZZavar-1 and the Commission Delegated Regulation, and therefore these products are classified differently.

Below are presented the qualitative and quantitative data by segmentation for the purpose of financial statements and for solvency purposes.

Quantitative and qualitative data for the purpose of financial statements

In 2016, the Company's profit before tax reached EUR 83.4 million, having increased by 22% over 2015. The high growth rates in net profit and profit before tax are largely the result of high permanent impairments of financial assets in associates in the preceding year. Compared to 2015, the Company's net profit increased by 29% and totalled EUR 75.3 million.

The gross written premium from insurance and co-insurance operations in 2016 totalled EUR 593.1 million, representing an increase of more than EUR 7 million over 2015. Non-life insurance premium recorded positive growth, whilst life insurance premium experienced a decrease of 3%.

The structure of the gross written premium form insurance and co-insurance operations of Zavarovalnica Triglav in 2016 was as follows:

- non-insurance accounted for 71.2%;
- life insurance accounted for 28.8%.

The structure of the gross claims paid by Zavarovalnica Triglav in 2016 was as follows:

- non-insurance accounted for 58.2%;
- life insurance accounted for 41.8%.

Operating expenses, which include acquisition costs, claim handling costs, asset management costs and other operating expenses, were up by 2% to EUR 164.5 million. Acquisition costs amounted to EUR 102.6 million, claim handling costs reached EUR 20.3 million, asset management costs equalled EUR 2 million and other operating expenses totalled EUR 39.6 million.

The structure of total gross operating expenses in 2016 was as follows:

- non-insurance accounted for 79.6%;
- life insurance accounted for 20.4%.

Table 2 shows the amounts of gross written premium form insurance and co-insurance operations, gross claims paid and gross operating expenses.

Table 2: Premium, claims, expenses and profit/loss of Zavarovalnica Triglav in 2016 and 2015

	in EUR thousand	
	2016	**2015**
Gross written premiums from insurance and co-insurance contracts	**593,129**	**586,261**
- Non-life insurance including health insurance	**422,860**	**411,535**
- Life insurance	**170,269**	**174,725**
Gross claims paid	**391,236**	**390,568**
- Non-life insurance including health insurance	**227,621**	**230,473**
- Life insurance	**163,615**	**160,095**
Gross operating expenses	**164,547**	**160,966**
- Non-life insurance including health insurance	**131,020**	**128,052**
- Life insurance	**33,527**	**32,914**
Net profit/loss	**75,334**	**58,506**
- Non-life insurance including health insurance	**61,127**	**40,333**
- Life insurance	**14,206**	**18,173**

Quantitative and qualitative data for the Solvency purposes

In the reporting period, the Company posted a total of EUR 593.1 million in consolidated gross insurance and co-insurance premium. The premium booked in non-life insurance including health insurance and supplementary accident insurance linked to life insurance products totalled EUR 449.8 million, whilst the premium booked in life insurance amounted to EUR 143.3 million. The structure of the gross written insurance and co-insurance premium of Zavarovalnica Triglav in 2016 was as follows:

- non-life insurance accounted for 75.8% (of which 68.5% of the premium was booked within insurance of land motor vehicles, motor vehicle liability insurance and other insurance against threats to property); and
- life insurance accounted for 24.2% (of which the bulk or 55.6 % of the premium was booked in unit-linked life insurance).

The gross claims paid (settled claims adjusted by the change in gross claims provisions (excluding claim handling costs)) in 2016 totalled EUR 369.2 million, of which EUR 214.2 million in claims were paid within non-life insurance including health insurance and supplementary accident insurance linked to life insurance products. The gross claims paid in life insurance amounted to EUR 155 million. The structure of the gross claims paid by Zavarovalnica Triglav in 2016 was as follows:

- non-life insurance accounted for 58% (of which 74.8% of the claims were paid within property insurance against fire and other threats to property, other motor vehicle insurance and motor vehicle liability insurance); and
- life insurance accounted for 42% (of which the bulk or 50.4% of the claims were paid in unit-linked life insurance).

The costs incurred are the sum of all gross operating expenses (EUR 164.5 million), external claim handling costs (EUR 1.4 million) and changes in claims provisions for claim handling costs (EUR 892.4 thousand) less reinsurance commission income (EUR 15.1 million), change in deferred acquisition costs (EUR 1.3 million).

In 2016, net operating expenses amounted to EUR 150.4 million. The net operating expenses for non-life insurance including health insurance and supplementary accident insurance linked to life insurance products totalled EUR 122.5 million, whilst EUR 27.9 million were posted for life insurance. The structure of the net operating expenses incurred by Zavarovalnica Triglav in 2016 was as follows:

- non-life insurance accounted for 81.5% (of which 67.9% of expenses were posted within property insurance against fire and other threats to property, other motor vehicle insurance and motor vehicle liability insurance); and
- life insurance accounted for 18.5% (of which the bulk or 53.1% of the expenses were posted in unit-linked life insurance).

Table 3 shows the amounts of gross written insurance and co-insurance premiums, gross claims paid and net expenses occurred by major insurance segment used for solvency purposes. The amounts for other insurance segments are presented in the Annex hereto in the form S.05.01.02.

Table 3: Premium, claims and expenses of Zavarovalnica Triglav in 2016 by major insurance segments

in EUR thousand

	2016
Gross written premiums from insurance and co-insurance contracts	593,129
- **Non-life insurance including health insurance**	449,82
-- Motor liability insurance (LoB 4)	84,668
-- Other motor vehicle insurance (LoB 5)	97,783
-- Fire insurance and other damage to property insurance (LoB 7)	125,555
-- Other non-life insurance segments	141,814
- Life insurance	143,309
-- Insurance with profit participation (LoB 30)	58,664
-- Index-linked and unit-linked insurance (LoB 31)	79,664
-- Other life insurance (LoB 32)	4,981
-- Annuities stemming from non-life insurance contracts (LoB 34)	0
Gross claims incurred	369,242
- **Non-life insurance including health insurance**	214,245
-- Motor liability insurance (LoB 4)	37,794
-- Other motor vehicle insurance (LoB 5)	69,215
-- Fire insurance and other damage to property insurance (LoB 7)	53,212
-- Other non-life insurance segments	54,024
- Life insurance	154.997
-- Insurance with profit participation (LoB 30)	73,650
-- Index-linked and unit-linked insurance (LoB 31)	78,162
-- Other life insurance (LoB 32)	585
-- Annuities stemming from non-life insurance contracts (LoB 34)<	2,600
Expenses incurred	150,360
- Non-life insurance including health insurance	122,477
-- Motor liability insurance (LoB 4)	25,243
-- Other motor vehicle insurance (LoB 5)	24,600
-- Fire insurance and other damage to property insurance (LoB 7)	33,299
-- Other non-life insurance segments	39,335
- Life insurance	27,882

-- Insurance with profit participation (LoB 30)	**10,642**
-- Index-linked and unit-linked insurance (LoB 31)	**14,796**
-- Other life insurance (LoB 32)	**2,394**
-- Annuities stemming from non-life insurance contracts (LoB 34)	**51**

Breakdown of operations by geographical area:
Zavarovalnica Triglav operates mainly in the territory of the Republic of Slovenia. More than 99% of premium income is generated by the sale of insurance to domestic clients. Detailed quantitative data on operations outside the Republic of Slovenia is available in the Annex to this report in the form S.05.02.02.

A.3. Investment performance

Return on investment (excluding unit-linked life insurance contract investments) represents the difference between the income and expenses from financial assets. In 2016, the return on investment amounted to EUR 64.1 million, which represents a decrease by 3% compared to 2015. The return arising from dividends was lower than in 2015 by EUR 29 million, since dividends of the subsidiaries Slovenijales and Triglav Skladi were paid in 2015. The fair value gain rose by EUR 7.6 million over 2015. The year 2015 was marked by permanent impairments of financial investments amounting to EUR 46.5 million, whilst these impairments totalled EUR 3 million in 2016. In 2016, the realised gains on disposals went down by EUR 28 million compared to 2015, since in 2016 income decreased by EUR 31 million. Compared to the previous year, other financial income increased by EUR 5 million. Interest income in the amount of EUR 47.8 million was lower by over EUR 1 million compared to the year before, primarily as a result of the low interest rate environment.

Table 4: Income and expenses from investing activities of Zavarovalnica Triglav in 2016 and 2015

in EUR thousand

Income and expenses from investing activities	31 Dec. 2016	31 Dec. 2015
Interest	**47,830**	**49,002**
- income	49,213	50,902
- expenses	-1,383	-1,900
Dividends	**2,430**	**31,802**
- income	2,430	31,802
- expenses	0	0
Changes in fair value	**-177**	**-7,815**
- income	1,708	26,253
- expenses	-1,885	-34,068
Income and expenses on sale	**19,461**	**47,533**

- income	38,164	68,918
- expenses	-18,703	-21,385
Permanent impairments	**-3,097**	**-46,582**
- income	0	0
- expenses	-3,097	-46,582
Other financial income	**-2,331**	**-7,564**
- income	1,405	5,134
- expenses	-3,736	-12,698
Total	**64,116**	**66,376**

The value of assets for solvency purposes differs from the value for the purpose of financial statements where financial statement regulations, the International Financial Reporting Standards, allow for the use of valuation methods that do not reflect the fair value. The largest discrepancies occur in the values of investments in subsidiaries. In financial statements, these investments are valued at cost and impairment losses are recognized; in the accounts for solvency purposes, these investments are measured at net value, with assets and liabilities measured at fair value. A significant discrepancy between the two values also occurs with regard to bonds. The part of bonds that is valued at amortised cost in financial statements needs to be revalued to fair value for solvency purposes. As a result of the low interest rate conditions, the fair value is generally higher than the amortised cost. The property that is valued at amortised cost in financial statements is shown at fair value in accounts for solvency purposes.

Table 5: Balance-sheet amounts of investments of Zavarovalnica Triglav for financial statement and solvency purposes

in EUR thousand

	Amounts for the financial statement purposes		Amounts for the solvency purposes
Investment income	31.dec.16	31.dec.15	31.dec.16
Financial investments (excluding unit-linked insurance assets)	**1,765,396**	**1,663,087**	**2,014,037**
Investment property	**46,538**	**52,871**	**49,033**
Investments in subsidiaries	**140,135**	**141,949**	**339,391**
Shares	**52,793**	**55,723**	**52,793**
Listed on regulated market	**43,980**	**47,151**	**43,980**
Other shares	**8,813**	**8,572**	**8,813**
Bonds	**1,419,573**	**1,355,363**	**1,466,458**
Government bonds	**622,631**	**674,275**	**659,743**
Corporate bonds	**779,323**	**659,226**	**789,097**
Structured securities	**17,618**	**21,862**	**17,618**
Financial investments in investment funds	**83,231**	**54,453**	**83,231**
Derivatives	**1,423**	**2,709**	**1,423**
Deposits, excluding cash equivalents	**20,003**	**18**	**20,007**
Other financial investments	**1,700**	**0**	**1,700**

A.4 Performance of other activities

A.4.1 Other income and expenses

Other insurance income and other insurance expenses

In 2016, **other insurance income** amounted to EUR 19.2 million. This includes:

- fees and commission income amounting to EUR 15.2 million, of which reinsurance commission income of EUR 15.1 million accounts for the bulk;
- other income from insurance operations amounting to EUR 4 million. This includes other income from insurance operations in the amount of EUR 2.5 million which is largely related to the reimbursement of costs arising from subrogations and the settlement of claims and income from the sale of green cards for motor vehicles in the amount of EUR 1 million.

Other insurance expenses totalled EUR 8.5 million. Fire tax in the amount of EUR 3.9 million accounts for the bulk. Expenses from impairment of insurance receivables and write-offs amounted to EUR 1.9 million and expenses of preventive activity to EUR 1.3 million.

Other income and expenses

In 2016, **other income** totalled EUR 12.6 million. The major part of this income is made up of:

- income from other services in the amount of EUR 6.8 million, of which EUR 4.3 million refers to income related to subsidiaries (investment management commission income of Triglav Skladi accounts for the bulk) while EUR 1.4 million refers to the reversal of provisions for the guarantee given to Triglav Pojišt'ovna;
- income from investment property and other rental income in the amount of EUR 5.3 million.

Other expenses totalled EUR 12.1 million, of which other expenses in the amount of EUR 8 million account for the bulk. These include expenses for performance-related employee bonuses totalling EUR 7.1 million in 2016. Other investment property expenses amounted to EUR 2.9 million and depreciation of investment property to EUR 1 million.

A.4.2 Rental agreements

In the reporting period, Zavarovalnica Triglav was a party to several rental agreements both as lessor and as lessee.

Among the contractual relationships where the Company acts as the lessor, only investment property is considered material. Of all the investment properties totalling EUR 49.6 million, EUR

34.4 million worth of properties are subject to a lease (properties intended for sale account for the difference), generating an annual rental income of EUR 4.3 million.
Zavarovalnica Triglav acts as a lessee when renting business premises and parking spaces, hiring software and data circuits, leasing multi-function devices and renting cars. The total annual rental costs amount to EUR 2.6 million, of which the costs of renting business premises and parking spaces account for 50 percent. All rental agreements are operating lease agreements, so all cost effects are shown as rental costs and have no impact on the value of the underlying asset.

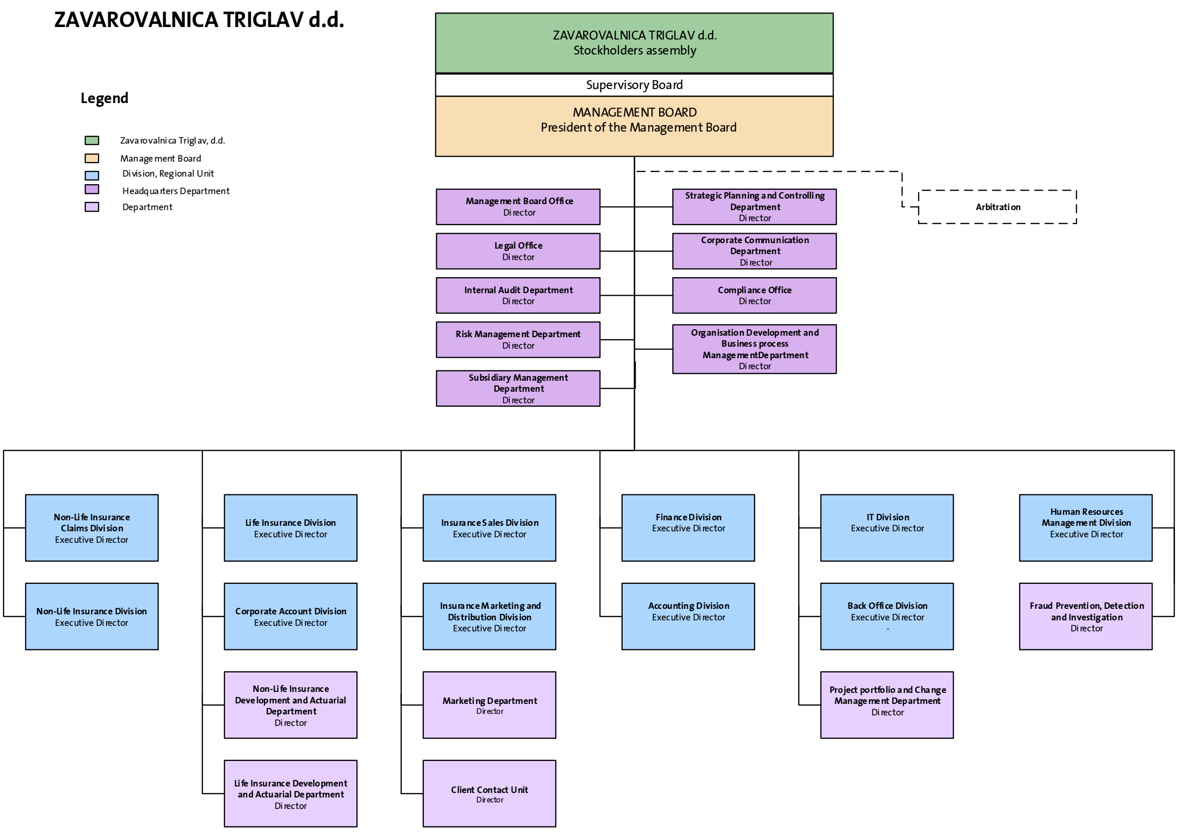
A.5 Other information

All material information relating to the performance of Zavarovalnica Triglav in its core business is disclosed in sections A.1. to A.4.

B. System of governance

B.1. General information on the system of governance

Figure 2: Organisational chart of Zavarovalnica Triglav as at 31 December 2016



The organisational structure of Zavarovalnica Triglav is regulated by the internal document on the organisation of the Company. It consists of organisational units, which are classified into organisational levels on the basis of the criteria for establishing the organisational structure. There are five organisational levels, classified as follows: Level 1 = Management Board, Level 2 = professional areas, headquarters departments and independent functional areas, Level 3 = departments within functional areas, regional units, key headquarters department in line with the Commission Delegated Regulation, Level 4 = business units within headquarters departments or independent functional areas and business units within professional areas, and Level 5 = sections, representative offices and sales teams.

The processes in the Company are organised in a three-level process architecture: main processes, business processes and operational processes. The three levels in the architecture are based on the three management levels: strategic, tactical and operational.

In addition to the processing architecture, the Business Process Register contains a mixed organisational/process overview, where the first process level has been replaced by business functions. This ensures integration with the existing organisational structure and simple switching between the functional and the process aspect.

All identified processes in the Company have been entered in the BPR, including the names of individual process owners. Furthermore, a process manager has been specified for each business and operational process. The process owners and managers manage a particular process, which means that they not only set it up and develop it but also make decisions in relation thereto.

The Strategy of the Triglav Group for the 2017–2020 Period (hereinafter: the Strategy), which was approved by the Supervisory Board of Zavarovalnica Triglav (hereinafter: the Supervisory Board), is one the key documents of governance. In addition to the Management Board, the key business function holders of the Company (organisational level 2) and the directors of the Slovene subsidiaries actively participated in the development of the Strategy. Through its mission, the revised vision, values and strategic objectives defined in the Strategy, the Company has set out on a path to become a modern, innovative and dynamic insurance/financial group, which will remain the leader both in Slovenia and the wider region.

Apart from that, business and functional strategies were included in the Strategy, specifically strategic matrices, which define specific guidelines and activities required for implementing the vision.

Taking into account the applicable legislation and the Articles of Association of Zavarovalnica Triglav, the system of governance has been defined in the publicly available document entitled the System of governance and Policy of Zavarovalnica Triglav d.d., whose aim and purpose is ensuring an effective and transparent system of governance of the Company. The latter is based on an efficient risk management system and enables the achievement of the business strategy of the Company.

The document also defines the essential elements and the basic rules of the system of governance of the Company, taking account of the Strategy and internal relationships in relation to the powers and responsibilities within the system of governance.

B.1.1. Organisational chart of the system of governance

A two-tier system of governance is set up in Zavarovalnica Triglav, within which the Management Board manages the Company and the Supervisory Board oversees its operations. The bodies of the Company are the General Meeting of Shareholders, the Management Board and the Supervisory Board.

The system of governance includes not only the risk management function, the compliance function, the internal audit function and the actuarial function, which are defined as key functions by law, but also committees established by the Management Board.

The key functions in Zavarovalnica Triglav are organised as independent organisational units, which carry out their duties and responsibilities independently from one another and from the other organisational units of the Company. They are directly subordinated to the Management Board and organised with the aim of providing for appropriate internal supervisory mechanisms. They operate in line with the structure of the three lines of defence within the risk management system of Zavarovalnica Triglav.

All key functions cooperate with one another and regularly exchange information necessary for their operation. The duties, responsibilities, processes and reporting obligations of every key function are regulated in detail in their internal documents. For further details on key functions, see Sections B.3.3, B.4.2, B.5 and B.6.

The system of governance also includes committees, whose operation is specified in detail in the rules defining the purpose, composition, powers, mode of operation and reporting obligations of each committee. Committee members are appointed and recalled by the Management Board. The decisions of the committees are adopted by a majority vote as defined in the respective rules of procedure and are binding.

Within the risk management system, the following committees have been set up: the Risk Management Committee (RMC), the Assets and Liabilities Committee (ALCO), the Non-Life Underwriting Committee (UWC), the Operational Risk Management Committee (ORC), the Life and Non-life Insurance Product Forums and the Project Steering Committee (PSC). For details on their objectives and competencies, see Section B.3.3.

B.1.2 Segregation of powers and responsibilities between the management and supervisory bodies and the key functions and committees

B.1.2.1 Management Board

The Management Board has at least 3 (three) and no more than 6 (six) members, of whom one acts as its President. The number of Management Board members and the areas within their competence are determined by the Supervisory Board in the Management Board Rules. The appointment and/or recall of all members or an individual member is proposed to the Supervisory Board by the President of the Management Board. President and all members of the Management Board are employed on a full- or part-time basis. Zavarovalnica Triglav has a Worker Director, who is a member of the Management Board.

The Management Board presents and represents the Company. The Management Board manages the Company independently and at its own responsibility. It acts in line with the objective of maximising the value of the Company and increasing the assets of shareholders in the long term, taking into account the principles of sustainable development and the benefits of other stakeholders. The management of operations may not be transferred from the Management Board to any other body of the Company.

The Management Board decisions are adopted by a simple majority. In the event of a tie, the President has the casting vote.

The powers and duties of the Management Board comply with the applicable laws, the Articles of Association of Zavarovalnica Triglav, the Rules of Procedure of the Supervisory Board and the Management Board Rules. The most important competences of the Management Board are as follows:

- management and organisation of operations;
- presentation and representation of the Company toward third parties;
- responsibility for the legality of operations;
- together with the Supervisory Board to adopt the development strategy of the Company and the annual plan of operations;
- adoption of normative documents of the Company;
- reporting to the Supervisory Board on the performance of both the Company and the Group, drawing up of a draft annual report with the business report and submitting it to the Supervisory Board, including the auditor's report and the proposal for the distribution of accumulated profits;
- establishment of the macro- and micro-organisation of the Company;
- convocation of the General Meeting of Shareholders;
- implementation of the resolutions passed by the General Meeting of Shareholders.

As at the 2016 year-end, the Management Board of the Company was composed of the following members:

- Andrej Slapar as the President of the Management, who manages and directs the work of the Management Board and the headquarters departments (the Management Board Office, the Legal Office, the Internal Audit Department, the Corporate Communication Department, the Compliance Office) as well as the Life Insurance Development and Actuarial Department and the Non-Life Insurance Development and Actuarial Department. He is in charge of the Life Insurance Division, the Corporate Accounts Division, senior management staffing, Arbitration, Nuclear Pool, Commercial Association of Slovenian Insurance Companies and Supplemental Health Insurance Division.

- Benjamin Jošar as a Member of the Management Board, who is in charge of the Risk Management Department, the Strategic Planning and Controlling Department, and the Subsidiary Management Department. He is also responsible for Triglav INT d.d..

- Uroš Ivanc as a Member of the Management Board, who is in charge of the Accounting and Finance Functional Areas.

- Tadej Čoroli as a Member of the Management Board, who is responsible for the Client Contact Unit, the Marketing Department, the Non-Life Insurance Division, the Non-Life Insurance Claims Division, the Insurance Sales and the Insurance Marketing and Distribution Division.

- Marica Makoter as a Member of the Management Board and Worker Director, who is in charge of the Organisation Development and Business Process Management Department, the Fraud Prevention, Detection and Investigation Department and the Change and Project Portfolio Management Department. Moreover, she is responsible for the IT Division, the Back Office Division and the Human Resource Management Division, excluding senior management staffing.

B.1.2.2 Supervisory Board

The Supervisory Board has 9 (nine) members, of which 6 (six) are shareholder representatives and 3 (three) employee representatives. The members of the Supervisory Board – shareholder representatives are elected by the General Meeting of Shareholders. The Members of the Supervisory Board who act as employee representatives are elected by the Company's Works Council, which informs the General Meeting of Shareholders of its decision. The Supervisory Board elects its Chairman and Vice Chairman from among its members representing shareholders. The General Meeting of Shareholders may recall a Supervisory Board member before the end of their term of office. To substitute for the member of the Supervisory Board deprived of their office the General Meeting of Shareholders elects a new member with a four-year term of office. The members of the Supervisory Board may be re-elected without limitation.

Table 6: Composition of the Supervisory Board as at 31 December 2016:

Shareholder representatives
Igor Stebernak, Chairman
Gregor Kastelic, Vice Chairman
Mario Gobbo, Member
Dubravko Štimac, Member
Rajko Stanković, Member
Matija Blažič, Member
Employee representatives
Boštjan Molan, Member
Peter Celar, Member
Ivan Sotošek, Member

On 12 June 2013, the new members of the Supervisory Board – employee representatives started their four-year term of office, while that of Igor Stebernak began on 2 June 2016. On 31 May 2016, the four-year term of office of Matej Runjak, Member and Chairman of the Supervisory Board and shareholder representative, ended following his submission of the resignation letter. At the session of the Supervisory Board held on 18 August 2016, Igor Stebernak was appointed a new Chairman of the Supervisory Board. The four-year term of office of the newly elected Supervisory Board members – employee representatives commenced on 31 May 2015.

The Supervisory Board oversees the Company's business conduct,. In addition to the powers granted to the Supervisory Board by the Companies Act and the Insurance Act, the Supervisory Board gives its approval to the decisions of the Management Board where the stake of the Company or the value exceeds the limit set in the Rules of Procedure of the Supervisory Board, i.e. in the establishment of companies with share capital in Slovenia and abroad, the acquisition or sale of Zavarovalnica Triglav's stakes in foreign or domestic companies, the issue of debt securities of the Company and long-term borrowing from domestic and foreign banks, the acquisition and sale of the Company's real property as well as investment in real property. The Supervisory Board gives its approval to the appointment and dismissal of the head of the Internal Audit Department and the remuneration policy relating to the latter, or remuneration if the Company has no remuneration policy.

In supervising the Company's business conduct, the Supervisory Board in particular:

- supervises the adequacy of procedures and effectiveness of internal auditing
- discusses the findings of the Insurance Supervision Agency, tax inspection and other supervisory authorities in the procedures of supervision of the Company
- verifies annual and other financial reports of the Company and prepares a reasoned opinion thereto

- provides an opinion on the annual internal audit report to the General Meeting of Shareholders and submits its findings to the General Meeting of Shareholders in the form of a written report
- reviews the proposal for the distribution of accumulated profits, which was drafted by the Management Board, and submits its findings to the General Meeting of Shareholders in the form of a written report;
- checks the drafted annual report submitted by the Management Board, takes a position on the audit report and draws up a written report for the General Meeting of Shareholders by including potential comments or approving it.

The resolutions of the Supervisory Board are adopted by a majority vote of the present members.

The Supervisory Board develops a plan of its own activities and defines their content for a particular financial year. The schedule and agenda of sessions of the Supervisory Board contains the planned dates of sessions and the indicative content of individual sessions, particularly for those for which the dates of the Supervisory Board sessions may be planned ahead.

The Supervisory Board appoints and may recall the members of the Management Board. It strives to ensure the continuity of their work through prudent and timely selection of the President and other members of the Management Board.

Significant impact on the business, financial or legal situation of the Company, both the Management Board and the Supervisory Board seek to reach an agreement. The President of the Management Board maintains regular contact with the Chairman of the Supervisory Board in order to discuss the Company's strategy, operations and risk management. The President of the Management Board informs the Chairman of the Supervisory Board of all events that are material for the assessment of the situation and consequences, as well as for the governance of the Company. The Chairman of the Supervisory Board informs the Supervisory Board of all significant events and convenes sessions as necessary. The Management Board acts in close cooperation with the Supervisory Board, in compliance with the applicable laws and best practices and to the benefit of the Company.

B.1.2.3 Supervisory Board committees and definition of their roles

The Supervisory Board may appoint one or several committees, which prepare draft resolutions of the Supervisory Board, assure their implementation and perform other professional tasks. A committee or commission may not decide on issues that fall under the competence of the Supervisory Board. The powers, competences and tasks of committees are set out in the applicable legislation, the Rules of Procedure of the Supervisory Board or resolutions of the Supervisory Board. In line with its competences, a committee or commission has the right to obtain all the necessary information as well as the right to obtain an expert opinion regarding issues that relate to its competences.

A committee or commission comprises a chairman and at least two members. The chairman is appointed by the Supervisory Board from the members thereof. The term of office of committee members lasts until the end of the term of office of at least half of the members of the Supervisory Board who were members at the time of the establishment of the committee in question, unless otherwise decided in a resolution of the Supervisory Board. The term of office of a committee member ends on the same date as their term of office as a Supervisory Board member. When appointing a member to a committee, the Supervisory Board takes into account a maximum of 2 (two) consecutive terms of office of a specific member of a committee, i.e. 8 (eight) years, unless otherwise decided in a resolution.

The chairman of a committee or commission reports on its work to the Supervisory Board.

A committee or commission may pass their own rules of procedure; otherwise their work is governed *mutatis mutandis* by the Rules of Procedure of the Supervisory Board.

In 2016, the Company had the following committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

The most important duties and competences of the Audit Committee include:

- monitoring the financial reporting process, preparing reports and drafting proposals for ensuring its comprehensiveness;
- monitoring the efficiency and effectiveness of internal controls, internal audit and risk management systems;
- monitoring the mandatory audit of annual and consolidated financial statements and reporting on the audit findings to the Supervisory Board;
- being in charge of the auditor selection procedure and proposing a candidate to the Supervisory Board to audit the Company's annual report and participating in the drafting of an agreement between the auditor and the Company;
- supervising the integrity of financial information provided by the Company; evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board;
- cooperation with the Internal Audit Department, monitoring its interim reports, examination of the internal documents of the Internal Audit Department, the Rules of the Internal Audit Department and the annual plan of the Internal Audit Department;
- examination of decisions on the appointment, dismissal and remuneration of the Director of the Internal Audit Department.

