Audited Annual Report for the business year 2018

NLB Vita

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NLB Vita

Statement of the President of the Management Board

Dear Sir or Madam,

In 2018, NLB Vita celebrated its 15 years of existence. The founders and owners of the Insurance Company Nova Ljubljanska banka d.d., Ljubljana and KBC Insurance presented it to the Slovenian market in 2003 and ever since then, its performance has been satisfactory and it has been gaining ground on the life insurance market. We are proud to say that 2018 was another successful year.

At EUR 76.9 million, we again reached a record gross written premium in the history of the Insurance Company and managed to increase the market share among traditional life insurance companies to 14.6%, without taking into account pension insurance, and thus kept the 3rd place. The Insurance Company maintained a high profitability of operations and earned a net profit totalling EUR 8.3 million. At the end of 2018, total assets exceeded EUR 450 million and the value of capital was EUR 60 million at the end of the year.

Good business were reflected as a sum of indicators and numbers but behind those are the employees of NLB Vita, financial consultants in the NLB's distribution network and other colleagues in NLB and KBC who tried their best in their own area of expertise in order to contribute to our share.

Our most important distribution channel remains the NLB's Distribution Network which consists of 94 branch offices in Slovenia with 370 financial consultants taking care of a high level of client satisfaction. With due diligence and in cooperation with the NLB we are also developing an on-line sales channel and constantly upgrade our product portfolio.

IRENA PRELOG, MSc.
President of the Management Board

Tine Pust, MSc., CFA
Member of the Management Board

“Life is unpredictable. We are there for you and we keep our promises.”

In 2018 we upgraded the product Vita Senior which is intended for the coverage of funeral costs.

Insurance policy holders are in the centre of our activities and we use multi-channel sales approach in order to make our insurance products and services always available to you at your convenience. We are happy to be part of your everyday life: in your homes, on your travels and at your workplace. We are happy to take care of your safety and the safety of those close to you, organise help when unexpected events occur and provide consultancy services when you decide about saving for pension or other life goals. We are aware that time is a commodity we always lack and we are therefore striving to facilitate services for you by enabling you to take out health insurance abroad or accident insurance on-line, to renew an existing insurance policy in three easy steps without unnecessary entering of data, get any information you need in relation to our insurance products 24/7 via our contact centre, or check information about your insurance policies in NLB Vita’s on-line branch office or in the on-line bank NLB Klik. Financial consultants are available to you for the entire term of your insurance contracts in 94 branch offices all over Slovenia.

NLB Vita is aware that our operations are strongly dependent on the environment (natural and social) in which we work and live. Since we care about our natural environment, we are gradually becoming a paperless company. In the framework of this strategy we have introduced the e-signature and thus enabled paperless writing of insurance policies, we have digitalised our corporate governance and introduced digital signing of company documents. We integrated into our product ‘Varčevanje Vita+’ the option of selecting the sub-fund ‘NLB Skladi Družbeno odgovorni razviti trgi’ that invests in the companies with above-average positive attitude towards the environmental, social governance aspects.

We implement our social responsibility by allocating part of our income to the development and functioning of social activities that enrich the activities in the area of culture, education, sports and arts. We therefore supported the Ljubljana Marathon, the Third Age Festival, the cultural and educational programme of Cankarjev dom, Puddle and Hop to the castle. We donated funds to the Ljubljana ZOO for a new children’s playground in the centre of the ZOO, which we named “the Frog’s Leap” and to the Slovenian Association of Friends of Youth for children who had lost their parents.

The year 2018 was a challenging year also due to legislative requirements to which we successfully adapted. We successfully implemented the requirements of the GDPR and the Insurance Distribution Directive (IDD).

I would like to thank all the colleagues in the life Insurance Company NLB Vita, NLB and KBC, the policyholders, business partners and owners for great cooperation.

Irena Prelog, MSc.
President of the Management Board

Supervisory Board's report for the business year 2018

1. Composition and work of the Supervisory Board

In 2018, the Supervisory Board met at four regular meetings (04/04/2018, 15/06/2018, 05/09/2018 and 14/11/2018) and one correspondence meeting (29/01/2018–02/02/2018). In 2018, the composition of the Supervisory Board was the following: Johan Daemen, Jana Benčina Henigman, Blaž Brodnjak and Nik Vincke. On 10/04/2018, the term of office of Johan Daemen, Member and Chairman of the Supervisory Board, expired. The General Meeting granted him a new full term of office on 10/04/2018, namely until the end of the Annual General Meeting of the Insurance Company, which shall decide on the use of the net distributable profit for the third business year after the year in which he was elected, i.e. until 2022.

The Supervisory Board carefully supervised the operations of the Company in 2018. Regular reports submitted to the Supervisory Board for discussion were: reports on sales, internal audit reports, risk management reports, reports on compliance, the ORSA report, SFCR report and the reports of the President of the Management Board about major operating events.

At its regular meeting on 05/09/2018, the Supervisory Board, based on the resignation statement of the previous external member of the Audit Committee, appointed another member of the Audit Committee who met all the required conditions for the external member of the Audit Committee for a four-year term of office, i.e. until 05/09/2022. Pursuant to the adopted Policy on the Assessment of the Suitability of the Key Function Holders and Holders of Business Functions in the Insurance Company NLB Vita d.d. Ljubljana (the Fit&Proper Policy) and the applicable legislation, the Supervisory Board also decided on the appointment of the key holder of the actuary function.

Additionally, the Supervisory Board (at the proposal of the Management Board and/or the Audit Committee of the Supervisory Board) discussed the following important issues:

- profit sharing for 2017 for insurance products Varčevanje Vita plus, NLB Vita Razigrana, NLB Vita Zanesljiva and NLB Vita Senior;
- the auditor's opinion on the quality of the control system as at 31/12/2017;
- the Internal Audit's Report for 2017 and the opinion of the Supervisory Board;
- Report on the implementation of the Quality Improvement and Assurance Programme of the Internal Audit and the proposal for the remuneration of the Head of the Internal Audit;
- Annual Report of NLB Vita for 2017;
- the Supervisory Board's Report for 2017;
- the proposed remuneration for the Management Board for performance in 2017
- the proposed financial and non-financial performance criteria for the internal audit function holder for 2018;
- the proposed financial and non-financial performance criteria for the Management Board for 2018;
- the proposed agenda of the General Meeting of Shareholders;
- discussion of the Financial Plan for the period 2019 - 2023 and the assessment of capital adequacy;
- the annual report of the actuary function holder for 2017;
- the governance system policies, the Remuneration Policy, the Internal Audit Action Plan and the Compliance Plan for 2019;
- the proposed selection of software for the IFRS 17.

The Chairman of the Supervisory Board establishes that cooperation of the Supervisory Board and the Management Board in the 2018 business year was proper and in line with the powers.

2. Audit Committee

In 2018, the Audit Committee met at four regular meetings (04/04/2018, 15/06/2018, 05/09/2018 and 14/11/2018) and one correspondence meeting (29/01/2018–02/02/2018). The Audit Committee performed its professional tasks according to the law and prepared draft resolutions of the Supervisory Board. The tasks of the Audit Committee predominantly refer to internal audit and compliance, addressing external and internal audit reports, financial reports and risk management reports, and assessment of audit procedures.

3. Position of the Supervisory Board on the Auditor's Report

At the General Meeting of Shareholders held on 31/03/2016, ERNST & YOUNG, revizija, poslovno svetovanje, d.o.o., was designated auditor of the financial statements for the business years 2016, 2017 and 2018. The authorised person of the auditing company reported to the Audit Committee on the progress of the audit for 2018 at the meeting of the Audit Committee on 05/04/2019. The certified auditor audited the financial statements of the Insurance Company according to the International Standards on Auditing. The certified auditor gave a positive opinion.

The Supervisory Board finds that the Auditor's Report confirms the true and fair view of the financial position and performance of the Company. The Supervisory Board had no comment on the Auditor's Report.

4. Position of the Supervisory Board on the annual report for 2018

At its meeting on 05/04/2019, the Supervisory Board examined the Annual Report of the Company and established:

- the Management Board performed their duties in line with the adopted business policy approved by the Supervisory Board;
- the annual report has been compiled in line with the Articles of Association, the Companies Act, the Insurance Act and the International Financial Reporting Standards;
- the contents of the Annual Report present all essential data important for its verification and for deciding on the allocation of net and distributable profit;
- the financial statements and the underlying documents for the year and the compiled Annual Report have been examined by a certified auditor who gave a positive opinion.

The Supervisory Board established that by reviewing the Annual Report and accounting for the auditor's opinion of ERNST & YOUNG, and based on monitoring and checking of the Company's performance in the past business year, it has no objections to the Annual Report and approves it. The Annual Report is thus formally adopted.

5. Distribution of net profit and proposed allocation of distributable profit

In accordance with the Companies Act, the International Financial Reporting Standards and the Articles of Association of the Company, the Management Board decided on the distribution of net profit and after verification by the Supervisory Board prepared the proposal for the allocation of distributable profit to be decided at the General Meeting of Shareholders.

In 2018, NLB Vita generated net profit of EUR 8,330,070.65, which is the amount of distributable profit.

The Management Board and the Supervisory Board propose that the General Meeting of Shareholders of NLB Vita, življenjska zavarovalnica d.d. Ljubljana, adopts the following resolution on the allocation of distributable profit:

"The distributable profit in the amount of EUR 8,330,070.65 as at 31/12/2018 shall be allocated as follows:

- EUR 4,164,296 to dividends;
- EUR 4,165,774.65 shall be used to increase other revenue reserves.

Dividends shall be paid to the shareholders entered in the share register two days after the General Meeting. Dividends shall be paid out within the deadlines prescribed by the Rules of operation and the Instructions of Klirinško depotna družba d.d. for the implementation of the corporate action of payment to beneficiaries."

6. General

This Supervisory Board's report is based on applicable legislation and company acts and the adopted business policy proposed by the Management Board and approved by the Supervisory Board at its meetings. It is also based on the adopted Annual Report and the approved and audited financial statements.

The opinion of the Supervisory Board is that based on the Company's Annual Report, the Auditor's Report, the report of the certified actuary and this report of the Supervisory Board, conditions have been met for the General Meeting of Shareholders to grant to the Management Board and Supervisory Board a discharge from liability for the 2018 business year.

Ljubljana, 05/04/2019

Johan Daemen
Chairman of the Supervisory Board

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OBLIGATORY RESPONSIBILITY

Work performed responsibly lays the foundations.

PERFECT TRANSPARENCY

Transparency and integrity provide stability.

TEAM WORK

Cooperation creates the sense of connection.

INNOVATION

New ideas bring better solutions.

M U M

MOTIVATION

New challenges give rise to new opportunities.

UNWAVERING FOCUS

A satisfied customer brings us satisfaction.

MAXIMISATION

Pushing borders enables us to have a brighter future.

Chapter 1

Business Report

1 Insurance Company profile

1.1 Establishment and ownership

NLB Vita, življenjska zavarovalnica, d.d., Ljubljana, (abbreviated name: NLB Vita d.d. Ljubljana) was founded in 2003 and started marketing insurance products in June 2003. The founders and owners of the Insurance Company are Nova Ljubljanska banka d.d., Ljubljana and KBC Insurance NV, Leuven, Belgium, each of them with a 50% capital share. The Company's share capital as at 31/12/2018 amounted to EUR 7,043,899 and is divided into 1,688 ordinary, registered, dematerialised no-par value shares. Each share grants its holder one vote.

1.2 Activity

The Insurance Company was established with a view to pursue insurance operations which it is authorized to carry out by the Insurance Supervision Agency, coupled with other activities it is allowed to perform in line with the applicable regulations in Slovenia and other countries. The range of products offered by NLB Vita comprises traditional life insurance, unit-linked insurance, accident insurance and health insurance.

Its products are distributed via the branch offices of Nova Ljubljanska banka d.d. all of which are dispersed across the entire territory of the Republic of Slovenia, and through modern distribution channels (e.g. Internet sales).

Data as at 31/12/2018	No. of shares	EUR	in %
Nova Ljubljanska banka d.d., Ljubljana	844	3,521,950	50
KBC Insurance NV, Leuven	844	3,521,950	50
Total	**1,688**	**7,043,899**	**100**

1.3 Vision, mission, values and goals

NLB Vita will be a modern bank Insurance Company known as a synonym for life insurance on the Slovenian market. It will provide personal insurance in a modern and transparent manner, offering all groups of clients a quality service and the owners an appropriate ROE.

"Life is unpredictable. We are there for you and we keep our promises."

With an extensive network of the best bank experts in all phases of a business relationship, our customers are guaranteed a personal approach and professional services.

NLB Vita's values are defined by the "Optimum" principles of operation

- **O**bligatory responsibility
- **P**erfect transparency
- **T**eam work
- **I**nnovation
- **M**otivation
- **U**nwavering focus
- **M**aximisation

1.4 Management and supervisory bodies

The Insurance Company's key statutory bodies are the Management Board, the Supervisory Board and the General Meeting of Shareholders.

The Company's business is conducted by a two-member Management Board consisting of Irena Prelog, MSc., President of the Management Board, and Tine Pust, MSc., Member of the Management Board.

In 2018, the members of the Supervisory Board of NLB d.d. of NLB Vita were Johan P. Daemen (Chairman of the Supervisory Board), Jana Benčina Henigman (Deputy Chair of the Supervisory Board), Nick Vincke and Blaž Brodnjak.

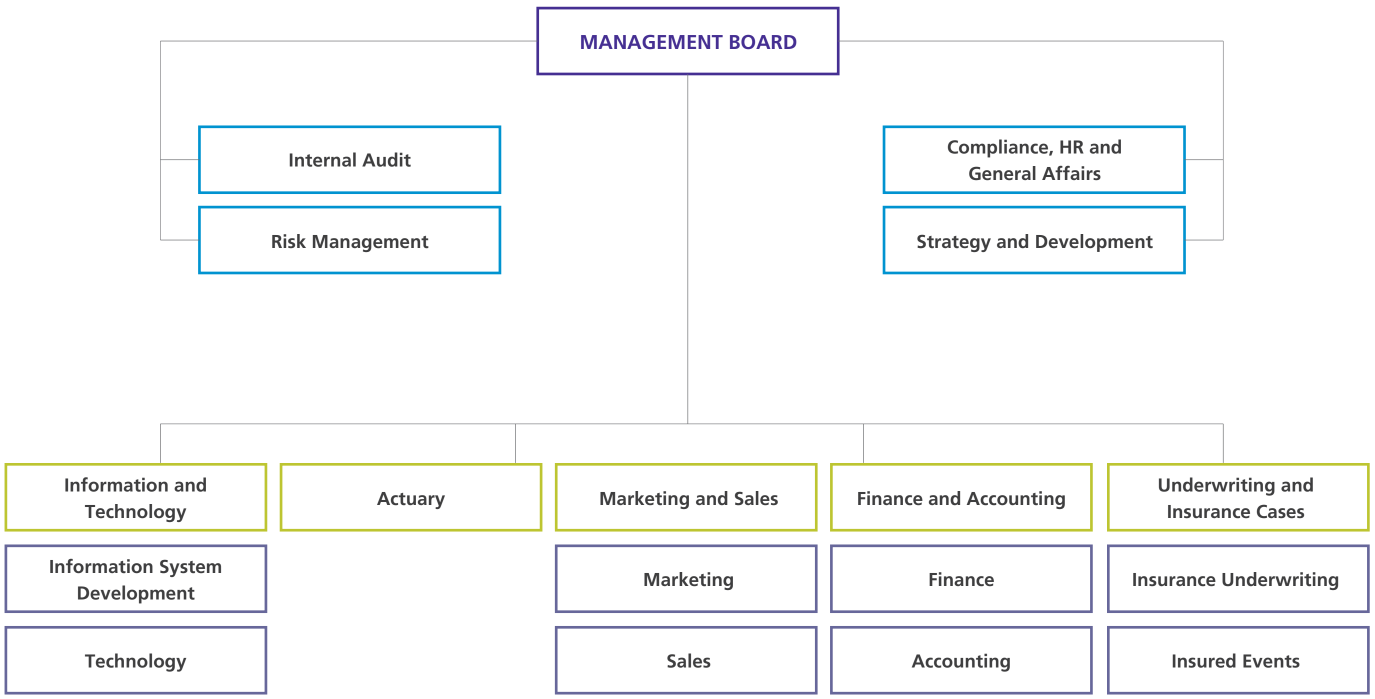
1.5 Employees and organisational structure

As at 31/12/2018, NLB Vita employed a total of 46 people, while the average number of staff in 2018 was 42. Number of staff according to the level of education, as at 31 December:

Level of education	31/12/2018	31/12/2017
VIII/2.	0	0
VIII/1.	8	6
VII.	21	23
VI/2.	10	8
VI/1.	6	7
V.	1	1
Total	**46**	**45**

NLB Vita has a functional organization. There are four management support services and four departments responsible directly to the Management Board. NLB Vita does not have a separate Diversity Policy in place. The organizational structure of the Insurance Company is shown below.

Company's organisational chart



1.6 Corporate governance statement

I. General information on the system of management of NLB Vita[1]

NLB Vita, življenjska zavarovalnica d.d. (hereinafter referred to as »NLB Vita«) was established in 2003 to carry out insurance business. The founders and owners of the Insurance Company are Nova Ljubljanska banka d.d., Ljubljana and KBC Insurance NV, Leuven, Belgium, each of them with a 50% capital share. The share capital of the Company is EUR 7,043,899 and is divided into 1,688 par value shares. The founders each took 844 shares. The Company is organized as a public limited company with the classic two-tier corporate management system.

NLB Vita undertook to comply with the NLB Group Code of Conduct. This is a uniform code of conduct at the Group level, pursuing good international practice and the goal of ethical standards and principles of conduct harmonised throughout the NLB Group. In addition to the principles contained in the NLB Group Code of Conduct, the fundamental principles of the Insurance Company are expressed by the acronym "OPTIMUM".

NLB Vita has adopted and undertaken to comply with the Code of Insurance published on the website of the Slovenian Insurance Association:

(http://www.zav-zdruzenje.si/wp-content/uploads/2012/11/Kodeks.pdf)

Considering the specifics of the Company's ownership, management system and performance, NLB Vita adopted, in accordance with the provisions of the Companies Act, a decision to prepare and adopt its own corporate governance code instead of applying public corporate governance codes. It is its own code that gives it the opportunity to best approach the individual requirements for an effective corporate governance system, special features and needs deriving from its business. Its own Code is supplemented according to the Code of Conduct of the NLB Group, which defines the standards and principles of conduct followed by the employees, the bodies of the Insurance Company and third parties acting on the basis of any relationship on behalf of the Insurance Company, in day-to-day operations or performing activities in relationship to customers, colleagues, other business entities, participants and stakeholders in the wider economic and social environment.

II. Management Bodies

The institutional starting points of the organization of the operations of NLB Vita are defined by the Insurance Act (Official Gazette of the Republic of Slovenia, No. 93/2015, hereinafter referred to as »the ZZavar-1«) and the Statute of NLB Vita of 31/03/2016 (hereinafter referred to as »the Statute«). The Rules of Organization of NLB Vita defines:

- the standard descriptions of the organizational parts of NLB Vita,
- the organizational structure of NLB Vita and the lines of management and reporting,
- the mission and tasks of the organizational parts of NLB Vita.

The management and supervisory bodies of NLB Vita are the Management Board, the Supervisory Board and the General Meeting and pursuant to the ZZavar-1, the Audit Committee has also been established. Within the Insurance Company there are several working bodies or collective decision-making bodies: the Risk Committee, the ALCO Committee, the IT Committee and the Committee for New Products and Marketing Channels whose operations are presented in detail in the next chapter. The Insurance Company has established an appropriate system for documenting the decisions adopted by the management and the supervisory bodies.

II.1 The Management Board

The members and the President of the Management Board must meet the terms and conditions set in the ZZavar-1 and its implementing regulations, the Companies Act (hereinafter: the ZGD-1) and the Policy on the Assessment of the Suitability of the Members of the Management Board and the Supervisory Board (Fit&Proper Policy) of NLB Vita. The Management Board runs the Company for the benefit of the Insurance Company independently and at their own responsibility. They also represent and present the Insurance Company to the public.

The Statute stipulates that the Management Board of NLB Vita has at least two members, of which one is the President of the Management Board. The Management Board adopts decisions unanimously; in the event of a tied vote, the President of the Management Board shall have the casting vote. The Management Board is appointed and dismissed by the Supervisory Board. The members and the President of the Management Board are appointed for a term of office of four years, but they can be dismissed from their position prematurely in accordance with the law and the Statute. A member of the Management Board may prematurely step down from their position with a period of notice of three months. The competences of the Management Board, its decision-making, the provisions of the working and advisory bodies of the Management Board are defined in the Rules on the Operation of the Management Board of NLB Vita.

The Management Board of NLB Vita is managed by Irena Prelog, MSc., President of the Management Board, and Tine Pust, MSc., member of the Management Board.

Irena Prelog, MSc., President of the Management Board, has a master's degree from the field of actuary. She has a B.Sc. in Mathematics from the Faculty of Natural Sciences and Engineering – Department of Mathematics. She has been upgrading her

[1] For more information on NLB Vita please visit www.nlbvita.si.

knowledge by participating at professional conferences and seminars. She has also obtained a licence to work as an authorized actuary. She gained experience in the field of actuary by working for Zavarovalnica Slovenica between 1999 and 2003, when she was employed by NLB Vita upon its establishment. At first, she worked as an authorized actuary in NLB Vita, covering the field of actuary and reinsurance. In 2008, she was appointed a member of the Management Board. Since 17 October 2018, she has occupied the position of President of the Management Board of NLB Vita, prior to which she had been member of the Management Board.

Tine Pust, MSc., CFA, member of the Management Board, holds a MSc. in management and organisation. He graduated from the Faculty of Economics in Ljubljana (field of study: Finance). He started his career at NLB d.d. as an analyst in the Investment Banking Department and continued as Head of Portfolio Management Branch within the same department. He has been employed at NLB Vita d.d. since 2011, where he had headed the Finance and Accounting Department until his appointment to the Management Board. He constantly upgrades his knowledge in bancassurance and management through training at professional conferences and seminars. He has been member of the Management Board of NLB Vita since 13 December 2017.

In accordance with the Rules on the Operation of the Management Board of NLB Vita, several working and collective bodies for decision-making have been organized in NLB Vita:

- the Risk Committee is a working body in charge of handling, monitoring and reporting on the insurance, investment and operational risks of the Insurance Company;

- the ALCO Committee or investment collegium is a working body which monitors the conditions on financial markets and analyses the situation, changes and trends of the balance sheets of the Insurance Company and prepares decisions for investments which comply with the internal rules and regulations;

- the IT Committee is a working body whose main task is confirming requests for the IT development of the Insurance Company by setting priorities, confirming the changes of priorities and carrying out umbrella monitoring of all the key activities of IT;

- the Committee for New Products and Marketing Channels monitors the trends in the field of insurance products and marketing channels and confirms the proposals for introducing or refreshing products or marketing channels.

II.2 The Supervisory Board

i. The members and appointment of the Supervisory Board

The Supervisory Board of NLB Vita has four members who are all representatives of the shareholders. Only persons who meet the criteria for membership of the Supervisory Board, which are stipulated in the ZZavar-1, the ZGD-1, the Policy on Assessing the Competences and the Suitability of Members of the Management Board and the Supervisory Board of NLB Vita can be appointed to this position. The members of the Supervisory Board can be elected at the general shareholders meeting and unless decided differently by the General Meeting, their mandate lasts until the end of the annual general meeting which decides on the use of the balance sheet profit for the third business year after the year in which the member was elected or until the end of the day which is four years after the date of their election – whichever condition is met first. The General Meeting may dismiss individual members of the Supervisory Board before the end of the mandate period. Moreover, each member of the Supervisory Board may resign from their position early, whilst the President and the Deputy to the President of the Supervisory Board may withdraw only from their functions as well.

ii. Presentation of the Supervisory Board

Table 1: Composition of the Supervisory Board as at 31/12/2018

Name and Surname	Types of membership
Johan P. Daemen	President of the Supervisory Board
Jana Benčina Henigman	Deputy Chair of the Supervisory Board and member of the Supervisory Board
Nik Vincke	Member of the Supervisory Board
Blaž Brodnjak	Member of the Supervisory Board

iii. Operation and competences of the Supervisory Board

The Supervisory Board supervises the management and operations of the Insurance Company. Its competences and decision-making, the manner and organization of its work, as well as any other issues which are important for its operations, are defined with the applicable regulations and the Statute of the Insurance Company.

The main responsibility of the Supervisory Board is to supervise the management of the operations of the Company. The Supervisory Board gives consent to the Management Board on the business strategy of the Insurance Company, the financial plan of the Insurance Company, the written rules of the management system, the annual plan of work for the internal audit; it supervises the appropriateness of the procedures and efficiency of the operations of the internal audit; it handles the findings of the Insurance Supervision Agency, tax inspection and other supervisory bodies in the supervisory procedures of the public Insurance Company, it checks the annual and other financial reports of the public limited company and prepares a written report thereof for the General Meeting; it explains to the general shareholders meeting their opinion concerning the annual report of the internal audit and their opinion on the annual report of the Management Board; it reports to the General Meeting of the Insurance Company on their work and findings and confirms the measures to be implemented in order to improve operations, it reviews the annual report and decides on the proposed use of the balance sheet profits and prepares a written report for the General Meeting of the Insurance Company on the findings of their review; it reviews the reports related to the internal audit and auditing, and proposes the adoption of immediate measures which would be required on the basis of these reports; it gives consent to the adoption of the general legal instruments of the Insurance Company for which the consent of the Supervisory Board is required according to this Statute; the rules adopted by the General Meeting of the Insurance Company are exempt or the instruments based on the legislation or applicable and adopted decisions of the General Meeting of the Insurance Company; it gives consent to the decisions of the Management Board for which according to the law or this Statute members of the Management Board are appointed; it sets the criteria for rewarding the members of the Management Board and carries out other tasks and duties which arise from the applicable legislation and the Statute of the Insurance Company.

In accordance with the Rules on the Operation of the Supervisory Board of NLB Vita, the meeting of the Supervisory Board has to be convened at least four times per year.

The Supervisory Board is authorized for those changes to the Statute which refer to the harmonization of its text to the applicable and valid decisions of the General Meeting of the Insurance Company or the Management Board of the Insurance Company in accordance with the Statute.

iv. The Audit Committee of the Supervisory Board

In accordance with the ZZavar-1, the Supervisory Board of the Insurance Company appoints the Audit Committee. The tasks and competences of the Audit Committee of the Supervisory Board are defined in the ZGD-1 and the Rules on the Operation of the Audit Committee. The most important fields of work of the Audit Committee include:

- monitoring the procedure of financial reporting and the preparation of reports and proposals to ensure their integrity,
- monitoring the effectiveness and performance of the Company's internal control, internal audit and risk management systems,
- monitoring the statutory audit of the annual and consolidated accounts, especially the performance of the statutory audit;
- monitoring and reviewing the independence of the auditor of the annual report of the Company, especially in terms of ensuring additional non-audit services,
- responsibility for the procedure of selecting the auditor and proposing to the Supervisory Board the appointment of a candidate for the revision of the annual report of the Company,
- monitoring the integrity of the financial information provided by the Company,
- assessing the contents of the annual report, including the preparation of the proposal for the Supervisory Board,
- participation in determining important segments for auditing,
- cooperating in the drafting of agreement between the auditor and the Company,
- reporting to the Supervisory Board about the result of the mandatory audit, including the explanation about how the mandatory audit contributed to the integrity of financial reporting and what was the role of the Audit Committee in this procedure,
- carrying out other tasks defined with the Statute or the decision of the Supervisory Board or the Rules on the Operations of the Audio Committee,
- cooperation with the auditor in auditing the annual report of the Company, especially through the mutual informing on the main issues related to the auditing, and
- cooperation with the internal auditor, especially through the mutual informing on the main issues related to the auditing.

Table 2: Composition of the Audit Committee of the Supervisory Board as at 31/12/2018

Name and Surname	Function
Jana Benčina Henigman	Chair of the Audit Committee
Johan P. Daemen	Deputy to the Chairman of the Audit Committee
Igor Lončarski	external independent member of the Audit Committee; performed the function until 05/09/2018, based on the resignation statement
Saša Krušnik	external independent member of the Audit Committee from 05/09/2018 for a 4-year term of office (until 05/09/2022)

II.3. General Meeting

The shareholders of the Insurance Company exercise their rights in Company matters at the general shareholders meeting. The general shareholders meeting is convened at least once a year, within the six months after the end of an individual financial year, or at some other time, in accordance with the law and cases stipulated by the Statute. Only those shareholders may attend and vote at the general meeting whose attendance has been confirmed in writing or personally to the Insurance Company. They have to state the total number of their shares, be registered shareholders of the Insurance Company as owners of shares with voting rights and have to communicate their attendance at least four days before the general meeting.

They will be enrolled until the beginning of the meeting. The General Meeting decides or adopts the Statute of the Insurance Company and its changes, the rules on the operations of the Insurance Company, the annual report (if the Supervisory Board has not confirmed it yet, or if the Management Board and the Supervisory Board have left the decision on adopting the annual report to the General Meeting of the Insurance Company), the use of the balance sheet profit, the submission of the discharge decision to the Management Board and the Supervisory Board, the changes of the share capital of the Insurance Company, the appointment and dismissal of the members of the Supervisory Board who represent the interests of the shareholders, the awards for the work of the members of the Supervisory Board and employees of the Insurance Company with regard to the performance of the Insurance Company, the organization to carry out the audit of the financial statements of the Company, the changes of status, merger and cessation of operations of the Insurance Company. The General Meeting of the Insurance Company also decides on all other matters which are in accordance with the rules and the Statute of NLB Vita within its competence.

In 2018, the General Meeting convened once. On 10/04/2018, the 25th General Meeting was held, wherein 1,688 shares were represented, i.e. 100% of the share capital of the Company. At the 25th General Meeting, the shareholders acknowledged the Annual Report of the Insurance Company NLB Vita d.d. Ljubljana, for 2017 with the opinion of the auditing company, the Annual Report of the Supervisory Board for 2017 and the Annual Report on Internal Auditing for 2017 with the opinion of the Supervisory Board and the receipts of the members of the management and supervisory bodies in 2017. The General Meeting approved the proposal of the Management Board and the Supervisory Board to use the distributable profit in the amount of EUR 6,889,206.13 as follows: EUR 2,066,762 for dividends and EUR 4,822,444.13 to increase other profit reserves. The General Meeting of Shareholders granted a discharge from liability to the Management Board and Supervisory Board members for the 2017 business year. The General Meeting acknowledged the expiry of the term of office of Johan Daemen on 10/04/2018 and reappointed him to the position of a member of the Supervisory Board until the end of the annual general meeting of the Insurance Company which decides on the use of the balance sheet profit for the third business year after the year in which he was elected, i.e. until 2022.

No action for annulment was called at the General Meeting.

