Solvency and **F**inancial **C**ondition **R**eport

2016

ČESKÁ POJIŠŤOVNA

Index

Introduction

Česká pojišťovna (the Company) falling under the scope of Solvency II Directive reporting is required to prepare its own Solvency and Financial Condition Report (SFCR). This is in accordance with Directive 2009/138/EC (the "Solvency II Directive") as well as with Delegated Regulation 2015/35/EC (the "Delegated Act") and related guidelines.

The document has been approved by the Company´s Board of Directors on 15 May 2017.

Policyholders and beneficiaries are the main addressees of a SFCR benefitting from increased market discipline that encourages best practices as well as from a higher market confidence that leads to an improved understanding of business.

The SFCR´s specific content is defined by primary legislation and its implementing measures, which provide detailed information on the essential aspects of its businesses, such as a description of the activity and performance of the undertaking, the system of governance, its risk profile, an evaluation of assets and liabilities, as well as capital management for solvency purposes.

When disclosing the information referred to in this regulation figures reflecting monetary amounts shall be disclosed in thousands of units in Czech Crowns ("CZK"), which is the Company's functional currency, unless otherwise stated. Negligible differences can arise due to rounding.

Česká pojišťovna falling under the scope of Solvency II Directive reporting is required to prepare its first SFCR with reference to the financial year starting from 1/1/2016. In general 2015 figures are not presented in the report, as Solvency II replaced Solvency I on 23 September 2016, making a comparison of these two years not possible.

Glossary

AFS	Aviable For Sale
AHD	Accident, Health and Disability
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Management
AMSB	Administrative, Management and Supervisory Body
BEL	Discounted Best Estimate of Liabilities
BoD	Board of Directors
BOF	Basis Own Funds
BSCR	Basic Solvency Capital Ratio
CAT	CATastrophic reinsurance contract
CAT XL	CATastrophic eXcess of Loss reinsurance contract
CB	Contract Boundaries
CDA	Counterparty Default Adjustment
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIB	Czech Insurers' Bureau
CMP	Capital Management Plan
CoC	Cost of Capital
COR	Combined Ratio
CRO	Chief Risk Officer
CV	Curriculum Vitae
CZK	Czech Crowns
CzNIP	Czech Insurance Nuclear Pool
D&O	Directors and Officers liability
DFM	Development Factor Models
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EC	European Community
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected Profit Includes in Future Premiums
EU countries	Countries of the European Union
EUR	Euro
FV	Fair Value
FVTPL	Fair value through Profit and Loss
FX derivates	Foreign eXchange derivates
FY	Financial Year
GCRO	Group Chief Risk Officer
GIGP	Group Investment Governance Policy
GRG	Group Risk Guidelines
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
ICS	Internal Control System
ID number	IDentification number
IFRS	International Financial and Accounting Standards
IT	Information Technology
L	Life insurance
LAE	Lost adjustment expenses
LAF	Life Actuarial Function
LDC	Loss Data Collection
LoB	Line of Business
LTI	Long Term Incentive programs
MCR	Minimum Capital Requirement
MCZK	Millions of Czech Crowns
MTPL	Motor Third Party Liability
MVBS	Market Value Balance Sheet
MVM	Market Value Margin
NAT CAT	Natural Catastrophic excess of loss reinsurance contract
NCC	New Civil Code
NG	Percentage of IFRS Net Outstanding Claims Reserve on IFRS Gross Outstanding Claims Reserve for each accident year
NL	Non-life insurance
OCR	Outlstanding Claims Reserve
ORSA	Own Risk and Solency Assessment
P&C	Property & Casualty, Non-life insurance
P&L	Profit and Loss
PDF	Probability Distribution Forecast
PIM	Partial Internal Model
QRT	Quantitative Reporting Template
RA	Risk Adjustement
RAF	Risk Appetite Framework
RBNS	Reported But Not Settled
ResQ	Group Reserving Tool
RFF	Ring Fenced Funds
RM	Risk Margin
RSR	Regular Supervisory Report
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II: the set of legislative and regulatory provisions introduced following the issue of Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009
SLT	Simmiliar to Life Techniques
SME	Small and Medium Enterprise business
SPV	Special Purpose Vehicle
STI	Short Term variable Incentives
TCZK	Thousands of Czech Crowns
the Bureau	Czech Insurers' Bureau

TP	Technical Provisions
TPL	Third Party Liability
TRCR	Technical Reserves Coverage Requirement
UBEL	Undiscounted Best Estimate of Liabilities
UL (products)	Unit Linked products
ULAE	Unallocated Loss Adjustment Expenses
UW	Underwriting
VaR	Value at Risk calculation
XL	Excess of Loss reinsurance
YE	End of the year

Summary

The objective of the Solvency and Financial Condition Report (SFCR) is to increase transparency in the insurance market requiring insurance and reinsurance undertakings to disclose publicly, at least on an annual basis, a report on their solvency and financial condition.

Česká pojišťovna is a member of the Generali Group and makes use of an internal approach to determine the available financial resources and the capital requirements for risks which it is exposed to (Internal Model), while maintaining consistency with the basic framework of Solvency II, which came effective in 2016. On 7 March 2016, the Company received the regulatory approval to use own Internal Model for regulatory solvency capital requirement calculations.

The Company's System of Governance is set in order to ensure: effectiveness and efficiency of the operations, reliability of financial reporting, compliance with laws and regulations, developing and following of Company's strategies, detection and prevention of conflict of interests and internal fraud. Adequacy of the System of Governance is on yearly basis subject to independent review by Internal Audit Function.

Česká pojišťovna has implemented a Risk Management System that aims at identifying, evaluating, monitoring and managing the most important risks to which the Company is exposed, which means the risks whose consequences could affect the solvency of the Company, or negatively hamper any Company goals.

The main objectives of the risk management process are to maintain the identified risks below an acceptable level in line with the Company's risk strategy, to optimise the capital allocation and to improve the risk-adjusted performance.

Risk management policies and guidelines of the Company are in place treating the management of all the significant risks the Company is exposed to (incl. methodologies to identify and assess risks, definition of risk preferences and tolerances, escalation process etc.).

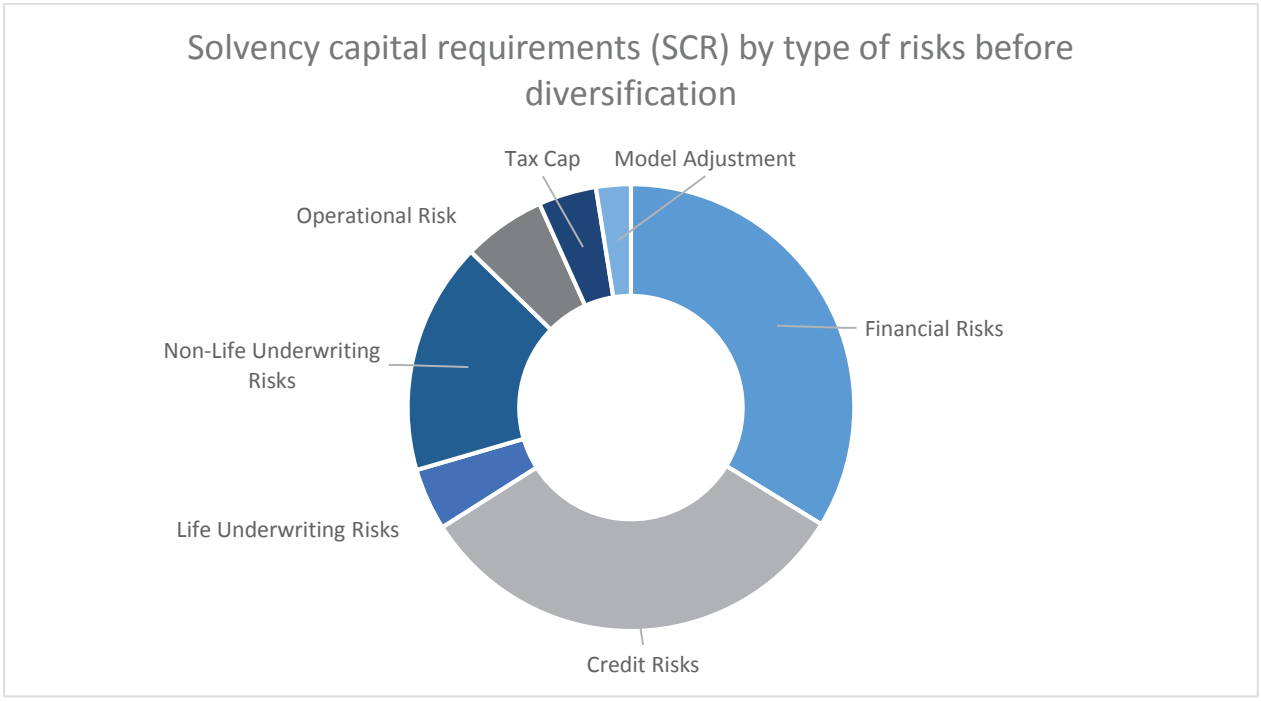
Risk Management System is based on three main pillars:

i. risk assessment process: aimed at identifying and evaluating the risks and the solvency position of the Company;
ii. risk governance process: aimed at defining and controlling the managerial decisions in relation with relevant risks;
iii. risk management culture: aimed at embedding the risk awareness in the decision making processes and increasing the value creation.

The Company regularly assesses its statutory solvency position which is derived from the ratio of its available capital and the capital requirement. Česká pojišťovna has a very strong capital position. At the end of 2016, the ratio of total eligible own funds to SCR reached 293%, i.e. eligible own funds amounted to more than double the required level prescribed by Solvency II. The strong capital position should enable the Company to face any adverse external events or events with an impact higher than required by Solvency II (for instance catastrophic floods) and be able to fully meet the liabilities towards the clients and at the same continue to fulfil all capital requirements prescribed by the regulation. Česká pojišťovna is a composite insurer providing a comprehensive range of services, encompassing life and non-life personal lines, insurance for small, mid-sized, and large customer covering industrial and business risks, and agriculture. The wide structure of products and a big portfolio allows well diversify the risks and thus Česká pojišťovna achieves long term stable financial results and strong capital position. Customers benefit from this diversification by having a strong and reliable partner, which is able to help under all circumstances even under unfavourable economic conditions.

Regulatory capital requirements in respect of Solvency position as of 31 December 2016

(CZK million)	**SCR**	**Eligible Own Funds**	**Solvency Ratio**
Base scenario	9 880	28 965	293%



Outside the basic framework of the solvency position, the Company has defined hypothetic adverse events (or sensitivities) and continues to manage the risks arising from these scenarios while quantifying their potential impact on the Company's solvency position (see for instance section E.6.) Should such additional adverse situations occur, the Company will be able to fully meet the regulatory requirements on equity.

In 2016, the international rating agency A.M. Best (specialising in insurance sector) confirmed Česká pojišťovna's external rating A (excellent) with a stable outlook. This high rating further confirms the unique ability of the Company to fulfil its financial obligations.

A. Business and Performance

A.1. BUSINESS

A.1.1. BASIC COMPANY INFORMATION

Company name	Česká pojišťovna a.s.
Legal form	Joint stock company
Registered office	Spálená 75/16, 113 04 Praha 1
ID number	452 72 956
Tax ID number	CZ 4527 2956
Date of inception	1 May 1992 The Company was founded as a going concern.
Legal regulation	The Company was founded pursuant to Section 11(3) of Act No. 92/1991 Coll. on the Conditions for the Transfer of State Property to Other Entities, as amended by the National Property Fund of the Czech Republic under a founder's deed dated 28 April 1992 and was incorporated by registration in the Commercial Register on 1 May 1992.
Incorporation in Commercial Register	Prague Municipal Court Section B, file number 1464
Date of incorporation in Commercial Register	1 May 1992
Share capital	CZK 4,000,000,000 Paid up: 100%

Information about holders of qualifying holdings in the undertaking

The Company's sole shareholder is CZI Holdings N.V, with its registered office at Diemerhof 32, 1112XN, Diemen, the Netherlands; registered on 6 December 2006, identification number 34245976.

CZI Holdings is an integral part of Generali CEE Holding B.V., a company fully owned by Assicurazioni Generali S.p.A. ("Generali"), which is ultimate parent company of the Company. The financial statements of Generali Group are publicly available on www.generali.com

CZI Holdings N.V.

Legal form:	joint stock company
Registered office:	1112XN Diemen, Amsterdam, Diemerhof 42, Netherlands
File number at the Register of the Amsterdam Chamber of Commerce and Industry:	34245976
Share capital:	EUR 100,000,000
Stake in the voting rights:	100%
Date of inception:	6 April 2006
Principal businesses:	financial holding

Generali CEE Holding B.V.

Legal form:	limited company
Registered office:	1112XN Diemen, Amsterdam, Diemerhof 42, Netherlands
File number at the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Share capital:	EUR 100,000
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of inception:	8 June 2007
Principal businesses:	holding activities

Assicurazioni Generali S.p.A

Legal form:	joint stock company
Registered office:	Piazza Duca degli Abruzzi 2, Trieste, Italy
Trieste Companies' Register number:	00079760328
Share capital:	EUR 1,556,873,283
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of inception:	26 December 1831
Principal businesses:	providing insurance and finance products

Supervisory authority for the entity

Name:	ČESKÁ NÁRODNÍ BANKA
Registered office:	Na Příkopě 864/28, 115 03 Praha 1 - Nové Město
ID Number :	48136450
Telephone:	+420 224 411 111
Fax:	+420 224 412 404

Supervisory authority for the Group

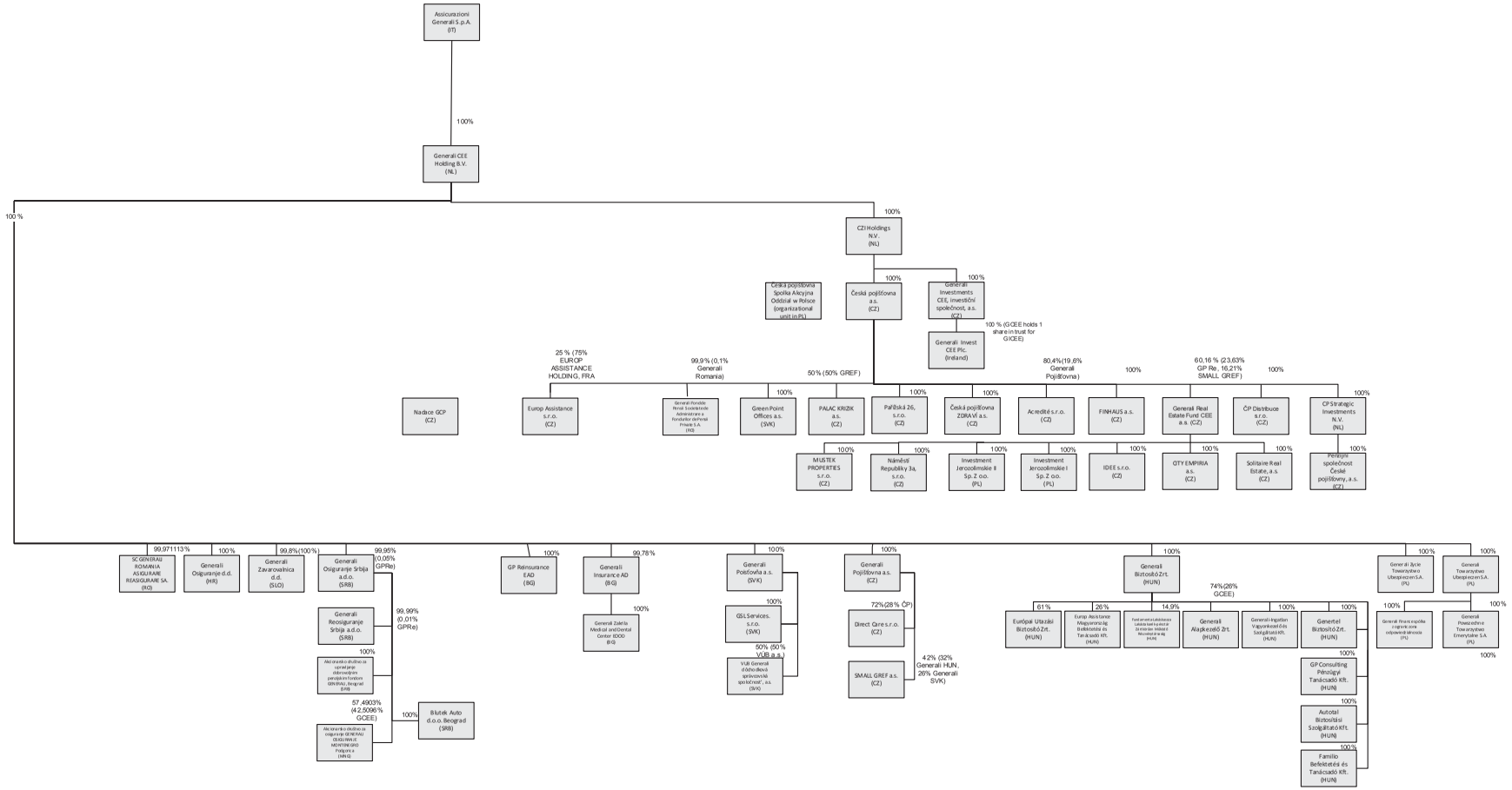
Name:	IVASS - Istituto per la Vigilanza sulle Assicurazioni
Registered office:	Via del Quirinale 21, 00187 Řím, Itálie
ID Number:	97730600588
Telephone:	+39.06.42133.1
Fax:	+39.06.42133.206
Email:	ivass@pec.ivass.it

Information about the external auditor

Since 2012, the financial statements have been audited by Ernst & Young Audit, s.r.o. The financial statements of Česká pojišťovna were audited on 13 March 2017, and the consolidated financial statements of Česká pojišťovna were audited on 25 April 2017.

Registration number:	267 04 153
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Statutory audit licence number:	401
Auditor-in-charge:	Lenka Bízová
Authorisation number:	2331

Česká pojišťovna Group Structure Chart as at 31 December 2016



A.1.2. SUBSIDIARIES AND ASSOCIATES

The following table provides details about the Company's subsidiaries and associates:

Name	Country	Proportion of ownership interest (%)	Proportion of voting power (%)	Note
Direct Care s.r.o.	Czech Republic	28.00	28.00	
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.00	100.00	1
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	60,16	60,16	2,6
FINHAUS a.s.	Czech Republic	100.00	100.00	3,6
Nadace GCP	Czech Republic			
Acredité s.r.o.	Czech Republic	80.40	80.40	6
CP Strategic Investments N.V.	Netherlands	100.00	100.00	
Generali SAF de Pensii Private S.A.	Romania	99.90	99.90	
Green Point Offices a.s.	Slovakia	100.00	100.00	6
Pařížská 26, s.r.o.	Czech Republic	100.00	100.00	
PALAC KRIZIK a.s.	Czech Republic	50.00	50.00	
Europ Assistance s.r.o.	Czech Republic	25.00	25.00	
ČP Distribuce s.r.o.	Czech Republic	100.00	100.00	5,6

Detailed information on transactions with subsidiaries of the Company is provided below.

1. Capital increase of Česká pojišťovna ZDRAVÍ a.s.

On 21 September 2016, the sole shareholder of the company approved to increase the share capital by CZK 5 million by issuing five shares with the nominal value of CZK 1 million each. Česká pojišťovna a.s. as the sole shareholder subscribed all five newly issued shares totalling of CZK 5 million.

2. Capital increase of Generali Real Estate Fund CEE a.s., investiční fond

At a meeting on 10 March 2016, the shareholders of the company agreed to increase the share capital by CZK 100 million by issuing 100 shares with the nominal value of CZK 1 million each. Česká pojišťovna a.s. subscribed 34 of the newly issued shares of the company and paid the total subscription price of CZK 554 million, which led to a decrease of the proportion of ownership interest to 60.16 %.

3. Acquisition and capital increase of FINHAUS a.s.

On 26 September 2016, the Company signed an agreement with Generali Pojišťovna, a.s. to buy 20% of shares which Generali Pojišťovna, a.s. held in FINHAUS a.s. The purchase price amounted to CZK 4.9 million and as a result of this transaction, the Company has become the sole shareholder of FINHAUS a.s.

Subsequently, on 14 October 2016, Česká pojišťovna increased the capital of the company and contributed CZK 55 million to other capital funds of FINHAUS a.s.

4. Sale of Finansovyj servis o.o.o.

On 14 April 2016 the Company signed an agreement to transfer 100% of the shares it held in Finansovyj servis o.o.o. The net book value of Finansovyj servis o.o.o. was zero and the purchase price amounted to RUB 10 000.

5. Acquisition of Generali Development s.r.o. (ČP Distribuce s.r.o.)

On 20 September 2016 the Company signed an agreement with Generali Pojišťovna, a.s. to buy 100% of the shares which Generali Pojišťovna, a.s. held in Generali Development s.r.o. (later renamed to ČP Distribuce s.r.o.). The purchase price amounted to CZK 40.4 million.

6. Renaming of subsidiaries

The following companies were renamed during 2016:

- Generali Services CEE a.s. was renamed FINHAUS a.s.
- REFICOR s.r.o. was renamed Acredité s.r.o.
- Apollo Business Center IV a.s. was renamed Green Point Offices a.s.
- Generali Real Estate Fund CEE a.s. was remaned Generali Real Estate Fund CEE a.s., investiční fond
- Generali Development s.r.o. was renamed ČP Distribuce s.r.o.

A.1.3. MATERIAL LINES OF BUSINESS AND MATERIAL GEOGRAPHICAL AREAS

Gross earned premiums revenue

Motor vehicle liability insurance	4,744,087
Other motor insurance	3,474,473
Fire and other damage to property insurance	7,307,408
General liability insurance	2,168,460
Other lines of business	1,110,545
Total non-life	**18,804,972**

Insurance with profit participation	4,008,830
Index-linked and unit-linked insurance	1,575,966
Other life insurance	3,205,349
Total life	**8,790,145**

All segment revenues are generated from sales to external customers. No single external customer amounts to 10% or more of the Company's revenues.

In 2016, the Company mainly operated in the Czech Republic and in other EU countries. More than 99% of the remaining income from insurance contracts came from clients in the Czech Republic.

A.1.4. SIGNIFICANT BUSINESS OR OTHER EVENTS THAT HAVE OCCURRED OVER THE REPORTING PERIOD

External rating of the Company

The Company's financial strength rating of A (excellent) and issuer credit rating of "a", both with a stable outlook were confirmed by international rating agency A.M. Best (specializing on insurance sector) on 28 October 2016 (http://www3.ambest.com/ambv/bestnews/presscontent.aspx?altsrc=1&refnum=24575). Such rating level means that based on A.M Best opinion, the Company has excellent ability to meet its ongoing financial obligations. During 2016 there were no changes in assigned rating of the Company.

Awards

Česká pojišťovna enjoyed success in Hospodářské noviny's prestigious Best Insurance Company contest, winning one of the two main categories to be named Best Life Insurance Company 2016. The Company was also runner-up in the Best Non-life Insurance Company, Most Customer Friendly Life Insurance Company and Most Customer Friendly Non-life Insurance Company categories.

Česká pojišťovna did well in the 15th annual Fincentrum Bank of the Year competition, taking home not one, but two awards, having placed third in the Insurance Company of the Year and the Life Insurance of the Year categories.

The Záchranka mobile app, developed with Česká pojišťovna's support, won two prizes in AppParade, the competition spotlighting the finest apps on the market. It was singled out as the winner by the panel of judges and was named the second-best app in the audience vote. The campaign waged by Česká pojišťovna to promote the app came third in the Internet Effectiveness Awards.

At Visionaries 2016, the sixth annual prestigious project to report the most interesting innovative acts in Czech business yielding a significant social, technological or economic benefit, Záchranka – with Česká pojišťovna's support – was named Visionary of the Year 2016.

