SOLVENCY AND FINANCIAL CONDITION REPORT

2016

COMPENSA LIFE VIENNA INSURANCE GROUP SE

Commercial Register number 10055769

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Reporting period	1 January 2016 – 31 December 2016
Principal activity	Life insurance, code no. 6511

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CONTENTS

LIST OF ABBREVIATIONS

ALM	Asset liabilitity management
ARM	VIG Asset Risk Management
BEL	Best Estimate Liability
Compensa Life or the Company	Compensa Life Vienna Insurance Group SE, a company registered and operating under the laws of the Republic of Estonia, having its head office in Estonia and registered branches in Latvia and Lithuania
Directive 2009/138/EC text	Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and the Council on the taking-up and pursuit of the business of Insurance and Reinsurance
EIOPA	European Insurance and Occupational Pensions Authority
EUR	The official currency of the Eurozone
FSA	Financial Supervision Authority (contact information: Sakala 4, 15030 Tallinn Estonia, http://www.fi.ee/)
GPW	Gross premium written
IA	Interal audit
ICS	Internal control system
IFRS	International Financial Reporting Standards
Insurance Activities Act	Insurance Activities Act, Riigi Teataja I, 7 July 2015, 1; https://www.riigiteataja.ee/en/eli/508012016001/consolide
IRS	Investment Risk Strategy
IT	Information technology
Level 2	Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and the Council on the taking-up and pursuit of the business of Insurance and Reinsurance
LLP	Last Liquid Point
LRM	Liquidity risk management
LRMP	Liquidity Risk Management Policy
MIRA	Munich RE Internet Risk Assessor
Munich RE	Münchener Rück
ORSA	Own Risk and Solvency Assessment

RFR	Risk Free Rate
RM	Risk margin
RSR	Regular Supervisory Report
QRTs	The annual quantitative template
SCR	Solvency Capital Requirement
SFCR or Report	Solvency and Financial Condition Report
TP	Technical provisions
VA	Volatility adjustment
Vienna Insurance Group	The group of the companies (as defined in Austrian law) under the operative control of Vienna Insurance Group AG Wiener Versicherung Gruppe
VIG or the Group	Vienna Insurance Group
VIG Re	Reinsurance company within Vienna Insurance Group

SUMMARY

Following Solvency and Financial Condition Report (hereinafter the SFCR or the Report) is based on and fulfil Insurance Activities Act requirements according Articles 290- 298 of Commission Delegated Regulation (EU) No. 2015/35 (*Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and the Council on the taking-up and pursuit of the business of Insurance and Reinsurance*) and guidelines on the reporting and public disclosure (*EIOPA-BoS-15/109 EN*).

In this Solvency and Financial Condition Report, including Annexes 1 - 9, the Company has disclosed information about the system of governance applied, the business pursuing by the Company, the valuation principles applied for solvency purposes, the risks faced and the risk-management systems, and the Company's capital structure, needs and management.

In 2016, there were no material changes in the system of governance, the valuation principles applied for solvency purposes and the risk-management systems structure, needs and management.

The Company has appropriate systems and structures in place to fulfil the requirements laid down in the Directive 2009/138/EC as well as the written policies, approved by the Management Board of the Company, ensuring the ongoing appropriateness of the information submitted.

The following criteria are fulfilled for information disclosed in this report:

(i) it reflects the nature, scale and complexity of the business of the Company concerned, and in particular the risks inherent in its business;
(ii) it is accessible, complete in all material respects, comparable and consistent over time; and
(iii) it is relevant, reliable and comprehensible.

The information disclosed in this report comprises of the following:

(a) qualitative or quantitative elements;
(b) historic, current or prospective elements; and
(c) data from internal or external sources

All charts, tables and figures within the Report have been supported by the annual quantitative templates (hereinafter the QRTs) as of December 31, 2016 (submitted to the Financial Supervision Authority (hereinafter the FSA) at 16.05.2017) and COMPENSA LIFE VIENNA INSURANCE GROUP SE IFRS Annual Report 2016 audited by KPMG Baltics OÜ.

During the Solvency II preparatory phase the Company had prepared the Narrative reports (2015, 2014) and submitted to FSA. Taking into account that it is first time, when Solvency and Financial Condition Report prepared, the comparison information disclosed, based on the previous years' Narrative reports, ORSAs and COMPENSA LIFE VIENNA INSURANCE GROUP SE IFRS Annual Reports.

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Olga Reznik
Chairman of the Management Board

May 20, 2017

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 **Owners**

The sole owner of Compensa Life Vienna Insurance Group SE (hereafter Compensa Life) is the leading Austrian insurance group, VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (hereafter Vienna Insurance Group or VIG).

The history of Compensa Life dates back to 1993 when the life insurance company Seesam Elukindlustus was established in Estonia. In 2007, life insurers which were operating in Estonia, Latvia and Lithuania under the same brand name were combined and the merged entity was registered as a European company – Seesam Life Insurance SE.

Since 2008, Compensa Life's sole owner has been the leading Austrian insurance group Vienna Insurance Group. The new business name, **Compensa Life Vienna Insurance Group SE**, and the owner's brand name Compensa were adopted in 2009. The company is domiciled in Estonia, with the head office in Tallinn and branches in Latvia and Lithuania.

Compensa Life has 20 offices in the three Baltic countries. Since 2015, the Compensa Life group (hereafter Compensa) has also included Vienibas Gatve Investment OÜ and Compensa Life Distribution UAB (subsidiaries of Compensa Life) as well as Vienibas Gatve Properties SIA (a subsidiary of Vienibas Gatve Investment OÜ).

Compensa Life's mission is to help customers manage their financial risks by offering flexible and contemporary insurance solutions. Compensa Life's product portfolio includes guaranteed-return and unit-linked endowment products, term life insurance products, accident insurance and various additional insurance products. Compensa Life's Latvian and Lithuanian branches also offer health insurance.

Compensa Life offers insurance solutions to both individuals and business customers. In the Baltics, Compensa Life serves over 86,000 customers whose assets exceed 189 million euros. Compensa Life is the largest pension benefits payer in Estonia.

Vienna Insurance Group is one of the leading listed international insurance groups in Central and Eastern Europe. Vienna Insurance Group offers services in the life, non-life and reinsurance segments. The group comprises around 50 insurance companies which operate in 25 countries and have a total staff of around 24,000. The group's head office is in Vienna. Vienna Insurance Group is supervised by the Austrian Financial Market Authority (http://www.fma.gv.at/).

A.1.2 Financial Performance

In 2016, Compensa's Baltic operations generated a consolidated profit of 2.11 million euros. Compensa Life's profit amounted to 2.22 million euros (2015: Compensa Life's profit amounted to 1.85 million euros).

Compensa's sales continued to grow. Total premium and deposit income amounted to 71.95 million euros, a 21.3% improvement on the year before (2015: 59.30 million euros). Payments made to customers totalled 16.85 million euros, 21.1% up on the previous year (2015: 13.30 million euros).

Compensa's share capital amounts to 11,604,000 euros.

The objective of the management board is to ensure Compensa's sustainable operation and consistent growth. Company will focus on delivering quality customer service, developing its insurance products and increasing Compensa's market share across the Baltics.

A.2 UNDERWRITING PERFORMANCE

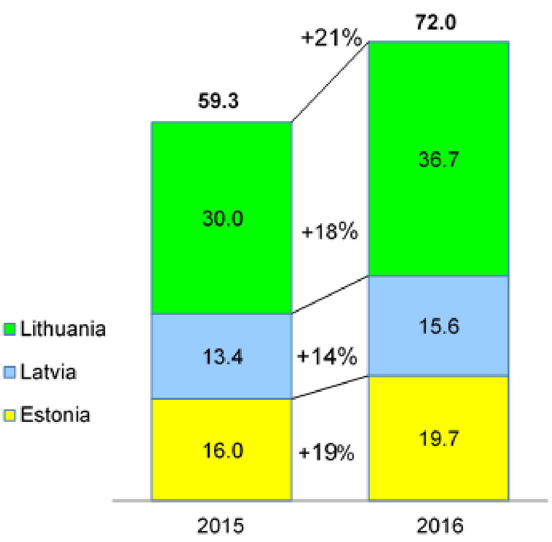

Chart 1. Compensa's total premium income (€m)[1]

Economic growth in the three Baltic countries had a positive effect on their life insurance markets which sustained growth. In 2016, total premium income in the Baltic life insurance market amounted to around 469.1 million euros and the market as a whole grew by 5.4% (2015: 8.2%). In terms of countries, the growth rates were: Estonia 3.9%, Latvia 7.6% and Lithuania 5.0% (2015: Estonia 3.6%, Latvia 8% and Lithuania 9.8%).

The region's largest life insurance market is Lithuania where premium income for 2016 exceeded 259.6 million euros (2015: 247.3 million euros). The second-largest is the Latvian life insurance market with gross premium income of 123.9 million euros (2015: 115.2 million euros) and the third-largest is the Estonian life insurance market with premium income of 85.6 million euros (2015: 82.4 million euros).

In 2016, Compensa increased its total premium income[1] in the Baltics by 21% to 71.95 million euros (2015: 59.3 million euros). In terms of countries, the growth rates were 23% in Estonia, 17% in Latvia, and 22% in Lithuania. Compensa's total market share in the Baltics continued to grow, rising to 15.3% in terms of total premium income.

In 2016, Compensa issued 23,533 new insurance contracts (2015: 21,765), 41% of which were traditional guaranteed-return life insurance contracts and 40% were unit-linked life insurance contracts. The third-largest insurance class was accident insurance contracts which accounted for around 8% of contracts issued. Premium income from new contracts amounted to 34.4 million euros.

In Estonia, most new insurance contracts, i.e. around 38%, were long-term endowment contracts designed for pension and capital accumulation and over 36% were second pillar, i.e. mandatory funded pension insurance contracts. Compared with 2015, there was a rise in the sales of accident insurance which accounted for around 16% of contracts acquired. Term life insurance contracts designed to protect the family and other close ones accounted for 10% of contracts issued.

Premium income from new contracts amounted to 13.7 million euros, 39% up on the year before. The largest share of premium income, i.e. around 10.7 million euros, resulted from mandatory funded pension insurance contracts. Life insurance contracts with an endowment function (guaranteed-return and unit-linked endowment contracts) contributed around 2.34 million euros to premium income.