II.4. Key functions

The Insurance Company has established an efficient governance system consisting of four key functions: the risk management function, the compliance function, the internal audit function and the actuarial function. They are carried out within the framework of the organizational units which are directly subordinated to the Management Board and organized in order to strengthen the structure of the three defence lines in the governance system of the Insurance Company.

All four key functions cooperate with each other and regularly exchange information that is required for their operation. In its internal document, each key function has arranged in detail at least its tasks, responsibilities, processes and obligations connected with reporting

i. The risk management function

The risk management function represents the ability of the Insurance Company to carry out the tasks related to risk management in the broadest sense of the word. The risk management function exceeds the scope of work of the Risk Management Department, since its operations constitute a comprehensive system for risk management, including the process of its own assessment of risks and solvency. The risk management system has been created by following the principle of the three defence lines, wherein the risk management function, the compliance function and the actuarial function represent the second, and the internal audit function represents the third defence line.

The Risk Management Department is an independent organizational unit which represents the central organizational unit of the risk management system. It is directly subordinated to the Management board of the Insurance Company. The Management Board of the Insurance Company has, with the consent of the Supervisory Board, appointed the holder of the function of risk management which is responsible for the correct and efficient execution of the function, planning and supervising the risk management system, coordination and communication with other organizational units of the Insurance Company, with the Management Board and the Supervisory Board in the field of risk management[2].

ii. The compliance function

The compliance function is carried our within the framework of the Compliance, Human resources and General Affairs Department, which is organized as a management support service ensuring the independent execution of the compliance function. The responsibilities of the compliance function are:

- monitoring and regular assessment of the suitability and efficiency of the regular procedures and measures that have been adopted for the purpose of eliminating

[2] It operates in the selected working bodies of the Insurance Company.
[3] Odbor za tveganja in Odbor za nove produkte in tržne poti.

any deficiencies related to the Insurance Company's compliance with the regulations and other commitments;

- consultancy and assistance in the harmonisation of the Insurance Company's operations with the obligations stipulated by the regulations or other commitments;
- assessment of the potential effects of the changes in the legal environment on the operations of the Insurance Company in terms of the compliance of the operations of the Insurance Company with the regulations or other commitments;
- the definition and assessment of the risk of compliance of the operations of the Insurance Company with the regulations or other commitments, particularly in the case of new products or new distribution channels or material changes in business practices, outsourcing of services, changes in the organisation, changes in the business model, changes in the strategy and similar;
- informing the Management Board and the Supervisory Board of the Insurance Company on the compliance of operations of the Insurance Company with the regulations or other commitments and the assessment of the risk of compliance of the operations of the Insurance Company.

The compliance function in NLB Vita performs preventive tasks in the form of consultancy and training, and curative tasks through control. The tasks of the compliance function are presented in detail in the Policy on the Operations of the Compliance Function.

With the approval of the Supervisory Board of the Insurance Company, the Management Board appointed the compliance function holder who is responsible for the implementation of the compliance function in accordance with the Compliance Function Policy. The compliance function holder is member of the selected working bodies of the Insurance Company[3].

The compliance function prepares the annual work plan which is confirmed by the Management Board and the Supervisory Board of the Insurance Company. The compliance function holder regularly - quarterly - reports to the Management Board, the Audit Committee of the Supervisory Board and the holder of the BL Compliance NLB d.d.

iii. The internal audit function

The internal audit function is executed within the framework of the independent service which is directly responsible to the Management Board of the Insurance Company; this is defined in greater detail in the Document on the Operations of the Internal Audit. The holder of the internal audit function directly reports to the Management Board and the Audit Committee of the Supervisory Board of the Insurance Company to which they have direct access. The internal audit function holder was appointed by the Management Board in agreement with the Supervisory Board.

The internal audit performs regular audit reviews of operations on the basis of the annual plan which is prepared on the basis of the risks and is adopted by the Management Board in consensus with the Audit Committee/Supervisory Board of the Insurance Company. The annual work plan also includes the process of management of the Insurance Company.

The internal audit carries out regular checks and provides advice. Quarterly and annual reports are made on the work of the internal audit (i.e. the checks carried out, open recommendations and other issues) to the Management Board and the Audit Committee/Supervisory Board. The internal function holder is a member of the Risk Committee of NLB Vita.

iv. The actuarial function

The actuarial function is executed within the Actuary Department, the Risk Management Department and the Department for Strategy and Development. The Actuary Department is in charge of the implementation and coordination of the tasks of the actuarial function. The Policy on the Operations of the Actuary Function arranges the operations of the actuarial function in greater detail.

The holder of the actuarial function regularly reports to the Management Board and the Supervisory Board of the Insurance Company. The actuarial function holder is a member of the selected working bodies of the Insurance Company[4]. The actuarial function holder was appointed by the Management Board in agreement with the Supervisory Board.

III. The internal control system

The Insurance Company endeavours to maintain and actualise a solid and reliable governance system comprising:

- a well-defined organization with clear-cut, transparent and consistent internal relations in the area of responsibility;
- efficient procedures to determine, measure or assess, control and monitor the risks to which the Insurance Company is or could be exposed in its operations;
- immediate necessary measures of the competent departments to remedy possible established irregularities, especially when it comes to risks;
- an appropriate internal control system which includes precisely defined accounting procedures (reporting,

[3] Risk Committee and Committee for New Products and Marketing Channels Committee.
[4] ALCO, Risk Committee, New Products and Marketing Channels Committee, IT Committee.

- work procedures, responsibilities, and automatic and manual controls in all stages of the accounting process).

The internal audit carried out a comprehensive control of the operations of the system of internal controls on the basis of the annual work plan for internal audit. They report their findings and recommendations directly to the audited entities, to the Management Board of the Insurance Company and the Audit Committee of the Supervisory Board. The external audit each year, in accordance with the ZGD-1 and the ZZavar1, checks the financial reports of the Company and reports thereof to the Management Board and the Supervisory Board.

IV. The risk management system, including its own assessment of risks and solvency

Within the broader governance system, the Insurance Company realizes a solid and reliable system of risk management. It is based on the clearly defined strategy of risk management and comprises the sensibly structured and interconnected elements which constitute the system.

The risk management strategy in the Insurance Company is defined with:

- risk management targets,
- risk management function,
- holder of the risk management function,
- key principles of risk management,
- register of risks,
- level of acceptability of risks, and
- handling, monitoring and reporting on risks.

In NLB Vita, the risk management system is defined with the following elements:

- a set of policies for individual risk categories,
- a structure of policies for individual risk categories,
- the manner of reporting on risk management,
- the tasks and responsibilities with risk management,
- the policy of own risk and solvency assessment, and
- legal resources.

V. Supplemental information based on Article 70 of the ZGD-1

item three of the sixth paragraph of Article 70 of the ZGD-1:
Information on significant direct and indirect holdership of the Company's securities in the sense of achieving a qualified stake, as stipulated by the act regulating acquisitions, namely:

- name and surname or Company name of the holder,
- the number of securities and stake represented in the Company's subscribed capital and
- the nature of holdership.

Explanation:
The founders and owners of the Insurance Company are Nova Ljubljanska banka d.d., Ljubljana and KBC Insurance NV, Leuven, Belgium, each of them with a 50% capital share. Each holds 844 shares.

item four of the sixth paragraph of Article 70 of the ZGD-1:
Information on each holder of securities that carry special control rights:

- name and surname or Company name of the holder and
- the nature of the rights;

Explanation:
NLB Vita has issued 1,688 par value shares – all shares are from the same class and have the same rights, which means that their owners have no special control rights from the address of the ownership of shares of NLB Vita;

item six of the sixth paragraph of Article 70 of the ZGD-1:
Information on all the restrictions related to voting rights, in particular:

- the limitations of voting rights for a particular share or a particular number of votes,
- deadlines for exercising voting rights and
- agreements wherein, with the cooperation of the Company, the financial rights arising from securities are separated from the ownership of securities;

Explanation:
In accordance with the Statute of the Insurance Company, the voting rights are not limited.

item eight of the sixth paragraph of Article 70 of the ZGD-1:
Information about the Company's rules on:

- appointment or replacement of members of the management or supervisory bodies and
- amendments to the articles of association;

Explanation:
The Management Board is appointed and dismissed by the Supervisory Board. The members and the President of the Management Board are appointed for a term of office of four years, but they can be dismissed from their position prematurely in accordance with the law and the Statute. A member of the Management Board may prematurely step down from their position with a period of notice of three months.

The members of the Supervisory Board can be elected at the general shareholders meeting and unless decided differently by the General Meeting, their mandate lasts until the end of the annual general meeting which decides on the use of the balance sheet profit for the third business year after the year in which the member was elected or until the end of the day which is four years after the date of their election – whichever condition is met first. The General Meeting may dismiss individual members of the Supervisory Board before the end of the mandate period. Moreover, each member of the Supervisory Board may resign from their position early, whilst the President and the Deputy to the President of the Supervisory Board may withdraw only from their functions as well.

In accordance with the provisions of the ZGD-1 and Article 18 of the Statute, the changes of the Statute are decided at the general shareholders meeting. Based on the provisions of the ZGD1, the decision of the General Meeting requires a majority of 75% in concluding the represented share capital of the Insurance Company.

item 9 of the sixth paragraph of Article 70 of the ZGD-1
Information on the authorizations of members of the Management Board, especially on the authorizations for issuing and purchasing own shares

Explanation:
The authorisations of the members of the Management Board for issuing or purchasing own shares in accordance with the Statute and other acts of the Insurance Company are not limited. Members of the Management Board may issue and buy their own shares in the manner and by following the procedure in accordance with the law.

Tine Pust, MSc., CFA
Member of the Management Board

Irena Prelog, MSc.
President of the Management Board

2 Report on the operations in 2018

2.1 General economic environment in 2018

2.1.1 General economic environment in global terms

In the second half of 2018, the global economic growth slowed down but remained positive. In 2018, the Euro area economy recorded a 1.8% growth while the growth at the level of all EU Member States was somewhat higher, namely 1.9%. In the previous year, the economic growth in the Euro area countries and in the EU-28 was 2.4%. On the other hand, the employment growth also slowed down, although not as strongly as the general economic growth. The number of employed persons increased by 1.4% in the Euro area in 2018, which is 0.2 percentage points less than the growth recorded in 2017.

The concerns regarding the potential increase in the prices of tariffs on the imports of Chinese products, the new CO2 tax in Germany and uncertainties regarding Brexit all negatively impacted the economic sentiment, resulting in a decrease of industrial production in the developed countries, except for the USA, in the third quarter and the goods trade also dropped compared to the previous year.

The conditions on the financial markets deteriorated. The stock valuation metrics were at the above-average levels at the beginning of the year, particularly in the North America. Reduced expectations of the future profit growth due to the revaluation to the new lower expected economic growth led to a drop in share prices at the end of the year. The central banks also took a more prudent approach. Although the US FED implemented the previously announced intentions and increased the interest rate spread to 2.25-2.50% in December, it simultaneously announced that they would slow down the process of introducing a stricter monetary policy in the years 2019 and 2020, which the financial analysts had not expected. The European Central Bank, on the other hand, maintained the key interest rate at the lowest possible level in 2018 and in line with the previously communicated strategy terminated the so-called qualitative easing programme in December, in the scope of which it purchased government and corporate bonds from private institutions. The ECB will continue to provide partial support also by reinvesting funds it receives from matured securities on the market.

The general inflation rate remains under the target level pursued by the ECB. The core YoY inflation that does not take into account the changes in the prices of energy products stood at 1% at the end of 2018, which is 0.1 percentage point more than at the end of 2017. The expectations from the beginning of the year, namely that the inflation would increase due to reduced unemployment and the resulting pressures on wage increases, did not materialise since the maximum YoY price growth only reached 1.1% in 2018.

Due to the expected economic growth in the future years, the yields until maturity of the government bonds dropped. The yield-to-maturity of the 10-year German government bond dropped by 0.22 percentage points and against reached the lowest level since April 2017. The trend was followed by the bonds of the other Euro area states, with the exception of the Italian bond to which the financial markets were unforgiving after the election of the new populist government. On the other hand, the average required yields of the European corporate bonds increased. The yield of the 10-year A-rated Euro corporate bonds stood at 1.44% at the end of the year, which is 0.28 percentage point more than at the

Table 3: Overview of some macroeconomic indicators and estimates

		2017	2018	2019F	2020F
SLOVENIA	Growth in GDP (%), real	4.9	4.4	3.7	3.4
	GDP (in EUR million)	43,000	45,700	48,500	51,400
	Inflation at the end of the year (in %)	1.7	2.1	2.3	2.4
	Current account (as a % of GDP)	7.2	6.8	6.8	6.7
	General government deficit/surplus (as a % of GDP)	0.1	0.5	0.4	0.2
	Public debt* (as a % of GDP)	74.1	70.2	66.3	62.6
	Exports growth (%)	10.7	8.2	6.6	7.1
	Registered unemployment rate (in %)	9.5	8.2	7.7	7.2

		2017	2018	2019F	2020F
USA	Growth in GDP (%), real	2.2	2.9	2.5	1.8
	Inflation at the end of the year (in %)	2.1	2.5	2.0	2.2
	Unemployment rate (in %)	4.4	3.9	3.7	3.7
EMU	Growth in GDP (%), real	2.4	1.8	1.6	1.7
	Inflation at the end of the year (in %)	1.5	1.7	1.4	1.5
	Unemployment rate (in %)	9.1	8.2	7.8	7.7
GERMANY	Growth in GDP (%), real	2.5	1.5	1.3	1.6
	Inflation at the end of the year (in %)	1.7	1.9	1.7	1.7
	Unemployment rate (in %)	5.7	5.2	4.9	4.8
GB	Growth in GDP (%), real	1.8	1.4	1.5	1.6
	Inflation at the end of the year (in %)	2.7	2.5	2.0	2.0
	Unemployment rate (in %)	4.5	4.1	4.1	4.2
JAPAN	Growth in GDP (%), real	1.9	0.9	1.1	0.5
	Inflation at the end of the year (in %)	0.5	0.9	0.9	1.2
	Unemployment rate (in %)	2.8	2.4	2.3	2.4

Source: Bloomberg median expectations, for Slovenia, IMAD (Autumn Forecast of Economic Trends for 2018) and the Statistical Office, except *(European Commission forecast)

end of 2017. Similar shifts were observed on short segments of the interest rate curve as a result of reduced ECB support.

When the forecasts were adjusted to the reduced expectations of some major global corporations at the end of the year, this caused a drop in the shares of prices all over the world. The global index MSCI World lost 6.7% of value at the annual level, while taking into account the received dividends, the drop was 4.4%. Investors were the most unforgiving towards the shares from Europe and the developing markets, which lost 10% on average (regional MSCI indexes, in euros), while the total yield of the shares from North America dropped only slightly, by 0.5%. Compared to the end of 2017, the US dollar/euro exchange rate grew by 4.5% which was likely due to the slower economic growth in the Euro area and consequently reduced expectations on less restrictive monetary policy of the European Central Bank.

2.1.2 General economic environment in the Republic of Slovenia

The Slovenian economic growth significantly exceeded the Euro area and the EU-28 average also in 2018. Unemployment dropped gradually in the last months of the year, resulting in increased final household consumption, together with increasing wages and social transfers. In spite of that, the Slovenian consumers remain relatively conservative, since the share of saved income increased together with the growth in consumption, which also resulted in the growing amount of deposits placed with Slovenian banks. Slovenia's foreign goods trade generally grew also in 2018, same as in 2017. Exports increased by 9.2% and imports by 11.0% compared to the previous year. The absolute value of exports, same as the absolute value of imports reached the all-time high levels. Exports totalled EUR 30.9 billion in 2018 and imports EUR 30.6 billion.

2.1.3 Insurance industry in the Republic of Slovenia

Based on the data of the Slovenian Insurance Association (hereinafter: the SIA), in 2018, insurance companies that are members of the SIA wrote gross premiums of EUR 2.364 billion, of which EUR 714 million was generated in the life insurance business. Last year, total gross premiums written by the members of the SIA increased by 7.7 % compared to the year before. In comparison to 2017, non-life insurance premiums written were 7.0 % higher, while life insurance premiums written, without supplementary pension insurance, rose by 9.3 %.

2.2 Overview of the Insurance Company's operations in 2018

2.2.1 Brief overview of the Insurance Company's results

In 2018, NLB Vita wrote EUR 76.9 million in gross insurance premiums, which was EUR 6.09 million or 8.6% more than the year before. NLB Vita's market share on the Slovenian life insurance market grew by 1.1 p.p. to 14.6% in 2018. In 2017, NLB Vita was thus 3rd among traditional life insurance companies. NLB Vita as the insurance provider and NLB as the insurance broker remained the leading institutions in the area of bancassurance in 2018. In 2018, NLB Vita generated a net profit amounting to EUR 8.3 million, or 4.5% more than planned and 20.9% more than last year.

Due to a conservative investment policy and a favourable situation on the capital markets, NLB Vita did not have to impair debt financial instruments and because of the sustainability principle, and because of the reduced prices of share investments on the global stock exchange markets and the sustainability principle, we impaired several share packages in the total amount of EUR 531 thousand. The total revaluation surplus from financial investments, taking into account the deferred taxes, amounted to EUR 9.38 million at the end of 2018, which is less than a half of the amount from the previous year due to reduced market value of debt and equity securities measured at fair value through the Statement of changes in equity.

At the end of 2018, the Insurance Company's total assets stood at EUR 458 million, which is 1.1% more than at the end of 2017. The increase in the total assets in 2018 was mainly due to the growth in premium written while the value of financial investments dropped somewhat due to the increase in the market interest rates. On the balance sheet date, the Insurance Company disclosed a considerable surplus value of financial investments above the technical provisions and a surplus of available capital above the required capital in spite of value adjustments.

2.2.2 Key activities of the Insurance Company in the previous year

In 2018, Vita was active in the area of redesign of the existing products. In the first half of the year, we renewed the accident insurance NLB Vita Nezgoda and the accident insurance for children and youngsters NLB Vita Nezgoda Junior. The insurance products now comprise the coverage of recovery after injury that pays sum insured under the coverage to the customer already after the second control in a health institution. In the second half of the year we started refurbishing the life insurance product for seniors, namely NLB Vita Senior, and included, as the first on the market, funeral assistance with information on the procedures related to the organisation of funeral. In 2018, we were the second Insurance Company on the Slovenian market to include the option of taking out life insurance on-line; thus, healthy persons aged between 18 and 34 can take out NLB Vita Odgovorna insurance online. In cooperation with the Private Banking of the NLB, we successfully carried out two subscription periods for the exclusive unit-linked life insurance NLB Vita Privatno for the clients of this department. In 2018, NLB Vita continuously provided customers unit-linked life insurance with partial guarantee for the funds invested. In cooperation with NLB Skladi, we very successfully placed on the market four investment packages within the scope of NLB Naložba Vita Multi and Vita Multi Senior, which provide customers with a partial guarantee for invested funds at the maturity date.

Upon redesign of the insurance products NLB Vita Nezgoda, Nezgoda Junior and NLB Vita Senior, special attention was paid to active cooperation with bank sales staff. In 2018, the marketing activities were focused on accelerating the sales of health insurance with medical assistance NLB Vita Tujina and accident life insurance products NLB Vita Nezgoda and NLB Vita Nezgoda Junior. All these activities were aimed at both increasing sales and improving the visibility of NLB Vita, and making customers aware of the Company, its products and the significance of life insurance itself.

NLB Vita is a socially responsible company that takes care of all key segments of our

Table 4: The number of insured persons and insurance policies in the last two years, by insurance class.

	2018	2017	Index 18/17
Accident insurance			
No. of policies	8,187	5,804	141
No. of policyholders	641,499	811,950	79
Health insurance			
No. of policies	13,531	13,377	101
No. of policyholders	127,974	25,062	511
Life insurance (with guaranteed return)[1]			
No. of policies	8,096	9,724	83
No. of policyholders	67,721	89,876	75
Unit-linked life insurance			
No. of policies	6,276	5,919	106
No. of policyholders	6,276	5,919	106

customers. In 2018, we donated funds to various sports clubs, non-profit and humanitarian organizations, thus also supporting small local societies. Among others, we also sponsored Cankarjev dom. Being a socially responsible company we devoted special attention to caring for the youngsters. We sponsored events for children: events at the Ljubljana ZOO and Pika's Festival; and those active in the third age at the Third Age Festival. Participation in all these events was a success and had a positive impact on the improved visibility of NLB Vita as an Insurance Company with a wide range of products intended for all segments of customers.

The table 4 shows the number of insured persons and insurance policies in the last two years, by insurance class.

As regards the other areas of operations in the preceding year, the further streamlining and computerization of business processes were prevailing. Moreover, risk management procedures were improved, which will be discussed in detail below.

[1] This category also includes collective borrower insurance and collective insurance of overdraft users, where the insurance policy providing coverage for several people is concluded with the bank.

2.3 Analysis of the Insurance Company's financial results

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Total revenues	**88,491,545**	**100**	**86,603,019**	**100**	**109**
Net revenues from insurance premiums	76,132,931	86	70,108,208	81	109
Investment revenues	10,788,087	12	14,940,391	17	72
- of which changed fair value of investments for the benefit of those policyholders who assume the investment risk	0	0	5,855,902	7	n.r.
Commission revenues	1,509,985	2	1,531,062	2	99
Other operating revenues	60,542	0	23,359	0	259
Total expenses	**-78,326,566**	**-89**	**-78,194,679**	**-90**	**100**
Net claims incurred	-47,694,036	-54	-29,637,952	-34	160
Change in other technical provisions	-33,375,304	-38	-30,441,019	-35	110
Change in technical provisions for the policyholders who assume the investment risk	23,519,448	27	-8,204,735	-9	n.r.
Cost of insurance contract acquisition	-4,137,893	-5	-3,992,662	-5	104
Operating costs	-5,503,574	-6	-5,151,317	-6	107
Investment expenses	-10,686,495	-12	-349,089	0	3061
- of which changed fair value of investments for the benefit of those policyholders who assume the investment risk	-9,669,207	-11	0	0	n.r.
Commission expenses	0	0	0	0	n.r.
Other operating expenses	-448,714	-1	-417,904	-1	107
Profit or loss before tax	**10,164,978**	**11**	**8,408,340**	**10**	**121**
Corporate income tax	-1,834,908	-2	-1,519,133	-2	121
Net profit/loss	**8,330,071**	**9**	**6,889,206**	**8**	**121**

2.3.1 Revenues

Net revenues from insurance premiums in the amount of EUR 76,132,931 account for the major part of total revenues, followed by investment revenues totalling EUR 10,788,087 and commission revenues equalling EUR 1,509,985. Compared to the previous year, EUR 6.09 million or 9% more gross insurance premiums were written, with the largest increase recorded in unit-linked life insurance, health insurance and accident insurance.

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Accident insurance	2,975,600	4	2,537,450	4	117
Health insurance	835,357	1	733,865	1	114
Life insurance	22,685,914	29	23,414,666	33	97
Unit-linked life insurance	50,427,962	66	44,150,441	62	114
Gross premiums written	**76,924,834**	**100**	**70,836,423**	**100**	**109**

Investment income accounted for 12% of the total income in 2018. Realised profits from the disposal of investments were significantly higher than in the previous years (up by 252%); interest income grew by 7% and income from dividends remained at the same level as in the previous years.

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Dividend income	986,958	9	987,361	7	100
Interest income	7,829,476	73	7,309,878	49	107
Income from exchange rate differences	49,093	0	13,431	0	321
Gains on investment disposals	1,914,615	18	760,306	5	252
Change in the fair value of investments for the benefit of those policyholders who assume the investment risk	0		5,855,902	39	n.r.
Other financial revenues	13,946	0	13,511	0	103
Investment revenues	**10,788,087**	**100**	**14,940,390**	**100**	**72**

Commission income comprises the commission income from investments made in investment funds and reinsurance commissions. Of that, 9% or EUR 137,716 was related to reinsurance commissions of life insurance, 2% or EUR 29,682 to reinsurance commissions of accident insurance and the remaining 89% or EUR 1,342,587 to the division of unit-linked life insurance management fees.

2.3.2 Expenses and costs

In 2018, net claims and the change in the provision for outstanding claims amounted to EUR -47,694,036 or 61% more than in the previous period. Costs, by class of insurance:

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Gross claims paid	-47,093,435	98	-29,388,333	99	160
Accident insurance	-806,861	2	-715,079	2	113
Health insurance	-147,270	0	-106,793	0	138
Life insurance	-8,905,424	19	-9,357,686	32	95
Unit-linked life insurance	-37,233,881	77	-19,208,775	65	194
Reinsurers' share of claims paid	218,212	0	299,642	-1	73
Accident insurance	216,500	0	205,766	-1	105
Life insurance	1,712	0	93,875	0	2
Unit-linked life insurance	0	0	0	0	n.r.
Change in gross claims reserve	-1,052,210	2	-787,365	3	134
Accident insurance	-517,015	1	-420,410	1	123
Health insurance	-87,787	0	139,256	0	-63
Life insurance	-422,943	1	-453,765	2	93
Unit-linked life insurance	-24,465	0	-52,447	0	47
Change in the provision for outstanding claims – reinsurers' share	233,398	0	238,105	-1	98
Accident insurance	121,080	0	176,296	-1	69
Life insurance	108,833	0	52,315	0	208
Unit-linked life insurance	3,484	0	9,494	0	37
Net claims incurred and a change in the provision for outstanding claims	**-47,694,036**	**100**	**-29,637,952**	**100**	**161**
Accident insurance	-986,296	2	-753,426	3	131
Health insurance	-235,057	1	32,463	1	n.r.
Life insurance	-9,217,822	19	-9,665,261	33	95
Unit-linked life insurance	-37,254,861	78	-19,251,728	65	194

The item "Change in other technical provisions", accounting for 38% of the Insurance Company's income, comprises technical provisions for life insurance and provisions for a guaranteed minimum payment of life insurance.

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Technical provisions - life insurance	-7,359,975	22	-8,052,490	26	91
Provisions for the allocation of a surplus	-7,367	0	-8,894	0	83
Guaranteed minimum payment of life insurance	-26,007,962	78	-22,379,634	74	116
Change in other technical provisions	**-33,375,304**	**100**	**-30,441,019**	**100**	**110**

Acquisition costs represent 5% of the total income, with the following breakdown:

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Brokers' commissions	-3,987,980	96	-3,866,389	97	103
Other external acquisition costs	-149,913	4	-126,272	3	119
Costs of acquisition, of which:	**-4,137,893**	**100**	**-3,992,662**	**100**	**104**
Accident insurance	-240,788	6	-183,229	5	131
Health insurance	-171,852	4	-160,538	4	107
Life insurance	-1,814,474	44	-1,828,276	46	99
Unit-linked life insurance	-1,910,778	46	-1,820,619	46	105

In 2018, operating costs amounted to EUR 5.503.574 and thus represented 6% of total income in the period concerned, with the following breakdown:

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Depreciation of assets	-240,769	4	-211,817	4	114
Labour costs	-2,509,505	46	-2,442,148	47	103
Costs of services provided by individuals not registered as business operators	-52,945	1	-34,570	1	153
Other operating costs	-2,700,355	49	-2,462,782	48	110
Operating costs	**-5,503,574**	**100**	**-5,151,318**	**100**	**107**

The item of other operating costs comprised:

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Operating costs of materials	-59,005	2	-33,198	1	178
Costs of rents	-248,414	9	-221,972	9	112
Reimbursements of work-related costs	-216,199	8	-198,893	8	109
Costs of payment transactions, asset management, custodian and other financial services	-511,580	19	-464,166	19	110
Costs of intellectual and personal services	-260,586	10	-217,000	9	120
Insurance costs	-44,075	2	-43,590	2	101
Marketing costs	-415,987	15	-406,212	16	102
Costs of other services	-877,768	33	-824,017	33	107
Other costs	-66,741	2	-53,736	2	124
Other operating costs	**-2,700,355**	**100**	**-2,462,782**	**100**	**110**

Due to unfavourable developments on the capital markets, negative change in fair value was recorded in unit-linked life insurance products which accounted for most of the investment expenses in 2018. The impairments of financial assets increased over the last year and accounted for 5% of investment expenses, while losses from investment disposals accounted for 2% of investment expenses.

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Impairment of financial assets	-531,123	5	-66,529	19	798
Losses on investment disposals	-322,551	3	-95,000	27	340
Other financial expenses	-163,614	2	-187,560	54	87
Change in the fair value of investments for the benefit of those policyholders who assume the investment risk	-9,669,207	90	0	0	n.r.
Investment expenses	**-10,686,495**	**100**	**-349,089**	**100**	**3061**

2.3.3 Financial result

NLB Vita's EBIT in 2018 totalled EUR 10.16 million, which was 21% more than the year before. The net profit also increased by 21% to EUR 8.33 million.

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Profit or loss before tax	10,164,978	122	8,408,340	122	121
Corporate income tax	-1,935,304	-23	-1,530,281	-22	126
Deferred taxes	100,396	1	11,147	0	n.r.
Net profit/loss	**8,330,071**	**100**	**6,889,206**	**100**	**121**

2.4 Analysis of the Insurance Company's financial position

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
ASSETS	**457,929,207**	**100**	**453,029,264**	**100**	**101**
Intangible assets	448,354	0	384,981	0	116
Property, plant and equipment	198,186	0	149,811	0	132
Deferred tax assets	0	0	0	0	n.r.
Financial assets	335,889,098	68	306,182,145	68	110
Unit-linked insurance assets	119,416,246	32	142,711,340	32	84
Reinsurers' share of insurance contract provisions	1,046,960	0	813,891	0	129
Receivables	583,329	1	2,379,971	1	25
Other assets	312,327	0	379,015	0	82
Cash and cash equivalents	34,706	0	28,110	0	123
EQUITY AND LIABILITIES	**457,929,207**	**100**	**453,029,264**	**100**	**101**
CAPITAL	**59,806,735**	**13**	**63,967,938**	**14**	**93**
Share capital	7,043,899	2	7,043,899	2	100
Capital reserves	58,625	0	58,625	0	100
Revenue reserves	34,994,763	8	30,172,319	7	116
Revaluation surplus	9,379,376	2	19,803,889	4	47
Retained net profit/loss	0	0	0	0	n.r.
Net profit/loss for the period	8,330,071	2	6,889,206	2	121
TOTAL LIABILITIES	**398,122,472**	**87**	**389,061,326**	**86**	**102**
Technical provisions	272,666,577	60	238,093,987	53	115
The technical provisions for the benefit of the insured with life insurance who assume the investment risk have increased	119,738,911	26	143,258,359	32	84
Other provisions	233,830	0	138,730	0	169
Deferred tax liabilities	2,027,026	1	4,571,091	1	44
Operating liabilities	1,953,558	0	1,404,301	0	139
Other liabilities	1,502,569	0	1,594,857	0	94

2.4.1 Assets

The biggest share of intangible assets as at 31/12/2018 (EUR 448,354) comprises investments in software (EUR 384,981 as at 31/12/2017). The items of property, plant and equipment primarily include office equipment and furniture and investments in the refurbishment of business premises leased by the Insurance Company.