Česká pojišťovna was the second-placed Insurance Company with the Best Travel Insurance in the TTG Travel Awards, the oldest and most prestigious survey among tourism experts in the Czech Republic. The poll is conducted by TTG Czech, the most important magazine for professionals in this sector.

In the Sodexo Employer of the Year contest, Česká pojišťovna was singled out as the best employer of up to 5,000 employees in Prague.

In the 16th annual Czech Contact Center Award competition, Česká pojišťovna's call centre came top in the New Media category. The panel of experts praised the call centre for successfully introducing live chat as a new means of communication with customers. Česká

pojišťovna's call centre also came second in the Special Projects category, earning plaudits for its internal overhaul and the switch from conventional to systemic management, which has yielded excellent results in customer satisfaction surveys.

In the second annual Most Trustworthy Brand of the Year, Česká pojišťovna was successful in the Insurance Companies category. It was named the most trustworthy brand of 2016 in a vote that attracted 4,000 Czech consumers. There were almost 600 brands in this year's competition, with winners announced in 60 categories.

A.2. UNDERWRITING PERFORMANCE

A.2.1. NON-LIFE

	Motor vehicle liability insurance	Other motor insurance	Non-motor	Total
Premiums written				
Gross - direct business	4,766,712	3,518,994	9,916,004	**18,201,709**
Gross - proportional reinsurance accepted	0	0	782,351	**782,351**
Gross - non-proportional reinsurance accepted			111,215	**111,215**
Reinsurers' share	1,874,064	1,464,358	5,307,009	**8,645,431**
Net	**2,892,648**	**2,054,635**	**5,502,561**	**10,449,845**
Premiums earned				
Gross - direct business	4,744,087	3,474,473	9,692,578	**17,911,137**
Gross - proportional reinsurance accepted	0	0	782,619	**782,619**
Gross - non-proportional reinsurance accepted	0	0	111,215	**111,215**
Reinsurers' share	1,865,073	1,446,431	5,285,722	**8,597,226**
Net	**2,879,013**	**2,028,042**	**5,300,690**	**10,207,746**
Claims incurred				
Gross - direct business	1,943,169	2,281,222	4,211,982	**8,436,373**
Gross - proportional reinsurance accepted	0	0	413,129	**413,129**
Gross - non-proportional reinsurance accepted	0	0	40,491	**40,491**
Reinsurers' share	860,572	920,842	2,186,020	**3,967,434**
Net	**1,082,597**	**1,360,380**	**2,479,581**	**4,922,558**
Changes in other technical provisions				
Gross - direct business	0	0	0	**0**
Gross - proportional reinsurance accepted	0	0	0	**0**
Gross - non-proportional reinsurance accepted	0	0	0	**0**
Reinsurers' share	0	0	0	**0**
Net	**0**	**0**	**0**	**0**
Expenses incurred	**1,090,026**	**695,228**	**2,043,196**	**3,828,450**

Non-life premium grew in a retail and a fleet business. Motor TPL showed positive growth in all sales segments and Casco recorded very high sales mainly connected with high new cars sales. Slight decrease in sales of Household insurance was more than compensated by grow in personal liability insurance connected with New Civil Code rules. SME business remained on last year level, Corporate business was slightly falling. Credit and Suretyship was growing due to a cooperation with Unicredit bank.

Motor TPL profitability remained on a good level due to lower bodily injuries reported, profitability of Casco is on a standard level. Non-motor lines of business were hit by a weather calamity with an impact of more than CZK 400 million in the Agro business and CZK 100 million in personal business.

A.2.2. **LIFE**

	Total
Premiums written	
Gross	8,790,145
Reinsurers' share	1,233,508
Net	**7,556,636**
Premiums earned	
Gross	8,790,145
Reinsurers' share	1,233,508
Net	**7,556,636**
Claims incurred	
Gross	8,544,635
Reinsurers' share	445,940
Net	**8,098,696**
Changes in other technical provisions	
Gross	3,158,283
Reinsurers' share	169,793
Net	**2,988,490**
Expenses incurred	**1,597,415**

Life's regular premiums were positively influenced by lower lapses but negatively by large maturities. Premium written also reflected a decrease of production which was visible on the whole life market. Life claims were slightly growing, commissions were lower due to the lower life production.

A.3. INVESTMENT PERFORMANCE

Financial investments stand alongside insurance and reinsurance as another important area of operations for the Company. They contribute significantly to the Company's assets and are primarily financed from insurance provisions and equity.

The Company's investment strategy complies with the requirements of 'the prudent person principle'. The objective of the strategy is to establish appropriate return potential together with ensuring that the Company can always meet its obligations without undue cost and in accordance with its internal and external regulatory capital requirements.

There are no investments in securitization.

Performance of the Company's investment portfolio in financial year 2016:

Subsidiaries and associates

	2016
Dividends and other income	503,632
Expenses	0
Total	**503,632**

Financial instruments at fair value through profit or loss

		2016
Financial assets		
Interests and other income		108,014
Realised	– gains	108,830
	– losses	(83,096)
Unrealised	– gains	401,540
	– losses	(89,195)
Financial liabilities		
Interest expenses		(271,467)
Realised	– gains	19,056
	– losses	(14,586)
Unrealised	– gains	116,015
	– losses	(72,755)
Other income		17,687
Total		**240,043**

Other financial instruments

	2016
Interest income	**1,626,419**
Interest income from loans and receivables	108,145
Interest income from available-for-sale financial assets	1,514,915
Interest income from cash and cash equivalents	1,057
Other interest income	2,302
Other income	**172,202**
Income from land and buildings (investment properties)	566
Income from equities available-for-sale	79,209
Other income from investment fund units	92,427
Interests and other investment income	**1,798,621**
Realised gains	**1,289,459**
Realised gains on land and buildings (investment properties)	2,710
Realised gains on loans and receivables	3,648
Realised gains on available-for-sale financial assets	1,283,101
Unrealised gains	**75,665**
Unrealised gains on hedged instruments	75,665
Reversal of impairment	**13,225**
Reversal of impairment of loans and receivables	5,364
Reversal of impairment on other receivables from reinsurers	7,861
Reversal of impairment of other receivables	
Other income from financial instruments and other investments	**1,378,349**
Total	**3,176,970**

	2016
Interest expense	**25,350**
Interest expense on loans, bonds and other payables	16,627
Interest expense on deposits received from reinsurers	8,710
Other interest expense	13
Other expenses	**88,126**
Expenses from land and buildings (investment properties)	5,519
Other expenses on investments	82,607
Realised losses	**280,251**
Realised losses on land and buildings	17
Realised losses on available-for-sale financial assets	280,234
Unrealised losses	**36,675**
Unrealised losses on hedged instruments	36,675
Impairment losses	**332,712**
Impairment of land and buildings (investment properties)	0
Impairment of available-for-sale financial assets	330,494
Impairment on receivables from reinsurers	0
Impairment of other receivables	2,218
Total	**763,114**

Gains and losses recognized directly in equity

	2016
Balance as at 1 January	5,072,156
Gross revaluation as at the beginning of the year	6,256,135
Tax on revaluation as at the beginning of the year	(1,183,979)
Revaluation gain/loss in equity – gross	1,664,748
Revaluation gain/loss on realisation in income statement – gross	(1,003,868)
Impairment losses – gross	330,494
Tax on revaluation	(188,550)
Gross revaluation as at the end of the year	7,247,509
Tax on revaluation as at the end of the year	(1,372,529)
Balance as at 31 December	5,874,979

The gross revaluation of gain/loss in equity is most significantly affected by interest rate movements. Realisations caused the move from other comprehensive income to the profit and loss statement lowering the gross revaluation. The amount of impairments in 2016 has been built mainly in the first half of the year by poor performance on the equity markets raising the gross revaluation.

Other

	2016
Gains on foreign currency	1,405,362
Losses on foreign currency	(1,563,776)
Total	**(158,414)**

A.4. PERFFORMANCE OF OTHER ACTIVITIES

Other material income and expense are analysed in the following tables.

Acquisition and administrative costs

	Non-life segment	Life Segment
	2016	**2016**
Acquisition costs and other commissions	2,195,603	771,810
Change of deferred acquisition costs	(223,089)	22,379
Other administration costs	1,035,636	685,421
Total	**3,008,150**	**1,479,610**

Staff costs

	2016
Wages and salaries	2,035,710
Compulsory social security contributions	664,091
Thereof: state-defined contribution pension plan	397,460
Other expenses	81,997
Thereof: contribution to the private pension funds	31,438
Total staff costs	**2,781,798**

Other Income

	2016
Reversal of other provisions	148,502
Income from services and assistance activities and recovery of charges	814,495
Income from sale of assets	316
Other technical income	119,242

Other expense

	2016
Amortisation of intangible assets	265,456
Depreciation of tangible assets	42,399
Restructuring charges and allocation to other provisions	58,780
Expense from service and assistance activities and charges incurred on behalf of third parties	913,802
Other technical expenses	277,708
Other expenses	1,211

A.5. ANY OTHER INFORMATION

All significant information about business and performance has been mentioned in the above sections.

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

System of governance of the Company is adequate to the nature, scale and complexity of the risks inherent in its business. Details on the system of governance are provided in following chapters.

B.1.1. INFORMATION ON GENERAL GOVERNANCE

Board of Directors
(as at 31 December 2016)

Chairman:	Marek Jankovič, Chief Executive Officer
Vice Chairman:	Petr Bohumský, Chief Financial Officer
Member:	Karel Bláha, Chief Corporate Business Officer
Member:	Pavol Pitoňák, Chief Insurance Officer
Member:	Tomáš Vysoudil, Chief Sales Officer

Supervisory Board
(as at 31 December 2016)

Chairman:	Luciano Cirinà
Member:	Gianluca Colocci
Member:	Gregor Pilgram
Member:	Martin Sturzlbaum

The Audit Committee
(as at 31 December 2016)

Chairman:	Gianluca Colocci
Member:	Martin Mančík
Member:	Roman Smetana

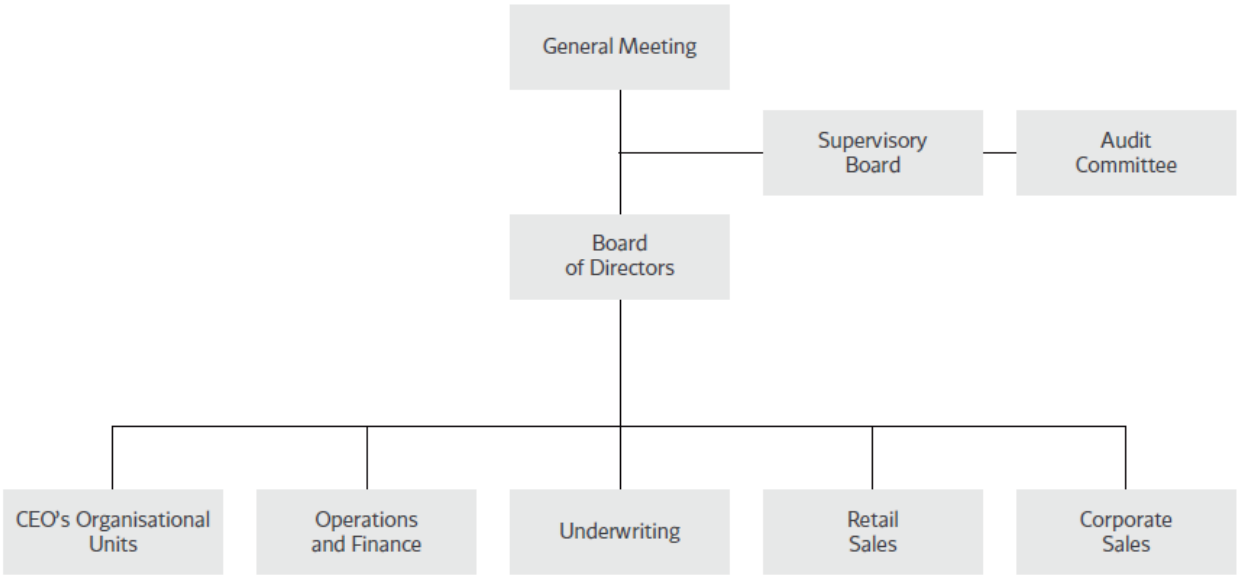
Česká pojišťovna a.s. is governed by Board of Directors (the “Board”). The Board is responsible for the performance and strategy of the Company. Governance requirements are largely set by regulatory and legal requirements. Members of the Board are responsible within the field of competencies:

Field of Competencies:

CEO Organizational Units:	Chief Executive Officer
Operations & Finance:	Chief Financial Officer
Corporate Sales:	Chief Corporate Business Officer
Insurance & Claims:	Chief Insurance Officer
Retail Sales:	Chief Sales Officer

Detailed information on the segregation of responsibilities in the specific areas is described in the dedicated paragraphs of this report. A description of the principles and functioning of the Company bodies can also be found in the annual report.

BASIC ORGANISATION CHART OF ČESKÁ POJIŠŤOVNA



Other main committees supporting the Board of Directors are the Risk Committee, Internal Model Committee, Financial Committee, Non-life Committee.

B.1.2. CHANGES IN THE SYSTEM OF GOVERNANCE

Board of Directors
(as at 31 December 2016)

Pavol Pitoňák became a member of the Board of Directors on 20 January 2016.
Marie Kovářová resigned from her post as a member of the Board of Directors on 31 August 2016.

Supervisory Board
(as at 31 December 2016)

No changes occurred on the Supervisory Board during 2016.

The Audit Committee
(as at 31 December 2016)

Martin Mančík became a member of the Audit Committee on 1 January 2016.
Roman Smetana became a member of the Audit Committee on 1 January 2016.

The Board of directors (the "Board") or the members of the Board within their field of competencies approve any organizational changes in the Company on a monthly basis. Rules pertaining to organizational changes are set by the Company's organizational code.

B.1.3. REMUNERATION POLICY

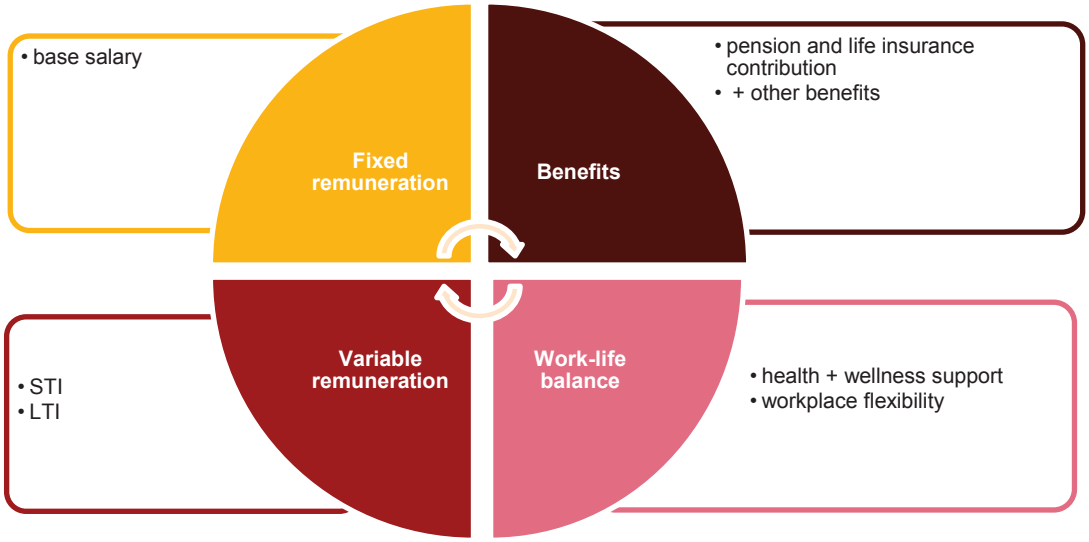
The Company's remuneration policy is intended to attract, hire and retain employees whose values are aligned to our culture and values.

We primarily focus on high performance motivation so that all employees can positively contribute to the Company's strategy and business objectives.

The Company aims to continuously improve the performance management principles based on positive motivation and identification and use of the individual employees' strengths. Our training and development strategy and remuneration systems are tightly bound to the performance management principles.

The Company´s remuneration policy is regularly revised to ensure its external competitiveness and internal fairness.

Overall compensation structure



Fixed remuneration

A fixed reward is the compensation paid to the employee for performing a specific job.

The foundation of the Company´s remuneration policy is the job family structure division of all specific jobs according to their contribution, difficulty and responsibility into the internal structure of salary bands. All jobs are regularly benchmarked against market data. Each salary band has a minimum level that is defined by the Collective Agreement. Individual positions within the salary band range take into account the long-term performance, experience and potential of our employees.

Variable remuneration

A variable reward is compensation contingent on performance, discretion and achieved results. The variable remuneration seeks to motivate employees to achieve business targets by creating a direct link between incentives and quantitative and qualitative goals set at Company, team and individual levels.

Short-term variable incentives (STI)

Short-term variable incentives consist of yearly bonuses paid to management at all levels and senior professionals. The total budget for the payment of bonuses of this group is connected with Company results and amended based on the fulfilment of Company criteria. Short-term variable opportunities vary according to the organizational level and the impact of the individual role on the business.

For remaining employees, incentives are paid within an accounting period (monthly or quarterly) or upon an event (reaching an objective, completing a project, etc.)

For its sales force, the Company has commissions in place that are paid in addition to the fixed salary.

Long-term incentive programmes (LTI)

Long-term incentive programmes for executive management and key employees are in place to deliver improvements in performance and align performance with the long-term strategic goals of the Company.

Supplementary pensions

The Company has a defined contribution plan in place based on the length of service by employees. Supplementary pension schemes have not been introduced.

B.1.4. TRANSACTIONS WITH SHAREHOLDERS, WITH PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE UNDERTAKING, AND WITH MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY

During the reporting period, no material transactions with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body took place.

B.1.5. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS

The Company established key control functions as independent departments without any responsibility in the operational areas. The functions are organized as follows:

- Risk Management, Compliance and Internal Audit Functions: Report hierarchically to the Chief Executive Officer and functionally to the BoD.
- Actuarial Function: Reports hierarchically to the Chief Financial Officer and functionally to the BoD

To ensure a proper coordination and direction from the Generali head office /Generali CEE holding, all control functions also report to the respective Group /Regional functions.

More details on the organization, responsibilities and resources can be found in the dedicated sections of this report.

B.1.6. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE FUNCTIONS AND HOW THEY REPORT TO AND ADVISE THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY OF THE INSURANCE OR REINSURANCE UNDERTAKING

Details for the individual control functions can be found in the dedicated sections of this report.

B.2. FIT AND PROPER REQUIREMENTS

B.2.1. DESCRIPTION OF SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED FOR PERSONS WHO EFFECTIVELY RUN THE UNDERTAKING OR HAVE OTHER KEY FUNCTIONS

Professional adequacy of members of the Board of Directors and Supervisory Board

The Board of Directors and the Supervisory Board of the Company and their members shall collectively possess appropriate experience and knowledge on the fields mentioned below:

- Market knowledge means an awareness and understanding of the wider relevant business, economic and market environment in which the Company operates and an awareness of the level of knowledge and customers´ needs.
- Business strategy and business model knowledge: refers to a detailed understanding of the Company's business strategy and model.
- Knowledge of the system of Governance refers to the awareness and understanding of the risks that the Company is facing and the capability to manage them. Furthermore, it includes the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.
- Capability of actuarial and financial analysis concerns the ability to interpret the Company's actuarial and financial information, identify and assess the key issues, and take any necessary measures (including appropriate controls) based on this information.
- Knowledge of the regulatory framework and requirements refers to the awareness and understanding of the regulatory framework in which the Company operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes in the regulatory framework without delay.

Other highly responsible persons

Other highly responsible persons (also called relevant persons) who within the scope of persons evaluated according to internal standards are assessed in relation to the jobs they perform. The Company takes into the account the job experience declared in professional CVs, attained education and work performance to date (if this person has already been working for the Company).

Personal credibility

Both above-mentioned groups of persons are also assessed from the point of view of their personal credibility. The assessment of whether the persons are credible and of upright character includes an assessment of their honesty based on relevant evidences regarding their character and personal behaviour.

The personal integrity of the persons is also assessed based on evidence regarding the following:

- criminal convictions;
- serious disciplinary or administrative measures applied as a consequence of wilful misconduct or gross negligence, also related to relevant breaches of the Group Code of Conduct and the implementing Group Rules.

Criminal convictions and disciplinary measures are assessed in relation to laws governing banking, financial, securities or insurance activity, or concerning securities markets or securities or payment instruments, including, but not limited to, laws on money laundering, market manipulation, or insider dealing and usury, as well as any offences of dishonesty such as fraud or financial crime. They also include any other serious criminal offences under legislation relating to companies, bankruptcy, insolvency and consumer protection.

The above-mentioned situations will automatically preclude assessed persons from being appointed or continuing in their current role.

B.2.2. PROCESS FOR ASSESSING THE FITNESS AND THE PROPRIETY OF THE PERSONS

The assessment of the professional fitness/adequacy and personal credibility of persons with high responsibility towards the Company (including members of the boards) is essentially based on two internal standards:

- Group Fit and Proper Policy implemented in the entire (worldwide) Generali Group.
- This Policy is complemented by the Company's interpretational standard policy respecting and implementing particular local conditions.

Assessment of the relevant persons is first performed before the persons are appointed to their positions and then periodically (usually once a year). The Company standard includes seven assesse categories and four assessment systems:

- Members of the Boards of Directors: The Board of Directors as a group assesses the professional fitness/adequacy and personal credibility of its members.
- Members of the Supervisory Board: Supervisory Board as a group assesses the professional fitness/adequacy and the personal credibility of its members.
- The professional fitness/adequacy and the personal credibility of the members of the Audit Committee is assessed by the Board of Directors.
- Key employees that manage control functions are assessed by the Board of Directors and the respective Group control functions in regards to their professional fitness/adequacy and personal credibility.
- The professional fitness/adequacy and personal credibility of employees with significant impact on the risk profile of the Company as defined by Company standards is assessed by the Board of Directors.
- Other highly responsible persons defined by internal standards (in the scope of the assessed group) are assessed by the Board of Directors in regards to their professional fitness/adequacy and personal credibility.
- The professional fitness/adequacy and the personal credibility of employees performing their work inside departments/units focusing on Company control functions is assessed by the heads of their departments.

B.3. RISK MANAGEMENT

The purpose of the risk management system is to ensure that based on the defined risk strategy, all risks that the Company is exposed to are properly and effectively managed, following a set of processes and procedures and based on clear governance provisions.

The principles defining the risk management system are provided in the Risk Management Policy[1], which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risks the Company is exposed to, both on a current and on a forward-looking basis.

The risk management process is defined within the following phases:

1. Risk Identification

The purpose of the risk identification phase is to ensure that all material risks that the Company is exposed to are properly identified. For that purpose, the Risk Management Function interacts with the main business functions to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risks are also taken into consideration.

Based on Solvency II risk categories and for the purpose of Solvency Capital Requirement (SCR) calculation, risks are categorized according to the following Risk Map.

[1] The Risk Management Policy covers all Solvency II risk categories and is complemented by the following risk policies to adequately deal with each specific risk category and underlying business processes :

- Investment Governance Policy;
- P&C and Reserving Policy;
- Life and Reserving Policy;
- Operational Risk Management Policy;
- Liquidity Risk Management Policy;
- Other risk-related policies, such as Capital Management Policy.