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[1] *Total premium income comprises premiums written under insurance contracts as well as premiums (deposits) received under investment contracts. Premiums (deposits) from investment contracts are not reported within 'Gross premiums written' in the income statement.*

Compensa Life's total premium income from the Estonian market grew by 23% to around 19.7 million euros (2015: 16.0 million euros). Compensa's market share continued to grow, rising to 23% by the year-end (at the end of 2015: 19.4%). Compensa Life maintained its position as the third-largest player in the Estonian life insurance market and the largest pension benefits payer in Estonia.

Compensa Life's Latvian branch generated premium income of 15.6 million euros, a 17% increase on the year before (2015: 13.4 million euros). Sales of life insurance contracts accounted for over half of total premium income. In terms of total premium income, Compensa Life's market share in Latvia was 12.6%.

Sales of new contracts at Compensa Life's Latvian branch grew by 17% year over year to 8.5 million euros. The Latvian branch achieved strong growth in the sale of unit-linked life insurance contracts whose sale increased by 37% compared to the year before. Unit-linked life insurance contracts accounted for around 88% of contracts issued in 2016.

In 2016, Compensa Life's Lithuanian branch grew its premium income by 22% to 36.6 million euros (2015: 30.0 million euros) and seized a 14.1% market share in the Lithuanian life insurance market.

Premium income from new contracts was 12% larger than the year before, rising above 12.1 million euros (2015: 10.8 million euros). Sales of new insurance contracts at Compensa Life's Lithuanian branch were supported by strong growth in the sales of health insurance. Premium income from health insurance contracts reached 5.6 million euros (2015: 3.3 million euros), a 69% increase year over year.

The share of unit-linked life insurance contracts in the total sales of new insurance contracts remained stable at 45% (2015: 46%). Around 40% of new insurance contracts were issued with additional critical illness insurance. The goal of Compensa Life's Lithuanian branch is to increase its sales, maintain its leading position in terms of premium income from annuity contracts, and to become the market leader in health insurance.

At the year-end, Compensa Life had a total of 106,687 insurance contracts in force in the three Baltic countries. The number of persons insured under contracts issued by Compensa exceeded 143,000.

Operating expenses (contract acquisition costs and administrative expenses) for 2016 totalled 16.15 million euros (2015: 16.88 million euros), a 4.3% decrease compared with the year earlier. The decline in operating expenses is mainly attributable to lower new contract acquisition costs at the Latvian and Lithuanian branches. Despite sales growth, acquisition costs decreased by 9.7% compared to the year before (in 2016 acquisition costs amounted to 12.52 million euros compared with 13.86 million euros in 2015), accounting for 77.5% of operating expenses (2015: 82.1%).

A.3 INVESTMENT PERFORMANCE

In 2016, Compensa's net income on investment activities amounted to 7.05 million euros (2015: 5.48 million euros) and net gain on available for sales financial assets accotuned as other comprehensive income (part of equity) amounted to 3.05 million euros (2015: loss 2.03 million euros).

Compensa's conservative investment policy is aimed at ensuring long-term financial returns and stability as well as a liquid and diversified investment portfolio.

At the year-end, investment property accounted for 0.9% of the total investment portfolio (2015: 1.1%). Investments in shares and fund units together with the underlying assets of unit-linked insurance contracts accounted for 22.4% of the investment portfolio (at the end of 2015: 22.6%). Held-to-maturity investments accounted for 28.7% (at the end of 2015: 27.6%), available-for-sale financial assets for 41.0% (at the end of 2015: 38.1%) and loans and receivables (term deposits) for 6.9% (at the end of 2015: 10.4%) of the total investment portfolio.

Compensa strives to provide its customers with long-term security and stable investment returns. At the end of 2016, investments backing contracts signed with customers totalled 199.08 million euros (at the end of 2015: 163.07 million euros), 18.1% or 36.01 million euros up on the previous year-end.

The investment strategy employed by Compensa Life is a buy-and-hold strategy focused on holding high quality liquid assets, with no direct exposure to property, derivatives or no new exposure to sub-investment grade corporate bonds.

In accordance with the Company's Investment Risk Strategy 2016 and 2017, the main goal of the investment policy is to reach the planned investment result while keeping a balanced risk/return-profile and taking into account constraints given by risk management needs. In accordance with the Company's Investment strategy, there are no investments in securitization.

A.4 PERFORMANCE OF OTHER ACTIVITIES

In 2016, Compensa's operating lease payments for office premises totalled 599,754 euros (2015: 571,731 euros). Operating leases on premises can be cancelled by giving one to twelve months' notice and the cancellation would give rise to expenses of 130,542 euros (2015: 134,514 euros).

There are no any material income and expenses, ohter than underwriting or investment income and expenses.

A.5 ANY OTHER INFORMATION

Customers' trust and satisfaction are Compensa's top priority. Therefore, the Company works consistently to build strong customer relations by developing our insurance products and improving the quality of customer service. In all countries, the Company continuously enhances its internal tools which raise the speed and convenience of contract administration and help deliver even faster claims handling services. The Company consistently develops its e-services in order to make them more convenient for its customers.

Compensa is aware of its social responsibility and contribute to improving the public's understanding and awareness of life insurance by introducing, through marketing activities, different insurance products and solutions that people can use to insure their future and the future of their loved ones. The Company also strives to notice, and supports through voluntary activities, those members of society that need help the most.

Since 2014, the Company has participated in Vienna Insurance Group's Social Active Day which allows the staff to give back to society during work hours. At Compensa Life's Estonian entity and Lithuanian branch, the Company supports the Food Bank by helping to put together food packages and participating in food collection campaigns. At the Latvian branch, the Company supports the local Blood Centre: for several years there are organised a Donor Day on its premises. Last year, over 180 people from Estonian, Latvian and Lithuanian entities took part in the Social Active Day campaign.

Compensa takes care to ensure that its operations comply with all legal and regulatory requirements. At the beginning of 2016, the Company completed the transition to the Solvency II regime and during the year made preparations for implementing the new requirements of the European Union law. In 2017 and 2018 several new European Union regulations will enter into force (e.g. the insurance distribution directive, the regulation on the key information documents for packaged retail and insurance-based investment products, the general data protection regulation, and the fourth anti-money laundering directive). The Company has launched internal projects for the adoption of the new requirements.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Compensa is managed by two tier supervisory and management body: the Supervisory Board and the Management Board. The Supervisory Board is primary responsible for making key strategic decisions, approval of key documents, supervision of Compensa's performance, selection and supervision of the Management Board and other activities. Management Board is responsible for day to day management of Compensa.

B.1.1 Supervisory and Management Bodies

B.1.1.1 Supervisory Board

The composition of the Supervisory Board is established by Vienna Insurance Group ("VIG"). The Supervisory Board reports directly to VIG. The Supervisory Board organises its activities based on requirements stated in the internal policies of the Company established to fullfill the requirements laid down in the Directive 2009/138/EC. The Supervisory Board has the following responsibilities:

a) approval of key transactions;
b) approval of the budgets, investment and risk strategy and plan for internal audit;
c) making proposal to the shareholder's meeting on the approval of annual financial statements and profit distribution or loss covering;
d) review and supervision of the activities of the Management Board;
e) approval of transactions with the Management Board;
f) review and supervision of the activities of the internal audit function and Audit Committee;
g) approval of other transactions which are not with the delegated authority of the Management Board;
h) other responsibilities stated in the internal polices of the Company or assumed by the Supervisory Board based on delegated authority from VIG;
i) other responsibilities within the competence determined by the Regulatory requirements and Business requirements.

Compensa Life's Supervisory Board has five members. The chairman is Franz Fuchs and the memebers are Elisabeth Stadler, Artur Borowinski, Ireneusz Arczewski and Roman Theisen.

The members of the Supervisory Board are the key persons effectively running the Company for the purpose of application of internal regulation on fit and proper assessment (refer to section B.2).

B.1.1.2 Management Board

The composition of the Management Board is established by the Supervisory Board. The Management Board reports to the Supervisory Board. The Management Board organises its activities based on the requirements stated in the internal policies of the Company established to fullfill the requirements laid down in the Directive 2009/138/EC. The Management Board has the following responsibilities:

a) regular and ad-hoc reporting to the Supervisory Board;
b) ensure compliance with laws and regulations;
c) ensure compliance with VIG regulations;
d) approval of policies and other Baltic regulations;
e) approval and submission to the Supervisory Board of the financial statements;
f) approval and submission to the Supervisory Board of budgets and investment risk strategy;
g) review and supervision of the activities of Compensa's managers, other employees and committees reporting to the Management Board;
h) ensure effectiveness of the risk management system at Compensa;
i) approve risk strategy;
j) approve Risk Limit Factor and Acceptable Solvency Coverage Ratio (risk appetite, risk tolerances);
k) approve Risk Limits (risk tolerances);

l) review, challenge and approve Own Risk and Solvency Assessment (ORSA) scenarios, assumptions and report;
m) approve Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR);
n) determine scope and frequency of the review of the system of governance; approve the results and actions following the review;
o) approve outsourcing arrangements;
p) perform other responsibilities stated in internal policies of the Company or assumed by the Management Board based on delegated authority from the Supervisory Board;
q) other responsibilities within the competence determined by the Regulatory requirements and Business requirements.

Compensa's Management Board has four members. The chairman of the Management Board is Olga Reznik and the members of the Management Board are Tanel Talme, Tomas Milašius and Viktors Gustsons.

The current term of office of the members of the management board expires on 30 June 2020. The responsibilities of the board members are as follows.

Chairman of the Management Board, Olga Reznik, is responsible for Compensa Life's overall management, legal services, compliance control and risk management, insurance services and product development in the Baltics. In addition, she is responsible for marketing and HR management in the Baltics and Estonia as well as local entity, claims handling, sales, customer relations, insurance contract administration and insurance risk assessment in Estonia.

Member of the Management Board Tanel Talme is responsible for IT services, controlling, financial and investment services and prevention of money laundering and terrorist financing in the Baltics. In addition, he acts as vice-chairman of the board.

Members of the Management Board Viktors Gustsons, head of the Latvian branch, and Tomas Milašius, head of the Lithuanian branch, are responsible for their respective branches' overall management as well as sales, customer relations and marketing functions. In addition, they are in charge of the branches' claims handling, insurance risk assessment and HR management.

Individual members of the Management Board are responsible for organising and managing business in the areas stated in the internal policies of the Company.

The members of the Management Board are the key persons effectively running the company for the purpose of application of internal regulation on fit and proper assessment (refer to section B.2).

B.1.1.3 Committees and commissions

The Company has following Commiittees and commissions:

- *Audit Commiittee*: an advising body for the Supervisory Board in the matters related to accounting, auditing, risk management, internal control and internal audit, supervision and budgeting, compliance;
- Investment Commiittee: an advising body for the Management Board in the matters related to investments;
- Compliance Committee is a working committee dealing with compliance relevant issues in Compensa.