The Audit Committee was composed of: Mario Gobbo as its Chairman, Rajko Stanković and Ivan Sotošek as its members, and Barbara Nose as the outsourced independent expert.

The main duties and competences of the Appointments and Compensation Committee include: drafting proposals regarding the criteria for membership in the Management Board; drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members; preliminary consideration of proposals made by the President of the Management Board related to the management of the Company, pursuant to the third paragraph of Article 13 of the Articles of Association; performance of the fit and proper assessment of the Management and Supervisory Board members in line with the Fit and Proper Policy for the Management and Supervisory Board Members of Zavarovalnica Triglav; support and making proposals on matters that concern the Supervisory Board (e.g. conflicts of interest, design and implementation of a remuneration system for Supervisory Board members, assessment of the Supervisory Board's work against the Code of Corporate Governance).

The Appointments and Compensation Committee had the following composition: Matej Runjak as its Chairman (until 31 May 2016) and Igor Stebernak as its Chairman (as of 18 August 2016), and Dubravko Štimac and Boštjan Molan as its members.

The areas of operation of the Strategy Committee are the following in particular: drafting and discussing proposals for the Supervisory Board with respect to the strategy and monitoring the implementation thereof; drafting and discussing proposals and opinions for the Supervisory Board with respect to the Group's strategic development and/or planning.

The Strategy Committee was composed of Gregor Kastelic as its Chairman and Mario Gobbo and Peter Celar as its members.

The Nominations Committee is an ad-hoc committee of the Supervisory Board, established to carry out a nomination procedure for members of the Supervisory Board – shareholder representatives. The Committee sets the selection criteria unless the Supervisory Board decides otherwise. It also makes a list of the candidates for Supervisory Board members and asks the Appointments and Compensation Committee to make a fit and proper assessment. The Nominations Committee then submits to the Supervisory Board a nomination proposal for one or several candidates for members of the Supervisory Board – shareholder representatives.

Due to the resignation of Matej Runjak, Member and Chairman of the Supervisory Board, on 10 March 2016 the Supervisory Board established the Nominations Committee to carry out the nomination procedure for a Supervisory Board member – shareholder representative. The Committee operated until 31 May 2016 in the following composition: Gregor Kastelic as its Chairman, Matej Runjak and Peter Celar as its members, and Mitja Svoljšak as an external member.

The Nominations Committee was established by the Supervisory Board also on 18 November 2016, as the four-year term of office of five Supervisory Board members – shareholder representatives will expire on 12 June 2017. The Nominations Committee was established for the period until their appointment but not later than 12 June 2017 in the following composition: Igor Stebernak as its Chairman, Gregor Kastelic and Peter Celar as its members, and Mitja Svoljšak and Milena Pervanje as its external members.

B.1.3 Remuneration policy of Zavarovalnica Triglav, d.d.

Employee remuneration is determined by taking into account the internal remuneration policy of Zavarovalnica Triglav, the Delegated Regulation of the European Commission, applicable laws, collective agreements and internal documents of the Company.

The criteria and procedures for determining remuneration are documented, clearly defined and internally transparent.

Employee remuneration is determined with:

- an individual agreement for the Management Board, executive and management employees and other employees under individual agreements;
- an employment agreement for employees subject to the collective agreement, taking into account the applicable laws, collective agreements and internal documents of the Company.

In accordance with the internal remuneration policy, remuneration distribution systems for all employee categories are implemented as follows:

- Employee remuneration includes a fixed and a variable component. The fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable component and to allow for a flexible way of allocating the variable component, including the option of non-payment in the event of poor performance of an employee, an organizational unit or the Company;
- Financial and non-financial criteria are taken into account when assessing the performance of an individual employee;
- The variable component of remuneration is based on a balanced set of indicators, including connections to effective risk management and compliance.

Based on the employment agreement, the members of the Management Board are entitled to bonuses in the form of supplemental voluntary pension insurance premium. Supplemental pension insurance means saving in order to obtain a monthly pension annuity paid out either from a certain date or from the date of retirement until the end of life, but in any case at least 10 years.

B.1.4. Related party transactions

Related parties in Zavarovalnica Triglav include:

- shareholders who have a significant influence on the operations of Zavarovalnica Triglav,

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Pension and Disability Insurance Institute of Slovenia) holding a 34.47% stake,
- Slovenski državni holding, d.d. (Slovenian Sovereign Holding) holding a 28.09% stake,

- members of the Management Board,
- members of the Supervisory Board.

The only materially significant transaction in 2016 was the payment of dividends. In 2016, Zavarovalnica Triglav paid out dividends for 2015, in the total amount of EUR 56.8 million. The Pension and Disability Insurance Institute of Slovenia received EUR 19.5 million and the Slovenian Sovereign Holding received EUR 16 million.

In the reporting year, there were no other materially significant transactions in relation to dividend payment made to other related parties.

B.2. Fit and proper requirements

B.2.1. Fit and proper assessment system for the Management Board and the Supervisory Board members, key and business function holders

The procedure and conditions for ensuring that the fit and proper requirements for persons who effectively run the Company or have other key functions in the Company are regulated by two separate internal documents and the processes based thereon. The internal document on fit and proper assessment for the members of the Management Board and the Supervisory Board of Zavarovalnica Triglav sets forth the basic rules, fit and proper criteria and fit and proper assessment procedures for the candidates for Management Board and Supervisory Board members, already appointed Management Board and Supervisory Board members and the Management Board and the Supervisory Board as collective bodies. The assessment is performed by the Appointments and Compensation Committee (hereinafter: ACC) of the Supervisory Board. For fit and proper assessment, the ACC may at its discretion authorize an outsourcer competent to carry out fit and proper assessments. The assessment is performed before appointment, periodically (once a year), upon the occurrence of extraordinary circumstances that raise reasonable doubts on meeting the fit and proper requirements of the Management Board and the Supervisory Board members, and subsequently after appointment.

The second internal document regulates the fit and proper assessment of key and business function holders in Zavarovalnica Triglav, and provides the basic rules, criteria and procedures for initial, periodic and extraordinary fit and proper assessment of both the candidates and the employed key and business function holders. Key function holders are persons who are responsible for performing key functions. Business function holders are executive directors, directors of headquarters departments and directors of independent departments directly accountable to the Management Board.

The fit and proper assessment procedure for key and business function holders depends on whether the assessment is performed before employment, appointment or granting the powers to an individual key or business function holder, periodically (once a year) or upon the occurrence of circumstances that raise doubts on meeting the fit and proper requirements.

The fit and proper assessment is performed by a committee, which consists of a member of the Management Board in charge of the area covered by the key function or business holder, the executive director for human resource management and the director of compliance. In the event that the executive director for human resource management or the director of compliance is assessed, the member of the Management Board in charge of this area appoints a third member of the committee to replace the executive director for human resource management or the director of compliance. Business function holders are finally appointed by the Management Board, by granting a mandate. The Management Board appoints key function holders by granting them a mandate and authorization for performing key functions, which has to be approved by the Supervisory Board. The Appointments and Compensation Committee of the Supervisory Board also takes note on the proposal to give consent for authorization.

B.2.2. Members of the Management Board and the Supervisory Board

In accordance with the internal fit and proper assessment document for members of the Management Board and the Supervisory Board, the members of the Management Board are considered fit and proper if they have the appropriate level of education in a relevant field and at least five years of experience in the management of an insurance undertaking or an undertaking of a comparable size and activities or other comparable operations. In the fit and proper assessment of the members of the Management Board, the following factors are also considered: active knowledge of English, leadership skills, strategic thinking, organizational skills, and other.

The members of the Supervisory Board are considered fit and proper if they meet the requirements laid down by the Insurance Act.

The Management and Supervisory Boards as collective bodies are fit and proper if collectively all members possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, systems of governance, financial and actuarial analyses, risk management, and the regulatory and legal environment in which the Company operates.

It is considered that the members of the Management Board and the Supervisory Board are maintaining competence to perform their duties if they continue to acquire new relevant knowledge, upgrade their skills and participate in professional organizations or at conferences on an ongoing basis.

A member of the Management Board and the Supervisory Board is considered proper if they were not convicted of a criminal offence, if personal insolvency proceedings were not initiated against them, if a security measure banning their performing professional activities was not issued against them, if they were not convicted as a member of the management of supervisory board of a company against which insolvency proceedings were initiated, or to pay compensation to creditors in accordance with the law governing financial operations of companies with respect to liability for damages, and if they are a person of good reputation and integrity. When assessing good reputation and integrity, the circumstances set forth by the policy are taken into account and checked with the fit and proper assessment questionnaire for the members of the Management Board and the Supervisory Board.

In a resolution, the Supervisory Board may define additional fit and proper criteria for the members of the Supervisory Board.

B.2.3. Key and business function holders

In accordance with the internal fit and proper assessment document for key and business function holders in Zavarovalnica Triglav, the key and business function holders are required to meet the following fit and proper criteria: an appropriate level and field of education, at least five years of work experience, active knowledge of English, communication skills, knowledge of relevant programme tools, leadership and organizational skills, and practical and professional experience acquired in previous positions, which is assessed with particular regard to the field of work, decision-making powers, the number of subordinates and other.

In addition to these fit and proper criteria, with the exception of the compliance function, the following criteria are further defined for individual key functions:

- the internal audit function holder is required to have at least five years of experience in auditing or ten years of experience in a related field and be a certified internal auditor

- the actuarial function holder for non-life insurance and the actuarial function holder for life insurance are required to have the relevant knowledge in actuarial matters and financial mathematics in accordance with the requirements of the ISA, at least five years of experience in this field, at least two years of experience in performing actuarial duties or as a certified actuary on a portfolio comparable with the portfolio for which they shall be responsible as the actuarial function holder immediately before being granted the authorization, or in the last two years before the authorization is granted they have obtained experience with tasks that an actuarial function holder or a certified actuary supervises, controls or coordinates on a portfolio comparable with the portfolio for which they shall be responsible as the actuarial function holder, hold a valid license of a certified actuary and be a member of a full member of the International Actuarial Association (IAA)

- the risk management function holder is required to have knowledge of the use of risk management models and methods.

Furthermore, the internal document defines additional criteria for certain business function holders.

It is considered that key and business function holders are maintaining competence to perform their duties if they continue to acquire new relevant knowledge and upgrade their skills on an ongoing basis, regularly renew their license (provided that a license is required) and continuously participate and undergo training in professional organizations or at conferences.

In line with the abovementioned internal documents, the function holders are also required to meet the following fit and proper criteria: A function holder is considered fit and proper if they were not convicted of a criminal offence, if personal insolvency proceedings were not initiated against them, if a security measure banning their performing professional activities was not issued against them, if they were not convicted as a member of the management of supervisory board of a company against which insolvency proceedings were initiated, or to pay compensation to creditors in accordance with the law governing financial operations of companies with respect to liability for damages, if they are not a person performing a function of a Management Board member or a procurator in Zavarovalnica Triglav, if they are not a person for whom in the last five years the ISA legally ordered Zavarovalnica Triglav to withdraw authorization for a key function due to a severe violation of Chapter 4 or 8 of the Insurance Act, if they are not a person for whom in the last five years the ISA legally ordered a pension company to dismiss an appointed certified actuary due to a serious infringement of duties of a certified actuary set forth in Article 604 of the Insurance Act, and if they are a person of good reputation and integrity – this is established with the fit and proper assessment questionnaire for key and business function holders in Zavarovalnica Triglav.

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

B.3.1. Description of the risk management system

The objective of a comprehensive risk management system, a fundamental part of the system of governance in the Company, is to ensure the achievement of the Company's strategic objectives, its mission and vision.

The Risk Appetite Statement (hereinafter: the Risk Appetite) defines the level of risks and the potential loss arising from the risks that the Company is willing to assume in the course of its business operations in order to meet its business and strategic objectives. This document is one of the main system components.

The Company establishes and ensures the operation of the comprehensive risk management system with the following main components: knowledge and understanding of assumed risks, integration of risk management into the overall organizational culture and structure, definition of limits and the system for risk exposure monitoring and action, risk measurement and reporting and internal risk management documents.

The risk management process consists of:

- identification of risks occurring in Company operations;
- quantification or assessment of materiality of individual risks for the Company, taking into account its business model;
- definition of risk-taking objectives, taking into account the guidelines from the defined risk appetite, and establishment of a limit system on the basis thereof;
- control over taking the risks arising from Company operations;
- risk management in a manner that ensures compliance with the strategy and the defined restrictions;
- risk profile monitoring by using internal methodologies;
- regular reporting and
- taking action in the event of identified deviations and adverse operating conditions.

The events that could have a negative impact on the performance of the Company are identified in planning for a strategy period, especially those affecting the achievement of the planned key indicators and guidelines in the Risk Appetite.

Taking into account the restrictions in the Risk Appetite, the identified events having a material impact on the Company's strategic and business objectives represent the risks, which are then appropriately classified, assessed and analysed, particularly by impact and probability of occurrence. Based on an analysis, the Management Board adopts a decision on the risk management method (accept, transfer, mitigate or avoid). The risk catalogue is updated if new assumed risks arising from business decisions are identified. Furthermore, control activities are undertaken, which involve risk transfer and hedging as well as adaptation of the reporting system.

It is important that all employees involved in the comprehensive risk management system are kept informed and the process conclusions and results documented. The findings are included in the regular risk report, the Own Risk and Solvency Assessment Report (ORSA), the Solvency and Financial Condition Report (SFCR) and the Regular Supervisory Report (RSR). In the ORSA process, the most important events that have a material impact on the achievement of objectives in future periods are also annually identified. Following a risk management system cycle, the Company documents any deficiencies identified and proposals for improvements and prepares measures and recommendations for its upgrade. Below, the system is more thoroughly described in terms of individual components, including risk classification and responsibilities relating to risk management.

The risk management system in the Company covers all areas, focusing on those having a material impact on operations and business objectives. Materiality criteria for the purpose of determining the capital adequacy level of the Company are defined with an internal document on defining the materiality and proportionality criteria and the application of professional judgment.

Risk identification at the operational level is performed at three levels, i.e. at the level of functional areas. Important events are reported to the Risk Management Department and the committees in the risk management system (hereinafter: Committees). In the event of material risks, competent business units undertake risk assessment. The Company regularly measures and monitors risks using various methods:

- The regulatory method is used in the process of calculating capital adequacy at the Company level so as to prepare the calculation of risk measurement in accordance with the Solvency II standard formula (hereinafter: the standard formula) and to explain substantial changes in the period.
- Internal methods are used in internal risk measurement, when own calculations of the defined key risk indicators are performed, thereby assessing the risk level of a particular category. In addition, the limits are defined in order to limit the underwriting of risks. These limits are used in the ordinary course of operations.
- The S&P risk assessment method is used when the Company calculates capital adequacy level also based on the methodology of the S&P rating agency.

Prevention activities in risk management are based on the following two approaches: decomposition (e.g. product) and diversification (e.g. investment) of individual risk types. For risk exposure, the limit system is also used.

The risk report is a documented result of regular risk measurement and monitoring as it covers all key risk indicators, including trends, limits and recommendations of the Risk Management Department.

In achieving effective integrated risk management and establishing a uniform risk management system, the Company pursues the transparency requirement, as well as the principle of optimal risk vs. return management, the cost benefit principle and the objective of ensuring sufficient liquidity.

B.3.2. Key risk management documents

The main documents of the risk management system are the Strategy of the Triglav Group and the Risk Appetite. They define the main strategic elements of the system and represent the basis for subordinate risk management documents, policies, methodologies and instructions.

The Strategy of the Triglav Group clearly defines the comprehensive risk management system in the Triglav Group and the guidelines for underwriting particular risk types, quantified in the Risk Appetite. This strategic document quantitatively defines the level to which the Group (and consequently the Company) is able and willing to expose itself in individual risk segments, taking into account its strategic objectives and capital strength.

The main subject areas of the Strategy are risk identification and classification, responsibilities in risk underwriting and management, guidelines for underwriting particular risk types, description of the risk management system, risk measurement and reporting, actions in the event of adverse or critical operating conditions and provisions on the validity of the Strategy.

In order to meet the objective of return on equity, the Company assumes underwriting, market, credit, liquidity, operational and non-financial risks in accordance with the business strategy of the Company, the Strategy of the Triglav Group, the investment policy and the annual business plan of the Company. The Company aims to achieve optimal exposure to credit, liquidity and operational risks. In the implementation of its business strategy, the Company assumes and manages non-financial risks that arise mainly from external and internal factors, including their impact on reputation and achievement of strategic objectives, especially in the process of business expansion on strategic markets.

The Company defines its risk appetite with indicators, which are defined for profitability, capital adequacy, liquidity, brand value, reputational risk and operational risk management.

B.3.3. Responsibilities in the risk management system

The risk management system of the Group (and the Company) is based on the “Three Lines of Defence” model.
The first line of defence consists of business functions, which actively manage specific business risk and are primarily responsible for risk identification, underwriting and reporting.

The second line of defence is composed of business functions and decision-making bodies forming the risk management system, which includes exposure identification, measurement and monitoring as well as the exposure limit system.

The third line of defence includes the internal audit function. This function executes and is in charge of the processes and activities connected to regular efficiency reviews of the internal control environment in individual functional areas. Moreover, it is responsible for the effectiveness of the risk management system.

In addition to the previously described bodies, all four key functions and the Committees operating in the risk management system have an important role in the risk management system in the Company.

Among the key functions, the Risk Management Department stands out in its role of risk management system holder. This department is accountable directly to the Management Board and operates independently from other business functions. It is responsible for the implementation of activities required to perform the tasks of the risk management function, which are detailed in the internal document on the risk management function.

The key tasks of the Risk Management Department are to support the Management Board and the Supervisory Board in effective implementation of the risk management system, to establish and monitor the risk management system, to monitor the overall risk profile of the Company as a whole, to report in detail on risk exposure and to advise both the Management Board and the Supervisory Board on matters of risk management, including matters related to strategic matters, such as the strategy of the Company, mergers and acquisitions, and major projects and investments. All of the above includes identification and assessment of emerging risks, active cooperation to provide good operation of the Committees that are part of the risk management system, coordination and calculation of capital requirements, process coordination and preparation of the ORSA, SFCR and RSR reports.
The risk management function holder is authorized by the Management Board with the approval of the Supervisory Board and is placed in the organization structure, so as to allow it to monitor and objectively report on the implementation of tasks defined as key tasks in the applicable laws.

The risk management function holder is in charge of monitoring the risk management function in the Company and reporting to both the Management Board and the Supervisory Board.

The main task of the risk management function holder in the Company is to regularly monitor the implementation of the risk management function in its area of responsibility and to inform the Management Board and the Supervisory Board about its findings relating to the risk profile, the capital adequacy level of the Company and the key results of the ORSA process.

The risk management function holder informs all the committees included in the risk management system about any major findings. In addition, the risk management function holder reports to the ISA in line with the Insurance Act and issued implementing regulations relating to the risk management function.

The findings and opinions of the risk management function holder are – as far as possible – objective and independent from the influence of other business areas.

The Risk Management Department and the risk management function holder perform tasks in the context of the second line of defence.
In the context of the risk management system, the following Committees act in the second line of defence at the Company level, cooperating with each other and exchanging relevant information:

The Risk Management Committee (RMC) is the committee of the Management Board whose key objectives are to assist the Management Board in assessing exposure to business risks, identifying material risks and weaknesses in the internal control environment of the Company, controlling risk exposure and verifying whether risk exposure is compliant with the Risk Appetite, as set out in the Strategy of the Triglav Group and the Business Plan of Zavarovalnica Triglav. Apart from that, the Committee assists in risk identification and management as well as in fostering the risk culture by individual areas within the Company. The Committee also verifies the efficiency of the risk management functions and ensures that the Company not only has an appropriate infrastructure but also adequate resources and systems that allow for a satisfactory level of business risk management.

The Assets and Liabilities Committee (ALCO) is the committee whose key goal is the creation of the asset and liability management strategy of the Company, aimed at achieving the strategic objectives in line with the applicable legal and implementing regulations, by taking into account the Risk Appetite, risk exposure limits and any other restrictions that affect the asset and liability management process. The Committee also monitors life underwriting risks and credit risks in the investment portfolio segment.

The Underwriting Committee (UWC) is an integral part of the Company's risk management system, which monitors and identifies non-life underwriting risks and develops the non-life underwriting risk management system. The basic purpose of the Committee is to monitor and optimise the level and concentration of assumed risks and to propose limits or an optimal transfer of assumed risks to reinsurance, taking into account both the Risk Appetite and the risks arising from counterparty exposure in the event of transfer of non-life underwriting risks.

The Operational Risk Committee (ORC) supervises the establishment of an appropriate, integrated operational risk management system and its operation, approves internal documents related to operational risk management, monitors the business continuity system of the Company, the recovery system, the information protection management system, the data quality management system, the prevention, detection and investigation system of external and internal fraud and unauthorised activities, as well as approves the outsourcing system and the operational (human resource) risk management system. The Committee also monitors the recommendations of the Internal Audit Department and their implementation, which affects the structure of the operational risk management system.

The product forums for non-life and life insurance products propose the adoption of decisions to the Management Board, which relate to insurance product development, monitor the status and trends in the development and upgrade of insurance products, prepare insurance product development plans, and monitor product and insurance class profitability as well as trends in loss events and legal changes relating to insurance products.

The Project Steering Committee (PSC) is intended for comprehensive project management as well as providing the basis for transparent and traceable project implementation and project risk identification and management. This includes providing a consistent and efficient project workflow and establishing appropriate and mutually coordinated projects led by the Company in relation to the Group and for Group companies at the Group level.

B.3.4. Risk reporting system

The Risk Management Department is in charge of regular monitoring and reporting on the Company's risk profile. It prepares a standardized risk report, typically quarterly, including regulatory and internal indicators for all risk and operation segments. The report also contains comments on indicator trends and values in relation to the set limits and target values. All committees in the risk management system as well as the Management Board and the Supervisory Board discuss the risk report within their respective powers.

B.3.5. Own risk and solvency assessment process

In the current year, the Company performed the ORSA process for the 2016 financial year. In the implementation of the ORSA process, the Company took into account all the risks to which it was exposed until the calculation date as well as any potential risks that could have an impact on its operations over the next four years.

First, through the annual ORSA process, the most important events that could materially affect the future achievement of objectives are identified based on the strategic objectives of the Company. The events that could have a negative impact on the performance of the Company are identified already in the strategic planning process for a specific period, especially those affecting the achievement of the planned key indicators and guidelines in the Risk Appetite. After that, the Company appropriately classifies, assesses and analyses events, particularly by impact and probability of occurrence.

The analysis includes an assessment of the Company's solvency requirements, an assessment of using the standard formula in the light of the actual risk profile of the Company, an identification and assessment of other risks not included in the standard formula, a statement by the actuarial function on the appropriateness of the methodology used in the calculations of technical provisions, an assessment of the solvency requirements in relation to the business plan for the 2017–2020 period and an analysis of impacts of various scenarios on the operations and the capital adequacy level of the Company. For implementation of the ORSA process, the Company does not use an internal model. All calculations based on the standard formula are upgraded in segments where it is estimated that the standard formula does not appropriately address the actual risks of the Company.

The methodology for the implementation of the ORSA process, which is described in the internal document of the Company, defines the qualitative risk assessment method, the materiality level of identified risks and other procedures. In accordance with this, workshops for qualitative risk identification, relevant scenario identification and assessment of their impact on the results and the capital of the Company were performed in 2016 with functional areas. An assessment of the appropriateness of the standard formula was also performed in relation to the risk profile and the balance sheet of the Company.

The ORSA process is regularly implemented, at least once a year. In extraordinary situations, the ORSA process is implemented upon any change in the business strategy or upon any major change either in the current risk profile of the Company or in identification of potential future events or scenarios that could have material impact on the achievement of strategic objectives or capital adequacy.

The Risk Management Committee discusses and assesses the results of the ORSA process and the Management Board formally approves the ORSA report. After the report is approved by the Management Board, it is submitted to the competent supervisory institution.
Taking into account the risk profile, the ORSA process is the basis for the Management Board's decision-making and capital management in the strategy period.

B.4 Internal control system

B.4.1. Internal control system

In Zavarovalnica Triglav, the internal control system was established, which is documented in different internal documents and business function processes. They are linked together in a coherent whole by the document on internal controls within the Company, which specifies the elements of this system as well as the roles and responsibilities of employees, functions and bodies of the Company involved in this system. The internal control environment in the Company is based on the fundamental values and ethical principles written in the Code of the Group.

All business units of the Company are included in the internal control system, i.e. the Management Board and all the committees, all business and key functions of the Company, as well as all employees. Internal controls are also performed in all organisational units and business functions and in all business and operational processes.

In the context of the first line of defence, the most important role is played by all business function holders in relation to the processes for which they are responsible. They not only provide for appropriate documentation of internal controls in the process documents but also ensure that all the employees who are part of these processes are familiar with both the internal control system and the controls in their field of work.

The second line of defence comprises the Risk Management Department, the Compliance Office, the Life Insurance Development and Actuarial Department and the Non-Life Insurance Development and Actuarial Department. They monitor and supervise the adequacy of internal controls as well as provide assistance and advice in their establishment and implementation. The whole process is in compliance with the applicable legislation and other internal documents.

The final supervision of the internal control system of the Company is executed by the Internal Audit Department as a key function in the third line of defence. In accordance with the applicable legislation, other binding regulations and the internal document on internal auditing in the Company, the Internal Audit Department conducts internal audits of individual processes, makes recommendations, and assesses the adequacy and effectiveness of the internal control system in the Company. It reports on its findings to the Management Board, the Supervisory Board and the Audit Committee.

The following key rules have been defined within the internal control system: the division of key functions, the use of the four eyes principle in the calculations, independent valuation and audit, restriction of IT access by level, restriction of access to the property of the Company.

In accordance with the internal document management system, the Management Board adopts or approves the Code of the Group, the internal document on internal controls and the key function policies and the rules of procedure of committees, including amendments thereto. The Management Board monitors and manages the internal control system of the Company based on the reports of key functions, reporting of business functions and the decisions taken by the Management Board.

B.4.2. Compliance function

In the framework of the internal control system and in line with the policy regulating this function, the compliance function monitors the compliance of the Company with the regulations and other commitments. In this context, it assesses compliance risks and potential effects of changes in the legal environment on the operations of the Company, advises on the harmonisation and assesses the adequacy and effectiveness of the procedures and measures aimed at harmonising the operations of the Company with the identified changes in the legal environment. Furthermore, the compliance function provides advice on compliance with the applicable regulations and other commitments, as well as informs the Management Board and the Supervisory Board and/or its committees.

The compliance function is organised within the framework of the headquarters department and is directly subordinated to the Management Board. It is not only autonomous and independent from the other business functions but also one of the key functions in the system of governance of Zavarovalnica Triglav. Furthermore, it is part of the second line of defence in the three-level internal control system.

The role of the compliance function is to manage the risks arising from non-compliance with legislation (compliance risks). In the Company, it also plays an important role in terms of investing efforts in achieving fair and transparent conduct. The compliance function therefore advises the process owners in the execution of their responsibilities connected to ensuring compliance. By giving guidelines and recommendations as well as by making proposals with regard to internal company documents and proposals regarding the implementation of internal documents, it co-creates internal controls relating to ensuring compliance in a specific process, business area or at the Group level, while implementing some internal controls relating to compliance itself (e.g. monitoring of compliance with the reporting obligations, management of conflicts of interest, money laundering and terrorist financing prevention, personal data protection). Moreover, the compliance function monitors and assess the adequacy and effectiveness of regular processes and measures adopted for the elimination of potential deficiencies with respect to compliance. Based on regulations and other commitments, the Company assesses potential effects of changes in the legal environment on its operations. It defines the risks of compliance with the applicable regulations and other commitments, informs the Management Board, the Supervisory Board and the Audit Committee about compliance of the operations with the applicable regulations and other commitments, including the risks arising from non-compliance of operations, as well as monitors compliance with ethical commitments and ensures their implementation in practice.

The organisational placement, the role and responsibilities of the compliance function within the system of governance of Zavarovalnica Triglav, including its reporting obligations, are defined in the internal documents on the organisation, system and policy of governance and compliance.
The internal compliance document is adopted by the Management Board and approved by the Supervisory Board. As specified in the document, a periodic review of the internal compliance document is performed once a year: an assessment of the implementation of the policy is performed by the compliance function as part of its self-assessment and included in the annual compliance report. On the basis of this assessment, the compliance function proposes potential amendments to the policy or makes other recommendations. The periodic review of the internal compliance document is performed by the Internal Audit Department in the context of the planned internal audit activities.

B.5 Internal audit function

The Internal Audit Department performs constant and overall control over the operations of the Company by increasing the benefits for the operations. This is achieved by assessing the adequacy and effectiveness of the Company's governance, risk management and control procedures in an impartial, systematic and methodical manner and by making recommendations for their improvement. Apart from that, it provides advice in agreement with the Management Board and the management of functional areas, cooperates with external auditors and other supervisory bodies, monitors the implementation of internal and external auditors' recommendations, participates in the performance of internal audits in other Group members, maintains the quality and provides for continuous development of internal auditing in Zavarovalnica Triglav, as well as transfers the know-how and good practices to other Group members.