Risk Map

Risks covered by Partial Internal Model				
Internal Model				Standard Formula
Financial Risks	Credit Risks	Insurance Risks Non-Life	Insurance Risks Life & Health	Operational Risks
Interest rate yields	Spread widening	Pricing	Mortality CAT	
Interest rate volatility	Credit default	Reserving	Mortality no CAT	
Equity price	Counterparty default	CAT	Longevity	
Equity volatility		Non-Life lapse	Morbidity/disability	
Property			Life lapse	
Currency			Expense	
Concentration			Health CAT	
			Health Claim	

The Company has also developed an effective risk management system for risks that are not included in the SCR calculation, such as liquidity risk and other risks (so called 'non-quantifiable risks', i.e. reputational risk, contagion risk and emerging risks).

Please see sections C.4 liquidity risk and C.6 Other risks.

2. Risk Measurement

The risks identified during this first phase are then measured by their contributions to the SCR and eventually complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Company risk profile. Using the same metric for measuring risks and the SCR ensures that each risk is covered by an adequate amount of solvency capital that could absorb the loss incurred if the risk were to materialize.

The SCR is calculated by using the Generali Group's Partial Internal Model approved by College of Supervisors covering financial, credit, life and non-life underwriting risks. Operational risks are measured by means of the EIOPA Standard Formula complemented by quantitative and qualitative risk assessments. The Generali Partial Internal Model provides an accurate representation of the main risks to which the Company is exposed, measuring not only the impact of each risk taken individually but also their combined impact on the Company's own funds.

More detail on the Partial Internal Model governance framework is provided in section B.3.2., while the main differences between the Partial Internal Model assumptions and Standard Formula are described in section E.4.

Risks not included in the SCR calculation, such as liquidity risk and the other risks are evaluated based on quantitative and qualitative risk assessment techniques and models.

3. Risk Management and Control

As part of the Generali Group, the Company operates under a sound risk management system in line with the processes and the strategy set by the Generali Group. To ensure that risks are managed according to the risk strategy, the Company follows the governance defined in the Group Risk Appetite Framework (RAF) and further specified in the local Risk Appetite Framework. RAF governance provides a framework for risk management, embedding control mechanisms as well as escalation and reporting processes in day-to-day and extraordinary business operations.

The purpose of the RAF is to set the desired level of risk (in terms of risk appetite and risk preferences) and limit excessive risk-taking. Tolerance levels based on capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined tolerance levels, escalation mechanisms are activated.

4. Risk Reporting

Risk monitoring and reporting is a key risk management process keeps business functions, top management, the Board and the supervisory authority aware of and informed on the risk profile's development, risk trends and any breaches of risk tolerances.

The Own Risk and Solvency Assessment (ORSA) is the main risk reporting process, coordinated by the Risk Management Function. Its purpose is to provide the assessment of risks and of overall solvency needs on a current and forward-looking basis. The ORSA process ensures the ongoing assessment of the solvency position in line with the strategic plan and capital management plan, followed by the regular communication of ORSA results to the supervisory authority after Board approval. More details are provided in section B.3.3.

Risk Management Function

The Risk Management Function ensures that risk management process as described in B.3. complies with Solvency II and the principles set in the risk policies and supports the Board and top management in ensuring the effectiveness of the risk management system.

The Risk Management Function coordinates the ORSA process and reports the most significant risks it identifies to the Board. The Risk Management Function is responsible for:

- assisting the Board of Directors and Supervisory Board and other functions in the effective operation of the risk management system;
- monitoring the risk management system and the implementation of the Risk Management Policy;
- monitoring the general risk profile of the Company and coordinate the risk reporting, including reporting any tolerances breaches;
- advising the Board of Directors and Supervisory Board and support main business decision-making processes including those related to product approval, strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments.

The Risk Management Function is an independent function within the organizational structure and is not responsible for any operational area. The head of the Risk Management Function (Chief Risk Officer - CRO) reports hierarchically to the Chief Executive Officer (CEO) and functionally to the BoD. To ensure a proper coordination and direction from the head office he also reports to the Group Chief Risk Officer (GCRO). In accordance with local laws and regulations, the Risk Management Function has full access to all information, systems and documentation related to activities within risk management. The Function is also involved in all key committees of the Company.

The Risk Management Function also chairs the Risk Committee where the representatives of risk management, key risk owners and control functions discuss current risk topics, the results of risk assessments and advise the Board on risk related matters.

The resources of the Risk Management Function include financial and human resources, as well as access to external advisory services and specialized skills.

The head of Risk Management Function shall have the necessary qualifications, knowledge, experience and professional and personal skills to carry out the function's duties effectively. The head shall have solid relevant experience in the insurance (or financial) industry, in risk management practices and risk related regulations. This person shall also have the capacity to relate to the commercial mind-set of the business and develop an overall understanding of the organization from the operational and strategic point of view. The head of the Function shall follow applicable risk policies that set out the relevant responsibilities, goals, processes and reporting procedures to be applied.

All the personnel carrying out risk management functions shall also fulfil the above requirements and characteristics, commensurate with the degree of complexity of the activities to be carried out. The requirements must be maintained at an appropriate and adequate level at all times.

Compliance with the above mentioned requirements is assessed at least on yearly basis and also during the year in case of changes in the staffing of the Risk Management Function.

B.3.1. INTERNAL MODEL FRAMEWORK: GOVERNANCE, DATA AND VALIDATION

INTERNAL MODEL GOVERNANCE

Processes and procedures

The governance of the internal model is aimed at guaranteeing full compliance of the internal model with a set of principles, while respecting Articles 120 to 126 of the Solvency II Directive.

The Company following the Group Internal Model Governance Policy sets governance model to ensure that models are transparent, robust and consistent both internally and across Group companies, that they are of sufficient quality and reliability and meet the need of the users that use them.

The governance requirements apply to all phases of the model lifecycle, i.e. both regular use and model change processes.

The main processes contained within each of the above phases include a model definition and implementation, a model run incl. assumption setting and calibration, a model validation and a model review.

Organizational Structure

The Board of Directors is responsible for implementing systems that ensure that the Group Partial Internal Model operates properly and continuously at Company´s level. With the support of the local risk committee, the Board of Directors reviews the relevant supporting information submitted by the Company´s CRO.

The Company CRO must ensure that all models function properly at the Company level and, if necessary, escalates model related issues to the Company Board of Directors, supported by the Risk Committee. The Company CRO decides based on all Internal Model Committee proposals on the appropriate model component methodologies and signs off on the results of the calculations of the Company capital requirements.

The Company Internal Model Committee is in charge of providing proposals on matters related to the internal model before submission to the Company CRO.

Company model owners are assigned to each component of the Model and are responsible for ensuring that the Group Partial Internal Model and its outputs meet local needs and conform to the Group Internal Model Governance Policy as well as to the Group methodology framework.

MATERIAL CHANGES TO INTERNAL MODEL GOVERNANCE

No material changes occurred in the internal model governance during the reporting calendar year.

INTERNAL MODEL DATA

The Company has implemented a data quality framework to ensure that the data used for the SCR calculation and the evaluation of technical provisions are accurate, complete and appropriate. For this purpose, all data used are recognized, data flows are tracked to the level of primary systems, any risks of potential non-quality of data are identified and evaluated. Adequate controls are implemented and their results are monitored and documented.

INTERNAL MODEL VALIDATION

The SCR calculation is subject to an annual independent validation, as required by Article 124 of the Solvency II Directive and based on the principles defined in the Group Validation Policy and the Group Validation Guidelines.

The validation exercise is aimed at gaining independent assurance of the completeness, robustness and reliability of the processes and results that comprise the internal model as well as their compliance with Solvency II regulatory requirements. In particular, the validation output aims to support senior management and Board of Directors in understanding of the appropriateness of the internal model and to reveal the internal model's weaknesses and limitations, especially with regard to its use in the day-to-day decision-making process.

The validation scope covers contains both quantitative and qualitative aspects of the model, incl. data, methodology, assumptions and expert judgments, governance and processes, calibration of risks, model outputs and results. The scope of the validation considers the materiality of the risk components and is subject to regular challenges from the Internal Model Committee.

Within the validation process, both quantitative tests (incl. analysis of profit and loss attribution, sensitivity analysis, stress and reverse stress tests, SCR point estimate) and qualitative analyses (incl. review of documentation, walk-through analysis and interviews) are performed.

To ensure an adequate level of independence, the resources performing the validation activities are not involved in the development and calculation of the internal model.

Although the validation process is understood as a regular exercise, specific elements which can trigger additional Validation (e.g. requests for Major Model Changes or requests from Senior Management or regulatory bodies).

B.3.2. ORSA PROCESS

The ORSA process is a key component of the risk management system that aims at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA process documents and properly assesses the main risks the Company is or may be exposed in light of its strategic plan. It includes the assessment of the risks within scope of the SCR calculation, but also of the other risks not included in the SCR calculation. In terms of risk assessment techniques, stress tests and sensitivity analysis (defined by Company and Group) are also performed with the purpose to assess the resilience of the Company risk profile to changed market conditions or specific risk factors.

The ORSA report is produced on an annual basis. In addition to the annual ORSA report, non-regular ORSA reports are produced when the risk profile has changed significantly.

All results are properly documented in the ORSA report and discussed during meetings of the Company Risk Committee. After discussion and approval by the Board, the report is submitted to the supervisory authority. Generally, the information included in the ORSA report is sufficiently detailed to ensure that the relevant results can be used in the decision-making and business planning processes.

The results of the ORSA process at the Company level are also reported to the parent Company as an input to the ORSA process of Generali Group. For this reason the Company follows the principles set in the Risk Management Policy and additional operating procedures. These are issued by the head office to assure the consistency of the ORSA process across the companies of Generali Group.

B.3.3. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

Capital management and risk management are strongly integrated processes. This integration is deemed essential to ensure proper alignment between business and risk strategies.

By means of the ORSA process, the projection of the capital position and the forward-looking risk profile assessment contribute to the strategic planning and capital management processes.

The ORSA report also relies on the capital management plan to verify the adequacy and the quality of the eligible own funds to cover the overall solvency needs based on the plan's assumptions.

To ensure on-going alignment of the risk and business strategies, risk management actively supports the strategic planning process.

B.4. INTERNAL CONTROL SYSTEM

B.4.1. INTERNAL CONTROL SYSTEM

The Company fully adopted the Group Directives on Internal Control and Risk Management system. These directives included the key elements of the internal control system and risk management framework, in particular, their activities, roles and responsibilities. Accordingly, the Company set up an organizational and operational structure aimed at supporting its strategic objectives, operations and internal control and risk management systems.

The internal control environment includes the integrity, ethical values, competence development of personnel, management philosophy and operating style, the way roles and responsibilities are assigned as well as the organization set-up and governance.

The internal control system ensures the compliance with applicable laws, regulations and administrative provisions and the effectiveness and the efficiency of the operations in light of objectives. It also ensures the availability and reliability of financial and non-financial information.

The internal control and risk management system is founded on the establishment of the three lines of defence:

i. The operating functions (the risk owners) represent the first line of defence and have ultimate responsibility for risks relating to their area of expertise;
ii. The actuarial, compliance and risk management functions represent the second line of defence;
iii. The internal audit function represents the third line of defence and together with the actuarial, compliance and risk management functions represents the control functions.

Monitoring and reporting mechanisms within the internal control system and the control functions are established in order to provide the senior management and Board of directors with the relevant information for the decision-making processes.

B.4.2. INFORMATION ON INTERNAL CONTROL FUNCTION: ORGANIZATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING. STATUS AND RESOURCES OF THE INTERNAL CONTROL FUNCTION WITHIN THE UNDERTAKING

The Company established the compliance function as an independent department and as part of the internal control system and its second line of defence. The head of compliance department reports to the Board of Directors.

The Company fully adopted the Group Compliance Policy that has been approved by the Board of Directors of Assicurazioni Generali S.p.A and is periodically reviewed. The compliance department follows the policy, while its roles and responsibilities are specified by the internal statute of compliance.

The resources of compliance department include financial and human resources, as well as access to external advising services and specialized skills, the organizational infrastructure, contemporary reference materials on compliance management and legal obligations, professional development and technology.

The reporting process aims to ensure that appropriate information on the performance of the compliance Function and compliance management system, its continuing adequacy and all relevant instances of non-compliance, is provided to senior management, the Board of Directors and the Group Compliance Function.

The compliance department submits the annual plan of activities together with the annual budget of the Compliance Function to the Board of Directors for approval. The annual plan is drafted taking into account the results of the risk assessment activities. At least twice a year, the compliance department reports to the Board of Directors on the state of the realization of the annual plan of activities. The compliance department also provides regular updates to the Board of Directors and senior management. It informs the Board of Directors of any material changes in the compliance risk profile of the Company without undue delay.

B.4.3. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE INTERNAL CONTROL FUNCTION

The employees of the Compliance Function have the necessary qualifications, knowledge, experience and professional and personal skills to enable them to carry out their duties effectively. Such requirements are defined for each control function position. The compliance officers must understand the obligations, legislation, standards and rules that affect the business and be familiar with the methodologies of compliance risk management.

The Compliance Function is independent of the functions in the organisational structure. It is not responsible for any operational areas. The head of the Compliance Function reports directly to the Board of Directors, which confers the necessary authority to the Function.

In accordance with local laws and regulations, the compliance department has complete access to all information, systems and documentation related to activities within the compliance scope. The compliance officer may attend relevant AMSB and committee meetings (e.g. Risk Committee) to raise compliance risk related matters, whenever appropriate. All accessed information and documents are handled in a prudent and confidential manner.

B.5. INTERNAL AUDIT FUNCTION

B.5.1. INFORMATION ON INTERNAL AUDIT FUNCTION: ORGANIZATIONAL STRUCTURE, THE DECISION MAKING PROCESSES, STATUS AND RESOURCES OF THE INTERNAL AUDIT FUNCTION

The organizational structure is described in section B.1. and internal audit charter.

As a part of internal regulations, the current Internal Audit Charter has been approved and issued on 31 March 2016. It contains a definition of internal auditing, the mission of the internal audit department, its area of responsibility, duties (audit planning, execution of the audit engagement, reporting and comments processing, information flows and other tasks), powers and responsibilities, assurance and consulting engagements characteristics (assurance and audit engagements, consulting engagements, implementation assistance) and information flow management.

The Head of Internal Audit creates a strategic plan of internal audit activities, which is at least annually updated and approved by the Board of Directors with positive advice from the Audit Committee. The periodic (annual) internal audit function's plan of engagements must be based on a documented risk assessment. The Internal Audit Function shall remain fully independent of judgment regarding risk extent and inclusion of the given process or area in the audit plan. The Chief audit executive considers accepting proposed consulting engagements based on the engagement's potential to improve the management of risks, add value, and improve Company operations. Accepted engagements must be included in the annual audit plan. The annual audit plan should clearly indicate the skills of the personnel in charge of each audit, the timing, and the time expected to be spent on the engagement. The Chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. To carry out internal audit's activities as effectively and efficiently as possible, the personnel of the Internal Audit Function is to be put in close contact with the areas of the business whose processes are to be reviewed. This will avoid the Internal Audit Function to be entirely extraneous to the context in which it operates. Audits are hence performed onsite with more in-depth and comprehensive operational analysis.

B.5.2. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

The Company implemented the Internal Audit Policy clearly setting out the relevant responsibilities, objectives, processes and reporting procedures to be applied, in consistency with Company strategy.

In line with this policy The Internal Audit Function is an independent, effective and objective function established by the AMSB to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system, of the organization and of the governance processes. The Internal Audit Function supports the AMSB in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time. It provides the AMSB with analysis, appraisals, recommendations and information concerning the activities reviewed and carries out assurance and advisory activities for the benefit of the AMSB, top management and other departments.

The Internal Audit Function governs itself by adherence to mandatory guidance by the Institute of Internal Auditors, including its definition of Internal Auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes the principles and fundamental requirements for the professional practice of auditing and for evaluating the effectiveness of the audit activity's performance.

The Internal Audit Function shall be provided with an appropriate budget and resources and the Internal Audit Function staff must possess the knowledge, skills and competencies required to carry out their work with proficiency and due professional care.

The Head of Internal Audit Function is a person meeting the requirements of the local regulation authority's regime, the Solvency II regulation and Generali Group requirements. The head of the Function must have a solid relevant experience within areas of audit, control, insurance, finance, risk or in the auditing of financial statements.

The head of Internal Audit Function does not assume responsibility for any other operational function and has an open, constructive and cooperative relationship with regulators to supports the sharing of information relevant to carry out their respective responsibilities.

Other personnel belonging to the Internal Audit Function should also have the skills and a proven record of accomplishment commensurate with the degree of complexity of the activities to be carried out. The Internal Audit Function must include employees with high professional development potential. Internal audit staff is expected to avoid, to the maximum extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest. They must behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks and duties must always be kept completely confidential.

B.6. ACTUARIAL FUNCTION

In line with the organizational model defined by the Generali Group, the Actuarial Function is hierarchically located under the CFO area to ensure the effective coordination of the calculation of technical provisions. In addition, to preserve the independence, the head of Actuarial Function functionally reports to the Board of Directors with independent and direct access. Additionally, the company has strengthened the independency of its second line of defence by organisationally separating its calculation and validation activities from the Actuarial Function. The heads of both of these activities report directly to the CFO. The head of the validation activities is considered a control function, focusing on validation activities and the expression of an independent opinion on technical provisions, underwriting policy and reinsurance arrangements to the Board of Directors, with unrestricted access to the information necessary to carry out such responsibilities, to the extent legally permitted. Finally, in cases of fundamental issues in the actuarial validation function's areas of interest, the function is obliged to report its findings directly to the Board of Directors.

Resources of the Actuarial Function include financial and human resources, as well as access to external advice and specialized skills.

In terms of resources, the Actuarial Function currently consists of 14 people. All the employees involved in the Function possess an actuarial background with a degree in actuarial sciences, statistics or mathematics, or other specific finance/insurance post degree qualifications.

The main responsibilities of the Actuarial Function, as required by Solvency II principles (Article 48 of Directive 2009/138/EC), are the following:

- coordinate the calculation and validate the technical provisions;
- inform the Board of Directors on the reliability and adequacy of the calculation of the technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of the reinsurance arrangements;
- contribute to the effective implementation of the risk-management system.

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

The Company fully adopted the **Group Outsourcing Policy** that sets consistent minimum mandatory outsourcing standards, assigns the main outsourcing responsibilities and ensures that appropriate controls and governance structures are established within any outsourcing initiative.

The Policy introduces a risk-based approach, distinguishing between critical and non-critical outsourcing, the materiality of each outsourcing agreement and the extent to which the Company controls the service providers.

The Company also adopted **local outsourcing rules**, that specify all rules and obligation for the proper set up and management of outsourcing relationships both within and outside of the Group, criteria for the classification of outsourcing significance, roles and responsibilities, contract content, internal process, evidence and the monitoring of outsourcing.

An **outsourcing business officer** is appointed for each outsourcing contract. This person is responsible for the overall execution of the outsourcing lifecycle, from risk assessment to final management. The officer also monitors the service level agreements defined in the contracts as well as the quality of the provided service.

B.8. ANY OTHER INFORMATION

B.8.1. ASSESSMENT OF THE ADEQUACY OF SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN BUSINESS

At least once a year, the internal audit department regularly performs an independent overall evaluation of the internal control system of the Company. The evaluation reflects the main requirements of local regulation and general corporate governance principles. It is one of the inputs provided to the Supervisory Board so that it may perform its supervision of the internal control system. In addition, it is also an independent source of information for the Board of Directors in the process of managing the ICS.

The Internal control system is broadly defined as a process, effected by the Company's Board of Directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with laws and regulations;
- Developing and following of strategies;
- Principles for detecting and prevention of conflict of interests and internal fraud.

B.8.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

There are no other relevant information.

C. Risk Profile

Within the Company risk profile, no risk exposure arises from off-balance sheet positions and no transfer of risk to special purpose vehicles takes place.

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Life and health underwriting risks include biometric and operating risks embedded in life and health insurance policies. Biometric risks derive from the uncertainty in the assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in insurance liability valuations. Operating risks derive from the uncertainty regarding the amount of expenses and from the behavior of the policyholders in respect to their contractual options. Along with premium payment, the lapse of a policy is the most significant contractual option held by policyholders.

Life and health underwriting risks identified in the Company's risk map are:

- *Mortality risk,* defined as the risk of loss, or of an adverse change in the value of insurance liabilities, resulting from changes in the mortality rates, where an increase in the mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also include mortality catastrophe risk, as the risk of loss, or of an adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events;
- *Longevity risk,* similar to mortality, defined as the risk resulting from changes in the mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities;
- *Disability and morbidity risks* are defined as the risk of loss, or of an adverse change in the value of insurance liabilities, resulting from changes in the disability, sickness, morbidity and recovery rates;
- *Lapse Risk* is linked to the loss or adverse change in liabilities due to a change in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. This includes also the catastrophic event on lapse;
- *Expense Risk*, as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the expenses incurred in servicing insurance or reinsurance contracts;

The following table briefly summarizes the interactions between products and risks:

Products	Mortality Risk	Longevity Risk	Morbidity/ Disability Risk	Lapse Risk	Expense Risk	Health
Accident and disability	✓		✓	✓	✓	
Pure risk	✓		✓	✓	✓	
Annuity in payment		✓			✓	
Annuity in accumulation	✓	✓	✓	✓	✓	
Capitalization				✓	✓	
Endowment and others	✓		✓	✓	✓	
Non-life annuities in payment		✓			✓	

The main life underwriting risks in the Company's portfolio are expense, mortality, and lapse risks.

The approach underlying the life underwriting risk measurement is based on the calculation of the loss for the Company resulting from unexpected changes in biometric/operating assumptions. In particular, the capital requirements for life underwriting risks are calculated based on the difference between the Solvency II technical provisions after the application of stress to the biometric/operating assumptions and the Solvency II technical provisions under best-estimate expected conditions.

The life underwriting risks are measured through a quantitative model aimed at determining the SCR, based on the Generali Group Partial Internal Model methodology.

The risk measurement derives from a process divided in two main steps:

- risk calibration, that aims at deriving life underwriting risk factor distributions and consequently the stress to be applied to the best estimate biometric/operating assumptions with a certain probability of occurrence equal to 0.5%;

- loss modelling that aims at measuring the loss for the Company resulting from the stress to biometric/operating assumptions.

For the mortality and longevity risks, the uncertainty in insured population mortality and its impact on the Company is measured by applying stresses to the policyholders' death rates.

For the morbidity and disability risks, the uncertainty in insured population sickness or morbidity and its impact on the Company is measured applying stresses to the policyholders' morbidity, disability and recovery rates.

In case of lapse risk, risk calibration and loss modelling aims at measuring the uncertainty in policyholder behaviour with respect to legal or contractual options that give them the right to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. Similarly to biometric risks, the measurement is done through the application of permanent and catastrophe stresses to these policyholder behaviour.

Expense risk is measured through the application of stresses to the expense inflation that the Company expects to incur in the future.

The Company performs specific tests and follows Generali Group methodology, aimed at ensuring the reliability of the results obtained and their actual use in business decision-making processes, as prescribed by the Solvency II Directive.

No significant changes in risk measurement occurred over the reporting period.

RISK MANAGEMENT AND MITIGATION

The techniques for mitigating, monitoring and managing the life underwriting risks are based on quantitative and qualitative assessments embedded in the processes that are carefully defined and monitored both at Company and Generali Group level (such as life product approval and underwriting limits processes).

Robust pricing and ex-ante selection of risks through underwriting are the main two defences against life underwriting risks.

Product pricing

Effective product pricing consists of setting product features and assumptions regarding expenses, biometric, policyholder behaviour assumptions to allow the Company to withstand any adverse developments in the realization of these assumptions.

For saving insurance portfolios, this is mainly achieved through profit testing, while for protection insurance portfolios involving a biometric component, this is achieved by setting reasonably prudent assumptions.