B.1.2 Key Control Functions of Compensa

Compensa has four key control functions:

- Risk management function
- Actuarial function
- Compliance function
- Internal audit function

All key control functions are staffed by employees at Compensa, no key control function outsourcing is used.

B.1.2.1 Risk Management Function

The overall responsibility of the risk assumed by Compensa resides with the Management Board. The Management Board's main responsibilities are:

a) definition of corporate objectives and risk strategies, definition of Compensa's risk profile/appetite;
b) involvement in risk relevant decisions by business lines;
c) building and enhancement of the risk capability in the organization;
d) functional and organisational segregation of responsibilities, and management of conflicts of interest;
e) dissemination of information on these strategies and procedures to the employees concerned;
f) ensuring that employees have the necessary qualifications;
g) representing risk relevant decisions to third parties;
h) in state of emergency the Management Board as a whole has to decide, on a short term basis, concerning adequate measures;
i) support of regulatory issues (e.g. new solvency framework, lobbying, etc.);
j) involvement in risk charting and assessment, approval of risk assessment results, control activities and measures in risk management plan.

Risk Management Function in Compensa is performed by Risk Manager and Insurance Technical Services department.

Risk Manager's function responsibilities are:

a) initiate and carry out business and risk meeting for the purpose of updating risk strategy, develop the draft risk strategy document, own the risk strategy document;
b) perform the required Risk Bearing Capacity, Allocation and Limitation calculations, prepare the Risk Limit Approval form, initiate the input and approvals of the Management Board required in Risk Bearing Capacity, allocation and limitation procedures, own the Risk Limit Tool model and the Risk Limit Tool documentation at Compensa;
c) calculate/obtain the required indicators and prepare quarterly Risk Limit Reports comparing the established limits with the actual losses/exposures, investigate the limit breaches and propose actions to remedy the situation, submit the Risk Limit Reports on the timely basis to the Management Board and VIG;
d) coordinate the required inputs and outputs from/to ORSA process with other departments at Compensa, initiate the input and approvals of the Management Board required in ORSA process, coordinate the development and approval of risk scenarios for the purpose of ORSA, perform qualitative risk assessments for the purpose of ORSA, own the internal documentation of each individual ORSA;
e) coordinate the required inputs and outputs from/to Risk Inventory process with risk owners and relevant employees at Compensa, prepare and own the Risk Catalogue at Compensa, prepare Risk Inventory reports, submit the Risk Inventory Report on the timely basis to the Management Board and VIG;
f) prepare the required risk reports (regular and ad-hoc) to the Management Board, VIG, FSA and other parties, coordinate the required inputs to the risk reports with the relevant departments at Compensa, perform analysis of the risk indicators and other information in the risk reports;
g) own the internal regulations related to risk management, resolution of the Management Board on Risk Management Function and other internal documents, descriptions of procedures, templates, models assigned to Risk Manager's ownership (related to risk management), regularly perform analysis of risk management system at Compensa;
h) own the internal control system policy and other internal documents, descriptions of procedures, templates, models assigned to Risk Manager's ownership (related to internal controls), regularly perform analysis of internal control system at Compensa.
i) own the other internal documents, descriptions of procedures, templates, models assigned to Risk Manager's ownership (related to business continuity), regularly perform analysis of business continuity system at Compensa.

To ensure operational independence and objectivity, employees performing the risk management function must not be involved in any risk taking activities or perform other day-to-day business operations at Compensa, unless this can be justified and is documented and approved.

B.1.2.2 Compliance Function

Compliance function at Compensa is performed by Legal Services and Compliance department. Detailed description how this function is implemented at Compensa, its duties and responsibilities are provided in the internal policies of the Company, such as “Compliance policy” and ”Statute of department of legal services and compliance”. More details disclosed in this Report Section B.4 Internal Control System.

B.1.2.3 Internal Audit Function

Internal audit function at Compensa is performed by Internal Audit department. Detailed description of how this function is implemented at Compensa, its duties and responsibilities are provided in the internal policies of the Company, such as “Statute of Internal Audit function”.

To ensure independence and objectivity, employees performing the internal audit function must not be involved in any risk taking activities or perform other day-to-day business operations at Compensa.

B.1.2.4 Actuarial Function

Actuarial function at Compensa is performed by Insurance Technical Services Department. Detailed description how this function is implemented at Compensa, its duties and responsibilities are provided in the internal policies of the Company, such as “Actuarial function framework policy” and “Statute of department of insurance technical services”.

With regards to the actuarial function the aim is to ensure sufficient explicit and adequate internal controls around the calculation and the establishment of the technical provisions and to perform other tasks required by the legislation. Tasks to be performed are stated as:

a) Coordination of the calculation of technical provisions
b) Issuing an opinion on the underwriting policy and reinsurance arrangements
c) Contributing to the effective implementation of the risk-management system, if such contribution is requested from risk management function of Compensa.
d) Annual internal report to the Management Board.

The person performing the actuarial function as well as persons performing the calculations of Solvency II technical provisions shall also meet the following specific requirements:

a) Knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent
b) Relevant experience with applicable professional and other standards
c) Objectivity and independence

The tasks are allocated in such a way that the risk of the conflicts of interest from inappropriately allocated responsibilities is minimised. Therefore, employees performing the actuarial function shall not be directly involved in the activities that are subject to the control by the actuarial function. However, employees performing the actuarial function may have general supervisory or management responsibilities of the Insurance Technical Services Department.

B.1.3 Remuneration entitlements

The members of the management board receive fixed basic remuneration and performance benefits which may be paid when specific performance criteria are met. The performance criteria are determined based on the targets set in Compensa’s business plan for the year and they are directly linked to Compensa’s financial performance, promoting effective risk management and do not encourage excessive risk taking. Performance benefits paid correlate with the meeting of the performance criteria. The members of the management board are not entitled to any other benefits.

More details on remuneration entitlements are disclosed in the Company's internal document The Policy of Remuneration and Supplementary Benefits of the Members of Management Board (approved by the Supervisory Board 30.03.2016; effective as of 01.01.2016*).*

The members of Compensa Life's supervisory board are not compensated for their work on the board.

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 Implementation and assessment of Fit and Proper requirements

All members of the Supervisory Board, Management Board and persons, who hold key control functions, as well as and contact persons in the matters related to money laundering and terrorist financing prevention are required at all times to fulfil the following requirements:

a) their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
b) they are of good repute and integrity (proper).

An individual fit and proper assessment includes the following stages:

a) preparing the job description and specification, which includes all requirements the person subject to assessment is expected to comply with;
b) collection of necessary information and documents;
c) performing the fit and proper analysis with relevant conclusions.

The fit and proper assessment shall be conducted in the following occasions:

a) A person is appointed to the position subject to fit and proper requirements.

b) A person subject to assessment has been appointed for the fixed time period and the appointment is extended.

c) If there is a change in circumstances that affects or may affect the ability of the person subject to assessment to meet the fitness and propriety requirements,

The fit and proper assessment upon the new recruitments must be conducted before the appointment of the person subject to assessment.

The person subject to assessment will be expected to comply with the fit and proper requirements during the entire term of office or duration of employment.

The fitness and propriety of the Supervisory Board and Management Board members shall be reassessed upon the extension of their term of office. The fitness and propriety of other persons subject to assessment shall be reviewed once in three years by requesting the persons to reconfirm the information previously submitted in the fit and proper assessment and to supplement it if necessary.

B.3 RISK MANAGEMENT SYSTEM

Compensa, as a financial services provider, needs to take risk deliberately in order to provide an adequate return and serve its stakeholders. Therefore, any business decision affecting return also impacts risk issues. Risk management is a central part in the day-to-day business operations and based on a strong risk culture throughout Compensa. It is the responsibility of the Management Board to make sure that all risk issues are appropriately reflected in the strategic decision making process.

Risk in Compensa is understood as the possibility of non-achievement of an explicitly formulated or implicitly resultant goal. A risk that can have a significant negative impact on the Company's financial position, performance or cash flows is considered material. Compensa defined risk categories covering all possible sources of risks, where the risk categories are further split into sub categories during further risk management processes:

- Market risk
- Life underwriting risk
- Non-life underwriting risk
- Health underwriting risk
- Intangible asset risk
- Counterparty default risk
- Operational risk
- Liquidity risk
- Reputation risk
- Strategic risk

More details on risk management strategies, objectives, processes and reporting procedures for following categories of risk: Underwriting risk, Market risk, Credit risk, Liquidity risk, Operational risk and other material risks, disclosed in this report in the section C: Risk profile.

Clear organisational structures are established throughout Compensa with defined tasks and responsibilities regarding the risk management processes.

On a daily basis, risk management is supported by the practice of granting rights and powers to specific individuals and the internal control system. Most of Compensa employees have long-term industry experience, which ensures good knowledge of the insurance products, processes and software used by the company. At least once a year, the company carries out a comprehensive risk inventory process and, concurrently, an assessment of the effectiveness of the internal control system. Compensa also conducts ORSA an own risk and solvency assessment.

On a meta-level the overall risk management process has to cover the following steps:

1. Risk identification
2. Risk measurement
3. Risk analysis and risk treatment
4. Risk management decision and execution
5. Risk monitoring
6. Risk reporting

In this context, it is important to note that this is not a strictly sequential process, but a control cycle which involves feedback and feed forward loops. In addition, a parallel quality assurance and control process to all stages of the risk process is applied.

Underlying sub-processes of risk management, as for example Solvency Capital Requirement calculation, annually risk reporting or Own Risk and Solvency Assessment (ORSA), are described in the following sections.

B.3.1 Risk identification

Risk Identification is the starting point of the risk management process and sets the foundation of the subsequent steps. The aim of Risk Identification is to expose, detect and document all possible sources of risks which could affect the achievement of Compensa objectives.

Risk identification itself is a process, which has to be performed on a regular basis, at least once a year. It includes the review of existing risks and sources that might have changed as well as the detection and documentation of new sources of risks that have emerged and additionally have to be taken into account. The results of the risk identification process have to be recorded and documented. Within Compensa the major elements of the risk identification are the following sub-processes:

a) Risk Inventory
b) Internal Control System
c) Risk Strategy
d) ORSA

Concentration risk is a risk resulting from the exposure to counterparty or related counterparties or from exposures, which are affected by a common risk driver or risk drivers in a strong positive correlation. Concentration of risks might happen inside risk class and between different risk classes. Identifying the risk concentration sources resulting from the nature of business activities and their potential impact must be evaluated during risk inventory process and daily activities.