Financial assets comprise:

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Debt securities	310,046,315	92	278,920,534	91	111
Equity securities	19,884,705	6	21,050,605	7	95
Bank deposits	5,958,077	2	6,211,007	2	96
Financial investments	**335,889,098**	**100**	**306,182,145**	**100**	**110**

The assets of those policyholders who assume the investment risk, totalling EUR 119,416,246, comprise the placements in investment funds which are classified under financial assets at fair value through profit or loss.

Reinsurers' share of insurance contract provisions comprises reinsurers' shares in technical provisions. Receivables include mainly receivables due from those insured (EUR 323,492).

2.4.2 Liabilities

The Insurance Company's equity remained unchanged in 2018. The net profit for 2018 totalling EUR 8,330,071 remained undistributed on the balance sheet date and will be distributed by the Insurance Company's General Meeting of Shareholders. The movements of capital are presented in more detail in the statement of changes in equity, which is part of the financial report.

The revaluation surplus relates to the change in the fair value of available-for-sale financial assets (EUR 11,542,573) and to deferred taxes (EUR –2,193,081). Revaluation surplus from other sources related to reservations for employees amounted to EUR 34,236 and to EUR -4,343 for deferred taxes.

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Share capital	7,043,899	12	7,043,899	11	100
Capital reserves	58,625	0	58,625	0	100
Revenue reserves	34,994,763	58	30,172,319	47	116
Revaluation surplus	9,379,376	16	19,803,889	31	47
Retained net profit/loss	0	0	0	0	n.r.
Net profit/loss for the period	8,330,071	14	6,889,206	11	121
Equity	**59,806,735**	**100**	**63,967,938**	**100**	**93**

The largest share of liabilities (EUR 392,405,488 or 86 %) involves gross technical provisions accounted in accordance with the technical bases adopted for this purpose and approved by the appointed actuary. Provisions are equally distributed among the technical provisions for life policyholders who have assumed the investment risk, and the technical provisions for standard life insurance products.

	2018 in EUR	2018 in %	2017 in EUR	2017 in %	Index 18/17
Gross unearned premiums	870,895	0	725,819	0	120
Gross mathematical provisions – Non-linked life	133,550,108	34	126,182,767	33	106
Gross provision for outstanding claims	7,187,145	2	6,134,935	2	117
Other gross technical provisions - technical provisions	131,058,429	33	105,050,467	28	125
Technical provisions	**272,666,577**	**69**	**238,093,987**	**62**	**115**
Gross mathematical provisions – Unit-linked life	119,738,911	31	143,258,359	38	84
The technical provisions for the benefit of the insured with life insurance who assume the investment risk have increased	**119,738,911**	**31**	**143,258,359**	**38**	**84**
Total technical provisions	**392,405,488**	**100**	**381,352,346**	**100**	**103**

Other provisions include provisions for jubilee benefits and severance pay upon retirement as well as bonuses to the Management Board and key function holders. Deferred tax liabilities mainly relate to the changed fair value of financial investments available for sale that are disclosed in equity and will only be recognised for tax purposes upon alienation. Operating liabilities relate to the liabilities for direct insurance operations (EUR 1,320,906), liabilities to reinsurers (EUR 151,072) and liabilities for the assessed tax (EUR 481,580). The other liabilities relate mainly to the liabilities due to employees (EUR 166,053), liabilities due to suppliers (EUR 268,309) and to accruals and deferred items (EUR 917,200).

3 Risk management[5]

3.1 Measures to manage insurance risks

The Management Board attaches great importance to risk management. The Insurance Company operates in such a manner that:

- it has, at any time, adequate capital with regard to both the volume and type of insurance operations performed and the risks to which it is exposed in performing those operations (capital adequacy);
- the risks to which it is exposed in any one or all types of insurance operations performed by it do not exceed the internally set restrictions; and
- it is at any time able to settle its debts due (liquidity) on time and to permanently meet all its liabilities (solvency).

In accordance with the applicable regulations and within the prescribed time limits, the Insurance Company calculates and establishes:

- the volume of capital and capital requirements;
- capital adequacy;
- the level of technical provisions;
- insurance statistical data.

The Insurance Company has an adequate reinsurance programme for the risks covered by it and manages its assets and liabilities in such a manner that it is able at any time to meet all debts due for payment.

3.1.1 Capital and capital requirements

The Insurance Company calculates the available capital and capital requirements on the basis of the standard formula of the Solvency II regulation without using the simplifications or parameters specific to the Insurance Company. The calculation of the solvency requirements is based on the assessed risks to which the Insurance Company is exposed. More specifically, the solvency capital requirement is the amount of capital that allows the Insurance Company, over a longer period of time, to assume the unforeseen claims, and provides a reasonable insurance for the policyholders that the claims or the insurance amounts would be paid out. In addition to the solvency capital requirement, the Insurance Company also calculates the minimum capital requirement which represents the level of the regulatory requirement that must be maintained, as in the opposite case, the insurers would be exposed to unacceptable risk.

3.1.2 Capital adequacy

Through adequate operations the Insurance Company ensures that at any time its capital earmarked for meeting capital requirements equals the capital requirements related to the performance of insurance operations. In addition to the measures described above and within the framework of its routine business planning, the Insurance Company regularly checks its needs for additional capital contributions (capital increases). If the planned amounts indicate that the planned capital will, due to increased capital requirements or for other reasons, not reach the calculated minimum capital, the Insurance Company will take appropriate action to meet its capital requirements.

As at 31/12/2018, NLB Vita reported a capital surplus in both non-life as well as life business, and thus achieved capital adequacy. A detailed description of the Insurance Company's capital adequacy is provided in the Report on Solvency and Financial Position, which is published on NLB Vita's website.

3.1.3 Technical provisions

The Insurance Company establishes appropriate technical provisions to meet its future obligations under insurance contracts and cover potential losses on account of the risks relating to insurance operations.

The Insurance Company sets aside provisions for unearned premiums, provisions for outstanding claims and mathematical provisions on the basis of the Insurance Act and the Guidelines on the valuation of technical provisions. For insurance, where the policyholder bears the investment risk connected with a change in the value of investment fund units, the Insurance Company forms special provisions with the status of mathematical provisions.

The adequacy of the technical provisions in an amount that enables the Insurance Company at any time to meet all its liabilities under all insurance contracts, their compliance with the applicable regulations and the adequacy of the insurance premium calculation are examined and confirmed by the appointed actuary.

3.1.4 Reinsurance

Through adequate reinsurance, the Insurance Company covers the portion of risks underwritten by it which exceeds its own retention. Reinsurance is provided by foreign reinsurers.

For each financial year, the Insurance Company adopts a reinsurance programme which includes the computation of its retention by the different lines of business, a table of maximum coverage produced on the basis of the Insurance Company's retained shares, as well as the procedures, bases and criteria to determine the probable

[5] Detailed measures of risk management are presented in the Financial Report, see items 2.5, 2.6, 2.7 and 2.8.

maximum loss (PML) per specific risks insured.

3.2 Measures to manage financial and operational risks

3.2.1 Liquidity risk

The Insurance Company manages its assets and liabilities in such a manner as to be able at any time to settle its liabilities as they fall due.

3.2.2 Market risk

NLB Vita manages its currency risk by matching the currencies of the financial assets with its liabilities and/or technical provisions. The amount of the Insurance Company's other receivables and liabilities exposed to currency risk is negligible.

The Insurance Company manages its interest rate risk by aligning the average duration of the assets and liabilities from insurance contracts (technical provisions) and aligning the cash flows of the assets and liabilities from insurance contracts (technical provisions).

3.2.3 Credit risk

NLB Vita manages its credit risk by diversifying its assets in terms of issuers, sectors and geographical areas.

As at 31/12/2018, the financial assets were predominantly invested in government securities, debt securities issued by EU Member States, equity and debt securities of international institutions and deposits placed with domestic banks.

In international markets, the Company only allocates to investment-grade securities (minimum rating BBB- or Baa3). Investments in domestic and foreign corporate securities have an adequate diversification by sector. Cash deposits are only placed in Slovenian banks. The invested unit-linked financial assets exclusively comprise investments in investment fund units to which the policyholders' assets are linked in line with the applicable general terms and conditions. When substantial inflows are received, they are placed as short-term time deposits, but only up to the day when the fund units are purchased.

Receivables due from policyholders are not secured because the Insurance Company believes that the related credit risk is negligible. NLB Vita manages the credit risk arising out of life insurance by prescribing the manner of premium payments to individual policyholders (direct debits) and also with its Policy Conditions (e.g. termination of coverage in the event of the non-payment of premiums, deducting outstanding risk premiums from a policyholder’s asset value, etc.).

3.2.4 Operational risk

In accordance with the definition of the Basel Committee on Banking Supervision, operational risk is defined as the risk of loss resulting from inadequate or non-existent internal processes, people and systems or from external events.

NLB Vita keeps a Register of risks and a Record of loss events. The Register of risks is a collection of risks perceived by the Insurance Company, including operational risks. The Record of loss events is a collection of the operational risks that occurred. Reports to the Management Board are made on a monthly basis and to the Supervisory Board quarterly.

For each established loss event, the significance of the impact is assessed based on the time spent or the time delay of the related persons, incurred financial damage, damage caused to the reputation or strategic position and the number of affected subjects. The Record of loss events reveals that in 2018, the majority of loss events occurred due to application errors and carelessness.

4 Expected future developments

Based on the adopted 2018–2022 Development Strategy and 2019–2023 Business Plan, NLB Vita will remain the largest bancassurance company in Slovenia. With a view to achieving both the long-term and short-term operating objectives, the Insurance Company intends to proceed in the 2019–2022 period to offer the current insurance products to both existing and new customers and launch certain new products.

The Insurance Company will continue to market its products via the NLB's distribution network. The bulk of activities will still be focused on efficient marketing activities and training of sales personnel. Special attention will be paid to the strategy of product and corporate communications with the aim of measuring and maintaining the satisfaction of the existing customers and the further recognition of NLB Vita among life insurance companies.

In terms of asset management, the Company will keep pursuing a conservative investment policy, paying particular attention to adequate portfolio diversification, while achieving the target returns and maintaining the appropriate level of capital adequacy. For this purpose it will continue implementing the policy of investing most funds in foreign capital markets.

In other areas, the Insurance Company closely monitors the trends in modern distribution channel development for the provision of insurance services and, to this end, continue investing in the development of its staff and upgrading of its processes, its computerisation and streamlining, with a view to limiting its costs and providing better services and user experience to its customers. In the area of risk management, it will continue building an asset-liability management system and will keep managing all the risks it is exposed to, including operational risks.

5 Performance indicators according to the decision of the ISA

Increase in gross premium written

		Gross insurance premium written		Growth index	
		Year 2018	Year 2017	2018/2017	2017/2016
1.	Accident insurance	2,975,601	2,537,450	117	106
2.	Health insurance	835,357	733,866	114	114
3.	**Non-life insurance**	**3,810,957**	**3,271,316**	**116**	**108**
4.	Life insurance	22,685,914	23,414,666	97	102
5.	Unit-linked life insurance	50,427,962	44,150,441	114	116
6.	**Life insurance**	**73,113,876**	**67,565,107**	**108**	**111**
7.	**Total (3+6)**	**76,924,834**	**70,836,423**	**109**	**111**

Net written premium as % of gross written premium

		Year 2018		Year 2017		Year 2018	Year 2017
		Net insurance premium written	Gross insurance premium written	Net insurance premium written	Gross insurance premium written	Share in %	Share in %
1.	Accident insurance	2,666,832	2,975,601	2,236,246	2,537,450	89.6	88.1
2.	Health insurance	835,357	835,357	733,866	733,866	100.0	100.0
3.	**Non-life insurance**	**3,502,189**	**3,810,957**	**2,970,112**	**3,271,316**	**91.9**	**90.8**
4.	Life insurance	22,352,117	22,685,914	23,099,255	23,414,666	98.5	98.7
5.	Unit-linked life insurance	50,424,030	50,427,962	44,148,193	44,150,441	100.0	100.0
6.	**Life insurance**	**72,776,146**	**73,113,876**	**67,247,449**	**67,565,107**	**99.5**	**99.5**
7.	**Total (3+6)**	**76,278,335**	**76,924,834**	**70,217,560**	**70,836,423**	**99.2**	**99.1**

Changes in gross claims paid

		Gross written claim		Growth index	
		Year 2018	Year 2017	2018/2017	2017/2016
1.	Accident insurance	806,861	715,079	113	198
2.	Health insurance	147,270	106,793	138	103
3.	**Non-life insurance**	**954,130**	**821,872**	**116**	**177**
4.	Life insurance	8,905,424	9,357,686	95	85
5.	Unit-linked life insurance	37,233,881	19,208,775	194	104
6.	**Life insurance**	**46,139,304**	**28,566,461**	**162**	**97**
7.	**Total (3+6)**	**47,093,435**	**29,388,334**	**160**	**98**

Claims ratio

		Year 2018		Year 2017		Year 2018	Year 2017
		Gross written claim	Gross insurance premium written	Gross written claim	Gross insurance premium written	Claims ratio	Claims ratio
1.	Accident insurance	806,861	2,975,601	715,079	2,537,450	0.27	0.28
2.	Health insurance	147,270	835,357	106,793	733,866	0.18	0.15
3.	**Non-life insurance**	**954,130**	**3,810,957**	**821,872**	**3,271,316**	**0.25**	**0.25**
4.	Life insurance	8,905,424	22,685,914	9,357,686	23,414,666	0.39	0.40
5.	Unit-linked life insurance	37,233,881	50,427,962	19,208,775	44,150,441	0.74	0.44
6.	**Life insurance**	**46,139,304**	**73,113,876**	**28,566,461**	**67,565,107**	**0.63**	**0.42**
7.	**Total (3+6)**	**47,093,435**	**76,924,834**	**29,388,334**	**70,836,423**	**0.61**	**0.41**

Operating expenses as % of gross insurance premium written

		Year 2018		Year 2017		Year 2018	Year 2017
		Operating costs	Gross insurance premium written	Operating costs	Gross insurance premium written	Share in %	Share in %
1.	Accident insurance	1,290,812	2,975,601	1,169,612	2,537,450	43.4	46.1
2.	Health insurance	482,624	835,357	425,683	733,866	57.8	58.0
3.	**Non-life insurance**	**1,773,436**	**3,810,957**	**1,595,295**	**3,271,316**	**46.5**	**48.8**
4.	Life insurance	4,218,081	22,685,914	4,129,430	23,414,666	18.6	17.6
5.	Unit-linked life insurance	3,649,949	50,427,962	3,419,254	44,150,441	7.2	7.7
6.	**Life insurance**	**7,868,030**	**73,113,876**	**7,548,685**	**67,565,107**	**10.8**	**11.2**
7.	**Total (3+6)**	**9,641,466**	**76,924,834**	**9,143,980**	**70,836,423**	**12.5**	**12.9**

Acquisition costs as % of gross written insurance premium

		Year 2018		Year 2017		Year 2018	Year 2017
		Cost of insurance contract acquisition	Gross insurance premium written	Cost of insurance contract acquisition	Gross insurance premium written	Share in %	Share in %
1.	Accident insurance	240,788	2,975,601	183,229	2,537,450	8.1	7.2
2.	Health insurance	171,852	835,357	160,538	733,866	20.6	21.9
3.	**Non-life insurance**	**412,640**	**3,810,957**	**343,767**	**3,271,316**	**10.8**	**10.5**
4.	Life insurance	1,833,231	22,685,914	1,828,276	23,414,666	8.1	7.8
5.	Unit-linked life insurance	1,892,021	50,427,962	1,820,619	44,150,441	3.8	4.1
6.	**Life insurance**	**3,725,252**	**73,113,876**	**3,648,895**	**67,565,107**	**5.1**	**5.4**
7.	**Total (3+6)**	**4,137,893**	**76,924,834**	**3,992,662**	**70,836,423**	**5.4**	**5.6**

Net claims ratio

		Year 2018		Year 2017		Year 2018	Year 2017
		Net insurance claims + change in provision for outstanding claims	Net revenues from insurance premiums	Net insurance claims + change in provision for outstanding claims	Net revenues from insurance premiums	Share in %	Share in %
1.	Accident insurance	986,296	2,534,984	753,426	2,206,749	38.9	34.1
2.	Health insurance	235,057	836,295	-32,463	667,609	28.1	-4.9
3.	**Non-life insurance**	**1,221,352**	**3,371,279**	**720,963**	**2,874,358**	**36.2**	**25.1**
4.	Life insurance	9,217,822	22,341,624	9,665,261	23,087,305	41.3	41.9
5.	Unit-linked life insurance	37,254,861	50,420,028	19,251,728	44,146,545	73.9	43.6
6.	**Life insurance**	**46,472,683**	**72,761,652**	**28,916,989**	**67,233,850**	**63.9**	**43.0**
7.	**Total (3+6)**	**47,694,036**	**76,132,931**	**29,637,952**	**70,108,208**	**62.6**	**42.3**

Composite claims ratio

		Year 2018		Year 2017		Year 2018	Year 2017
		Net insurance claims + change in provision for outstanding claims + operating expenses	Net revenues from insurance premiums	Net insurance claims + change in provision for outstanding claims + operating expenses	Net revenues from insurance premiums	Share in %	Share in %
1.	**Non-life insurance**	**2,994,788**	**3,371,279**	**2,316,258**	**2,874,358**	**88.8**	**80.6**

Cost ratio

		Year 2018		Year 2017		Year 2018	Year 2017
		Operating costs	Net revenues from insurance premiums	Operating costs	Net revenues from insurance premiums	Share in %	Share in %
1.	**Life insurance**	**7,868,030**	**72,761,652**	**7,548,685**	**67,233,850**	**10.8**	**11.2**

Profitability ratio

		Year 2018		Year 2017		Year 2018	Year 2017
		Paid claims + change in other technical provisions	Net premiums written	Paid claims + change in other technical provisions	Net premiums written	Share in %	Share in %
1.	**Life insurance**	**29,987,198**	**72,776,146**	**44,832,581**	**67,247,449**	**41.2**	**66.7**

Return on investments as % of the average balance of investments

		Year 2018		Year 2017		Year 2018	Year 2017
		Return on investment	Average investments	Return on investment	Average investments	Share in %	Share in %
1.	Non-life insurance	28,121	1,721,147	28,428	1,750,591	1.6	1.6
2.	Life insurance	9,716,574	315,336,000	8,605,784	281,727,502	3.1	3.1
3.	Unit-linked life insurance	-9,652,377	132,219,487	5,797,059	139,183,384	-7.3	4.2
4.	Own sources	11,537	2,822,781	161,934	3,882,898	0.4	4.2
5.	**Total (1+2+3+4)**	**103,855**	**452,099,414**	**14,593,205**	**426,544,375**	**0.0**	**3.4**

Net claims provisions as % of net premium revenues

		Year 2018		Year 2017		Year 2018	Year 2017
		Net provisions for outstanding claims	Net insurance premium revenues	Net provisions for outstanding claims	Net insurance premium revenues	Share in %	Share in %
1.	Accident insurance	1,956,972	2,534,984	1,561,038	2,206,749	77.2	70.7
2.	Health insurance	217,030	836,295	129,243	667,609	26.0	19.4
3.	**Non-life insurance**	**2,174,002**	**3,371,279**	**1,690,281**	**2,874,358**	**64.5**	**58.8**
4.	Life insurance	3,738,403	22,341,624	3,424,292	23,087,305	16.7	14.8
5.	Unit-linked life insurance	239,161	50,420,028	218,181	44,146,545	0.5	0.5
6.	**Life insurance**	**3,977,564**	**72,761,652**	**3,642,473**	**67,233,850**	**5.5**	**5.4**
7.	**Total (3+6)**	**6,151,566**	**76,132,931**	**5,332,754**	**70,108,208**	**8.1**	**7.6**

Gross profit or loss for the year as % of net written premium

		Year 2018		Year 2017		Year 2018	Year 2017
		Gross profit/loss	Net insurance premium written	Gross profit/loss	Net insurance premium written	Share in %	Share in %
1.	Non-life insurance	366,038	3,502,189	711,928	2,970,112	10.5	24.0
2.	Life insurance	9,798,940	72,776,146	7,696,411	67,247,449	13.5	11.4
3.	**Total (1+2)**	**10,164,978**	**76,278,335**	**8,408,340**	**70,217,560**	**13.3**	**12.0**

Gross profit or loss for the year as % of average equity

		Year 2018		Year 2017		Year 2018	Year 2017
		Gross profit/loss	Average capital	Gross profit/loss	Average capital	Share in %	Share in %
1.	Non-life insurance	366,038	8,725,481	711,928	8,602,390	4.2	8.3
2.	Life insurance	9,798,940	53,161,855	7,696,411	53,620,821	18.4	14.4
3.	**Total (1+2)**	**10,164,978**	**61,887,337**	**8,408,340**	**62,223,211**	**16.4**	**13.5**

Gross profit or loss for the year as % of average assets

		Year 2018		Year 2017		Year 2018	Year 2017
		Gross profit/loss	Average assets	Gross profit/loss	Average assets	Share in %	Share in %
1.	Non-life insurance	366,038	12,535,927	711,928	11,832,383	2.9	6.0
2.	Life insurance	9,798,940	452,491,420	7,696,411	427,152,484	2.2	1.8
3.	**Total (1+2)**	**10,164,978**	**455,479,236**	**8,408,340**	**431,271,191**	**2.2**	**1.9**

Gross profit or loss for the year per share

		Year 2018		Year 2017		Year 2018	Year 2017
		Gross profit/loss	Number of shares	Gross profit/loss	Number of shares	Gross profit/ loss per share	Gross profit/ loss per share
1.	Non-life insurance	366,038	600	711,928	600	610	1,187
2.	Life insurance	9,798,940	1,088	7,696,411	1,088	9,006	7,074
3.	**Total (1+2)**	**10,164,978**	**1,688**	**8,408,340**	**1,688**	**6,022**	**4,981**

Reinsurance receivables and technical provisions for reinsurers in % of the Insurance Company's capital

		Year 2018		Year 2017		Year 2018	Year 2017
		Reinsurance receivables and technical provisions for reinsurers	Capital of the Insurance Company	Reinsurance receivables and technical provisions for reinsurers	Capital of the Insurance Company	Share in %	Share in %
1.	Non-life insurance	441,309	8,781,353	320,229	8,669,609	5	4
2.	Life insurance	605,651	51,025,382	493,662	55,298,329	1	1
3.	**Total (1+2)**	**1,046,960**	**59,806,735**	**813,891**	**63,967,938**	**2**	**1**

Net premiums written to average capital and technical provisions

		Year 2018		Year 2017		Year 2018	Year 2017
		Net insurance premium written	Average capital and technical provisions	Net insurance premium written	Average capital and technical provisions	Share in %	Share in %
1.	Non-life insurance	3,502,189	11,251,831	2,970,112	10,721,118	31.1	27.7
2.	Life insurance	72,776,146	436,583,998	67,247,449	412,388,365	16.7	16.3
3.	**Total (1+2)**	**76,278,335**	**447,835,828**	**70,217,560**	**423,109,482**	**17.0**	**16.6**

Average net technical provisions to net premiums earned

		Year 2018		Year 2017		Year 2018	Year 2017
		Average net technical provisions	Net insurance premium revenues	Average net technical provisions	Net insurance premium revenues	Share in %	Share in %
1.	Non-life insurance	2,526,349	3,371,279	2,118,728	2,874,358	74.9	73.7
2.	Life insurance	383,422,142	72,761,652	358,767,544	67,233,850	527.0	533.6
3.	**Total (1+2)**	**385,948,492**	**76,132,931**	**360,886,272**	**70,108,208**	**506.9**	**514.8**

Equity as % of liabilities

		Year 2018		Year 2017		Year 2018	Year 2017
		Equity	Liabilities	Equity	Liabilities	Share in %	Share in %
1.	Non-life insurance	8,781,353	12,769,352	8,669,609	12,302,503	68.8	70.5
2.	Life insurance	51,025,382	454,863,786	55,298,329	450,119,054	11.2	12.3
3.	**Total (1+2)**	**59,806,735**	**467,633,138**	**63,967,938**	**462,421,557**	**12.8**	**13.8**

Net technical provisions to liabilities

		Year 2018		Year 2017		Year 2018	Year 2017
		Net technical provisions	Liabilities	Net technical provisions	Liabilities	Share in %	Share in %
1.	Non-life insurance	2,833,665	12,769,352	2,219,034	12,302,503	22.2	18.0
2.	Life insurance	388,524,863	454,863,786	378,319,422	450,119,054	85.4	84.0
3.	**Total (1+2)**	**391,358,528**	**467,633,138**	**380,538,455**	**462,421,557**	**83.7**	**82.3**

Net technical provisions for life insurance to net technical provisions

		Year 2018		Year 2017		Year 2018	Year 2017
		Net technical provisions for life insurance	Net technical provisions	Net technical provisions for life insurance	Net technical provisions	Share in %	Share in %
1.	**Total**	**253,289,019**	**391,358,528**	**269,441,126**	**380,538,455**	**64.7**	**70.8**

Gross written premium to the number of full-time employees

		Year 2018		Year 2017		Year 2018	Year 2017
		Gross written insurance premium	Average number of full-time employees	Gross written insurance premium	Average number of full-time employees	Gross written insurance premium per employee	Gross written insurance premium per employee
1.	**Total**	**76,924,834**	**45.5**	**70,836,423**	**42.5**	**1,690,656**	**1,666,739**

6 Events after the end of the business year

In the period from the year-end of 31/12/2018, there were no events that would impact the financial statements or additional disclosures in the annual report.

Financial Report

Chapter 2

Financial Report

1 Financial statements of NLB Vita d.d. Ljubljana[6]

[6] Due to computer processing of data, minor differences in adding rounded up amounts may occur.

1.1. Statement of financial position

		Total	
	Notes	2018	2017
ASSETS		**457,929,207**	**453,029,264**
Intangible assets	2.10.1	448,354	384,981
Property, plant and equipment	2.10.2	198,186	149,811
Financial assets	**2.10.3**	**335,889,098**	**306,182,145**
- Financial investments in loans and deposits	2.10.3	5,958,077	6,211,007
- Held-to-maturity investments	2.10.3	22,785,788	24,020,882
- Available-for-sale investments	2.10.3	307,145,232	275,950,256
Unit-linked insurance assets	2.10.4	119,416,246	142,711,340
Amount of technical provisions transferred to reinsurers	2.10.9	1,046,960	813,891
Receivables	2.10.5	583,329	2,379,971
- Receivables arising from direct insurance operations	2.10.5	323,492	420,313
- Receivables from coinsurance and reinsurance	2.10.5	56,726	131,880
- Current tax assets	2.10.5	0	15,781
- Other receivables	2.10.5	203,111	1,811,997
Other assets	2.10.6	312,327	379,015
Cash and cash equivalents	2.10.7	34,706	28,110
EQUITY AND LIABILITIES		**457,929,207**	**453,029,264**
Capital	**2.10.8**	**59,806,735**	**63,967,938**
- Share capital	2.10.8	7,043,899	7,043,899
- Capital reserves	2.10.8	58,625	58,625
- Profit reserves	2.10.8	34,994,763	30,172,319
- Revaluation surplus	2.10.8	9,379,376	19,803,889
- Net profit or loss brought forward	2.10.8	0	0
- Net profit or loss for the business year	2.10.8	8,330,071	6,889,206
Liabilities		**398,122,472**	**389,061,326**
Technical provisions	2.10.9	272,666,577	238,093,987
- Unearned premiums	2.10.9	870,895	725,819
- Mathematical provisions	2.10.9	133,550,108	126,182,767
- Claims provisions	2.10.9	7,187,145	6,134,935
- Other technical provisions	2.10.9	131,058,429	105,050,467
The technical provisions for the benefit of the insured with life insurance who assume the investment risk have increased	2.10.9	119,738,911	143,258,359
Other provisions	2.10.10	233,830	138,730
Deferred tax liabilities	2.10.11	2,027,026	4,571,091
Operating liabilities	2.10.12	1,953,558	1,404,301
- Liabilities from direct insurance operations	2.10.12	1,320,906	1,244,060
- Liabilities arising from coinsurance and reinsurance	2.10.12	151,072	160,241
- Current tax liabilities	2.10.12	481,580	0
Other liabilities	2.10.13	1,502,569	1,594,857

Accounting policies and notes are shown in Item 2 of the Financial report on pages 57 to 121 and are a constituent part of the Financial statements.

1.2. Income statement

	Notes	Total 2018	Total 2017
NET REVENUES FROM INSURANCE PREMIUMS	2.10.14	76,132,931	70,108,208
- Gross insurance premium written	2.10.14	76,924,834	70,836,423
- Reinsurance and co-insurance share in gross premium written	2.10.14	-646,498	-618,863
- Change in unearned premiums	2.10.14	-145,404	-109,353
INVESTMENT REVENUES, of which	2.10.15	10,788,087	14,940,391
- Change in the fair value of investments for the benefit of those policyholders that assume the investment risk	2.10.15	0	5,855,902
COMMISSION REVENUES	2.10.18	1,509,985	1,531,062
OTHER REVENUES	2.10.19	60,542	23,359
NET CLAIMS INCURRED	2.10.21	-47,694,036	-29,637,952
- Gross claims paid	2.10.21	-47,093,435	-29,388,334
- Shares of reinsurers and co-insurers	2.10.21	451,609	537,747
- Change in provisions for claims outstanding	2.10.21	-1,052,210	-787,365
CHANGE IN OTHER TECHNICAL PROVISIONS	2.10.20	-33,375,304	-30,441,019
CHANGE IN TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	2.10.20	23,519,448	-8,204,735
OPERATING COSTS, of which	2.10.22	-9,641,466	-9,143,980
- Costs of insurance contract acquisition	2.10.22	-4,137,893	-3,992,662
INVESTMENT EXPENSES, of which	2.10.16	-10,686,495	-349,089
- Impairment of financial assets that are not measured at fair value through profit or loss	2.10.16	-531,123	-66,529
OTHER INSURANCE EXPENSES	2.10.23	0	0
OTHER EXPENSES	2.10.24	-448,714	-417,904
INCOME STATEMENT BEFORE TAX		**10,164,978**	**8,408,340**
TAX EXPENSES	2.10.25	-1,834,908	**-1,519,134**
NET PROFIT OR LOSS FOR THE PERIOD		**8,330,071**	**6,889,206**
Basic Earnings per Share	2.10.26	4,935	4,081

Accounting policies and notes are shown in Item 2 of the Financial report on pages 57 to 121 and are a constituent part of the Financial statements

1.3. Statement of comprehensive income

		Total	
	Notes	2018	2017
NET PROFIT FOR THE YEAR AFTER TAX		8,330,071	6,889,206
OTHER COMPREHENSIVE INCOME AFTER TAX		-10,424,512	297,256
a) Items subsequently not reclassified to profit or loss		-12,245	1,734
- Other items subsequently not reclassified to profit or loss		-13,530	1,916
- Tax on items subsequently not reclassified to profit or loss		1,285	-182
b) Items that may be subsequently reclassified to profit or loss		-10,412,268	295,522
- Net gains/losses from the revaluation of available-for-sale financial assets		-12,854,651	364,842
* Net gains/losses recognised in revaluation surplus		-11,793,710	963,619
* Transfer of gains/losses from revaluation surplus to profit or loss		-1,060,941	-598,777
- Tax on items that may be subsequently reclassified to profit or loss		2,442,384	-69,320
COMPREHENSIVE INCOME FOR THE PERIOD	**2.10.27**	**-2,094,442**	**7,186,462**

Accounting policies and notes are shown in Item 2 of the Financial report on pages 57 to 121 and are a constituent part of the Financial statements.