For insurance portfolios with a biometric risk component, the mortality tables used in pricing include reasonable prudential margins. For these portfolios, comprehensive reviews of the mortality experience are performed also every year at the head office level and involve a comparison with the expected mortality of the portfolio, determined according to the most up-to-date mortality tables available in each market. This analysis allows to continuously check the adequacy of the mortality assumptions taken into account in product pricing and to address misestimation risks for the next underwriting years.

Similarly as for mortality risk, for longevity risk, an annual assessment of the adequacy of the mortality tables used in pricing is performed. This assessment not only considers biometric risks but also financial risks related to the minimum interest rate guarantee and any potential mismatch between the liabilities and the corresponding assets. In this case as well, the analysis allows to continuously check the adequacy of the longevity assumptions considered in product pricing and to address the misestimation risk for the next underwriting years.

All operating assumptions used in the pricing phase of products or for the valuation of new business are derived from the Company's own experience in line with the underwritingpolicy. They are consistent with the assumptions used for technical provisions (TP) valuation. Furthermore, to ensure full alignment with Company's strategy on product approval, the process includes the on-going monitoring of the products to be launched by the Company and a biannual update of the profitability review, done at the parent company level.

Underwriting process

The Company follows the underwriting guidelines of the Generali Group which determines operating limits and the standard process to request exemptions in order to maintain the risk exposure between the pre-set limits and ensure a coherent use of the capital.

Particular emphasis is put on the underwriting of new contracts, considering both the medical and financial risks. The Company follows the clear underwritings standards issued through manuals, forms and medical and financial underwriting requirements.

For insurance riders[2] most exposed to moral hazard, maximum insurability levels by the Company are set. To further mitigate these risks, policy exclusions and financial underwriting rules are also defined.

The Company regularly monitors risk exposures and adherence to operative limits, reports any abnormal situation and follows an escalation process proportionate to the nature of the breach to ensure that remediation actions are undertaken swiftly.

[2] A rider is an add-on to the primary policy, which offers benefits over and above the policy subject to certain conditions.

Role of risk management in pricing and product approval processes

The Company´s CRO supports the pricing process as a member of the product and underwriting committees.

The product approval process includes a review by the Risk Management Function that new products are in line with the risk appetite framework (both in regards to quantitative and qualitative dimensions) and that risk-capital is considered within risk-adjusted performance management.

Underwriting risk can also be transferred through reinsurance to another (re)insurance undertaking to reduce the financial impact of these risks on the Company. This effectively reduces the SCR needed to be held to cover them.

The Life Reinsurance Function at Group level supports, steers and coordinates the reinsurance activity done by the Company by defining appropriate guidelines aimed at ensuring a tight control of risk, in line with the Group and the Company risk appetite. The guidelines are also intended to fully take advantage of all opportunities that reinsurance offers in each market.

The Group acts as the main reinsurer for the Company. Nevertheless, with the parent company's consent and when justified by specific business reasons, the Company can also transact with another reinsurance companies on the open reinsurance market.

When subscribing reinsurance contracts with market reinsurers, the Company agrees and relies on the above-mentioned guidelines that also outline admissible reinsurance transactions, the relevant maximum allowed cession and the selection of counterparties based on their financial strength.

The reinsurance program is subject to the life Actuarial Function's (LAF) opinion regarding adequacy in accordance with the Group Actuarial Function Policy and related guidelines. The Actuarial Function should consider the reinsurance arrangements to be sufficient and adequate and ascertain that own retention limits have been adequately set. Companies to whom contracts are ceded usually belong to the Generali Group; hence there is minimum risk of potential unavailability of reinsurance cover.

C.1.2. NON-LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Property and casualty (P&C) Underwriting Risk is the risk arising from P&C insurance obligations and relates to the perils covered and the processes used in the conduct of business. It includes at least the risk of underestimating the frequency and/or severity of the claims in defining pricing and provisions (respectively pricing risk and reserving risk) and the risk of losses arising from extreme or exceptional events (catastrophe risk).

The Company cannot avoid exposure to potential losses stemming from the risks intrinsically related to the nature of its core businesses. However, properly defining standards and recognizing, measuring, setting limits to these risks is of critical importance to ensure the Company's resilience under adverse circumstances and to align P&C underwriting activities with the Company risk appetite.

In line with Generali Group risk strategy, The Company underwrites and accepts risks that are known and understood, where the available information and the transparency of exposure enables the businesses to achieve a high level of professional underwriting, with consistent development. Moreover, risks are underwritten with quality standards in the underwriting procedures in order to secure profitability and limit moral hazard.

The business underwritten by the Company contains mix of retail, commercial and industrial risks. Most significant is motor insurance, followed by property, liability and other segments.

The exposures of the Company to underwritten risks are described in corresponding section D.2.2 of this report, related to technical provisions and the market value balance sheet.

The SCR for non-life underwriting risks is measured by means of the Partial internal model (PIM). This covers the following risks:

- Pricing and catastrophe risks: the possibility that premiums are not sufficient to cover future claims, contract expenses and extremely volatile events;
- Reserving risk: the uncertainty of the claims reserves run-off around its expected value, in a one-year time horizon;
- The lapse risk is related to the uncertainty that customers may cancel their existing policies in larger numbers than expected.

The Risk Management Function checks the appropriateness of the parameters used in the SCR calculation by performing a sensitivity analysis.

The vast majority of exposure underwritten by the Company is located in Czech Republic. This location includes NAT CAT risks exposed mainly to flood, wind, hail and snow perils. The assessment of P&C Underwriting risks in terms of SCR can be found in section E.

RISK MANAGEMENT AND MITIGATION

P&C risk selection starts with an overall proposal in terms of underwriting strategy and corresponding business selection criteria in agreement with the Group. The underwriting strategy is formulated consistently with the risk preferences defined by the Board within the risk appetite framework.

During the strategic planning process, targets are established and translated into underwriting limits, with the objective to ensure that business is underwritten according to plan. Underwriting limits define the maximum size of risks and classes of business the Company shall be allowed to underwrite without seeking any additional or prior approval. The limits may be set based e.g. on value limits, risk type or product exposure. The purpose of these limits is to attain a coherent and adequately profitable book of business that is founded on the expertise of the Company.

Reinsurance is the key risk mitigation technique for the P&C portfolio. It aims to optimise the use of risk capital by ceding part of the underwriting risk to selected counterparties while simultaneously minimizing the credit risk associated with such operations.

The Company transfers reinsurance contracts to the head office through Bulgaria-based GP Re, which serves as a captive reinsurer for the Generali companies from the CEE region.

The property catastrophe reinsurance program for 2017 is designed as follows:

- protection aims to cover single occurrence losses up to a return period of at least 250 years;
- protection proved capable in all recent major catastrophic losses;
- substantial risk capital saved by means of the protection;
- an additional aggregate XL program is protecting the Company balance sheet in case of multiple events in a year.

The same level of return period protection and risk capital savings are guaranteed for other non-catastrophe protections, i.e. related to single extreme risks in property, transportation and liability lines of business.

The Company has historically preferred traditional reinsurance as a tool for mitigating catastrophe risk resulting from its P&C portfolio, and continues to show no appetite for other mitigating techniques.

Risk Management Function confirms the adequacy of the risk mitigation techniques on an annual basis.

C.2. MARKET RISK

As a composite insurer, the Company collects premiums from policyholders in exchange of payment promises contingent on pre-determined events. The Company invests the collected premiums in a wide variety of financial assets, with the purpose of honouring future promises to policyholders and generating value for its shareholders.

The Company might then be exposed to the following market & credit risks, that:

- Invested assets may not perform as expected because of falling or volatile market prices;
- Cash of maturing bonds may be reinvested at unfavorable market conditions, typically lower interest rates;
- Invested assets may not perform as expected because of perceived or actual deterioration of the credit worthiness of the issuer;
- Derivative or reinsurance contracts may not perform as expected because of a perceived or actual deterioration of the credit worthiness of the counterparty.

Regarding its invested assets, the Company is a long term liability driven investor and holds assets until they are needed to redeem the promises to policyholders. It is therefore fairly immune to any short-term decrease and fluctuations in their market values.

Nonetheless, the Company is required by the Solvency II regulation to hold a capital buffer, with the purpose of maintaining a sound solvency position even under adverse market movements. For more information, please refer to section E.2.

For this purpose, the Company manages its investments in a prudent way according to the prudent person principle, and strives to optimize the return of its assets while minimizing the negative impact of short term market fluctuations on its solvency.

The Company invests the premiums collected in financial instruments ensuring that benefits to policyholders can be paid on time. If the value of the financial investments substantially decreases when claims to policyholders need to be paid, the Company may fail to maintain its promises to policyholders. Therefore the Company must ensure that the value of the financial investments backing the insurance contracts does not fall below the value of its obligations.

In the case of its unit-linked business, the Company typically invests the collected premiums in financial instruments but does not bear any market or credit risk. However, with respect to its earnings the Company is exposed, as fees are the main source of profits for the Company and are directly linked to the performance of the underlying assets. Therefore, adverse developments in the markets directly affect the profitability of the Company, should contract fees become insufficient to cover costs.

More in detail, the Company is exposed to the following main asset classes:

Asset allocation	Market Value
Government bonds	35,313,300
Corporate bonds	24,054,672
Investment funds	13,508,719
Equity	11,970,709
Structured notes	4,247,046
Cash and deposits	2,834,687
Mortgages and loans	974,650
Property	190,325
Derivatives	(1,337,565)
Total	**91,756,544**

C.2.1. RISK EXPOSURE AND ASSESSMENT

The market risks included in the Company Risk Map are the following:

- Equity risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices that may lead to financial losses.
- Equity volatility risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the volatility of equity markets.
- Interest rate risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of interest rates in the market. The Company is mostly exposed to upward changes in interest rates as higher interest rates decrease the present value of the promises made to policyholders less than the value of the assets backing those promises.
- Concentration risk: the risk of incurring significant financial losses because the asset portfolio is concentrated on a small number of counterparties, thus increasing the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses.
- Currency risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in exchange rates.
- Interest rate volatility risk: the risk of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of interest rate implied volatilities.
- Property risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of property market prices.

The current allocation to market risks is as follows:

Exposure to risk type	Market value
Equity Risk	13,713,165
Equity Volatility Risk	0
Interest Rate Risk	58,740,267
Concentration Risk	84,141,052
Currency Risk	9,661,660
Interest Rate Volatility Risk	1,709,689
Property Risk	7,835,155

Common risk measurement methodologies (both qualitative and quantitative) are applied to provide an integrated measurement of the risks borne by the Company.

The Company evaluates its market risks using the Generali Group Internal Model used for the SCR calculation. A breakdown of the SCR according to this methodology can be seen in Section E.

To ensure the ongoing appropriateness of the internal model methodology, market risk calibrations are reviewed on a yearly basis. No material changes have occurred since the last reporting period.

Market risk concentration is explicitly modelled by the internal model. According to the results of the model and the composition of the balance sheet the Company is exposed to concentration property risk driven by the fact that the Company started to invest into properties only recently and thus the number of owned buildings is limited.

C.2.2. RISK MANAGEMENT AND MITIGATION

The 'Prudent Person Principle' is the main cornerstone of the Company's investment management process. To ensure the comprehensive management of the effect of market risks on assets and liabilities, the Company's strategic asset allocation (SAA) process needs to be liability-driven and strongly linked with insurance-specific targets and constraints. Following the Generali Group approach, the Company has integrated its strategic asset allocation (SAA) and asset liability management (ALM) within the same process.

One of the main risk mitigation techniques used by the Company consists in the liability driven management of the assets, aimed at providing the comprehensive management of assets that takes into account the Company's liabilities structure.

The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the investment management process and based on the 'Prudent Person Principle'. The aim is not just to eliminate risk but to define an optimal risk-return profile to satisfy the return target and the risk appetite of the Company over the business planning period.

The Company also uses derivatives with to mitigate the risks present in the asset or/and liability portfolios. The derivatives help the Company to improve the quality, liquidity and profitability of the portfolio according to the business planning targets.

ALM and SAA activities aim to ensure that the Company holds sufficient and adequate assets to reach defined targets and meet liability obligations. This implies detailed analyses of asset-liability relationships under a range of market scenarios and expected/stressed investment conditions.

The ALM and SAA process relies on close interaction between Investment, Finance, Actuarial, Treasury and Risk Management Functions. The inputs and targets received from these Functions guarantee that the ALM and SAA process is consistent with the risk appetite framework, strategic planning and capital allocation processes.

The aim of the strategic asset allocation process is to define the most efficient combination of asset classes that, according to the prudent person principle and related relevant implementation measures, maximizes the investment contribution to value creation; taking into account solvency, actuarial and accounting indicators.

The annual SAA proposal:

- defines target exposure and limits, in term of minimum and maximum exposure allowed, for each relevant asset class;
- embeds the deliberate ALM mismatches permitted and potential mitigation actions that can be enabled on the investment side.

The Group has centralised the management and monitoring of specific asset classes (private equity, alternative fixed income, etc.). These kinds of investments are subject to accurate due diligence aiming at assessing the quality of the investments, the level of risk related to the investment and its consistency with the approved liability-driven SAA;

In addition to risk tolerance limits set on the Company's solvency position defined within the RAF, the current risk monitoring process of the Company is also integrated through the adoption of the Generali Group risk guidelines (GRG) provided by head office. The GRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

Furthermore, the Company is also actively implementing market risk mitigation strategies:

Currency risk

The Company's functional currency is CZK. However, the investment portfolios also contain instruments denominated in foreign currencies. According to general policy, all such instruments are either dynamically hedged into CZK via FX derivatives or assigned to foreign currency technical reserves in a corresponding value. The process in place guarantees a high effectiveness of the hedging.

Interest rate risk

The Company concludes derivative trades to manage the interest rate risk position of the asset portfolio as part of this risk management strategy.

The objective of the investment and hedging strategy is to manage the overall interest rate risk position on a continuous basis. The Company achieves this objective through a dynamic strategy. The asset manager adjusts dynamically the positions within the fixed income portfolio and hedging derivatives that are used to adjust and hedge the interest rate sensitivity of the overall portfolio.

Positions of individual instruments within the portfolio, whether underlying assets or hedging derivatives, are opened, adjusted or terminated even before the maturity date of the instrument, based on the actual state of the Company's risk capacity or risk appetite, developments in the credit quality of the instrument's issuer, changes in the instrument's liquidity or in its relative risk/return profile. The asset manager monitors the development of the overall interest rate position on an ongoing basis.

The Company implements hedge accounting to reflect its hedging strategy within the financial statements. As part of hedge accounting activities, the effectiveness of hedging is measured as a ratio of gains/losses on hedged items to the profit or loss result of the hedging instrument. The effectiveness test is performed regularly each month and compliance with the 80-125% rule is verified.

C.3. CREDIT RISK

For general information on the market and credit risk context, see previous section on the market risk.

C.3.1. RISK EXPOSURE AND ASSESSMENT

The credit risks included in the company risk map are:

- Spread widening risk is the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of a spread widening risk either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.
- Default risk refers to the risk of incurring losses because of the inability of a counterparty to honor its financial obligations. Distinct modelling approaches have been implemented to model default risk in the bond portfolio (referred to as Credit Default Risk) and the default risk arising from the default of counterparties in cash deposits, risk mitigation contracts (derivatives, reinsurance), and other type of exposures subject to credit risk (referred to as Counterparty Default Risk).

Allocation to credit risks

Exposure to risk type	Market value
Spread widening risk	62,616,787
Credit default risk	62,616,787
Counterparty default risk	18,519,683

To ensure that the level of credit risks deriving from the invested assets is adequate to the business run by the Company and to the obligations taken with the policyholders, the investment activity is performed in a sound and prudent manner in accordance with the 'Prudent Person Principle' set out in Article 132 of Directive 2009/138/EC and as mandated by the Group Investment Governance Policy (GIGP), approved by head office and subsequently approved by the Company Board.

The 'Prudent Person Principle' is applied independently of the fact that assets are subject to either market risks or credit risks or both.

Common risk measurement methodologies (both qualitative and quantitative) are applied to provide an integrated measurement of the risks borne by the Company.

The Company evaluates its credit risks using the Generali Group Internal Model used for the SCR calculation. The breakdown of the SCR according to this methodology can be seen in Section E.

To ensure continuous appropriateness of the internal model methodology, credit risks calibrations are reviewed on yearly basisNo material changes have occurred since the last reporting period.

The concentration of credit risk is explicitly modelled by the internal model. According to the results of the model and the composition of the balance sheet, the Company has no material risk concentrations.

C.3.2. RISK MANAGEMENT AND MITIGATION

The credit risks borne by the Company are managed in many concurrent ways.

One of the main risk mitigation techniques used by the Company consists in the liability-driven management of the assets. The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the investment management process described above and based on the 'Prudent Person Principle'. The aim is not just to eliminate the risk but to define an optimal risk-return profile satisfying the return target and the risk appetite of the Company over the business planning period.

Moreover, the application of the internal model produces a set of quantitative risk metrics that allow the definition of risk tolerance levels and the performance of sensitivities analysis on selected risk scenarios.

In addition to the framework illustrated above, the current risk monitoring process of the Company is also integrated through the adoption of the Generali Group risk guidelines (GRG) provided by the Group's head office. The GRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

C.4. LIQUIDITY RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

Liquidity risk is defined as the uncertainty emanating from business operations, investment or financing activities, over the ability of the insurer to meet payment obligations in a full and timely manner, in a current or stressed environment. This could include meeting

commitments only through credit market access at unfavourable conditions or through the sale of financial assets incurring in additional costs due to the illiquidity of (or difficulties in liquidating) the assets.

The Company is exposed to liquidity risk because of its insurance operating activity, depending on the cash-flow profile of the expected new business, due to the potential mismatches between the cash inflows and the cash outflows deriving from the business. Liquidity risk can additionally stem from investing activity, due to potential liquidity gaps deriving from the management of the Company's assets portfolio as well as from a potentially insufficient level of liquidity (i.e. capacity of being sold at a fair price in adequate amounts and within a reasonable timeframe) in case of disposal. Finally, the Company can be exposed to liquidity outflows related to issued guarantees, commitments, derivative contract margin calls, or regulatory constraints regarding capital position.

The liquidity risk management relies on projecting cash obligations and available cash resources into the future to monitor that available liquid resources are at all times sufficient to cover the cash obligations that will come due in the same period.

For this purpose, a set of liquidity risk metrics is defined and used to regularly monitor the liquidity situation. All such metrics are forward-looking, i.e. they are calculated at a future date based on projections of cash-flows, assets and liabilities and an estimation of the level of liquidity of the asset portfolio.

Metrics are calculated both under the base scenario, in which the values of cash-flows, assets and liabilities are consistent with the strategic plan, and under a set of stress scenarios, in which the projected cash inflows and outflows, market price of assets and amount of technical provisions are recalculated to take into account unlikely but plausible circumstances that would adversely impact the Company's liquidity.

Liquidity risk limits are defined in terms of values of the above-mentioned metrics that the Company cannot exceed. The limit framework is designed to ensure that the Company holds a 'buffer' of liquidity in excess of the amount required to withstand the adverse circumstances depicted in the stress scenarios.

In addition to regularly monitored and reported quantitative liquidity metrics, the Company is supported with qualitative liquidity indications (like setting limits on business activities, early warning indicators, stress testing) which complement the comprehensive assessment of liquidity risk and provide information on corrective actions when needed.

The liquidity metrics show a stable liquidity position without relevant deviations.

Material liquidity risk concentrations could arise from large exposures to individual counterparties or groups. In fact, default or other liquidity issue of a counterparty towards which a significant risk concentration exists may negatively affect the value or the liquidity of the Company's investment portfolio and its ability to promptly raise cash by selling the portfolio on the market in case of need. For this purpose, investment limits have been set to enable the Company to limit risk concentrations. These limits take a number of dimensions, including asset class, counterparty and credit rating into consideration.

C.4.2. RISK MANAGEMENT AND MITIGATION

The Company manages and mitigates liquidity risk in consistency with the framework set in the Group internal regulations. The Company aims at ensuring the capacity to meet its commitments also in case of adverse scenarios, while achieving its profitability and growth objectives. To that end, it manages expected cash inflows and outflows so as to maintain a sufficient available cash level to meet the short and medium term needs and by investing in instruments that can be quickly and easily converted into cash with minimum capital losses. The Company considers the prospect liquidity situation in plausible market conditions as well as under stressed scenarios.

The Company has established clear governance for liquidity risk measurement, management, mitigation and reporting in consistency with Group regulations, including the setting of specific limits and escalation process in case of limits breach or other liquidity issues.

The principles for liquidity risk management designed in the liquidity risk management policy and risk appetite framework are fully embedded in the strategic planning as well as in business processes including investments and product development. As far as the investment process is concerned, the Company has explicitly identified liquidity risk as one of the main risks connected with investments and has stipulated that the strategic asset allocation process must rely on indicators strictly related to liquidity risk, including the mismatch of duration and cash-flows between assets and liabilities. Investment limits have been imposed to the Company to ensure that the share of illiquid assets is kept within a level that does not impair the Company's asset liquidity. As far as product development is concerned, the Company follows the life and P&C underwriting policies defining the principles to be applied to mitigate the impact on liquidity from lapses and surrenders in respect of the life business and claims in respect of non-life business.

C.4.3. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The expected profit included in future premiums (EPIFP) represents the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts. These are expected to be received in the future, but may not be received for any reason other than the occurrence of the insured event, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The amount of EPIFP underwritten by the Company has been calculated in accordance with Article 260(2) of the Delegated Acts and amounts to CZK 1,794 million for the life business and CZK 544 million for the P&C business at year-end 2016.

C.5. OPERATIONAL RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Compliance and Financial Reporting risks fall within this category.

In line with industry practices, Generali Group has adopted the following classification categories:

- Internal fraud concerns losses due to acts intended to defraud, misappropriate property or circumvent regulations, the law or Company policy, excluding diversity/discrimination events, which involves at least one internal party.
- External fraud refers to losses due to acts intended to defraud, misappropriate property or circumvent the law, by a third party.
- Employment practices and workplace safety involve losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.
- Clients, products and business practices refer to losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
- Damage to physical assets concerns losses arising from the loss of or the damage to physical assets from natural disaster or other events.
- Business disruption and system failures refer to losses arising from disruption of business or system failures.
- Execution, delivery and process management involves losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Following best industry practices, the Company's framework for operational risk management includes its loss data collection (LDC) as well as risk assessment and scenario analyses.

The loss data collection is the process of collecting losses from operational risk events and provides a backward-looking view on the Company's risk profile in operational risks.

Risk assessment and scenario analyses provide a forward-looking view on the Company's risk profile in operational risks and require an analysis of the risks performed jointly with the risk owners:

- Risk assessment provide a high-level evaluation of the forward-looking inherent and residual risk exposure of the Company. The outcomes of the assessment drive the execution of the scenario analysis.
- A scenario analysis is a recurring process that, considering the risk assessment results, provides a detailed evaluation of the Company's operational risk exposure through the selection and the evaluation of specific risk scenarios.

MAIN COMPANY RISKS

For the Company and for the entire industry, one of the main operational risks arises from the implementation of all requirements emanating from the new regulations. The Company therefore closely monitors new requirements in the areas of customer data privacy and customer protection and takes necessary actions to ensure full compliance with both regulatory requirements and security standards. The Company is also fully aware of the significance of the external fraud risk. Thanks to a highly developed and structured detection system, the risk has been efficiently mitigated.

C.5.2. RISK MANAGEMENT AND MITIGATION

To identify, measure, monitor and mitigate operational risk, a dedicated team within the Risk Management Function has been established with the mandate to steer the operational risk framework. Risks related to non-compliance are monitored by the Compliance Function.

Furthermore, specific risks such as financial reporting risk, IT risk, tax risk, fraud risk and corporate security are investigated and managed jointly with specialized units within the first line of defence.