B.3.2 Risk measurement

Following the risk identification, an essential prerequisite for the risk handling and decisions of the Management Board is the measurement of all risks identified. This includes also the evaluation of the materiality. In this process, the various risk types are classified to the defined risk categories. On this basis different assessment methods for each risk type in line with the proportionality principle are used.

As a central notion the measurement of risk categories and risk factors is based on two different approaches:

1. **Quantitative Approach**
   The quantitative approach applies for all risk categories, which can rely on sufficient historic data for statistical analysis such as market risks, credit risks, underwriting risks etc. – as a final outcome, a confidence interval or a risk capital can be calculated.

2. **Qualitative Approach**
   The qualitative approach applies for all risk categories, where no sufficient data for valid statistical analysis is available such as operational, strategic, reputational and global risks. A final outcome of the measurement by experts can be a frequency / severity estimate or an estimate based on another scaling approach (e.g. high, middle, low).

Within Compensa several processes and procedures are in place to perform the risk measurement in a group-wide consistent approach. Among these are at least the following:

- Solvency Capital Requirement (SCR) and Own Funds Calculation
- Risk Inventory (assessment of company-specific risk profile)
- ORSA.

In 2016 Compensa Life has submitted formal application to the FSA on possibility to apply the Volatility Adjustment in the determination of its Solvency II balance sheet, summarizing the analysis and evidence produced by Compensa Life in concluding that it satisfies the required conditions for use of the VA as set out within the Statutory legislation and Solvency II regulations.

In case the Company will apply the VA in determination of its Solvency II balance sheet, Compensa Life will disclose relevant assessment of the impact from the VA in its ORSA report, including its projected available capital (Own Funds) under Solvency II capital position, valuation principles and results of stress and scenario testing.

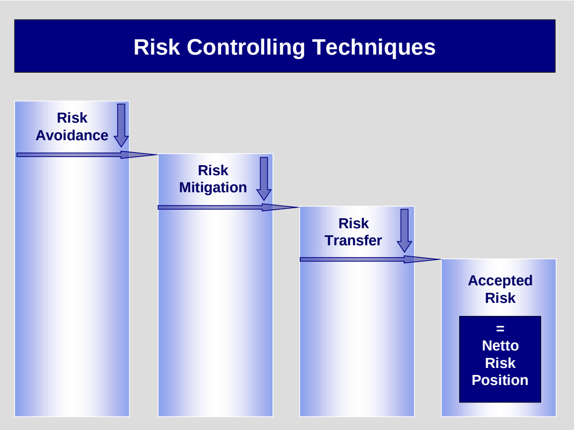
B.3.3 Risk analysis and risk treatment

After the risk is measured, either quantitatively or qualitatively, and the materiality of risk is stated, an effective risk handling has to be performed. Therefore measures and mechanisms have to be assessed for the change of the risk situation. The main possibilities of the risk treatment as part of the risk management are:

- Risk Avoidance
- Risk Mitigation

- Risk Transfer
- Risk Acceptance

The following chart gives an overview of these risk controlling techniques:



Each of these risk controlling techniques has different impact on the risk structure and need to be analysed by the responsible unit, as the risk owner or Risk Manager. The result of the analysis forms then the fundamental basis for following management decisions. Within risk management of Compensa the following sub-processes support this step at least:

- Risk Inventory
- Internal Control System
- ORSA
- Validation Processes within Solvency Capital Requirement and Own Funds Calculation.

B.3.4 Risk decision and execution

In the risk management process a broad range of risk decisions need to be taken and the decision has to be executed by the responsible unit.

Management decisions that substantially affect the risk structure need to be supported by sufficient analysis regarding the impact on the business and the risk situation. After the decisions are on the way to handle the risks, the execution of the decision has to be implemented by the responsible unit or entity in a prompt and efficient manner.

B.3.5 Risk Monitoring

Risk monitoring is an essential part of the risk management process and has to be divided into two different areas.

a) On the one side, risk monitoring refers to the process of ensuring that the risk profile of Compensa remains in line with risk preferences and the risk strategy at all times. This control information can be derived from a regular comparison of the target and actual situation using a traffic light system. The target situation is defined by the limits assigned.
b) On the other side risk monitoring refers also to the follow-up process during the implementation of decisions for risk-handling pointed out before. In that case risk monitoring aims to control the effective and timely implementation of action plans that were decided on.

Within risk management of Compensa the following sub-processes support this step:

- Limit-process within the Risk Bearing Capacity, allocation and limitation

- Risk Inventory
- ICS
- ORSA.

B.3.6 Risk Reporting

The five main steps in risk management process described above are addressed in a comprehensive set of reporting products, both ex ante as a basis for decisions and ex post for review/follow-up purposes. Risk reporting is performed by Risk management function.

The risk reporting includes both regular reports as well as ad hoc reports. While the regular reports are defined out of the standard processes as described in the following, the ad hoc reports are provided in cases, where risks are realized suddenly or unexpectedly. Nevertheless ad hoc reports might be transformed to regular reports if their nature was not a once-only situation and are not included by other reports.

B.4 INTERNAL CONTROL SYSTEM

The internal control system is a central element integrated in the operational and organisational structure of Compensa. There are internal regulations developed and implemented by the Company to overarche roles and responsibilities with respect to internal control system covering all levels of Compensa Life and ranging from responsibilities being part of the day-to-day business to responsibilities within the ICS assessment process, including Management board, Key control functions, Internal Audit, Heads of Departments and single employee.

Compliance function is part of the internal control system and is responsible for the evaluation and cont-rolling of compliance risks within the company. It supports the internal control system efficiency assessment process with respect to the evaluation of compliance risks and controls.

B.4.1 Implementation of the Compliance Function

The compliance function is part of the compliance organization, which aims to ensure the company's compliance with applicable regulatory requirements. The compliance function operates independently from the operational business which is represented by compliance risk owners who are accountable for managing compliance risks and avoidance of non-compliance in their operational fields (1st line of defense). The heads of business units and other appointed responsible officers are regarded as owners of compliance risks. The compliance function and compliance risk owners meet regularly in the form of Compliance Committee to discuss the compliance relevant issues. The final decision-making power as regards compliance issues as well as the ultimate responsibility for the compliance risks assumed by the company rest within the Management Board.

The compliance function holder is organizationally subordinated and reports directly administratively and functionally to the Management Board.

The tasks and responsibilities of the compliance function are described in the company's Compliance Policy approved by the Management Board and the policy is consistent with the VIG Group respective policies.

The main tasks and responsibilities of the compliance function include:

- Providing advice in compliance relevant fields
- Monitoring of changes in legal environment and assessment of possible impact of such changes on business operations
- Assessing the adequacy of measures adopted to prevent non-compliance, including compliance reviews
- Compliance risk management, including risk identification, assessment, mitigation, monitoring and reporting
- Handling of compliance relevant incidents

- Compliance trainings
- Reporting

The compliance relevant fields have been defined in the Compliance Policy as follows:

- Insurance regulations
- Capital market regulations
- Competition law
- Financial crime
- Data protection and privacy
- Economic sanctions and embargoes
- Code of Business Ethics of VIG Group

The compliance function develops an annual compliance plan describing all activities planned for a particular year. The following reports are submitted to the Management Board and to the VIG Group Compliance Officer by the compliance function:

- Annual Compliance Risks Inventory Report
- Annual Compliance Reports
- Ad-hoc Compliance Reports

The results of compliance reviews are reported to the Management Board.

The compliance function reports to the Audit Committee upon request.

B.5 OUTSOURCING

B.5.1 Outsourcing Policy

The company may outsource its activities and functions following the Outsourcing Policy approved by the Management Board. The company's Outsourcing Policy describes the outsourcing process and detailed requirements applicable to the outsourcing of the company's functions and activities.

Depending on the type of outsourcing and the value of the contract, the ultimate decision regarding the approval of outsourcing and service provider shall be made by the Management Board, Supervisory Board or responsible member of the Management Board together with respective country manager.

B.5.2 Outsourcing of critical or important functions or activities

As of 01.07.2016, the company outsourced one of its key functions – internal audit function – to a professional service provider AS PricewaterhouseCoopers Advisors (registry code 10325507, registered address at Pärnu mnt. 15, Tallinn 10141, Estonia). The service provider appointed certified internal auditor Erki Mägi to perform the tasks of the company's internal audit function. The responsibility for exercising oversight and control over the outsourced function was allocated to the Chairman of the Management Board Olga Reznik.

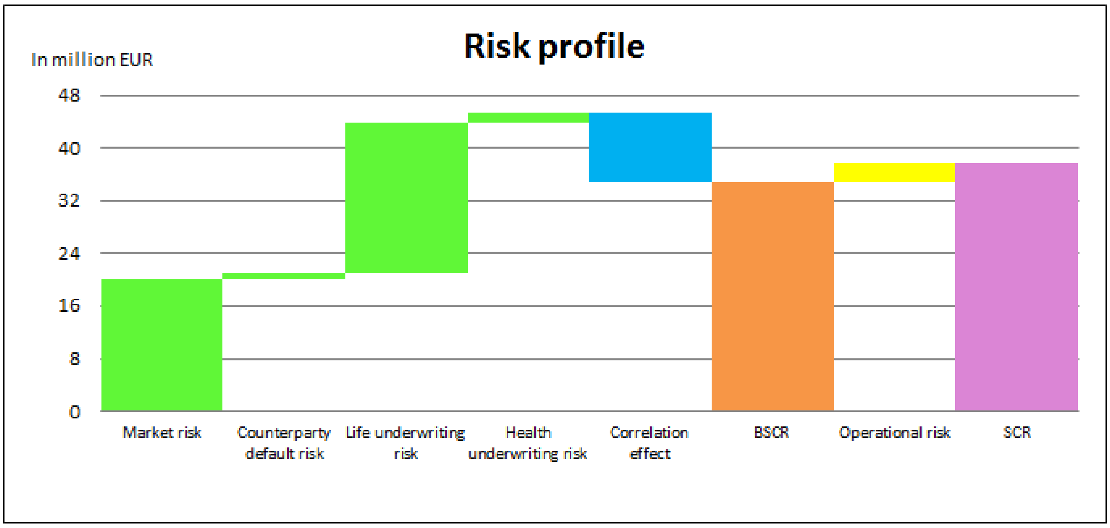
As of 01.01.2017, the company no longer outsources any critical or important operational functions or activities in any jurisdiction.

B.6 ANY OTHER INFORMATION

No additional information is subject to reporting.