The Management Board provides for appropriate working conditions to the Internal Audit Department, both in terms of organisational independence and the funds available for its operation, thereby enabling its employees to perform independent and impartial internal audit activities. The Internal Audit Department, which is organised as an independent organisational unit within the Company and directly subordinated to the Management Board, is both functionally and organisationally separated from other organisational units of the Company. The Internal Audit Department is independent in determining the areas, objectives and scope of internal audits, performance of tasks and reporting on internal auditing. The internal audit function holder and internal auditors do neither perform any development and operational tasks which could cause a conflict of interest and weaken their impartiality nor do they decide on activities in the areas subject to internal auditing. The internal audit function holder in the Company reports on the work of the Department and the findings of internal audits as well as on the implementation of recommendations directly (in writing and orally):

- to the Management Board so as to maintain independence from other functional areas and functions in the Company;
- to the Audit Committee and the Supervisory Board, thereby strengthening the independence from the Management Board.

Together with the Management Board, the function holder is obliged to inform the Audit Committee and the Supervisory Board of any limitation of the funds required for the execution of the risk-based internal audit plan. Internal auditors are required to inform the internal audit function holder, who then informs the Management Board, the Audit Committee and the Supervisory Board, of any circumstances that could cause a conflict of interest, thereby affecting their impartiality when performing the internal audit tasks.

The rules on the Internal Audit Department, including the duties of the function holder and internal auditors, in relation to ensuring independence and impartiality, avoiding conflicts of interest and reporting on the occurrence of any circumstances that could undermine the independence and impartiality of the Department and internal auditors are defined in the internal document on internal auditing in the Company. The document is adopted by the Management Board subject to the approval of the Supervisory Board.

The internal audit document defines the following:

- the purpose of internal auditing or the internal audit function;
- the organisation of internal audit execution and ensuring its independence;
- assurance of independence, impartiality and professional qualification of internal auditors;
- responsibilities and powers of internal auditors;
- responsibilities of the Management Board and the management of functional areas;
- the manner of performing internal auditing (planning of internal auditing, execution of internal audits (regular and extraordinary), performance of advisory functions (formal and informal), reporting on internal auditing, monitoring the implementation of recommendations, cooperation with external auditors and other supervisory authorities, ensuring and improving the internal audit quality, handling of internal audit material and its storage).

At least once a year, the Internal Audit Department reviews the compliance of the internal audit document with the applicable laws and other regulations, the regulations of the internal audit profession (especially the International Standards for the Professional Practice of Internal Auditing), the internal document on the governance of the Company and other internal documents of the Company, and on this basis proposes amendments to the document when they are needed.

B.6 Actuarial function

The key tasks of the actuarial function are as follows: the coordination and implementation of calculations oftechnical provisions; ensuring that appropriate methods, models and assumptions are used in the calculations of technical provisions; assessment of the adequacy, sufficiency and quality of the data used in the calculations of technical provisions; verification of the adequacy of the general underwriting risk policy and delivering an opinion on the appropriateness of the amount of insurance premium for individual products by assessing whether the premium for individual products is sufficient to cover all the liabilities arising from these insurance contracts; and verification of the adequacy of reinsurance. With a view to establish the solvency rules, the actuarial function coordinates and calculates the capital requirements for underwriting risks.

Other tasks of the actuarial function include:

- regular backtesting of the amounts of technical provisions and clarification of the differences between the amounts of technical provisions used for different purposes;
- notification of the management and supervisory bodies of the Company about the reliability and relevance of the methods, models and assumptions used in the calculation of technical provisions and the adequacy of the calculation of technical provisions;
- control of the calculation of technical provisions when approximations are used for the calculation;
- verification of the appropriateness of the general underwriting risk policy and delivering an opinion whether the amount of the premium of individual products is sufficient to cover all the liabilities arising from these insurance contracts.

In the Company, the actuarial function is organised separately for life insurance and non-life insurance. In terms of organisation, both functions are independent business units directly subordinated to the Management Board. Directors of both actuarial departments are also the actuarial function holders.

B.7 Outsourcing

All outsourcing-related processes required by law are established in the Company.

The procedures and measures for supervising the service providers and ensuring compliance of their actions with the applicable legislation are defined in greater detail in the agreement itself or the service-level agreement entered into between the person in charge and the provider of an outsourced service, as set out in the internal document on outsourcing. The service providers are subject to the same level of supervision by the supervisory bodies of the Company as the Company itself and are obliged to comply with all the regulations applying to the Company. In accordance with the contractual terms, the service providers are obliged to establish and ensure mutatis mutandis the same internal controls and mechanisms to manage any deficiencies as the Company. The Company has the right to supervise the operation of the service provider's internal control system and provide guidelines regarding the performance of the outsourced service.

Special attention with respect to outsourcing is paid to the risks arising from an outsourced service or the service provider (outsourcer). These risks are considered both in making a decision to outsource a service and in the selection of a service provider, thereby ensuring that despite outsourcing the same level of service is provided to the policyholders as well as the same level of stability of operations as if the services were provided with own resources.
The respective persons in charge are responsible for the supervision of outsourced services. Outsourced services should be regularly monitored and at least once a year subject to supervision, particularly in terms of:

- compliance of the service provided with the contractual terms,
- effectiveness of the service provided,
- effectiveness of the service provider's internal controls,
- service delivery and
- service performance.

Supervision is also executed by assessing the ability of the service provider and the risks arising from an outsourced service with the aim of defining the risks and possible changes in the assessment of the risks arising from an outsourced service. In the event that an increased outsourcing risk has been assessed, the person in charge of the outsourced service is required to notify the Risk Management Committee thereof and propose measures to manage this risk. The Compliance Office keeps the list of outsourced services.

B.8 Any other information

Adequacy assessment of the system of governance

An adequate system of governance is established in the Company proportionally to both the nature and scope of its operations and the complexity of the risks arising in the course of its operations. The established system of governance, which was adjusted to the requirements of the new legislation at the end of 2015, also provides for its sustainable development. The adequacy is further confirmed not only by the findings of regular internal audits of the system of governance, which are performed on an annual basis by the Legal Office in cooperation with the Internal Audit Department, but also by the findings of internal audits of different business lines, which are carried out independently.

The most recent regular internal audit of the Company's system of governance was performed in December 2016, primarily focusing on:

- the review of compliance of the system of governance with legal and other regulations, the internal document on the governance of the Company, other policies in the Company's system of governance and other internal documents of the Company;
- the review of the adequacy of organisational placement, staffing and the definition of the competences, powers and responsibilities of the bodies in charge of performing the tasks within the system of governance (particularly the Management Board, the Supervisory Board along with its committees and key functions committees in the system of governance);
- the review of the adequacy of the established reporting system in the Company;
- the review of the existence and suitability of written rules of the system of governance (particularly the risk management strategy and the policies on the management of individual risk types, the fit and proper policy for the members of the Management Board and the Supervisory Board and the key and business function holders, the remuneration policy, the internal control policy, the policies of individual key functions in the system of governance, the outsourcing policy, etc.);
- the review of the implementation of regular annual verification of compliance of the written rules of the system of governance.

C. Risk profile

The Company monitors and manages the risks arising from its operations in accordance with the process described in the previous section (Section B.3).

The Company monitors the risk profile based on the understanding of assumed and potential risks, which are measured and assessed with internal methodologies and indicators, in accordance with the regulatory capital adequacy criteria, through capital adequacy based on the own risk and solvency assessment and through capital adequacy according to the S&P valuation model.

The regulatory capital requirement is calculated in accordance with the standard formula defined in the Commission Delegated Regulation and is hereinafter referred to as the standard formula.

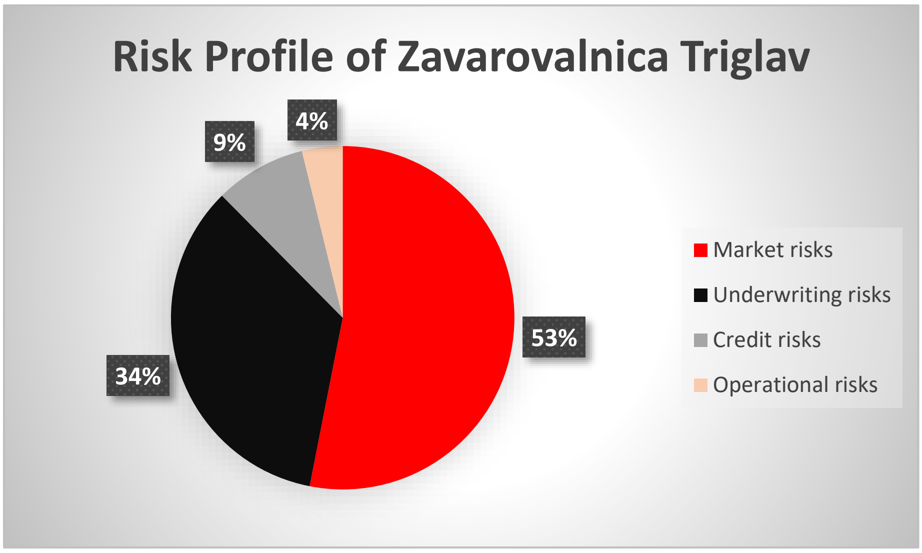
The Company also calculates stress scenario effects according to the public methodology of the S&P rating agency, typically annually. The results demonstrate adequate capital and financial strength of the Company and are reflected in the credit rating by S&P Global Ratings, which upgraded the long-term credit rating and the financial strength credit rating of the Group and the subsidiary Pozavarovalnica Triglav Re d.d., (hereinafter: Triglav Re) from "A–" to "A" on 1 July 2016. Both credit ratings have a stable medium-term outlook.

According to the standard formula, the Company calculates capital requirements for:

- underwriting risks,
- market risks,
- credit risks and
- operational risks.

As at the 2016 year-end, the capital requirements, which do not take into account mutual risk effects (non-diversification), amounted to EUR 469 million for these four sets.

Graphic 1: The risk profile, taking into account the non-diversified capital requirements for Company risks as at 31 December 2016



In addition to the risks for which the capital adequacy is calculated under the standard formula, the Company also monitors liquidity and other risks.

Below, material risk exposures are described for each risk category, including a description of the measures used to manage such risks in the Company, a description of material concentrations, as well as a description of risk mitigation methods and Company vulnerability to material risks.

C.1 Underwriting risk

C.1.1 Description of underwriting risks

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions taken into account in the calculation of technical provisions. The Company assumes underwriting risks when performing insurance transactions, which represent its core business.

The main objective of underwriting risk management is to achieve and maintain the quality of the portfolio that provides for stable and safe operations while generating a maximum return. Every type of insurance has its own specific underwriting risks, which the Company duly identifies and manages. To achieve the main objective, the Company established procedures to ensure an appropriate level of underwriting risk exposure by:

- defining internal relations regarding powers and responsibilities;
- defining appropriate procedures for insurance product development and confirmation;

- defining appropriate procedures of underwriting risk identification, measurement, management and monitoring;
- establishing an appropriate internal control system that includes administrative and accounting procedures;
- defining a suitable internal assessment process of capital requirements for underwriting risk;
- monitoring the volume of gross written premium;
- defining the maximum level of own share or retention and optimal reinsurance coverage, thereby providing for an appropriate level of portfolio reinsurance and
- providing an optimal level of provisions and capital in relation to the portfolio risk.

As at 31 December 2016, underwriting risk accounted for 34% of non-diversified capital requirements for risks in the Company portfolio, amounting to EUR 162 million.

Using the standard formula for underwriting risks, the Company identifies the following risks according to its portfolio:

- non-life underwriting risk,
- health underwriting risk,
- life underwriting risk.

The health insurance category includes only health insurance that is not pursued on a similar technical basis to that of life insurance, therefore they are discussed below together with non-life insurance.

In assuming underwriting risks, the Company is moderately conservative, which means that it assumes a wider range of risks, thereby ensuring their diversification. By understanding the risks, the Company is able to actively manage them.

C.1.1.1 Non-life and health insurance

For non-life and health insurance, the Company assumes premium and provision risk, lapse risk and catastrophe risk.

Premium and provision risks

Premium risk is the risk that the written premium will be insufficient to meet all obligations arising from concluded insurance policies. This risk largely depends on the volume and range of insurance by lines of business.

When increasing the volume of insurance, the deviation of the claims ratio declines due to the law of large numbers. When expanding the range of products, the portfolio becomes less sensitive to external influences, e.g. price pressures for individual products.

The Company monitors this risk quantitatively with combined ratios, which measure the adequacy of the actual claims and expenses arising from insurance contracts. Capital requirement for premium risk is calculated using the deferred premium of non-life and health insurance of the Company less the premium transferred to reinsurance undertakings as basis. Under premium risk, the Company only includes the risks related to the usual claims. The Company addresses the risk of major claims after the threat or event under catastrophe risks.

Provision risk is risk that the actual payments of claims will deviate from the expected. Technical provisions for solvency purposes represent the best estimate of expected losses from existing non-life insurance contracts. In the event that the future realization of paid claims is higher than the volume of formed provisions, the Company will generate a loss from the existing obligations in the amount of the surplus. However, if the future realization is lower than expected, the Company will generate profit. The current assessment of technical provisions for solvency purposes is based on the best estimate – a weighted average of future cash flows. Provision risk therefore represents potential loss from provisions for claims already incurred in an extreme event, which – statistically speaking – is expected to occur once in 200 years.

Provision risk is balanced by regularly monitoring the claims experience by individual insurance class, calculating the run-off analysis and promptly adjusting the technical provisions to the new findings based on the analyses performed. Special attention in the creation of technical provisions for non-life insurance is paid to incurred but not reported (IBNR) claims.

Exposure to premium risk is measured on the basis of the volume measure for premium risk, which is based on the value of earned premiums. Exposure to provision risk is measured on the basis of the volume measure for provision risk, i.e. net claims provisions.

Material exposures originate from the insurance segments with the highest earned premiums or maximum net claims provisions.

Lapse risk

Lapse risk is the risk of a higher lapse rate of non-life and health insurance contracts than the expected lapse rate. Because the vast majority of non-life insurance is concluded for one year, this risk arising from non-life and health insurance is not that material for the Company.

Exposure to lapse risk is measured on the basis of technical provisions which increase due to the loss of the planned percentage of premium.

Catastrophe risk

The catastrophe risk in non-life and health insurance occurs due to the concentration of an insurance transaction in a geographic area, sector industry or insurance peril. It may also occur as a result of a correlation between individual insurance classes. This risk represents the risk of a single loss event with a loss potential that is significantly higher than the average incurred claim in the Company.

Large claim amounts can occur in the event of large individual claims, e.g. a fire in a large building, or in the event of simultaneous occurrence of a high number of small claims, e.g. in the event of an earthquake. The insurance portfolio for fire and natural disaster insurance includes both the largest number of individual major risks and coverage of natural disaster risks.

Exposure to catastrophe risk is measured on the basis of exposure from the existing insurance portfolio for the classes which cover catastrophe risk.

C.1.1.2 Life insurance

For life insurance, the Company assumes mortality risk, longevity risk, disability risk, morbidity risk, expense risk, lapse risk, revision risk and life catastrophe risk.

Exposure to life underwriting risks is measured on the basis of the best estimate of provisions, which is sensitive to changes in mortality, longevity, etc.

Mortality risk

The Company is exposed to mortality risks in policies covering the risk of death where the coverage is larger than the respective provisions at the time of the insured person's death. Life insurance policies for case of death of the policyholder and life insurance policies of loan borrowers have the highest exposure because the sums insured in the event of death are high and technical provisions arising from these coverages are relatively low. For similar reasons, life insurance policies with a savings component have a high exposure as well. Other policies have a low exposure to mortality risk. The Company calculates provisions for such insurance using mortality rates that represent the probability of death of each beneficiary by gender, age and risk class (depending on the insured person's health status and lifestyle).

Longevity risk

Longevity risk is the risk of a significant life expectancy extension of beneficiaries from insurance contracts. The Company is exposed to this risk in policies where the insurance payment is paid out in the form of an annuity or similar regular payments as long as the beneficiary is alive. Annuity and pension insurance policies are therefore exposed to this risk the most.

The Company calculates provisions for these insurance contracts using mortality rates, which represent the probability of death of each beneficiary by gender and age. If the overall life expectancy of the insured population extends significantly, the probability of death is decreased, which increases the Company’s obligations arising from the exposed policies.

Disability and morbidity risk

Disability and morbidity risk is the risk of a significant increase in the probability of occurrence of disability, illness or morbidity in beneficiaries under insurance contracts. The Company is exposed to this risk in policies that cover critical and serious diseases and disability.

Expense risk

Expense risk is the risk of changes in the value, trend or volatility of expenses incurred in the process of meeting the Company’s obligations towards beneficiaries under insurance contracts. The Company is exposed to expense risk in all policies.

Lapse risk

Lapse risk is the risk of changes in value or volatility of probabilities taken into account for early termination, termination, renewal and surrender of insurance contracts. All policies allowing policyholders to change the policy (surrender of the policy, change coverage or premium amounts, decide with what proportion of saved assets they will purchase the annuity, etc.) are exposed to this risk.

Revision risk

A special example of provision risk is the risk of obligations arising from non-life insurance, which is similar in nature to life insurance. Most compensation in non-life and health insurance is paid out in lump sums or several instalments, which is why they are similar in nature to non-life insurance. However, in some cases, courts may require that the compensation be paid out in annuities. Such obligations are similar in nature to obligations arising from life insurance in terms of payment and are valued according to the life insurance principles. These obligations are subject to the revision risk because following a complaint by the beneficiary of annuity payments, the court may increase the annual payment due to increased costs of beneficiary’s medical treatment or an increased average wage on the market. This increases the nominal value of the Company’s obligations. The default average rate of such increases is taken into account in the valuation of technical provisions for annuity compensation coverage. Revision risk is the risk of deviation of realized value corrections from the expectations defined with indexation.

Catastrophe risk

Catastrophe risk arising from life insurance is the risk caused by typical uncertainty about the set premium and inadequate assumptions taken into account in the calculation of technical provisions related to extreme and exceptional events.

C.1.2 Underwriting risk management

The Company established methods and processes to define responsibilities, powers and objectives in underwriting risk management. Underwriting risks are managed through appropriately established key processes of product development, underwriting, claim settlement and transfer of underwriting risks to reinsurance based on the set strategic objectives. These key processes are continually upgraded and improved with the help of appropriate limits, established controls and staff development.

Underwriting risks are primarily managed with appropriate underwriting, defining premium rates, monitoring risk concentration and transferring risks to other entities. Insurance liability risks mainly arise from inadequate provisions and the related capital created by the Company. The Company also decreases assumed underwriting risks by transferring a part of such risks to reinsurance. With the aim of optimizing the ratio between the assumed risks and the reinsurance costs, the Company uses its experience to define and regularly assess the maximum own shares for which the probability of capital loss, which the Company is willing to risk, is still acceptable.

In the context of underwriting risks, the Company also addresses and manages concentration risk in insurance transactions with strategic (corporate) clients, reinsurance, and geographical and sectoral business allocation.

C.1.2.1 Non-life and health insurance

To ensure an adequate level of premium risk, the Company regularly monitors combined ratios and adjust the volume and quality of accepted risks in the product development process by setting the criteria for underwriting and premium amount. To increase the taking of underwriting risks, the Company uses targeted sales campaigns, thereby successfully providing quality and diversification of underwriting risks.

According to the underwriting method, insurance is divided into standardized insurance, where premium risks are controlled through tariffs and terms and conditions or through a questionnaire and risk analyses for companies, and individual insurance where premium risk is managed through an individual valuation and underwriting. Another important measure is an appropriately established system for the scope of powers. The Company limits the assumption of major underwriting risks by threat and event with restrictions defined in the tables of maximum share by insurance type and by limiting maximum exposure to catastrophic events.

Insurance risk concentration is managed with adequate reinsurance schemes, which are based on the tables of maximum net retained lines. Even a single event in a business segment or industry may have a material impact on repayment capacity. The aim of concentration risk management is to establish efficient procedures for reducing the probability of loss and limiting losses arising from underwriting risk concentration.

In geographical terms, the Company assumes underwriting risks mostly in Slovenia.

Insurance perils with a low frequency and a high severity risk are managed by the reinsurance cover. The reinsurance programme includes various types of reinsurance coverage by lines of business, depending on the nature of the insured risk.

The largest own exposure which the Company is willing to accept (hereinafter: retention) is EUR 3.5 million per insured risk, with the exception of nuclear threats, and EUR 7.5 million per catastrophic natural event. For nuclear threats, which have an even lower frequency and correlation, the retention of the Group is EUR 10 million.

Particular attention is paid to natural disasters such as earthquakes, storms, hail, floods or freezing rain. To assess the claim potential of catastrophic natural disasters, the results of various available models are taken into account and used in determining appropriate reinsurance protection.

The threat of earthquakes in the Ljubljana region represents the highest risk of a catastrophic natural event for the Company in the non-life segment. The protection against a possible increased occurrence of natural disasters in a particular year is also arranged for the Company.

The Company manages its exposure to catastrophe risk by defining the maximum acceptable financial effect of catastrophic events in the Risk Appetite, after taking into account the mitigating effects in a calendar year on the available economic capital.

A sensitivity analysis for non-life insurance shows that a 10% increase in the rate scale for premium risk increases capital requirements for premium and provision risks arising from non-life insurance by 6.4%. In the event that provision risk increases by 10%, capital requirements for premium and provision risks arising from non-life insurance increase only by 3%.

C.1.2.2 Life insurance

For life insurance products, underwriting risk management performed in the underwriting phase is the most important. This is performed using predefined rules that were set in cooperation with reinsurers. The process includes a health questionnaire, financial underwriting, an overview of existing medical documentation and medical tests. The scope and depth of this process depend on the sum insured. For insurance products without the underwriting process, low sums insured and a waiting period are prescribed for protection against adverse selection.

The second part of risk management is performed in the claim settlement phase, where the medical documentation from the claim is cross-referenced against the information in the policy.

Risk monitoring is performed regularly (at least once a year) by analysing the portfolio mortality, morbidity and claims ratio of accident insurance compared with the premium charged and market practice. The result of these analyses is the best estimate of assumptions for all underwriting risks, which is then used to calculate provisions, set new product prices and calculate the capital adequacy level.

C.2 Market risk

C.2.1 Description of material market risks

Market risk is the risk of loss or adverse changes in the financial situation of the Company, resulting from fluctuations in the level and the volatility of market prices of assets, liabilities and financial instruments which may have a negative impact on the Company's financial situation. Zavarovalnica Triglav has identified the following types of market risk:

- The risk of changes in interest rates or interest rate risk is the risk of loss due to changes in interest rates that affect the value of interest rate sensitive items of assets and liabilities. The key elements include the repricing gap, the yield curve shift, the basis risk and the embedded options of interest rate sensitive items.
- The risk of changes in the price of equity securities or equity risk refers to the sensitivity of the value of assets and liabilities to adverse changes in the prices or market price volatility of equity securities.
- The risk of changes in the prices of real property refers to the sensitivity of the value of assets and liabilities to adverse changes in the market prices of real property.
- The risk of changes in credit spreads or spread risk refers to the sensitivity of the value of assets and liabilities to adverse changes in credit spreads. The key elements of spread risk are the level and volatility of credit spreads over the term structure of the risk-free rate and the value of debt financial instruments.
- Currency risk is the risk of loss arising due to adverse changes in exchange rates. Currency risk is affected by the amount of the open currency position (i.e. the currency mismatch of assets

and liabilities), the volatility of the relevant exchange rate and the liquidity of the markets for the relevant currency.

Within the framework of its investment portfolio, the Company is exposed to the market risks arising from the individual types of investments. In terms of the structure of its portfolio, Zavarovalnica Triglav has the largest exposure to debt securities in the amount of EUR 1,466 million, followed by shareholdings in subsidiaries in the amount of EUR 339 million, investments in investment funds amounting to EUR 83 million, real property and equipment for own business amounting to EUR 69 million, investments in stocks amounting to EUR 53 million and investments in real property amounting to EUR 49 million, loans in the amount of EUR 46 million, cash and cash equivalents in the amount of EUR 22 million and deposits in the amount of EUR 20 million. Unit-linked insurance assets total EUR 630 million.

Table 7: Financial assets of Zavarovalnica Triglav as at 31 December 2016

31.dec.16	in EUR thousand	
Assets	**Amount**	**Percentage in all assets**
Own real property	**69,156**	**2.41%**
Investment property	**49,033**	**1.71%**
Investments in subsidiaries	**339,392**	**11.81%**
Shares	**52,793**	**1.84%**
Bonds	**1,466,458**	**51.02%**
Financial investments in investment funds	**83,231**	**2.90%**
Derivatives	**1,423**	**0.05%**
deposits, excluding cash equivalents	**20,007**	**0.70%**
other financial investments	**1,700**	**0.06%**

Among sovereign exposures, the Company's largest exposure in 2016 was the exposure to the Republic of Slovenia reaching 48.2 percent. Other exposures exceeding 5 percent were those to the Federal Republic of Germany (7.8%) and the Kingdom of Spain (6.1%).

Among individual issuers, the Company's largest exposure was the exposure to the Republic of Slovenia (7.9%), followed by Triglav Re (3.8%), Triglav INT, d.d. (3.6%) and the Kingdom of Spain (3.4%).

As at 31 December 2016, market risk represented 53% of the undiversified risk capital requirement arising from the Company's portfolio, amounting to EUR 249 million.

C.2.2 Market risk management

To ensure an effective management of market risk, the Company has established methods and processes with clearly defined powers and responsibilities which allow for an up-to-date identification, measurement, assessment, control and monitoring as well as management of market risks. In addition, this system allows the Company to ensure a quality market risk analysis and reporting as well as to propose and implement measures to prevent any decline of the Company's surplus of assets over its liabilities resulting from changes in financial markets, including the real property market.

The market risk management system and its objectives are defined in the internal act on market risk management. The key objectives refer to the control of market risks in the Company and are aimed at:

- an efficient and effective identification, measurement, assessment, control and management of market risks;
- minimising the potential losses arising from adverse changes of market-related variables;
- asset and liability management with a view to avoiding maturity mismatches;
- asset and liability management with a view to avoiding currency mismatches;
- asset and liability management with a view to avoiding maturity mismatches of interest rate sensitive assets and liabilities;
- an appropriate liquidity structure of financial instruments, i.e. providing for the possibility of an immediate sale of a financial instrument;
- an appropriate diversification and profitability of financial investments;
- adequate investments backing provisions;
- regular monitoring of the Company's exposure to market risk and verification of the correctness and appropriateness of the assumptions used in establishing the market risk management policy;
- performance of appropriate credit risk assessment within the ORSA process;
- preparation of analyses, appropriate information and compiling of reports on credit risk exposure.

For the purpose of monitoring market risks, the Company has in place a system of tolerance limits that establishes restrictions in terms of the maximum level of acceptable risk and defines the desired investment portfolio structure and the maximum admissible counterparty exposure, thereby limiting the potential losses arising from market risks to a level that is deemed acceptable in view of the complexity of the business model, the strategic goals and the capital strength of the Company. The basic principles for the setting of tolerance limits are derived from the identified risks arising from trading and investment portfolio management.

In addition to the diversification of the investment portfolio, the Company also employs other techniques to mitigate risk, including various derivative financial instruments for hedging market risks. Derivatives are only used in cases when they allow for additional flexibility in asset management and provide an effect that would be relatively harder to achieve without resorting to this type of instrument.

The assessment of the necessity to use this type of instruments takes into consideration several aspects, focusing most often on the safety, economic efficiency and the use of capital. When using derivatives, the main emphasis is on the comprehensive hedging of individual portfolios. In this respect, derivatives for hedging interest rate risk are currently most topical.

Exposure to concentration risk under the criteria of the methodology for solvency purposes as at 31 December 2016 was in line with the guidelines set in the Risk appetite.

The structure of the Company's financial assets remains relatively conservative, focusing on fixed-income investments. Investments in debt financial instruments are appropriately diversified both across sectors and issuers with a view to ensuring an adequate safety of the investment portfolio. In terms of issuer sectors, sovereign bonds have a predominant share of over 55%.

Market risk exposure indicators are monitored on a daily, weekly or monthly basis by the Performance Monitoring Department. Additional monitoring of key market risk indicators is carried out by the Risk Management Department in the form of regular reports drafted at least every quarter. In the event that a market risk appetite or limit is exceeded, the Risk Management Department submits a proposal for action to the Management Board.

In the course of the ORSA process in 2016, the Company performed stress scenario testing to assess sensitivity to extreme changes in market parameters. In 2016, the Company also participated in stress tests prescribed by the European Insurance and Occupational Pensions Authority (hereinafter: EIOPA). To this end, EIOPA designed two market scenarios aimed at assessing the key systemic risks in the financial system. The first scenario was set out to assess the resilience of insurance companies to a persistent low interest rate environment. The second "double-hit" scenario was designed in cooperation with the European Systemic Risk Board and simulated the dynamic on global financial markets in the event of a drop in the market prices of sovereign and corporate bonds in combination with a decline of stock and other financial investments.

The results of the stress test for Zavarovalnica Triglav indicate that the company would maintain an adequate capital level even under stress conditions.

C.3 Credit risk

C.3.1 Description of material credit risks

Credit risk is the risk of loss resulting from a debtor's inability to meet their financial or contractual obligations in part or in full. Credit risk is defined as the risk of loss or of adverse changes in the financial situation of the Company, resulting from fluctuations in the credit situation of counterparties and debtors to which the Company is exposed in the form of counterparty default risk and concentration risk.

Credit risk encompasses three risk types:

- Credit risk with regard to investments, which refers to the potential loss due to default or a deterioration of the credit situation of an issuer of securities or counterparty involved in a derivatives transaction. It also includes credit concentration risk which refers to any exposure to an individual debtor, country or sector high enough to jeopardize the solvency or financial position of the Company.
- Credit risk with regard to reinsurance, which refers to the potential loss resulting from a default or a deterioration of the credit situation of reinsurers.
- Credit risk with regard to receivables from policyholders and insurance brokers, which refers to the potential loss resulting from a default of insurance brokers and other debtors in respect of premium.