Overall, the operational risk management system is primarily based on assessing the risks by experts in different fields of Company operations and collecting information on actually occurred losses. Outputs of these analyses are used to support investments in new or modified controls and mitigation actions to keep the level of operational risks in an acceptable range and to enhance operational efficiency.

C.6. OTHER MATERIAL RISK

As part of the qualitative risk management framework, the following risk categories are also considered:

- Reputational risk refers to potential losses arising from deterioration in reputation or the negative perception of the Company among its customers, counterparties and supervisory authority. Processes in place to manage these risks are communication and media monitoring activities, corporate and social responsibility, customer relation and distribution management.
- Emerging risks arise from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include internal or external environment changes, social trends, regulatory developments, technological achievements, etc.
- Strategic risks involve external changes and/or internal decisions that may influence the future risk profile of the Company.

- Contagion risk derive from problems elsewhere within the Generali Group that may affect the solvency, economic situation of the Company.

The above-mentioned risks are identified and evaluated within the ORSA process, both in with a current and forward-looking perspective. These risks are not subject to the calculation of the SCR, however their impact on the financial and solvency conditions of the Company is estimated at least on the qualitative basis.

C.7. ANY OTHER INFORMATION

To test the Company's solvency position and its resilience to adverse market conditions or shocks, a set of stress test and scenario analyses are performed. These are defined considering unexpected and potentially severe but plausible events across the risk categories. Looking at the potential effect on the Company's financial and capital position serves to outline appropriate management actions to take if such events were to materialize.

The Company also performs a sensitivity analysis that considers simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads and interest rate volatility). Their main purpose is to measure the variability of the own funds and solvency ratio to variations in specific risk factors. The set chosen aims to provide the assessment of resilience to the most significant risks.

The impacts of the sensitivities are reported in section E.

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. GENERAL VALUATION FRAMEWORK

The Solvency II regulation clarifies the relationship between the SII valuation of assets and liabilities and the international accounting standards (IFRS) adopted by the European Commission in accordance with Regulation (EC) No 1606/2002 provided that those standards include valuation methods consistent with the requirement of Art 75 – L1 Dir. The primary objective for valuation as set out the Solvency II regulation requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach defined by Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

According to this approach assets and liabilities are valued as follows:

i. Assets should be valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction;

ii. Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

When valuing liabilities under point (ii) no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

The IFRS accounting bases, such as the definitions of assets and liabilities as well as the recognition and derecognition criteria, are applicable as the default accounting framework, unless otherwise stated. IFRSs also refer to a few basic presumptions, which are equally applicable:

- the going concern assumption;
- the separate valuation of individual assets and liabilities;
- the application of materiality, whereby the omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the Solvency II balance sheet. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fair value measurement approach

Items shall be valued on an economic basis having as reference IFRS.
On this basis, the following hierarchy of high-level principles for valuation of assets and liabilities is used:

i. Undertakings must use quoted market prices in active markets for the same or similar assets or liabilities.

ii. Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used.

iii. If no quoted market prices in active markets are available, mark-to-model techniques, which are alternative valuation techniques that have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input are used.

iv. Undertakings have to make maximum use of relevant observable inputs and market inputs, relying as little as possible on undertaking-specific inputs, minimizing the use of unobservable inputs.

v. When valuing liabilities using fair value, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement has to be eliminated. In addition, when valuing financial liabilities subsequently after initial recognition, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement and as defined by IFRS 7 Financial Instruments: Disclosures, has to be eliminated.

A quoted instrument is an instrument that is negotiated on a regulated market or a multilateral trading facility. To assess whether the market is active or not, the Company carefully determines whether the quoted price really reflects the fair value. When the price has not changed for a long period or the Company has information about an important event that did not cause the price to change accordingly, the market is considered not active.

The definition of fair value in IFRS 13 is based on an 'exit price' notion and uses a 'fair value hierarchy', resulting in a market-based, rather than entity-specific, measurement.

Fair value hierarchy

Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

They include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
  - inputs other than quoted prices that are observable for the asset or liability, for example:
  - interest rates and yield curves observable at commonly quoted intervals;
  - implied volatilities;
- credit spreads;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Where possible, the Company tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to reasonable alternatives. Where possible valuations for Level 3 investments are sourced from independent third parties and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes.
Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations or where no third-party pricing source is available, the Company undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple, IRR or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounting the security’s contractual cash flows to equal the third-party valuation.

Based on the methodology outlined above and ranges specified in the table with unobservable inputs, the Company is able to perform a sensitivity analysis for CZK 2.100 million of the Company’s Level 3 investments. For these Level 3 investments, changing unobservable valuation inputs to a reasonable alternative would result in a change in fair value by CZK ± 100 million.

FV measurement

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

A fair value measurement requires an entity to determine all of the following:

- the particular asset or liability that is the subject of the measurement (consistent with its unit of account);
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistent with its highest and best use);
- the principal (or most advantageous) market for the asset or liability;
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

IFRS 13 provides further detailed guidance on the measurement of fair value.

Valuation techniques

In some cases, a single valuation technique will be sufficient, whereas in others, multiple valuation techniques will be appropriate.The fair value of properties is determined using independent valuations provided by third parties. Exceptions are required or IFRS valuation methods are excluded only for some specific items.

D.1.2. **SII SPECIFICITIES**

In the Solvency II environment, fair valuations should generally be determined in accordance with the IFRS principles statement. Exceptions are required or IFRS valuation methods are excluded only for some specific items.

In particular, the exceptions refer to:

- goodwill and intangible assets;
- participations (or related undertakings);
- deferred taxes

GOODWILL AND INTANGIBLE ASSETS

According to Solvency II, insurance and reinsurance undertakings shall value goodwill, deferred acquisition costs and intangible assets other than goodwill at zero, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a quoted market price for the same or similar assets. Computer software tailored to the needs of the undertaking and off-the-shelf software licenses that cannot be sold to another user shall also be valued at zero.

All intangible assets are valued at zero in the Company's market value balance sheet.

PARTICIPATIONS (OR RELATED UNDERTAKINGS)

Participation is constituted by share ownership or by the full use of a dominant or significant influence over another undertaking. The following paragraphs describe how participations can be identified. When classifying participation based on share ownership, directly or by way of control, the participating undertaking has to identify:

- its percentage holding of voting rights and whether this represents at least 20% of the potential related undertaking's voting rights (paid-in ordinary share capital) and
- its percentage holding of all classes of share capital issued by the related undertaking and whether this represents at least 20% of the potential related undertaking's issued share capital (paid-in ordinary share capital and paid-in preference shares).

Where the participating undertaking's holding represents at least 20% in either case, its investment should be treated as a participation.

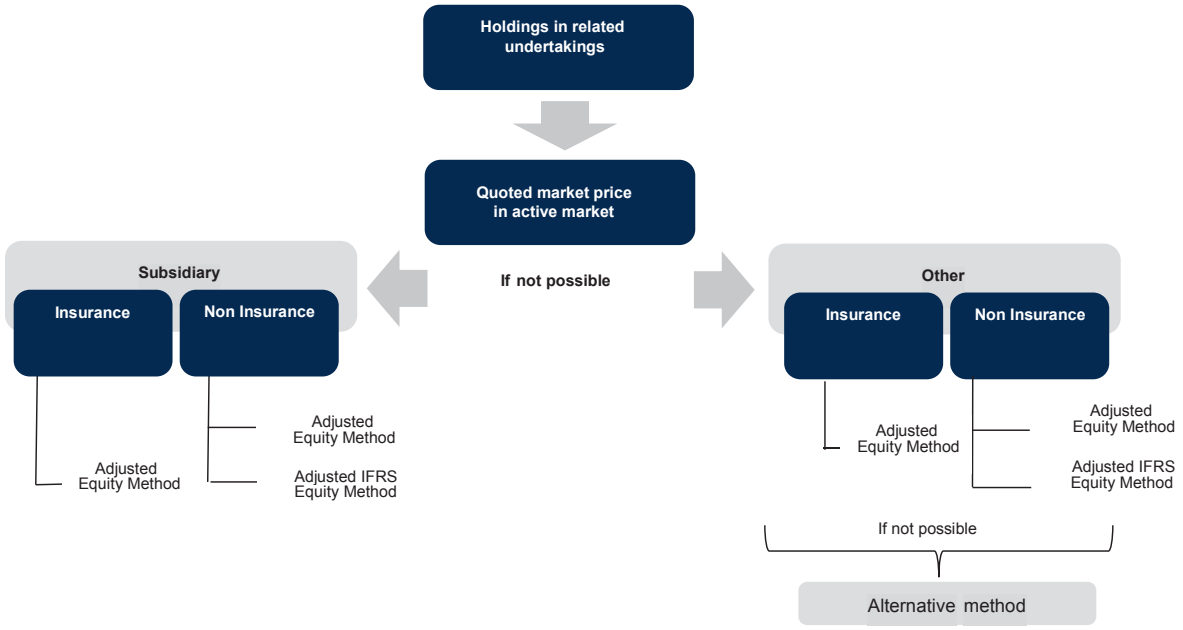
Valuation

Solvency II guidelines provide a hierarchy that shall be used to value holdings in related undertakings for Solvency purposes. The hierarchy consists of the following:

- quoted market price
- adjusted equity method (if no active market)
- IFRS equity method (if non-insurance)
- alternative techniques (if associates or joint controlled entities)

The following figure shows the structure of this hierarchy.

In this respect, the IFRS concept of control and significant influence applies and as a result, holdings are not limited to equity instruments. However, the measurement principles in IAS 27, IAS 28 and IAS 31 do not apply to the solvency balance sheet, since they do not reflect the economic valuation required by the Solvency II Directive (Article 75).



As shown in the previous figure, the economic value of holdings shall correspond to the quoted market price in an active market, if available. When an active market exists for the instrument that constitutes the insurer's holding in a related undertaking it is assumed that the holding can be disposed of for a price equal to the quoted price on that market.

The quoted price will include the market participant's assessment of elements in the related undertaking that otherwise would not be included in a Solvency II balance sheet, e.g. goodwill and intangible assets. However, the fact that the equity instruments have a quoted price in an active market and presumably could be sold on that market justifies this valuation.

Many related undertakings will not be listed on securities markets. This will particularly be the case for subsidiary and joint venture undertakings. If no observable quoted price from an active market is available, the adjusted equity method should be applied to insurance and reinsurance related undertakings. The adjusted equity method represents an insurer's or reinsurer's share of the excess of assets over liabilities valued in accordance with Article 75 of the directive.

In case of non-insurance related undertakings, alternatively the equity method as prescribed in IFRS with the deduction of the value of goodwill could be applied (adjusted IFRS equity method). For associates, where an adjusted equity method /adjusted IFRS equity method is not possible, an alternative valuation method may be used, provided that this method is consistent with the valuation approach set out in Article 75.

Using the adjusted IFRS equity method instead of the adjusted equity method based on Solvency II valuation principles may not lead to a proper economic value because, in many cases, not all balance items will be measured at fair value. However, this method is introduced to facilitate and harmonize the valuation in cases where it is difficult to revalue the complete balance sheet of the related undertaking based on Solvency II principles. Therefore, it only can be applied when the same method has been applied in the financial statements – meaning that the information is available already. To have consistency with the adjusted equity method based on Solvency II principles, goodwill shall be deducted.

Normally it will be possible to recognise and value the individual assets and liabilities in the related undertakings in accordance with the Solvency II approach applied on its directly owned assets and liabilities. In some cases, however, when the related undertaking is not controlled by the insurer or reinsurer (i.e. the related undertaking is not a subsidiary), the parent undertaking may not have sufficient knowledge of the individual assets and liabilities in the related undertaking to apply an economic valuation on them. In such cases, the insurer or reinsurer can apply an alternative valuation.

DEFERRED TAXES

In accordance with the IAS 12 statement, deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

i. deductible temporary differences;
ii. the carry-forward of unused tax losses; and
iii. the carry-forward of unused tax credits.

Valuation

The Solvency II regulatory framework states that in the SII balance sheet, deferred tax assets and liabilities shall be recognized in accordance with International Accounting Standards (IAS 12).

In particular, deferred tax assets and liabilities - other than deferred tax assets (DTA) arising from the carry-forward of unused tax credits and the carry-forward of unused tax losses - should be determined on the basis of the difference between the values ascribed to assets and liabilities and the values ascribed to assets and liabilities as recognized and valued for tax purposes.
In other words, the deferred tax value has to be based on the difference in the value of the underlying assets and liabilities assumed in the valuation consistent with the Solvency II Directive and the value for tax purposes.

Moreover, undertakings shall only ascribe a positive value to deferred tax assets where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits.

In fact, IAS 12 requires an enterprise to recognize deferred tax assets and liabilities deriving from temporary differences.

A temporary difference is a difference between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either:

1) taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit of future periods when the carrying amount of the asset or liability is recovered or settled; or

2) deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit of future periods when the carrying amount of the asset or liability is recovered or settled.

While a deferred tax liability (DTL) must be accounted for all temporary taxable differences, the recognition of a DTA is subject to conditions.

In particular, IAS 12 provides that the enterprise shall recognize a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

An entity shall consider the following criteria in assessing the probability that taxable profit will be available to offset the unused tax losses or unused tax credits:

i. the existence of sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilized before they expire;
ii. the probability that the entity will realize taxable profits prior to the expiration of the unused tax losses or unused tax credits;
iii. the resulting unused tax losses from identifiable causes which are unlikely to recur; and
iv. the availability of tax planning opportunities for the entity to create taxable profit in the period in which the unused tax losses or unused tax credits can be utilized.

Furthermore, IAS 12 provides that the enterprise shall recognize a deferred tax asset with respect to the carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

With reference to taxable temporary differences, IAS 12 provides that the entity shall recognize a deferred tax liability for all taxable temporary differences with some exceptions.

In particular, with reference to investments in subsidiaries, associated companies, joint ventures and investment vehicles and in accordance with IAS 12, Section 39, an enterprise shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- The parent, investor or venturer is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not reverse in the foreseeable future.

In the calculation of the amount of deferred taxes, any mismatch between the SII balance sheet value of assets /liabilities under analysis and their related carrying value for tax purposes should be considered.

A deferred tax asset (DTA) is a tax credit that should be recovered in the future because of an expected loss (decrease of the net asset value).

In case of switching from local GAAP values to SII balance sheet values, it should be possible to assume the accounting value under local GAAP as the carrying value for tax purposes. In fact, any mismatch between accounting values under local GAAP and carrying values for tax purposes should have already been considered, with the (possible) recognition of the related DTA-DTL, which should then

be re-recorded under the SII balance sheet.

In other words, in the event that such mismatches (between accounting and tax values) are to be regarded as temporary differences (deductible/taxable), it will be necessary to determine the related deferred tax assets and/or liabilities (DTA-DTL) for the purposes of the recognition under SII balance sheet, along with any DTA-DTL (already) recognized under local GAAP.

In particular, a deferred tax liability (DTL) should be recognised either of the following cases:

- The SII balance sheet value of an asset is higher than the related carrying value for tax purposes.
- The SII balance sheet value of a liability is lower than the related carrying value for tax purposes.

In contrast, a deferred tax asset (DTA) should be recognised either of the following cases:

- The SII balance sheet value of an asset is lower than the related carrying value for tax purposes.
- The SII balance sheet value of a liability is higher than the related carrying value for tax purposes.

Recoverability test for recognition of DTA

While a DTL can be recognized in the balance sheet without further justification, the recognition of a DTA is subject to a recoverability test, which aims at showing that sufficient profits will be available in the future to absorb the tax credit. Be it in the initial balance sheet or in the SCR calculation, a DTA can only be recognized to the extent that it is probable that future taxable profit will be available against which the DTA can be utilized.

The table below presents the deferred tax assets and liabilities recognised by the Company.

Deferred tax

Category	Final DTA	Final DTL
Intangible assets	97,277	0
Deferred acquisition costs	188,253	0
Insurance provisions and amount ceded to reinsurers from insurance provisions	0	1,480,089
Other	96,768	96,312
Total	**382,298**	**1,576,401**

A material deferred tax asset was recognised from intangible assets and deferred acquisition costs. Deferred tax liabilities arise mostly from difference between technical provision tax value and technical provision calculated according to SII.

The deferred tax liability on receivables and payables relates mainly to the difference on reinsurance payables, which for SII purposes are adjusted to be consistent with the insurance provisions calculated according to SII principles.

No deferred tax asset relates to unused losses from the current or the preceding period.

An expected time horizon for the reversal of temporary differences for intangible assets is three years (for which most of the intangible assets are amortised) and one year for deferred acquisition costs.

The probability of future taxable profits is supported by the business plans, which are prepared for a three- year horizon and approved by the parent company.

FINANCE AND OPERATIVE LEASE

Property and equipment holdings used by the Company under operating leases in which the risks and benefits relating to the ownership of the assets remain with the lessor are not recorded on the Company's statement of financial position. Payments made under operating leases to the lessor are charged to the income statement on a straight-line basis over the lease term.

The Company does not use finance leases.

The table below shows details of operative lease agreements, in which the Company is a lessee:

Leasehold assets Address	Start of agreement	End of agreement	Rent per year
Praha 4, Na Pankráci_1720_123	1.1.2009	31.12.2023	114,651
Praha 4, Na Pankráci _1658_121	1.12.2008	31.12.2023	27,129
Praha 4, Hráského_2231_25	21.8.2007	20.8.2017	18,631
Brno, Purkyňova_2845_101	15.8.2007	31.12.2023	17,421
Praha 4, Kaplanova_2252_8	10.8.2007	9.7.2017	15,185

Another 216 rent agreements are with rent per year lower than CZK 10 million, with total agreed rent of CZK 152 million.

The table below shows details of operative lease agreements, in which the Company is a lessor:

Address:	Name	Start of agreement	End of agreement	Rent per year
Praha 4, Na Pankráci 1720/123	Generali Pojišťovna a.s.	1.10.2008	31.12.2018	16,712
Praha 4, Na Pankráci 1658/121	Generali CEE Holding B.V.	18.10.2013	31.12.2018	6,393
Praha 4, Na Pankráci 1658/121	Europ Assistance s.r.o.	16.10.2014	31.10.2020	4,396
Praha 4, Hráského 2231/25	Generali Shared Services Czech Branch	1.6.2010	20.8.2017	6,804
Praha 4, Na Pankráci 1720/123	Penzijní společnost České pojišťovny, a.s.	1.10.2012	31.12.2018	6,841
Praha 4, Na Pankráci 1720/123	Česká pojišťovna ZDRAVÍ, a.s.	20.5.2011	31.12.2018	3,647
Praha 4, Na Pankráci 1658/121	Generali Pojišťovna a.s.	12.3.2014	n/a	3,321
Praha 4, Na Pankráci 1720/123	Generali Investments CEE a.s.	16.5.2015	31.12.2018	4,377

Another 209 rent agreements are with rent per year lower than CZK 2 million with total agreed rent of CZK 21 million.

D.1.3. DEVIATIONS FROM IFRS

By accepting valuation methods defined in IFRS, Solvency II anticipates that there are cases where IFRS valuation methods are not consistent with Solvency II requirements, requiring the valuation of balance sheet items at fair value. Solvency II excludes specific valuation methods such as cost or amortised cost and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

Furthermore, other valuation methods usually applied for specific assets or liabilities are to be excluded in the SII environment or are to be adjusted. The following applies:

- Properties, investment properties, plant and equipment shall not be valued at cost less depreciation and impairment.
- The net realisable value for Inventories shall be adjusted by the estimated cost of completion and the estimated costs necessary to make the sale if these costs are material.
- Non-monetary grants shall not be valued at their nominal amount.
- The value of biological assets is adjusted by adding the estimated cost to sell.

D.1.4. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

BALANCE SHEET

Assets	Solvency II value	Statutory accounts value	Note	Amount per financial statements	Mapping
Deferred acquisition costs		990,805	Deferred acquisition cost valued at zero for SII	990,805	
Intangible assets		907,141	Intangible assets valued at zero for SII	907,141	
Property, plant and equipment held for own use	183,956	183,956		207,767	Art works shown presented in any other assets not elsewhere shown in SII
Investments (other than assets held for index-linked and unit-linked contracts)	81,924,313	80,838,844		72,785,458	
Property (other than for own use)	6,369	6,369		6,369	
Holdings in related undertakings, including participations	10,490,854	9,578,467	Participations are for SII valued at fair value	9,578,467	
Equities	1,481,932	1,479,958		1,479,958	
Bonds	63,481,448	63,310,340		55,745,957	
Government bonds	35,312,382	35,312,382		35,312,382	
Corporate bonds	24,054,672	23,883,564	Instrument classified in financial statements to Loan and receivables and valued at amortised cost, at fair value for SII .	16,319,181	In financial statements classified in FVTPL, AFS and Loans and receivables categories. Repo operations are classified as loans and receivables in Financial Statements.
Structured notes	4,114,394	4,114,394		4,114,394	
Collective Investments Undertakings	5,771,938	5,771,938		5,771,938	
Derivatives	202,769	202,769		202,769	
Deposits other than cash equivalents	489,003	489,003		0	In financial statements, deposits other than cash equivalents is reported as cash.
Assets held for index-linked and unit-linked contracts	7,926,144	7,926,144		7,926,144	
Loans and mortgages	974,650	974,650		8,540,472	See below

Assets	Solvency II value	Statutory accounts value	Note	Amount per financial statements	Mapping
Other loans and mortgages	974,650	974,650		8,540,472	Repo operations are classified as loans and receivables in Financial Statements. Part of the balance is reported as deposits to cedants arising out of reinsurance operations in Financial Statements One instrument presented as Loans and Financial Statements
Reinsurance recoverables	5,079,598	9,696,690	Different valuation methodology	9,696,690	
Deposits to cedants	1,437	1,437		0	Balance is reported as Other loans and mortgages in SII
Insurance and intermediaries receivables	1,841,603	1,841,477		1,841,477	Balances together represents receivables in statutory financial statements Difference in receivables (trade, not insurance) represents prepaid income taxes which are reported as any other assets not elsewhere shown in SII.
Reinsurance receivables	2,229,356	2,229,356		2,229,356	
Receivables (trade, not insurance)	2,157,543	2,157,543		2,189,210	
Cash and cash equivalents	2,279,977	2,279,977		2,768,980	In financial statements, deposits other than cash equivalents is reported as cash.
Any other assets, not shown elsewhere	407,060	407,957		352,477	In financial statements receivables (trade, not insurance) from prepaid income taxes which are reported as any other assets not elsewhere shown in SII. Art works shown presented in any other assets not elsewhere shown in SII
Total assets	**105,005,637**	**110,435,977**		**110,435,977**	

D.2. TECHNICAL PROVISIONS

D.2.1. LIFE TECHNICAL PROVISIONS

OVERVIEW OF LIFE TECHNICAL PROVISIONS

The Solvency II Life technical provisions at the end of 2016 have been calculated according to Articles 77 to 83 of the Solvency II Directive 2009/138/EC.

The following table shows the amount of Life TP at the end of 2016, split into main components: the best estimate of liabilities, reinsurance recoverables net of the counterparty default adjustment and risk margin.

	2016
Bel Gross of Reinsurance	42,308,874
Recoverables from Reinsurance (before CDA)	(1,216,431)
Counterparty Default Adjustment (CDA)	41,123
Bel Net of Reinsurance	41,133,566
Risk Margin (RM)	419,671
TP Net of Reinsurance Regulatory view	**41,553,237**

**** positive signs represent a liability*

The best estimate of liabilities corresponds to the average of the present values of expected future cash flows generated from contracts present in the company portfolio, and therefore include both a probabilistic assessment of their occurrence and an appropriate assessment of the time value of money, obtained on the basis of the risk-free interest rates as at 31 December 2016, as observed in the market and officially communicated by EIOPA. This curve (derived, for the main markets, from interbank swap rates) includes both an adjustment to consider the residual default risk of these instruments (the so-called credit risk adjustment, for CZK amounting to -10bps) and an adjustment to consider the excess return achieved in a risk-free manner by the assets covering the insurance liabilities (the so-called volatility adjustment, for CZK equal to +1bps).