1.4. Cash flow statement

		Notes	2018	2017
A.	**Cash flows from operating activities**			
a)	**Items of income statement**		**19,960,120**	**31,937,689**
1.	Net insurance premiums for the period	2.10.14	76,278,335	70,217,560
3.	Other operating revenues (except from revaluation and without reducing provisions) and financial revenues from operating receivables		1,471,489	1,512,357
4.	Net claims settled	2.10.21	-46,875,223	-29,088,692
6.	Net operating expenses, excluding depreciation and deferred acquisition costs	2.10.22	-9,391,412	-8,921,367
8.	Other operating expenses without depreciation (except for revaluation and decrease in provisions)		-85,126	-49,681
9.	Corporate income taxes and other taxes not included in operating expenses	2.10.25	-1,437,943	-1,732,489
b)	**Changes in net current assets (insurance receivables, other receivables, other assets and deferred tax assets and liabilities) of balance sheet items**		**-814,148**	**-716,116**
1.	Opening minus closing receivables from direct insurance operations		-260,586	-400,557
2.	Opening minus closing receivables from reinsurance operations		75,154	-73,514
3.	Opening less closing other receivables from (re)insurance operations		60,542	23,359
4.	Opening less closing other receivables and assets		1,675,573	-902,474
7.	Closing minus opening liabilities from direct insurance operations		76,846	298,258
8.	Closing minus opening liabilities from reinsurance operations		-9,169	2,702
9.	Closing less opening other operating liabilities		-2,560,062	216,005
10.	Closing less opening other liabilities (except unearned premium)		127,554	120,105
c)	**Net receipts from/disbursements for operating activities (a+b)**		**19,145,973**	**31,221,573**
B)	**Cash flows from investing activities**			
a)	**Receipts from investing activities**		**162,613,104**	**124,207,959**
1.	Receipts from interest associated with investing activities and:		8,556,785	7,879,635
	- investments financed from technical provisions		8,545,461	7,832,783
	- other investments		11,325	46,852
2.	Receipts from dividends and participation in profit of others, associated with:		855,444	746,240
	- investments financed from technical provisions		855,444	746,240
4.	Receipts from disposal of property, plant & equipment financed from:		988	18,704
	- other sources		988	18,704
5.	Receipts from disposal of long-term investments financed from:		57,353,531	33,138,064
	- technical provisions		57,353,531	31,072,857
	- other sources		0	2,065,207
6.	Receipts from disposal of short-term investments financed from:		95,846,355	82,425,316
	- technical provisions		75,442,355	65,867,316
	- other sources		20,404,000	16,558,000
b)	**Disbursements for investing activities**		**-179,685,718**	**-154,245,116**
1.	Disbursements for acquisition of intangible assets	2.10.1	-243,429	-164,513
2.	Disbursements for acquisition of items of property, plant and equipment financed from:	2.10.2	-108,926	-79,770
	- other sources		-108,926	-79,770
3.	Disbursements for acquisition of long-term investments financed from:		-86,207,911	-70,117,844
	- technical provisions		-86,207,911	-70,117,844

		Notes	2018	2017
	- other sources		0	0
4.	Disbursements for acquisition of short-term investments financed from:		-93,125,453	-83,882,989
	- technical provisions		-72,987,453	-67,721,989
	- other sources		-20,138,000	-16,161,000
c)	**Net receipts from/disbursements for investing activities (a+b)**		**-17,072,614**	**-30,037,157**
C)	**Cash flows from financing activities**			
b)	**Disbursements for financing activities**		**-2,066,762**	**-3,697,007**
5.	Disbursements for the payment of dividends and other profit participations		-2,066,762	-3,697,007
c)	**Net receipts from/disbursements for financing activities (a+b)**		**-2,066,762**	**-3,697,007**
Č)	**Closing balance of cash and cash equivalents**		**34,706**	**28,110**
	x) Cash flow for the period (sum total of Ac, Bc and Cc)		6,596	-2,512,591
	+			
	y) Opening balance of cash and cash equivalents		28,110	2,540,701

The cash flow statement has been prepared in accordance with the Decision on the Annual Report and Quarterly Financial Statements of Insurance Companies, issued by the Insurance Supervision Agency (Official Gazette of RS nos. 1/2016, 85/2016, 12/2018).

The IFRS-adjusted cash flow statement and the related notes are disclosed in Item 2.10.28 of the Financial Report.

1.5. Statement of changes in equity

Statement of changes in equity for the period from 01/01/2018 to 31/12/2018

				III. Revenue reserves					
		I. Share capital	II. Capital reserves	Regulatory and statutory	Other revenue reserves	IV. Revaluation surplus	V. Retained net profit/ loss	VI. Net profit or loss for the business year	TOTAL CAPITAL (1 to 11)
1.	**Balance at the end of the previous business year**	**7,043,899**	**58,625**	**645,764**	**29,526,554**	**19,803,889**	**0**	**6,889,206**	**63,967,938**
4.	**OPENING BALANCE FOR THE PERIOD CONCERNED (1+2+3)**	**7,043,899**	**58,625**	**645,764**	**29,526,554**	**19,803,889**	**0**	**6,889,206**	**63,967,938**
5.	**Comprehensive income of the year after tax**	**0**	**0**	**0**	**0**	**-10,424,512**	**0**	**8,330,071**	**-2,094,442**
	a) Net profit or loss	0	0	0	0	0	0	8,330,071	8,330,071
	b) Other comprehensive income	0	0	0	0	-10,424,512	0	0	-10,424,512
6.	Subscribed (or paid) new capital	0	0	0	0	0	0	0	0
10.	Dividend payout	0	0	0	0	0	0	-2,066,762	**-2,066,762**
11.	Allocation of net profit to profit reserves	0	0	0	4,822,444	0	0	-4,822,444	**0**
	- pursuant to the resolution passed by the AGM	0	0	0	4,822,444	0	0	-4,822,444	**0**
	- pursuant to the resolution passed by the Management Board	0	0	0	0	0	0	0	0
15.	**CLOSING BALANCE IN THE ACCOUNTING PERIOD (4+5+6+7+8+9+10+11+12+13+14)**	**7,043,899**	**58,625**	**645,764**	**34,348,999**	**9,379,376**	**0**	**8,330,071**	**59,806,735**

Accounting policies and notes are shown in Item 2 of the Financial report (notes on balances and changes in Item 2.10.8) on pages 57 to 121 and are a constituent part of the Financial statements.

Statement of changes in equity for the period from 01/01/2017 to 31/12/2017

				III. Revenue reserves					
		I. Share capital	II. Capital reserves	Regulatory and statutory	Other revenue reserves	IV. Revaluation surplus	V. Retained net profit/ loss	VI. Net profit or loss for the business year	TOTAL CAPITAL (1 to 11)
1.	**Balance at the end of the previous business year**	**7,043,899**	**58,625**	**645,764**	**25,829,547**	**19,506,633**	**0**	**7,394,014**	**60,478,483**
4.	**OPENING BALANCE FOR THE PERIOD CONCERNED (1+2+3)**	**7,043,899**	**58,625**	**645,764**	**25,829,547**	**19,506,633**	**0**	**7,394,014**	**60,478,483**
5.	**Comprehensive income of the year after tax**	**0**	**0**	**0**	**0**	**297,256**	**0**	**6,889,206**	**7,186,462**
	a) Net profit or loss	0	0	0	0	0	0	**6,889,206**	6,889,206
	b) Other comprehensive income	**0**	**0**	**0**	**0**	**297,256**	**0**	**0**	**297,256**
6.	Subscribed (or paid) new capital	0	0	0	0	0	0	0	0
10.	Dividend payout	0	0	0	0	0	0	-3,697,007	-3,697,007
11.	Allocation of net profit to profit reserves	0	0	0	3,697,007	0	0	-3,697,007	0
	- pursuant to the resolution passed by the AGM	0	0	0	3,697,007	0	0	-3,697,007	0
	- pursuant to the resolution passed by the Management Board	0	0	0	0	0	0	0	0
15.	**CLOSING BALANCE IN THE ACCOUNTING PERIOD (4+5+6+7+8+9+10+11+12+13+14)**	**7,043,899**	**58,625**	**645,764**	**29,526,554**	**19,803,889**	**0**	**6,889,206**	**63,967,938**

Accounting policies and notes are shown in Item 2 of the Financial report (notes on balances and changes in Item 2.10.8).

2 Notes to the Financial Statements

2.1 Reporting unit

NLB Vita, življenjska zavarovalnica d.d. (abbreviated firm: NLB Vita d.d. Ljubljana) is a life insurance company with registered office at Trg republike 3 in Ljubljana. NLB Vita offers life, accident and health insurance products for which it had obtained the licence of the Insurance Supervision Agency (hereinafter: the ISA). The Insurance Company operates solely on the Slovenian market and employs 46 people as at 31/12/2018.

The founders and owners of the Insurance Company are Nova Ljubljanska banka d.d., Ljubljana and KBC Insurance NV, Leuven, Belgium, each with a 50% capital share in the Insurance Company. The consolidated annual reports of those companies are available at their headquarters. The holders of interest in the capital of the Insurance Company that compile consolidated annual reports for the extended group of which NLB Vita d.d. Ljubljana is a subsidiary are Nova Ljubljanska banka d.d., Ljubljana, Trg republike 2 and KBC Bankverzekeringsholding NV, Brussel, Havenlaan 2, Belgium. The consolidated annual reports of those companies are available at their headquarters.

NLB Vita has no capital investments in subsidiaries, which is why it only prepares independent financial statements.

The annual report in accordance with the IFRS adopted by the EU and the provisions of the Companies Act (ZGD-1) and the Company's Articles of Association is compiled by the Management Board and submitted to the Supervisory Board for approval and adoption together with the proposed use of the distributable profit and the auditor's report.

The Supervisory Board must examine the annual report and the proposal for the use of the distributable profit. It must prepare a written report on the findings of the examination of the annual report for the Company's General Meeting. In this report, the Supervisory Board must adopt a position on the auditor's report and make any necessary comments as well as adopt a position on whether it adopts the annual report or not. If the Supervisory Board approves the annual report, the report is adopted.

The General Meeting of Shareholders is responsible for adopting the annual report only if the Supervisory Board has not approved it or if the governance bodies propose that the decision on the adoption of the report be made by the General Meeting.

2.2 Basis for compiling

2.2.1 Statement of compliance and application of the IFRS

The Financial statements of the Insurance Company NLB Vita, življenjska zavarovalnica d.d. Ljubljana for 2018 have been compiled in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the EU, the Interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and also by the European Union and in line with the provisions of the Insurance Act (ZZavar-1) and the provisions of the Companies Act (ZGD).

The Management Board of the Insurance Company approved its Financial statements on 21/02/2019.

Basis for compiling the financial statements

The financial statements of the Insurance Company have been compiled on the going concern basis. The financial statements represent the Insurance Company's individual statements compiled on the basis of the original values, except for the cases stated below in which fair value is used:

- financial assets recognised at fair value through profit or loss and
- available-for-sale financial assets.

When compiling the statement of financial position, individual items of assets and liabilities are grouped by their nature and in the approximate order of their liquidity. Additional disclosures show current and non-current assets and current and non-current liabilities as separate items, depending on whether they are expected to be paid or settled within no more than twelve months after the date of the statement of financial position (current) or in more than twelve months after the date of the statement of financial position (non-current).

Financial assets and liabilities are offset in the statement of financial position only when the legal right and intention of net settlement exist or when the asset is liquidated and liability settled at the same time. Revenues and expenses are not offset in the Income Statement unless stipulated by the standards, notes or accounting policies of the Insurance Company.

2.2.2 Implementation of new and revised International Financial Reporting Standards

In the business year, NLB Vita introduced all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for reporting periods beginning on 1 January 2018 and that were adopted by the EU.

Changes in accounting policies and disclosures

The accounting policies used by the Insurance Company in the preparation of its financial statements are the same as the policies used in the preparation of its financial statements for the previous business year. The newly adopted or amended standards and notes that the Insurance Company adopted for annual periods starting on 01/01/2018 or later and that are presented below are an exception:

IFRS 9 Financial Instruments: Classification and measuring

The final version of IFRS 9 Financial Instruments, which includes the requirements of all individual phases of the project of IFRS 9 novation and supersedes the IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements regarding the classification, measurement and impairment of financial instruments and hedge accounting. The Insurance Company is still assessing the impact of the standard on its financial statements. The postponement of the application of IFRS 9 is permitted in case the major part of the Insurance Company's liabilities are liabilities under insurance contracts (IFRS 4.20D).

Below is the calculation of the fulfilled condition of postponed application of IFRS 9.

	31/12/2018	31/12/2017	% 31/12/2018	% 01/01/2018
Liabilities	398,122,472	389,061,326		
Insurance contracts liabilities	392,405,488	381,352,346	98.6%	98.0%

The fair value of financial assets is disclosed in accordance with the SPPI methodology, using the fair value of financial assets held to maturity and measured at amortised cost.

31/12/2018	SPPI assets	Non-SPPI assets	Fair value
Held-to-maturity financial assets	**26,964,564**	**0**	**26,964,564**
Debt securities	26,964,564	0	26,964,564
Loans and receivables	**0**	**0**	**0**
Deposits and certificates of deposit	0	5,958,077	5,958,077
Available-for-sale financial assets	**281,951,462**	**25,193,770**	**307,145,232**
Debt securities	281,951,462	5,309,065	287,260,527
Shares	0	19,884,705	19,884,705
Stakes in investment funds	**0**	**0**	**0**
TOTAL	**308,916,026**	**31,155,847**	**340,067,874**

01/01/2018	SPPI assets	Non-SPPI assets	Fair value
Held-to-maturity financial assets	**29,089,519**	**0**	**29,089,520**
Debt securities	29,089,519	0	29,089,520
Loans and receivables	**0**	**0**	**0**
Deposits and certificates of deposit	0	6,211,007	6,211,007
Available-for-sale financial assets	**249,365,653**	**26,584,602.69**	**275,950,256**
Debt securities	249,365,653	5,533,997.92	254,899,651
Shares	0	21,050,604.77	21,050,605
Stakes in investment funds	**0**	**0**	**0**
TOTAL	**278,455,173**	**32,795,609**	**311,250,783**

Disclosed credit risk

31/12/2018	Total	AAA	AA	A	BBB	BB and lower	No rating
Held-to-maturity financial assets	**26,964,564**	**257.809**	**2.658.169**	**24.048.586**	**0**	**0**	**0**
Debt securities	26,964,564	257,809	2,658,169	24,048,586	0	0	0
Deposits and certificates of deposit	**5,962,077**	**0**	**0**	**0**	**4,677,574**	**1,284,503**	**0**
Cash and cash equivalents	**34,706**	**0**	**0**	**0**	**0**	**34,706**	**0**
Available-for-sale financial assets	**287,260,527**	**8,150,536**	**27,780,449**	**140,583,770**	**107,973,466**	**2,510,417**	**261,889**
Debt securities	287,260,527	8,150,536	27,780,449	140,583,770	107,973,466	2,510,417	261,889
of which securities with significant credit risk	2,510,417	0	0	0	0	2,510,417	0
Total	**320,805,203**	**8,453,809**	**30,438,618**	**164,721,494**	**112,651,040**	**4,082,164**	**261,889**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The Insurance Company is still assessing the impact of the standard on its financial statements.

IFRS 15: Revenue from Contracts with Customers (Clarifications)

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations, amending the wording of the 'separately identifiable' principle, of principal versus agent considerations, including the assessment of whether an entity is a principal or an agent, as well as applications of the control principle and of licensing, providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Insurance Company is still assessing the impact of the standard on its financial statements.

IFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Insurance Company is still assessing the impact of the standard on its financial statements.

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

The amendments address the concerns arising from the application of the new IFRS 9 Financial Instruments before implementing the new standard, which is currently under preparation and which deals with insurance contracts; the new standard will replace IFRS 4. The amendments allow insurance entities to use two approaches in insurance contract accounting: a temporary exemption from IFRS 9 and the overlay approach, which allows the entities issuing insurance contracts falling within the scope of IFRS 4 to reclassify certain income or expenses arising from certain financial assets from profit or loss to other comprehensive income. The Company decided for a temporary exemption from applying IFRS 9.

IAS 40: Transfers of Investment Property (Amendments)

Early application is permitted. The amendments clarify when an entity is required to reclassify a property, including a property under construction or development, to, or from, investment property. Moreover, the amendments clarify that a change in use occurs when a property meets or ceases to meet the definition of investment property and there is evidence of a change in use. A change in the management's intentions for the use of a property by itself does not constitute evidence of a change in use. These amendments have no impact on the Insurance Company's financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

Early application is permitted. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Insurance Company is still assessing the impact of the standard on its financial statements.

The International Accounting Standards Board (IASB) issued the annual improvements to the IFRS 2014–2016 cycle, which is a collection of amendments and supplements to the IFRS. These improvements have no impact on the Insurance Company's financial statements.

IFRS 1: First-time Adoption of International Financial Reporting Standards

The amendment removes the short-term exemptions for disclosures relating to financial instruments, employee benefits and investment entities, which otherwise apply to the first-time adoption of IFRS.

IAS 28: Investments in Associates and Joint Ventures

The amendments clarify that each investment in an associate or joint venture held by a venture capital organisation or other qualified entity may be measured at fair value through profit or loss at initial recognition.

Standards not yet in force that were not adopted early by the Insurance Company

IFRS 16: Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 provides the guidelines for the recognition, measurement, presentation and disclosure of leases of both contracting parties: the lessee and the lessor. The new standard provides a single lessee accounting model, requiring lessees to recognise most leases in their financial statements, with a few exceptions, with examptions of leases in value less than EUR 4.367. Lessor accounting is substantially unchanged. The management assessed the impact of the standard on the Insurance Company's Financial statements, namely the total present value of liabilities from leases as at 31/12/2018 is EUR 1,359,611.97 and the total value of leases for the estimated useful life of the assets is EUR 1,493,004. Net present value of property leases as at 31.12.2018 is equal to EUR 1,318,759.02, calculated for period of 7 years and for remaining rents outstanding, discounted by 2.69% p.a. (rate obtained by commercial bank for a loan in an amount and maturity reflecting accumulated value of the rents outstanding). For business vehicles in use and with lease term of 4 years, net present value of lease liabilities as at 31.12.2018 amounts to EUR 40,852.95, effective interest rate is 3.715% p.a. Standard is used retrospectively with cumulative effect at the beginning of its use and value of the right-of-use asset is equal to value of lease liabilities.

IFRS 17: Insurance contracts

The standard is effective for annual periods beginning on or after 1 January 2021 or later, with earlier application permitted provided that an entity also reports in accordance with IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. IFRS 17 provides the guidelines for the recognition, measurement, presentation and disclosure of insurance contracts concluded by an insurance entity. Furthermore, the standard requires that similar principles be applied to reinsurance contracts and investment contracts with discretionary participation features. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard has not yet been endorsed by the EU. The Insurance Company is still assessing the impact of the standard on its financial statements.

Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict identified between the requirements of IFRS 10 and IAS 28 in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that an entity recognises in full any gains or losses arising from a transaction that involves operations, regardless of whether it is part of a daughter company or not. In other transactions that do not involve operations, an entity must also recognise part of gains or losses if the assets are part of a daughter company. In December 2015, the IASB indefinitely deferred the effective date of the standard, pending the outcome of its research project on the equity method of accounting. The amendments to the standard have not yet been endorsed by the EU. The Insurance Company is still assessing the impact of the standard on its financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The amendments allow financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset, there may be "negative compensation") to be measured at amortised cost or at fair value through other comprehensive income. The Insurance Company is still assessing the impact of the standard on its financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The amendments address the issue of whether the measurement of long-term interests (particularly in terms of impairment requirements regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture) falls within the scope of IFRS 9, IAS 28 or a combination of both. Furthermore, the amendments clarify that an entity is required to apply IFRS 9 Financial Instruments in the recognition of long-term interests not measured using the equity method before applying IAS 28. When applying IFRS 9, the entity shall not take into account any adjustments to the carrying amount of long-term interests under IAS 28. The amendments to the standard have not yet been endorsed by the EU. The Insurance Company is still assessing the impact of the standard on its financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Insurance Company is still assessing the impact of the standard on its financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendment)

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The amendments require an entity to define the costs of employee benefits and the net amount of interest in the remaining annual reporting period after a plan amendment, curtailment or settlement occurs using the updated actuarial assumptions. The amendments also clarify the impact of accounting a plan amendment, curtailment or settlement on the required limit values of assets. The amendments have not yet been endorsed by the European Union. The Insurance Company is still assessing the impact of the standard on its financial statements.

Conceptual framework of the IFRS standards

On 29 March 2019, the International Accounting Standards Board (IASB) published the revised Conceptual Framework for Financial Reporting. The Conceptual Framework sets out the fundamental concepts for financial reporting, setting of standards and instructions for the drafters of consistent accounting policies and facilitates the understanding and interpretation of the standards. The IASB also published a separate cover document “Updating a reference to the Conceptual Framework of the IFRS”, which is a presentation of the amendments of the standards concerned and is used for the updating of the references to the Conceptual Framework. The Board’s objective is to provide support in the transition to the revised Conceptual Framework to entities that adopt their accounting policies on the basis of the instructions of the Conceptual Framework in case certain transactions are not covered by any IFRS standard. The preparers that adopt their accounting policies on the basis of the instructions of the Conceptual Framework must apply the new Conceptual Framework to all periods starting on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)

The IASB published the amendments in defining business (amendments to the IFRS), the aim of which is to eliminate the uncertainties in deciding about whether a business or a group of assets has been taken over. The amendments apply to business combinations with a takeover date on the date of the first annual reporting period starting on or after 1 January 2020 and for asset takeovers at the beginning of this period or later. Early application is permitted. The amendments have not yet been endorsed by the European Union. The Insurance Company is still assessing the impact of the standard on its financial statements.

The International Accounting Standards Board (IASB) issued the annual improvements to the IFRS 2015-2017 cycle, which is a collection of amendments and supplements to the IFRS. The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The improvements have not yet been endorsed by the EU. The Insurance Company is still assessing the impact of the improvements on its financial statements.

IFRS 3: Business Combinations and IFRS 11: Joint Arrangements

The amendments to IFRS 3 clarify that when gaining control of a joint operation, which is a business combination, an entity must remeasure its previously held equity interest in the acquiree at its acquisition. The amendments to IFRS 11 clarify that when gaining joint control of a joint operation, which is a business combination, an entity need not remeasure its previously held equity interest in the acquiree at its acquisition.

IAS 12: Corporate income tax

The amendments to the standard clarify that an entity must recognise the tax consequences arising from the financial instruments classified as capital under the same item under which it recognised the past transactions or events that generated accumulated profit.

IAS 23: Borrowing costs

The amendments to the standard clarify Article 14 of the standard, stating that an entity must include a loan, at the moment when an asset meets the conditions for its intended use or sale and part of a loan relating to that asset is outstanding, among received loans.

2.2.3 Translation of foreign currencies

The financial statements have been complied in EUR, which is the functional and presentation currency of the Company. Foreign currency transactions (assets and liabilities) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

For the purpose of calculating exchange rate differences after initial recognition, the Insurance Company divides the economic categories into monetary and non-monetary. Non-monetary economic categories are those for which no future cash settlement is expected, while monetary categories of assets and liabilities are those expected to be settled in the future.

Assets and liabilities are measured in the original currency. On the balance sheet date:

- monetary items in EUR are translated at the ECB reference rate,
- non-monetary items measured at cost are translated into EUR using the exchange rate on the day of transaction,
- non-monetary items measured at fair value are translated into EUR using the exchange rate on the day of fair value calculation

In the settlement or revaluation of monetary items expressed in a foreign currency, the exchange rate differences are disclosed in the income statement. In the settlement or revaluation of non-monetary items, the exchange rate differences are disclosed:

- in the income statement for those assets the gains/losses are disclosed. In the case of financial instruments (e.g. shares) classified as financial instruments, measured at fair value through profit or loss, foreign exchange gains or losses are recognised as part of profit/loss arising from the valuation at fair value.
- in other comprehensive income for the assets for which the gains or losses are disclosed under the surplus from revaluation item.

2.2.4 Disclosures to the accounting statements

In the notes to individual items of the statement of financial position and the income statement, the Insurance Company shows all disclosures defined in the IFRS adopted by the EU, the ZZavar or its implementing regulations and the ZGD, applying mutatis mutandis the aspect of materiality as one of the qualitative characteristics of the financial statements.

2.3 Significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

2.3.1 Intangible assets

They are initially recognised at cost, consisting of the purchase price and the dependent costs of purchase. Intangible fixed assets are afterwards evaluated at cost reduced by the accrued straight-line amortisation. Amortisation begins when an intangible asset is available for use. The amortisation of intangible assets is calculated individually, by applying the straight-line amortisation method. Assets excluded in the current year are amortised for the period until exclusion. The basis for calculating amortisation is cost.

Amortisation values for individual groups of assets:

	Amortisation rate in %
Software	10-33
NLB Trademark Licence	10

The Insurance Company's intangible assets include in-house developed intangible assets. The value of in-house developed intangible asset comprises all directly attributable costs necessary to create and prepare the asset. The Insurance Company at least annually reviews the value of its intangible assets in order to establish the existence and the amount of impairment. If the carrying amount of an asset exceeds its estimated recoverable amount, i.e. the value in use, it is written down to the recoverable amount against operating expenses.

2.3.2 Property, plant and equipment

The property, plant and equipment of the Insurance Company comprise investments in foreign fixed assets, computer equipment, office furniture and other equipment and equipment in financial lease. The Insurance Company uses these assets for performing its activity.

Upon initial recognition, tangible fixed assets are posted at their purchase value reduced by accrued straight-line depreciation. Upon initial recognition, they are evaluated at cost, which consists of the purchase price, taxes, exchange rate differences, direct costs of acquisition and costs related to the decomposition and removal of the asset.

They are depreciated as of the day on which the asset is available for its planned use. Depreciation is provided individually on a straight-line basis over their estimated useful lives. Assets excluded in the current year are amortised for the period until exclusion. The basis for calculating amortisation is cost. Amortisation values for individual groups of assets:

	Depreciation rate in %
Hardware	33-50
Office and other equipment	20
Investments in foreign items of property, plant and equipment	10
Equipment under financial lease	20

The Insurance Company at least annually reviews the value of its property, plant and equipment in order to establish the existence and the amount of impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Reversals of impairment losses are recognised as income immediately in the income statement due to changes in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The recoverable amount is the lower extent of their fair value less the costs to sell, or the value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and included in the income statement.

Minor repairs and renewals are disclosed in the income statement when the expenditure is incurred. In the case of major investments in equipment that either increase the future benefits or extend the useful life of an item of property, plant and equipment, such investments increase the cost of the item. The Insurance Company regularly checks the useful life of property, plant and equipment.

Property, plant and equipment acquired under financial lease

A lease is an agreement whereby the lessor conveys to the lessee against payment or a series of payments the right to use an asset for an agreed period of time. Lease agreement are posted as financial or operating lease according to their initial classification. A financial lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset together with the transfer of the asset. In the case of financial lease, title may or may not eventually be transferred. The determination of the type of lease also depends on the provisions in the contract, with the content being more important that the form or name.

Finance leases as assets and liabilities are recognised in the balance sheets of the Company at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The depreciation of a leased item is aligned with the depreciation of other similar items of property, plant and equipment owned by the Insurance Company.

The cost of interest during a financial lease is allocated to financial expenses and debt reduction.

A fixed asset in financial lease is disclosed separately from other fixed assets of the same type.

2.3.3 Financial assets

The Insurance Company classifies its financial assets on the basis of the intended acquisition upon purchase into the following categories:

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

The Insurance Company's financial assets are classified as follows:

- Shares;
- Debt securities;
- Deposits and certificates of deposit;
- Stakes in investment funds;
- Receivables; and
- Cash and cash equivalents.

In the framework of individual items of the Insurance Company's statement of financial position presenting financial assets, these refer to the following categories and classes:

	Category	Class
FINANCIAL ASSETS		
Financial assets		
- Financial assets in loans and deposits	Loans and receivables	Deposits and certificates of deposit
- Held-to-maturity financial assets	Held-to-maturity	Debt Securities
- Available-for-sale financial assets	Available for sale	Debt Securities
		Shares and
		Stakes in investment funds
Unit-linked insurance assets	At fair value through profit or loss	Stakes in investment funds
Receivables		
- Receivables from direct insurance business	Loans and receivables	Receivables
- Other receivables	Loans and receivables	Receivables
Other assets, including:		
- Short-term accrued revenues	Loans and receivables	Receivables
Cash and cash equivalents	Loans and receivables	Cash and cash equivalents

Debt securities, shares and stakes in investment funds are recognised on the date of trading and are initially measured at fair price, which equals the paid amount of money. Indirect costs of brokers arising from the purchase of securities increase the value of investment. An exception to this is financial assets measured at fair value through profit or loss, where the cost of transaction directly increase the expenses arising from assets.

The recognition of a financial asset is cancelled when the contractual right to cash flows expires or when the financial asset is transferred and the transfer satisfies the criteria for cancelling the recognition. This happens when the Insurance Company transfers the risks and the yields related to the ownership of the instrument to another legal or natural person. The derecognition is recorded on the date of trading or the date of expiry of the rights.

The Insurance Company applies the FIFO method to the reduction of stocks upon the sale of a security.

Financial assets at fair value through profit or loss

The Insurance Company includes in the group of assets at fair value through profit or loss also the assets of those policyholders that assume the investment risk. This group of financial assets comprises investment fund units, which represent the major part of investments in the long-term unit-linked business fund and to which the entitlements of the insured arising from the insurance contracts are linked. These financial instruments meet the criteria for classification into this category upon initial recognition, thereby annulling the impact of the valuation of those assets and liabilities covered by them to profit and loss. The aim of this is to cancel the inconsistency in the accounting treatment of liabilities and the related assets.

Upon initial recognition, such financial assets are again measured and disclosed at fair value, using the published (i.e. stock) price on the active market of securities as fair value. Upon subsequent valuation to fair value after initial recognition, the non-realised gains and losses are recognised in the income statement for the period in which they arise.

Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Insurance Company definitely intends and is able to hold to maturity. Among those, NLB Vita only discloses debt securities.

Financial assets held to maturity are disclosed at amortised cost according to the effective interest rate method decreased by potential impairments. The Insurance Company regularly assesses whether there is objective evidence of impairment of a financial asset held to maturity. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is equal to the present value of the expected future cash flows discounted at the original effective interest rate. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the recoverable amount. When an impairment of assets is identified, the Insurance Company makes an allowance to reduce the investment to its realisable value that is recognised in the income statement.