The concept of credit risk also includes concentration risk. The Company measures and monitors concentration risk in all segments of its operations as part of the risk management of individual risk types, taking due account of the exposure to individual segments, counterparties, sectors, countries or sales channels. Credit concentration risk is the risk of a loss arising from excessive exposure to a single individual, group of related parties and parties connected by common risk factors such as the same economic sector or geographical area.

Credit risks arise in:

- basic insurance transactions with clients who are in different financial positions at the time of existence of the obligation to pay the premium;
- the conclusion of contracts with reinsurers, as there is the risk of inability to pay out claims in the case of a loss event;
- the management of investments in the framework of investment policies which involves the risk of changes in credit spreads due to a credit rating downgrade or the insolvency of bond issuers or banks in which the Company invests its assets or of counterparties involved in derivatives transactions.

The Company has a conservative approach to assuming credit risk, basing its decisions on the assessment of assumed risks and its exposure to reinsurers, clients defaulting on premium and subrogation and striving for the safety and high quality of its investment portfolio.

As at 31 December 2016, credit risk represented 9 percent of the undiversified risk capital requirement arising from the Company's portfolio, amounting to EUR 40 million.

C.3.2 Credit risk management

For the purpose of managing credit risk, the Company has established a process based on a well-defined methodology of risk measurement and the provision of high quality information to all stakeholders. This process allows for effective decision-making, thereby providing for appropriate credit risk management.
The Management Board is in charge of efficient credit risk management at the level of the entire Company and is also responsible for ensuring an adequate organizational structure, allocation of responsibilities as well as the appropriate structure and professional competence of staff. The Management Board has delegated a part of its competence in the field of credit risk management to the Assets and Liabilities Committee, the Underwriting Committee and the Risk Management Committee as the highest decision

The Company's readiness to take on credit risk is defined in the Strategy and the Risk appetite. The Company determines its appetite for credit risk by means of internal risk indicators.

Credit risk management is implemented through monitoring and restrictions applied to exposures to individual counterparties as well as by evaluating the suitability of counterparties, also taking into account the principle of materiality.
The monitoring of exposure to individual counterparties, the compliance with internal tolerance limits and the diversification of counterparties in terms of credit rating with regard to investments is carried out on a regular basis by the Performance Monitoring Department. With regard to reinsurance, these tasks are performed by the Risk Management Department. This department also performs a quarterly review of the entire range of credit risks and submits its findings to the Management Board in the form of regular reports.

The credit risk management system and its goals are defined in greater detail in the internal act on credit risk management. The main goals of the credit risk management process include:

- efficient and effective credit risk identification, measurement, assessment, control and management;
- the establishment of appropriate procedures for minimising the probability of loss occurrence and limiting the loss arising from credit risk;

- management of the portfolio credit risk by investing assets in investments with an adequate credit rating, an expert analysis of counterparty credit risk and a sufficient degree of portfolio diversification;
- regular monitoring of the credit rating of external institutions and limiting the exposure to non-rated counterparties;
- definition of restrictions and limits in terms of permissible types of investments or financial instruments as well as the maximum permissible exposure to individual counterparties or groups of related parties;
- prudent consideration of the eligibility of business partners for reinsurance and fronting transactions and regular monitoring of their eligibility based on their credit rating and the adequate degree of diversification.
- regular monitoring of the Company's exposure to credit risk and verification of the correctness and appropriateness of the assumptions used in establishing the credit risk management policy;
- performance of appropriate credit risk assessment within the ORSA process;
- preparation of analyses, appropriate information and compiling of reports on credit risk exposure.

The Company limits its exposure to credit risk by ensuring that this exposure never exceeds 15 percent of the available economic capital for solvency purposes given the target solvency position.

Exposure to concentration risk under the criteria of the methodology for solvency purposes as at 31 December 2016 was in line with the guidelines set in the Risk appetite.

The Company manages the credit risk arising from its investment portfolio by investing assets in investments with an adequate credit rating, conducting an expert analysis of counterparty credit risk and ensuring a sufficient degree of portfolio diversification. For the purpose of measuring portfolio credit risk, the Company monitors the credit ratings of external institutions on a regular basis, placing a particular emphasis on monitoring and limiting the exposure to non-rated counterparties. Furthermore, in order to monitor and limit the credit risks arising from the investment portfolio, the Company defined restrictions and tolerance limits for permissible types of investments or financial instruments as well as the maximum permissible exposure to individual counterparties or groups of related parties.

The credit risk exposure to individual reinsurers is determined by taking account of the amount of existing receivables, the amount of the ceded technical provisions and the effect of the lower capital requirement with regard to reinsurance.

When assuming credit risk arising from reinsurance, the Company employs a proactive approach to credit risk management by conducting a thorough assessment of the eligibility of business partners for reinsurance and monitoring their eligibility on a regular basis (credit rating, diversification). The Company defines and monitors the required credit rating of reinsurers using the criteria of the rating agency S&P with a view to ensuring that its exposure to reinsurance credit risk never exceeds the criteria required of A-rated insurance companies.

The Company's exposure to credit risk arising from reinsurance results almost entirely from the operations of Triglav Re which plays an important role in organising reinsurance at Group level and represents a vital element of the risk management system, particularly with regard to the implementation of the goals set in the Risk appetite for the area of underwriting risk. As at 31 December 2016, the company Triglav Re had an A credit rating.

The Group regularly analyses credit risk sensitivity. The Company is the most sensitive to the credit rating of Triglav Re as its main reinsurance partner.

C.4 Liquidity risk

C.4.1 Description of liquidity risk

Liquidity risk is the risk of loss resulting from the Company's inability to meet its payment obligations when due and/or payment obligations arising from major losses or from the fact that the Company is forced to acquire the necessary funding at costs significantly above the usual. Liquidity risk also refers to the risk of impaired access to financing required for the settlement of liabilities arising from insurance and other contracts. Liquidity risk usually materializes in the form of the inability to liquefy investments without selling at a significant discount to the current market prices.

Liquidity risk indicators show a high liquidity of Zavarovalnica Triglav.

The Company is traditionally an institution with strong liquidity as the inflows from the core activity are constant and additional security mechanisms (credit lines, repurchase agreements, etc.) were established for ensuring sufficient liquidity.

C.4.2 Liquidity risk management

The liquidity risk management system and its goals are defined in greater detail in the internal act on liquidity risk management. The key goal of the liquidity risk management system is to ensure:

- efficient and effective liquidity risk identification, measurement, assessment, control and management;
- the availability of a sufficient amount of liquid assets at any given time for the timely settlement of liabilities, which means ensuring the Company's liquidity at all times;

- daily settlement of all of the Company's liabilities (on-balance-sheet and off-balance-sheet) in different currencies;
- meeting of internal liquidity ratios;
- economical management of any daily surplus liquid assets;
- monitoring of the liquidity gap (liquidity gap analysis);
- planning of budgeted and potential cash outflows and sufficient cash inflows, taking due account of the requirements of operations in both normal and extraordinary circumstances (not only in a liquidity crisis, but also in the case of other extraordinary events);
- preparation, proposal, coordination and implementation of measures to prevent or eliminate the causes for the occurrence of illiquidity;
- regular monitoring of liquidity and verification of the accuracy and appropriateness of the assumptions used in establishing the liquidity risk management policy;
- implementation of an appropriate liquidity risk assessment in the context of own risk and solvency assessment (ORSA);
- preparation of analyses, appropriate information and compiling of reports on liquidity risk exposure.

The Company manages its investments and assets in a manner allowing it to meet, at any given moment, all of its matured liabilities. To meet these liabilities, the appropriate structure of assets is maintained in terms of their nature, duration and liquidity. An adequate liquidity position is ensured through the planning of actual and potential net cash outflows, by maintaining an appropriate level and structure of liquid investments and by monitoring the structure of liabilities and financial assets. Exposure to liquidity risk is limited by setting the relevant limit systems.

The Company's readiness to take on liquidity risk is defined in the Strategy and the Risk appetite. The Company determines its appetite for liquidity risk by means of internal risk indicators defined in the Risk appetite.

The monitoring of liquidity risk exposure indicators in line with the Risk appetite is carried out by the Risk Management Department in the form of regular reports drafted at least every quarter. If it is established that the liquidity risk appetite has been exceeded, the Risk Management Department proposes measures for limiting the exposure to an acceptable level to the Management Board.

The Management Board is in charge of efficient liquidity risk management at the level of the entire Company and is also responsible for ensuring an adequate organizational structure, allocation of responsibilities as well as the appropriate structure and professional competence of staff. The Management Board has delegated a part of its competence in the field of liquidity risk management to the Assets and Liabilities Committee and the Risk Management Committee as the highest decision-making bodies in this area.

The amount of expected profit in future premium is the potential surplus of the best estimate of net cash flow given the specified assumption over the best estimate without the specified assumption.
The amount of expected profit in future premium from life insurance is calculated using the assumption that all insurance policies remain valid in the future, but the inflow of future premium ceases for various reasons, therefore the future entitlements from insurance policies are adjusted accordingly.

In non-life insurance, the amount of expected profit in future premium is calculated as the best estimate of cash flow under the assumption that the expected premium from existing policies will not be paid; other assumptions applied in the calculation remain unchanged. The calculation also takes due account of the fact that default on premium means that the Company no longer has any obligations to the policyholder.

The amount of expected profit in future premium as at 31 December 2016 is shown in the table below.

Table 8: Amount of expected profit in future premium as at 31 December 2016

31 Dec. 2016	in EUR thousand
Amount of expected profit in future premium	**Amount**
Life insurance	**21,665**
Non-life insurance including health insurance	**9,734**

Investment assets are invested prudently, taking due account of the nature of the investment and the liquidity requirements and duration of liabilities arising from the transaction.

Liquidity management measures are divided into two parts. The first part consists of liquidity management prior to the purchase of a financial instrument and after the purchase has been completed. Prior to the purchase, the Company manages liquidity risk by adhering to the set tolerance limits for investments given the nature of the investment. The second part of liquidity risk management is the continuous monitoring of various indicators and stress tests used to assess the liquidity situation of the Company. For this purpose, the Company carries out regulatory stress tests, stress tests in cooperation with rating agencies as well as internal stress tests in the course of the ORSA process.

The Company has also established procedures determining the course of action in the event of inadequate liquidity. The Risk Management Department informs the Risk Management

Committee and the Management Board of any detected deficiencies and these bodies then take action, if necessary.

C.5 Operational risk

C.5.1 Description of material operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, project planning and management, people and systems or from external events.

In its operational risk classification, the Company uses the seven basic operational risk categories, which are compliant with the following operational risk categories of the Operational Risk Insurance Consortium.

- internal fraud or unauthorised activity of internal persons;
- external fraud or unauthorised activity of third parties;
- system failure and related business interruptions;
- damage to physical assets;
- inadequate human resource and work environment safety management;
- non-compliance with the applicable regulations, inadequate business or market practices, clients and products;
- inadequate implementation and management of processes and the control environment, suppliers and business partners.

As at 31 December 2016, operational risk accounted for 4% of non-diversified capital requirements for risks in the Company's portfolio, amounting to EUR 18 million.

C.5.2. Operational risk management

The operational risk management system and its objectives are defined in greater detail in the Operational risk management policy. The basic objectives of the system provide the following to the Company:

- efficient and effective operational risk identification, measurement, assessment and management;
- a transparent, comprehensive and effective monitoring of operational loss events and realized losses by individual functional area with the purpose of preventing and mitigating especially major or frequent loss events;
- preparation, proposal, coordination and implementation of measures to reduce operational risk, eliminate the consequences and prevent future loss events;

- an appropriate calculation of capital requirements for operational risk in accordance with the applicable legislation and capital models of rating agencies;
- implementation of appropriate operational risk assessment in the process;
- preparation of analyses and appropriate informing and reporting lines on exposure to operational risks and the related loss events and other content;
- more efficient management of operational risks, processes, projects and outsourcing.

The Company effectively manages operational risk through the following three basic process sets:

1. Prior identification, assessment and determination of the management method for potential operational risks, which are performed through workshops.
2. Identification and reporting on realized operational risks or loss events in a structured database.
3. Appetite monitoring and monitoring of key operational risk indicators.

The Company defines its risk appetite by operational risk with risk appetite indicators. The Company has zero tolerance to operational risk arising from internal crime, the leaking of information to unauthorised persons and employees' negligent conduct.

The Risk Management Department performs the collection and monitoring of risk appetite indicators related to operational risk exposure at least on a quarterly basis, in the form of regular reports. If it establishes that the operational risk appetite has been exceeded, it will submit draft measures for limiting the exposure to an acceptable level to the Operational Risk Management Committee and, if appropriate, to the Management Board.
The Management Board is responsible for effective integrated operational risk management in the Company as a whole and for providing an organizational and accountability structure. For this purpose, it established the Operational Risk Management Committee and the Risk Management Committee as decision-making bodies at the highest level of this risk segment. For effective management of appropriate project implementation, the Management Board established the Project Steering Committee.

In the management of operational risk loss events, the Company pursues the rule of achieving positive business effects with regard to the ratio between potential loss due to risk occurrence and the amount of necessary costs invested to avoid the occurrence of a loss event. This is prudent behaviour aimed at improving business results and avoiding any catastrophic consequences. In order to achieve effective and efficient implementation and management of operational risks, the Company has established and maintains an appropriate working environment and employee organisational culture, because it is aware of the fact that this is one of the key components to effectively mitigate and manage operational risks, which are present in all business processes.

The global insurance industry is faced with a number of adverse effects of fraud. In Zavarovalnica Triglav, the implementation of a comprehensive fraud management policy is the responsibility of the Fraud Prevention, Detection and Investigation Department, the Compliance Office, the Internal Audit Department and the Risk Management Department. Even though the Company is mostly exposed to insurance fraud, its fraud prevention, detection and investigation policy encompasses all business areas. It includes underwriting and claim settlement as well as areas such as relations with service providers and insurance intermediaries, financial investments and human resources.

In order to mitigate the insurance fraud risk, the Company additionally improved and upgraded the key fraud indicator system in 2016. The system helped the Company to detect and confirm 44% more instances of insurance fraud, which were then appropriately resolved. The most common fraud scheme by third parties was false demonstration of loss events, representing 80% of all closed fraud cases in the period.

In terms of concentration and the materiality of operational risk, the Company is aware of the fact that in the era of computerization and digitisation, operational risk in the IT impact on operations is increasing. The Company and its operations are already highly dependent on the proper functioning of information technology (e.g. key applications). Consequently, the Company pays special attention to information risk management and information security and – in the operational risk category – failure of information systems and the related business disruption. This is because even relatively short availability downtimes or downtimes in proper operation of certain system or application components, as well as inadequate protection against breach may lead to a significant loss in business income and even reputation.

In this regard, last year the Company performed a risk analysis for the use and development of IT applications. For identified key risks, the Company then performed specific measures for their mitigation and continues to proceed with their implementation. These main activities include an appropriate process adjustment, especially implementation of the entire application development and change management process, including more complete and appropriate testing and optimisation of IT and application structure.

Another important operational risk concentration set is the risk of dependence on key personnel. This is managed by ensuring succession.

The Company developed a key personnel management system which increases satisfaction and allows for continuous growth and development. Career development and continuity in Company

management are planned, retention of expertise and personnel development is provided for and motivation of key employees is increased.
The Company also tests for sensitivity to realized operational risk. In 2016, a stress test was performed for this purpose. A scenario for transferring IT operations from the primary server location to the backup location was implemented. As a rule, the Company annually assesses potential operational risk impacts and defines methods for their management by carrying out workshops on potential operational risk.

C.6 Other risks

C.6.1. Non-financial risks

In terms of performance of the Company, material non-financial risks include strategic risk, capital risk, reputational risk and Group risks. Non-financial risks are very closely linked to other risks, especially operational risks, and normally arise from several realised factors, both inside and outside of the Company.

The main objectives of the non-financial risk management system are parallel with the objectives of the Strategy and lead the Company towards:

- achieving strategic objectives, stable operations and long-term growth;
- maintaining good reputation and a high level of confidence of all stakeholders;
- operation in accordance with the applicable legislation and other commitments and established good business practices;
- meeting the criteria of external rating agencies to maintain at least the A credit rating;
- efficient and effective non-financial risk identification, measurement, assessment and management;
- timely detection of deviations from the strategic objectives, an analysis of causes and a range of measures to achieve them, and coordination and implementation of measures in the business process;
- preparation of analyses, appropriate informing and compiling of reports on non-financial risk exposure;
- implementation of appropriate non-financial risk assessment in the context of the ORSA process.

The strategic risk is the risk of loss due to inappropriate strategic decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment (including legal and regulatory risks).

Capital risk represents the possibility of loss due to inappropriate capital structure given the volume and manner of operations or the problems that the Company would face in acquiring fresh capital, particularly if it needed to increase its capital rapidly or in adverse conditions.

Reputational risk is the risk of loss arising from a negative image held regarding the future or existing operations of the Company by its clients, business partners, employees, shareholders and investors and/or competent or supervisory bodies and the public.

Group risks arise from the Company's business model – the Company operates as the controlling company or a group of related parties. These include risks that may jeopardize the achievement of strategic objectives due to an inefficient Group management system and insufficient knowledge of the business environment where the Group companies operate. The Company's risk profile is also affected by transactions between related companies and an increased complexity of concentration risk management.

The willingness to assume non-financial risk or tolerance towards this risk segment is defined as low. The Company's internal culture and system of governance as well as all its business practices are directed towards avoiding such risks and minimising their negative impacts on the operations of the Company.

It is hard to quantify non-financial risks and define the Company's sensitivity towards them. As the result, they are not fully covered by the standard formula. The Company regularly identifies, measures and monitors such risks and creates measures for risk mitigation if necessary.

The Company's Management Board is responsible for effective non-financial risk management and for providing an appropriate organizational, accountability and personnel structure as well as professional competence of employees. The Risk Management Committee and the Compliance and Ethics Committee are decision-making bodies at the highest level of this risk segment.

C.6.2. Combined risks

Combined risks were formed with the aim to identify scenarios or potential events, which the functional areas estimated to be relevant for 2016 and 2017, defining how they could affect the Company as a whole. The effects were assessed by the Company's solvency working group (Pillar 1) in cooperation with functional areas that identified the assumptions for individual combined risks.

Scenario one: political instability of the European Union

The scenario is based on the assumption of a serious European financial crisis, which would occur due to a possible threat of collapse of the European Economic Area, and a division of the

European Monetary Union into two parts with a different development pace. This would increase uncertainty on financial markets of peripheral countries, which would lead to a general price reduction of risky financial instruments.

The Company passed the first scenario in accordance with the objectives set in the Risk Appetite.

Scenario two: a pandemic in Europe

The scenario is based on the assumption of an outbreak of a flu-like disease that would spread across the entire Europe within a year. During this time, the disease would reach its peak and decline. This scenario also considers the consequences that would be reflected in the global financial markets.

The test according to the second scenario demonstrated that the Company would pass the scenario in accordance with the objectives set in the Risk Appetite.

Scenario three: disruption of global financial markets

The assumption comprises a global event or a series of events that would be globally felt within a year in all economies. All countries would feel the consequences of this event. In the financial industry, payment for fear would translate into increased spreads for peripheral countries and slightly decreased credit spreads for countries with best credit grades. Stock markets would respond with a global price drop.

The Company passed the third scenario in accordance with the objectives set in the Risk Appetite.

Along with the abovementioned scenarios, the Company implemented further 9 scenarios. All were non-material for the Company.

C.7 Other information

Prudent person principle

Asset management is performed in the best interest of all policyholders and beneficiaries. The Company manages assets with due care and diligence. Management of assets andtechnical provisions is performed by pursuing the objectives aligned with policyholder objectives: to maximise safety, liquidity, diversification, profitability and provision coverage with investments.

The target profitability of the investment portfolio is defined in individual investment policies. In accordance with the mission and risk tolerance of individual portfolios, investment targets that provide long-term profitability in accordance with the expected risk appetite are defined.

In addition to publicly available information, the Company uses own quantitative and qualitative indicators in asset management to assess the debtor credit rating. If necessary, the

Company uses various liquidity, performance and indebtedness indicators for individual companies and countries (e.g. net financial debt in relation to the company cash flow, operating profit in relation to annual interest on debt, Altman Z Score, etc.).

For each non-standard investment or an investment grade that is not defined as a permissible investment form in the investment policy, approval of the ALCO is required. For the ALCO, a detailed analysis of individual investments or investment classes needs to be prepared, including the impact of such an investment on the risk profile of the entire portfolio of the Company. Among other things, proper software support for analytical and financial monitoring of such investments needs to be provided.

The Company monitors investment portfolio security through weekly limit verification and prepares standard weekly and monthly reports, including extended quarterly reports.

The use of derivatives is described in the internal document on derivatives, which defines their use for the purpose of financial risk management.

Currently, the Company does not invest assets into securitised instruments. Each individual investment is treated from the portfolio perspective, which requires for each investment to be primarily assessed in terms of its impact on existing invested assets, their variability and contribution to profitability. For each individual investment, an analysis is reviewed or prepared. The depth of analysis depends on the complexity of an individual investment and its share in total assets.

When investing assets, the Company pursues the principle of matching of the duration of assets and liabilities.

D. Valuation for solvency purposes

The Company valuates its assets and liabilities for solvency purposes at fair value. Valuation is performed in accordance with the process described in Section B.3 hereof.

In the valuation of assets and liabilities, the Company uses the risk-free interest rate published by EIOPA and does not use any adjustments of the curve.

Table 9 shows the balance sheet of the Company for solvency purposes.

Table 9: Balance sheet of Zavarovalnica Triglav as at 31 December 2016

31.dec.16 — in EUR thousand

Balance sheet	Amounts for the solvency purposes	Amounts for financial statement purposes
Assets	2,874,164	2,740,333
Intangible assets including deferred costs of acquiring insurance contracts	0	55,885
Financial investments	1,789,717	1,738,216
Holdings in related undertakings, including participations	339,391	140,135
Deferred tax receivables	15,347	0
Reinsurance recovarables	56,870	76,455
Unit-linked insurance assets	630,342	629,591
Receivables from direct insurance operations	5,978	63,532
Receivables from reinsurance and other receivables	12,337	12,337
Cash and cash equivalents	22,232	22,232
Other assets	1,949	1,949
Liabilities	1,987,782	2,176,944
technical provisions	1,850,996	2,076,303
Other provisions	11,237	11,237
Deferred tax liabilities	51,437	7,065
Financial liabilities	1,853	1,853
Receivables from direct insurance operations	16,887	16,887
Receivables from reinsurance and coinsurance operations	0	11,508
Other receivables	28,227	28,227
Subordinated liabilities	24,385	21,103
Other assets	2,761	2,761

Below, the valuation methods for solvency purposes by material asset and liability class are described in more detail.

D.1 Assets

The valuation of assets of the Company for solvency purposes is governed by the internal document on the valuation of financial assets, setting out the processes, bases and valuation methods for each asset type (e.g. bonds, shares, deposits, loans, real property, non-financial assets).

Furthermore, the document defines the bases, methods and processes used in the valuation for the purpose of financial statements as well as for solvency purposes. Several valuation methods may be used for the valuation of assets for the purpose of financial statements, while for solvency purposes assets may be valued only according to the method that is consistent with the applicable EIOPA guidelines. The assets disclosed at amortized cost in the financial statements are revalued at fair value for solvency purposes. The fair value is determined according to the active market quotations or the valuation models that reflect raw data from financial markets as much as possible.

Asset classes are presented below.

D.1.1 Material intangible assets

Intangible assets of the Company consist of software and property rights, which are valued at zero for solvency purposes due to the problem of demonstrating their true value.

For the purpose of financial statements, intangible assets are valued separately for:

- software and property rights: These are valued by using the cost model. As at the balance sheet date, assets are disclosed at their cost less accumulated amortisation and any accumulated impairment loss. The amortisation period is determined in relation to the useful life. The subsequent recognition of an intangible asset is possible in so far as it corresponds to the definition of an intangible asset and recognition criteria. Intangible assets with an indefinite useful life are not amortised. An impairment test is performed for these assets every year.
- deferred acquisition costs: These costs are recognised in the amount of the proportion of acquisition costs in gross insurance premium, with which unearned premium is multiplied. The calculation is made by insurance class in the non-life insurance group. Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method.
- goodwill: It is recognised in the case of acquisition of a subsidiary. In the consolidated financial statements, goodwill is disclosed as the surplus of the sum of consideration given, measured at fair value, over net amount of the acquired assets and liabilities of a subsidiary. Goodwill is tested for impairment on an annual basis.

D.1.2 Material financial assets

The Company values financial assets using quoted market prices from active markets for the same assets. Where this is not possible, the Company values financial assets using quoted market prices from active markets for similar assets. Financial assets valued using these two methods are shown in column 3 of the table below.

Alternative valuation methods include all methods that in the valuation model in a substantial part use the parameters which are not wholly obtained from active markets and include a subjective component.

Table 10: The values of financial assets for solvency purposes and the purpose of financial statements as at 31 December 2016

31 Dec. 2016	In EUR thousand			
Significant financial assets	**Amounts for financial statement purposes**	**Amounts for the solvency purposes**	**Valuation based on quoted market prices in active markets**	**Alternative valuation method**
	(1)	**(2)=(3)+(4)**	**(3)**	**(4)**
Investment properties	115,842	118,189	0	118,189
Shares	52,793	52,793	43,980	8,813
Bonds	1,419,573	1,466,458	1,466,458	0
Financial investments in investment funds	83,231	83,231	82,820	411
Derivatives	1,423	1,423	1,423	0
Deposits, excluding cash equivalents	20,003	20,007	20,007	0
Other financial investments	1,700	1,700	0	1,700
Loans and mortgages	43,652	45,915	44,697	1,218
Total	**1,738,216**	**1,789,716**	**1,659,385**	**130,331**

In the event that an asset under the monetary items is quoted in an active market its fair value equals the closing buying price on this market (published market prices, the local stock exchange, prices of the market operator). If the market is not active, the fair value is determined by using quoted market prices from active markets for similar assets or by using alternative valuation methods.

The main parameter of the valuation model is the discount curve, which is composed of the risk-free interest rate for a particular currency and credit spread of the issuer or a group of issuers. When determining an individual discount curve, the Company relies on unadjusted data from financial markets to the greatest possible extent. In the case of complex financial instruments, such as compound securities or bonds with call options, specialised models are used for valuation which may require additional parameters (volatility, correlation, etc.). Other valuation methods allowed by the International Accounting Standards to determine the value of monetary items for solvency purposes are not used.

If there is an active market, investments in equity instruments (other than investments in related undertakings) and fund units are valued at the closing buying price of this market (the local stock exchange). The price of the funds not quoted in an active market is determined by the closing price of the fund issuer. In case there is no active market, the value of the asset is determined by the last known price provided from the assessment that the economic circumstances since the last transaction have not changed substantially remains valid, by the price in a liquid grey market or by a valuation model. Estimating the value by using a valuation model is performed internally or through certified value appraisers. Depending on the features of the asset being valued, the appropriate valuation methods will include the discounted cash flow method, the comparable value indicator method and the net asset value method. Exceptionally, in cases of immateriality of an individual asset and the total value of assets valued in such a manner, the cost value is relevant for determining the value of the asset.

The value of derivatives is determined by the closing buying price in an active market (the stock exchange, price of the market operator). In case there is no active market, the value is determined by a specialised model (Black-Scholes, network models). Model parameters (the discount rate, volatility, correlation, etc.) are defined as unadjusted data from financial markets to the greatest possible extent.

The value of real property, which includes both investment property and property for own use, is determined with the use of valuation techniques. Real property valuation is performed by a certified appraiser at least every other year. In accordance with the internal document for real property valuation, the value of real property is monitored through indicators of the movement in value. If the indicators point to significant changes, the value of real property is determined by a certified appraiser more frequently. In the financial statements, real property for own use and investment property are disclosed at amortized cost. For solvency purposes, real property is valued at estimated market value.

D.1.3 Deferred tax assets

For solvency purposes, deferred tax assets are valued as the product of the difference between the assets in the statutory and market value balance sheets, without taking into account financial investments in subsidiaries and the currently applicable tax rate of 19%.

For the purposes of financial statements, deferred tax assets are calculated for all temporary differences between the value of assets and liabilities for tax purposes and their carrying amount. Deferred taxes are calculated by applying the 19% tax rate.

D.1.4 Related undertakings

In the financial statements, subsidiaries are disclosed at cost, adjusted for any impairment. Associates are disclosed at fair value. In the accounts for solvency purposes, holdings in related undertakings are valued in accordance with the following hierarchy of valuation methods:

a. the default valuation method: Under the default valuation method, quoted market prices in active markets for the same assets are used for valuation.

b. the adjusted equity method: Under the adjusted equity method, holdings in related undertakings are valued based on the share of the excess of assets over liabilities of the related undertaking held by the participating undertaking. When calculating the excess of assets over liabilities for related undertakings, the participating undertaking values the undertaking's individual assets and liabilities using the adjusted equity method in accordance with the applicable legislation (hereinafter: SII AEM). When calculating the excess of assets over liabilities for related undertakings other than insurance or reinsurance undertakings, the participating undertaking may consider the equity method as set out in the International Accounting Standards (hereinafter: SI AEM), where the value of goodwill and other intangible assets is deducted from the value of the related undertaking.
c. adjusted prices for similar assets in active markets or alternative valuation methods: If neither valuation in accordance with paragraph a) nor paragraph b) is possible and the undertaking is not a subsidiary undertaking, holdings in related undertakings are valued using an alternative valuation method (hereinafter: AVM), which the Company applies in the preparation of annual or consolidated financial statements. In such cases, the value of goodwill and other intangible assets is deducted from the value of the related undertaking.