The method used to derive the best estimate of liabilities is based on a direct approach that involves the projection and discounting of all future expected incoming and outgoing cash flows for the duration of the policyholder's liabilities, in line with the contractual limits defined by regulations (contract boundaries). In particular, the projections consider all future premiums and all outflows associated with both the occurrence of insured events (e.g. claims and capital payable in case of survival of the insured when the contract expires) and the possible exercise of contractual options (for example surrender).

Depending on the type of portfolio and the risk inherent in it, the expected future cash flows have been assessed in a deterministic scenario (i.e. a certainty equivalent scenario) or as the mean value of a set of stochastic scenarios, to allow the calculation of the cost of financial guarantees and contractual options. In the latter case, in the actuarial platforms specific assumptions on future management decisions were also implemented (so-called management actions, relating, e. g., to future profit sharing) and the rational behaviour of the insured (the so-called dynamic policyholder's behaviour, which can impact the propensity to the exercise of options such as the surrender option).

The best estimate of liabilities of a residual part of the portfolio (the majority are either the matured and lapsed policies whose reserves are still in the books (just waiting to be paid out) or RBNS/IBNR reserves currently not evaluated based on the prudency approach, that were revaluated using a simplified approach and assumed equal to the IFRS reserves.

As shown in the above table, the best estimate of liabilities gross of reinsurance amounted to CZK 42.31 billion and mainly consists of insurance with profit participation, including where mostly old saving products in run-off and traditional part of hybrid products.

Only 2.8% of gross BEL is transferred via reinsurance outside the Company, and the reinsurance recoverables net of the counterparty default adjustment related to these contracts amounted to CZK 1.18 billion. The reinsurance recoverables were evaluated by means of appropriate projections of cash flows expected from reinsurance contracts and adjusted using the counterparty default adjustment to take account of the risk of default of the reinsurer.

The risk margin represents an allowance to take account of the inevitable uncertainty linked to the volatility of the operating assumptions and inherent in future cash flows. The risk margin is calculated by means of a cost of capital approach that considers the cost associated with the non-hedgeable risks.

The capital requirement needed to cover the non-hedgeable risk was determined using the internal model. The rate used to determine the cost of capital is 6% per annum. The cost of capital of each projection year was discounted at the valuation date using the term structure of interest rates, without the volatility adjustment. In line with the regulation, the risk margin is calculated net of reinsurance. The future projection of the capital requirement needed to cover the non-hedgeable risks and its allocation by business lines was carried out by means of suitable risk drivers applied to the capital required in respect of each risk included in the calculation of risk margin.

At 31 December 2016, the risk margin associated with Česká pojišťovna life insurance contracts is equal to CZK 420 million.

In conclusion, the total value of the Solvency II Life technical provisions of Česká pojišťovna as at 31 December 2016, calculated as the sum of the best estimate of liabilities net of reinsurance and risk margin, amounted to CZK 41.55 billion.

The following table reports the amount of the Solvency II Life technical provisions split by lines of business:

- insurance with profit participation - traditional saving products also including some risk covers and traditional part of hybrid products;
- unit-linked - contracts without options and guarantees - pure UL products and UL part of hybrid products;
- other - contracts without options and guarantees - pure risk products and all accident riders;
- annuities stemming from non-life obligations - MTPL and TPL annuities (RBNS only).

Life Technical Provisions YE2016 by lines of business

	2016	% weight
Total	**41,553,237**	**100.0%**
Life	41,553,237	100.0%
Health	0	0.0%

**** positive signs represent a liability*

	2016	% weight
Total	**41,553,237**	**100.0%**
Insurance with profit participation	31,971,172	76.5%
UL - Contracts without options and guarantees	7,667,093	18.5%
UL - Contracts with options and guarantees	-	0.0%
Other - Contacts without options and guarantees	981,377	2.4%
Other - Contacts with options and guarantees	-	0.0%
Annuities stemming from non-life obligations	1,113,594	2.7%
Accepted reinsurance with profit participation	-	0.0%
Accepted reinsurance UL contracts	-	0.0%
Accepted reinsurance Other contract	-	0.0%
Accepted reinsurance annuities stemming from non-life obligations	-	0.0%
SLT HEALTH - with options and guarantees	-	0.0%
SLT HEALTH - without options and guarantees	-	0.0%
SLT HEALTH - Annuities stemming from non-life obligations	-	0.0%
SLT HEALTH - Accepted	-	0.0%

**** positive signs represent a liability*

Česka pojištovna´s Solvency II Life technical provisions net of reinsurance mainly consist of insurance with profit participation, which mostly includes old products in run-off and traditional parts of hybrid products.
The following table compares the technical provisions reported in the financial statements with the Solvency II Life technical provisions at the end of 2016.

	IFRS	Solvency II	Delta
Gross reserves/BEL gross	45,431,215	42,308,874	3,122,341
Ceded reserves /Reinsurance Recoverables	(1,223,497)	(1,175,308)	(48,189)
Risk Margin		419,671	(419,671)
Net reserves/Net TP	**44,207,718**	**41,553,237**	**2,654,481**

The difference between the statutory reserves and Solvency II Life technical provisions is due to substantial methodological differences between the two approaches, making the comparison between the two amounts inconclusive in regards to adequacy of the current reserving basis. In fact, the Solvency II assessment considers projected future cash flows and takes account of best estimate

assumptions, future profit sharing (financial and technical) and the financial cost of the guarantees, using as the discount rate the current structure of interest rates. The evaluation of technical liabilities in the statutory balance sheet, instead, uses the assessments of the technical provisions calculated in accordance with local accounting principles and thus generally uses demographic pricing assumptions, discounts the contractual flows at the technical rate defined at the issue of the contract and, in general, does not consider any future financial profit share on unrealized gains/losses in force at the valuation date.

More specifically, the main differences between the two evaluations are attributable to the following items:

- Cash flows resulting from premiums, futures expenses and contractual options:
  - Premiums: Statutory reserves are usually calculated using pure premiums (i.e. loadings are excluded from the calculation); conversely, in Solvency II valuation, all premiums collected are considered.
  - Expenses: Typically future costs are excluded from the assessment of statutory reserves or, depending on the type of product, they are measured indirectly by means of the provision of loadings collected in the past (management reserves). In contrast the Solvency II valuation includes the best estimate of the present value of the costs that will be incurred by the company to fulfil all contractual obligations.
- Contractual options: Typically, the calculation of statutory reserves does not consider the probability of the insured's exercise of contractual options such surrenders or failure to pay premiums; conversely, these elements are appropriately considered in Solvency II.
- Operating assumptions: The reserves reported in the statutory financial statements are generally valued using conservative operating assumptions (or first order), and the technical reserves of Solvency II are valued using best estimate assumptions (or second order).
- Economic assumptions: The Solvency II technical provisions are valued using the current economic framework both in terms of interest rate curves and market values of backing assets. In practice, this affects:
  - projected economic returns and, consequently, future policyholder bonuses included in future cash flows;
  - interest rates used for discounting.

  In contrast, financial statement reserves cash flows typically do not consider future policyholder bonuses and are discounted by means of technical interest rates defined at the inception of the contract.
- Methodology used to evaluate the business with profit sharing and guarantees: For this type of contract, Solvency II technical reserves are valued using stochastic actuarial platforms that capture a wide spectrum of possible financial scenarios and thus allow for the explicit assessment of the cost options and guarantees held by the insured. In contrast, statutory reserves do not include the assessment of that cost.
- Counterparty default adjustment: Unlike statutory valuation, the amount of reinsurance recoverables of Solvency II is adjusted to take into account the probability of default of the counterparty.
- Risk margin: Unlike statutory reserves, Solvency II includes an explicit assessment of the amount to be held against non-hedgeable risks.

SOURCES OF UNCERTAINTY

The evaluation of the Solvency II Life technical provisions depends on not only the methods, models, and data used, but also on the assumptions on a number of economic and operational factors whose future realisations might differ from the expectations at the valuation date.

Underwriting parameters affect Česká pojišťovna portfolio only slightly. The most relevant operating factor is the expense risk that affects the whole portfolio. A variation of 10% in the expense assumptions changes the best estimate of liabilities by about 1.3%. Other operating assumptions have a relatively small impact on the TP because of the application of contract boundaries (CB) on accident riders. Without the application of CBs the surrender assumptions and morbidity assumptions would generate a high materiality impact on the TP.

On the other hand, the impact on the best estimate of liabilities resulting from possible changes regarding the economic environment is reported in the dedicated section E of this document.

LONG-TERM GUARANTEE MEASURES (VOLATILITY ADJUSTMENT, MATCHING ADJUSTMENT AND TRANSITIONAL MEASURES)

The valuation of the best estimate of liabilities has been performed using the volatility adjustment (as referred to in Article 77d of the Directive 2014/51/EU) provided by EIOPA for CZK currency and equal to 1bps at year end 2016. A change to zero of the volatility adjustment would correspond to an increase of CZK 24 millions in the life technical provisions of Česká pojišťovna.
The matching adjustment (as referred to in Article 77b of Directive 2014/51/EU) has not been applied.

The transitional measure on the risk-free interest rate-term structure (as referred in Article 308c of Directive 2014/51/EU) and the transitional measure on technical provisions (as referred to in Article 308d of Directive 2014/51/EU) have not been used.

D.2.2. P&C TECHNICAL PROVISIONS

OVERVIEW OF P&C TECHNICAL PROVISIONS

The P&C technical provisions related to

- outstanding claims reported or not and occurred before the evaluation date, whose costs and related expenses have not been completely paid by that date (outstanding claims reserve)
- future claims of contracts that are either in force at the valuation date or for which a legal obligation to provide coverage exists (premiums reserve)

are calculated as the sum of the discounted best estimate of liabilities (BEL) and the risk margin (RM)

$$TP=BEL+RM$$

The discounted best estimate of liabilities (BEL) is calculated applying the methods and assumptions that are briefly described in the following paragraphs, separately for outstanding claims reserve and premiums reserve.

Outstanding Claims Reserve

The approach to derive the BEL for the outstanding claims reserve depends on the possibility to apply the actuarial methods.

- The BEL of the unmodelled and semi-modelled business (the line of business or the part of a line of business that, due to different reasons such as, for example, lack of adequate, appropriate and complete data or inhomogeneity of the business herein included, has not been analysed with actuarial methods) has been calculated using the IFRS figures. Unmodelled and semi-modelled business represents approximately 8.3% of IFRS provisions and contains mainly provision for bonuses and reinsurance accepted business.
- The BEL of the modelled business (the business which, thanks to the availability of adequate, appropriate and complete data, has been analysed in detail by means of actuarial methods) has been assessed through the following steps:

Claims and Grouping

To perform an appropriate actuarial analysis of the technical provisions and to carry out projections to ultimate cost, historical claims data on a paid and incurred basis (gross of contractual and facultative reinsurance) have been taken into account. Development data used for these purposes fulfil appropriate quality attributes of proportionality, materiality and completeness.

Each portfolio is selected to identify homogeneous groups of risks, type of coverage and other specificities, such as the length and the variability of the claims run-off. The minimum level of granularity adopted considers the split between types (direct business, proportional accepted business, non-proportional accepted business) and, in each category, identifies twelve lines of business (workers compensation; medical expense; income protection; motor vehicle liability; other motor; marine, aviation and transport; fire and other damage to property; general liability; credit and suretyship; legal expenses; assistance; miscellaneous financial loss). Where necessary, a more granular segmentation of the portfolio is used, especially in case of property, liability and motor insurance. Where reasonable, claims have been split depending on their size and significance into attritional, large and extremely large claims and the analysis has been done separately for each claims type. In addition annuity claims are treated separately as well.

Expenses

The reserve for loss adjustment expenses (LAE) consists from two parts. The reserve for expenses directly arising from a particular compensation case (allocated loss adjustment expenses (ALAE)) are treated as part of claims cost. The reserve for expenses not directly arising from a particular compensation case (unallocated loss adjustment expenses (ULAE)) are related to the whole package of services offered by an insurance company and do not have an automatically associated with a specific claim. A simplified approach is used to derive the ULAE reserve that is assumed to be proportional to the UBEL (undiscounted best estimate of liabilities) of the line of business (i.e., $\text{ULAE reserve} = R \cdot \text{UBEL}$), where R is estimated based on recent experience.

Inflation

Historical data on claims paid and outstanding include the outcomes of observed inflation, in its two exogenous and endogenous components. The inflation environment in the Czech Republic is considered stable enough to project UBEL from historical data, which means that inflation is already embedded in projections.

Actuarial Methods

The actuarial methods used for projecting the experienced history of claims and reserves are the ones implemented in the group reserving tool (ResQ) and described in the Generali Group methodology paper. In particular, for attritional and large claims following methods have been considered:

- Link ratio methods on paid (or development factor models - DFM) are a generalisation of the chain ladder method, based on an analysis of cumulative payments along the years. This class of methods is based on the hypothesis that the settlement process is stable across origin periods;
- Link ratio methods on incurred technically work as the previous ones but are based on incurred developments, i.e. the sum of cumulative paid and outstanding amounts;.
- Bornhuetter-Ferguson methods on paid or incurred combine the projected ultimate (obtained, e.g., by means of a development factor method) with an alternative (a priori) value, using a weighted credibility approach;
- Cape Cod methods on paid or incurred, which, similarly to the Bornhuetter-Fergusson method combines already emerged claims with expected claims to be paid or reported late, based on assumptions derived from the emerged proportion of claims;
- The frequency-average severity method combines the projections of the expected number of claims and expected average claims, where ultimate claims are the product of these two items;
- Incremental loss ratio methods on paid or incurred, also known as the additive method, expect a stable development in the contribution to the loss ratio across the origin years.

An analysis using more than one of the methods listed above was done to confirm the results.

The best estimate assessment for the annuities stemming from P&C contracts is performed separately for annuities in payment (i.e. RBNS – reported but not settled - annuities), treated with life techniques, and for the annuities which could emerge in the future from non-annuity claims (i.e. IBNR – incurred but not reported – annuities). The BEL for the IBNR Annuities is assessed using the frequency/severity approach.

To obtain the final gross UBEL, all excluded or separately evaluated items (e.g. extremely large claims, un-/semi-modelled parts, expenses) are added to the ultimate claims cost.

Net evaluation

In general, less risky portfolios are covered by a 40% and more risky portfolios are covered by a 70% quota share. In addition to that, lines of business exposed to the risk of large single claims, such as MTPL or large risk portfolios in property and liability insurance are covered by XL treaties. Finally, property and Casco insurance is covered by CAT XL to protect the Company from severe losses caused by natural events. The reinsurance share on IFRS claims provisions is mostly represented by a quota share; hence, a feasible simplification is used for the net evaluation of UBEL. For each homogeneous group of risks, the UBEL net of reinsurance is calculated adopting the following simplified approach:

$$UBEL_{net}^{OC} = UBEL_{gross}^{OC} \cdot \%NG$$

where %NG indicates the percentage of IFRS net outstanding claims reserve on IFRS gross outstanding claims reserve.

The valuation of the best estimate net of reinsurance is performed taking into account an adjustment for the expected losses due to default of the reinsurance counterparties (counterparty default risk adjustment).

Premiums Reserve

For contracts with premiums already written, the UBEL of the premium provisions is defined as the sum of the following two components (considering gross and net inputs to obtain gross and net results):

- a claims related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the current year loss ratio, aiming to take out the effect of the adequacy of the estimated UBEL of the outstanding claims reserve (OCR);
- an administration expenses related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the administration expense ratio to represent the expected part due to expenses stemming from existing contracts

For un-incepted (instalments included) and multi-year contracts, the UBEL of the premium reserve is defined as the sum of the following cash flows:

- cash in-flows arising from future premiums;
- cash out-flows arising from future claims, net of salvage and subrogation;
- cash out-flows arising from allocated and unallocated claims administration expenses in respect of claims occurring after the valuation date as well as costs arising from on-going administration of in-force policies and acquisition costs, insofar related to the considered portfolio..

Similarly to the outstanding claims reserve, also the net premiums reserve is adjusted to take into account the default risk of the counterparties.

Discounting

The discounted best estimate of liabilities (BEL), both related to outstanding claims reserve and premiums reserve, is derived by discounting the expected future payments of the UBEL by the reference basic risk free rate curve.

Risk margin

The risk margin is added to the BEL to arrive at a market-consistent value of liabilities. It captures the economic value of non-hedgeable risks (reserving, pricing, catastrophe, counterparty default and operational) to ensure that the value of technical provisions is equivalent to the amount that an insurance company would be expected to require to take over and meet the insurance obligations. The risk margin is calculated with a cost of capital (CoC) approach at the line of business level taking the diversification benefits between risk types and lines of businesses into account.

Fair Value of Outstanding Claim Reserve - Total

Gross IFRS Reserve	14,513,659
Best Estimate of liabilities gross of reinsurance	7,547,975
Recoverables from reinsurance after CDA	(3,564,582)
Best estimate of liabilities net of reinsurance	3,983,394
Risk Margin	327,669
Technical Provisions net of reinsurance	**4,311,063**

Fair Value of Outstanding Premium Reserve – Total

Gross IFRS Reserve	4,827,240
Best Estimate of liabilities gross of reinsurance	1,629,596
Recoverables from reinsurance after CDA	(339,708)
Best estimate of liabilities net of reinsurance	1,289,888
Risk Margin	131,291
Technical Provisions net of reinsurance	**1,421,179**

Fair Value of Outstanding Claims Provisions

Line of business	IFRS reserves Net of Reinsurance	BEL Net of Reinsurance after CDA	Risk Margin	TP Net of Reinsurance
Total	7,945,641	3,983,394	327,669	4,311,063
Direct Insurance	**7,454,041**	**3,492,227**	**308,750**	**3,800,977**
Non-life motor	5,202,054	2,070,391	244,518	2,314,909
Non-life non motor excl. AHD	2,002,704	1,279,809	60,681	1,340,490
Accident, Health and Disability	249,284	142,027	3,551	145,578
Accepted Insurance	491,599	491,166	18,919	510,086
Non- life motor	0	3,072	6,234	9,305
Non-life non motor excl. AHD	491,132	487,628	12,673	500,301
Accident, Health and Disability	468	466	13	479

Fair Value of Premium Provisions

Line of business	IFRS reserves Net of Reinsurance	BEL Net of Reinsurance after CDA	Risk Margin	TP Net of Reinsurance
Total	2,922,067	1,289,888	131,291	1,421,179
Direct Insurance	2,866,239	1,263,240	129,800	1,393,040
Non-life motor	1,172,325	627,660	64,487	692,148
Non-life non motor excl. AHD	1,657,078	616,830	64,721	681,551
Accident, Health and Disability	36,847	18,750	591	19,341
Accepted Insurance	55,827	26,648	1,491	28,139
Non- life motor	0	0	0	0
Non-life non motor excl. AHD	55,754	26,503	1,491	27,994
Accident, Health and Disability	74	145	0	145

No significant changes in the methodology used for the calculation of fair value of outstanding reserve were undertaken in comparison to last year, with the exception of more granular detailed net-to-gross ratios for the derivation of net UBEL. The evaluation of fair value of premium provision was enlarged to include future instalments and un-incepted business, which were not considered in previous evaluations. Finally, CDA declined, because the reinsurance deposit held by the Company is newly taken into account and helps to decrease net exposure to counterparties.

P&C TP COMPARISON WITH RESERVES

Similar actuarial methods are used for both setting IFRS IBNR and UBEL, but the parameters used for IFRS calculation include obvious prudence. Therefore, IFRS outstanding provisions are held at a higher level than UBEL in order to be able not only to cover the mean expected value of unsettled claims but also to be able to absorb possible negative deviations in claims run-off. Such deviations can be caused by higher counts of late reported claims, by a higher than average severity or by the unfavourable development of already reported claims in a given calendar year. The random behaviour of the claims development requires keeping an uncertainty margin in IFRS provisions. Consequently, this margin represents the difference between UBEL and IFRS. The size of this margin is monitored and manages to be in the reasonable range, considering the risk appetite of the Company.

IFRS UP provisions are booked on the pro rata temporis accounting principle reflecting the unearned part of a written premium proportional to the undue part of the period for which the premium has been written. This is done individually for each insurance policy. Contrary to this, Solvency II principles require the evaluation of a premium provision as a difference between future outflows (claims and expenses) and future inflows (premium). This means that the IFRS approach is not strictly dependent on the profitability of the business (only in case of the premium's insufficiency) whilst the evaluation according to Solvency II principles is strictly driven by loss and expense assumptions. In addition, only the written part of the premium can serve as the basis for the recognition of unearned premiums in IFRS, but Solvency II principles require the inclusion of future premiums coming from contracted business, which have not yet been written. This includes future instalments of policies in force and premiums from already contracted policies with future inception.

SOURCES OF UNCERTAINTY AND SENSITIVITY ANALYSES

Two kinds of sources of uncertainty are embedded in the technical provisions. The first emanates from the substance of the insurance business and is represented by the randomness of the process of claims occurrence and reporting. This is monitored by actuaries through the construction of stochastic scenarios resulting in distribution of possible claims run-off results. The highest uncertainty is experienced in the lines of business including large risks (mainly corporate property).

The second type of uncertainty is represented by external factors such as claims inflation, interest rates and changes in legislation. These factors are not driven by the Company, but their impact can be reduced by the ongoing monitoring of the market and legal environment and early identification or even anticipation of possible changes. Sensitivity analyses of external factors are performed by the Company. A decrease of the risk free rate by 20 basis points would result in an increase of BEL by 0,67%.

The biggest uncertainty is still expected in regards to the ultimate effect of the New Civil Code (NCC). This change in legislation affects compensations in liability insurance, especially in case of bodily injuries. The NCC came in force at 1 January 2014, but settlement processes and court practice have still not stabilized. Insufficient experience with such a big change represents a significant source of uncertainty in the UBEL evaluation. The process of reserving is closely monitored through the whole Company.

The Company reduces the risk of volatility by diversification and reinsurance. Providing a wide portfolio of various insurance products mitigates the relative impact of unfavourable development coming from run-off in individual lines of business. A properly chosen reinsurance structure including quota share and XL treaties, helps to limit the absolute impact of potential negative run-off.

LONG-TERM GUARANTEES MEASURES (VOLATILITY ADJUSTMENT AND TRANSITIONAL MEASURES)

Neither transitional measures nor matching adjustments were applied during the calculation of the best estimates of technical provisions. A volatility adjustment was applied by the Company. Swap risk free rates were used in line with EIOPA guidance. The spot curve is presented in following table.

Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA
1	0.058%	0.010%	0.068%	11	0.848%	0.010%	0.858%	21	1.410%	0.009%	1.419%	31	2.093%	0.007%	2.099%
2	0.135%	0.010%	0.145%	12	0.912%	0.010%	0.922%	22	1.487%	0.009%	1.496%	32	2.148%	0.006%	2.155%
3	0.195%	0.010%	0.205%	13	0.948%	0.010%	0.958%	23	1.563%	0.008%	1.571%	33	2.202%	0.006%	2.208%
4	0.307%	0.010%	0.317%	14	0.973%	0.010%	0.983%	24	1.637%	0.008%	1.645%	34	2.253%	0.006%	2.259%
5	0.405%	0.010%	0.415%	15	1.005%	0.010%	1.015%	25	1.709%	0.008%	1.717%	35	2.302%	0.006%	2.308%
6	0.488%	0.010%	0.498%	16	1.053%	0.010%	1.063%	26	1.779%	0.008%	1.787%	36	2.349%	0.006%	2.355%
7	0.578%	0.010%	0.588%	17	1.114%	0.010%	1.124%	27	1.847%	0.007%	1.854%	37	2.394%	0.006%	2.399%
8	0.642%	0.010%	0.652%	18	1.183%	0.010%	1.193%	28	1.912%	0.007%	1.919%	38	2.437%	0.005%	2.443%
9	0.714%	0.010%	0.724%	19	1.257%	0.009%	1.266%	29	1.975%	0.007%	1.982%	39	2.479%	0.005%	2.484%
10	0.774%	0.010%	0.784%	20	1.333%	0.009%	1.342%	30	2.035%	0.007%	2.042%	40	2.518%	0.005%	2.523%

The usage of volatility adjustment decreased the net BEL by 0.03%, which represents CZK 1.7 million. The total revaluation reached by discounting of TP is CZK 233 million.