Assets classified in the group held to maturity cannot be reclassified to another group or disposed early. If, nevertheless, such an asset is reclassified or disposed of, all instruments classified under that category need to be reclassified to assets available for sale and their fair value must be measured. Revaluation impacts are reported as other comprehensive income.

In such case, no newly-purchased security may be classified in the held-to-maturity group for the next two business years.

The above provision does not apply if:

- the sale is close enough to maturity or exercised call date so that changes in the market rate of interest did not have an effect on the financial asset's fair value;
- the sale is carried out after the repayment of almost the total principal amount of the financial asset and
- sales due to an event that is beyond the Insurance Company's control and that is non-recurring and could not have been reasonably anticipated.

Available-for-sale financial assets

Financial assets available for sale are those intended to be held for an indefinite period of time, which may be sold in response to the need for liquidity or changes in interest rates, exchange rates or prices. This group also comprises assets not classified into other groups of financial assets. This group also comprises equity and debt securities.

Upon initial recognition, the financial assets available for sale are again measured at fair value, using the published (i.e. stock) price on the active market of securities as at the balance sheet day or the evaluation date. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are reported in other comprehensive income until the financial asset is sold, at which time the realised gain or loss is reported in net profit or loss in the income statement.

Financial assets in loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not traded in an active market. In this group, the insurance company includes deposits and certificates of deposits with banks, receivables (including short-term accrued income) and cash and cash equivalents.

Bank deposits are initially measured at amortised cost applying the effective interest rate method. In the income statement, interest income from deposits and certificates of deposit are shown in the amount of the effective interest rate. The assessment after the impairment of financial assets in deposits is made once per year.

Receivables are shown by the Insurance Company as a separate item of financial statement in the framework of which the following financial assets are shown:

- receivables from direct insurance operations, i.e. receivables due from insurers and the insured, insurance brokers and other receivables from direct insurance operations,

- receivables from reinsurance operations,

- other receivables (e.g. receivables due from suppliers, employees and state institutions, but not corporate income tax and similar).

The balance sheet item of receivables also comprises receivables for assessed corporate income tax, which are nevertheless considered non-financial assets. The accounting policies related to corporate income tax are shown in Item 2.3.12 of this Financial report.

Upon initial recognition, receivables are disclosed at fair value, i.e. at invoiced or accounted amounts. After initial recognition, receivables are stated at the amortised cost. If there is objective evidence that an impairment loss has been incurred on an item of receivables carried at amortised cost, the amount of the impairment loss is measured as the difference between the carrying amount of that item of receivables and the present value of the estimated future cash flows discounted at its effective interest rate. The method of establishing impairments of receivables is presented in Item 2.3.5.

NLB Vita also includes the short-term accrued revenues in the receivables class, which are otherwise disclosed under the balance sheet item "Other assets" in the Insurance Company's statement of financial position (see Item 2.3.7 of the Financial Report). Accrued revenues are generated when the completion of current operating results is based on justified recognition of revenues not yet charged. Short-term accrued revenues comprise above all short-term accrued revenues from insurance premium or fees that can be reliably estimated. They are measured on the basis of the contractual amounts.

The balance sheet item "Cash and cash equivalents" in the scope of the Insurance Company's financial position comprises the assets on bank accounts and available cash assets held by the asset manager. Cash equivalents are highly liquid assets that are readily, reliably and simply convertible to known amounts of cash. In the framework of cash equivalents, the Insurance Company recognises the call deposits that can be readily converted into known amounts of cash.

In the cash flow statement, the Insurance Company discloses as cash and cash equivalents the assets on the bank accounts, the available cash assets held by the asset manager and call deposits that can be readily converted into known amounts of cash. The Insurance Company does not disclose deposits with maturity under three months among the cash equivalents. According to its estimate, these assets do not meet the conditions defined by IAS 7, i.e. that they cannot be readily converted into known amounts of cash and are not exposed to only insignificant risk of change in value due to cancellation.

2.3.4 Definition of fair value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The following are disclosed at fair value:

- financial assets measured at fair value through profit or loss and

- available-for-sale financial assets.

The best indicator of the fair value of a financial instrument is the published price on the active financial market. A financial instrument is listed on an active financial market if the market prices are promptly and regularly provided by a stock exchange, brokers, industrial groups, pricing services or supervisors and if they represent the actual and current market transactions.

The Insurance Company establishes the fair value of financial instruments in the following way:

- The fair value of investments in equity instruments that have a quoted market price on an active market is determined as the product of the number of units of the instrument and its market price (this can either be the price of the most recent deal or the average price on the last date of the business year).

- If there is no price on the active market for a financial instrument, its fair value is determined using the valuation methods. Valuation methods can include the use of data on transactions with similar financial instruments and a potential adjustment for specific features of the instrument measured, the discounted cash flow method or the option pricing models.

- Financial instruments for which there is no active market and for which the value cannot be reliably measured are measured at cost.

The Insurance Company discloses the detailed breakdown of valuation of its financial assets valued at fair value based on three levels of fair value hierarchy:

1. Level 1 - based on market price without adjustments

2. Level 2 - based on the valuation model using market expectations

3. Level 3 - based on the valuation model not using market expectations

It is assumed for the current receivables, accrued revenues and liabilities falling due within one year that their carrying amount (cost less impairments) reflects their fair value. The process of impairment of receivables is described in Item 2.3.5 of the Financial report.

For deposits and certificates of deposit in banks, it is assumed that their book value equals fair value except in case there are clear indications on the market about financial problems of issuer banks that could result in their inability to settle their liabilities. In such case, the fair value of those instruments is defined in the manner specified in this item.

Gains and losses arising from changes in the fair value of the Financial assets at fair value through profit or loss category, together with the interest, dividends and exchange rate differences, are included in the income statement in the period in which they arise.

Changes in the fair value of securities classified as available-for-sale are recognised on the basis of the origin of fair value change. Thus the exchange differences for debt securities are recognised in the income statement, while other changes (e.g. the change in the market price) are recognised directly in the statement of comprehensive income. In the case of equity securities, all changes in fair value are recognised in the statement of comprehensive income.

Upon disposal or impairment of securities classified as available-for-sale, the accumulated adjustments from the comprehensive income are transferred to the income statement.

2.3.5 Impairment of Assets

Financial assets without receivables

The Insurance Company assesses the value of financial assets as at the day of reporting to see if any objective indication of an impairment of the asset exists. A financial asset is considered impaired if there exists objective evidence that one or more of the events led to a reduction of expected future cash flows arising from such asset. Objective evidence that financial assets are impaired can include:

- significant financial difficulty of the issuer or the borrower;

- violation of contractual provisions, such as defaulting on interest or principal;

- possible bankruptcy or other financial reorganisation of the issuer or the borrower;

- Objective evidence on the reduction of future cash flows from the financial asset (including changes in the macroeconomic environment),

- Other.

Reduced credit rating of an issuer of a financial instrument is not a proof in itself for the need to impair the asset; it can, however, be considered evidence of impairment in connection with other information.

The following can also be considered objective evidence of necessary impairment in the case of assets invested in equity instruments:

- Information about significant changes in the technological, market, economic or legal environment with negative consequences on the issuer's operations. In such case, the initial investment in the purchase of the instrument would not be repaid.

- A significant or long-term decrease in the fair value of an equity instrument, falling below its original cost. The criteria of materiality and long-term nature are described in further detail in Item 2.4.1.

Impairment loss related to a financial asset carried at amortised cost is calculated as the difference between the net carrying value of the asset and the projected cash flows discounted at the initial effective interest rate. Impairment loss related to a financial asset available for sale is calculated on the basis of its present fair value.

For individually material financial assets, the impairment is assessed individually. The impairment for other financial assets is assessed in groups, depending on their common characteristics in terms of risk exposure.

All impairment losses are disclosed in the income statement of the Insurance Company for the period. Any accumulated loss related to a financial asset available for sale, recognised directly in other comprehensive income, is transferred to the income statement.

Impairment loss is cancelled if the amount of the impairment loss can be related objectively to an event occurring after the impairment was recognised. In financial assets disclosed at amortised cost and financial assets available for sale, which are debt instruments, the cancellation of impairment loss is shown in the income statement. The derecognition of impairments of non-financial assets available for sale (that are equity securities) is disclosed by the Insurance Company directly under other comprehensive income.

Receivables

In individually material exposures to the policyholders, the Insurance Company assesses the fair, i.e. realisable, value of receivables and forms appropriate value adjustments for impairments based on individual assessment of the policyholder's assessed solvency.

For receivables due from policyholders whose solvency is not established individually, the Insurance Company forms value adjustments according to the following procedure:

1. the Insurance Company classifies the receivables due from the policyholders into 3 groups with similar credit risk,
2. based on past experience, the insurance company assesses the percentage of adjustment for each credit risk group,
3. the Insurance Company quarterly establishes value adjustments by defined groups.

The essential information for determining the credit risk of an individual policyholder is the age of the oldest overdue receivable by individual policy. For debtors in bankruptcy proceedings, the Insurance Company establishes 100% value adjustments regardless of the age of receivables.

For other receivables from operations and short-term accrued revenues, value adjustments are made on the basis of individual assessment of financial position and the solvency of the debtors from which an outstanding receivable is due. Value adjustments of receivables are disclosed under the item of other expenses from operations and their cancellation is posted to other revenues from operations, regardless of the time of origin.

Non-financial assets

At each reporting date, the Company verifies the remaining carrying amount of non-financial assets to determine whether there is any indication of impairment. If such signs exist, the recoverable amount of the asset is assessed.

The recoverable amount of an asset is the greater of its value in use and its fair value minus selling costs. When assessing the value of the asset in use, the expected future cash flows are discounted to their present value using the discount rate before tax, which reflects the current market assessments of the time value of cash and the risk characteristic for the asset.

The impairment of the asset is recognised in cases when its book value exceeds its recoverable amount. Impairment is recognised in the profit or loss.

The impairment loss is derecognised if any change in the assessment occurs based on which the Insurance Company determines the recoverable value of the asset. An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised for the asset in prior years.

2.3.6 Amount of technical provisions transferred to reinsurers

The amount of technical provisions transferred to reinsurers is the actual or assessed amount that represents the share of re-insurers in the obligations arising from the insurance contracts (technical provisions). It is calculated on the basis of the provisions of the reinsurance contracts. The basis for the calculation is the liabilities from insurance contracts, which is presented in Item 2.3.10. At the end of the year, the need for impairment is checked and potential amounts of impairments are shown in the income statement.

2.3.7 Other assets

Other assets in the statement of financial position include short-term deferred costs and accrued revenues.

Short-term accrued revenues are financial assets, which is why their disclosure and measurement is detailed in Item 2.3.3 of the Financial report.

Short-term deferred costs are non-financial assets and contain amounts not posted to current profit or loss upon occurrence but instead shown in the amounts based on the appropriate documents.

2.3.8 Capital

Total capital includes called-up capital, capital reserves, profit reserves, revaluation surpluses, retained net profit/loss and net profit/loss for the business year:

- Nominal capital and capital surplus (share premium) are stated as contributions in cash or in kind.
- Pursuant to the applicable legislation, profit reserves are divided into legal reserves, reserves for own shares and statutory reserves as well as other reserves from profit. Profit reserves can be formed only from net profit for the business year and net profit from previous years. After the establishment of the legal reserves, the Management Board can form other reserves from profit based on the Companies Act, namely in the amount of 50% of the remaining amount of net profit for the year. The purpose of use is only binding in the case of legal reserves, while it is optional in other cases.
- The revaluation surplus occurs due to the change of the fair value of financial

assets classified as available for sale and due to actuarial gains or losses arising from retirement bonuses.

- The retained net profit is related to the net profit brought forward from previous years that the company did not allocate to other reserves from profit or net loss brought forward that could not be covered from the Company's net profit from operations or other sources pursuant to the law regulating companies.

- Net profit or loss for the year is the part of the profit for the year that the Management Board did not allocate to profit reserves or other purposes defined by the law regulating companies or the Insurance Company's articles of association when compiling the annual report.

2.3.9 Classification of insurance contracts

NLB Vita's classification of insurance contracts is based on:

- International Financial Reporting Standard 4 (IFRS 4) and

- International Actuarial Standards of Practice 3 (IASP 3).

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Under IFRS 4, an event is uncertain if at least one of the following is uncertain at the inception of an insurance contract:

- whether an insured event will occur;

- when it will occur; or

- how much the insurer will need to pay if it occurs.

Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). If significant additional benefits would be payable in scenarios that have commercial substance, the condition in the previous sentence may be met even if the insured event is extremely unlikely or even if the expected (i.e. probability-weighted) present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.

An insurer shall assess the significance of insurance risk contract by contract, rather than by reference to materiality to the financial statements. Thus, insurance risk may be significant even if there is a minimal probability of material losses for a whole book of contracts. This contract-by-contract assessment makes it easier to classify a contract as an insurance contract. However, if a relatively homogeneous group of small contracts is known to consist of contracts that all transfer insurance risk, an insurer need not examine each contract within that homogeneous group to identify a few non-derivative contracts that transfer insignificant insurance risk.

The Insurance Company classifies the insurance contracts into homogeneous groups for which the materiality of the insurance risk is then assessed. The common features of the contracts in a group are insurance class, insurance conditions, coverage types and the method of premium payment (regular premium or single premium).

Thus, NLB Vita assesses materiality on the basis of the maximum difference between the economic value of the payment in the case of individual insured event and other initially defined cases with commercial substance (e.g. surrender). The payments also include the claim handling costs. If the maximum additional payment exceeds the value of payments in other cases by more than 5%, the risk is defined as material.

Insurance contracts entailing significant insurance risk are, in books of account, treated according to IFRS 4. If insurance contracts do not entail significant insurance risk, as specified in this article or in the classification of insurance contracts, they are, in books of account, treated as financial contracts under IAS 39.

Based on the analysis conducted, NLB Vita defined all homogeneous groups of insurance products as insurance contracts. Consequently, insurance premiums represent revenue for the period in which they are accounted, and claims are treated as expense in the period in which they occur, while technical provisions are established for other liabilities.

More detailed accounting treatment of individual categories listed above is described below.

Unbundling of deposit components

Some insurance contracts contain both an insurance component and a saving component. Pursuant to IFRS 4, the insurer must check in individual cases if these components can be unbundled; unbundling is required if the insurer can measure the deposit component (including any embedded surrender options) separately (i.e. without considering the insurance component) and if the insurer's accounting policies do not otherwise require it to recognise all obligations and rights. Unbundling is prohibited if an insurer cannot measure the component separately. When unbundling an insurance component, the insurer must apply IFRS 4 to the insurance component and IAS 39 to the saving component.

NLB Vita does not unbundle the components of the insurance contracts.

NLB Vita d.d. products

The Insurance Company markets products from the following insurance groups:

- non-life insurance; and
- life insurance.

In the scope of non-life insurance group, the Insurance Company markets the following insurance products:

- insurance class 1 according to the ZZavar (Insurance Act), namely accident insurance products and
- insurance class 2, namely health insurance products.

In the scope of the life insurance group, the Insurance Company markets the following insurance products:

- insurance class 19 (life insurance) and
- insurance class 21 (unit-linked life insurance).

The Insurance Company establishes one register of assets for non-life insurance products and a separate register of assets for each class of non-life insurance products in which it records business events separately.

In the case of insurance products with a saving or unit-linked component NLB Vita Zanesljiva, NLB Naložba Vita Plus and NLB Vita Izbrana, it is possible to take out additional accident insurance for the case of accidental death and/or accidental total permanent disability and additional insurance for the case of critical illnesses, unless stipulated otherwise by the general terms and conditions.

As at 31/12/2018, the Insurance Company marketed all of the above products, except for Collective insurance of the holders of personal accounts and payment cards, Individual accident insurance, Individual life insurance of borrowers, the products NLB Vita Varna, NLB Vita Zanesljiva, NLB Vita Razigrana with guaranteed return, NLB Vita Razigrana with fund investment, NLB Vita Izbrana and NLB Naložba Vita Plus.

2.3.10 Technical provisions

The Insurance Company is required to form appropriate technical provisions for all the insurance products offered as cover for future liabilities from these insurance

Insurance group	Register of assets	Insurance class pursuant to the ZZavar-1	Products
Non-life insurance	Register of non-life insurance products	Ins. class 1: Accident insurance	Collective accident insurance for holders of personal accounts
			Collective accident insurance for holders of payment cards
			Individual accident insurance
			NLB Vita Nezgoda
			Collective accident insurance of employees
			Collective accident insurance of directors and officers
			Accident insurance for children and youth
		Ins. class 2: Health insurance	Individual health insurance with medical assistance abroad
			Collective health insurance with medical assistance abroad
Life insurance	Register of life insurance products	Ins. class 19: Life insurance (with guaranteed return)	NLB Vita Zanesljiva
			NLB Vita Senior
			NLB Vita Razigrana with guaranteed return
		Ins. class 19: Life insurance (without savings component)	Individual life insurance of borrowers
			Collective life insurance of borrowers
			Collective life insurance of overdraft users
			NLB Vita Odgovorna
			NLB Vita Varna
	Register of unit-linked assets	Ins. class 21: Unit-linked life insurance	NLB Naložba Vita Plus
			NLB Vita Izbrana
			NLB Vita Razigrana with investment in funds
			NLB Vita Varčevanje +
			NLB Vita Privatno
			NLB Naložba Vita Multi
			NLB Naložba Vita Multi Senior

products and potential losses arising from risks associated with its insurance operations. Technical provisions must always be formed in the amount sufficient for covering all liabilities arising from insurance contracts that can be foreseen.

The item of technical provisions includes gross technical provisions. The Insurance Company checks the appropriateness of the amount of technical provisions annually. The Insurance Company sets aside provisions for unearned premiums, provisions for outstanding claims and mathematical provisions.

It separately monitors technical provisions for the register of non-life insurance assets, the register of life insurance assets and the register of unit-linked assets. Provisions for unearned premiums and provisions for outstanding claims arising from unit-linked life insurance are disclosed by NLB Vita in the register of life insurance assets.

Provisions for unearned premiums

Gross provisions for unearned premiums are established on the basis of the pro rata temporis method for each insurance separately. They are established in the amount of the portion of the premium written for coverage in the period extending beyond the accounting period. The change in gross unearned premiums reduces the amount of gross premium written in the income statement.

The Insurance Company reduces the unearned premium for insurance underwriting costs in relation to the insurance products NLB Vita Nezgoda, Collective accident insurance of employees, Collective accident insurance of directors and officers, Accident insurance for children and youth, Health insurance with medical assistance abroad, Individual life insurance of borrowers, NLB Vita Senior, NLB Vita Odgovorna and NLB Vita Varna. Since the underwriting costs are incurred upon taking out the insurance, the transfer of the share of the premium for covering these costs is not justified. The share of reduced unearned premium equals the share of the premium for covering the underwriting costs and is disclosed as reduction of unearned premium.

The reinsured portion in gross unearned premiums is calculated for each insurance separately and is shown under the item of reinsurers' assets in the statement of financial position.

Provisions for outstanding claims

The Insurance Company sets aside provisions for outstanding claims in the amount of the assessed claims of insured persons that the insurance undertaking is obliged to settle on the basis of those insurance contracts where the event insured against occurred in the accounting period, irrespective of whether such an event was reported, including all the fees and charges arising from those contracts and charged to the Insurance Company.

The Insurance Company thus sets aside provisions for claims reported but not yet settled and provisions for claims incurred but not reported, together with appraisal costs.

Provisions for outstanding claims for reported claims are established on the basis of the inventory of individual claims listing, and provisions for outstanding claims that have already occurred by the balance sheet date but have not yet been reported are established using the Bornhuetter Ferguson method for health insurance policies and the expected claims ratio method for other insurance policies. When assessing the claims ratio, the Insurance Company uses the bases applied to setting the premium (life tables, average share of included costs, average age and male/female distribution in the portfolio).

The Insurance Company does not discount provisions for outstanding claims.

The reinsured portion of the provisions for outstanding claims is calculated for those types of contracts that have been reinsured with the reinsurance company. In the calculation of the reinsured portion of the provisions for outstanding claims for the incurred but not reported claims, the average share of the reinsurance company is taken into account. The average share is calculated on the basis of the provisions of concluded reinsurance contracts and the portfolio of the insured persons on the accounting day. The reinsured portion of provisions for outstanding claims is shown under the item of reinsurers' assets in the statement of financial position.

Mathematical provisions

Mathematical provisions are set aside in the amount of the present value of the assessed future obligations of the Insurance Company arising from insurance contracts reduced by the present assessed value of future premiums to be paid on the basis of those insurance contracts. The increase in mathematical provisions for the anticipated allocation of surplus and additional provisions for the guaranteed minimum payment have the status of mathematical provisions.

In the calculation of mathematical provisions, the Insurance Company uses the technical interest rate used for premium calculation for individual and collective life insurance of borrowers, collective life insurance of overdraft users and insurance for the case of death NLB Vita Senior and NLB Vita Odgovorna, while it uses the guaranteed return for the insurance products with guaranteed return and the asset unit value for the calculation of mathematical provisions of unit-linked life insurance products.

The life tables are used by the Insurance Company for the calculation of mathematical provisions, which are the same as those used for the calculation of the premium.

Mathematical provisions are set aside for each insurance product separately and negative values of mathematical provisions are set to zero. Mathematical provisions are not reinsured.

For insurance products subject to the formation of mathematical provisions, the prospective method of calculation is used, except for life insurance with guaranteed return, where the retrospective method of calculation is used. It takes into account the past developments, from the moment of taking out the insurance to the day of calculating the provision.

For insurance where the policyholder bears the investment risk, special provisions are formed with the status of mathematical provisions. Such provisions are calculated for each contract separately and equal the product of the asset units in an investment fund as at a specific date and the value of an asset unit of investment fund as at that date.

Based on the data about the achieved profitability of the register of life insurance assets, the amount of the surplus is determined, which is allocated to the eligible policyholders. All life insurance products for which mathematical provisions are formed and for which the entitlement to participation in the surplus is defined in the general terms and conditions regulating such insurance policies are eligible for participation in the surplus of the register of life insurance assets. The Insurance Company separately establishes the profit/loss of the register of life insurance assets. This participation in the profit is established once a year at the end of the business year. The Insurance Company establishes the difference between the achieved profitability of investments and the guaranteed interest rate taken into account in the calculation of liabilities with the right to participate in the surplus. Realised revenues and investment expenses are taken into account when establishing the achieved return.

Additional provisions for the guaranteed minimum payment

In the case of NLB Naložba Vita Multi and NLB Naložba Vita Multi Senior, if premium is invested in an investment package, the Insurance Company forms additional technical provisions for the guaranteed minimum payment besides the mathematical provisions. These equal the present value of the guaranteed minimum payment upon the maturity of the investment package, using the discount rates of 2.75%, 2.25%, 1.30%, 0.60% or 0.35% p.a., depending on the investment package.

Additional provisions for the guaranteed minimum payment are also established by the Insurance Company for the product NLB Vita Varčevanje + in case the insurance policyholder selects the investment option with the payment of assets into a guaranteed return fund. The amount of provision equals the sum of the value of guaranteed return funds as at the day of calculation of mathematical provision and the value of non-allocated overdue premium that is translated to the value of guaranteed return fund on the seventh day after the day on which the Insurance Company received payment. In such case, the non-allocated overdue premium is the net premium that has not yet been translated to the value of guaranteed return fund on the day of calculating additional provisions for guaranteed minimum payment.

Provisions are set aside for each insurance product separately.

Liability adequacy test

The Insurance Company carries out the liability adequacy test for technical provisions on a quarterly basis. In this test, the assessment of the present value of future cash flows in connection with the life insurance contracts is compared with the technical provisions in relation to these contacts on the last day of the quarter. If the comparison shows that the established technical provisions are inadequate, additional provisions are formed for the entire deficit. The effect of the change in the amount of additional provisions is shown in the income statement.

The assumptions used in the liability adequacy test for technical provisions are detailed in Item 2.5.5 and the test sensitivity is described in Item 2.5.6.

2.3.11 Other provisions

The Insurance Company's other provisions include provisions for employee bonuses, i.e. long-term provisions for jubilee bonuses and severance pays upon retirement. The Insurance Company pays jubilee bonuses and severance pays upon retirement to its employees. The employees are entitled to jubilee bonuses if they had worked for the Insurance Company for a certain period of time without interruption. Persons who retire and have worked for the Insurance Company before that are entitled to severance pay upon retirement. The present value of liabilities for the payment of jubilee bonuses and severance pays upon retirement is calculated by a qualified actuary.

An employee is entitled to a jubilee bonus for 10 years, 20 years and 30 years of service in NLB Vita according to the Decree of the RS on the Level of Work-Related Expenses and Other Expenses not Included in the Tax Base applicable at a time, unless a higher amount of jubilee bonuses is laid down by the Collective Agreement for the Insurance Sector in Slovenia.

The entitlements to severance pay upon retirement are paid in accordance with the Collective Agreement for the Insurance Sector in Slovenia.

The key actuarial assumptions used in the calculation of the present value of the above-mentioned liabilities are:

- The growth in salaries as a result of inflation, longer service period, career advancement and potential legal provisions;
- The market returns of high-quality bonds (euroswap rates) known as at the last day of the business year are used as the discount rate; and
- The current data on the employees of the insurance company (duration of employment, age, gender, average earnings) and the assessment based on recorded data on the employees of the insurance company in previous years.

The amount of liabilities arising from the jubilee bonuses and severance pay upon retirement is calculated using the projected unit method. Actuarial gains and losses arising from jubilee bonuses are recognised in the profit or loss and actuarial gains and losses arising from severance pay upon retirement are recognised in other comprehensive income.

2.3.12 Taxes

The Insurance Company is subject to corporate income tax in the Republic of Slovenia. It compiles a corporate income tax return based on the Corporate Income Tax Act and based on the results disclosed in the income statement established on the basis of the IFRS as adopted by the EU.

The Insurance Company's corporate income tax assets or liabilities for the year are shown in a separate balance sheet item of assets or liabilities for the assessed tax. The amount is the offset difference in the calculated corporate income tax liability for the business year and the amount of prepaid tax during the year.

Deferred tax is calculated on the basis of the established temporary differences between the tax and the book value of assets and liabilities, taking into account the applicable tax rates or the rates expected to apply in the period when the receivable is repaid and the liability settled. Deferred tax liabilities are recognised in full. Deferred tax assets are shown in the relevant scope only in case it is estimated that there will be sufficient taxable profit available in the future to allow for the use of such recognised receivable. Deferred tax assets and liabilities are shown as separate items in the Insurance Company's statement of financial position.

The Insurance Company's corporate income tax assets and liabilities and assets and liabilities arising from deferred taxes are non-financial liabilities of the Insurance Company.

2.3.13 Liabilities

Initially, current and non-current liabilities of all categories are posted at amounts recorded in the underlying documents. At a later stage, they are increased by the amount of accrued returns if an agreement has been made to that effect with the creditor and reduced by the amounts repaid and any other settlements that may be agreed upon with the creditor. Liabilities are derecognised upon the fulfilment, annulment or time-barring of the relevant contractual obligation.

The Insurance Company posts liabilities under two balance sheet items, namely operating liabilities and other liabilities. Operating liabilities comprise liabilities for direct insurance business, liabilities to coinsurers and reinsurers and liabilities for the assessed tax. Other liabilities comprise liabilities to the state, liabilities to employees, accounts payable, short-term deferred revenues and short-term accrued costs. All liabilities except for assessed tax liabilities and short-term deferred revenues are financial liabilities of the Insurance Company.

All financial liabilities of the Insurance Company belong to the category of financial liabilities measured at amortised cost.

Liabilities arising from direct insurance operations are related to liabilities to the insurance policyholders and the insured, insurance brokers and other liabilities arising from direct insurance operations. NLB Vita's liabilities related to reinsurance and coinsurance comprise liabilities for the reinsurance premium, while the liabilities for the assessed tax are detailed in Item 2.3.12.

Short-term deferred income occurs if the services have already been charged but not yet provided. Accrued costs comprise costs that are expected but have not yet occurred and are related to the accounting period for which profit/loss is being established. When assessing the amount of accrued costs, the signed agreements and those realised in previous periods are taken into account.

Accrued costs also comprise included costs for unused annual leave of the employees.

2.3.14 Revenues

The revenues of the Insurance Company include net premium income, investment revenues, other revenues from insurance operations and other operating revenues.

Net premium income

Net premium income is calculated on the basis of gross written premium, reduced by the reinsurers' share and adjusted for changes in gross provisions for unearned premiums taking into account the reinsurers' share in provisions for unearned premiums.

Gross premium written is recognised in accounting records on the day it is accounted and not on the day it is paid. Gross premiums written do not include potential tax on insurance transactions.

The reinsured part of gross premiums written is calculated on the basis of the provisions of the reinsurance contract and recognised in the same period as the gross premium written to which the reinsurance portion is related.

Investment revenues

Investment revenues comprise income from dividends, interest income, asset disposal gains, exchange rate differences, other income from assets and positive changes in the fair value of unit-linked life insurance assets. Investment revenues are recorded separately, depending on the source of investments.

Income from dividends is recognised in the income statement once the right to payment is obtained. If dividends are in foreign currency, they will be translated at the mean exchange rate of the Bank of Slovenia as at the payment date. Interest income from financial assets are accrued using the effective interest rate method.

Other insurance revenues

Other insurance revenues are shown under income from fees charged by the Insurance Company to its business partners.

2.3.15 Expenses

The Insurance Company's expenses comprise the change of technical provisions, net claim costs, investment expenses, operating costs, other insurance expenses and other operating expenses shown in the income statement by primary type. They are recognised on the accounting day, not the day of payment, in the amounts specified in the underlying documents.

Change in technical provisions

In the framework of the item change in technical provisions, the Insurance Company discloses the change of gross mathematical provisions arising from insurance contracts, namely separately for:

- the change in technical provisions for the policyholders that assume the investment risk and

- the change in other technical provisions.

Net claims incurred and change in provisions for outstanding claims

Net expenses for claims are gross amounts of claims (comprising claims and external appraisal costs) reduced by the reinsurer's share and adjusted by the change in net provisions for claims corrected by the amount of the reinsurer's share in the provisions for outstanding claims. Appraisal costs comprise the costs of external assessment of entitlement and of the amount of compensation claim. Expenses for claims where the surrender values and sums insured are denominated in a foreign currency are translated into domestic currency based on the contractually set exchange rate.

Investment expenses

Investment expenses comprise interest expenses, asset impairment expenses, asset disposal losses, negative exchange rate differences, other expenses for assets and negative changes in the fair value of unit-linked life insurance assets. Other expenses for assets comprise the fees for the purchase or sale of financial assets evaluated at fair value through the income statement. Investment expenses are recorded separately, depending on the source of investments on the accounting day.

Operating expenses

Operating expenses of the Insurance Company comprise the costs of insurance underwriting and direct operating costs, such as the costs of depreciation of assets needed for operations, labour costs, costs of services provided by natural persons not performing an activity and other operating costs, i.e. costs of material and other services by primary type. The costs of insurance underwriting comprise the costs of brokerage fees and other direct external costs of insurance, such as the cost of medical examination.