C. RISK PROFILE

Summary of the Company risk profile is provided in the chart below (the data is as of 31.12.2016):



C.1 UNDERWRITING RISK

Underwriting and reserving risk management principles are described in the internal policy of the Company, such as "Underwriting and reserving risk management policy" and rests with the Insurance Technical Services department of Compensa.

Underwriting is performed in accordance with the procedure established in "Underwriting policy" of Compensa and the methodology for risk assessment approved by the reinsurance company Münchener Rück (Munich Re) with the use of the on-line assessment system Munich RE Internet Risk Assessor (hereinafter referred to as "MIRA").

The underwriter shall coordinate the risk assessment with the reinsurer in the following cases (for risks exceeding retention limit):

a) The probability of critical illnesses (total morbidity) is plus 200 % and more;
b) If the mortality risk (total mortality) in life insurance has increased (substandard risk) +250 % (if reinsurance is necessary).

When the Sum at risk reinsured of a single person is higher than EUR 150 000, the underwriter must coordinate the risk assessment (increased/non-increased) of each case with the Reinsurer in writing. Insurance can be offered to client only after reinsurer's consent for this facultative reinsurance is granted. When determining the total Sum Insured, it is necessary to sum up the insurance sums of the requested insurance and effective life insurance agreements of the Insured.

Life underwriting risk arises from life insurance and reinsurance obligations, in relation to the perils covered and the processes followed in the conduct of the business.

Health underwriting risk is the risk arising from health insurance and reinsurance obligations, in relation to the perils covered and the processes used in the conduct of business.

C.2 INVESTMENT RISK

The investments and risks resulting from investments are managed according to the annual "Investment and Risk Strategy" approved by Supervisory Board. The responsibility for the establishment and maintenance of described policy and strategy rests within the Financial and Investment Services of Compensa.

The Prudent Person Principle requires that assets held to cover technical provisions are invested in a manner appropriate to the nature and duration of the liabilities (refer to this Report Section C.2.3).

C.2.1 Market risk

Market risk arises from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, immovable property prices and exchange rates.

To manage its market risk, Compensa has developed an investment policy which outlines its investment strategy and the principles of investing in different asset classes, performing risk analyses and exercising control. Compensa also monitors legal and regulatory requirements and restrictions on investing committed assets. Committed assets (assets backing an insurer's liabilities) are assets whose value has to correspond to the value of an insurer's technical provisions and financial liabilities.

C.2.2 Credit risk

Credit risk is the risk of loss or the risk of unpredictable changes in the group's financial position that results from fluctuations in the credit ratings of those securities issuers, transaction counterparties and debtors with whom Compensa comes into contact in the framework of counterparty insolvency risk or concentration risk.

Compensa's credit risk exposures arise mainly from investment in debt securities and reinsurance. Compensa has entered into a reinsurance contract with VIG Re, a reinsurance company that belongs to the same group as Compensa's parent company, and also a proportional accident reinsurance contract with the parent company (VIG). The credit ratings of both reinsurers are A+ according to Standard & Poor's.

All separate accident insurance contracts and additional accident insurance covers are reinsured. Compensa does not consider the credit risk arising from reinsurance to be high.

Investment-related financial risks are managed through the investment policy, which outlines the limits and lowest permitted ratings for investments in debt securities. Compensa monitors and analyses the changes in the ratings of debt securities held consistently with due care and makes appropriate changes to its portfolio as and when necessary.

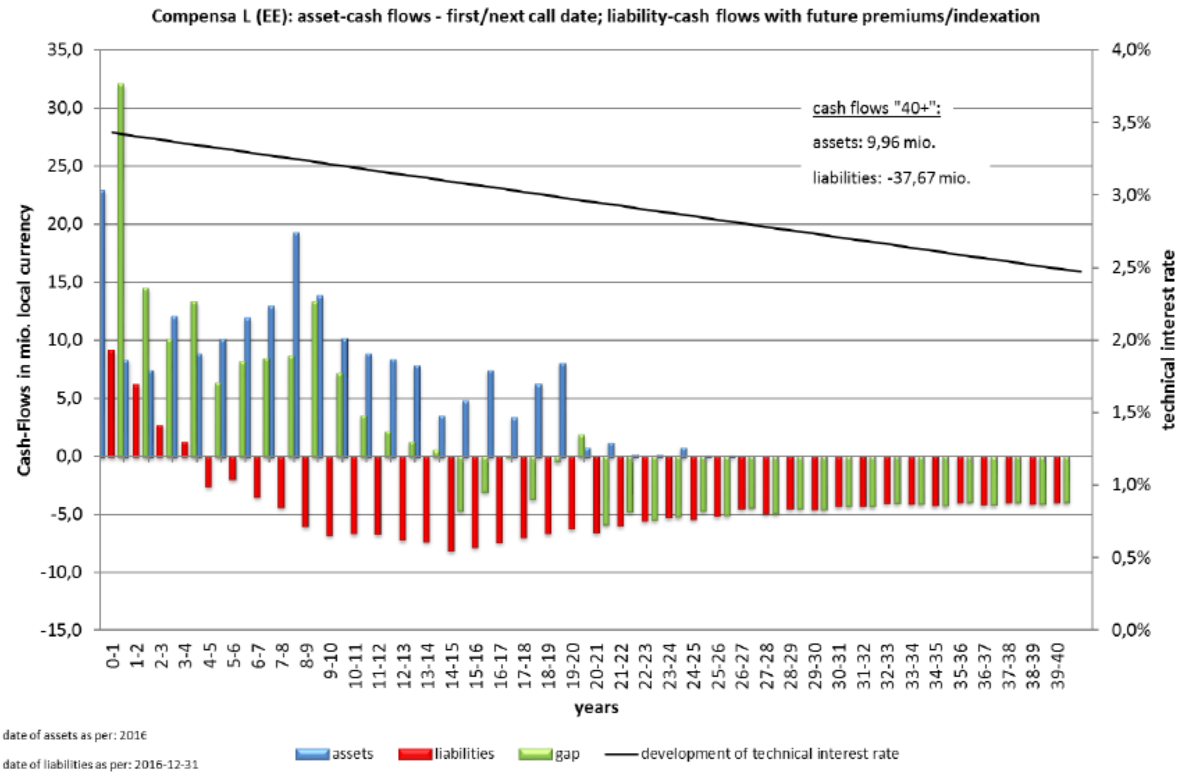
C.2.3 Liquidity risk

Liquidity risk is the risk that Compensa will not be able to realise investments and other assets to meet its financial liabilities as and when necessary.

Liquidity management and the management of that risk rests within the Financial and Investment Services of Compensa. ALM includes also liquidity risk management (LRM) processes with regard to short-, mid- and long-term horizons. The mid- and long-term LRM is closely connected to the ALM process. The short-term LRM is defined in an own policy, in the "Liquidity risk management policy".

Compensa Life undertakes, on a quarterly basis, cash liquidity and portfolio liquidity forecasts. These forecasts demonstrate the Company has sufficient liquid assets to meet its financial obligations during normal business conditions and in times of stress.

Liquidity risk is measured and monitored using business cash forecasts and portfolio liquidity forecasts. These allow Compensa Life to manage both its short-term liquidity requirements and the long-term evolution of its liquidity requirements simultaneously. Extract from the Company's Asset-Liability Matching analysis as of December 31, 2016 disclosed below:



C.3 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people's activities or systems, or external events. Operational risk includes legal risks but does not include the risks that result from strategic decisions and reputational risks.

Operational risk management is part of the day-to-day risk management activities of any department of Compensa. Based on the fact, that operational risks can arise in every area and operating activity, Compensa follows the approach that operational risk management is not the task of one single department, but in the responsibility of each department within their own operational area.

General principles of operational risk management are defined in the "Operational risk policy" and basis of reporting operational risk events are gathered into the "Operational risk events reporting guideline".

In order to support the operational risk management and the monitoring of operational risks, Compensa uses the following two risk management processes, where the overall responsibility of these rests within the Risk Manager – ICS process and risk inventory process.

Goal of these two processes with regard to the operational risk management is the identification and evaluation of operational risks, the evaluation of the adequacy of the control environment with regard to these operational risks as well as the identification and evaluation of risk mitigating.

C.4 OTHER MATERIAL RISKS

C.4.1 Counterparty default risk

Counterparty default risk is the risk of loss, or adverse change in the value of assets and financial instruments related to the unexpected default of counterparties and debtors over the forthcoming twelve months. The scope of the counterparty default risk includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries, as well as any other credit exposures which are not covered by spread risk.

Counterparty default risk is assessed during Risk Inventory process by members of the Management Board.

C.4.2 Strategic risk

Strategic risk is the risk of adverse business development related to poor business and investment decisions, or to inadequate communication and implementation of goals, or to a lack of adjustment capacity to changes in the economic environment, or to conflicting business objectives.

Strategic risk is assessed during Risk Inventory process by members of the Management Board.

C.5 ANY OTHER INFORMATION

C.5.1 Concentration risk

Concentration risk management is not assigned to one single department; because the risk of concentrations can arise out of several areas such as investments or underwriting. Therefore every unit involved in the risk management system has to monitor and control and manage the concentration risk within its area of responsibility. This means especially:

- Concentration risk in investments is managed by the department of Financial and Investment Services and;

- Concentration risk in underwriting is managed by the Insurance Technical Services Department of Compensa.

C.5.2 Risk sensitivity

The analysis of the sensitivity and scenarios shows that in the course of the development of the adverse situation (change of LLP to 30 years and increase/ decrease of Lapse rates), the solvency coverage ratio will decline below or close to the level of the required 100%. In this sense, in case of the development of such events and in order to mitigate the risks, the Company should be flexible to make appropriate changes in its portfolio – to work further on the decreasing of guaranteed interest (to lower the average technical interest for the new and existing portfolio), to make adjustments in the Investment strategy (e.g. to increase the share of financial instruments (equities, fixed income securities, funds) with greater returns/yields to provide a higher profitability of the overall portfolio).

C.5.3 Risk mitigation

To manage its risks, Compensa has implemented a risk management system. The risk management system is part of the governance system and consists of strategies, processes and intra-group reporting that is required for identifying, quantifying, constantly monitoring, managing, including risk mitigation techniques, and organising the reporting of all significant risks.

Compensa is reinsuring its risk with 2 reinsurers: VIG RE zajist'ovna a.s (surplus agreement) and VIG Holding (yearly quota share agreements on accident year basis for accidental risks only).