Holdings in related undertakings and the insurance holding company are valued under the adjusted equity method. When calculating the excess of assets over liabilities for these related undertakings, assets and liabilities are valued in accordance with the basic principle in line with the Commission Delegated Regulation. Table 11 shows the values of the balance sheet of related undertakings for solvency purposes, based on which the excess was calculated.

Table 11: Values of the balance sheet of related undertakings as at 31 December 2016

31.dec.16	in EUR thousand	
Evaluation method	Amounts for solvency purposes	Amounts for financial statement purposes
AEMSII	282,055	107,002
AEMSI	33,233	9,108
binding offer	14,500	14,422
AVM	9,603	9,603
Total	**339,392**	**140,135**

Holdings in most non-insurance subsidiaries are valued under the adjusted equity method, whereby the excess of assets over liabilities is calculated using the equity method in accordance with the International Accounting Standards, less the value of goodwill and other intangible assets.

Holdings in the remaining non-insurance companies are valued using alternative valuation methods (cost, valuation of a certified appraiser, etc.). An alternative method is chosen where the value of these companies for the purpose of financial statements equals zero or is immaterial.

The largest difference between the value for solvency purposes and the value for the purpose of financial statements arises from the fact that upward revaluation of the value of a holding in a subsidiary is not allowed in accordance with the International Accounting Standards. In the Company, the difference related thereto arises from the companies which disclosed positive performance results in the past (Triglav Re, Triglav Zdravstvena zavarovalnica, Triglav Skladi).

D.1.5 Receivables from policyholders

For the purposes of financial statements, receivables from policyholders are divided into not yet due and past due as at the valuation date. For solvency purposes, not yet due receivables from policyholders are included into the calculation of premium provisions and are excluded from the item “Receivables from policyholders” accordingly.

Thus, the item “Receivables from policyholders” only includes past due receivables from policyholders, which amounted to EUR 6 million as at 31 December 2016.

D.1.6 Amounts recoverable from reinsurance contracts

The amount of provisions transferred to reinsurers is determined on the basis of amounts recoverable from reinsurance contracts, which are calculated in accordance with the boundaries of insurance and reinsurance contracts to which these amounts relate.

The amounts recoverable from reinsurance contracts for obligations from non-life insurance are calculated separately for technical provisions for both premium provisions and claims provisions. When calculating premium provisions, not yet due receivables from reinsurance contracts are taken into account. With regard to life insurance, the Company forms the amounts recoverable from reinsurance contracts for annuities stemming from non-life insurance.

The reinsurers' share in the provisions for non-life insurance totalled EUR 40.2 million, for life insurance EUR 16.6 million as at 31 December 2016.

D.1.7 Other assets

This asset class includes reinsurance receivables and other receivables, cash and cash equivalents and other assets that are valued for solvency purposes in the same way as for the purpose of financial statements.

Reinsurance receivables and other receivables consist of reinsurance receivables (EUR 7.5 million), short-term receivables from financing (EUR 2.3 million), other short-term receivables (EUR 2.2 million) and long-term receivables (EUR 0.3 million).
Other assets include short-term deferred costs (EUR 1 million), assets invested in software for the Group (EUR 0.7 million) and inventory (EUR 0.2 million).

D.2 Technical provisions

The value of technical provisions for solvency purposes is equal to the sum of best estimate and risk margin. Both the best estimate and the risk margin are calculated separately. The best estimate corresponds to the present value of expected future cash flows from the insurance contracts of the Company. The present value of future cash flows is calculated using the relevant risk-free interest rate curve. The Company separately calculates technical provisions for non-life and life insurance and allocates them according to the selected calculation method.

The cash flow projection takes account of all the cash inflows and outflows required to settle the obligations to policyholders, the insured persons and other beneficiaries from insurance contracts.

The calculation of the best estimate is based on quality and credible information and realistic assumptions. It is performed using adequate, applicable and relevant actuarial and statistical methods.

The risk margin is the present value of opportunity costs of all future solvency capital requirements until the expiry of the portfolio of obligations that are valued. The cost-of-capital rate is determined in the Commission Delegated Regulation, while the risk-free interest rate term structure is published on EIOPA's website on a monthly basis. The risk margin is calculated separately for non-life and life insurance and divided by insurance segment based on an appropriate proportional allocation.

<u>Contract boundaries and homogeneous risk groups</u>

The Company recognises an insurance obligation upon the entry into force of a contract. A recognised insurance obligation is derecognised when it is extinguished, discharged, cancelled or expired. Contract boundaries are applied mutatis mutandis in valuation.

Part of the non-life insurance portfolio is composed of non-life insurance obligations; however, for solvency purposes they are allocated to life insurance obligations because life insurance actuarial techniques are used for their valuation. This part of technical provisions is accounted for by non-life insurance claims, which are paid out as annuities. Other obligations from the non-life insurance portfolio are divided into at least insurance classes.

The life insurance portfolio consists of life insurance obligations; however, for solvency purposes they are allocated to health insurance. This group includes additional accident insurance added to basic life insurance. Because technical provisions are calculated using the techniques typical for non-life insurance, they are classified into non-life health insurance. Life insurance obligations are divided into at least the following business lines: insurances with profit participation, index-linked or unit-linked insurance, income protection insurance and other life insurance. The whole portfolio of life insurance policies is divided into homogeneous risk groups in accordance with the nature of the risks covered by the policies, actuarial judgement and historical developments subject to an empirical analysis.

Uncertainty of technical provisions:

The uncertainty of the best estimate value arises from the following factors:

- possible uncertainty of the quality of data on the existing portfolio as at the valuation date, which the Company attempts to eliminate with the data quality control process;
- uncertainty in the best estimate of assumptions about future developments, which are taken into account in cash flow projections. The value of a particular assumption is assessed in the form of a probable range, where the average value is used for the purposes of the deterministic projection, while the extreme values are used in the sensitivity analysis. The latter shows to which assumptions should the Company pay more attention in calculating its best estimates, but without using the caution margin. Part of the sensitivity analysis is based on the calculation of capital requirements in the sub-modules for the risks covered by the standard formula, which requires scenario-based calculations;

- potential uncertainty regarding the accuracy of actuarial models: this is reduced to the minimum with the relevant processes and management. In this respect, the Company performs basic controls of the rationality of the behaviour of models under different circumstances, cross-checks the results of individual policies based on similar models that were designed using different tools, manages changes in models, etc.

The uncertainty of the risk margin stems from the levels of calculations and the factors which are above those of the best estimate of obligations, and therefore the level of uncertainty is even more difficult to assess. Depending on the methodology used to calculate the risk margin, the uncertainty arises from the methodological adequacy of substitutes and their values. The selection of individual substitutes may be justified on the basis of theoretical and empirical arguments. The uncertainty of their values is part of the above described uncertainty of the best estimate of obligations.

For the calculation of the market present value of calculated nominal cash flows, the Company uses the basic risk-free interest rate term structure without a matching adjustment, transitional measure for adjustment or volatility adjustment.

When calculating the capital adequacy, the Company does not apply any adjustments, which are otherwise allowed under the Commission Delegated Regulation. In view of the above, the forms S.22.01.21 and S.22.01.22, which are part of the enclosed QRT forms, are not filled out.

D.2.1 Technical provisions for non-life insurance

The best estimate of non-life insurance provisions amounts to EUR 317.5 million.

The Company established a data quality monitoring and assurance system for the data which are the basis for the calculation of technical provisions for non-life insurance, including health insurance. The data used meets the appropriateness, completeness and accuracy criteria.

The non-life insurance portfolio is segmented by insurance class as set out in the Commission Delegated Regulation.

D.2.1.1 Best estimate for non-life insurance obligations

The best estimate for provisions is calculated separately for the claims incurred up to the date of calculation (best estimate for claims provisions) and for the claims incurred after the date of calculation (best estimate for premium provisions).

Table 12 shows the results of technical provisions by insurance segment. The results are divided into premium and claims provisions and the risk margin.

Table 12: technical provisions for non-life insurance for solvency purposes

31.dec.16	in EUR thousand			
Insurance technical provisions for unit-linked non-life insurance including health insurance	**Claims provisions**	**Premium provisions**	**Risk provisions**	**Technical provisions**
-- Motor liability insurance	72,709	19,309	3,563	95,581
-- Other motor vehicle insurance	13,599	28,656	2,586	44,841
-- Fire insurance and other damage to property insurance	26,031	22,641	3,722	52,394
-- Other non-life insurance segments	99,737	15,273	9,700	124,71
Total	212,075	85,879	19,571	317,526

D.2.1.1.1 Best estimate for premium provisions

The best estimate for premium provisions amounted to EUR 85.9 million as at 31 December 2016.

The calculation of the best estimate for gross premium provisions is based on a method that has been upgraded in a best manner to take intoaccount for the future cash flows which correspond to the definition of premium provisions. The calculation methodology is based on relevant historical data on the settlement of obligations arising from the non-life insurance claims, which were collected in the segments for which provisioning was made. The basis for the calculation are appropriately segmented insurance contracts that were concluded before the date of calculation; the obligations of the Company to the policyholders after that date arise from these contracts. The following cash flows are estimated in the calculation: future claims, future mass loss events events, future claims handling costs, future administrative costs, bonuses and discounts, refund of a part of premium due to insurance cancellation (termination), future underwriting commission costs, future subrogations, future premiums and future claims arising from the Nuclear Pool.

The cash flow sample is matched with the cash flow of claims provisions, taking into account the estimated expected inflation rate and discounting.

The basic assumption is matching the sample of development of future cash flows from premium provisions with the sample that is calculated and used in the creation of claims provisions. Unearned premium estimated as at the date of calculation is used as the exposure measure. Material assumptions are also the future inflation rate and the discounting curve. The assumption of the future inflation rate is based on the estimate for the Republic of Slovenia published by the International Monetary Fund. The basic risk-free basic interest rate curve prescribed by EIOPA is used for discounting. For all the assumptions used, a sensitivity analysis is performed at two different levels in relation to increasing the provisions.

D.2.1.1.2 Best estimate for claims provisions

The best estimate for claims provisions amounted to EUR 212 million as at 31 December 2016.

The best estimate for claims provisions is calculated at the end of the period for all the claims incurred up to the last day of that period but not yet settled to that date:

- incurred and reported claims;
- incurred but not reported claims, incurred but not enough reported claims and reopened claims.

The source for the best estimate of incurred and reported claims is the list of reserved claims, which is the result of monthly processing and which is monitored at the level of an individual claim sub-file. The business units in charge of claims are responsible for making the list of estimates. Data on the claims which have an impact on the level of an estimate are input promptly. Annuity claims are excluded from the list as they are taken into account in the best estimate for annuity provisions.

The provisions for incurred but not reported claims are calculated at the level of insurance segments. A combination of the chain ladder and BF methods is used for the calculation. They are both recognised actuarial techniques. For the past five years, the calculation has been made using both methods. The calculation is performed based on two different bases: settled claims and incurred claims. The higher of the two results is used as the final value. The calculation properly takes into account the past inflation rate, while future cash flows arising from incurred claims take into account the estimated future inflation rate.

The best estimate for claims provisions for both incurred and reported claims and incurred but not reported claims is reduced by the best estimate for expected subrogations and increased by expected claims handling costs.

The best estimate for expected subrogations refers to the claims in the part for which the best estimate for claims provisions has been made.

The basic assumption is the matching of the sample of the past claims process with the expected future claims development. The calculation includes the assumption of the matching of the past claims inflation with general inflation. The estimated future inflation is based on the expected future inflation published by the International Monetary Fund. An expert judgement on the best possible estimate is carried out for the final claims ratios. It is assumed that the proportion of claim settlement costs remains unchanged in relation to the last year.

D.2.1.2 Risk margin for non-life insurance

The risk margin amounted to EUR 19.6 million as at 31 December 2016.

The rate used in the determination of the costs of providing eligible own funds (cost-of-capital rate) in the amount of solvency capital requirement is equal to the rate set out in Article 39 of the Commission Delegated Regulation, i.e. 6%.
The risk margin is calculated for the non-life insurance risk portfolio and the annuity portfolio, where annuities are calculated by using life insurance techniques and stem from non-life insurance contracts.

The calculation of the risk margin is based on projected future capital requirements for individual risks within modules and sub-modules. In accordance with the hierarchy of methods for the calculation of the risk margin in the EIOPA Guidelines on the valuation of technical provisions, this approach corresponds to method 1 (paragraph 1.114).

D.2.1.3 Key differences between the bases, methods and main assumptions used for valuation for solvency purposes and the bases, methods and key assumptions used for valuation in financial statements

Table 13: Differences between insurance-technical provisions for non-life insurance for solvency purposes and for financial statement purposes

31 Dec. 2016	in EUR thousand	
	Amounts for the solvency purposes	Amounts for financial statement purposes
Technical provisions for unit-linked life insurance including health insurance	317,526	663,717

The liabilities of non-life insurance including health insurance for financial statement purposes amount to EUR 663.7 million as at 31 December 2016, while those for solvency purposes stand at EUR 317.5 million. The fundamental difference in the valuation of liabilities under the two regimes is that the valuation for financial statement purposes is prudent valuation, whilst the valuation for solvency purposes is based on the best estimate. A slightly different segmentation of the portfolio is applied in the calculation of provisions under the two regimes.

In addition to the valuation method for liabilities, the inclusion of not yet due receivables from direct insurance operations in the amount of EUR 54.5 million also significantly contributes to the difference in the amount of premium provisions. For solvency purposes, these receivables reduce provisions, whilst they are not taken into account for financial statement purposes.

The table below shows a comparison of the valuations of insurance-technical provisions.

		Valuation for financial statement purposes	Valuation for solvency purposes
Claims provisions			
	Segmentation:	Internal groups	Segmentation into homogenous groups in line with the Delegated Regulation
	Methodology:	A combination of the chain-ladder and BF methods for all years of loss occurrence. Paid claims serve as the basis. In the calculation of provisions for incurred and unreported claims, the inventory is reduced by large claims. In the BF method, the prudent assessment of final loss ratios is used. Development factors are smoothed. Uniform calculation of the tail factor.	A combination of the chain-ladder and BF methods for the last five years of loss occurrence. For loss occurrence in prior years, only the chain-ladder method is applied. Paid claims or incurred claims serve as the basis. No correction for large claims is made in the calculation. In the BF method, the best estimate of loss ratios is used. Development factors are not smoothed. Tail factors are additionally applied to future years.
	Discounting	No discounting. Except for the inventory with regard to annuities with a fixed interest rate.	Discounting of all cash flows using the risk-free rate.

	Subrogation	Calculated as a share of claims provisions. Prudent assessment.	Calculated as a share of claims provisions. Best estimate.
	Reinsurance	In the inventory part, the calculation is in line with the reinsurance programme. In the part referring to incurred and unreported claims, only quota share reinsurance is taken into account.	The best estimate also accounts for reinsurance in the part referring to incurred and unreported claims.
Premium provisions			
	Segmentation	Calculations are made separately for every coverage using the pro rata temporis principle or other appropriate method depending on the type of insurance.	Calculation at insurance class level.
	Methodology	**Unearned premium:** Pro rata temporis or using the appropriate method given the specificities of the insurance type. With regards to the premium provision. **Provisions for unexpired risk:** Calculation at the level of the old insurance class for classes where the three-year	Cash flows arising from claims are taken into account, with regular claims, large claims, and natural disasters treated separately; cash flows for bonuses and premium reimbursement are also taken into consideration. Appropriate cost ratios are taken into account; claim handling costs, related costs,

		combined ration exceeds 100% in the amount of the surplus over 100% to the unearned premium. **Provisions for bonuses:** Calculation at the level of the policyholder and insurance sub-class (internal segmentation) based on the adopted bonus regulations. **Provisions for cancellations:** Calculated as a share of unearned premium. No reduction for future cash flows.	administrative costs, fees and commission. Reduction by future premium cash flow arising from valid insurance contracts.
	Discounting	Not taken into account	Cash flows are discounted using the risk-free rate.
	Inflation	Not taken into account	Taken into account in the calculation of cash flows. The IMF estimate is applied.
	Reinsurance	Using the pro rata temporis principle in accordance with the reinsurance programme.	Best estimate based on the estimate of future claims.

As there are significant differences in the valuation of technical provisions due to different assumptions in the calculation, the Company recognised differences in the assessment of the ultimate loss ratios (ULR) for the motor vehicle liability insurance and general liability insurance segments.

In the calculation of provisions for incurred and unreported claims for financial statement purposes, the inventory of provisioned claims is reduced by major claim. In the end, the total inventory is added to the provision for incurred and unreported claims calculated in this manner. The reason for this approach is the precautionary principle. Using this approach, the provision for incurred and unreported claims declines more smoothly according to the time elapsed since the year of loss occurrence; however, this also means that in claims provisions, the gross claims provision calculated in this manner is increased by major claims. The effect of the subtraction of major claims amount to EUR 34.6 million.

The comparison of the valuation of the inventory of annuity claims arising from non-life insurance (liability) showed that discounting at using the risk-free rate is equivalent to the uniform interest rate of 1.5%, which is also the rate applied by the Company in the calculation of the capitalized amount of annuity claims. Because annuities stemming from non-life insurance contracts are recorded under life insurance for solvency purposes and under non-life insurance for the purpose of financial statements, the difference of EUR 62 million needs to be taken into account in the comparison of technical provisions.

The reinsurers’ share of technical provisions is valued on a similar basis as technical provisions. For solvency purposes, this basis is the best estimate, while for the purpose of financial statements the precautionary estimate is used. The difference relating to the reinsurers' share in Balance sheet is EUR 20 million. Main reason is taking into account not yet due reinsurance obligations in the calculation for solvency purposes, which however are not taken into account for the purpose of financial statements in the amount EUR 11,5 million.

D.2.1.4 Application of adjustments in the calculation of capital adequacy

The basic term structure of the risk-free rate is used in the calculation of the current market value of the calculated nominal cash flow, without applying any matching adjustment, transitional adjustment measures or volatility adjustment.

In the calculation of capital adequacy, the Company does not apply any of the adjustments permissible under the Commission Delegated Regulation.

D.2.2 Technical provisions for life insurance

Two types of liabilities arise from life insurance: life insurance liabilities and liabilities arising from health insurance. The first type results from basic insurance coverage, while the second largely results from supplemental life insurance. For the second type, the Company calculates the best estimate of liabilities separately for expired risks – this is referred to as the claims provision, and separately for unexpired risk – referred to as the premium provision.

The table below shows the insurance-technical provisions for life insurance for solvency purposes.

Table 14: Technical provisions for life insurance for solvency purposes as at 31 December 2016

31.dec.16	in EUR thousand			
Technical provisions for unit-linked life insurance including health insurance	**Claims provisions**	**Premium provisions (BEL)**	**Risk provisions**	**Technical provisions**
Insurance with profit participation	1,099	819,802	13,915	834,816
Index-linked and unit-linked insurance	645	626,067	16,191	642,903
Other life insurance	258	-10,498	3,597	-6,643
Annuities stemming from non-life insurance contracts	62,071	0	323	62,394
Total	**64,073**	**1,435,371**	**34,026**	**1,533,470**

BEL - (best estimate liability) – the best estimate of obligations valued using the techniques that have similar bases as life insurance

D.2.2.1 Best estimate of liabilities arising from life insurance

For the purpose of projecting cash flows, the Company uses an appropriate set of assumptions relevant for the homogenous risk group to which the insurance policy belongs. For unexpired risks, the best estimate of liabilities is calculated using cash flow projections, taking due account of the relevant assumptions for every individual policy. For expired risks, the Company recognizes the best estimate of liabilities in the following manner: in the case of maturities, the best estimate is calculated by policies; in the case of other risks, it is calculated at the level of homogenous risk groups using the so-called BF methodology of actuarial triangles which is a loss reserving technique used for non-life insurance. The theoretical concept defines the best estimate of liabilities as the market value of liabilities, but in practice it can hardly ever be measured in the market. Therefore, the best estimate of liabilities is calculated as the current value of all income and expenses, arising from an insurance policy, weighted by the probability of occurrence. Income includes gross premium, invoiced expenses and other income (e.g. refunds), while expenses include actual costs, fees and commission, claims and any other expenses. Return on assets is not included in the income.

Expenses related to future actual costs are calculated using a cost model that contains the following cost types related to the management of insurance contracts: insurance management costs, investment management costs, claim management costs, insurance acquisition costs (which are not included under brokers' fees – brokers' fees represent a specific cash flow type).

With regard to cash flow, due account is taken of the expected future developments in the external environment (mortality, interest rates, inflation, etc.) and of the following types of uncertainties:

- uncertainty with regard to the timing and probability of insurance events;
- uncertainty with regard to the amounts of claims;
- uncertainty with regard to the amount of actual costs;
- uncertainty with regard to the expected future development of the external environment, as much as it can be predicted;
- uncertainty with regard to policyholder behaviour.

The Company performs separate calculations of the best estimate of liabilities for the guaranteed and the discretionary liabilities.

The calculation of cash flows takes into account certain future management measures with regard to the distribution of profits to policyholders, depending on the economic situation and in accordance with internal acts and regulations.

The part of the best estimate of liabilities that represents the time value of embedded options and financial guarantees is calculated using a set of economic scenarios which replicate market conditions and are risk-neutral.

Assumptions regarding policyholder behaviour are considered in a deterministic manner, in the sense that behaviour is not conditional on the economic scenario.

The best estimate for the provisions for non-life insurance annuities is the sum of the best estimates for the existing and expected annuities. The best estimates are calculated by applying life insurance valuation techniques, taking into account DAV94 mortality tables, which are also used for the valuation of capitalised annuities to be inventoried.

In addition, provisions for expected annuities are calculated in the same way; as a rule, these provisions are made for the claims in which the injured party are children and therefore it is reasonably assumed that an additional claim will be filed in the future.

The risk-free interest rate curve published by EIOPA is used for cash flow discounting. The settlement costs are also taken into account in the calculation.

D.2.2.2 Additional capital requirement for life insurance risk

The definition of the additional capital requirement for life insurance risk contains solvency capital requirements for all future periods until the expiry of the existing portfolio of liabilities which are difficult to calculate. Therefore, the Company applies a simplification based on the calculation of the future values of partial solvency capital requirements for individual risk sub-types (e.g. mortality. longevity, costs, etc.) on the basis of substitute values which can be calculated in praxis.

An appropriate substitute is therefore determined for every risk included in the standard formula, which is deemed based on actuarial assessment and empirical evidence to develop with roughly the same dynamic as the capital requirement for the relevant risk. In this manner, the additional risk capital requirement is calculated for the entire life insurance portfolio within any individual limited fund or within the rest of the portfolio. This additional capital requirement is then broken down by individual lines of business in proportion to their virtual isolated additional risk capital requirements.

D.2.2.3 Key differences between the bases, methods and main assumptions used for valuation for solvency purposes and the bases, methods and key assumptions used for valuation in financial statement

Table 15: Differences between technical provisions for life insurance for solvency purposes and for financial statement purposes

31 Dec. 2016 in EUR thousand

	Amounts for the solvency purposes	Amounts for financial statement purposes
technical provisions for life insurance*	1,533,470	1,412,586

The differences between the valuations of technical provisions for solvency purposes and for financial statement purposes are the result of discrepancies in the bases, methods and main assumptions.

The methodology and the bases used for financial statements determine the value of technical provisions within certain segments of the portfolio as the higher of the realistic value of liabilities and a conservative calculation of liabilities taking into account a limited set of cash flows arising from an insurance contract. This conservative calculation of liabilities is based either on a prospective method using the net Zillmer premium (traditional life insurance) or on a retrospective method (unit-linked life insurance and pension insurance).

The methodology and bases for the valuation of technical provisions for solvency purposes stipulate the current value of a realistic assessment of all relevant cash flows, which is also referred to as the “best estimate of liabilities” plus the additional risk capital requirement.

In addition to the differences in the bases and methodologies, the two valuation approaches also differ in terms of the range of assumptions used. As a rule, the technical parameters defining the premium are used in the prospective valuation of liabilities (traditional life insurance) for financial statement purposes, but with certain exceptions. The lower of the constant technical interest rate embedded in the individual price list or the valuation interest rate is applied for discounting. For the valuation of liabilities arising from annuity and pension insurance in the annuity pay-out period, the Slovene annuity tables SIA65 are used. Assumptions with regard to cost parameters are identical to those embedded in the price list of a product; in certain cases, an empirical valuation parameter needs to be applied. Policyholder behaviour (surrender, capitalisation, cancellation, annuitization) is not taken into account in the valuation of liabilities for financial statement purposes. Liabilities are calculated using actuarial mathematical formulas consisting of traditional actuarial factors.

In the retrospective valuation of liabilities for financial statement purposes (unit-linked insurance), account is taken of the insurance-technical parameters in the price list and real-time events related to the policy (premium payments, claim payments, yield allocation, revaluation).

In the valuation for solvency purposes, all assumptions are best estimates, meaning that the values are neither overestimated nor underestimated, allowing for realistic valuation. The fact that the regulator prescribes the basic term structure of the risk-free rate for all relevant currencies and that this rate is uniform for all insurance companies is also important.

For insurance contracts including participation in profit, the difference (surplus) between the valuation for solvency and financial statement purposes is mainly the result of using the abovementioned term structure which is generally lower that the interest rates applied for discounting in financial statements. In unit-linked insurance, the difference (deficit) occurs as a result of using the best estimate of parameters (which generally results in lower liabilities compared to the parameters used in the calculation for financial statements) and permitting negative liabilities for profitable insurance for solvency purposes. A similar explanation is also applicable to other types of life insurance.

The material difference between the two valuations results from annuities stemming from non-life insurance contracts, which are recorded under life insurance for solvency purposes in the amount of EUR 62.4 million. For the purpose of financial statements, they are recorded under non-life insurance.

D.3 Other liabilities

D.3.1 Provisions for long-term employee benefits

The calculation of provisions for long-term employee benefits such as jubilee and retirement benefits is performed using actuarial principles in accordance with the relevant International Accounting Standard.

The calculation of provisions refers to two categories of employee entitlements:

- Post-employment benefits which represent an employee entitlement upon retirement in the form of a lump sum payment. The amount of the entitlement is determined in advance and risks with regard to the final amount of the payment are borne by the Company, so this scheme is classified under »DBF-Defined Benefit Plan«;
- Jubilee payments which represent other long-term employee benefits during the time of employment.

The total cost of the pre-determined employee benefits is conditional on a number of variables, such as wage growth, inflation, the termination of employment contracts and the mortality of employees. The total cost of the entitlement remains uncertain throughout the time period, therefore the valuation of the current value of post-employment benefits and related costs during the time of employment takes into account:

- actuarial valuation methods,
- allocation of profit during the time of employment,
- the prepared actuarial assumptions.

Provisions for jubilee and retirement benefits are calculated for each individual employee based on the methodology described above, the applied parameters and employee data. As at 31 December 2016, these provisions total EUR 6.7 million, of which provisions for jubilee benefits account for EUR 1.2 million and provisions for retirement benefits for EUR 5.5 million. For solvency purposes, they are recognised in the balance sheet under the item “Other provisions”.

The calculation of provisions for jubilee and retirement benefits for solvency purposes matches the calculations for financial statements. The yield curve of AAA-rated euro area debt securities published by the European Central Bank is used for the calculation. The use of this yield curve has no material effect on the amount of provisions.

This class of liabilities also includes provisions for unused leave in the amount of EUR 3.5 million which are valuated in the same manner for both solvency and financial statement purposes. The same applies to other provisions – mostly provisions for legal disputes – in the amount of EUR 0.7 million.

D.3.2 Deferred tax liabilities

For solvency purposes, deferred tax liabilities are valued as the product of the difference between the liability side of the statutory and market-valued balance sheet and the currently applicable tax rate of 19 percent. The resulting amount is added to the deferred tax liabilities for financial statement purposes.

In accordance with international accounting standards, deferred tax liabilities are calculated for all temporary differences between the value of assets and liabilities for tax purposes and their carrying amount. The calculation of deferred taxes is carried out at the tax rate of 19%.

D.3.3 Liabilities from reinsurance and co-insurance operations

For solvency purposes, the value of liabilities from reinsurance and co-insurance operations is zero. These liabilities are fully outstanding, which means that they are included in the calculation of the Company's technical provisions.

D.3.4 Subordinated liabilities

The valuation of subordinated liabilities for solvency purposes is similar to that for financial statement purposes. A difference in the value may occur because the valuation at market value for solvency purposes does not take account of changes in the issuer's creditworthiness, whereas subordinated liabilities are valued at amortised cost for financial statement purposes.

D.3.5 Other liabilities

This class of liabilities includes financial liabilities, liabilities from direct insurance operations, operating liabilities and other liabilities.

All liabilities are valued in the same manner for both, solvency purposes and in financial statements. Financial liabilities consist of liabilities arising from the purchase of securities (EUR 1.1 million) and liabilities arising from dividends (EUR 0.7 million). Liabilities from direct insurance operations are a sum of liabilities from direct insurance operations (EUR 11.2 million) and other short-term liabilities from insurance operations (EUR 5.6 million). Operating liabilities encompass a wide range of other liabilities. Short-term liabilities for employee benefits account for the bulk (EUR 15.4 million), followed by accounts payable (EUR 9.1 million) and other short-term liabilities (EUR 1.9 million).

D.3.6 Lease agreements

A lease is a contractual arrangement under which the lessor transfers the right to use an asset for an agreed time period to the lessee in exchange for a payment.