Other insurance expenses

Other insurance expenses comprise expenses for fees charged to the Insurance Company by its business partners.

Other expenses

Other expenses include the costs of supervision by the ISA, the expenses for exchange rate differences, impairments and write-offs of receivables and other small amounts.

2.4 Important accounting estimates and assumptions

In addition to the important accounting estimates and assumptions shown in the chapters on investment and insurance risk management, the Insurance Company also uses other estimates and assumptions that affect the amounts in the financial statements. The estimates and assumptions are constantly checked and are based on historical experience and other factors, including the expectations regarding future events that are believed to be reasonable under the given circumstances. Since the assumptions are related to future developments, the actual results will differ from the anticipated results in most cases.

2.4.1 The sources of uncertainty in the established estimates

Impairment of receivables due from the insurance policyholders

For the purpose of establishing impairments, the Insurance Company checks the outstanding receivables due from the insurance policyholders, insurance brokers and others. Before deciding whether an impairment loss should be recorded in the income statement, the Insurance Company checks whether there is any information indicating a decrease in the estimated future cash flows from established receivables. The evidence may include information indicating that the debtors' solvency position has deteriorated. When assessing future cash flows, past experience and the analyses of recoverability of receivables in the past are taken into account. The procedure is shown in more detail in the chapter on important accounting policies (Item 2.3.5).

The impairment of equity securities available for sale

NLB Vita impairs those equity securities in relation to which it observes a significant or long-term drop in fair value under their cost. Thus, equity securities are impaired if:

- the stock exchange price on the active market of securities on the balance sheet date is by 40% or more lower than the cost or

- the stock exchange price has been below the cost value for 12 subsequent months.

The impairments of equity securities are detailed in Item 2.10.16.

2.5 Insurance risk management

2.5.1 Description of risks

Insurance risks are risks that arise from insurance contracts. Each insurance contract is exposed to uncertainties regarding whether an insured event would occur and when and what the sum insured would be. Due to the nature of insurance contracts, the risks arising from insurance contracts are random and therefore highly unpredictable.

The insurance risks are related to the uncertainty of the insurance transaction. The most significant components of insurance risk are:

- the risk of inadequate premium amount (hereinafter: the premium risk) and
- the risk of inadequate technical provisions (hereinafter: the provision risk).

Premium risk is the risk that costs and claims will be higher than written premiums. This can occur when the frequency or the amount of claims is higher than expected. The reason can be in inappropriate setting of an insurance product premium, inappropriate assessment of risk upon insurance writing or merely the fact that loss events are random variables, which means that the actual number and amounts deviate from the statistical average. Provision risk is the risk of inappropriate amount of technical provisions set aside.

Experience shows that deviations decrease with the increase in size and dispersion of portfolio. The insurance company has established a process of underwriting in which it differentiates between the types of insurance risks underwritten, and its aim is to achieve sufficiently large risk portfolios within those categories to reduce the variability of expected claims.

2.5.2 Risk management

The Insurance Company manages the insurance risks with the criteria for accepting the risk upon insurance writing, appropriate product development, a prudent approach to compiling price lists, formation of adequate technical provisions and reinsurance.

The process of accepting individual risks to be insured against differs depending on the amount of assumed risk and the insured person's age and can contain merely an assessment based on the insured person's basic data, an assessment based on a medical questionnaire or a medical examination, the scope of which can differ depending on the above-mentioned factors.

The Insurance Company takes care of appropriate development of products, particularly the formation of the price lists and establishment of adequate technical provisions, by consistently applying the actuarial principles and the laws and regulations covering this area.

The Insurance Company also performs the liability adequacy test by taking into account the amount of existing liabilities, interest rates and mortality estimates, cancellations and costs, as detailed in Item 2.5.5.

The Insurance Company reinsures risks with surplus reinsurance and quota share reinsurance of the sum at risk. For the time being, it has reinsurance contracts with three foreign reinsurers, one with the credit rating AA- and two with A. All three have a stable outlook. According to the ZZavar-1, the Insurance Company adopts a reinsurance programme for each business year.

2.5.3 Risk concentration

Risk concentration can arise from an individual insurance contract or from a group of related contracts. An example of risk concentration with low frequency and large scope is natural disasters (earthquake, epidemic, war, etc.). The concentration is also affected by the changes in the habits of people that lead to death at young age. The Insurance Company insures risks on the territory of the Republic of Slovenia, where there are no significant location-based deviations from the average.

The table below presents the concentration of sums at risk insured per insured person in five intervals. The figures denote the status before and after reinsurance, without excess of loss. The table shows that the risk is concentrated in the lowest interval up to EUR 30,000.

Sum insured at risk (in EUR thousand) per insured person as at 31/12/2018	Total exposure in EUR thousand			
	before reinsurance		after reinsurance	
0-30	568,984	45.40%	565,460	51.39%
30-60	349,008	27.85%	314,915	28.62%
60-90	206,531	16.48%	143,351	13.03%
90-120	86,849	6.93%	52,858	4.80%
more than 120	41,952	3.35%	23,834	2.17%
Total	**1,253,324**	**100.00%**	**1,100,419**	**100.00%**

Compared to the previous year, sums insured at risk rose, which is evident from the table below.

Sum insured at risk (in EUR thousand) per insured person as at 31/12/2017	Total exposure in EUR thousand			
	before reinsurance		after reinsurance	
0-30	557,837	46.46%	555,063	53.84%
30-60	329,496	27.44%	296,813	28.79%
60-90	199,658	16.63%	128,553	12.47%
90-120	80,241	6.68%	39,188	3.80%
more than 120	33,362	2.78%	11,365	1.10%
Total	**1,200,593**	**100.00%**	**1,030,981**	**100.00%**

2.5.4 The sources of uncertainty

The insurance risks are also affected by the right of the insurance policyholder to terminate the contract and reduce or not pay the future premiums. As it is assumed that the insurance policyholders would behave rationally, this will definitely affect the increase of the total insurance risk. It is namely more likely that healthy rather than ill insured persons would terminate the contract. This results in an increase of portfolio mortality, the effect of which is shown in Item 2.5.6.

Furthermore, the Insurance Company uses the appropriate life tables depending on the type and characteristics of insured risks when calculating the risk premium. The Insurance Company regularly monitors the actual claims ratio and compares it to the expected ratio.

2.5.5 The Liability Adequacy Test (LAT test)

Life insurance

The Insurance Company checks the adequacy of established provisions on the last day of the quarter. The calculation takes into account the future cash flows under the selected assumptions on future premiums, mortality, morbidity, surrenders, cancellations, fund return and costs.

Since mathematical provisions in unit-linked life insurance are established in the amount of the product of the number of units in an investment fund on a specific day and the value of the unit of assets in the investment fund on such day, it is only checked in the case of such products whether the present value of future other cash flows relating to such insurance is positive.

If a deficit is established when checking the appropriateness of the provisions, provisions are formed for the total amount of deficit established during the verification of the appropriateness of provisions.

The Insurance Company annually analyses the assumptions used in checking.

Main assumptions applied:

- Segmentation: The Insurance Company checks the adequacy of provisions for all life insurance policies together.
- Mortality and morbidity: The mortality assumption is based on the life tables applicable to the Insurance Company's portfolio and morbidity assumption is based on the morbidity tables reflecting the likelihood of diagnosis of one of the five illnesses covered by the reinsurance firm with which NLB Vita has concluded a reinsurance contract to cover critical

illnesses. The insurance company increases or decreases the assumptions on mortality and morbidity according to past loss events, also taking into account risk and uncertainty. The risk premium of a product is calculated on the basis of the applicable life table (e.g. Life tables for the Slovenian population 1993-1995 or Unabridged Life tables for the Slovenian population 2007 of the Statistical Office of the Republic of Slovenia).

- The probability of premium payment: in future premiums, the potential premium indexation and premium default rate are considered. The latter is analysed annually based on past premium payments under individual insurance products.

- Probability of surrenders and repayments: The insurance company estimates the probability of surrenders and repayments annually based on analysis of past events related to a specific insurance product.

- Costs: The assumptions on costs related to paid claims and surrenders and operating costs are made based on the annual analysis. All costs, apart from the operating costs, are increased by the annual inflation factor estimated based on the Bank of Slovenia's inflation forecast for the area of Slovenia.

- Interest rate: Cash flows are discounted on the basis of the yield curve of the investment portfolio, reduced by 25 basis points, as adjustment for not considering all of the options integrated in the insurance contract. In the future premiums, the guaranteed return of the lifetime insurance product NLB Varčevanje Vita plus and NLB Vita Zanesljiva is set to 0, and in the accounting funds, the value of the guaranteed return is also set to 0 after the expiry of the guaranteed return (10 years from the beginning of insurance or 10 years from the beginning of the accounting fund).

- Participation in surplus: When checking the adequacy of the provisions, it is not taken into account for the products that have the option of participation in surplus.

When assessing the fair value of liabilities, the Insurance Company takes into account the negative situation via the market value margin (MVM). The value of surplus (or deficit) from the underlying calculation is reduced by the most unfavourable shock from among the non-economic scenarios (a shock of +/-10%, separately from the mortality rate and termination rate) and additionally by the most unfavourable shock from among the economic scenarios (a parallel shift of the investment portfolio profitability by +/-25 basis points).

As at 31/12/2018 as well as 31/12/2017, the liability adequacy test showed a surplus, which confirmed that the established provisions were sufficient for covering all liabilities from future cash flows.

Non-life insurance

The Insurance Company checks the adequacy of established provisions on the last day of the quarter. The liability adequacy test for life insurance is limited to the liabilities arising from the outstanding portion of the existing contracts that are compared with the amount of established provisions for unearned premiums. In the case of non-life insurance, the Insurance Company limits the test to the monitoring of the combined claims ratio.

As at 31/12/2018 as well as 31/12/2017, the liability adequacy test showed a surplus, which confirmed that the established provisions were sufficient.

2.5.6 Sensitivity of the present value of future cash flows to changes in the value of significant variables

The Insurance Company checked the sensitivity of the present value of future cash flows by changing the assumptions of mortality, surrenders, terminations and discount curve.

The analysed changes do not reflect the most likely changes and do not include worst-case scenarios. The calculations take into account the change in one assumption, while other assumptions remain unchanged.

The sensitivity of the present value of cash flows is shown in the table below:

The sensitivity of the present value of cash flows

Assumption	Change in assumption	Sensitivity based on the basic scenario as at 31/12/2018
Mortality	+10%	-1,350,596
Mortality	- 10%	1,387,182
Surrender/repayment rate	+10%	-1,766,633
Surrender/repayment rate	- 10%	1,982,728
Discount factor	+25 bp	4,248,625
Discount factor	-25 bp	-4,369,886

The negative values in the table above represent unfavourable changes for the Insurance Company in relation to the present value of cash flows. It can be established from the above that the scenario most unfavourable for the Insurance Company is reduction of the discount rate by 25 basis points.

2.5.7 General terms and conditions of insurance policies with a material impact on the amount, time component and uncertainty of the future cash flows

Life insurance

Bonuses: Life insurance with guaranteed return NLB Varčevanje Vita Plus, NLB Vita Zanesljiva, NLB Vita Razigrana with guaranteed return and life insurance for the event of death NLB Vita Senior (written prior to 01/01/2018) include the right to participate in the surplus. At the end of each business year, the Insurance Company can allocate the amount of participation in the surplus to these insurance policies or increase the sum insured of the NLB Vita Senior products.

Premiums: Premiums for all life insurance policies are charged in EUR and paid either regularly or in a single amount upon taking out the insurance. Some insurance policies can contain premium indexation.

Life insurance with guaranteed return: Insurance covers the risk of death and can include additional insurance products that cover the risk of accidental death, total permanent disability due to accident and the risk of a critical illness. The premium can be paid either regularly, in instalments or in a single amount when the insurance is written; additional premium can also be paid unless stipulated otherwise by the general terms and conditions. It was possible to take out the insurance for a period of 15 years (until 01/12/2017); prior to the change in 2014, the insurance had been written for a lifetime. The insurance cover for the event of death only applies to the maximum final age of the insured person. In the event of natural death of the insured person in accordance with the general terms and conditions, the Insurance Company pays either the policy proceeds in the amount of the sum insured for the event of death or the value of property if it is higher or the policy proceeds in the amount of the sum insured for the event of death increased by the value of the policy. In the event of the insured person's death after reaching the maximum final age, the Insurance Company will pay the policy proceeds in the amount of the value of the policy.

NLB Vita Senior product: The insurance provides insurance coverage for the event of death of the insured person. It is written for a lifetime. The premium is paid monthly without the option of additional payments.

Life insurance of the borrowers: The insurance provides insurance coverage for the event of death of the insured person. Insurance is written for a limited period of insurance. In the event of collective insurance, the premium is paid in a single amount, while in individual insurance, it can also be paid monthly or annually. In the event of death of the insured person prior to the expiry of the period of insurance, the Insurance Company pays the policy proceeds in the amount of the sum insured applicable on the day the of occurrence of the insured event.

Unit-linked life insurance: Insurance covers the risk of death and can include additional insurance products that cover the risk of accidental death, total permanent disability due to accident and the risk of a critical illness. The premium can be paid either regularly, in instalments or in a single amount when the insurance is written; additional premium can also be paid. The insurance policyholder decides in which of the offered funds they want to invest the premium (they can decide to invest all assets in the investment funds or to invest part of the assets in a fund with guaranteed return). After the expiry of the 15-year period, all assets in the fund with guaranteed return are transferred to the investment fund. The insurance is written for a lifetime.

In the case of insurance policies linked to a guaranteed principal fund, the premium is paid in a single amount; additional premium can also be paid.

In the event of natural death of the insured person in accordance with the general terms and conditions, the Insurance Company pays either the policy proceeds in the amount of the sum insured for the event of death or the value of property if it is higher or the policy proceeds in the amount of the sum insured for the event of death increased by the value of the policy. In the event of accidental death of the insured person, the policy proceeds are increased by the sum insured for the event of accidental death.

Life insurance with monthly payout of scholarship: Insurance is written for a limited period of time, which is split into the saving period and the scholarship payout period. The premium can be paid either regularly, in instalments or in a single amount when the insurance is written; additional premiums can also be paid. The insurance policyholder can select between the insurance with guaranteed return linked to the units of mutual funds, deciding themselves in which of the offered funds they want to invest the premium. The Insurance Company shall cover the risk of death of the insured person and the risk of accidental death or permanent total disability of the beneficiary. It was possible to add additional accident insurance for the insured person to the underlying life insurance and in the case of regular payment in instalments also additional life insurance.

Life insurance for the event of death: The insurance provides insurance coverage for the event of death of the insured person. Insurance is written for a limited period of insurance. The premium can be paid either regularly, in instalments or in a single amount. In the event of death of the insured person prior to the expiry of the period of insurance, the Insurance Company pays the policy proceeds in the amount of the sum insured that does not change for the entire period of insurance.

Non-life insurance

Accident insurance: In the case of insurance of the holders of personal accounts and individual accident insurance policies, the Insurance Company covers the accidental death and total permanent disability as a result of an accident. For the products NLB Vita Nezgoda, Accident insurance for children and youth and Collective insurance of employees/directors and officers, the Insurance Company covers accidental death and total permanent disability as a result of an accident as well as the compensation for active treatment, days of hospitalisation, compensation for bone fracture, death due to illness, annuity due to accident, costs of funeral and costs of traumatic events due to accident. The amount of individual claim payment is limited to the sum insured. Claim payments are the main source of uncertainty that affects the amount and time period of future cash flows. The Insurance Company monitors the claims development through the claims triangles described in Item 2.10.9.

Health insurance: Individual, family and collective insurance that covers the costs of urgent medical care and urgent transportation, including medical assistance in case the insured person is sick or injured abroad. Collective insurance of NLB banking packages covers the costs of urgent medical care and urgent transportation abroad as well as accidental death and total permanent disability. The amount of the policy proceeds is limited to the sum insured.

2.6 Financial risk management

In the scope of its operations, the Insurance Company is exposed to various financial risks, the most significant among them being the market, credit and liquidity risk. The Insurance Company manages these risks with the Assets and Liabilities Management procedures (ALM), which primarily ensure that it has adequate assets to cover future liabilities arising from the insurance contracts written by it and potential losses on account of the risks arising from insurance operations performed by it. The basic assets and liabilities management technique is the alignment of the specifics of assets (duration, method of interest accrual, currency, cash flow, etc.) with those of liabilities arising from the insurance contracts written. It pays due consideration to the types of insurance operations it conducts so as to cater for the security, profitability and tradeability of such investments as well as the appropriate maturities, varieties and spreads.

In the scope of the assets and liabilities management procedures, the Insurance Company prepares regular (quarterly) reports for the Management and the Supervisory Boards.

The table below shows the alignment of the items in the statement of financial position. All investments in debt securities, investment fund units and shares are market investments.

ASSETS	31/12/2018	31/12/2017
Financial assets measured at fair value through profit or loss	**119,416,246**	**142,711,340**
Stakes in investment funds	119,416,246	142,711,340
Held-to-maturity financial assets	**22,785,788**	**24,020,882**
Debt securities	22,785,788	24,020,882
Financial assets in loans and deposits, receivables, cash and cash equivalents	**6,576,113**	**8,619,088**
Deposits and certificates of deposit	5,958,077	6,211,007
Receivables	583,329	2,379,971
Cash and cash equivalents	34,706	28,110
Available-for-sale financial assets	**307,145,232**	**275,950,256**
Debt securities	287,260,527	254,899,651
Shares	19,884,705	21,050,605
Stakes in investment funds	0	0
Other (non-financial) assets	**2,005,828**	**1,727,697**
Total	**457,929,207**	**453,029,264**

EQUITY AND LIABILITIES	31/12/2018	31/12/2017
Capital	**59,806,735**	**63,967,938**
Insurance contracts liabilities	**392,405,488**	**381,352,346**
Gross unearned premium	870,895	725,819
Gross mathematical provisions	133,550,108	126,182,767
Gross provision for outstanding claims	7,187,145	6,134,935
Other technical provisions	131,058,429	105,050,467
Gross technical provisions for the benefit of insurance policyholders that have assumed the investment risk	119,738,911	143,258,359
Other non-financial liabilities	**2,742,436**	**4,709,822**
Financial liabilities	**2,974,548**	**2,999,158**
Total	**457,929,207**	**453,029,264**

Below is a description of each financial risk and the procedures that the Insurance Company applies to manage them.

2.6.1 Credit risk

Description of risk

Credit risk is the risk of failure to meet the obligations and the change of credit rating of the issuer of securities (in the Insurance Company's portfolio), third persons and brokers. The Insurance Company is exposed to credit risk in its investment activity and in connection with the receivables due from third persons. The Insurance Company did not receive any assets as collateral for credit risk.

Financial assets

NLB Vita manages its credit risk by diversifying its investments in terms of issuers, sectors and geographical areas. The amount of maximum credit exposure is the net carrying amount of individual financial instruments in the statement of financial position.

As at 31/12/2018, the financial assets were predominantly invested in government securities, debt securities issued by EU Member States, equity and debt securities of international institutions.

In international markets, the Company only allocates to investment-grade securities (minimum rating BBB-/Baa3). Investments in domestic and foreign corporate securities have an adequate diversification by sector. Cash deposits are only placed in Slovenian banks.

The invested unit-linked financial assets exclusively comprise investments in investment fund units to which the policyholders' assets are linked in line with the applicable general terms and conditions. When substantial inflows are received, they are placed as short-term time deposits, but only up to the day when the fund units are purchased.

Among the Insurance Company's assets exposed to credit risk are debt securities, cash deposits, cash and some other receivables (receivables due from the reinsurers, the state). The tables below show the maximum exposure to credit risk of all the Insurance Company's assets by category and class and by credit rating compared to the previous business year:

	31/12/2018	31/12/2017
Held-to-maturity financial assets	**22,785,788**	**24,020,882**
Debt securities	22,785,788	24,020,882
Loans and receivables	**6,576,113**	**8,619,088**
Deposits and certificates of deposit	5,958,077	6,211,007
Receivables	583,329	2,379,971
Cash and cash equivalents	34,706	28,110
Available-for-sale financial assets	**287,260,527**	**254,899,651**
Debt securities	287.260.527	254.899.651
Shares		
Stakes in investment funds		
Total	**316,622,428**	**287,539,622**

31/12/2018	Total	AAA	AA	A	BBB	BB and lower	No rating
Held-to-maturity financial assets	**22,785,788**	**237,312**	**2,512,856**	**20,035,620**	**0**	**0**	**0**
Debt securities	22,785,788	237,312	2,512,856	20,035,620	0	0	0
Loans and receivables	**6,576,113**	**45,464**	**0**	**89,138**	**4,677,574**	**1,567,748**	**196,189**
Deposits and certificates of deposit	5,958,077	0	0	0	4,677,574	1,280,503	0
Receivables	583,329	45,464	0	89,138	0	252,538	196,189
Cash and cash equivalents	34,706	0	0	0	0	34,706	0
Available-for-sale financial assets	**287,260,527**	**8,150,536**	**27,780,449**	**140,583,770**	**107,973,466**	**2,510,417**	**261,889**
Debt securities	287,260,527	8,150,536	27,780,449	140,583,770	107,973,466	2,510,417	261,889
Total	**316,622,428**	**8,433,312**	**30,293,305**	**160,708,528**	**112,651,040**	**4,078,166**	**458,078**

31/12/2017	Total	AAA	AA	A	BBB	BB and lower	No rating
Held-to-maturity financial assets	**24,020,882**	**238,175**	**2,523,201**	**20,356,799**	**902,707**	**0**	**0**
Debt securities	24,020,882	238,175	2,523,201	20,356,799	902,707	0	0
Loans and receivables	**8,619,088**	**45,464**	**131,880**	**1,663,712**	**2,752,315**	**3,764,484**	**261,233**
Deposits and certificates of deposit	6,211,007	0	0	0	2,752,315	3,458,691	0
Receivables	2,379,971	45,464	131,880	1,663,712	0	277,682	261,233
Cash and cash equivalents	28,110	0	0	0	0	28,110	0
Available-for-sale financial assets	**254,899,651**	**8,415,263**	**26,521,906**	**115,498,179**	**100,831,913**	**3,368,627**	**263,764**
Debt securities	254,899,651	8,415,263	26,521,906	115,498,179	100,831,913	3,368,627	263,764
Total	**287,539,622**	**8,698,902**	**29,176,987**	**137,518,690**	**104,486,935**	**7,133,111**	**524,996**

Receivables due from policyholders

NLB Vita manages the credit risk arising out of **life insurance** by prescribing the manner of premium payments to individual policyholders (direct debits) and also through its Policy Conditions (e.g. termination of coverage in the event of the non-payment of premiums, deducting outstanding risk premiums from a policyholder's asset value, etc.) and the policy of handling overdue claims. Below is the structure of receivables arising from direct insurance operations and established value adjustments according to the methodology from Item 2.3.5.

Claims as at 31/12/2018	Gross value	Value adjustment	Residual value
Outstanding receivables not impaired	239,851	0	239,851
Receivables up to 90 days overdue (1-3 instalments) that have been impaired*	126,476	46,331	80,146
Receivables above 90 days overdue that have been impaired*	12,182	8,687	3,495
Total	**378,509**	**55,017**	**323,492**

*receivables are subject to group impairments

Claims as at 31/12/2017	Gross value	Value adjustment	Residual value
Outstanding receivables not impaired	285,333	0	285,333
Receivables up to 90 days overdue (1-3 instalments) that have been impaired*	172,903	41,056	131,848
Receivables above 90 days overdue that have been impaired*	9,108	5,972	3,136
Total	**467,344**	**47,028**	**420,316**

*receivables are subject to group impairments

Receivables due from the **non-life insurance premium** as at 31/12/2018 and as at 31/12/2017 were established only in relation to individual insurance policyholders and represent only a minimum share of total receivables in terms of value. The Insurance Company did not have any individually material receivables as at 31/12/2018 or 31/12/2017 that it would have to individually assess for impairment.

Receivables due from policyholders are not secured, because the Insurance Company believes that the related credit risk is minimum.

Receivables due from reinsurers

NLB Vita has signed reinsurance contracts with foreign reinsurance companies with credit ratings AA-, A+ and A. As at the balance sheet date, NLB Vita has a receivable due from these reinsurance companies in the amount of EUR 224,136, which accounts for 0.05% of its total assets (EUR 134,358 or 0.03% as at 31/12/2017).

As at the balance sheet date, NLB Vita has no overdue receivables due from these reinsurance companies. NLB Vita estimates that the credit risk related to the reinsurance operations is minimum.

2.6.2 Liquidity risk

Description of risk

Liquidity risk is the risk of losses due to insufficient amount of liquid assets to cover the liabilities arising from the insurance contracts.

Risk management

The Insurance Company manages its assets and liabilities in such a manner as to be able at any time to settle its liabilities as they fall due. Liquidity management is thus one of the key elements of managing financial risks in the Insurance Company. The goals of managing the Insurance Company's liquidity are:

- long-term and short-term settlement of all liabilities upon maturity,
- compliance with the regulations governing liquidity.

The procedures carried out by the Insurance Company in the framework of the planning and monitoring of cash flows are the following:

- preparation and monitoring of the cash flow plan (alignment of inflows and outflows) in a certain time period (daily, weekly, monthly, semi-annually, annually, every three years),
- comparison of planned cash flows with the actual cash flows,
- calculation of the liquidity ratio in accordance with the methodology laid down in the ISA's Decision on the method of calculation of liquidity ratios and minimum liquidity to be provided by insurance company.

If deviations are established from the planned long-term liquidity plans, the Management Board of the Insurance Company must be informed thereof immediately. The Management Board adopts appropriate measures to be carried out by the employees in the Finance and Accounting.

Below is the alignment of the assessed non-discounted cash flows of NLB Vita's assets and liabilities as at 31/12/2018.

	Total	up to 1 year	from 1 to 2 years	from 2 to 5 years	over 5 years	without maturity
ASSETS as at 31/12/2018						
Financial assets measured at fair value through profit or loss	**119,416,246**	**0**	**0**	**0**	**0**	**119,416,246**
Stakes in investment funds	119,416,246	0	0	0	0	119,416,246
Held-to-maturity financial assets	**27,930,606**	**1,038,321**	**2,432,956**	**6,437,337**	**18,021,993**	**0**
Debt securities	27,930,606	1,038,321	2,432,956	6,437,337	18,021,993	0
Loans and receivables	**6,576,155**	**6,576,155**	**0**	**0**	**0**	**0**
Deposits and certificates of deposit	5,958,119	5,958,119	0	0	0	0
Receivables	583,329	583,329	0	0	0	0
Cash and cash equivalents	34,706	34,706	0	0	0	0
Available-for-sale financial assets	**346,626,115**	**14,633,896**	**16,348,376**	**66,195,982**	**229,563,156**	**19,884,705**
Debt securities	326,741,410	14,633,896	16,348,376	66,195,982	229,563,156	0
Shares	19,884,705	0	0	0	0	19,884,705
Non-financial assets	**2,005,828**	**1,359,288**	**0**	**0**	**0**	**646,540**
TOTAL	**502,554,950**	**23,607,660**	**18,781,332**	**72,633,319**	**247,585,148**	**139,947,491**
LIABILITIES as at 31/12/2018						
Non-financial liabilities	**360,609,852**	**27,145,697**	**20,949,325**	**86,583,187**	**112,569,681**	**113,361,963**
Liabilities arising from insurance contracts except for mathematical provisions for the benefit of unit-linked life insurance contracts	**238,128,504**	**26,436,456**	**20,692,634**	**84,822,162**	**106,177,252**	**0**
Mathematical provisions for unit-linked insurance contracts	119,738,912	227,661	256,691	1,761,025	4,131,572	113,361,963
Other non-financial liabilities	2,742,436	481,580	0	0	2,260,857	0
Financial liabilities	**3,456,127**	**3,414,521**	**0**	**41,606**	**0**	**0**
TOTAL	**364,065,979**	**30,560,217**	**20,949,325**	**86,624,793**	**112,569,681**	**113,361,963**
Difference	**138,488,970**	**-6,952,557**	**-2,167,993**	**-13,991,475**	**135,015,468**	**26,585,528**

NLB Vita will cover the difference between the maturity of liabilities and assets at the level of up to 5 years with the assets with longer maturity, since the assets allocated to the available-for sale group can be promptly sold on the market.

Below is the alignment of the assessed non-discounted cash flows of NLB Vita's assets and liabilities as at 31/12/2017.

	Total	up to 1 year	from 1 to 2 years	from 2 to 5 years	over 5 years	without maturity
ASSETS as at 31/12/2017						
Financial assets measured at fair value through profit or loss	**131,536,310**	**21,474,300**	**0**	**0**	**0**	**110,062,010**
Stakes in investment funds	131,536,310	21,474,300	0	0	0	110,062,010
Held-to-maturity financial assets	**30,155,493**	**2,224,887**	**1,038,321**	**8,193,235**	**18,699,050**	**0**
Debt securities	30,155,493	2,224,887	1,038,321	8,193,235	18,699,050	0
Loans and receivables	**8,619,114**	**8,619,114**	**0**	**0**	**0**	**0**
Deposits and certificates of deposit	6,211,033	6,211,033	0	0	0	0
Receivables	2,379,971	2,379,971	0	0	0	0
Cash and cash equivalents	28,110	28,110	0	0	0	0
Available-for-sale financial assets	**302,351,946**	**10,476,873**	**13,327,336**	**58,138,811**	**199,358,321**	**21,050,605**
Debt securities	281,301,341	10,476,873	13,327,336	58,138,811	199,358,321	0
Shares	21,050,605	0	0	0	0	21,050,605
Non-financial assets	**1,727,697**	**1,192,906**	**0**	**0**	**0**	**534,792**
TOTAL	**474,390,560**	**43,988,080**	**14,365,657**	**66,332,046**	**218,057,371**	**131,647,406**
LIABILITIES as at 31/12/2017						
Non-financial liabilities	**378,851,959**	**51,506,169**	**16,276,686**	**69,193,125**	**138,489,154**	**103,386,824**
Liabilities arising from insurance contracts except for mathematical provisions for the benefit of unit-linked life insurance contracts	230,883,779	18,560,002	16,005,694	67,103,691	129,214,391	0
Mathematical provisions for unit-linked insurance contracts	143,258,359	32,946,168	270,992	2,089,434	4,564,941	103,386,824
Other non-financial liabilities	4,709,822	0	0	0	4,709,822	0
Financial liabilities	**2,999,158**	**2,955,050**	**0**	**44,108**	**0**	**0**
TOTAL	**381,851,117**	**54,461,219**	**16,276,686**	**69,237,233**	**138,489,154**	**103,386,824**
Difference	**92,539,443**	**-10,473,140**	**-1,911,029**	**-2,905,187**	**79,568,217**	**28,260,582**

2.6.3 Market risk

Description of risk

Market risks are potential losses that arise due to adverse changes in individual market parameters (foreign exchange, interest rate, securities prices). Market risks thus arise from open positions in interest rate, currency and equity securities, all of which are exposed to general and specific market developments. Below is a description of risk management and risk exposure, sensitivity analyses and the impact of changes in interest rates, currency and price of equity securities on the statement of comprehensive income or the Insurance Company's profit/loss.