Reinsurance procedures related to reinsurance with VIG RE zajist'ovna a.s. are described in more details in "Reinsurance policy", reinsurance procedure with VIG Holding is based on automatic templates and reports and does not involve any other actions than reporting and accounting

D. VALUATION FOR SOVENCY PURPOSES

D.1 ASSETS

D.1.1 Valuation for Solvency Purposes

Purchases and sales of financial assets are recognised using settlement date accounting. A financial asset is derecognised on the day that it is transferred by the company. Depending on the purpose of acquisition and management's intentions, financial assets are classified into the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets.

D.1.1.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading (i.e. assets acquired principally for the purpose of selling or repurchasing in the near term; assets part of a portfolio of identified financial instruments that are managed together; or derivative financial instruments that are not hedging instruments) as well as other financial assets that are designated as financial assets at fair value through profit or loss upon initial recognition. Financial assets of this category are recognised initially at their fair value excluding the transaction costs. After initial recognition, financial assets of this category are measured at fair value and any gains/losses on changes in fair value are recognised in profit or loss in the period in which they arise.

A financial asset may be designated as at fair value through profit or loss when doing so reduces a measurement or recognition inconsistency. All financial assets at fair value through profit or loss that are recognised in these financial statements were designated to that category upon initial recognition.

The fair value of a listed security is determined based on the price of the most recent transaction conducted with that security on the stock exchange. The fair value of an unlisted security that is traded in an active market is determined based on the price of the most recent transaction conducted with it (assuming the transaction was conducted on market terms). If the price is not reliable, the position is re-measured to fair value using generally accepted valuation techniques and all information available on the fair value of the investment. Unlisted debt securities for which there is no active market are discounted using a discount rate equal to market rates of return that also reflects the risk of the issuer.

Solvency II Reporting: no difference to Standard Reporting.

D.1.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs. After initial recognition, loans and receivables are accounted for at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums and discounts. This method is used for recognising interest income on the receivable in subsequent periods. Any impairment losses are recognised in the income statement within Net fair value gain/loss on investments at fair value through profit or loss.

Solvency II Reporting: for Solvency II reporting purposes the item “Loans and receivables” is divided into – Loans (with interests), Receivables from policyholders and intermediaries, Other receivables and Term deposits (with interests). Also the interests of held-to-maturity investments and available-for-sale financial assets are included in the underlying assets for corresponding asset class items.

IFRS item	IFRS value	Solvecy II items	Solvecy II value
Loans and receivables	18 150 554	Term deposits (with interests)	9 497 904
		Loans (with interests)	4 013 272
		Receivables from policyholders and intermediaries	1 739 972
		Other receivables	234 776
		Debt securities (interests with underlying asset)	2 664 630
Total	**18 150 554**	**Total**	**18 150 554**

D.1.1.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intention and ability to hold to maturity. Held-to-maturity financial investments are initially recognized at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Solvency II Reporting: reported in market value (with interests), reported value 72 560 063,33 EUR vs Standard Reporting 63 204 658,59 EUR

D.1.1.4 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that the company intends to sell immediately or in the near term and that are not classified to any of the above categories.

Available-for-sale financial assets are recognised initially at fair value plus transaction costs. After initial recognition, available-for-sale financial assets are measured at fair value without any deduction for transaction costs that may be incurred on sale or other disposal.

Solvency II Reporting: reported in market value (with interests), reported value 91 771 072,79 EUR vs Standard Reporting 90 289 156,49 EUR.

As a rule, the basis for determining fair value is the market price of the financial asset in an active market. If this is not available, fair value is established using generally accepted valuation techniques. Investments in equity securities that do not have a price in an active market and whose fair value cannot be measured reliably using other valuation techniques and derivatives that are linked to and must be settled by delivery of such equity instruments are measured at cost less any impairment losses.

D.1.1.5 Deferred Acquisition Cost (DAC)

Accrual accounting and deferring implies time wise matching (synchronization) of income and expenses: an incurred cost is capitalized and does not become an expense until it is recognized in the financial statements of the company. In an accounting sense, it is the amortization of that cost, and not the original cost itself, that becomes the expense. Hence, certain costs which are incurred to acquire insurance contracts should not be recognized as an expense in the accounting period in which they are incurred but should be capitalized as an asset on the balance sheet and gradually amortized over the lifetime of the insurance contracts.

DAC represents the “un-recovered investment” in the policies issued and are therefore capitalized as an intangible asset to match costs with related revenues. Over time the acquisition costs are recognized as an expense that reduces the DAC asset. The process of recognizing the costs in the income statement is known as amortization and refers to the DAC asset being amortized or reduced over a number of years.

Solvency II Reporting: Solvency II is based on an estimation of future cash flows. Deferred acquisition costs are based on a cash outflow that took place in the past. The (future) premiums may indeed include an expense charge to cover these acquisition costs; this is then reflected in the determination of the technical provisions. Therefore, a deferred acquisition cost is stated with zero in the Solvency II balance sheet.

D.2 TECHNICAL PROVISIONS

D.2.1 Valuation for Solvency Purposes

D.2.1.1 Summary of technical provisions as of 31 December 2016:

Technical provisions (TP) are calculated as the sum of the best estimates (BE) and the risk margin (RM).

In EUR thousand

	Current year				Prior year			
	BE[1]	**RM**[2]	**Sum**	**RR**[3]	**BE**	**RM**	**Sum**	**RR**
Medical expenses	4,166	119	4,285	0	3,562	114	3,676	0
Income protection	65	2	67	-1	75	2	78	-1
Total non-life	4,231	121	4,351	-1	3,637	116	3,753	-1
Life insurance with profit sharing	129,646	22,747	152,393	-1,328	103,891	20,967	124,858	-1,166
Unit linked life insurance	2,134	6,445	8,579	-763	7,841	4,687	12,528	-563
Other life insurance	5,939	1,042	6,981	9	3,088	623	3,711	106
Total life	137,719	30,234	167,953	-2,082	114,820	26,277	141,098	-1,623

D.2.1.2 Methodology of valuation of technical provisions

D.2.1.2.1 Life insurance best estimates

Best estimate of obligations arising from life insurance contracts is calculated by projecting future cash flows related to the insurance contracts and discounting them with the curve of risk free discount rates. The calculations are performed for each in force policy individually.

Compensa uses the deterministic approach in calculation of life insurance best estimates. As a simplification, it is assumed that the value of options and guarantees (such as guaranteed surrender value, guaranteed annuity option) does not have a material impact on the value of the obligations. Compensa also uses a simplified approach in modeling policyholder bonuses. The bonuses are allowed for by making an adjustment to the discount rate curve. For the purpose of the 2016 valuation, considering the current very low interest rate environment, this adjustment is zero i.e. the assumption is made that no policyholder bonuses will be paid on with-profit business in the future.

The methodology allows that per policy technical provisions can be negative (i.e. where future cash in-flows are expected to exceed future cash out-flows). Such results are not set to zero. The technical provision of the insurance liability may be lower than the surrender value of the underlying contract. The calculation of technical provisions is not subject to a surrender value floor.

[1] Best estimates
[2] Risk margin
[3] Reinsurance recoverables

The provision for life insurance claims is estimated by considering the actually reported claims and the IBNR. Considering that life insurance claims are usually settled without delays the assumption is made that the claims reserve will be paid out within the first year.

Certain simplifications are applied in the calculation of the technical provisions. The simplifications are considered to be in line with the principle of proportionality and are appropriate considering the nature, scale and complexity of the risks.

Compensa does not create additional reserve for the options and guarantees in the best estimate technical provisions except for the profit sharing, if the adjustment is applicable considering the interest rate environment. The most significant guarantee that has an effect on the best estimate is the guaranteed interest for business with profit sharing. Currently, the guaranteed interest significantly exceeds the return implied by the risk free yield curve.

D.2.1.2.2 Non-life insurance best estimates

The claims provision is formed for claims incurred until the balance sheet date. Compensa calculates claims reserve for non-life insurance using standard Chain Ladder (paid) methodology. The projected claims cash flows are discounted with the risk free discount curve.

The premium provision relates to future claim events covered by insurance and reinsurance obligations falling within the contract boundary. Premium provision is calculated using the combined ratio method. i.e. the ultimate projected claims and expenses are derived by multiplying the unearned premium reserve by the expected loss ratio and expense ratio. Then the future claims cash flows are projected by applying the claims development assumptions. The net present value is calculated by discounting the projected cash flows with the curve of risk free discount rates.

D.2.1.2.3 Best estimates of amounts recoverable from reinsurance – life insurance

Best estimate of the reinsurers share in technical provisions is calculated by directly projecting reinsurance premiums, reinsurers' share in claims and discounting them at risk free interest rate. For riders a simplified approach is applied and the retention is calculated by assuming that 50% of risk is transferred to reinsurers. The resulting provision is adjusted for counterparty default risk.

D.2.1.2.4 Best estimates of amounts recoverable from reinsurance – non life insurance

The reinsurers share in premium provision and claims provision is calculated by taking into account the expected reinsurers' share in premiums, claims and commissions. The resulting provisions are adjusted for counterparty default risk.

D.2.1.2.5 Risk margin

For non-life business the risk margin was calculated using simplified method which use approximations of the future Solvency Capital Requirements (SCR) for each future year as specified in Article 58 (a) of Commission Delegated Regulation (EU) 2015/35. For life business the risk margin was calculated using simplified duration based approach which approximate the discounted sum of the future Solvency Capital Requirements without calculating each of those amounts separately as specified in Article 58 (b) of Commission Delegated Regulation (EU) 2015/35 .The risk margin was calculated separately for unit linked business and non unit-linked business.

D.2.1.3 Assumptions

D.2.1.3.1 Assumptions derived from external data

The input of the model needs assumptions, some of which are beyond the company's control, such as e.g. interest curves. The company considers available external data, VIG guidance and information from the regulator in setting these assumptions.

D.2.1.3.2 Assumptions derived from internal data

Due to quite young portfolio and modern administration/database system the majority of portfolio data are available. Most of the insurance portfolio specific assumptions are based on the internal data sources and are adjusted to reflect expected future trends and changes.

The key life insurance assumptions are as follows:

- Unpaid premium ratio
- Proportion of policies surrendered (without surrender value)
- Proportion of policies surrendered (with surrender value)
- Surrender value assumption (proportion of the reserve surrendered)
- Loss ratio of riders
- Mortality rate
- Kick-back revenue
- Growth of unit prices
- Discount rate.

Key non-life assumptions:

- Ultimate loss ratio
- Expense ratio
- Claims development factors (paid)
- Claims settlement expense ratio
- Discount rate.