In cases when the Group acts as the lessor, the lease is classified as a finance lease, since the terms and conditions of such a lease stipulate that virtually all risks and benefits incident to ownership of the leased asset are transferred to the lessee. When an asset is subject to a finance lease, the net value of leased investment is recognised as a receivable. During the term of the lease financial income is recognised as a constant periodic return on the net investment in the finance lease.

In cases when the Group acts as a lessee, the tangible fixed assets acquired under a finance lease are carried at the lower of fair value or the present value of minimum payments to the end of the lease, less accumulated depreciation and impairment losses. These assets are depreciated for the duration of their useful life. In the absence of reasonable assurance that the lessee will acquire ownership before the end of the term of the financial lease, the relevant fixed assets have to be depreciated for the duration of the term of the financial lease or for the duration of their useful life, whichever is shorter.

Any lease that is not a finance lease is treated as an operating lease. For an operating lease, the book value of the leased asset is increased by the initial direct expenses incurred in relation to lease brokerage and recognised for the duration of the term of the lease on the same basis as lease income. Rents are recognised as income in the time period when generated.

In the reporting period, the Company was not party to any material lease agreement.

D.4 Alternative valuation methods

In the reporting period, the Company did not use any alternative valuation methods for solvency purposes other than those disclosed in the previous items of this report.

D.5 Other information

The Company manages investment risk in accordance with the "prudent person" principle, as specified in Chapter C.7 of this report.

Investment policies used by the Company to match assets and liabilities are promptly adapted to market requirements. The correlation between the risks arising from various classes of assets and liabilities are monitored on a regular basis using stress tests by credit rating agencies, stress tests initiated by the regulator or stress tests prescribed by EIOPA.

The Company's largest off-balance-sheet exposure is related to the futures item; the Company therefore regularly monitors the development of its exposure to this type of positions.

The Company regularly verifies the effectiveness of its risk mitigation techniques and adjusts or upgrades these techniques to the extent necessary.

In the course of risk management, the Company also monitors, measures and manages risk concentration arising from exposure to individual or related counterparties, issuers, groups of transactions, products or geographical areas.

The management of risk concentration is included in the risk management system of individual risk types; the Company's business practice indicates that risk concentration is not material thanks to the focus on the diversification of the portfolio and operations. Nevertheless, the Company reduced its exposure to the Republic of Slovenia as its largest concentration risk source in 2016.

However, a potential threat of segment concentration does exist in comprehensive car insurance. This insurance risk is suitably covered by catastrophe reinsurance coverage, which has previously proven to be adequate.

The Company estimates the underwriting risk concentration in life insurance as immaterial, since the life insurance risk portfolio is adequately diversified in terms of all relevant criteria. This is largely thanks to the fact that the majority of policies originates from geographically dispersed retail sale. Any risk concentration in the portfolio is reduced by transferring a portion of the risks to reinsurers through an appropriate reinsurance programme.

E. Capital management

The capital management system as well as the elements of the capital management process in the Company are specified with an internal document on capital management, which arises from the risk underwriting and management strategy of the Company.

The system of capital management and related processes are based on strategic objectives, regulatory requirements, best practices and internally established methodologies that take into account the characteristics of the Company as a whole, its size, organization and business volume.

The Company has defined objectives and principles for medium-term capital management, bases and guidelines to define the dividend policy, the main elements of the capital management system, responsibilities, including key processes and criteria for identification, measurement and monitoring of capital requirements and the capital adequacy level as well as reporting.

The objective of capital management is an efficient use of available capital, which provides for:

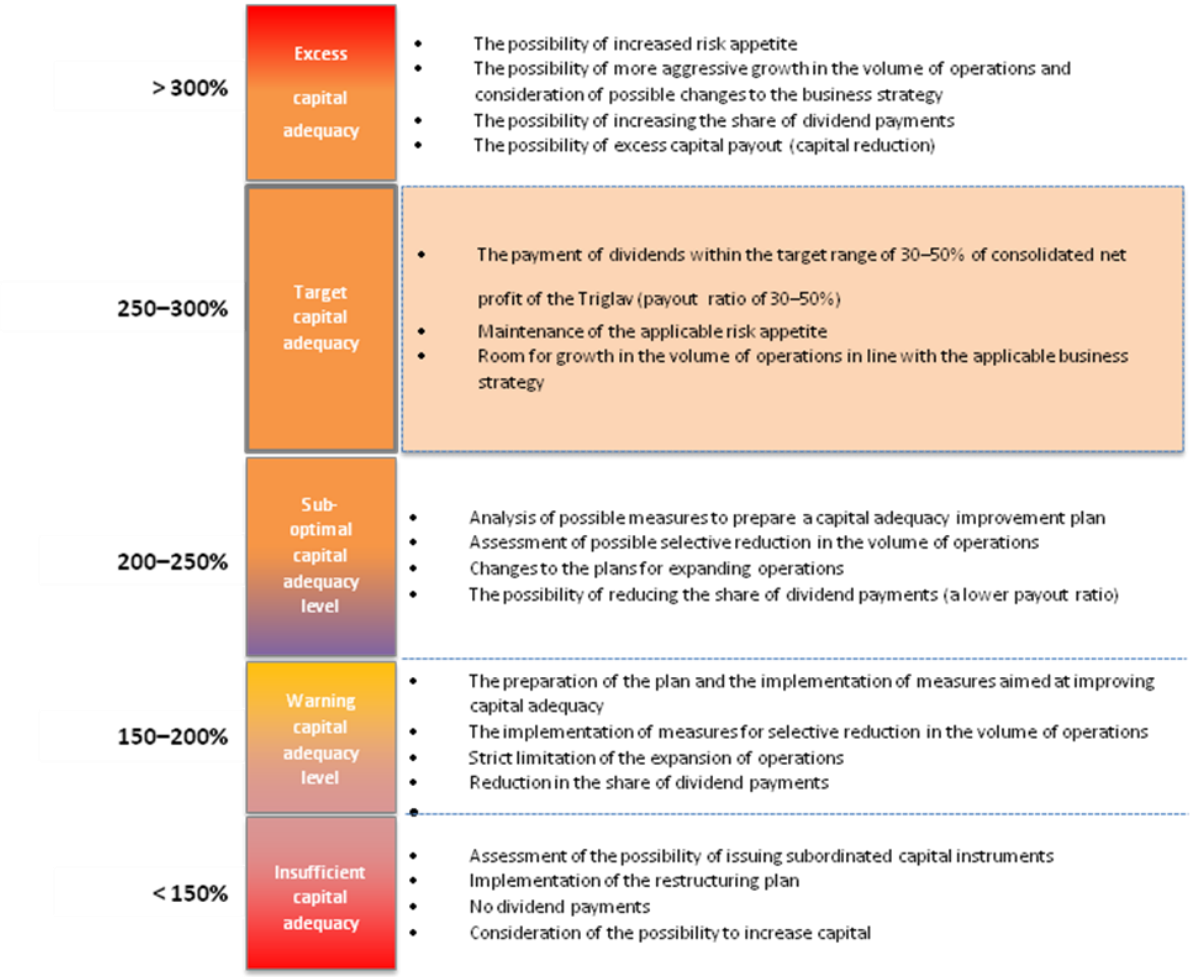
- Security and profitability of operations at the Company level;
- a High level of confidence of all stakeholders;
- Meeting the regulatory capital adequacy requirements;
- Achieving an appropriate capital adequacy level in the own risk and solvency assessment process;
- Meeting the criteria of external rating agencies to maintain at least the A credit rating.

With the capital management system, the Company also established a system for transparent and optimal economic allocation of capital by functional area based on risk-adjusted profitability criteria for optimal achievement of strategic objectives.

The basic criteria are derived from the regulatory capital adequacy requirements. When defining the objectives for capital management, the Company took into account the regulatory requirements as well as the facts and circumstances arising from its position, role, the business environment and macroeconomic conditions in the markets where it operates, and the shareholder structure. Taking into account not only the target return on equity, the planned volume of business and planned capital needs in the Slovene and strategic markets but also the experiences and guidelines of the insurance sector, the Company defined the dividend policy criteria and the capital management guidelines, including a set of activities aimed at ensuring the necessary capital strength.

The capital management strategic objectives and the dividend policy criteria are shown in the figure below.

Figure 3: The capital management strategic objectives and the dividend policy criteria



Capital management is centralised at the Group level by ensuring optimal and cost-effective capital allocation and use through capital concentration in the parent company. In the capital management process, the Company takes into account the capital needs as well as the options and restrictions for capital transfer between functional areas and from subsidiaries to the parent company. The criterion for capital transfer from subsidiaries is the long-term stability and security of their operations, taking into account the local regulations on capital requirements. Each method of capital withdrawal not in the form of paid dividends is previously coordinated with the local supervisory institution.

The capital management process with the objective of achieving an optimal return according to the use of economic capital criterion at the Company level represents continuous implementation of the following activities:

- Setting mutually coordinated and clearly communicated objectives, defining long-term business strategy of each functional area;
- Adopting optimal business and strategic decisions for the purpose of efficient capital management;
- Monitoring and measuring the value of economic capital, profitability and use for each functional area and subsidiary as well as analysing of changes in the risk profile;
- Evaluation of business results;
- Implementation of measures for optimal economic capital allocation and its use.

In the context of monitoring and measurement of economic capital value, profitability and use for each functional area and subsidiary as well as analysing of changes in the Company's risk profile, regular implementation of the ORSA process, which is described in detail in Section B.3.5 hereof, is of utmost importance.

In accordance with the applicable regulations, the share capital is classified into tiers, taking into account capital quality, subordination and availability to cover unexpected events. The Company has top-quality capital, thereby classifying total share capital and the reconciliation reserve into Tier 1 and subordinated bonds into Tier 2. Own funds are classified into three tiers depending on whether they are basic own fund or ancillary own fund items and the extent to which they possess the following characteristics:

- The item is constantly available or can be called up at any time without a prior warning to absorb losses on a going concern basis or in the case of winding up.
- In case of winding-up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all other obligations, including insurance obligations towards policyholders, insured persons and other beneficiaries of insurance contracts, have been met.

To cover the solvency capital requirement (SCR), eligible own funds are used, which are Tier 1 own fund items in unrestricted amounts and Tier 2 and Tier 3 own fund items up to the regulatory specified amounts. The value of eligible own funds to cover the solvency capital requirement is the sum of the value of Tier 1 own fund items and the value of eligible Tier 2 and Tier 3 own fund items.

To cover the minimum capital requirement (MCR), eligible basic own funds are used, which are Tier 1 own fund items in unrestricted amounts and Tier 2 basic own fund items up to the regulatory specified limits. The value of eligible basic own funds to cover the minimum capital requirement is the sum of the value of Tier 1 own fund items and the value of eligible Tier 2 basic own fund items.

The value of the Company's eligible own funds to cover the solvency capital requirement should be at least equal to the solvency capital requirement, while the value of basic own funds should be at least equal to the minimum capital requirement.

Capital adequacy of the Company

As at 31 December 2016, Zavarovalnica Triglav was adequately capitalized and had sufficient capital to cover both the solvency capital requirement (303%) as well as the minimum capital requirement (892%).

The capital adequacy ratio is defined as the ratio between the capital available to cover the capital requirements and the required capital.

When calculating eligible own funds to cover the minimum capital requirement, the limit that Tier 2 own funds may not exceed 20% of the minimum capital requirement is taken into account.

Table 16: Capital adequacy of Zavarovalnica Triglav as at 31 December 2016

31.dec.16	in EUR thousand
Capital adequacy of Zavarovalnica Triglav	**Amount**
Total eligible amount of own funds to cover the SCR	842,885
Total eligible amount of own funds to cover the MCR	837,279
SCR excluding ring-fenced funds	278,275
SCR for ring-fenced fund (PDPZ)	10,847
SCR for ring-fenced fund (PDPZ RENTA)	197
MCR*	93,891
Capital adequacy in relation to the SCR	303%
Capital adequacy in relation to the MCR	892%

Note: *MCR is calculated based on the "remaining part", i.e. without taking into account the ring-fenced funds.

The Company established two ring-fenced funds from pension insurance, i.e. the PDPZ ring-fenced fund and the PDPZ Renta ring-fenced fund.

The Company manages the assets in the ring-fenced funds by ensuring that it will be able to meet its obligations by separately calculating the capital requirements for each ring-fenced fund.

When calculating the solvency capital requirement, the Company separately calculates the solvency capital requirement for the PDPZ and PDPZ Renta ring-fenced funds and separately for the remaining portfolio because there may be no diversification between the ring-fenced funds and the remaining portfolio. To cover the capital requirements of ring-fenced funds, the Company uses a part of eligible own funds so that the capital adequacy level of ring-fenced funds is always at 100%. The remaining part of eligible own funds is used to cover the solvency capital requirement of the Company.

E.1 Own funds

As at 31 December 2016, Zavarovalnica Triglav only had basic own funds. The Company allocates the excess of assets over liabilities in the amount of EUR 886.4 million less the value of expected dividend payment for 2016 (EUR 56.8 million) and the amount to cover the solvency capital requirement for ring-fenced funds (EUR 11 million) to the items that correspond to the capital items in their financial statements, i.e. the Company's share capital (EUR 73.7 million), subordinated liabilities (EUR 24.3 million) and reconciliation reserve in the amount of EUR 745 million. As at 31 December 2016, the Company did not have any ancillary own funds. As at 31 December 2016, in addition to own funds to cover the solvency capital requirement for ring-fenced funds, the Company had no deductions from available capital.

The structure of Zavarovalnica Triglav's own funds by tier as at 31 December 2016 is shown in Table 17.

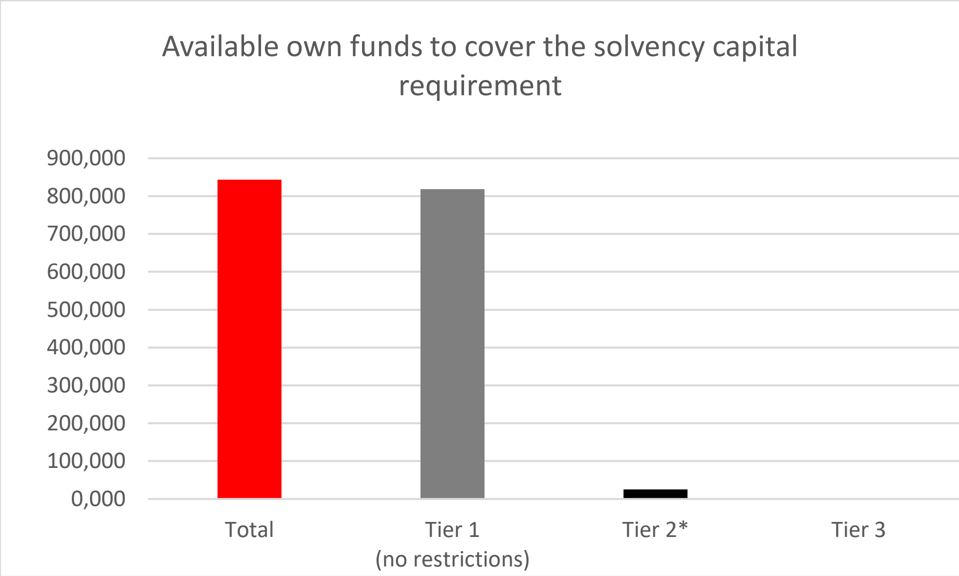
Table 17: Structure of own funds by tier as at 31 December 2016

31.dec.16	in EUR thousand			
Own funds	**Total**	**Tier 1 (no restrictions)**	**Tier 2***	**Tier 3**
Available own funds to cover the solvency capital requirement (SCR)	842,885	818,500	24,385	0
Available own funds to cover the minimum capital requirement (MCR)	842,885	818,500	24,385	0
Eligible own funds to cover the solvency capital requirement (SCR)	842,885	818,500	24,385	0
Eligible own funds to cover the minimum capital requirement (MCR)	837,279	818,500	18,778	0
Solvency capital requirement (SCR)	278,275	0	0	0
Minimum capital requirement (MCR)	93,891	0	0	0
Capital adequacy in relation to the SCR	303%			
Capital adequacy in relation to the MCR	892%			

Note: *Tier 2 own funds are eligible to cover the minimum capital requirement until they exceed 20% of the minimum capital requirement.

Since Company's capital is with the highest quality, the Company's total share capital and reconciliation reserve are classified into Tier 1.Its subordinated bonds are classified into Tier 2.

Graph 2: Available own funds to cover the solvency capital requirement as at 31 December 2016



The amount of the Company's eligible own funds to cover the solvency capital requirement totalled EUR 842.8 million as at 31 December 2016. Own funds do not include the items that contain restrictions affecting the availability and transferability of own funds within the Company.

The amount of the Company's eligible basic own funds to cover the minimum capital requirement totalled EUR 837 million as at 31 December 2016, excluding Tier 2 own funds that exceed 20% of the minimum capital requirement.

The difference between the capital disclosed in the Company's annual report and the capital calculated for solvency purposes is the result of the differences in the valuation of assets and liabilities. For the solvency purposes, capital is calculated as the difference between assets and liabilities, where assets and liabilities are valued at market value.

Table 18: Solvency capital requirements of Zavarovalnica Triglav by module as at 31 December 2016

31 Dec. 2016	in EUR thousand
Difference between Zavarovalnica Triglav's own funds for the solvency purposes and for the purpose of financial statements	**Amount**
Equity capital in the financial statements	563,389
Market value of assets (excluding –unit-linked (UL)	250,756
Market value of assets (UL)	751
Intangible assets, DAC	-55,885
Change in provisions ceded to reinsurers	-19,585
Difference between the provisions for solvency purposes and for the purpose of financial statements (excluding UL)	437,085
Difference between the provisions for solvency purposes and for the purpose of financial statements (UL)	-211,778
Change in net deferred assets	-29,025
Subordinated liabilities included in own funds	-3,281
Other	-46,046
Excess of assets over liabilities for solvency purposes	**886,382**

*UL – unit-linked assets

*DAC – deferred acquisition costs

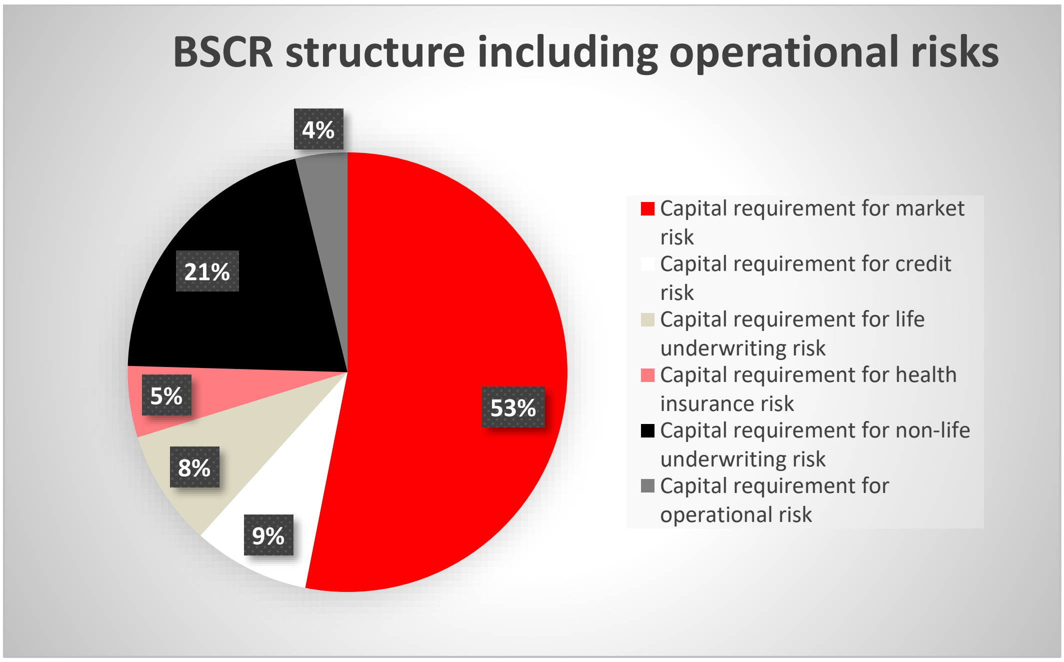
As at 31 December 2016, equity capital amounted to EUR 563 million and the surplus of assets over liabilities for solvency purposes amounted to EUR 886.4 million. The different valuation of technical provisions (EUR 225 million) and the market value of the item (EUR 250 million) have the largest impact on the difference. The difference is reduced with intangible assets, changes in provisions ceded to reinsurers and other items.

E.2 Solvency capital requirement and minimum capital requirement

The Company calculates the capital adequacy level based on the standard formula, in accordance with the Insurance Act and the Commission Delegated Regulation (EU) 2015/35. When calculating the solvency capital requirement in the standard formula, the Company uses the prescribed parameters and does not use any simplifications or Company-specific parameters.

In accordance with the Insurance Act, the Company reports to the supervisory institution on the amount of the solvency capital requirement at least once a year and at least quarterly on the minimum capital requirement.

Graphic 3: Capital requirements of Zavarovalnica Triglav as at 31 December 2016



*BSCR – basic solvency capital requirement

The Company calculates the minimum capital requirement in accordance with the Commission Delegated Regulation (EU) 2015/35 methodology. The minimum capital requirement is calculated as a linear function of the following variables:

1. technical provisions,
2. Written premium,
3. Venture capital,
4. Deferred taxes and
5. Management costs.

The Company calculates the minimum capital requirement using the method for composite insurance companies, where the linear minimum capital requirements are calculated first. The linear minimum capital requirement for non-life and health insurance is linked to the activities from non-life and life insurance, also taking into account additional accident insurance for life insurance. The linear minimum capital requirement for life insurance is calculated including the activities related to non-life insurance annuities that are already being paid out. The Company's minimum capital requirement is calculated from linear minimum capital requirements for non-life and life insurance so that the requirement is never lower than 25% or higher than 45% of the solvency capital requirement and that the absolute floor of the minimum capital requirement for non-life insurance (EUR 3.7 million) and life insurance (EUR 3.7 million) is exceeded.
Own funds do not include items that contain restrictions affecting the availability and transferability of own funds within the Company.

Table 19: Notional minimum capital requirement of Zavarovalnica Triglav as at 31 December 2016

31 Dec. 2016 in EUR thousand

Notional minimum capital requirement	**Non-life insurance including health insurance**	**Life insurance**
Notional linear minimum capital requirement	57,046	36,845
Notional solvency capital requirement (excluding add-ons)	169,074	109,201
Notional minimum capital requirement cap	76,083	49,140
Notional minimum capital requirement floor	42,268	27,300
Notional combined minimum capital requirement	57,046	36,845
Absolute floor of the notional minimum capital requirement	3,700	3,700
Notional minimum capital requirement	57,046	36,845

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

For calculation and monitoring of capital adequacy levels, the Company does not use the duration-based equity risk sub-module.

E.4 The difference between the standard formula and any other internal model used

For calculation and monitoring of capital adequacy levels, the Company does not use internal models.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

As at 31 December 2016, the Company did not find any non-compliance with the minimum capital requirement and the solvency capital requirement.

E.6 Other information

The Company disclosed all material information for capital management in Sections E-1–E.5.

Annexes:

Quantitative Reporting Templates (QRT) of Zavarovalnica Triglav as at 31 December 2016:

1. S.02.01.02 - Balance sheet
2. S.05.01.02 - Premiums, claims and expenses by line of business
3. S.05.02.02 - Premiums, claims and expenses by country
4. S.12.01.02 - Life and Health SLT Technical Provisions
5. S.17.01.02 - Non-Life Technical Provisions
6. S.19.01.21 - Non-life Insurance Claims Information
7. S.23.01.01 - Own funds
8. S.25.01.21 - Solvency Capital Requirement — for undertakings on Standard Formula
9. S.28.02.01 - Minimum Capital Requirement — Both life and non-life insurance activity

Annex 1: Balance sheet

Legenda
Automatic Calculated
Editable - IGT allowed
Editable - IGT not allowed

Assets		Solvency II value	Statutory accounts value
		C0010	C0020
Goodwill	R0010		
Deferred acquisition costs	R0020		29.504.819,00
Intangible assets	R0030		26.379.748,00
Deferred tax assets	R0040	15.346.734,99	0,00
Pension benefit surplus	R0050		
Property, plant & equipment held for own use	R0060	69.155.586,51	69.303.942,14
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**2.014.037.407,06**	**1.765.396.353,03**
Property (other than for own use)	R0080	49.033.298,15	46.537.930,71
Holdings in related undertakings, including participations	R0090	339.391.916,80	140.135.484,59
Equities	*R0100*	*52.792.597,11*	*52.792.597,11*
Equities - listed	R0110	43.980.089,29	43.980.089,29
Equities - unlisted	R0120	8.812.507,82	8.812.507,82
no split between listed and unlisted (Statutory column)			
Bonds	*R0130*	*1.466.458.407,44*	*1.419.572.769,19*
Government Bonds	R0140	659.743.132,49	622.631.410,09
Corporate Bonds	R0150	789.097.166,50	779.323.250,65
Structured notes	R0160	17.618.108,45	17.618.108,45
Collateralised securities	R0170	0,00	
no split beteween bonds (Statutory column)			
Collective Investments Undertakings	R0180	83.230.739,10	83.230.739,10
Derivatives	R0190	1.423.428,55	1.423.428,55
Deposits other than cash equivalents	R0200	20.006.782,70	20.003.166,57
Other investments	R0210	1.700.237,21	1.700.237,21
Assets held for index-linked and unit-linked contracts	R0220	630.342.181,99	629.591.064,27
Loans and mortgages	**R0230**	**45.915.389,00**	**43.651.675,34**
Loans on policies	R0240	1.218.479,54	1.218.479,54
Loans and mortgages to individuals	R0250	81.842,30	84.760,99
Other loans and mortgages	R0260	44.615.067,16	42.348.434,81
no split between loans & mortgages (Statutory column)			
Reinsurance recoverables from:	**R0270**	**56.869.964,82**	**76.455.107,00**
Non-life and health similar to non-life	R0280	40.207.124,17	76.455.107,00
Non-life excluding health	R0290	39.984.024,71	76.455.107,00
Health similar to non-life	R0300	223.099,46	
no split between non-life excluding health and health similar to non-life (Statutory column)			
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	16.662.840,65	
Health similar to life	R0320		
Life excluding health and index-linked and unit-linked	R0330	16.662.840,65	
no split split between life excluding health and index-linked and unit-linked and health similar to life (Statutory column)			
Life index-linked and unit-linked	R0340		
Deposits to cedants	R0350	0,00	
Insurance and intermediaries receivables	R0360	5.978.048,00	63.531.725,00
Reinsurance receivables	R0370	7.538.096,00	7.538.096,00
Receivables (trade, not insurance)	R0380	4.799.266,00	4.799.266,00
Own shares (held directly)	R0390		
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400		
Cash and cash equivalents	R0410	22.231.837,54	22.231.838,37
Any other assets, not elsewhere shown	R0420	1.949.412,00	1.949.412,00
Total assets	**R0500**	**2.874.163.923,92**	**2.740.333.046,15**

Liabilities

Technical provisions - non-life	**R0510**	**317.526.152,77**	**667.625.078,00**
Technical provisions - non-life - no split between non - life (excluding health) and health (similar to non - life) (Statutory column)			
Technical provisions - non-life (excluding health)	**R0520**	**300.004.418,43**	**667.625.078,00**
TP calculated as a whole	R0530		
Best estimate	R0540	281.638.181,48	
Risk margin	R0550	18.366.236,96	
Technical provisions - health (similar to non-life)	**R0560**	**17.521.734,34**	
TP calculated as a whole	R0570		
Best estimate	R0580	16.316.753,56	
Risk margin	R0590	1.204.980,78	
TP - life (excluding index-linked and unit-linked)	**R0600**	**890.566.744,18**	**977.552.733,00**
Technical provision - life - no split between health (similar to life) and life (excluding health, index-linked and unit - linked) (Statutory column)			
Technical provisions - health (similar to life)	**R0610**		
TP calculated as a whole	R0620		
Best estimate	R0630		
Risk margin	R0640		
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**890.566.744,18**	**977.552.733,00**
TP calculated as a whole	R0660		
Best estimate	R0670	872.732.023,87	
Risk margin	R0680	17.834.720,32	
TP - index-linked and unit-linked	**R0690**	**642.903.530,73**	**431.125.308,00**
TP calculated as a whole	R0700		
Best estimate	R0710	626.712.638,57	
Risk margin	R0720	16.190.892,16	
Other technical provisions	R0730		
Contingent liabilities	R0740		
Provisions other than technical provisions	R0750	11.237.183,00	11.237.183,00
Pension benefit obligations	R0760		
Deposits from reinsurers	R0770		
Deferred tax liabilities	R0780	51.436.645,36	7.065.409,00
Derivatives	R0790		
Debts owed to credit institutions	R0800		
Debts owed to credit institutions resident domestically	ER0801		
Debts owed to credit institutions resident in the euro area other than domestic	ER0802		
Debts owed to credit institutions resident in rest of the world	ER0803		
Financial liabilities other than debts owed to credit institutions	R0810	1.852.714,06	1.852.714,06
debts owed to non-credit institutions	ER0811	1.852.714,06	
debts owed to non-credit institutions resident domestically	ER0812	1.852.714,06	
debts owed to non-credit institutions resident in the euro area other than domestic	ER0813		
debts owed to non-credit institutions resident in rest of the world	ER0814		
other financial liabilities (debt securities issued)	ER0815		
Insurance & intermediaries payables	R0820	16.886.774,00	16.886.774,00
Reinsurance payables	R0830	0,00	11.507.585,00
Payables (trade, not insurance)	R0840	28.226.800,00	28.226.800,00
Subordinated liabilities	**R0850**	24.384.561,39	21.103.108,00
Subordinated liabilities not in BOF	R0860		21.103.108,00
Subordinated liabilities in BOF	R0870	24.384.561,39	
Subordinated liabilities - no split between not in BOF and in BOF (Statutory column)			
Any other liabilities, not elsewhere shown	R0880	2.761.238,00	2.761.238,00
Total liabilities	**R0900**	**1.987.782.343,49**	**2.176.943.930,06**