The Insurance Company manages its **interest rate risk and reinsurance risk** by aligning the average duration of the assets and liabilities from insurance contracts (technical provisions) and aligning the cash flows of the assets and liabilities from insurance contracts (technical provisions). The discounted value of future cash flows of fixed-return assets and liabilities is namely sensitive to the interest rate by which the cash flows are discounted. The average duration is the measure of sensitivity of fixed-return assets and liabilities to the changes in the market interest rates. The difference in the average duration of assets and liabilities can fluctuate within the internally set limits, namely depending on the expected changes in the market interest rates. The alignment of the average duration of assets and liabilities is carried out with the allocation of assets among interest-insensitive and interest-sensitive assets and within the latter with the purchases or sales of debt assets with different maturities and other characteristics. The average duration of debt assets as at 31/12/2018 was 6.69 years and that of liabilities 6.33 years. The Insurance Company did not use any derivatives.

The tables below show the alignment of the assessed cash flows of financial assets and liabilities arising from insurance contracts that are sensitive to the interest rate risk and the alignment of their average duration as at 31/12/2018 and 31/12/2017:

	Present value of contractual cash flows			
Interest-sensitive financial assets and liabilities arising from insurance contracts as at 31/12/2018	**Total**	**0-5 years**	**5–10 years**	**over 10 years**
Held-to-maturity financial assets	**27,320,326**	**9,929,796**	**15,342,288**	**2,048,242**
Debt securities	27,320,326	9,929,796	15,342,288	2,048,242
Loans and receivables	**6,577,126**	**6,577,126**	**0**	**0**
Deposits and certificates of deposit	5,959,090	5,959,090	0	0
Receivables	583,329	583,329	0	0
Cash and cash equivalents	34,706	34,706	0	0
Available-for-sale financial assets	**310,019,998**	**97,209,657**	**150,677,957**	**62,132,384**
Debt securities	310,019,998	97,209,657	150,677,957	62,132,384
TOTAL FINANCIAL ASSETS	**343,917,450**	**113,716,579**	**166,020,245**	**64,180,626**
Insurance contracts liabilities	275,054,513	126,452,925	109,726,017	38,875,570
Difference	**68,862,938**	**-12,736,346**	**56,294,228**	**25,305,056**

NLB Vita will cover the difference between the maturity of liabilities and assets at the level of up to 5 years with the assets with longer maturity, since the assets allocated to the available-for sale group can be promptly sold on the market.

Interest-sensitive financial assets and liabilities arising from insurance contracts as at 31/12/2017	Present value of contractual cash flows			
	Total	0-5 years	5–10 years	over 10 years
Held-to-maturity financial assets	**29,147,098**	**11,454,391**	**15,657,661**	**2,035,046**
Debt securities	29,147,098	11,454,391	15,657,661	2,035,046
Loans and receivables	**3,492,208**	**3,492,208**	**0**	**0**
Deposits and certificates of deposit	2,952,527	2,952,527	0	0
Receivables	525,465	525,465	0	0
Cash and cash equivalents	14,216	14,216	0	0
Available-for-sale financial assets	**265,095,926**	**81,489,295**	**122,827,576**	**60,779,055**
Debt securities	265,095,926	81,489,295	122,827,576	60,779,055
TOTAL FINANCIAL ASSETS	**297,735,232**	**96,435,894**	**138,485,237**	**62,814,101**
Insurance contracts liabilities	249,265,458	106,369,454	109,877,119	33,018,885
Difference	**48,469,773**	**-9,933,561**	**28,608,118**	**29,795,216**

Bonds held to maturity, cash deposits and receivables are evaluated at amortised cost due to which their carrying amount does not depend on the changes in market interest rates. With the share of assets held to maturity, the insurance company can partially influence the effect of exposure to interest rate risk.

The sensitivity to the change in market interest rates of bonds available for sale with known maturity dates is monitored by the Insurance Company with BPV and the use of stress scenario.

Since the share of debt securities and deposits with a variable interest rate is minimum, the change in market interest rates would have no significant impact on interest income.

2.7 Concentration risk

The Insurance Company limits the concentration risk by dispersing its financial assets. As evident from the table below, there is only one issuer - the Republic of Slovenia - to which the total exposure as at 31/12/2018 exceeds the threshold of 10% of the insurance company’s financial assets (same as in 2017).

Issuer	31/12/2018 in EUR	31/12/2018 (in %)
Slovenia	58,824,030	17.51%
Spain	15,532,406	4.62%
Italy	7,494,044	2.23%
Portugal	6,710.2006	2.00%
Slovakia	6,264,506	1.87%
Others	241,063,905	71.77%
Total	**335,889,097**	**100.0%**

Issuer	31/12/2017 in EUR	31/12/2017 (in %)
Slovenia	52,448,780	17.13%
Spain	6,764,448	2.21%
Italy	6,511,657	2.13%
Slovakia	6,323,972	2.07%
Belgium	5,431,086	1.77%
Others	228,702,202	74.69%
Total	**306,182,145**	**100.0%**

2.8 Capital inadequacy risk management

Description of risk

The risk of capital inadequacy is related to the loss or damage potentially suffered by the Insurance Company if it failed to meet the statutory capital requirements. The Insurance Company meets the capital adequacy requirements if the available capital equals or exceeds the amount of the required prescribed minimum capital. In such case, the Insurance Company achieves or even exceeds the required capital adequacy and has a capital surplus.

The Insurance Company calculates the available capital and capital requirements in line with the standard formula of the Solvency II Directive

Risk management

The objective of the Insurance Company's operations is to ensure that at any time its capital earmarked for meeting capital requirements equals the capital requirements related to the performance of insurance operations. In the framework of its routine business planning, the Insurance Company regularly plans its needs for additional capital contributions (capital increases). Should the planned amounts indicate that the planned capital would, due to increased capital requirements or for other reasons, not reach the calculated minimum capital, the Insurance Company would take appropriate action to meet its capital requirements in the next three-year period.

As at 31 December 2018, NLB Vita reported a capital surplus and thus achieved capital adequacy. A detailed description of the Insurance Company's capital adequacy is provided in the Report on Solvency and Financial Position, which is published on NLB Vita's website.

In 2018 and in 2017, NLB Vita at all times met the capital adequacy requirements laid down by the Solvency II Directive.

2.9 Segment reporting according to the decision of the ISA

Pursuant to the Decision on the Annual Report and Quarterly Financial Statements of Insurance Companies, the financial statements presented below have been compiled according to the prescribed schemes from Attachment 1 of the said Decision.

2.9.1 Balance sheet according to the decision of the ISA

	Life insurance		Non-life insurance		Total	
	2018	2017	2018	2017	2018	2017
ASSETS	**455,034,192**	**451,589,777**	**12,829,178**	**12,432,071**	**467,863,370**	**464,021,848**
Intangible assets	448,354	384,981	0	0	448,354	384,981
Property, plant and equipment	198,186	149,811	0	0	198,186	149,811
Deferred tax assets	170,406	70,010	0	0	170,406	70,010
Financial assets	**332,868,303**	**302,967,679**	**3,020,795**	**3,214,466**	**335,889,098**	**306,182,145**
- Financial investments in loans and deposits	4,642,563	4,733,554	1,315,515	1,477,453	5,958,077	6,211,007
- Held-to-maturity investments	22,785,788	24,020,882	0	0	22,785,788	24,020,882
- Available-for-sale investments	305,439,952	274,213,243	1,705,280	1,737,013	307,145,232	275,950,256
Unit-linked insurance assets	119,416,246	142,711,340	0	0	119,416,246	142,711,340
Amount of technical provisions transferred to reinsurers	605,651	493,662	441,309	320,229	1,046,960	813,891
Receivables	987,338	4,407,641	9,359,749	8,894,903	10,347,087	13,302,545
- Receivables arising from direct insurance operations	311,302	364,533	12,190	55,780	323,492	420,313
- Receivables from coinsurance and reinsurance	0	48,829	56,726	83,051	56,726	131,880
- Current tax assets	0	1,394,905	59,827	151,157	59,827	1,546,062
- Other receivables	676,036	2,599,375	9,231,005	8,604,915	9,907,042	11,204,290
Other assets	312,327	379,015	0	0	312,327	379,015
Cash and cash equivalents	27,380	25,638	7,326	2,473	34,706	28,110
EQUITY AND LIABILITIES	**455,034,192**	**451,589,777**	**12,829,178**	**12,432,071**	**467,863,370**	**464,021,848**
Capital	**51,025,382**	**55,298,329**	**8,781,353**	**8,669,609**	**59,806,735**	**63,967,938**
- Share capital	4,540,144	4,540,144	2,503,756	2,503,756	7,043,899	7,043,899
- Capital reserves	50,471	50,471	8,155	8,155	58,625	58,625
- Profit reserves	29,089,378	24,674,587	5,905,385	5,497,732	34,994,763	30,172,319
- Revaluation surplus	9,311,667	19,726,283	67,710	77,606	9,379,376	19,803,889
- Retained net profit/loss	0	0	0	0	0	0
- Net profit or loss for the business year	8,033,722	6,306,845	296,349	582,361	8,330,071	6,889,206
Liabilities	**404,008,811**	**396,291,448**	**4,047,825**	**3,762,462**	**408,056,636**	**400,053,910**
Technical provisions	269,391,603	235,554,725	3,274,974	2,539,262	272,666,577	238,093,987
- Unearned premiums	211,232	197,066	659,663	528,753	870,895	725,819
- Mathematical provisions	133,550,108	126,182,767	0	0	133,550,108	126,182,767
- Claims provisions	4,571,834	4,124,426	2,615,311	2,010,509	7,187,145	6,134,935
- Other technical provisions	131,058,429	105,050,467	0	0	131,058,429	105,050,467
The technical provisions for the benefit of the insured with life insurance who assume the investment risk have increased	119,738,911	143,258,359	0	0	119,738,911	143,258,359
Other provisions	233,830	138,730	0	0	233,830	138,730
Deferred tax liabilities	2,181,550	4,622,898	15,882	18,204	2,197,432	4,641,102
Operating liabilities	1,754,990	2,540,298	258,394	394,284	2,013,384	2,934,582
- Liabilities from direct insurance operations	1,135,731	1,058,294	185,175	185,766	1,320,906	1,244,060
- Liabilities arising from coinsurance and reinsurance	77,853	81,290	73,219	78,951	151,072	160,241
- Current tax liabilities	541,406	1,400,713	0	129,568	541,406	1,530,281
Other liabilities	10,707,926	10,176,439	498,574	810,711	11,206,500	10,987,150

Balance of mutual other receivables and liabilities

	Life insurance		Non-life insurance		Total	
	2018	2017	2018	2017	2018	2017
Other receivables	474,128	787,783	9,229,802	8,604,510	9,703,931	9,392,293
Other liabilities	-9,229,802	-8,604,510	-474,128	-787,783	-9,703,931	-9,392,293

The balance sheet by segment also comprises inter-segment assets and liabilities that are nevertheless excluded from the financial position, as explained in more detail in Items 2.10.5 and 2.10.13.

Current tax assets/liabilities

	Life insurance		Non-life insurance		Total	
	2018	2017	2018	2017	2018	2017
Current tax assets	0	1,394,905	59,827	151,157	59,827	1,546,062
Current tax liabilities	-541,406	-1,400,713	0	-129,568	-541,406	-1,530,281
Net Balance of Receivables - Liabilities	**-541,406**	**-5,808**	**59,827**	**21,589**	**-481,580**	**15,781**

The amount of assessed corporate income tax is shown in the statement of financial position (Item 1.1) in the net amount for individual business segment, since the Insurance Company establishes and settles the corporate income tax for the Company as a whole.

Deferred Receivables and Liabilities for Tax

	Life insurance		Non-life insurance		Total	
	2018	2017	2018	2017	2018	2017
Deferred tax assets	170,406	70,010	0	0	170,406	70,010
Deferred tax liabilities	-2,181,550	-4,622,898	-15,882	-18,204	-2,197,432	-4,641,102
Net Balance of Receivables - Liabilities	**-2,011,144**	**-4,552,887**	**-15,882**	**-18,204**	**-2,027,026**	**-4,571,091**

The amount of deferred taxes is shown in the statement of financial position (Item 1.1) in the net amount for individual business segment, since the Insurance Company establishes and settles the corporate income tax for the Company as a whole.

2.9.2 Income statement according to the decision of the ISA

	Total		Life insurance		Non-life insurance	
	2018	2017	2018	2017	2018	2017
NET REVENUES FROM INSURANCE PREMIUMS	76,132,931	70,108,208	72,761,652	67,233,850	3,371,279	2,874,358
- Gross insurance premium written	76,924,834	70,836,423	73,113,876	67,565,107	3,810,957	3,271,316
- Reinsurance and co-insurance share in gross premium written	-646,498	-618,863	-337,730	-317,659	-308,768	-301,204
- Change in unearned premiums	-145,404	-109,353	-14,494	-13,599	-130,910	-95,754
INVESTMENT REVENUES, of which	10,788,087	14,940,391	10,759,870	14,777,134	28,217	163,257
- Change in the fair value of investments for the benefit of those policyholders that assume the investment risk	0	5,855,902	0	5,855,902	0	0
COMMISSION REVENUES	1,509,985	1,531,062	1,480,303	1,493,484	29,682	37,578
OTHER REVENUES	60,542	23,359	60,542	23,359	0	0
NET CLAIMS INCURRED	-47,694,036	-29,637,952	-46,472,683	-28,916,989	-1,221,352	-720,963
- Gross claims paid	-47,093,435	-29,388,334	-46,139,304	-28,566,461	-954,130	-821,872
- Shares of reinsurers and co-insurers	451,609	537,747	114,029	155,684	337,580	382,062
- Change in provisions for claims outstanding	-1,052,210	-787,365	-447,408	-506,212	-604,802	-281,153
CHANGE IN OTHER TECHNICAL PROVISIONS	-33,375,304	-30,441,019	-33,375,304	-30,441,019	0	0
CHANGE IN TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	23,519,448	-8,204,735	23,519,448	-8,204,735	0	0
OPERATING COSTS, of which	-9,641,466	-9,143,980	-7,868,030	-7,548,685	-1,773,436	-1,595,295
- Costs of insurance contract acquisition	-4,137,893	-3,992,662	-3,725,252	-3,648,895	-412,640	-343,767
INVESTMENT EXPENSES, of which	-10,686,495	-349,089	-10,686,495	-349,089	0	0
- Impairment of financial assets that are not measured at fair value through profit or loss	-531,123	-66,529	-531,123	-66,529	0	0
OTHER INSURANCE EXPENSES	0	0	0	0	0	0
OTHER EXPENSES	-448,714	-417,904	-380,362	-370,898	-68,351	-47,007
INCOME STATEMENT BEFORE TAX	**10,164,978**	**8,408,340**	**9,798,940**	**7,696,411**	**366,038**	**711,928**
TAX EXPENSES	-1,834,908	-1,519,134	-1,765,218	-1,389,566	-69,690	-129,568
NET PROFIT OR LOSS FOR THE PERIOD	**8,330,071**	**6,889,206**	**8,033,722**	**6,306,845**	**296,349**	**582,361**
Basic Earnings per Share	4,935	4,081	7,384	5,797	494	971

2.9.3 Statement of comprehensive income according to the decision of the ISA

	Total		Life insurance		Non-life insurance	
	2018	2017	2018	2017	2018	2017
NET PROFIT FOR THE YEAR AFTER TAX	8,330,071	6,889,206	8,033,722	6,306,845	296,349	582,361
OTHER COMPREHENSIVE INCOME AFTER TAX	-10,424,512	297,256	-10,414,616	349,688	-9,896	-52,432
a) Items subsequently not reclassified to profit or loss	-12,245	1,734	-12,245	1,734	0	0
- Other items subsequently not reclassified to profit or loss	-13,530	1,916	-13,530	1,916	0	0
- Tax on items subsequently not reclassified to profit or loss	1,285	-182	1,285	-182	0	0
b) Items that may be subsequently reclassified to profit or loss	-10,412,268	295,522	-10,402,371	347,954	-9,896	-52,432
- Net gains/losses from the revaluation of available-for-sale financial assets	-12,854,651	364,842	-12,842,433	429,573	-12,218	-64,731
* Net gains/losses recognised in revaluation surplus	-11,793,710	963,619	-11,781,492	913,254	-12,218	50,365
* Transfer of gains/losses from revaluation surplus to profit or loss	-1,060,941	-598,777	-1,060,941	-483,681	0	-115,096
- Tax on items that may be subsequently reclassified to profit or loss	2,442,384	-69,320	2,440,062	-81,619	2,321	12,299
COMPREHENSIVE INCOME FOR THE PERIOD	**-2,094,442**	**7,186,462**	**-2,380,894**	**6,656,534**	**286,452**	**529,929**

2.9.4 Presentation of distributable profit

		2018	2017
a)	**Net profit or loss for the business year**	**8,330,071**	**6,889,206**
b)	**Net profit (+) or loss (-) brought forward**	**0**	**0**
-	the result of the current year according to the applicable standards	0	0
d)	**Increase in other reserves based on a resolution passed by the Management and Supervisory Boards**	**0**	**0**
e)	**Distributable profit (a+b+c-č-d) allocated by the General Meeting:**	**8,330,071**	**6,889,206**
-	to shareholders	0	2,066,762
-	to other reserves	0	4,822,444

2.10 Notes to the Financial Statements

2.10.1 Intangible assets

NLB Vita discloses all intangible assets in the statement of financial position of life insurance. Intangible assets owned by the Insurance Company are not pledged as security for liabilities.

	31/12/2018	31/12/2017
Software	345,933	324,490
In-house developed software	71,844	60,491
Other intangible assets	0	0
Intangible assets under construction or in production	30,577	0
Total	**448,354**	**384,981**

	Software	In-house developed software	Other intangible assets	Intangible assets under construction or in production	Total
Cost					
Balance as at 31/12/2017	1,655,736	260,617	7,511	0	1,923,865
Increase	168,387	44,465	0	243,429	456,281
Decrease	0	0	0	-212,852	-212,852
Balance as at 31/12/2018	**1,824,124**	**305,082**	**7,511**	**30,577**	**2,167,294**
Value adjustment					
Balance as at 31/12/2017	1,331,246	200,127	7,511	0	1,538,884
Disposals	**-1,479**	**0**	**0**	**0**	**-1,479**
Amortisation/depreciation	148,423	33,111	0	0	181,534
Balance as at 31/12/2018	**1,478,190**	**233,238**	**7,511**	**0**	**1,718,940**
Residual value					
Balance as at 31/12/2017	324,490	60,491	0	0	384,981
Balance as at 31/12/2018	**345,933**	**71,844**	**0**	**30,577**	**448,354**

	Software	In-house developed software	Other intangible assets	Intangible assets under construction or in production	Total
Cost					
Balance as at 31/12/2016	1,498,819	218,825	7,511	34,197	1,759,352
Increase	156,917	41,792	0	164,513	363,223
Decrease	0	0	0	-198,710	-198,710
Balance as at 31/12/2017	**1,655,736**	**260,617**	**7,511**	**0**	**1,923,865**
Value adjustment					
Balance as at 31/12/2016	1,189,671	171,281	7,511	0	1,368,463
Amortisation/depreciation	141,576	28,846	0	0	170,421
Balance as at 31/12/2017	**1,331,246**	**200,127**	**7,511**	**0**	**1,538,884**
Residual value					
Balance as at 31/12/2016	309,149	47,544	0	34,197	390,889
Balance as at 31/12/2017	**324,490**	**60,491**	**0**	**0**	**384,981**

2.10.2 Property, plant and equipment

NLB Vita discloses all items of property, plant and equipment in the statement of financial position of life insurance.

	31/12/2018	31/12/2017
Equipment and small tools	83,962	48,376
Investments in foreign items of property, plant and equipment	63,200	48,728
Equipment under financial lease	51,024	51,251
Acquisition of tangible fixed assets in progress	0	1,456
Residual value	**198,186**	**149,811**

	Equipment and small tools	Investments in foreign property, plant and equipment	Equipment under financial lease	Tangible fixed assets being acquired	Total
Cost					
Balance as at 31/12/2017	268,650	61,356	72,195	1,456	403,657
Acquisitions	70,288	22,570	17,524	108,926	219,308
Disposals	-24,067	0	0	-110,382	-134,449
Balance as at 31/12/2018	**314,871**	**83,926**	**89,719**	**0**	**488,516**
Value adjustment					
Balance as at 31/12/2017	220,275	12,628	20,944	0	253,847
Disposals	-22,752	0	0	0	-22,752
Amortisation/depreciation	33,386	8,098	17,751	0	59,235
Balance as at 31/12/2018	**230,909**	**20,726**	**38,695**	**0**	**290,330**
Residual value					
Balance as at 31/12/2017	48,376	48,728	51,251	1,456	149,811
Balance as at 31/12/2018	**83,962**	**63,200**	**51,024**	**0**	**198,186**

	Equipment and small tools	Investments in foreign property, plant and equipment	Equipment under financial lease	Tangible fixed assets being acquired	Total
Cost					
Balance as at 31/12/2016	280,234	42,735	55,599	1,055	379,623
Acquisitions	14,052	18,621	46,695	79,770	159,138
Disposals	-25,636	0	-30,099	-79,368	-135,103
Balance as at 31/12/2017	**268,650**	**61,356**	**72,195**	**1,456**	**403,657**
Value adjustment					
Balance as at 31/12/2017	216,864	7,437	15,966	0	240,268
Disposals	-22,800	0	-5,017	0	-27,817
Amortisation/depreciation	26,211	5,191	9,995	0	41,396
Balance as at 31/12/2017	**220,275**	**12,628**	**20,944**	**0**	**253,847**
Residual value					
Balance as at 31/12/2016	63,370	35,298	39,633	1,055	139,355
Balance as at 31/12/2017	**48,376**	**48,728**	**51,251**	**1,456**	**149,811**

Equipment acquired through financial lease is posted separately under the item of property, plant and equipment. Property, plant and equipment owned by the Insurance Company are not pledged as security for liabilities. The Insurance Company does not disclose in its financial statements any intangible assets or items of property, plant and equipment to which it has only limited access.

2.10.3 Financial assets

The table below shows the financial assets under the following items:

	31/12/2018	31/12/2017
Held-to-maturity financial assets	22,785,788	24,020,882
Financial assets in loans and deposits	4,642,563	4,733,554
Available-for-sale financial assets	305,439,952	274,213,243
Life insurance	**332,868,303**	**302,967,679**
Financial assets in loans and deposits	1,315,515	1,477,453
Available-for-sale financial assets	1,705,280	1,737,013
Non-life insurance	**3,020,795**	**3,214,466**
Held-to-maturity financial assets	22,785,788	24,020,882
Financial assets in loans and deposits	5,958,077	6,211,007
Available-for-sale financial assets	307,145,232	275,950,256
Total financial assets	**335,889,098**	**306,182,145**

At the end of 2018, the largest individual exposure of NLB Vita to a financial organisation was to the Unicredit Group in the amount of EUR 4,677,573 (of which EUR 3,776,043 life insurance and EUR 901,530 non-life insurance). As at 31/12/2018, its exposure to the NLB Group amounted to EUR 1,284,503.

On the reporting date, the exposure of NLB Vita to the government securities of the Republic of Slovenia, based on market valuation, was EUR 62,627,891 (as at 31/12/2017 it was EUR 52,448,780).

	31/12/2018	31/12/2017
Overdue up to 1 year	7,625,335	8,243,880
Overdue more than 1 year	325,242,968	294,723,799
Life insurance	**332,868,303**	**302,967,679**
Overdue up to 1 year	489,343	1,477,453
Overdue more than 1 year	2,531,452	1,737,013
Non-life insurance	**3,020,795**	**3,214,466**
Overdue up to 1 year	8,114,678	9,721,333
Overdue more than 1 year	327,774,420	296,460,812
Total financial assets	**335,889,098**	**306,182,145**

None of the financial instruments owned by the Insurance Company or its registers of assets is pledged as guarantee for the liabilities of the Insurance Company or the registers of assets. Neither in 2018 nor in 2017 did the Insurance Company grant any loans, advances or guarantees.

Held-to-maturity financial assets

	31/12/2018	31/12/2017
Debt securities	22,785,788	24,020,882
Total assets held to maturity	**22,785,788**	**24,020,882**

Financial assets held to maturity are assets in marketable bonds of the register of life insurance assets that are posted in the financial statements at amortised cost. As at 31/12/2018, their fair value totalled EUR 26,964,564 (EUR 29,164,022 as at 31/12/2017). All financial assets held to maturity are classified in Level 1 evaluation of fair value, as specified in Item 2.3.4.

Changes in held-to-maturity financial assets

	2018	2017
Opening balance on 1 January	**24,020,882**	**25,925,701**
Purchase	0	0
Interest income (Note 2.10.15)	989.792	1.036.914
989,792	1,036,914	-2.941.732
Closing balance on 31 December	**22,785,788**	**24,020,882**

Financial assets in loans and deposits

	31/12/2018	31/12/2017
Short-term deposits	4,642,563	4,733,554
Long-term deposits	0	0
Life insurance	**4,642,563**	**4,733,554**
Short-term deposits	1,315,515	1,477,453
Long-term deposits	0	0
Non-life insurance	**1,315,515**	**1,477,453**
Short-term deposits	5,958,077	6,211,007
Long-term deposits	0	0
Total financial assets in loans and deposits	**5,958,077**	**6,211,007**

The item of financial assets in loans and deposits comprises assets in short-term deposits of domestic banks posted at amortised cost in financial statements. The fair value of such deposits does not deviate considerably from their amortised cost.

Changes in financial assets in loans and deposits

	2018	2017
Opening balance on 1 January	**6,211,007**	**4,881,914**
Time deposits	33,255,453	21,012,989
Interest income (Note 2.10.15)	-1,571	823
Exchange rate differences	2,580	-8,774
Maturity of deposits	-33,509,391	-19,675,945
Closing balance on 31 December	**5,958,077**	**6,211,007**

Available-for-sale financial assets

	31/12/2018	31/12/2017
Debt securities	285,555,247	253,162,638
Shares	19,884,705	21,050,605
Life insurance	**305,439,952**	**274,213,243**
Debt securities	1,705,280	1,737,013
Non-life insurance	**1,705,280**	**1,737,013**
Debt securities	287,260,527	254,899,651
Shares	19,884,705	21,050,605
Total available-for-sale financial assets	**307,145,232**	**275,950,256**

The available-for-sale financial assets only comprise market investments. They are disclosed at fair value in the financial statements. There were no available-for-sale financial assets that would be matured but not paid out on the balance sheet date. In its portfolios, the Insurance Company holds subordinated debt securities the fair value of which totalled EUR 25,603,771 or 7.6% of total financial assets as at 31/12/2018 (EUR 26,470,637 or 8.6% of total financial assets as at 31/12/2017), taking into account the market value of financial assets.

In 2018, individual packages of shares were impaired in the amount of EUR 531,123 (EUR 66,529 in 2017).

The table below shows the classification of available-for-sale financial assets depending on the level of fair value valuation, as specified in Item 2.3.4. Most bonds are valuated on the basis of the Bloomberg CBBT model, which corresponds to the definition of Level 1 valuation. For 53 foreign bonds for which no CBBT price was available as at 31/12/2018, we used the generic price based on the Bloomberg BVAL model, which does not provide direct stock exchange prices, and the assets thus valuated are classified to Level 2.

Financial assets available for sale as at 31/12/2018	Level 1	Level 2	Level 3	Total fair value
Debt securities	178,704,635	108,555,892	/	287,260,527
Shares	19,884,705			19,884,705
Total	**198,589,340**	**108,555,892**		**307,145,232**

Financial assets available for sale as at 31/12/2017	Level 1	Level 2	Level 3	Total fair value
Debt securities	252,980,570	1,919,081		254,899,651
Shares	21,050,605			21,050,605
Total	**274,031,175**	**1,919,081**		**275,950,256**

Changes in available-for-sale financial assets

	2018	2017
Opening balance on 1 January	**275,950,256**	**238,498,032**
Purchase	54,734,140	43,968,705
Sale/Maturity	-16,994,535	-13,086,860
Interest income (Note 2.10.15)	6,841,144	6,272,066
Fair value change	-12,854,651	364,842
Impairments (Note 2.10.16)	-531,123	-66,529
Closing balance on 31 December	**307,145,232**	**275,950,256**

2.10.4 Unit-linked insurance assets

The item of unit-linked insurance assets comprises the long-term unit-linked life insurance assets invested in investment fund units classified to the group of financial investments valuated at fair value through the income statement. All assets are market investments. Most of the assets are related to the units of mutual funds managed by the company NLB Skladi d.o.o.; all of them are denominated in EUR and posted at fair value. A small portion of the assets is related to the units of KBC funds, denominated in EUR and posted at fair value.

	31/12/2018	31/12/2017
Shares in KBC's mutual funds	14,223,843	46,345,646
Shares in the mutual funds of NLB Skladi d.o.o.	105,192,403	96,365,695
Total unit-linked insurance assets	**119,416,246**	**142,711,340**

Changes in unit-linked insurance assets

	Year 2018	Year 2017
Opening balance on 1 January	**142,711,340**	**134,889,618**
Purchase	31,473,770	26,149,139
Change in fair value (Note 2.10.15 or 2.10.16)	-9,669,207	5,855,902
Sale/Maturity	-45,099,657	-24,183,320
Closing balance on 31 December	**119,416,246**	**142,711,340**

The table below shows the classification of unit-linked insurance assets depending on the level of fair value valuation, as specified in Item 2.3.4.

Unit-linked insurance assets as at 31/12/2018	Level 1	Level 2	Level 3	Total fair value
Stakes in investment funds	119,416,246	0	0	119,416,246
Total	**119,416,246**	**0**	**0**	**119,416,246**

Unit-linked insurance assets as at 31/12/2017	Level 1	Level 2	Level 3	Total fair value
Stakes in investment funds	142,711,340	0	0	142,711,340
Total	**142,711,340**	**0**	**0**	**142,711,340**

2.10.5 Receivables

	31/12/2018	31/12/2017
Receivables from direct insurance business	311,302	364,533
Receivables from reinsurance operations	0	48,829
Current tax assets	0	-5,808
Other receivables	676,036	2,599,375
Life insurance	**987,338**	**3,006,928**
Receivables from direct insurance business	12,190	55,780
Receivables from reinsurance operations	56,726	83,051
Current tax assets	0	21,589
Other receivables	9,231,005	8,604,915
Non-life insurance	**9,299,922**	**8,765,336**
Receivables from direct insurance business	323,492	420,313
Receivables from reinsurance operations	56,726	131,880
Current tax assets	0	15,781
Other receivables	203,111	1,811,997
Total receivables	**583,329**	**2,379,971**

The item receivables from direct insurance operations as at 31/12/2018 includes the residual value of receivables due from the insurance policyholders arising from insurance premium written in the total amount of EUR 323,492 (as at 31/12/2017 EUR 420,313).