D.2.1.4 Changes in assumptions

There were no significant changes in the assumptions in comparison with prior year. There were no major changes in the products or distribution channels during the year. The slight differences in assumptions are due to changes in experience caused by a stable growth of the portfolio.

D.2.1.5 Uncertainty associated with the amount of technical provisions

The key assumptions associated with the key risks related to technical provisions are:

- Surrender assumptions
- Interest/ discount rate
- Rider loss ratios.

Surrender assumptions are derived based on the company's experience. Up to date the persistency experience at the company was stable. However, due to relatively short period of development of insurance markets in the Baltics, it is difficult to predict how the persistency will depend on the impact of various stages of the economic cycles. The company should observe and manage risks related to surrenders.

Discount rate fluctuates with the financial markets and cannot be directly controlled by the company. Therefore they are considered to be uncertain and should be managed by applying appropriate asset liability management techniques.

Rider loss ratio assumptions are also derived based in the company's experience. Up to date they were relatively stable and not subject to large year-to-year fluctuations.

D.2.2 Differences to local GAAP

Below is the summary of technical provisions valued under Solvency II and IFRS:

In EUR thousand

	Solvency II valuation		**IFRS valuation**		**Difference**	
	TP[1]	RR[2]	TP	RR	TP	RR
Total health similar to non-life	**4,351**	**-1**	**4,420**		**-69**	
Life (excluding health and unit-linked)	159,374	-1,319	152,969		6,405	
Unit linked life insurance	8,579	-763	41,910		-33,330	
Total	**172,304**	**-2,083**	**199,299**	**240**	**-26,995**	**-2,323**

Technical provisions calculated for Solvency II purpose are heavily affected by low yields of discounting curve (especially non unit-linked) and expected future profits taken into account in liabilities' cash flows (especially unit-linked).

D.3 OTHER LIABILITIES

D.3.1 Valuation for Solvency Purposes

D.3.1.1 Liabilities to employees

Payables to employees include the accrued vacation pay liability calculated in accordance with employment contracts and the legislation in force at the reporting date. The vacation pay liability includes associated social security tax and unemployment insurance contributions. The item also includes contractual termination benefits and associated social security tax.

Social security tax includes statutory national funded pension contributions. The group has no legal or constructive obligation to make any pension or similar payments in addition to payments of social security tax.

Solvency II Reporting: no difference to Standard Reporting.

D.3.1.2 Other financial liabilities

All other financial liabilities (trade payables, other short and long-term liabilities, loans received, debt securities issued) are initially recognised at their fair values and are subsequently measured at their amortised cost using the effective interest rate method. The amortised cost of current financial liabilities generally equals their nominal value; therefore current financial liabilities are measured in the balance sheet at the amount payable. Non-current financial liabilities are initially recognised at the fair value of the consideration received (less transaction costs). In subsequent periods, they are measured at their amortised cost using the effective interest rate method.

Solvency II Reporting: no difference to Standard Reporting.

[1] Technical provisions

[2] Reinsurance recoverables

D.3.1.3 Other provisions and contingent liabilities

A provision is recognised when the group has a present obligation arising from an obligating event that occurred before the reporting date and derives from a contract or legislation or the group's established pattern of past practice, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation but the timing or amount of the obligation are uncertain.

Provisions are recognised based on management's estimates of the expenditure required to settle the present obligation and the time the obligation has to be settled. A provision is recognised in an amount which according to management's estimates is required to settle the obligation at the reporting date or to transfer it to a third party. A provision is measured at its discounted value (the present value of the expected outflows), unless the effect of discounting is immaterial. Expenses on provisions are recognised in the period in which they are incurred.

Solvency II Reporting: no difference to Standard Reporting.

D.3.2 Differences to local GAAP

There are no differences between local GAAP (IFRS) and Solvency II Reporting.

There are no any off-balance liabilities not reported in QRTs template.

D.4 ANY OTHER INFORMATION

No additional information is subject of reporting.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

The objective of capital management is to ensure the company's sustainable operation and safeguard the interests of policyholders and investors.

Careful capital planning and regular monitoring enable the company to identify possible decreases in the capital buffer and potential shortfalls sufficiently early. Financial and solvency forecasts, which are made during the planning process and form a part of the company's own risk and solvency assessment report, are an integral part of capital management. In managing its capital, Compensa also takes into account the changes planned to be made to its own funds

Equity (Own funds) according to IRFS FS as at December 31, 2017 are disclosed in the table below:

Equity in euros	31.12.2016
Total equity	33 173 536
Share capital	11 604 000
Share premium	9 465 795
Statutory capital reserve	621 819
Other reserves	6 709 793
Retained earnings	4 772 129

In the Directive 2009/138/EC there are characteristics set out for the categorization of own funds items between basic own funds and ancillary own funds, the categorization of own funds items between Tier 1, Tier 2 and Tier 3. The Company's own funds categories and values as at December 31, 2016 are disclosed in the table below:

Own funds valued for Solvency II purpose as at December 31, 2017 are disclosed in the table below:

Basic own funds	**Total**	Tier 1	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	11 604 000	11 604 000		
Share premium account related to ordinary share capital	9 465 795	9 465 795		
Reconciliation reserve (1)	39 210 126	39 210 126		
Subordinated liabilities (2)	2 000 000		2 000 000	
An amount equal to the value of net deferred tax assets (3)	218 110			218 110
Total	62 498 031	60 279 912	2 000 000	218 110

1. Reconciliation reserve

The reconciliation reserve equals the total excess of assets over liabilities reduced by the amount of own shares and adjusted by subordinated liabilities. Main differences between equity as shown in the Company's financial statements (IFRS) and the excess of assets over liabilities as calculated for solvency purposes are due to following:

- Investments classified as held to maturity (amortized cost) in IFRS reports are assessed in the market value for the Solvency II reporting purposes;
- Technical provisions calculated for Solvency II purpose are affected by low yields of discounting curve from one hand and expected future profits taken into account in liabilities' cash flows from other hand.

At 31 December 2016, Compensa's retained earnings amounted to 4,748,862 euros (31 December 2015: 2,739,010 euros). The maximum income tax liability that could arise if all of the retained earnings as at the reporting date were distributed as dividends amounts to 949,772 euros (2015: 547,802 euros). Thus, the amount that could be distributed as the net dividend is 3,799,090 euros (31 December 2015: 2,191,208 euros).

No didvidends paid in 2016.

2. Subordinated liabilities

Subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC should be categorized as Basic Own funds Tier 2. More information on subordinated liabilities disclosed in this Report in the section D.3.1.

3. An amount equal to the value of net deferred tax assets

Under Estonian legislation, corporate profit is not subject to income tax and thus deferred tax assets and liabilities do not arise.

In Latvia and Lithuania, corporate profit is subject to income tax at the rate of 15%. Accordingly, in those countries deferred tax assets and liabilities may arise. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset represents the amount of income tax that can be used to cover the income tax expense on future taxable profits and it may be recognised in the balance sheet. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be utilised. Future taxable profit and the extent to which the deferred tax asset can be utilised are estimated based management's medium term business plan, which is based on management's expectations and best estimates that are believed to be reasonable under the circumstances.

The deferred tax recognized for Solvency II purposes in amount of 218 110 EUR as at December 31, 2016 equals to deferred tax asset recognized in the Company's financial statements (IFRS) for the year ended at December 31, 2016.

Both assets and liabilities are positively affected as of 31.12.2016, leading to higher own funds valued under Solvency II comparing to Solvency I own funds.

E.2 SCR, MCR

New principles for calculating the capital requirements for insurance undertakings (Solvency II regime) took effect and were adopted by Compensa as from 1 January 2016. Under the Solvency II principles, an insurer has to calculate its solvency capital requirement at least once a year on a going concern basis using the standard formula, internal model, or partial internal model. The solvency capital requirement corresponds to the amount of an insurer's own funds which enables the insurer to meet its obligations under insurance contracts over the next 12 months with 99.5% probability.

The calculation of Solvency capital Requirements (SCR) is based on the standard formula. The result of SCR submodules as of December 31, 2016 disclosed below:

Solvency capital requirement	**37,79**
Market risks	19,92
Counterparty default risk	1,21
Life underwriting risk	22,71
Health underwriting risk	1,56
Non-life underwriting risk	0
Intangible asset risk	0
Diversification	-10,72
Operational risk	**3,12**

The minimum capital requirement corresponds to the amount of eligible basic own funds below which there would be unacceptably high risk that the insurer would not be able to fulfil its obligations to policyholders, insured persons and beneficiaries were the insurer to continue its operations.

There were no material changes to the Solvency Capital Requirement and to the Minimum Capital Requirement over the reporting period.

Based on the Company's management view, there is no any reasonably foreseeable risk of non-compliance with the Company's Minimum Capital Requirement or Solvency Capital Requirement.

E.3 ANY OTHER INFORMATION

No any other information is subject of reporting.

Annexes

Annex 1
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	218
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	549
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	186 353
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	4 982
Equities	**R0100**	895
Equities - listed	**R0110**	895
Equities - unlisted	**R0120**	0
Bonds	**R0130**	164 331
Government Bonds	**R0140**	89 337
Corporate Bonds	**R0150**	74 994
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	6 646
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	9 498
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	41 910
Loans and mortgages	**R0230**	4 013
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	4 013
Reinsurance recoverables from:	**R0270**	-2 083
Non-life and health similar to non-life	**R0280**	-1
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	-1
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-1 319
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-1 319
Life index-linked and unit-linked	**R0340**	-763
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	1 986
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	485
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	6 488
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	239 918

Annex 1
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	4 351
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	4 351
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	4 231
Risk margin	**R0590**	121
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	159 374
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	159 374
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	135 584
Risk margin	**R0680**	23 789
Technical provisions – index-linked and unit-linked	**R0690**	8 579
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	2 134
Risk margin	**R0720**	6 445
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	232
Deferred tax liabilities	**R0780**	0
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	741
Insurance & intermediaries payables	**R0820**	2 482
Reinsurance payables	**R0830**	43
Payables (trade, not insurance)	**R0840**	1 618
Subordinated liabilities	**R0850**	2 000
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	2 000
Any other liabilities, not elsewhere shown	**R0880**	0
Total liabilities	**R0900**	179 420
Excess of assets over liabilities	**R1000**	60 498