Excess of assets over liabilities	**R1000**	**886.381.580,42**	**563.389.116,09**

Excess of assets over liabilities minus Subordinated Liabilities in BOF		**910.766.141,81**	

Annex 2: Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	422.483,29	56.107.176,71		84.667.525,82	97.776.202,38	13.238.395,38	124.615.182,30	32.637.619,47	26.075.663,20		9.909.726,93	3.266.520,09					448.716.495,57
Gross - Proportional reinsurance accepted	R0120					7.521,49	81.693,46	940.270,52	73.417,20									1.102.902,67
Gross - Non-proportional reinsurance accepted	R0130																	0,00
Reinsurers' share	R0140	295.776,17	1.256.712,39		6.096.014,16	8.711.552,75	5.012.134,20	41.085.330,11	9.683.669,19	3.664.724,62		578.563,94	1.783.675,07					78.168.152,60
Net	**R0200**	**126.707,12**	**54.850.464,32**		**78.571.511,66**	**89.072.171,12**	**8.307.954,64**	**84.470.122,71**	**23.027.367,48**	**22.410.938,58**		**9.331.162,99**	**1.482.845,02**					**371.651.245,64**
Premiums earned																		
Gross - Direct Business	R0210	201.847,28	56.210.431,68		85.502.568,99	95.623.680,18	13.705.577,49	121.409.513,15	30.816.085,60	24.773.876,00		8.970.226,02	3.536.043,62					440.749.850,01
Gross - Proportional reinsurance accepted	R0220					19.078,24	81.693,46	962.085,40	72.041,82									1.134.898,92
Gross - Non-proportional reinsurance accepted	R0230																	0,00
Reinsurers' share	R0240	167.586,65	1.261.888,22		6.308.682,20	8.780.681,75	5.095.706,62	40.103.277,44	8.616.992,13	3.777.258,57		553.564,86	1.793.041,96					76.458.680,40
Net	**R0300**	**34.260,63**	**54.948.543,46**		**79.193.886,79**	**86.862.076,67**	**8.691.564,33**	**82.268.321,11**	**22.271.135,29**	**20.996.617,43**		**8.416.661,16**	**1.743.001,66**					**365.426.068,53**
Claims incurred																		
Gross - Direct Business	R0310	7.878,20	19.374.076,83		37.794.113,06	69.215.339,18	5.749.201,65	53.311.440,56	8.689.331,40	8.735.021,37		8.377.913,15	2.822.840,57					214.077.155,97
Gross - Proportional reinsurance accepted	R0320				549,96	-171,58	257.345,80	-99.306,88	9.893,81									168.311,11
Gross - Non-proportional reinsurance accepted	R0330																	0,00
Reinsurers' share	R0340	5.514,74	303.486,35		5.435.980,72	3.532.730,32	62.345,53	13.281.770,26	478.779,08	301.672,18		417.315,77	1.769.922,06					25.589.517,01
Net	**R0400**	**2.363,46**	**19.070.590,48**		**32.358.682,30**	**65.682.437,28**	**5.944.201,92**	**39.930.363,42**	**8.220.446,14**	**8.433.349,19**		**7.960.597,38**	**1.052.918,51**					**188.655.950,07**
Changes in other technical provisions																		
Gross - Direct Business	R0410		16.154,00		30.292,00	284.207,00	-56.402,00	182.921,00	10.930,00	3.164,00		134.344,00	-55.234,00					550.376,00
Gross - Proportional reinsurance accepted	R0420																	0,00
Gross - Non-proportional reinsurance accepted	R0430																	0,00
Reinsurers' share	R0440																	0,00
Net	**R0500**		**16.154,00**		**30.292,00**	**284.207,00**	**-56.402,00**	**182.921,00**	**10.930,00**	**3.164,00**		**134.344,00**	**-55.234,00**					**550.376,00**
Expenses incurred	**R0550**	**33.659,61**	**17.320.877,39**		**25.243.002,17**	**24.600.183,51**	**2.679.396,06**	**33.299.243,34**	**9.691.202,99**	**5.016.572,24**		**3.545.458,07**	**1.047.887,03**					**122.477.482,41**
Administrative expenses																		
Gross - Direct Business	R0610	1.993,56	1.993.126,00		3.176.631,96	3.019.995,64	559.595,16	3.862.249,31	1.096.501,24	879.348,90		299.957,36	141.896,53					15.031.295,66
Gross - Proportional reinsurance accepted	R0620																	0,00
Gross - Non-proportional reinsurance accepted	R0630																	0,00
Reinsurers' share	R0640																	0,00
Net	**R0700**	**1.993,56**	**1.993.126,00**		**3.176.631,96**	**3.019.995,64**	**559.595,16**	**3.862.249,31**	**1.096.501,24**	**879.348,90**		**299.957,36**	**141.896,53**					**15.031.295,66**
Investment management expenses																		
Gross - Direct Business	R0710	82,28	110.717,08		413.574,40	301.923,34	45.407,25	388.772,10	193.049,07	101.572,95		29.313,15	9.999,19					1.594.410,81
Gross - Proportional reinsurance accepted	R0720																	0,00
Gross - Non-proportional reinsurance accepted	R0730																	0,00
Reinsurers' share	R0740																	0,00
Net	**R0800**	**82,28**	**110.717,08**		**413.574,40**	**301.923,34**	**45.407,25**	**388.772,10**	**193.049,07**	**101.572,95**		**29.313,15**	**9.999,19**					**1.594.410,81**
Claims management expenses																		
Gross - Direct Business	R0810	4.014,33	1.881.128,54		5.453.344,24	3.482.547,64	413.893,40	4.158.840,32	2.533.135,68	1.817.557,79		739.878,56	322.671,04					20.807.011,54
Gross - Proportional reinsurance accepted	R0820																	0,00
Gross - Non-proportional reinsurance accepted	R0830																	0,00
Reinsurers' share	R0840																	0,00
Net	**R0900**	**4.014,33**	**1.881.128,54**		**5.453.344,24**	**3.482.547,64**	**413.893,40**	**4.158.840,32**	**2.533.135,68**	**1.817.557,79**		**739.878,56**	**322.671,04**					**20.807.011,54**
Acquisition expenses																		
Gross - Direct Business	R0910	71.763,43	9.448.090,45		11.148.083,19	12.373.899,04	1.190.103,43	23.712.668,34	5.115.952,84	1.382.162,55		1.814.187,05	561.732,74					66.818.643,06
Gross - Proportional reinsurance accepted	R0920																	0,00
Gross - Non-proportional reinsurance accepted	R0930																	0,00
Reinsurers' share	R0940	50.302,12	312.349,91		1.412.628,17	1.543.966,10	729.172,86	7.891.259,25	1.668.157,80	1.026.298,84		157.967,14	318.426,27					15.110.528,46
Net	**R1000**	**21.461,31**	**9.135.740,54**		**9.735.455,02**	**10.829.932,94**	**460.930,57**	**15.821.409,09**	**3.447.795,04**	**355.863,71**		**1.656.219,91**	**243.306,47**					**51.708.114,60**
Overhead expenses																		
Gross - Direct Business	R1010	6.108,13	4.200.165,23		6.463.996,55	6.965.783,95	1.199.569,68	9.067.972,52	2.420.721,96	1.862.228,89		820.089,09	330.013,80					33.336.649,80
Gross - Proportional reinsurance accepted	R1020																	0,00
Gross - Non-proportional reinsurance accepted	R1030																	0,00
Reinsurers' share	R1040																	0,00
Net	**R1100**	**6.108,13**	**4.200.165,23**		**6.463.996,55**	**6.965.783,95**	**1.199.569,68**	**9.067.972,52**	**2.420.721,96**	**1.862.228,89**		**820.089,09**	**330.013,80**					**33.336.649,80**
Other expenses	R1200																	**8.229.971,00**
Total expenses	**R1300**																	**130.707.453,41**

		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		58.664.236,29	79.663.740,95	4.981.142,88					**143.309.120,12**
Reinsurers' share	R1420		20.162,57	31.446,16	271.075,36					**322.684,09**
Net	**R1500**		**58.644.073,72**	**79.632.294,79**	**4.710.067,52**					**142.986.436,03**
Premiums earned										
Gross	R1510		58.676.864,09	79.663.740,95	4.974.279,02					**143.314.884,06**
Reinsurers' share	R1520		20.162,57	31.446,16	271.075,36					**322.684,09**
Net	**R1600**		**58.656.701,52**	**79.632.294,79**	**4.703.203,66**					**142.992.199,97**
Claims incurred										
Gross	R1610		73.649.883,33	78.161.573,74	585.372,64		2.599.575,00			**154.996.404,71**
Reinsurers' share	R1620			41.660,28	108.453,22					**150.113,50**
Net	**R1700**		**73.649.883,33**	**78.119.913,46**	**476.919,42**		**2.599.575,00**			**154.846.291,21**
Changes in other technical provisions										
Gross	R1710		15.061.183,16	4.513.850,16	1.163.642,06					**20.738.675,38**
Reinsurers' share	R1720									**0,00**
Net	**R1800**									**0,00**
Expenses incurred	**R1900**		**10.641.981,99**	**14.795.615,04**	**2.393.834,85**		**51.188,70**			**27.882.620,58**
Administrative expenses										
Gross	R1910		1.268.397,90	1.857.768,15	290.846,10		42,36			**3.417.054,51**
Reinsurers' share	R1920									**0,00**
Net	**R2000**		**1.268.397,90**	**1.857.768,15**	**290.846,10**		**42,36**			**3.417.054,51**
Investment management expenses										
Gross	R2010		233.616,43	234.130,33	1.185,17					**468.931,93**
Reinsurers' share	R2020									**0,00**
Net	**R2100**		**233.616,43**	**234.130,33**	**1.185,17**					**468.931,93**
Claims management expenses										
Gross	R2110		550.366,28	1.037.569,83	126.200,06		46.675,24			**1.760.811,40**
Reinsurers' share	R2120									**0,00**
Net	**R2200**		**550.366,28**	**1.037.569,83**	**126.200,06**		**46.675,24**			**1.760.811,40**
Acquisition expenses										
Gross	R2210		5.163.093,53	6.189.553,11	1.183.907,37		743,63			**12.537.297,64**
Reinsurers' share	R2220		26.128,25							**26.128,25**
Net	**R2300**		**5.136.965,28**	**6.189.553,11**	**1.183.907,37**		**743,63**			**12.511.169,39**
Overhead expenses										
Gross	R2310		3.452.636,11	5.476.593,61	791.696,16		3.727,47			**9.724.653,35**
Reinsurers' share	R2320									**0,00**
Net	**R2400**		**3.452.636,11**	**5.476.593,61**	**791.696,16**		**3.727,47**			**9.724.653,35**
Other expenses	**R2500**									**246.109,00**
Total expenses	**R2600**									**27.882.620,58**
Total amount of surrenders	R2700									**0,00**

Annex 3: Premiums, claims and expenses by country

Legenda
Automatic Calculated
Editable - IGT allowed
Editable - IGT not allowed

Home Country - non-life obligations

		Total Top 5 and home country	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					
		C0070	C0010	C0020	C0030	C0040	C0050	C0060	
R0010			Slovenia	Austria	Germany	Hungary	Slovakia	Croatia	other EEA (sum of not material countries)
		C0140	C0080	C0090	C0100	C0110	C0120	C0130	
Premium written									
Gross - Direct Business	R0110	**448.716.495,57**	447.952.850,71	61.001,92	259.707,38	51.328,55	78.847,27	233.915,58	78.844,16
Gross - Proportional reinsurance accepted	R0120	**1.102.902,67**	1.098.170,27	451,70	1.102,54	361,50	567,47	1.715,21	533,98
Gross - Non-proportional reinsurance accepted	R0130	**0,00**							
Reinsurers' share	R0140	**78.168.152,60**	78.026.744,25	11.296,06	48.091,45	9.504,79	14.600,59	43.315,44	14.600,01
Net	**R0200**	**371.651.245,64**	**371.024.276,73**	**50.157,56**	**212.718,47**	**42.185,26**	**64.814,15**	**192.315,35**	**64.778,13**
Premium earned									
Gross - Direct Business	R0210	**440.749.850,01**	440.000.614,07	59.850,90	254.807,06	50.360,05	77.359,53	229.501,92	77.356,48
Gross - Proportional reinsurance accepted	R0220	**1.134.898,92**	1.132.844,04	164,15	698,84	138,12	212,17	629,44	212,16
Gross - Non-proportional reinsurance accepted	R0230	**0,00**							
Reinsurers' share	R0240	**76.458.680,40**	76.320.367,27	11.048,81	47.038,80	9.296,75	14.281,00	42.367,33	14.280,44
Net	**R0300**	**365.426.068,53**	**364.813.090,84**	**48.966,24**	**208.467,10**	**41.201,42**	**63.290,70**	**187.764,02**	**63.288,20**
Claims incurred									
Gross - Direct Business	R0310	**214.077.155,97**	213.977.557,92	4.187,34	50.270,64			39.595,24	5.544,83
Gross - Proportional reinsurance accepted	R0320	**168.311,11**	165.743,33	-7,81	2.371,80			-57,82	261,61
Gross - Non-proportional reinsurance accepted	R0330	**0,00**							
Reinsurers' share	R0340	**25.589.517,01**	25.577.202,11	517,75	6.215,76			4.895,79	685,60
Net	**R0400**	**188.655.950,07**	**188.566.099,14**	**3.661,78**	**46.426,68**			**34.641,63**	**5.120,84**
Changes in other technical provisions									
Gross - Direct Business	R0410	**550.376,00**	549.379,47	79,61	338,91	66,98	102,89	305,25	102,89
Gross - Proportional reinsurance accepted	R0420	**0,00**							
Gross - Non-proportional reinsurance accepted	R0430	**0,00**							
Reinsurers' share	R0440	**0,00**							
Net	**R0500**	**550.376,00**	**549.379,47**	**79,61**	**338,91**	**66,98**	**102,89**	**305,25**	**102,89**
Expenses incurred	**R0550**	**122.477.482,41**	122.266.050,58	16.889,72	71.905,68	14.211,43	21.830,60	64.764,66	21.829,73
Other expenses	**R1200**	8.229.971,00							
Total expenses	**R1300**	**130.707.453,41**							

life obligations

		Total Top 5 and home country	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations
		C0210	C0150	C0160
R1400			Slovenia	other EEA (sum of not material countries)
		C0280	C0220	C0230
Premium written				
Gross	R1410	**143.309.120,12**	143.309.120,12	0,00
Reinsurers' share	R1420	**322.684,09**	322.684,09	
Net	**R1500**	**142.986.436,03**	**142.986.436,03**	
Premium earned				
Gross	R1510	**143.314.884,06**	143.314.884,06	
Reinsurers' share	R1520	**322.684,09**	322.684,09	
Net	**R1600**	**142.992.199,97**	**142.992.199,97**	
Claims paid				
Gross	R1610	**154.996.404,71**	154.996.404,71	
Reinsurers' share	R1620	**150.113,50**	150.113,50	
Net	**R1700**	**154.846.291,21**	**154.846.291,21**	
Changes in other technical provisions				
Gross	R1710	**0,00**		
Reinsurers' share	R1720	**0,00**		
Net	**R1800**	**0,00**		
Expenses incurred	**R1900**	**27.882.620,58**	27.882.620,58	
Other expenses	**R2500**	246.109,00		
Total expenses	**R2600**	**28.128.729,58**		

Annex 4: Life and Health SLT Technical Provisions

Legenda
Automatic Calculated
Editable - IGT allowed
Editable - IGT not allowed

			Index-linked and unit-linked insurance			Other life insurance				Accepted reinsurance					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations		Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150
Technical provisions calculated as a whole	**R0010**														0,00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020														0,00
Technical provisions calculated as a sum of BE and RM															
Best Estimate															
Gross Best Estimate	**R0030**	820.900.541,79			626.712.638,57			-10.239.402,43	62.070.884,50						1.499.444.662,44
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040								16.964.389,12						16.964.389,12
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	R0050								16.964.389,12						16.964.389,12
Recoverables from SPV before adjustment for expected losses	R0060														0,00
Recoverables from Finite Re before adjustment for expected losses	R0070														0,00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080								16.662.840,65						16.662.840,65
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	820.900.541,79			626.712.638,57			-10.239.402,43	45.408.043,85						1.482.781.821,79
Risk Margin	**R0100**	13.914.885,92	16.190.892,16			3.596.667,08			323.167,32						34.025.612,48
Amount of the transitional on Technical Provisions															
Technical Provisions calculated as a whole	R0110														0,00
Best estimate	R0120														0,00
Risk margin	R0130														0,00
Technical provisions - total	**R0200**	834.815.427,71	642.903.530,73			-6.642.735,35			62.394.051,82						1.533.470.274,91
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0210**	834.815.427,71	642.903.530,73			-6.642.735,35			45.731.211,17						1.516.807.434,26
Best Estimate of products with a surrender option	**R0220**	769.218.509,27	626.067.462,77			-10.497.824,99									1.384.788.147,05
Gross BE for Cash flow															
Cash out-flows – Future guaranteed and discretionary benefits	R0230		1.002.370.258,58			19.452.372,42									
Cash out-flows – Future guaranteed benefits	R0240	1.070.703.026,47													
Cash out-flows – Future discretionary benefits	R0250	16.959.967,89													
Cash out-flows – Future expenses and other cash out-flows	R0260	48.739.230,60	77.073.228,54			9.284.815,47									135.097.274,61
Cash in-flows – Future premiums	R0270	315.595.997,67	500.954.124,38			38.976.590,31									855.526.712,36
Cash in-flows – Other cash in-flows	R0280	-94.314,49	-48.223.275,83												-48.317.590,32
Percentage of gross Best Estimate calculated using approximations	**R0290**														
Surrender value	**R0300**	71.959.757,35	336.953.400,08												408.913.157,43
Best estimate subject to transitional of the interest rate	**R0310**														0,00
Technical provisions without transitional on interest rate	R0320														0,00
Best estimate subject to volatility adjustment	**R0330**														0,00
Technical provisions without volatility adjustment and without others transitional measures	R0340														0,00
Best estimate subject to matching adjustment	**R0350**														0,00
Technical provisions without matching adjustment and without all the others	R0360														0,00

		Health insurance (direct business)					
			Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**						0,00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020						0,00
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**						0,00
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040						0,00
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	R0050						0,00
Recoverables from SPV before adjustment for expected losses	R0060						0,00
Recoverables from Finite Re before adjustment for expected losses	R0070						0,00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080						0,00
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090						0,00
Risk Margin	**R0100**						0,00
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						0,00
Best estimate	R0120						0,00
Risk margin	R0130						0,00
Technical provisions - total	**R0200**						0,00
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0210**						0,00
Best Estimate of products with a surrender option	**R0220**						0,00
Gross BE for Cash flow							
Cash out-flows – Future guaranteed and discretionary benefits	R0230						
Cash out-flows – Future guaranteed benefits	R0240						
Cash out-flows – Future discretionary benefits	R0250						
Cash out-flows – Future expenses and other cash out-flows	R0260						0,00
Cash in-flows – Future premiums	R0270						0,00
Cash in-flows – Other cash in-flows	R0280						0,00
Percentage of gross Best Estimate calculated using approximations	**R0290**						
Surrender value	**R0300**						0,00
Best estimate subject to transitional of the interest rate	**R0310**						0,00
Technical provisions without transitional on interest rate	R0320						0,00
Best estimate subject to volatility adjustment	**R0330**						0,00
Technical provisions without volatility adjustment and without others transitional measures	R0340						0,00
Best estimate subject to matching adjustment	**R0350**						0,00
Technical provisions without matching adjustment and without all the others	R0360						0,00

	Balance Sheet	Technical Provisions
Reinsurance recoverables from: Health similar to life		0,00
Reinsurance recoverables from: Life excluding health and index-linked and unit-linked	16.662.840,65	16.662.840,65
Reinsurance recoverables from: Life index-linked and unit-linked		0,00
Technical provisions - health (similar to life): Calculated as a whole		0,00
Technical provisions - health (similar to life): Best Estimate		0,00
Technical provisions - health (similar to life): Risk margin		0,00
Technical provisions – life (excluding health and index-linked and unit-linked): Calculated as a whole		0,00
Technical provisions – life (excluding health and index-linked and unit-linked): Best Estimate	872.732.023,87	872.732.023,87
Technical provisions – life (excluding health and index-linked and unit-linked): Risk margin	17.834.720,32	17.834.720,32
Technical provisions – index-linked and unit-linked: Calculated as a whole		0,00
Technical provisions – index-linked and unit-linked: Best Estimate	626.712.638,57	626.712.638,57
Technical provisions – index-linked and unit-linked: Risk margin	16.190.892,16	16.190.892,16

Annex 5: Non-life Technical Provisions

Legenda
Automatic Calculated
Editable - IGT allowed
Editable - IGT not allowed

			Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:				Total Non-Life obligations
			Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
			C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	Technical provisions calculated as a whole	**R0010**																	0,00
	Direct business	R0020																	0,00
	Accepted proportional reinsurance business	R0030																	0,00
	Accepted non-proportional reinsurance	R0040																	0,00
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050																	0,00
	Technical Provisions calculated as a sum of BE and RM																		
	Best estimate																		
	Premium provisions																		
	Gross - Total	R0060	-6.516,56	-8.755.969,50		19.308.935,20	28.655.673,84	1.972.354,97	22.641.433,94	4.307.162,70	12.057.294,32		5.484.030,95	215.065,88					85.879.465,75
	Gross - direct business	R0070	-6.516,56	-8.755.969,50		19.308.935,20	28.655.673,84	1.972.354,97	22.641.433,94	4.307.162,70	12.057.294,32		5.484.030,95	215.065,88					85.879.465,75
	Gross - accepted proportional reinsurance business	R0080																	0,00
	Gross - accepted non-proportional reinsurance business	R0090																	0,00
	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	-44.914,31	-78.162,70		478.625,34	689.322,43	-507.346,43	572.692,83	-831.430,15	1.366.600,56		202.809,73	-159.586,69					1.688.610,60
	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	-44.914,31	-78.162,70		478.625,34	689.322,43	-507.346,43	572.692,83	-831.430,15	1.366.600,56		202.809,73	-159.586,69					1.688.610,60
	Recoverables from SPV before adjustment for expected losses	R0120																	0,00
	Recoverables from Finite Reinsurance before adjustment for expected losses	R0130																	0,00
	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-44.978,45	-78.210,86		475.749,22	688.880,95	-507.553,02	571.252,56	-833.200,22	1.364.533,77		202.696,80	-159.655,40					1.679.515,36
	Net Best Estimate of Premium Provisions	**R0150**	38.461,89	-8.677.758,64		18.833.185,98	27.966.792,89	2.479.907,98	22.070.181,38	5.140.362,91	10.692.760,55		5.281.334,16	374.721,28					84.199.950,39
	Claims provisions																		
	Gross - Total	R0160	24.838,70	25.054.400,92		72.708.718,86	13.598.921,97	10.413.322,46	26.031.026,35	59.128.096,68	1.175.002,38		2.212.524,86	1.728.616,12					212.075.469,29
	Gross - direct business	R0170	24.838,70	25.054.400,92		72.708.718,86	13.598.921,97	10.413.322,46	26.031.026,35	59.128.096,68	1.175.002,38		2.212.524,86	1.728.616,12					212.075.469,29
	Gross - accepted proportional reinsurance business	**R0180**																	0,00
	Gross - accepted non-proportional reinsurance business	R0190																	0,00
	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	4.847,57	341.873,24		6.473.505,10	946.547,84	2.204.120,03	9.823.674,55	17.273.201,66	144.626,48		107.562,36	1.321.687,01					38.641.645,82
	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	4.847,57	341.873,24		6.473.505,10	946.547,84	2.204.120,03	9.823.674,55	17.273.201,66	144.626,48		107.562,36	1.321.687,01					38.641.645,82
	Recoverables from SPV before adjustment for expected losses	**R0220**																	0,00
	Recoverables from Finite Reinsurance before adjustment for expected losses	R0230																	0,00
	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	4.842,24	341.446,53		6.436.097,41	945.840,51	2.199.951,79	9.810.910,91	17.216.080,70	144.503,80		107.499,22	1.320.435,71					38.527.608,81
	Net Best Estimate of Claims Provisions	R0250	19.996,47	24.712.954,39		66.272.621,44	12.653.081,45	8.213.370,67	16.220.115,44	41.912.015,99	1.030.498,58		2.105.025,64	408.180,41					173.547.860,48
	Total Best estimate - gross	R0260	18.322,14	16.298.431,42		92.017.654,06	42.254.595,80	12.385.677,43	48.672.460,28	63.435.259,38	13.232.296,70		7.696.555,81	1.943.682,00					297.954.935,04
	Total Best estimate - net	**R0270**	58.458,36	16.035.195,74		85.105.807,43	40.619.874,35	10.693.278,65	38.290.296,82	47.052.378,90	11.723.259,13		7.386.359,79	782.901,69					257.747.810,86
	Risk margin	**R0280**	2.825,08	1.202.155,71		3.563.363,52	2.586.321,84	2.130.850,20	3.721.999,47	2.249.868,11	3.652.582,20		360.151,42	101.100,21					19.571.217,74
	Amount of the transitional on Technical Provisions																		
	TP as a whole	R0290																	0,00
	Best estimate	R0300																	0,00
	Risk margin	R0310																	0,00
	Technical Provisions																		
	Technical provisions - total	R0320	21.147,22	17.500.587,13		95.581.017,58	44.840.917,65	14.516.527,62	52.394.459,75	65.685.127,49	16.884.878,90		8.056.707,23	2.044.782,21					317.526.152,77
	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-40.136,22	263.235,68		6.911.846,63	1.634.721,46	1.692.398,77	10.382.163,46	16.382.880,48	1.509.037,57		310.196,02	1.160.780,31					40.207.124,17
	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	61.283,43	17.237.351,45		88.669.170,95	43.206.196,19	12.824.128,85	42.012.296,29	49.302.247,01	15.375.841,33		7.746.511,21	884.001,90					277.319.028,60
	Line of Business (LoB): further segmentation																		
	Premium provisions - Total number of homogeneous risk groups	R0350																	
	Claims provisions - Total number of homogeneous risk groups	R0360																	
	Cash-flows of the Best estimate of Premium Provisions (Gross)																		
Cash out-flows	Future benefits and claims	R0370	19.582,14	12.794.118,27		19.323.469,13	33.402.367,00	2.444.642,49	24.694.482,25	5.700.632,29	17.171.841,09		5.262.326,28	337.149,81					121.150.610,75
	Future expenses and other cash-out flows	R0380	27.727,64	5.400.379,13		8.743.089,28	9.310.635,19	502.823,82	10.650.989,13	2.635.425,98	9.437.001,69		1.488.627,26	174.694,54					48.371.393,68
Cash in-flows	Future premiums	R0390	53.826,34	26.988.249,17		9.297.014,11	13.339.115,29	973.786,14	12.681.884,22	4.244.929,84	412.776,47		1.246.642,85	296.778,47					69.535.002,91
	Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400		5.138,37		956.061,82	718.213,06	29.756,21	77.652,23	43.534,51	14.138.771,99		20.279,74						15.989.407,91
	Cash-flows of the Best estimate of Claims Provisions (Gross)																		
Cash out-flows	Future benefits and claims	R0410	16.671,03	22.214.041,44		50.877.107,86	13.364.418,85	9.535.689,91	24.390.685,29	48.495.796,47	2.782.103,97		2.064.849,15	1.580.487,47					175.321.851,45
	Future expenses and other cash-out flows	R0420	8.167,67	2.701.238,99		4.154.565,91	493.694,46	688.324,24	1.534.276,91	6.778.141,69	519.282,66		155.752,16	148.484,52					17.181.929,21
Cash in-flows	Future premiums	R0430																	0,00
	Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440		11.330,58		814.033,73	259.191,34	286.966,14	52.539,33	278.377,90	2.126.384,26		8.076,45	355,87					3.837.255,59
	Percentage of gross Best Estimate calculated using approximations	**R0450**																	0,00%
	Best estimate subject to transitional of the interest rate	**R0460**																	0,00
	Technical provisions without transitional on interest rate	R0470																	0,00
	Best estimate subject to volatility adjustment	**R0480**																	0,00
	Technical provisions without volatility adjustment and without others transitional measures	R0490																	0,00

Relationship between S.17.01 and S.19.01																		
Volume of LoB measured in Gross BE		0,01%	11,81%	0,00%	34,28%	6,41%	4,91%	12,27%	27,88%	0,55%	0,00%	1,04%	0,82%	0,00%	0,00%	0,00%	0,00%	100,00%
Currency Split required on S.19.01 for this LoB (Y/N)?		N	Y	N	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	N	

		Balance Sheet	Technical Provisions
Reinsurance recoverables from: Non-life excluding health		39.984.024,71	39.984.024,71
Reinsurance recoverables from: Health similar to non-life		223.099,46	223.099,46
Technical provisions – non-life (excluding health): Calculated as a whole			0,00
Technical provisions – non-life (excluding health): Best Estimate		281.638.181,48	281.638.181,48
Technical provisions – non-life (excluding health): Risk margin		18.366.236,96	18.366.236,96
Technical provisions – health (similar to non-life): Calculated as a whole			0,00
Technical provisions - health (similar to non-life): Best Estimate		16.316.753,56	16.316.753,56
Technical provisions – health (similar to non-life): Risk margin		1.204.980,78	1.204.980,78