D.3. OTHER LIABILITIES

D.3.1. VALUATION OF LIABILITIES FOR SOLVENCY II BALANCE SHEET

EXCLUSION OF IFRS VALUATION METHODS

In this chapter, an overall description of the SII valuation methods for liabilities other than technical provisions is given, complementary to the general valuation for solvency purposes (section D - introduction).

L2-DR, in accepting valuation methods defined in IFRS, anticipates that there are cases where IFRS valuation methods are not consistent with Solvency II requirements.

L2-DR states the exclusion of specific valuation methods such as cost or amortized cost and models where value is determined as the lower of the carrying amount and fair value less costs to sell.

SII SPECIFICITIES

L2-DR specifies the treatment of the liabilities listed below, for which a valuation different from IAS/IFRS measurement is required:

- technical liabilities;
- contingent liabilities;
- financial liabilities;
- deferred taxes.

Except for technical liabilities and deferred taxes (that have been already disclosed in D.2. Technical provisions, and D.1. Assets), all remaining points are analyzed in the next dedicated sections.

CONTINGENT LIABILITIES

Valuation

The recognition criteria for contingent liabilities on the Solvency II balance sheet are determined by the definition in IAS 37 for contingent liabilities.

While under IAS 37 an entity should not recognise a contingent liability but only disclose it under Solvency II if these contingent liabilities are material and the possibility of an outflow of resources embodying economic benefits is not remote, they have to be recognized on the Solvency II balance sheet.

Contingent liabilities are material if information about the current or potential size or nature of that liability could influence the decision-making or judgment of the intended user of that information. An exception to the requirement to recognize material contingent liabilities in the Solvency II balance sheet exists when a contingent liability arises for accounting purposes if no reliable estimate is possible for the valuation of a liability. In such instances, since the value of the contingent liability cannot be reliably measured, only disclosure is required.

According to Solvency II principles a contingent liability should be valued at the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure. Moreover, when valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

The estimate of future cash flows is thus based on an expected present value approach (i.e. a probability-weighted average of the present values of the outflows for the possible outcomes).

The amount and range of possible cash flows considered in the calculation of the probability weighted cash flows shall reflect all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow.

Finally, an entity shall consider the risk that the actual outflows of resources might ultimately differ from those expected. A risk adjustment measures the amount, if any, that the entity would rationally pay in excess of the expected present value of the outflows for bearing this risk.

Summary of different situations and consequent treatment under IAS 37 vs Solvency II:

Probability of the obligation	Probability of the outflow of economic resources	IAS 37	Solvency II
Possible obligation	No probable outflow (taken as less than 50%)	Not recognized. Disclosed as a contingent liability if the possibility of the out flow is not remote	Recognized in the balance sheet, only if material and possibility of outflow is not remote. [In any case, should be valued]
			If not material, not recognized but Pillar III quantitative disclosure
Present obligation	No probable outflow (taken as less than 50%)	Not recognized. Disclosed as a contingent liability if the possibility of the out flow is not remote	Recognized in the Balance sheet only if material and possibility of out flow is not remote; also Pillar III quantitative disclosure
			If not material, not recognized and not disclosed
Present obligation	Probable outflow	Recognized if reliable estimate or disclosed as a contingent liability if no reliable estimate (rare)	If reliable estimate is possible: recognized in the Balance sheet.
			If no reliable estimate is possible not material or not possible a reliable estimate not recognized. Disclosed qualitative information on the Solvency Financial Condition Report (SFCR)

There are no contingent liabilities which are only disclosed under IFRS but which should due to their materiality and the possibility of an outflow of resources embodying economic benefits be recognized on the Solvency II balance sheet.

As at 31. December 2016, the Company recognised the following provisions for contingent liabilities

	2016
Restructuring provision	44,500
Provisions for commitments	476,436
Total	**520,936**

Provisions for commitments consist mainly of provisions for the MTPL deficit connected with the Company´s membership in the Czech Insurers' Bureau (CZK 447 million).

Membership in the Czech Insurers' Bureau

On 31 December 1999, statutory MTPL insurance was replaced by contractual MTPL insurance in the Czech Republic. All rights and obligations arising from statutory MTPL insurance prior to 31 December 1999, including the deficit of received premiums to cover the liabilities and costs, were transferred to the Czech Insurers' Bureau (CIB or the „Bureau").

On 12 October 1999, the Company obtained a license to write contractual MTPL insurance in the Czech Republic and, as a result, the Company became a member of the Bureau.

Members of CIB share the risks of CIB in proportion to their market shares in compulsory contractual MTPL insurance. In accord with this, a single member of CIB is exposed to risks arising from:

1. incurred claims to be covered by CIB, consisting claims from:
    - old statutory MTPL insurance sold until 31 December 1999;
    - new compulsory contractual MTPL insurance sold since 1 January 2000 (caused by uninsured or unknown drivers);
2. claims to be covered by CIB from the new compulsory contractual MTPL insurance caused by uninsured or unknown drivers
3. the potential bankruptcy of another CIB member, i.e. counterparty default risk;
4. other financial and credit risks of CIB.

Items under points 1b. and 2 are covered from CIB's Guarantee Fund 1, item No. 3 is covered from of CIB's Guarantee Fund 2.

Risks associated with incurred claims

The overall liability of CIB for incurred claims is covered by the members of CIB, in proportion to their market shares. Part of this overall liability is not covered by investments of CIB but by a receivable to members, which is allocated to individual members in proportion to their market shares.

To match this receivable, members of CIB recognize in their balance sheets a liability to CIB. This liability is calculated by CIB and, its amount is periodically updated in light of new claim information and changing market shares.

Risks of CIB's guarantee fund

Members of CIB contribute to CIBs guarantee fund, established for claims against CIB from the new compulsory contractual MTPL insurance intended to cover:

i) claims caused by uninsured or unknown drivers ("GF1"); and
ii) liabilities of a potentially bankrupt member ("GF2").

Members of CIB charge their contributions to the guarantee fund as expenses when they become due.

On CIB's side, the guarantee fund is built up from members' contributions and run off profit from incurred claims and is used to cover claim payments and run off loss on unsettled claims. It is also intended to cover any claims against a bankrupt member.

COMMITMENTS DISCLOSED UNDER IFRS

Legal

As at 31 December 2016, a legal suit was brought consolidating several cases concerning the decision of the general meeting of the Company in 2005 approving a squeeze-out of minority shareholders and consideration paid on the pending squeeze-out. Based on legal analyses carried out by external legal counsel, the management of the Company believes that none of these cases gives rise to any contingent future liabilities for the Company.

Participation in nuclear pool

Česká pojištovna a.s. is a member of the Czech Nuclear Pool (CNP). The subscribed net retention is as follows:

	2016
Liability (w/o D&O liability)	149,670
D&O liability only	18,500
FLEXA extended coverage of nuclear risks plus BI	578,000
Transportation risk	117,200
Engineering and "all risk" cover	290,000
Total	**1,153,370**

TAs a member of CNP, the Company has signed pool documents like statutes, cooperation agreements, claims handling cooperation agreements and a solidarity agreement. Hence, the Company is jointly and severally liable for the obligations resulting from these pool documents. In the event that one or more of the other members are unable to meet their obligations to the CNP, the Company will be obliged to take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The

management does not consider the risk of another member being unable to meet its obligations to the CNP to be material to the financial position of the Company. CNP implemented adequacy rules of its member's net retentions related to their capital positions and evaluated in individual quarters. In addition, the potential liability of the Company for any given insured/assumed risk is contractually capped at quadruple the Company's net retention for direct risks (insurance contracts) and double the Company's net retention for indirect risks (inwards reinsurance contracts).

FINANCIAL LIABILITIES

Valuation

To ensure compliance with Solvency II principles, the liabilities, including financial liabilities, should be valued at fair value without any adjustment for change in the own credit standing of the insurance/reinsurance undertaking.

The valuation methodology of the fair value of an asset or liability shall be based on the following approaches:

- mark-to-market approach (default approach): this approach is based on readily available prices in orderly transactions that are sourced independently (quoted market prices in active markets);
- mark-to-model approach: any valuation technique which has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input (maximize market inputs, minimize unobservable inputs).

Concerning liabilities, Solvency II introduces an additional requirement to adopt a fair value valuation without any adjustment for change in the own credit standing of the insurance/reinsurance undertaking.

According to IFRS 9 (not yet adopted by the Company), the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability[3] should be determined either:

(a) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk;
(b) using an alternative method the entity believes more faithfully represents the amount of change in the liability's fair value that is attributable to changes in its credit risk.

As with all estimates of fair value, an entity's measurement method for determining the portion of the change in the liability's fair value that is attributable to changes in its credit risk must make maximum use of market inputs.

Consistency with IFRS

According to IAS 39.47, all liabilities, except for the following, are required to be measured at amortized cost using the effective interest method:

(a) financial liabilities at fair value through profit or loss;

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

(c) financial guarantee contracts;

(d) commitments to provide a loan at a below-market interest rate.

Financial liabilities valued at amortised cost according to IAS 39 shall be valued at fair value for the Solvency II balance sheet.

For purposes of financial liabilities valuation, the IAS 39 fair value definition is consistent with the Solvency II principle taking into account that:

- The fair value measurement approach in IAS 39 at recognition is a good representation of the economic value at recognition in the Solvency II balance sheet.
- The fair value measurement approach in IAS 39 for subsequent measurements is a good representation of the economic value for Solvency II purposes if, and only if, changes in the undertaking's own credit standing have not been taken into account. When changes in the undertaking's own credit standing influence the value under IAS 39, they shall be eliminated in the Solvency II valuation.

[3] In accordance with IFRS 9 paragraph B5.7.16 and following.

D.3.2. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

Liabilities	Solvency II value	Statutory accounts value	Note	Amount per statutory balance sheet	Mapping
Technical provisions	52,365,076	64,772,114	Different valuation methodology	64,772,114	
Provisions other than technical provisions	295,318	520,936,	Provision for Czech Bureau of Insurers is revalued to best estimate for SII	520,936	
Deposits from reinsurers	1,401,412	1,401,412		1,401,412	
Deferred tax liabilities	1,194,103	0	Impact of different valuation methodology, the most significant items are deferred tax liability on insurance provisions and deferred tax on intangible assets and deferred acquisition costs	0	
Derivatives	1,531,858	1,531,858		1,531,858	
Financial liabilities other than debts owed to credit institutions	5,694,615	5,690,682	Issued bonds are valued at amortised costs in statutory financial statements and at fair value in SII	5,690,682	
Insurance and intermediaries payables	2,061,912	2,061,912		2,061,912	Balances together represents payables in statutory financial statements
Reinsurance payables	4,539,784	4,539,784		4,539,784	
Payables (trade, not insurance)	1,147,301	1,147,693		1,147,693	
Any other liabilities, not elsewhere shown	2,054,928	2,055,328		2,055,328	
Total liabilities	**72,286,307**	**83,721,718**		**83,721,718**	
Excess of assets over liabilities	**32,719,330**	x		**26,714,259**	

D.4. ALTERNATIVE METHODS FOR VALUATION

In respect of the official SII data valuation, no significant alternative methods were used.

D.5. ANY OTHER INFORMATION

All significant information on valuation is mentioned in the sections above.

E. Capital management

The Company has a comfortable solvent position from a Solvency II perspective with a solvency ratio significantly above 100%, this shows the sound solvency position of the Company.

The Company's solvency ratio has increased by 35 percentage points compared to the previous year due the combination of the two following effects – an increase in eligible own funds and a decrease in the solvency capital requirement.

Solvency Ratio

	2016	Day-one	Change
Own funds	28,965,330	27,890,098	1,075,231
Solvency capital requirement	9,879,765	10,789,463	(938,502)
Solvency ratio	293%	258%	

Following chapters provide more details on the Company's own funds and the solvency capital requirement.

E.1. OWN FUNDS

E.1.1. POLICIES AND PROCESSES RELATED TO OWN FUNDS MANAGEMENT, INFORMATION ON THE TIME HORIZON USED FOR BUSINESS PLANNING AND ON ANY MATERIAL CHANGES OVER THE REPORTING PERIOD

The Company defines principles for capital management activities in its capital management policy.

Capital management activities refer to the Company's own funds management and control. These activities are in particular intended to:

- classify and periodically review the Company's own funds to guarantee that the own funds items meet the requirements of the applicable capital regime both at issuance and subsequently;
- regulate the issuance of the own funds according to the medium-term capital management plan and strategic plan, and to guarantee that the own funds are not encumbered, that all required or permitted actions related to the governance of the own funds are completed on time, that ancillary own funds are called on time and that terms and conditions are clear and unambiguous, including instances in which distributions on an Own Funds item are expected to be deferred or cancelled;
- ensure that any policy or statement in respect of ordinary share dividends is taken into account when analysing the capital position;
- establish driving principles and common standards to carry out these activities efficiently, in compliance with the relevant regulatory requirements and legislative frameworks at Company level and also at Group level, and in line with the stated risk appetite and strategy of the Company.

The capital management policy was approved by the Board of Directors of Company (in October 2015).

The capital management plan (CMP) represents a part of the overall three-year strategic plan and ensures the consistency of the CMP with three-year strategic plan assumptions, which include inter alia:

- financial scenarios;
- strategic asset allocation;
- the business as well as a detailed description of the development of the own funds and regulatory solvency ratio from the latest available actual figures to the last plan year figures.

The capital management plan includes a detailed description of the development of own funds and regulatory solvency ratio during the strategic planning period.

The CFO of the Company is responsible for the preparation of the CMP, while the CEO submits it to the Board of Directors.

If extraordinary operations (i.e. mergers and acquisitions issuance of own funds) are expected in the plan period, their impact is explicitly included in the own funds and regulatory solvency ratio development and further details are included in the relevant documentation. Issuances of own funds are explicitly included in the CMP with a detailed description of the rationale.

The description of the development of the Company's own funds explicitly includes the issuance, redemption or repayment (earlier or at maturity) of own funds items and their impacts on the tier limits. Any variation in the valuation of own funds items is also indicated, with additional qualitative details in terms of tier limits when needed.

The CMP is defined taking into account limits and tolerances set out in the risk appetite framework.

E.1.2. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

The Company regularly evaluates its own funds and analyses their value and composition. The own funds of the Company consist of its share capital, its reconciliation reserve and the foreseeable dividend. All mentioned components are part of Tier 1, which represents the highest quality of capital.

The difference between the Company's IFRS equity and MVBS own funds is based on the revaluation of technical provisions, intangible assets, investments, other items and deferred taxes..

Reconciliation between IFRS equity and own funds for solvency purposes

	2016
IFRS equity	**26 714 259**
Revaluation of intangible assets	(1,897,947)
Revaluation of investments	1,207,870
Revaluation of net technical provisions	7,789,946
Revaluation of other Items	99 304
Revaluation of deferred taxes	(1,194,103)
Excess of assets over liabilities in MVBS	**32,719,330**
Foreseeable dividend	(3,754,000)
Eligible own funds	**28,965,330**

Revaluations in the table above represent differences between the valuation according to IFRS accounting standards and a valuation in accordance with the Solvency II Directive.

Intangible assets are revaluated to zero for market value balance sheet purposes. The valuation of investments (including participations) is based on the market value of the instruments.

Technical Provisions valued for the solvency purposes are equal to the sum of a best estimate, risk margin and counterparty default adjustment. The best estimate corresponds to the probability-weighted average of future cash-flows, taking into account the time value of money and using the relevant risk-free interest rate term structure. The risk margin is based mainly on the assumption that the whole portfolio of insurance and reinsurance obligations is taken over by another insurance or reinsurance undertaking. The counterparty default adjustment takes into account the expected losses due to the default of a reinsurance counterparty.

The remaining part of the difference consists of deferred taxes related to the revaluations mentioned above and other minor differences between the valuation for accounting and solvency purposes.

More details about valuation methods under Solvency II are provided in section D.

The Company has no restrictions in terms of the transferability of own funds.

ELIGIBLE OWN FUNDS TO MEET SCR

Available own funds are the sum of all basic own fund items and ancillary own fund items that meet the Tier 1, Tier 2 and Tier 3 criteria and that are therefore available to meet SCR. The following table contains a year- to-year comparison of the available own funds split according to tiers.

Available Own funds by tiers

	Total available own funds	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
2016	32,719,330	32,719,330	0	0	0
Day-one	31,574,098	31,574,098	0	0	0
Change	1,145,231	1,145,231	0	0	0

Available own funds increased which improved the solvency position of the Company. Year-to-year growth is mainly driven by an increase of the investment value (including participations) together with a decrease in technical provisions, these movements were partially compensated by an increase in financial liabilities.

Eligible own funds to meet SCR are equal to the total amount of available own funds that are eligible to cover the SCR. For the Company, eligible own funds are equal to Available own funds after deduction of the foreseeable dividend. The development of eligible own funds to meet SCR split according to tiers is shown in the following table.

Eligible Own funds by tiers

	Total eligible own funds to meet the SCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
2016	28,965,330	28,965,330	0	0	0
Day-one	27,890,098	27,890,098	0	0	0
Change	1,075,231	1,075,231	0	0	0

The growth of the Company's eligible own funds has the same drivers as the increase of the available own funds.

BASIC OWN FUNDS

The tables below contain a comparison of the basic own funds in the current and previous year together with a split of basic own funds by tiers.

Own funds – Comparison with previous year

	2016	Day-one	Change
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	0
Share premium account related to ordinary share capital	0	0	0
Surplus funds	0	0	0
Preference shares	0	0	0
Share premium account related to preference shares	0	0	0
Reconciliation reserve (see below table)	24,965,330	23,890,098	1,075,231
Subordinated liabilities	0	0	0
An amount equal to the value of net deferred tax assets	0	0	0
Other own-fund items approved by the supervisory authority as basic own funds not specified above	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0
Deductions for participations in financial and credit institutions	0	0	0
Total basic own funds after deductions	**28,965,330**	**27,890,098**	**1,075,231**

Own funds by tiers

	Total	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	0	0	0
Share premium account related to ordinary share capital	0	0	0	0	0
Surplus funds	0	0	0	0	0
Preference shares	0	0	0	0	0
Share premium account related to preference shares	0	0	0	0	0
Reconciliation reserve (see table below)	24,965,330	24,965,330	0	0	0
Subordinated liabilities	0	0	0	0	0
Amount equal to the value of net deferred tax assets	0	0	0	0	0
Other own -fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**28,965,330**	**28,965,330**	**0**	**0**	**0**

The reconciliation reserve is equal to the total excess of assets over liabilities reduced by the amount of own shares, foreseeable dividends and distributions and other items listed in the following table.

Reconciliation reserve

	2016	Day-one	Change
Assets – Liabilities	32,719,330	31,574,098	1,145,231
Own shares	0	0	0
Foreseeable dividends and distributions	3,754,000	3,684,000	70,000
Other basic own fund items	4,000,000	4,000,000	0
Restricted own fund items due to ring fencing	0	0	0
Reconciliation reserve	**24,965,330**	**23,890,098**	**1,075,231**

E.1.3. OWN FUNDS ELIGIBLE TO MEET THE MINIMUM CAPITAL REQUIREMENT

The Company's own funds eligible to meet MCR are equal to the total amount of own funds that are eligible to cover the MCR. In case of the Company, they are equal to the eligible own funds to meet SCR because the whole amount of the capital is classified as Tier 1

Eligible own funds by tiers

	Total eligible own funds to meet the MCR	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2
2016	28,965,330	28,965,330	0	0
Day-one	27,890,098	27,890,098	0	0
Change	1,075,231	1,075,231	0	0

The year-to-year difference of eligible own funds is consistent with the one provided in the section devoted to eligible own funds to meet SCR.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The solvency capital requirement is calculated based on the Partial Internal Model approved in March 2016 by the College of Supervisors (including the Czech National Bank).

The minimum capital requirement is calculated according to the relevant legislation and its value is significantly lower than the amount of solvency capital requirement. Detailed inputs for MCR calculation are part of the annex to this report.

SCR values

	Total
2016	9,879,765
Day-one	10,789,463
Change	(909,698)

MCR values

	Total
2016	2,767,380
Day-one	2,911,169
Change	(143,789)

The level of SCR has decreased by 8% compared to the previous year. The development of the solvency capital requirement compared to the previous year is driven by the decreasing investment asset exposure and by the decreased portion of equity exposure.

E.2.2. SCR BREAKDOWN

SCR for YE16 is equal to CZK 9 880 million. The Partial Internal Model splits the total solvency capital requirement into the following major modules: financial risks, credit risks, life underwriting risks, non-life underwriting risks and operational risk. In addition to these risk modules, the total solvency capital requirement is increased by an amount of the model adjustments that reflect risks that are not fully taken into account in the partial internal model. The Tax Cap item reflects the change in net deferred taxes after stresses that cannot be absorbed due to the initial amount of Net deferred tax liability.

SCR breakdown

	2016	Impact (%)
SCR before diversification	**11,488,914**	**100%**
financial risks	4,047,175	34%
credit risks	3,868,594	32%
life underwriting risks	537,899	4%
non-life underwriting risks	2,013,958	17%
operational risk	719,300	6%
tax cap	503 571	4%
model adjustment	301,988	3%
Diversification benefit	(2,112,720)	
Total SCR	**9,879,765**	

The structure of solvency capital requirement of the Company shows that the main risk of the Company is related to the volatility of the investment assets. The non-life underwriting risks are also significant, but they account for a much smaller amount of risk than the financial and credit risks. Life underwriting risks have a relatively minor impact, this is also driven by the application of the contract boundaries that cut off most of the future cash flows related to the life riders.

The figures presented in the table above are consistent with the quantitative reporting template (QRT) reported to the Czech National Bank and hence present the particular risk capitals net of tax.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company does not use duration-based equity risk sub-module in the calculation of the SCR.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND THE INTERNAL MODEL USED

This section provides an overview of the internal model used to calculate SCR, reported in section E.1 and detailed in section E.2. Before focusing on the main differences between standard formula and internal model for the main risk categories, a brief introduction is provided with the purpose to highlight the main purpose and scope of the internal model and to illustrate the methods used.

E.4.1. PURPOSE OF INTERNAL MODEL

Company deems that the internal model is the most appropriate way of assessing SCR as it represents the best way of capturing the risk profile in terms of granularity, calibration and correlation of various risk factors.

The Group's internal model is structured around a specific risk map, which contains all risks that Generali Group and Company has identified as relevant to its business, allowing for the calculation of the solvency capital requirement at single risk level for each node of the hierarchy.

In implementing the model, Group has employed a Monte-Carlo approach with proxy functions to determine the full probability distribution of the change in the basic own funds over a one-year horizon and to calculate the SCR at any percentile for in-scope companies and risks (Monte Carlo methods are used in the industry to obtain precise numerical results using the embedded characteristics of repeated random sampling to simulate more complex real world events. Proxy functions are mathematical functions that mimic the interaction between risk drivers and insurance portfolios to obtain the most reliable results). The aggregation process consists of the use of advanced aggregation techniques (market best-practice techniques) and the calibration procedure involves quantitative and qualitative aspects.