Annex 2
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	9 807	160							
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**		79							
Net	**R0200**	9 807	81							
Premiums earned										
Gross - Direct Business	**R0210**	9 159	169							
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**		83							
Net	**R0300**	9 159	86							
Claims incurred										
Gross - Direct Business	**R0310**	7 214	60							
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**		75							
Net	**R0400**	7 214	-15							
Changes in other technical provisions										
Gross - Direct Business	**R0410**	648	-9							
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**		-4							
Net	**R0500**	648	-5							
Expenses incurred	**R0550**	1 848	111							
Other expenses	**R1200**									
Total expenses	**R1300**									

Annex 2
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation,	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**								9 966
Gross - Proportional reinsurance accepted	**R0120**								
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**								79
Net	**R0200**								9 888
Premiums earned									
Gross - Direct Business	**R0210**								9 328
Gross - Proportional reinsurance accepted	**R0220**								
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								83
Net	**R0300**								9 245
Claims incurred									
Gross - Direct Business	**R0310**								7 274
Gross - Proportional reinsurance accepted	**R0320**								
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**								75
Net	**R0400**								7 199
Changes in other technical provisions									
Gross - Direct Business	**R0410**								639
Gross - Proportional reinsurance accepted	**R0420**								
Gross - Non- proportional reinsurance accepted	**R0430**								
Reinsurers'share	**R0440**								-4
Net	**R0500**								643
Expenses incurred	**R0550**								1 959
Other expenses	**R1200**								
Total expenses	**R1300**								1 959

Annex 2
S.05.01.02
Premiums, claims and expenses by line of business

		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**		44 896	14 927	2 163					61 986
Reinsurers' share	**R1420**		1 219	471	90					1 781
Net	**R1500**		43 677	14 456	2 073					60 205
Premiums earned										
Gross	**R1510**		44 896	14 927	2 163					61 986
Reinsurers' share	**R1520**		1 219	471	90					1 781
Net	**R1600**		43 677	14 456	2 073					60 205
Claims incurred										
Gross	**R1610**		11 279	4 319	460					16 057
Reinsurers' share	**R1620**		1 068	453	124					1 644
Net	**R1700**		10 211	3 866	336					14 413
Changes in other technical provisions										
Gross	**R1710**		27 931	7 557	-80					35 408
Reinsurers' share	**R1720**									
Net	**R1800**		27 931	7 557	-80					35 408
Expenses incurred	**R1900**		8 864	5 601	1 396					15 862
Other expenses	**R2500**									
Total expenses	**R2600**									15 862

Annex 3
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		LT	LV				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		5 597	4 369				9 966
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140			79				79
Net	R0200		5 597	4 290				9 888
Premiums earned								
Gross - Direct Business	R0210		4 800	4 528				9 328
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240			83				83
Net	R0300		4 800	4 445				9 245
Claims incurred								
Gross - Direct Business	R0310		3 559	3 715				7 274
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340							75
Net	R0400		3 559	3 715				7 199
Changes in other technical provisions								
Gross - Direct Business	R0410		797	-150				648
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers'share	R0440							0
Net	R0500		797	-150				648
Expenses incurred	R0550		1 014	945				1 959
Other expenses	R1200							
Total expenses	R1300							1 959

Annex 3
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		LT	LV				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	19 674	31 048	11 264				61 986
Reinsurers' share	R1420	142	1 532	106				1 781
Net	R1500	19 532	29 516	11 158				60 205
Premiums earned								
Gross	R1510	19 674	31 048	11 264				61 986
Reinsurers' share	R1520	142	1 532	106				1 781
Net	R1600	19 532	29 516	11 158				60 205
Claims incurred								
Gross	R1610	8 386	4 413	3 258				16 057
Reinsurers' share	R1620	97	1 462	85				1 644
Net	R1700	8 289	2 952	3 172				14 413
Changes in other technical provisions								
Gross	R1710	14 098	13 357	7 953				35 408
Reinsurers' share	R1720		0	0				0
Net	R1800	14 098	13 357	7 953				35 408
Expenses incurred	R1900	2 113	11 686	2 064				15 862
Other expenses	R2500							
Total expenses	R2600							15 862

Annex 4
S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**	129 646		-13 246	15 380			5 939			137 719
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	-1 328		-1 086	323			9			-2 082
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	130 974		-12 160	15 057			5 930			139 801
Risk Margin	**R0100**	22 747	6 445			1 042					30 234
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**	152 393	8 579			6 981					167 953

Annex 4
S.12.01.02
Life and Health SLT Technical Provisions

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**						
Risk Margin	**R0100**						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**						

Annex 5
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	3 209	46							
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	-1							
Net Best Estimate of Premium Provisions	**R0150**	3 209	47							
Claims provisions										
Gross	**R0160**	957	19							
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**									
Net Best Estimate of Claims Provisions	**R0250**	957	19							
Total Best estimate - gross	**R0260**	4 166	65							
Total Best estimate - net	**R0270**	4 166	66							
Risk margin	**R0280**	119	2							
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									

Annex 5
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions - total										
Technical provisions - total	**R0320**	4 285	67							
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	-1							
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	4 285	67							

Annex 5
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	**R0060**								3 255
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**								-1
Net Best Estimate of Premium Provisions	**R0150**								3 256
Claims provisions									
Gross	**R0160**								976
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**								
Net Best Estimate of Claims Provisions	**R0250**								976
Total Best estimate - gross	**R0260**								4 231
Total Best estimate - net	**R0270**								4 231
Risk margin	**R0280**								121
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best estimate	**R0300**								
Risk margin	**R0310**								

Annex 5
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	**R0320**								4 351
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								-1
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**								4 352

Annex 6
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	Accident year

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

		Development year												**In Current year**	**Sum of years (cumulative)**
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											0	**R0100**	0	0
N-9	**R0160**												**R0160**		0
N-8	**R0170**									0			**R0170**	0	0
N-7	**R0180**												**R0180**		0
N-6	**R0190**					0	0	0					**R0190**	0	0
N-5	**R0200**	2 061	279				0						**R0200**	0	2 341
N-4	**R0210**	2 921	412	1		0							**R0210**	0	3 332
N-3	**R0220**	5 095	920	3	0								**R0220**	0	6 019
N-2	**R0230**	6 506	775	2									**R0230**	2	7 283
N-1	**R0240**	5 757	544										**R0240**	544	6 300
N	**R0250**	6 748											**R0250**	6 748	6 748
												Total	**R0260**	7 294	32 023

Annex 6
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year													Year end (discounted data)
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**			**C0360**
Prior	**R0100**											0		**R0100**	0
N-9	**R0160**													**R0160**	
N-8	**R0170**													**R0170**	
N-7	**R0180**													**R0180**	
N-6	**R0190**													**R0190**	
N-5	**R0200**						0							**R0200**	0
N-4	**R0210**					0								**R0210**	0
N-3	**R0220**													**R0220**	
N-2	**R0230**			-1										**R0230**	-1
N-1	**R0240**		2											**R0240**	2
N	**R0250**	924												**R0250**	926
													Total	**R0260**	926

Annex 7
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	11 604	11 604			
Share premium account related to ordinary share capital	**R0030**	9 466	9 466			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertal	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	39 210	39 210			
Subordinated liabilities	**R0140**	2 000			2 000	
An amount equal to the value of net deferred tax assets	**R0160**	218				218
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**	62 498	60 280		2 000	218
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**					

Annex 7
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	62 498	60 280		2 000	218
Total available own funds to meet the MCR	**R0510**	62 280	60 280		2 000	
Total eligible own funds to meet the SCR	**R0540**	62 498	60 280	0	2 000	218
Total eligible own funds to meet the MCR	**R0550**	62 169	60 280	0	1 890	
SCR	**R0580**	37 791				
MCR	**R0600**	9 448				
Ratio of Eligible own funds to SCR	**R0620**	165,38%				
Ratio of Eligible own funds to MCR	**R0640**	658,03%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	60 498	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	21 288	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	39 210	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	65 686	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		
Total Expected profits included in future premiums (EPIFP)	**R0790**	65 686	

Annex 8
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	19 920		
Counterparty default risk	R0020	1 208		
Life underwriting risk	R0030	22 707		
Health underwriting risk	R0040	1 560		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-10 719		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	34 676		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	3 115
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	37 791
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	37 791
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex 9
S.28.02.01
Minimum capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$Result
		C0010	**C0020**
Linear formula component for non-life insurance and reinsurance obligations	**R0010**	672	

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	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**	4 166	9 807		
Income protection insurance and proportional reinsurance	**R0030**	66	81		
Workers' compensation insurance and proportional reinsurance	**R0040**				
Motor vehicle liability insurance and proportional reinsurance	**R0050**				
Other motor insurance and proportional reinsurance	**R0060**				
Marine, aviation and transport insurance and proportional reinsurance	**R0070**				
Fire and other damage to property insurance and proportional reinsurance	**R0080**				
General liability insurance and proportional reinsurance	**R0090**				
Credit and suretyship insurance and proportional reinsurance	**R0100**				
Legal expenses insurance and proportional reinsurance	**R0110**				
Assistance and proportional reinsurance	**R0120**				
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**				
Non-proportional health reinsurance	**R0140**				
Non-proportional casualty reinsurance	**R0150**				
Non-proportional marine, aviation and transport reinsurance	**R0160**				
Non-proportional property reinsurance	**R0170**				

Annex 9
S.28.02.01
Minimum capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	**C0080**
Linear formula component for life insurance and reinsurance obligations	**R0200**		5 261

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	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**			130 974	
Obligations with profit participation - future discretionary benefits	**R0220**			0	
Index-linked and unit-linked insurance obligations	**R0230**			2 897	
Other life (re)insurance and health (re)insurance obligations	**R0240**			5 930	
Total capital at risk for all life (re)insurance obligations	**R0250**				386 477

Annex 9
S.28.02.01
Minimum capital Requirement - Both life and non-life insurance activity

Overall MCR calculation

		C0130
Linear MCR	**R0300**	5 934
SCR	**R0310**	37 791
MCR cap	**R0320**	17 006
MCR floor	**R0330**	9 448
Combined MCR	**R0340**	9 448
Absolute floor of the MCR	**R0350**	6 200
		C0130
Minimum Capital Requirement	**R0400**	9 448

Notional non-life and life MCR calculation		**Non-life activities**	**Life activities**
		C0140	**C0150**
Notional linear MCR	**R0500**	672	5 261
Notional SCR excluding add-on (annual or latest calculation)	**R0510**	4 281	33 510
Notional MCR cap	**R0520**	1 927	15 079
Notional MCR floor	**R0530**	1 070	8 377
Notional Combined MCR	**R0540**	1 070	8 377
Absolute floor of the notional MCR	**R0550**	2 500	3 700
Notional MCR	**R0560**	2 500	8 377