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Annex 6: Non-life Insurance Claims Information

Legenda
Automatic Calculated
Editable - IGT allowed
Editable - IGT not allowed

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)																In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Prior	R0100																1.639.094,48	1.639.094,48	1.639.094,48
2002	R0110	127.309.738,11	68.478.513,90	13.404.839,51	8.113.497,18	3.443.041,80	2.141.686,19	1.992.846,89	1.710.249,84	1.467.349,25	575.392,07	233.855,17	383.761,73	200.672,40	56.540,82	102.836,18		102.836,18	229.614.821,04
2003	R0120	147.036.390,19	68.829.879,97	13.357.883,97	8.671.960,81	3.739.408,51	2.650.827,43	1.796.540,71	1.155.648,49	541.202,60	918.980,58	252.115,74	427.872,32	163.058,37	102.489,10			102.489,10	249.644.258,79
2004	R0130	175.908.210,93	66.110.618,15	13.089.473,17	7.226.537,18	3.614.809,31	2.999.385,77	1.942.014,94	1.627.000,76	603.618,13	287.074,51	401.778,97	206.107,48	304.463,86				304.463,86	274.321.093,16
2005	R0140	159.175.726,01	63.823.404,35	12.041.669,63	7.895.497,23	3.761.138,36	2.070.171,66	1.775.353,19	1.886.186,18	758.598,22	1.042.376,33	219.779,43	504.652,31					504.652,31	254.954.552,90
2006	R0150	174.956.430,92	65.250.810,24	13.512.641,88	6.203.428,31	4.116.430,52	3.258.999,42	1.351.394,20	1.032.772,86	783.041,86	608.009,42	108.535,36						108.535,36	271.182.494,99
2007	R0160	199.382.912,83	71.272.865,51	14.995.651,18	8.245.841,41	3.639.308,42	1.656.860,88	1.513.041,40	1.103.170,77	779.954,94	746.337,77							746.337,77	303.335.945,11
2008	R0170	260.266.951,93	91.904.627,62	15.944.329,97	7.067.094,17	2.792.111,51	2.757.686,32	1.804.122,18	1.122.559,63	828.309,46								828.309,46	384.487.792,79
2009	R0180	231.931.054,88	69.021.869,43	13.567.914,29	5.663.928,24	3.596.401,53	2.420.376,29	1.157.458,48	1.174.782,82									1.174.782,82	328.533.785,96
2010	R0190	208.541.732,88	67.421.246,86	10.620.596,97	4.581.129,86	2.744.515,23	1.745.472,40	904.158,75										904.158,75	296.558.852,95
2011	R0200	174.609.095,08	57.042.421,07	15.094.651,65	5.845.448,49	2.545.409,65	1.600.713,36											1.600.713,36	256.737.739,30
2012	R0210	172.306.264,19	57.518.952,52	8.993.832,40	5.701.996,18	2.773.478,40												2.773.478,40	247.294.523,69
2013	R0220	161.495.756,86	47.747.171,16	9.336.011,48	3.926.114,71													3.926.114,71	222.505.054,21
2014	R0230	172.637.618,61	47.105.425,23	7.852.617,32														7.852.617,32	227.595.661,16
2015	R0240	152.212.816,33	43.440.261,73															43.440.261,73	195.653.078,06
2016	R0250	153.839.633,60																153.839.633,60	153.839.633,60
Total	R0260																	**218.209.384,73**	**3.897.898.382,19**

Reinsurance Recoveries received (non-cumulative)

		C0600	C0610	C0620	C0630	C0640	C0650	C0660	C0670	C0680	C0690	C0700	C0710	C0720	C0730	C0740	C0750	C0760	C0770
Prior	R0300																18.933,30	18.933,30	18.933,30
2002	R0310	14.459.529,24	10.109.417,46	4.803.035,25	8.699.591,67	2.018.469,39	816.901,40	2.065.512,02	2.389.575,27	3.111.563,27	336.540,04	510.168,91	402.639,86	820.097,85	67.521,53	10.044,11		10.044,11	50.620.607,28
2003	R0320	16.651.530,35	12.778.146,55	3.658.227,95	1.915.523,38	840.041,89	1.385.437,47	434.359,17	169.477,17	40.962,66	3.486.591,07	9.895,19	65.106,27	2.806,24	32.275,36			32.275,36	41.470.380,73
2004	R0330	23.057.373,45	10.932.376,06	2.091.476,57	1.465.288,23	602.260,61	596.428,41	781.267,28	641.999,09	1.288.631,01	283.543,83	322.549,79	48.965,43	-2.687,25				-2.687,25	42.109.472,51
2005	R0340	19.881.610,90	9.741.903,71	2.272.404,29	2.479.355,95	949.143,93	472.445,34	423.214,21	4.438.372,92	185.143,45	179.235,75	10.622,10	23.141,46					23.141,46	41.056.594,04
2006	R0350	21.556.525,73	10.355.399,54	3.279.128,20	1.240.677,59	829.672,85	563.101,99	206.673,79	254.956,98	93.253,20	19.157,35	2.410,04						2.410,04	38.400.957,27
2007	R0360	24.473.095,89	10.564.649,99	3.389.896,81	2.026.778,63	951.830,60	419.664,38	290.388,70	283.785,21	-68.718,32	6.648,49							6.648,49	42.338.020,38
2008	R0370	21.958.331,41	12.180.883,25	2.689.660,92	6.681.558,55	651.890,08	2.825.136,89	239.426,00	76.759,33	-97.585,56								-97.585,56	47.206.060,87
2009	R0380	24.877.971,98	8.292.598,23	2.535.712,42	1.139.308,17	497.847,62	566.302,32	55.908,04	38.207,68									38.207,68	38.003.856,46
2010	R0390	18.241.538,09	9.899.688,66	2.009.751,66	802.628,49	499.335,10	95.190,76	32.853,29										32.853,29	31.580.986,05
2011	R0400	19.073.157,34	7.029.705,22	5.194.067,65	1.520.000,39	90.449,55	66.876,22											66.876,22	32.974.256,37
2012	R0410	16.587.582,56	15.444.939,93	5.901.291,01	1.944.074,00	34.319,19												34.319,19	39.912.206,69
2013	R0420	14.321.460,70	4.938.226,59	1.289.307,33	1.064.165,92													1.064.165,92	21.613.160,53
2014	R0430	12.724.540,76	5.832.895,28	1.079.499,60														1.079.499,60	19.636.935,64
2015	R0440	15.019.854,28	5.229.613,86															5.229.613,86	20.249.468,14
2016	R0450	12.848.760,77																12.848.760,77	12.848.760,77
Total	R0460																	**20.368.543,19**	**520.040.657,03**

Net Claims Paid (non-cumulative)

		C1200	C1210	C1220	C1230	C1240	C1250	C1260	C1270	C1280	C1290	C1300	C1310	C1320	C1330	C1340	C1350	C1360	C1370
Prior	R0500																1.620.161,18	1.620.161,18	1.620.161,18
2002	R0510	112.850.208,87	58.369.096,44	8.601.804,26	-586.094,49	1.424.572,41	1.324.784,79	-72.665,13	-679.325,43	-1.644.214,02	238.852,03	-276.313,74	-18.878,13	-619.425,45	-10.980,71	92.792,07		92.792,07	178.994.213,76
2003	R0520	130.384.859,84	56.051.733,42	9.699.656,02	6.756.437,43	2.899.366,62	1.265.389,96	1.362.181,54	986.171,32	500.239,94	-2.567.610,49	242.220,55	362.766,05	160.252,13	70.213,74			70.213,74	208.173.878,06
2004	R0530	152.850.837,48	55.178.242,09	10.997.996,60	5.761.248,95	3.012.548,70	2.402.957,36	1.160.747,66	985.001,67	-685.012,88	3.530,68	79.229,18	157.142,05	307.151,11				307.151,11	232.211.620,65
2005	R0540	139.294.115,11	54.081.500,64	9.769.265,34	5.416.141,28	2.811.994,43	1.597.726,32	1.352.138,98	-2.552.186,74	573.454,77	863.140,58	209.157,33	481.510,85					481.510,85	213.897.958,86
2006	R0550	153.399.905,19	54.895.410,70	10.233.513,68	4.962.750,72	3.286.757,67	2.695.897,43	1.144.720,41	777.815,88	689.788,66	588.852,07	106.125,32						106.125,32	232.781.537,72
2007	R0560	174.909.816,94	60.708.215,52	11.605.754,37	6.219.062,78	2.687.477,82	1.237.196,50	1.222.652,70	819.385,56	848.673,26	739.689,28							739.689,28	260.997.924,73
2008	R0570	238.308.620,52	79.723.744,37	13.254.669,05	385.535,62	2.140.221,43	-67.450,57	1.564.696,18	1.045.800,30	925.895,02								925.895,02	337.281.731,92
2009	R0580	207.053.082,90	60.729.271,20	11.032.201,87	4.524.620,07	3.098.553,91	1.854.073,97	1.101.550,44	1.136.575,14									1.136.575,14	290.529.929,50
2010	R0590	190.300.194,79	57.521.558,20	8.610.845,31	3.778.501,37	2.245.180,13	1.650.281,64	871.305,46										871.305,46	264.977.866,90
2011	R0600	155.535.937,74	50.012.715,85	9.900.584,00	4.325.448,10	2.454.960,10	1.533.837,14											1.533.837,14	223.763.482,93
2012	R0610	155.718.681,63	42.074.012,59	3.092.541,39	3.757.922,18	2.739.159,21												2.739.159,21	207.382.317,00
2013	R0620	147.174.296,16	42.808.944,57	8.046.704,15	2.861.948,79													2.861.948,79	200.891.893,68
2014	R0630	159.913.077,85	41.272.529,95	6.773.117,72														6.773.117,72	207.958.725,52
2015	R0640	137.192.962,05	38.210.647,87															38.210.647,87	175.403.609,92
2016	R0650	140.990.872,83																140.990.872,83	140.990.872,83
Total	R0660																	**199.461.002,72**	**3.377.857.725,16**

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)																Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350	C0360
Prior	R0100																3.077.969,45	2.977.354,07
2002	R0110															282.649,09		271.185,50
2003	R0120														334.998,75			323.988,72
2004	R0130													290.983,34				287.138,85
2005	R0140												266.679,26					258.658,82
2006	R0150											742.406,16						721.757,29
2007	R0160										1.567.756,13							1.538.350,01
2008	R0170									2.163.310,80								2.118.834,98
2009	R0180								1.692.669,39									1.644.390,42
2010	R0190							4.612.902,63										4.484.342,22
2011	R0200						5.732.808,02											5.575.035,63
2012	R0210					19.352.262,92												18.907.774,50
2013	R0220				11.848.170,96													11.584.669,11
2014	R0230			15.043.692,47														14.758.231,72
2015	R0240		20.726.026,88															20.285.823,82
2016	R0250	79.936.143,57																78.828.884,15
Total	R0260																	**161.589.065,75**

Undiscounted Best Estimate Claims Provisions - Reinsurance recoverable

		C0800	C0810	C0820	C0830	C0840	C0850	C0860	C0870	C0880	C0890	C0900	C0910	C0920	C0930	C0940	C0950	C0960
Prior	R0300																171.758,68	
2002	R0310															114.296,21		
2003	R0320														80.302,31			
2004	R0330													-8.610,20				
2005	R0340												119.596,18					
2006	R0350											53.153,85						
2007	R0360										25.464,91							
2008	R0370									147.393,07								
2009	R0380								518.164,21									
2010	R0390							296.768,89										
2011	R0400						832.335,58											
2012	R0410					976.521,40												
2013	R0420				12.422.777,11													
2014	R0430			4.181.818,90														
2015	R0440		5.194.205,64															
2016	R0450	12.713.246,70																
Total	R0460																	

Net Undiscounted Best Estimate Claims Provisions

		C1400	C1410	C1420	C1430	C1440	C1450	C1460	C1470	C1480	C1490	C1500	C1510	C1520	C1530	C1540	C1550	C1560
Prior	R0500																2.906.210,77	2.977.354,07
2002	R0510															168.352,88		271.185,50
2003	R0520														254.696,44			323.988,72
2004	R0530													299.593,54				287.138,85
2005	R0540												147.083,08					258.658,82
2006	R0550											689.252,31						721.757,29
2007	R0560										1.542.291,22							1.538.350,01
2008	R0570									2.015.917,73								2.118.834,98
2009	R0580								1.174.505,18									1.644.390,42
2010	R0590							4.316.133,74										4.484.342,22
2011	R0600						4.900.472,44											5.575.035,63
2012	R0610					18.375.741,52												18.907.774,50
2013	R0620				-574.606,15													11.584.669,11
2014	R0630			10.861.873,57														14.758.231,72
2015	R0640		15.531.821,24															20.285.823,82
2016	R0650	67.222.896,87																78.828.884,15
Total	R0660																	**161.589.065,75**

		Development year (absolute amount)																	Year end
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +		

Gross Reported but not Settled Claims (RBNS)

		C0400	C0410	C0420	C0430	C0440	C0450	C0460	C0470	C0480	C0490	C0500	C0510	C0520	C0530	C0540	C0550		C0560
Prior	R0100																2.665.004,52	R0100	2.665.004,52
2002	R0110						5.256.765,27	4.410.538,93	2.893.801,12	1.609.957,89	1.153.898,19	917.242,37	799.356,39	522.548,30	481.377,12	293.788,07		R0110	293.788,07
2003	R0120					9.870.837,37	6.345.948,75	4.466.518,82	3.229.728,85	2.276.799,12	1.507.973,21	1.130.515,00	617.106,25	507.679,95	420.848,56			R0120	420.848,56
2004	R0130				8.063.658,96	7.384.215,55	5.322.763,08	3.721.732,46	2.620.895,00	2.255.172,20	1.985.857,26	981.301,86	1.183.423,81	701.669,62				R0130	701.669,62
2005	R0140			10.634.143,65	8.939.394,58	8.058.026,63	5.311.448,00	4.323.744,72	2.818.231,45	2.504.674,22	1.554.163,38	764.338,45	631.747,34					R0140	631.747,34
2006	R0150		15.269.901,89	12.354.329,81	9.705.609,50	8.718.852,08	4.952.410,73	4.544.620,97	3.109.416,02	1.749.553,46	1.245.397,73	1.002.635,51						R0150	1.002.635,51
2007	R0160	42.458.764,58	16.029.936,94	11.033.604,67	9.044.385,83	6.549.744,21	6.279.470,37	4.487.259,31	2.999.795,96	2.329.787,88	2.064.874,26							R0160	2.064.874,26
2008	R0170	71.152.606,59	22.705.236,33	10.884.710,35	9.038.691,03	8.521.970,48	6.220.854,56	4.662.905,44	2.874.567,23	2.295.848,72								R0170	2.295.848,72
2009	R0180	47.239.115,06	16.399.106,34	11.333.129,22	9.639.463,59	7.158.544,17	5.040.292,66	3.347.178,67	1.925.823,33									R0180	1.925.823,33
2010	R0190	46.979.577,62	17.004.470,85	11.634.547,60	9.769.169,06	7.731.260,12	6.372.525,26	4.628.346,23										R0190	4.628.346,23
2011	R0200	40.068.973,61	20.857.316,34	8.370.683,78	5.708.101,19	6.122.501,19	5.735.399,13											R0200	5.735.399,13
2012	R0210	59.145.269,74	25.955.456,15	26.589.950,81	22.381.464,48	19.520.972,40												R0210	19.520.972,40
2013	R0220	43.952.715,91	14.390.050,32	9.784.440,84	10.081.983,11													R0220	10.081.983,11
2014	R0230	38.657.307,95	14.211.091,28	10.195.871,88														R0230	10.195.871,88
2015	R0240	31.904.828,62	10.310.524,15															R0240	10.310.524,15
2016	R0250	40.194.373,36																R0250	40.194.373,36
																	Total	R0260	**110.004.705,67**

Reinsurance RBNS Claims

		C1000	C1010	C1020	C1030	C1040	C1050	C1060	C1070	C1080	C1090	C1100	C1110	C1120	C1130	C1140	C1150		C1160
Prior	R0300																141.633,96	R0300	141.633,96
2002	R0310															111.117,46		R0310	111.117,46
2003	R0320														82.520,40			R0320	82.520,40
2004	R0330													13.323,88				R0330	13.323,88
2005	R0340												147.730,37					R0340	147.730,37
2006	R0350											65.606,24						R0350	65.606,24
2007	R0360										50.548,25							R0360	50.548,25
2008	R0370									151.608,97								R0370	151.608,97
2009	R0380								529.424,39									R0380	529.424,39
2010	R0390							302.429,20										R0390	302.429,20
2011	R0400						828.332,19											R0400	828.332,19
2012	R0410					1.006.675,77												R0410	1.006.675,77
2013	R0420				12.244.774,26													R0420	12.244.774,26
2014	R0430			2.629.953,98														R0430	2.629.953,98
2015	R0440		3.998.053,00															R0440	3.998.053,00
2016	R0450	7.785.241,21																R0450	7.785.241,21
																	Total	R0460	**29.947.339,57**

Net RBNS Claims

		C1600	C1610	C1620	C1630	C1640	C1650	C1660	C1670	C1680	C1690	C1700	C1710	C1720	C1730	C1740	C1750		C1760
Prior	R0500																2.523.370,56	R0500	2.523.370,56
2002	R0510						5.256.765,27	4.410.538,93	2.893.801,12	1.609.957,89	1.153.898,19	917.242,37	799.356,39	522.548,30	481.377,12	182.670,61		R0510	182.670,61
2003	R0520					9.870.837,37	6.345.948,75	4.466.518,82	3.229.728,85	2.276.799,12	1.507.973,21	1.130.515,00	617.106,25	507.679,95	338.328,16			R0520	338.328,16
2004	R0530				8.063.658,96	7.384.215,55	5.322.763,08	3.721.732,46	2.620.895,00	2.255.172,20	1.985.857,26	981.301,86	1.183.423,81	688.345,74				R0530	688.345,74
2005	R0540			10.634.143,65	8.939.394,58	8.058.026,63	5.311.448,00	4.323.744,72	2.818.231,45	2.504.674,22	1.554.163,38	764.338,45	484.016,97					R0540	484.016,97
2006	R0550		15.269.901,89	12.354.329,81	9.705.609,50	8.718.852,08	4.952.410,73	4.544.620,97	3.109.416,02	1.749.553,46	1.245.397,73	937.029,27						R0550	937.029,27
2007	R0560	42.458.764,58	16.029.936,94	11.033.604,67	9.044.385,83	6.549.744,21	6.279.470,37	4.487.259,31	2.999.795,96	2.329.787,88	2.014.326,01							R0560	2.014.326,01
2008	R0570	71.152.606,59	22.705.236,33	10.884.710,35	9.038.691,03	8.521.970,48	6.220.854,56	4.662.905,44	2.874.567,23	2.144.239,75								R0570	2.144.239,75
2009	R0580	47.239.115,06	16.399.106,34	11.333.129,22	9.639.463,59	7.158.544,17	5.040.292,66	3.347.178,67	1.396.398,94									R0580	1.396.398,94
2010	R0590	46.979.577,62	17.004.470,85	11.634.547,60	9.769.169,06	7.731.260,12	6.372.525,26	4.325.917,03										R0590	4.325.917,03
2011	R0600	40.068.973,61	20.857.316,34	8.370.683,78	5.708.101,19	6.122.501,19	4.907.066,94											R0600	4.907.066,94
2012	R0610	59.145.269,74	25.955.456,15	26.589.950,81	22.381.464,48	18.514.296,63												R0610	18.514.296,63
2013	R0620	43.952.715,91	14.390.050,32	9.784.440,84	-2.162.791,15													R0620	-2.162.791,15
2014	R0630	38.657.307,95	14.211.091,28	7.565.917,90														R0630	7.565.917,90
2015	R0640	31.904.828,62	6.312.471,15															R0640	6.312.471,15
2016	R0650	32.409.132,15																R0650	32.409.132,15
																	Total	R0660	**80.057.366,10**

Annex 7: Own funds

Own funds - Solo

		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	73.701.392,00	73.701.392,00			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	755.842.318,42	755.842.318,42			
Subordinated liabilities	R0140	24.384.561,39			24.384.561,39	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	853.928.271,81	829.543.710,42		24.384.561,39	

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	853.928.271,81	829.543.710,42		24.384.561,39	
Total available own funds to meet the MCR	**R0510**	853.928.271,81	829.543.710,42		24.384.561,39	
Total eligible own funds to meet the SCR	**R0540**	853.928.271,81	829.543.710,42		24.384.561,39	
Total eligible own funds to meet the MCR	**R0550**	848.321.811,47	829.543.710,42		18.778.101,04	
SCR	**R0580**	289.317.992,14				
MCR	**R0600**	93.890.505,22				
Ratio of Eligible own funds to SCR	**R0620**	295,15%				
Ratio of Eligible own funds to MCR	**R0640**	903,52%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	886.381.580,42
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	56.837.870,00
Other basic own fund items	R0730	73.701.392,00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	755.842.318,42
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	21.665.335,74
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	9.733.679,46
Total Expected profits included in future premiums (EPIFP)	**R0790**	31.399.015,19

Annex 8: Solvency Capital Requirement - for undertakings on Standard Formula

Legenda
Automatic Calculated
Parameters
Editable

Loss absorbing capacity of deferred taxes calculation (Standard Formulas module) - Solo level

Corporate Income Tax rate (CIT)	19,00%
(BSCR + LAC of TP + OpRisk) x (CIT rate)	65.274.322,64
LAC of deferred taxes - Impairment adjustment	
Group adjustment for deferred Taxes	
Loss-absorbing capacity of deferred taxes	**-65.274.322,64**

Article 112	Z0010	2 - Regular reporting

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplificaciones
		C0030	C0040	C0050	C0080	C0090
Market risk	R0010	248.749.281,74	249.197.728,62			
Counterparty default risk	R0020	40.301.173,41	40.301.173,41			
Life underwriting risk	R0030	39.915.591,84	40.056.596,08			
Health underwriting risk	R0040	24.646.451,46	24.646.451,46			
Non-life underwriting risk	R0050	97.259.816,11	97.259.816,11			
Diversification	R0060	-125.277.351,68	-125.403.292,87			
Intangible asset risk	R0070					
Basic Solvency Capital Requirement	**R0100**	**325.594.962,87**	**326.058.472,80**			

Calculation of Solvency Capital Requirement

		C0100	
Adjustment due to RFF/MAP nSCR aggregation	R0120		
Total capital requirement for operational risk	R0130	17.954.103,67	
Loss-absorbing capacity of technical provisions	R0140	-463.509,93	
Loss-absorbing capacity of deferred taxes	R0150	-65.274.322,64	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160		
Solvency capital requirement excluding capital add-on	**R0200**	**278.274.743,90**	
Capital add-on already set	R0210		
Solvency capital requirement	**R0220**	**278.274.743,90**	
Solvency capital requirement		**278.274.743,90**	No Eiopa row, needed for technical reason
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	11.043.248,24	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430		
Diversification effects due to RFF nSCR aggregation for article 304	R0440		
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment	
Net future discretionary benefits	R0460	589.451,12	

Data entry for Group Purpose	Solvency II: Group Purpose
Gross Basic SCR	**191.806.711,53**
Net Basic SCR	**191.312.310,58**
Net future discretionary benefits	
Loss-absorbing capacity of technical provisions	
Total capital requirement for operational risk	

Loss absorbing capacity of deferred taxes calculation (Standard Formulas module) - Solo for Group level

Corporate Income Tax rate (CIT)	
(BSCR + LAC of TP + OpRisk) x (CIT rate)	
LAC of deferred taxes - Impairment adjustment	
Group adjustment for deferred Taxes	
Loss-absorbing capacity of deferred taxes	

Parameters	Market	Default	Life	Health	Non life
Market	100,00%	25,00%	25,00%	25,00%	25,00%
Default	25,00%	100,00%	25,00%	25,00%	50,00%
Life	25,00%	25,00%	100,00%	25,00%	0,00%
Health	25,00%	25,00%	25,00%	100,00%	0,00%
Non-life	25,00%	50,00%	0,00%	0,00%	100,00%

Intangible asset risk - Factor	80,00%

Annex 9: Minimum capital Requirement - Both life and non-life insurance activity

Legenda
Automatic Calculated
Parameters
Editable

1	Not Composite	Move to report S.28.01
-1	Composite	Enter values in this report

Composite undertaking or not		Composite

Sourcing Value Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions from S.12.01/S.17.01	-1	NO	1 = Yes and -1 = No
Sourcing Value Net (of reinsurance) written premiums in the last 12 months from S.05.01	-1	NO	

Background information

		Non-life activities	Life activities
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	**R0010**	56.092.318,62	2.285.675,56

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities			Life activities			Factor		Enter value in this column if you don't want to source from other QRTs	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Linear formula component for non-life insurance and reinsurance obligations - MCR calculation	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Life Activities: Linear formula component for non-life insurance and reinsurance obligations - MCR calculation	α	β	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040		C0050	C0060					
Medical expense insurance and proportional reinsurance	R0020	58.458,36	126.707,12	**8.702,78**				4,70%	4,70%	58.458,36	126.707,12
Income protection insurance and proportional reinsurance	R0030	16.773.608,10	27.960.163,67	**4.573.956,57**	-738.412,36	26.890.300,65	**2.285.675,56**	13,10%	8,50%	16.773.608,10	27.960.163,67
Workers' compensation insurance and proportional reinsurance	R0040							10,70%	7,50%		
Motor vehicle liability insurance and proportional reinsurance	R0050	85.105.807,43	78.571.511,66	**14.619.715,73**				8,50%	9,40%	85.105.807,43	78.571.511,66
Other motor insurance and proportional reinsurance	R0060	40.619.874,35	89.072.171,12	**9.726.903,41**				7,50%	7,50%	40.619.874,35	89.072.171,12
Marine, aviation and transport insurance and proportional reinsurance	R0070	10.693.278,65	8.307.954,64	**2.264.521,35**				10,30%	14,00%	10.693.278,65	8.307.954,64
Fire and other damage to property insurance and proportional reinsurance	R0080	38.290.296,82	84.470.122,71	**9.934.547,10**				9,40%	7,50%	38.290.296,82	84.470.122,71
General liability insurance and proportional reinsurance	R0090	47.052.378,90	23.027.367,48	**7.862.980,17**				10,30%	13,10%	47.052.378,90	23.027.367,48
Credit and suretyship insurance and proportional reinsurance	R0100	11.723.259,13	22.410.938,58	**4.607.452,93**				17,70%	11,30%	11.723.259,13	22.410.938,58
Legal expenses insurance and proportional reinsurance	R0110							11,30%	6,60%		
Assistance and proportional reinsurance	R0120	7.386.359,79	9.331.162,99	**2.167.011,78**				18,60%	8,50%	7.386.359,79	9.331.162,99
Miscellaneous financial loss insurance and proportional reinsurance	R0130	782.901,69	1.482.845,02	**326.526,81**				18,60%	12,20%	782.901,69	1.482.845,02
Non-proportional health reinsurance	R0140							18,60%	15,90%		
Non-proportional casualty reinsurance	R0150							18,60%	15,90%		
Non-proportional marine, aviation and transport reinsurance	R0160							18,60%	15,90%		
Non-proportional property reinsurance	R0170							18,60%	15,90%		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Non-life activities			Life activities			Factor	Enter value in this column if you don't want to source from other QRTs (Possible only for Annual purpose)	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Non-Life Activities: Linear formula component for life insurance and reinsurance obligations - MCR calculation	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Linear formula component for life insurance and reinsurance obligations - MCR calculation	α	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100		C0110	C0120				
Obligations with profit participation - guaranteed benefits	R0210				803.940.573,90		**29.745.801,23**	3,70%		
Obligations with profit participation - future discretionary benefits	R0220				16.959.967,89		**-881.918,33**	-5,20%		
Index-linked and unit-linked insurance obligations	R0230				626.712.638,57		**4.386.988,47**	0,70%	626.712.638,57	
Other life (re)insurance and health (re)insurance obligations	R0240	45.408.043,85		**953.568,92**				2,10%		
Total capital at risk for all life (re)insurance obligations	R0250					1.868.672.504,04	**1.308.070,75**	0,07%		

MCR components

		Non-life activities	Life activities
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	**R0200**	953.568,92	34.558.942,13

Overall MCR calculation

			C0130	National supervisor requires standard formula reference SCR(Y/N)		
Linear MCR	R0300		**93.890.505,22**			
SCR	R0310		278.274.743,90	1	YES	1 = Yes and -1 = No
MCR cap	R0320	45,00%	**125.223.634,76**			
MCR floor	R0330	25,00%	**69.568.685,98**			
Combined MCR	R0340		**93.890.505,22**			
Absolute floor of the MCR	R0350		7.400.000,00			

		C0130
Minimum Capital Requirement	**R0400**	**93.890.505,22**

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	57.045.887,54	36.844.617,68
Notional SCR excluding add-on (annual or latest calculation)	R0510	169.073.855,85	109.200.888,05
Notional MCR cap	R0520	76.083.235,13	49.140.399,62
Notional MCR floor	R0530	42.268.463,96	27.300.222,01
Notional Combined MCR	R0540	57.045.887,54	36.844.617,68
Absolute floor of the notional MCR	R0550	3.700.000,00	3.700.000,00
Notional MCR	R0560	57.045.887,54	36.844.617,68