E.4.2. SCOPE OF INTERNAL MODEL

From a Company point of view, the internal model covers all risk categories reported in the Group risk map in section B.3.1. The internal model covers all life underwriting risks, non-life underwriting risks, financial risks and credit risks. Only the operational risk is modelled using the standard formula approach. The internal model's purpose is to capture the behaviour of individual risks and their impact on the balance sheet, taking into account the diversification between portfolios, risks and locations.

To calculate the Company's capital requirement, operational risk capital charge is added.

E.4.3. METHODS USED IN THE INTERNAL MODEL

The Group Partial Internal Model allows for the determination of a full probability distribution forecast (PDF) of the change in basic own funds (BOF) over a one-year time horizon. From the resulting PDF, the SCR at a given confidence level (such a level where the outcome is deemed to correctly represent events with a low probability of occurrence) can be calculated by reading the corresponding percentile. In order to accomplish this, Generali uses a Monte Carlo approach with proxy functions that allows for the simulation of each balance sheet item through the calculation of the full distribution of gains/losses. Other capital metrics that are required for internal purposes, such as single risk capital charges (e.g. change in BOF after a 1-in-10 drop in the level of equity prices), can also be derived from the single risk PDF.

The risk measure used is the value at risk (VaR) at a 99.5% quantile of the probability distribution function (corresponding to a 1 in 200 years event), the underlying variable is represented by the change in the basic own funds and the time horizon is one year according to the calibration principles of the Solvency II Directive.

The main risks of the Company are described in the following paragraphs.

Life Underwriting Risk

The internal model stress calibration for life underwriting risk is based on Company specific historical portfolio data, unlike the standard stress levels provided by the Standard Formula approach. In particular, the Company calculates the potential deviations from the best estimate due to adverse events through:

- a combination of market data with local exposures for the catastrophe risks calibration (mortality and health);
- single company historical portfolio data for all other risks.

The methodology underlying the life underwriting risk calibration is given by the Group and its adequacy and application is applied at the local level.

Non-Life Underwriting Risk

The main differences between the standard formula and the internal model for the Solvency Capital Requirement calculation concerning non-life underwriting are:

- Concerning pricing and reserving risks, the difference refers to the calibration approach, where the standard formula uses a standard deviation defined by the Supervisory Authority; whilst for the internal model a bottom-up calculation of the business underwritten is performed;
- For CAT risk, the difference lies in the calibration approach, where the standard formula is based on the exposures to CAT risks in which geographic risk coefficients are determined by EIOPA. The internal model instead uses advanced models based on market best practice;

For reinsurance, the standard formula uses a series of simplified approaches, whilst the internal model performs a punctual modelling of the reinsurance programmmes (proportional and non-proportional including facultative).

- The standard formula approach for the market risk is based either on the application of standardised stress factors directly to the assets or, in the case of interest rate risk, in the application of a standardised and simplified stress level to the curves used to discount the future cash-flows;
- The internal model adopts much more sophisticated state-of-the-art modelling techniques, which are based on a more granular risk map. Interest rate volatility and equity volatility risk are for example modelled within the internal model while they are not modelled within the standard formula;

Furthermore, also within the same risk module, the internal model is capable of producing a much more accurate representation of the risk profile. This is because the higher granularity of the internal model risk map allows the possibility to better reflect the true diversification benefit of individual portfolios as well as peculiarities of individual financial instruments.

For a description of the nature and appropriateness of the data used in the internal model, please refer to section B.3.2.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company has a sound solvency position and no issues arise in relation to compliance with either the minimum capital requirements nor with the solvency capital requirement.

E.6. OTHER INFORMATION

SENSITIVITIES

As anticipated in section C.7, sensitivity testing analyses the impact of simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads and interest rate volatility) on the variability of the own funds and solvency ratio.

The level of eligible own funds was recalculated for each sensitivity and it is presented in the following table, together with the impact on the solvency ratio. The SCR value is kept constant for the purposes of calculating the stressed solvency ratio.

Sensitivities

	Eligible own funds	Solvency ratio
Base scenario	28,965,330	293%
Equity markets -20%	28,113,574	285%
Risk free rates: interest rates change (+20bps)	28,826,988	291%
Corporate bond spreads +100bps	28,589,311	289%
Czech government bond spreads +100bps	26,636,747	270%

None of the sensitivities represents a significant threat to the solvency position of the Company. The increase of spreads on the Czech government bonds has highest impact; this is caused by a significant exposure to this type of instruments.

Annex

Solvency and Financial condition report - Public QRTs - as of 31.12.2016

Basic Information

Undertaking name	Česká pojišťovna a.s.
Undertaking identification code	31570010000000054609
Type of code of undertaking	1 - LEI
Type of undertaking	1 - Undertakings pursuing both life and non-life insurance activity
Language of reporting	EN
Currency used for reporting	CZK
Figures reported in	thousands
Accounting standards	1 - The undertaking is using IFRS
Method of Calculation of the SCR	2 - Partial internal model

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Balance Sheet

	Solvency II value
Assets	
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	183 956
Investments (other than assets held for index-linked and unit-linked contracts)	**81 924 313**
Property (other than for own use)	6 369
Holdings in related undertakings, including participations	10 490 854
Equities	*1 481 933*
Equities - listed	1 476 416
Equities - unlisted	5 516
Bonds	*63 481 448*
Government Bonds	35 312 382
Corporate Bonds	24 054 672
Structured notes	4 114 394
Collateralised securities	0
Collective Investments Undertakings	5 771 938
Derivatives	202 769
Deposits other than cash equivalents	489 003
Other investments	0
Assets held for index-linked and unit-linked contracts	7 926 144
Loans and mortgages	**974 650**
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	974 650
Reinsurance recoverables from:	**5 079 598**
Non-life and health similar to non-life	3 904 289
Non-life excluding health	3 809 271
Health similar to non-life	95 018
Life and health similar to life, excluding health and index-linked and unit-linked	1 175 308
Health similar to life	0
Life excluding health and index-linked and unit-linked	1 175 308
Life index-linked and unit-linked	0
Deposits to cedants	1 437
Insurance and intermediaries receivables	1 841 603
Reinsurance receivables	2 229 356
Receivables (trade, not insurance)	2 157 543
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	2 279 977
Any other assets, not elsewhere shown	407 059
Total assets	**105 005 637**

Liabilities	
Technical provisions - non-life	**9 636 531**
Technical provisions - non-life (excluding health)	**9 375 969**
TP calculated as a whole	0
Best estimate	8 921 164
Risk margin	454 805
Technical provisions - health (similar to non-life)	**260 562**
TP calculated as a whole	0
Best estimate	256 407
Risk margin	4 156
Technical provisions - life (excluding index-linked and unit-linked)	**35 061 452**
Technical provisions - health (similar to life)	**0**
TP calculated as a whole	0
Best estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**35 061 452**
TP calculated as a whole	0
Best estimate	34 671 391
Risk margin	390 060
Technical provisions – index-linked and unit-linked	**7 667 093**
TP calculated as a whole	0
Best estimate	7 637 482
Risk margin	29 611
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	295 318
Pension benefit obligations	0
Deposits from reinsurers	1 401 412
Deferred tax liabilities	1 194 103
Derivatives	1 531 858
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	5 694 615
Insurance & intermediaries payables	2 061 912
Reinsurance payables	4 539 784
Payables (trade, not insurance)	1 147 301
Subordinated liabilities	0
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	2 054 929
Total liabilities	**72 286 307**

Excess of assets over liabilities	**32 719 330**

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Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of Business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written																	
Gross - Direct Business	129 527	494 949	0	4 766 712	3 518 994	237 815	6 754 375	2 017 464	269 255	0	0	12 618					**18 201 709**
Gross - Proportional reinsurance accepted	0	327	0	0	0	44 528	558 429	174 520	4 547	0	0	0					**782 351**
Gross - Non-proportional reinsurance accepted													2 448	21 982	520	86 285	**111 215**
Reinsurers' share	52 286	197 980	0	1 874 064	1 464 358	242 333	3 569 287	1 123 746	10 162	0	0	0	2 448	21 982	520	86 285	**8 645 431**
Net	**77 241**	**297 296**	**0**	**2 892 648**	**2 054 635**	**40 010**	**3 743 517**	**1 068 238**	**263 641**	**0**	**0**	**12 618**	**0**	**0**	**0**	**0**	**10 449 845**
Premiums earned																	
Gross - Direct Business	129 531	496 963	0	4 744 087	3 474 473	242 239	6 746 653	1 996 013	70 089	0	0	11 091					**17 911 137**
Gross - Proportional reinsurance accepted	0	335	0	-0	0	44 534	560 755	172 447	4 548	0	0	0					**782 619**
Gross - Non-proportional reinsurance accepted													2 448	21 982	520	86 285	**111 215**
Reinsurers' share	52 288	198 785	0	1 865 073	1 446 431	238 814	3 573 503	1 097 474	13 642	0	0	0	2 448	21 982	520	86 285	**8 597 226**
Net	**77 244**	**298 513**	**0**	**2 879 013**	**2 028 042**	**47 958**	**3 733 905**	**1 070 986**	**60 995**	**0**	**0**	**11 091**	**0**	**0**	**0**	**-0**	**10 207 746**
Claims incurred																	
Gross - Direct Business	56 627	154 780	0	1 943 169	2 281 222	76 075	2 801 119	1 101 510	6 907	0	0	14 963					**8 436 373**
Gross - Proportional reinsurance accepted	0	145	0	0	0	20 421	274 100	118 455	7	0	0	0					**413 129**
Gross - Non-proportional reinsurance accepted													0	13 757	0	26 733	**40 491**
Reinsurers' share	27 118	61 389	0	880 572	920 842	79 327	1 320 829	652 010	2 312	0	0	0	0	16 091	0	26 944	**3 967 434**
Net	**29 510**	**93 536**	**0**	**1 062 597**	**1 360 380**	**17 170**	**1 754 390**	**567 956**	**4 603**	**0**	**0**	**14 963**	**0**	**-2 334**	**0**	**-211**	**4 922 558**
Changes in other technical provisions																	
Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Non- proportional reinsurance accepted													0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	86 834	88 201	0	1 060 026	695 228	27 716	1 339 523	452 418	46 899	0	0	2 122	-16	-107	0	-393	**3 828 450**
Other expenses																	**143 990**
Total expenses																	**3 972 440**

	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	
Premiums written									
Gross	0	4 008 830	1 575 986	3 204 656	0	0	0	693	**8 790 145**
Reinsurers' share	0	0	0	1 232 815	0	0	0	693	**1 233 508**
Net	**0**	**4 008 830**	**1 575 986**	**1 971 840**	**0**	**0**	**0**	**0**	**7 556 636**
Premiums earned									
Gross	0	4 008 830	1 575 986	3 204 656	0	0	0	693	**8 790 145**
Reinsurers' share	0	0	0	1 232 815	0	0	0	693	**1 233 508**
Net	**0**	**4 008 830**	**1 575 986**	**1 971 840**	**0**	**0**	**0**	**0**	**7 556 636**
Claims incurred									
Gross	0	5 524 071	1 835 036	1 185 412	0	0	0	116	**8 544 635**
Reinsurers' share	0	0	0	445 824	0	0	0	116	**445 940**
Net	**0**	**5 524 071**	**1 835 036**	**739 588**	**0**	**0**	**0**	**0**	**8 098 696**
Changes in other technical provisions									
Gross	0	2 980 611	-196 749	-2 520	0	376 613	0	328	**3 158 283**
Reinsurers' share	0	0	0	3 280	0	166 184	0	328	**169 793**
Net	**0**	**2 980 611**	**-196 749**	**-5 800**	**0**	**210 429**	**0**	**-0**	**2 988 490**
Expenses incurred	0	1 094 424	0	502 992	0	0	0	0	**1 597 415**
Other expenses									**133 718**
Total expenses									**1 731 133**

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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
		BG	SK	PL	RU	IT	
Premiums written							
Gross - Direct Business	18 201 709	0	0	0	0	0	**18 201 709**
Gross - Proportional reinsurance accepted	585 203	139 029	17 013	13 817	8 467	6 583	**770 112**
Gross - Non-proportional reinsurance accepted	0	111 215	0	0	0	0	**111 215**
Reinsurers' share	8 498 629	250 244	0	0	3 448	0	**8 752 322**
Net	**10 288 283**	**0**	**17 013**	**13 817**	**5 019**	**6 583**	**10 330 714**
Premiums earned							
Gross - Direct Business	17 911 137	0	0	0	0	0	**17 911 137**
Gross - Proportional reinsurance accepted	587 227	139 011	15 577	13 515	8 467	6 583	**770 380**
Gross - Non-proportional reinsurance accepted	0	111 215	0	0	0	0	**111 215**
Reinsurers' share	8 450 648	250 227	0	0	3 448	0	**8 704 323**
Net	**10 047 717**	**0**	**15 577**	**13 515**	**5 019**	**6 583**	**10 088 410**
Claims incurred							
Gross - Direct Business	8 188 560	0	0	0	0	0	**8 188 560**
Gross - Proportional reinsurance accepted	351 515	40 457	-320	8 940	593	0	**401 185**
Gross - Non-proportional reinsurance accepted	17 335	23 367	-212	0	0	0	**40 491**
Reinsurers' share	3 874 520	80 947	-361	0	593	0	**3 955 698**
Net	**4 682 891**	**-17 123**	**-170**	**8 940**	**0**	**0**	**4 674 538**
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	**0**
Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	3 546 831	-3 148	3 563	1 374	1 435	252 024	**3 802 080**
Other expenses							**143 990**
Total expenses							**3 946 070**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		AT	BG	DE	HU	IT	
Premiums written							
Gross	8 790 145	0	0	0	0	0	**8 790 145**
Reinsurers' share	1 233 508	0	0	0	0	0	**1 233 508**
Net	**7 556 636**	**0**	**0**	**0**	**0**	**0**	**7 556 636**
Premiums earned							**0**
Gross	8 790 145	0	0	0	0	0	**8 790 145**
Reinsurers' share	1 233 508	0	0	0	0	0	**1 233 508**
Net	**7 556 636**	**0**	**0**	**0**	**0**	**0**	**7 556 636**
Claims incurred							**0**
Gross	8 168 022	0	0	0	0	0	**8 168 022**
Reinsurers' share	279 756	0	0	0	0	0	**279 756**
Net	**7 888 267**	**0**	**0**	**0**	**0**	**0**	**7 888 267**
Changes in other technical provisions							**0**
Gross	2 781 670	0	0	0	0	0	**2 781 670**
Reinsurers' share	3 608	0	0	0	0	0	**3 608**
Net	**2 778 061**	**0**	**0**	**0**	**0**	**0**	**2 778 061**
Expenses incurred	1 423 522	2 304	-980	-65	-557	181 562	**1 605 786**
Other expenses							**133 718**
Total expenses							**1 739 504**

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Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance		Other life insurance					Health insurance (direct business)				
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
Technical provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions calculated as a sum of BE and RM													
Best Estimate													
Gross Best Estimate	31 499 196	7 637 482	0	1 630 292	0	1 541 904	0	**42 308 874**	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	718 131	0	457 177	0	**1 175 308**	0	0	0	0	**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	31 499 196	7 637 482	0	912 161	0	1 084 727	0	**41 133 566**	0	0	0	0	**0**
Risk Margin	291 976	29 611		69 217		28 867	0	**419 671**	0		0	0	**0**
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Best estimate	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Risk margin	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions - total	31 791 172	7 667 093		1 699 509		1 570 771	0	42 728 545	0		0	0	0

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Non - life Technical Provisions

	Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:ll				Total Non-Life obligations
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross	9 322	18 376	0	355 258	451 880	3 993	366 340	279 505	144 958	0	0	-36	0	0	0	0	**1 629 596**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	2 245	6 558	0	52 518	126 960	10 831	83 842	57 110	-356	0	0	0	0	0	0	0	**339 708**
Net Best Estimate of Premium Provisions	7 077	11 818	0	302 740	324 920	-6 838	282 498	222 396	145 313	0	0	-36	0	0	0	0	**1 289 888**
Claims provisions																	
Gross	36 241	192 468	0	2 774 099	391 132	174 341	1 988 209	1 744 652	55 375	0	0	0	0	143 527	0	47 931	**7 547 975**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	13 731	72 484	0	974 145	120 694	147 783	1 026 499	1 020 680	389	0	0	0	0	140 421	0	47 755	**3 564 582**
Net Best Estimate of Claims Provisions	22 509	119 984	0	1 799 953	270 438	26 558	961 710	723 972	54 986	0	0	0	0	3 107	0	176	**3 983 394**
Total Best estimate - gross	45 563	210 844	0	3 129 356	843 013	178 333	2 354 549	2 024 158	200 333	0	0	-36	0	143 527	0	47 931	**9 177 571**
Total Best estimate - net	29 586	131 802	0	2 102 693	595 358	19 719	1 244 208	946 368	200 299	0	0	-36	0	3 107	0	176	**5 273 281**
Risk margin	637	3 515	0	300 214	8 791	2 520	76 955	35 518	24 243	0	0	58	4	6 236	1	269	**458 960**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions - total																	
Technical provisions - total	46 199	214 359	0	3 429 570	851 804	180 853	2 431 504	2 059 676	224 575	0	0	22	4	149 764	1	48 199	**9 636 531**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	15 977	79 042	0	1 026 663	247 655	158 614	1 110 341	1 077 790	33	0	0	0	0	140 421	0	47 755	**3 904 289**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**30 223**	**135 317**	**0**	**2 402 907**	**604 149**	**22 240**	**1 321 163**	**981 886**	**224 542**	**0**	**0**	**22**	**4**	**9 343**	**1**	**444**	**5 732 242**

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Non-life Insurance Claims Information

Accident Year/Underwriting year	1 - Accident year

Gross Claims Paid (non-cumulative)

	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											19 927	19 927	
N-9	7 529 242	2 494 954	418 559	226 343	107 872	47 858	55 168	16 458	28 324	28 178		28 178	10 952 955
N-8	7 124 665	2 318 702	507 323	178 682	92 297	57 468	58 933	26 660	21 430			21 430	10 386 160
N-7	7 896 460	2 364 610	422 454	199 201	69 544	33 153	42 300	18 537				18 537	11 046 260
N-6	8 424 410	3 347 604	442 093	205 696	93 217	22 633	39 292					39 292	12 574 944
N-5	5 963 909	2 055 956	360 094	122 274	86 684	55 140						55 140	8 644 058
N-4	6 105 629	2 225 972	394 713	135 224	63 575							63 575	8 925 114
N-3	6 415 855	2 209 704	526 841	131 245								131 245	9 283 644
N-2	5 176 571	2 235 235	529 072									529 072	7 940 877
N-1	4 859 542	1 972 443										1 972 443	6 831 985
N	5 394 626											5 394 626	5 394 626
Total												**8 273 466**	**91 980 623**

Gross undiscounted Best Estimate Claims Provisions

	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											144 585	134 197
N-9	0	0	0	0	0	0	0	0	0	89 985		85 610
N-8	0	0	0	0	0	0	0	0	119 503			113 861
N-7	0	0	0	0	0	0	0	99 721				93 829
N-6	0	0	0	0	0	0	134 216					127 026
N-5	0	0	0	0	0	196 322						187 298
N-4	0	0	0	0	213 531							203 311
N-3	0	0	0	401 970								387 897
N-2	0	0	553 931									527 201
N-1	0	1 068 213										1 013 740
N	3 295 324											3 186 055
Total												**6 060 024**

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Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	52 365 076	0	0	26 930	0
Basic own funds	28 965 330	0	0	-20 210	0
Eligible own funds to meet Solvency Capital Requirement	28 965 330	0	0	-20 210	0
Solvency Capital Requirement	9 879 765	-0	0	548 180	0
Eligible own funds to meet Minimum Capital Requirement	28 965 330	0	0	-20 210	0
Minimum Capital Requirement	2 767 380	-0	0	19 756	0

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Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
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)	4 000 000	4 000 000		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	24 965 330	24 965 330			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**28 965 330**	**28 965 330**	**0**	**0**	**0**
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	**0**			**0**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**28 965 330**	**28 965 330**	**0**	**0**	**0**
Total available own funds to meet the MCR	**28 965 330**	**28 965 330**	**0**	**0**	
Total eligible own funds to meet the SCR	**28 965 330**	**28 965 330**	**0**	**0**	**0**
Total eligible own funds to meet the MCR	**28 965 330**	**28 965 330**	**0**	**0**	
SCR	**9 879 765**				
MCR	**2 767 380**				
Ratio of Eligible own funds to SCR	**293,2%**				
Ratio of Eligible own funds to MCR	**1046,7%**				

Reconciliation reserve	
Excess of assets over liabilities	32 719 330
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	3 754 000
Other basic own fund items	4 000 000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**24 965 330**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	1 793 502
Expected profits included in future premiums (EPIFP) - Non- life business	544 350
Total Expected profits included in future premiums (EPIFP)	**2 337 852**

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S.25.02.21

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

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
FIN01	Financial Risk	4 047 175	4 047 175		
CRD01	Credit Risk	3 868 594	3 868 594		
LUW01	Life underwriting risk	537 899	537 899		
NUW01	Non-life underwriting risk	2 013 958	2 013 958		
OPE01	Operational risk	719 300	0		
TAX01	Tax Cap	503 571	503 571		
MOD01	Model Adjustment	301 988	301 988		
INT01	Intangible risk	0	0		

Calculation of Solvency Capital Requirement	
Total undiversified components	11 992 485
Diversification	-2 112 720
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	9 879 765
Capital add-ons already set	0
Solvency capital requirement	**9 879 765**
Other information on SCR	
Amount/estimate of the overall loss-absorbing capacity of technical provisions	0
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	-1 189 705
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

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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
Linear formula component for non-life insurance and reinsurance obligations	1 407 106	

	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
Medical expense insurance and proportional reinsurance	29 586	77 241		
Income protection insurance and proportional reinsurance	131 802	297 296		
Workers' compensation insurance and proportional reinsurance	0	0		
Motor vehicle liability insurance and proportional reinsurance	2 102 693	2 892 648		
Other motor insurance and proportional reinsurance	595 358	2 054 635		
Marine, aviation and transport insurance and proportional reinsurance	19 719	40 010		
Fire and other damage to property insurance and proportional reinsurance	1 244 208	3 743 517		
General liability insurance and proportional reinsurance	946 368	1 068 238		
Credit and suretyship insurance and proportional reinsurance	200 299	263 641		
Legal expenses insurance and proportional reinsurance	0	0		
Assistance and proportional reinsurance	0	0		
Miscellaneous financial loss insurance and proportional reinsurance	0	12 618		
Non-proportional health reinsurance	0	0		
Non-proportional casualty reinsurance	3 107	0		
Non-proportional marine, aviation and transport reinsurance	0	0		
Non-proportional property reinsurance	176	0		

	Non-life activities	Life activities
	$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
Linear formula component for life insurance and reinsurance obligations		1 360 274

	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
Obligations with profit participation - guaranteed benefits			31 255 145	
Obligations with profit participation - future discretionary benefits			244 051	
Index-linked and unit-linked insurance obligations			7 637 482	
Other life (re)insurance and health (re)insurance obligations			1 996 887	
Total capital at risk for all life (re)insurance obligations				173 039 419

Overall MCR calculation	
Linear MCR	2 767 380
SCR	9 879 765
MCR cap	4 445 894
MCR floor	2 469 941
Combined MCR	2 767 380
Absolute floor of the MCR	199 985
Minimum Capital Requirement	**2 767 380**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	1 407 106	1 360 274
Notional SCR excluding add-on (annual or latest calculation)	5 023 478	4 856 286
Notional MCR cap	2 260 565	2 185 329
Notional MCR floor	1 255 870	1 214 072
Notional Combined MCR	1 407 106	1 360 274
Absolute floor of the notional MCR	99 993	99 993
Notional MCR	1 407 106	1 360 274