Other receivables mostly comprise receivables due from the asset manager that arise from the sale of fund units in the amount of EUR 40,058 (as at 31/12/2017 EUR 1,647,931) and bond coupon interest in the amount of EUR 45,464 (as at 31/12/2017 EUR 45,464).

The item also comprises the current tax assets that represent the difference between the accounted corporate income tax for the current year and the advance payments of such tax made during the year. As at 31/12/2018, the current tax assets totalled EUR 0 (as at 31/12/2017, current tax liabilities in the amount of EUR 15,781 were posted).

Under the item of other receivables in the statement of financial position of life insurance, the Insurance Company also disclosed the receivables arising from internal relationships between individual insurance classes and own sources in the amount of EUR 474,128 (EUR 787,783 as at 31/12/2017), which are excluded from the total statement of financial position. The receivables arising from internal relationships are related to entry fees, exit fees and other fees under the general terms and conditions. The statement of financial position of non-life insurance comprises the internal receivable due from the insurance group of life insurance in the amount of EUR 9,229,802 (EUR 8,604,510 as at 31/12/2017), as part of the dividends from life insurance were paid from the non-life insurance assets.

All receivables are short-term assets, and adequate value adjustments have been made, which is why it is estimated that their fair value equals their book value.

2.10.6 Other assets

The item of other assets comprises short-term accrued revenues and short-term deferred operating costs, which are disclosed in full in the statement of financial position of life insurance.

	31/12/2018	31/12/2017
Short-term accrued revenues	204,809	238,295
Short-term deferred costs	107,518	140,720
Total other assets	**312,327**	**379,015**

Short-term accrued revenues as at 31/12/2018 comprised not yet charged receivables from fees due from the business partners in relation to the management of assets in funds (EUR 37,399; as at 31/12/2017: EUR 103,937) and from reinsurance fees (EUR 167,410; as at 31/12/2017 EUR 134,358).

2.10.7 Cash and cash equivalents

	31/12/2018	31/12/2017
Cash in bank accounts	10,018	14,897
Cash assets held by an asset manager	14,362	7,740
Call deposits	3,000	3,000
Life insurance	**27,380**	**25,638**
Cash in bank accounts	6,326	1,473
Cash assets held by an asset manager	0	0
Call deposits	1,000	1,000
Non-life insurance	**7,326**	**2,473**
Cash in bank accounts	16,344	16,370
Cash assets held by an asset manager	14,362	7,740
Call deposits	4,000	4,000
Total cash and cash equivalents	**34,706**	**28,110**

The item cash and cash equivalents comprises the cash assets in the Insurance Company's accounts with banks, available cash assets held by an asset manager and call deposits that can be immediately converted into cash.

2.10.8 Capital

	31/12/2018	31/12/2017
Share capital	4,540,144	4,540,144
Capital reserves	50,471	50,471
Revenue reserves	29,089,378	24,674,587
Revaluation surplus	9,311,667	19,726,283
Retained profit from the previous year	0	0
Profit or loss for the year	8,033,722	6,306,845
Life insurance	**51,025,382**	**55,298,329**
Share capital	2,503,756	2,503,756
Capital reserves	8,155	8,155
Revenue reserves	5,905,385	5,497,732
Revaluation surplus	67,710	77,606
Retained profit from the previous year	0	0
Profit or loss for the year	296,349	582,361
Non-life insurance	**8,781,353**	**8,669,609**
Share capital	7,043,899	7,043,899
Capital reserves	58,625	58,625
Revenue reserves	34,994,763	30,172,319
Revaluation surplus	9,379,376	19,803,889
Retained profit from the previous year	0	0
Profit or loss for the year	8,330,071	6,889,206
Total capital	**59,806,735**	**63,967,938**

Share capital

The Insurance Company was founded and operates as a jointly controlled company or joint venture of two owners, namely Nova Ljubljanska banka d.d., Ljubljana and Belgian company KBC Insurance NV, Leuven. The Company's share capital as at 31/12/2018 and 31/12/2017 amounted to EUR 7,043,899 and is divided into 1,688 ordinary, registered, book-entry, no-par value shares. Each share grants its holder one vote. All shares have been approved, issued and paid in full by the balance sheet date. Both as at 31/12/2018 and 31/12/2017, the amount of share capital attributable to an individual no-par value share is EUR 4,172.93.

	2018			2017		
	No. of shares	EUR	in %	No. of shares	EUR	in %
Nova Ljubljanska banka d.d.	844	3,521,950	50%	844	3,521,950	50%
KBC Insurance NV, Leuven	844	3,521,950	50%	844	3,521,950	50%
Total	**1,688**	**7,043,899**	**100%**	**1,688**	**7,043,899**	**100%**

As at the balance sheet date, the Insurance Company did not hold own shares.

Changes in the number of shares by year:	2018	2017
Balance as at 1 January	1,688	1,688
Increase	0	0
Balance as at 31 December	1,688	1,688

Capital reserves

Capital reserves in the amount of EUR 58,625 are related to the amounts obtained by the Insurance Company with the contributions that exceeded the minimum share issue amounts (paid-in capital surplus). There were no changes under this item in 2018.

Revenue reserves

	31/12/2018	31/12/2017
Legal reserves	645,764	645,764
Other revenue reserves	28,443,614	24,028,822
Life insurance	**29,089,378**	**24,674,587**
Other revenue reserves	5,905,385	5,497,732
Non-life insurance	**5,905,385**	**5,497,732**
Legal reserves	645,764	645,764
Other revenue reserves	34,348,999	29,526,554
Total reserves from profit	**34,994,763**	**30,172,319**

The Insurance Company did not increase its legal reserves in 2018, since their value was in line with the amount stipulated by the third paragraph of Article 64 of the ZGD-1 (the sum of legal reserves and capital reserves equals 10% of the value of share capital) as at 31/12/2018.

Revaluation surplus

	2018	2017
Revaluation surplus related to available-for-sale financial assets, of which:	9,281,774	19,684,145
- Change in fair value of available-for-sale financial assets	11,458,981	24,301,414
- Deferred taxes	-2,177,206	-4,617,269
Other revaluation surplus, of which:	29,893	42,137
- Actuarial gains/losses from the provisions for severance pays upon retirement	34,236	47,766
- Deferred taxes	-4,344	-5,629
Life insurance	**9,311,667**	**19,726,283**
Revaluation surplus related to available-for-sale financial assets, of which:	67,710	77,606
- Change in fair value of available-for-sale financial assets	83,592	95,810
- Deferred taxes	-15,882	-18,204
Non-life insurance	**67,710**	**77,606**
Revaluation surplus related to available-for-sale financial assets, of which:	9,349,484	19,761,751
- Change in fair value of available-for-sale financial assets	11,542,573	24,397,224
- Deferred taxes	-2,193,089	-4,635,473
Other revaluation surplus, of which:	29,893	42,137
- Actuarial gains/losses from the provisions for severance pays upon retirement	34,236	47,766
- Deferred taxes	-4,344	-5,629
Total revaluation surplus	**9,379,376**	**19,803,889**

Table of changes in revaluation surplus related to available-for-sale financial assets:

	2018	2017
Opening balance on 1 January	**19,761,751**	**19,466,229**
Net losses/gains due to the change in fair value	-11,793,710	963,619
Transfer of losses/gains to the income statement upon sale (Notes 2.10.15 and 2.10.16)	-1,592,064	-665,307
Transfer of losses/gains to the income statement upon impairment (Note 2.10.16)	531,123	66,529
Change in deferred taxes (Note2.10.11)	2,442,384	-69,320
Closing balance on 31 December	**9,349,484**	**19,761,751**

Profit or loss for the year

In 2018, the Insurance Company realised net profit in the amount of EUR 8,330,071 (in 2017 EUR 6,889,206). Total net profit for the business year 2018 totalling EUR 8,330,071 will be distributed by the Insurance Company's General Meeting.

	2018	2017
Retained profit/loss for the business year - life insurance	8,033,722	6,306,845
Retained profit/loss for the business year - non-life insurance	296,349	582,361
Total retained profit/loss for the business year	**8,330,071**	**6,889,206**

2.10.9 Technical provisions

	31/12/2018	31/12/2017
Non-life insurance	**3,274,974**	**2,539,262**
Provisions for unearned premiums	659,663	528,753
Provision for reported claims	67,236	5,689
Provision for non-reported claims	2,548,075	2,004,820
Life insurance	**389,130,514**	**378,813,084**
Provisions for unearned premiums	211,232	197,066
Mathematical provisions	133,550,108	126,182,767
Provisions for the benefit of life insurance policyholders that assume the investment risk	119,738,911	143,258,359
Additional provisions for the guaranteed minimum payment	131,058,429	105,050,467
Provision for reported claims	195,977	78,954
Provision for non-reported claims	4,375,857	4,045,471
Total liabilities relating to insurance contracts	**392,405,488**	**381,352,346**

The item comprises gross liabilities relating to insurance contracts Pursuant to the IFRS as adopted by the EU, the reinsured shares in the technical provisions are disclosed in a separate balance sheet item Assets of reinsurers and coinsurers. the estimated timing of the net cash outflows resulting from recognised insurance liabilities is disclosed under the section 2.6.1 Liquidity risks management.

The analysis of the changes in provisions for unearned premiums

	2018 Gross	2018 Reins.	2018 Net	2017 Gross	2017 Reins.	2017 Net
Non-life insurance						
Balance at the start of the year	528,753	0	528,753	432,999	0	432,999
Premium written	3,810,957	-308,768	3,502,189	3,271,316	-301,204	2,970,112
Premium earned	-3,680,047	308,768	-3,371,279	-3,175,562	301,204	-2,874,358
Balance as at the end of the year	659,663	0	659,663	528,753	0	528,753
Life insurance						
Balance at the start of the year	197,066	-11,710	185,356	182,228	-10,471	171,757
Premium written	73,113,876	-337,730	72,776,146	67,565,107	-301,808	67,263,300
Premium earned	-73,099,710	338,058	-72,761,652	-67,550,270	300,569	-67,249,701
Balance as at the end of the year	211,232	-11,382	199,850	197,066	-11,710	185,356

Analysis of the change in provisions for reported claims

	2018 Gross	2018 Reins.	2018 Net	2017 Gross	2017 Reins.	2017 Net
Non-life insurance						
Balance at the start of the year	5,689	-45	5,644	41,309	-40	41,269
Reported in the year	954,130	-216,410	737,721	821,872	-205,776	616,096
Change in established provisions for reported claims from previous years	59,754	-45	59,709	-34,583	5	-34,578
Accounted claims	-954,130	216,500	-737,631	-821,872	205,766	-616,106
Change in the provisions for appraisal costs	1,793	0	1,793	-1,037	0	-1,037
Balance as at the end of the year	67,236	0	67,236	5,689	-45	5,644
Life insurance						
Balance at the start of the year	78,954	-1,708	77,246	22,592	0	22,592
Reported in the year	3,667,321	-24,748	3,642,573	2,115,768	-97,292	2,021,893
Change in established provisions for reported claims from previous years	113,614	11,518	125,132	54,721	1,708	56,429
Accounted claims*	-3,667,321	1,712	-3,665,609	-2,115,768	93,875	-2,021,893
Change in the provisions for appraisal costs	3,408	0	3,408	1,642	0	1,642
Balance as at the end of the year	195,977	-13,226	182,750	78,954	-1,708	77,246

* without surrenders

Analysis of the change in provisions for non-reported claims

	2018 Gross	2018 Reins.	2018 Net	2017 Gross	2017 Reins.	2017 Net
Non-life insurance						
Balance at the start of the year	2,004,820	-320,184	1,684,636	1,688,046	-143,893	1,544,154
Accounted claims arising from the provision for non-reported claims	-256,040	0	-256,040	-181,569	0	-181,569
Transfer to the provisions for reported claims	0	0	0	-960	0	-960
Additional establishment of new and cancellation of old provisions for non-reported claims	799,295	-121,125	678,170	499,303	-176,291	323,012
Balance as at the end of the year	2,548,075	-441,309	2,106,766	2,004,820	-320,184	1,684,636
Life insurance						
Balance at the start of the year	4,045,471	-480,244	3,565,227	3,595,622	-420,144	3,175,478
Accounted claims arising from the provision for non-reported claims	-67,042	0	-67,042	-128,401	0	-128,401
Transfer to the provisions for reported claims	0	0	0	-1,158	0	-1,158
Additional establishment of new and cancellation of old provisions for non-reported claims	397,428	-100,799	296,629	579,408	-60,101	519,307
Balance as at the end of the year	4,375,857	-581,043	3,794,814	4,045,471	-480,244	3,565,227

Mathematical provisions and analysis of the change in mathematical provisions

	2018	2017
Mathematical provisions except for mathematical provisions for unit-linked life insurance contracts	133,550,108	126,182,767
Technical provisions for unit-linked life insurance contracts	119,738,911	143,258,359
Additional provisions for the guaranteed minimum payment	131,058,429	105,050,467
Total	**384,347,449**	**374,491,592**
Balance at the start of the year	374,491,592	335,845,839
Premium earned	73,099,710	67,550,270
Release of provisions due to terminated insurance	-46,263,063	-28,046,965
- of which - surrenders, terminations	-43,248,368	-27,043,105
- of which - death	-2,754,651	-952,788
- of which - endowment	-260,044	-51,072
Revaluation of assets of life assurance policyholders assuming investment risk	-9,669,207	5,855,902
Other (costs, guaranteed return, etc.)	-7,318,951	-6,722,347
Provisions for the allocation of surplus	7,367	8,894
Balance as at the end of the year	**384,347,449**	**374,491,592**

Mathematical provisions are not reinsured.

Claims triangle

The development of insurance triangles shows how the assessment of insurance liabilities has changed over the years. Since the Insurance Company only started operating in 2003, it did not have any historical data for the establishment of the provisions for claims by using statistical methods. It used these methods for establishing the provisions for claims for the first time in 2006. The Insurance Company disclosed the assessed liabilities arising from the claims in past years for accident insurance. In life insurance, the uncertainty regarding the amount and time frame is typically resolved in one year.

Year when claims were incurred	2014	2015	2016	2017	2018	Total
End of the year when claims were incurred	564,359	659,430	1,282,140	1,668,429	1,957,390	
One year later	498,955	573,087	963,213	1,454,491		
Two years later	436,523	382,267	794,095			
Three years later	343,372	282,532				
Four years later	268.375					
Assessed cumulative amount of claims	268,375	282,532	794,095	1,454,491	1,957,390	4,756,884
Cumulative payments to date	239,456	175,421	435,613	719,279	647,978	2,217,746
Liabilities for previous years						0
Assessment costs	868	3,213	10,754	22,056	39,282	76,174
Liability in the balance sheet	**29,787**	**110,325**	**369,237**	**757,269**	**1,348,694**	**2,615,311**

2.10.10 Other provisions

The Insurance Company's other provisions include provisions for employee bonuses, i.e. long-term provisions for jubilee bonuses, severance pays upon retirement and remuneration for the Management Board members and the key function holders. The calculation of those provisions is defined in Item 2.3.11. As at 31/12/2018, the provisions for employee bonuses totalled EUR 233,830 (EUR 138,730 as at 31/12/2017).

Other provisions are disclosed in full in the statement of financial position of life insurance.

	2018	2017
Opening balance as at 1 January 2002	138,730	46,638
Changes (Notes 2.10.19 and 2.10.22):	95,100	92,092
- Established	99,244	105,591
- Cancelled	-4,144	-13,499
Closing balance as at 31 December	**233,830**	**138,730**

2.10.11 Deferred tax liabilities

Since the deferred tax assets and liabilities are related to the same tax authority, they are offset in the statement of financial position. The offset amounts are shown in the table below:

	31/12/2018	31/12/2017
Deferred tax assets (expected repayment in more than 12 months)	170,406	70,010
Deferred tax liabilities (expected repayment in more than 12 months)	-2,181,550	-4,622,898
Life insurance	**-2,011,144**	**-4,552,887**
Deferred tax liabilities (expected repayment in more than 12 months)	-15,882	-18,204
Non-life insurance	**-15,882**	**-18,204**
Deferred tax assets (expected repayment in more than 12 months)	170,406	70,010
Deferred tax liabilities (expected repayment in more than 12 months)	-2,197,432	-4,641,102
Total deferred tax liabilities (net)	**-2,027,026**	**-4,571,091**

The table below shows the temporary differences arising from deferred taxes and the calculation of deferred tax assets and liabilities:

	Temporary difference	Tax rate	31/12/2018
Valuation of assets at fair value	-11,458,981	19%	-2,177,206
Provisions for employees - actuarial gains/losses from severance pays upon retirement	-22,861	19%	-4,344
Impairment of financial assets	844,234	19%	160,404
Provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	52,641	19%	10,002
Depreciation (the accounting rate is higher than the highest recognised tax rate)	0	19%	0
Life insurance	**-10,584,967**		**-2,011,144**
Valuation of assets at fair value	-83,592	19%	-15,882
Non-life insurance	**-83,592**		**-15,882**
Valuation of assets at fair value	-11,542,573	19%	-2,193,089
Provisions for employees - actuarial gains/losses from severance pays upon retirement	-22,861	19%	-4,344
Impairment of financial assets	844,234	19%	160,404
Provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	52,641	19%	10,002
Depreciation (the accounting rate is higher than the highest recognised tax rate)	0	19%	0
Total	**-10,668,559**		**-2,027,026**

	Temporary difference	Tax rate	31/12/2017
Valuation of assets at fair value	-24,301,414	19%	-4,617,269
Provisions for employees - actuarial gains/losses from severance pays upon retirement	-29,627	19%	-5,629
Impairment of financial assets	313,111	19%	59,491
Provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	51,681	19%	9,819
Depreciation (the accounting rate is higher than the highest recognised tax rate)	3,683	19%	700
Life insurance	**-23,962,564**		**-4,552,887**
Valuation of assets at fair value	-95,810	19%	-18,204
Non-life insurance	**-95,810**		**-18,204**
Valuation of assets at fair value	-24,397,224	19%	-4,635,473
Provisions for employees - actuarial gains/losses from severance pays upon retirement	-29,627	19%	-5,629
Impairment of financial assets	313,111	19%	59,491
Provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	51,681	19%	9,819
Depreciation (the accounting rate is higher than the highest recognised tax rate)	3,683	19%	700
Total	**-24,058,374**		**-4,571,091**

Changes in deferred tax assets and liabilities are shown in the table below:

	2018	2017
Opening balance	4,552,887	4,482,233
Revaluation of assets available for sale to the market value	-2,440,062	81,619
Establishment of provisions for employees - actuarial gains/losses from severance pays upon retirement	-1,416	-855
Cancellation of provisions for employees - actuarial gains/losses from severance pays upon retirement	131	1,037
Impairment of financial assets available for sale	-100,913	-12,641
Cancellation of impairment of financial assets available for sale	0	0
Establishment of receivables arising from the provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	-445	-431
Cancellation of receivables arising from the provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	263	245
Establishment of receivables due to depreciation not recognised for tax purposes	0	0
Cancellation of receivables due to depreciation not recognised for tax purposes	700	1,680
Life insurance closing balance	**2,011,144**	**4,552,887**
Opening balance	18,204	30,503
Revaluation of assets available for sale to the market value	-2,321	-12,299
Non-life insurance closing balance	**15,882**	**18,204**
Opening balance	4,571,091	4,512,736
Revaluation of assets available for sale to the market value	-2,442,384	69,320
Establishment of provisions for employees - actuarial gains/losses from severance pays upon retirement	-1,416	-855
Cancellation of provisions for employees - actuarial gains/losses from severance pays upon retirement	131	1,037
Impairment of financial assets available for sale	-100,913	-12,641
Cancellation of impairment of financial assets available for sale	0	0
Establishment of receivables arising from the provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	-445	-431
Cancellation of receivables arising from the provisions for employees - for jubilee bonuses, current expenses and interest on severance pays	263	245
Establishment of receivables due to depreciation not recognised for tax purposes	0	0
Cancellation of receivables due to depreciation not recognised for tax purposes	700	1,680
Total deferred tax liabilities	**2,027,026**	**4,571,091**

When calculating the assets and liabilities arising from deferred taxes for temporary differences, the 19% tax rate applicable since 2017 was used in both 2017 and 2018.

2.10.12 Operating liabilities

	31/12/2018	31/12/2017
Liabilities from direct insurance operations	1,135,731	1,058,294
Liabilities arising from coinsurance and reinsurance	77,853	81,290
Current tax (assets)/liabilities	541,406	0
Life insurance	**1,754,990**	**1,139,585**
Liabilities from direct insurance operations	185,175	185,766
Liabilities arising from coinsurance and reinsurance	73,219	78,951
Current tax liabilities	-59,827	0
Non-life insurance	**198,567**	**264,716**
Liabilities from direct insurance operations	1,320,906	1,244,060
Liabilities arising from coinsurance and reinsurance	151,072	160,241
Current tax liabilities	481,580	0
Total operating liabilities	**1,953,558**	**1,404,301**

Liabilities arising from direct insurance operations are an important part of operating liabilities. The largest part is related to liabilities to insurance policyholders for claims in the amount of EUR 865,025 (as at 31/12/2017 EUR 760,366).

All operating liabilities are current liabilities, and it is assessed that that their fair value equals their book value.

2.10.13 Other liabilities

Other liabilities comprise operating liabilities, accrued costs and long-term liabilities arising from financial lease.

The bulk of other liabilities is related to short-term accounts payable at home and abroad (EUR 268,309 ad at 31/12/2018 or EUR 353,649 as at 31/12/2017), liabilities to employees (EUR 166,053 as at 31/12/2018 or EUR 168,815 as at 31/12/2017) and liability arising from the tax on insurance transactions (EUR 78,661 as at 31/12/2018 or EUR 80,763 as at 31/12/2017). Under the item of other liabilities in the statement of financial position of non-life insurance, the Insurance Company also disclosed the liabilities arising from internal relationships between individual long-term business funds and own sources in the amount of EUR 474,128 (EUR 787,783 as at 31/12/2017), which are excluded from the total statement of financial position. The liabilities arising from internal relationships are related to entry fees, exit fees and other fees under the general terms and conditions. The statement of financial position of life insurance comprises the liabilities due to the insurance group of non-life insurance in the amount of EUR 9,229,802 (EUR 8,604,510 as at 31/12/2017), as part of the dividends from life insurance was paid from the non-life insurance assets.

As at 31/12/2018, the Insurance Company disclosed no subordinated liabilities.

	31/12/2018	31/12/2017
Other liabilities	9,751,417	9,225,604
Accrued costs	914,902	906,726
Non-current liabilities for financial lease	41,606	44,108
Life insurance	**10,707,926**	**10,176,439**
Other liabilities	496,276	804,469
Accrued costs	2,298	6,243
Non-life insurance	**498,574**	**810,711**
Other liabilities	543,763	637,780
Accrued costs	917,200	912,969
Non-current liabilities for financial lease	41,606	44,108
Total other liabilities	**1,502,569**	**1,594,857**

The accrued costs in 2018 included the short-term accrued costs for the unused annual leave in the amount of EUR 66,543 (EUR 59,177 as at 31/12/2017), which are fully disclosed in the framework of financial position of life insurance.

All other liabilities are current liabilities, and it is assessed that that their fair value equals their book value.

2.10.14 Net premium income

	2018	2017
Gross written premiums	73,113,876	67,565,107
Reinsurance share in gross premium written	-337,730	-317,659
Change in unearned premiums	-14,494	-13,599
Life insurance	**72,761,652**	**67,233,850**
Gross written premiums	3,810,957	3,271,316
Reinsurance share in gross premium written	-308,768	-301,204
Change in unearned premiums	-130,910	-95,754
Non-life insurance	**3,371,279**	**2,874,358**
Gross written premiums	76,924,834	70,836,423
Reinsurance share in gross premium written	-646,498	-618,863
Change in unearned premiums	-145,404	-109,353
Total net insurance premium income	**76,132,931**	**70,108,208**

2.10.15 Investment revenues

	2018	2017
Dividend income	**986,958**	**987,361**
Available-for-sale financial assets	986,958	987,361
Interest income	**7,801,259**	**7,261,717**
Held-to-maturity financial assets	989,792	1,036,914
Financial assets in loans and deposits	-1,653	599
Available-for-sale financial assets	6,813,023	6,224,139
Cash assets	97	66
Income from exchange rate differences	**43,093**	**13,431**
Financial assets in loans and deposits	6,662	0
Cash assets	36,431	13,431
Gains on investment disposals	**1,914,615**	**645,210**
Available-for-sale financial assets	1,914,615	645,210
Other investment revenues	**13,946**	**13,511**
Available-for-sale financial assets	13,946	13,511
Change in the fair value of investments for the benefit of those policyholders that assume the investment risk	**0**	**5,855,902**
Financial assets valuated at fair value through profit or loss	0	5,855,902
Life insurance	**10,759,870**	**14,777,134**
Interest income	**28,217**	**48,161**
Financial assets in loans and deposits	82	224
Available-for-sale financial assets	28,121	47,927
Cash assets	13	10
Gains on investment disposals	**0**	**115,096**
Available-for-sale financial assets	0	115,096
Non-life insurance	**28,217**	**163,257**
Dividend income	986,958	987,361
Available-for-sale financial assets	986,958	987,361
Interest income	**7,829,476**	**7,309,879**
Held-to-maturity financial assets	989,792	1,036,914
Financial assets in loans and deposits	-1,571	823
Available-for-sale financial assets	6,841,144	6,272,066
Cash assets	110	77
Income from exchange rate differences	**43,093**	**13,431**
Financial assets in loans and deposits	6,662	0
Cash assets	36,431	13,431
Gains on investment disposals	**1,914,615**	**760,306**
Available-for-sale financial assets	1,914,615	760,306
Other investment revenues	**13,946**	**13,511**
Available-for-sale financial assets	13,946	13,511
Change in the fair value of investments for the benefit of those policyholders that assume the investment risk	**0**	**5,855,902**
Financial assets valuated at fair value through profit or loss	0	5,855,902
Total income from investment	**10,788,087**	**14,940,391**

Gains from disposals of available-for-sale assets are mostly related to the revenues from the sale of equity securities (EUR 1,117,562 in 2018 and EUR 302,378 in 2017) and to a smaller extent to the revenues from the sale of debt securities (EUR 797,052 in 2018 and EUR 457,928 in 2017).

2.10.16 Investment expenses

	2018	2017
Expenses for impairments	**-531,123**	**-66,529**
Available-for-sale financial assets	-531,123	-66,529
Interest expenses	**-2,263**	**-1,904**
Equipment under financial lease	-2,263	-1,904
Expenses for exchange rate differences	**-28,476**	**-76,263**
Financial assets in loans and deposits	-4,082	-8,774
Cash assets	-24,394	-67,488
Losses on investment disposals	**-322,551**	**-95,000**
Available-for-sale financial assets	-322,551	-95,000
Other expenses for investments	**-132,876**	**-109,393**
Financial assets valuated at fair value through profit or loss	-1,362	-7,258
Available-for-sale financial assets	-131,514	-102,136
Change in the fair value of investments for the benefit of those policyholders that assume the investment risk	**-9,669,207**	**0**
Financial assets valuated at fair value through profit or loss	-9,669,207	0
Total expenses for investments	**-10,686,495**	**-349,089**

Both in 2018 and 2017, expenses were related to life insurance in total.

Losses from disposal of assets amount to EUR 322,551 (EUR 95,000 in 2017), all arising from the loss in the sale of equity securities (EUR 86,708 in 2017).

Other financial expenses for assets valuated at fair value through the income statement of the Insurance Company comprise the expenses for unit-linked life insurance assets for the fees for the purchase or sale of investment fund units. The item of other financial assets available for sale also comprises the taxes after dividends received abroad from life insurance assets.

In 2018, the expenses for the impairment of financial assets available for sale in the amount of EUR 531,123 (EUR 66,529 in 2017) were related to the impairment of equity securities corresponding to the criteria for impairment as defined in Item 2.4.1.

In 2018, the item of expenses for assets was also increased by the negative change in the fair value of unit-linked life insurance policyholders in the amount of EUR 9,669,207 (in 2017, the change was positive and increased the item of revenues from investments in the amount of EUR 5,855,902). It is related to the value of mutual fund units, to which the assets backing life insurance are linked.

2.10.17 Net revenues and expenses from investments

Below we show the net interest revenues (expenses), net revenues (expenses) from exchange rate differences, net gains (losses) from the sale of financial assets and net increase (decrease) of fair value of the assets of unit-linked life insurance policyholders.

	2018	2017
Net interest income (expenses)	**7,827,213**	**7,307,975**
Held-to-maturity financial assets	989,792	1,036,914
Loans	-1,571	823
Available-for-sale financial assets	6,841,144	6,272,066
Cash assets	110	77
Equipment under financial lease	-2,263	-1,904
Net income (expenses) from exchange rate differences	**14,617**	**-62,831**
Financial assets in loans and deposits	2,580	-8,774
Cash assets	12,037	-54,057
Net gains (losses) from the disposal of assets	**1,592,064**	**665,307**
Available-for-sale financial assets	1,592,064	665,307
Net other revenues and expenses from investments	**-118,930**	**-95,882**
Financial assets valuated at fair value through profit or loss	-1,362	-7,258
Available-for-sale financial assets	-117,568	-88,624
Change in the fair value of investments for the benefit of those policyholders that assume the investment risk	**-9,669,207**	**5,855,902**
Financial assets valuated at fair value through profit or loss	-9,669,207	5,855,902
Total net revenues (expenses) from investments	**-354,243**	**13,670,470**

2.10.18 Commission revenues

Commission revenues are mostly related to the actual commissions charged by NLB Vita to its business partners arising from the fund assets management (in 2018 EUR 1,342,587, in 2017 EUR 1,396,703). A minor part is related to the revenues from reinsurance commissions (in 2018 EUR 167,398, in 2017 EUR 134,358).

	2018	2017
Revenues from commissions arising from fund assets	1,342,587	1,396,703
Revenues from reinsurance commissions	137,716	96,780
Life insurance	**1,480,303**	**1,493,484**
Revenues from reinsurance commissions	29,682	37,578
Non-life insurance	**29,682**	**37,578**
Revenues from commissions arising from fund assets	1,342,587	1,396,703
Revenues from reinsurance commissions	167,398	134,358
Total commission revenues	**1,509,985**	**1,531,062**

2.10.19 Other revenues

The item other revenues mostly comprises revenues from the cancellation of provisions for jubilee bonuses and severance pays upon retirement in the amount of EUR 37,507 (EUR 0 in 2017) and to a smaller extent from the revenues from the sale of fixed assets in the amount of EUR 24,674 (EUR 18,704 in 2017) and from the revenues from the write-offs of liabilities related to claims (EUR 2,032 in 2018, EUR 2,373 in 2017) and revenues from cent round-ups, exchange rate differences and other small amounts.

2.10.20 Change in technical provisions

The change in technical provisions is related to the change in gross mathematical provisions (the change in mathematical provisions is shown in Item 2.10.9 of the table Mathematical provisions and provisions for the deficit established in checking the adequacy of provisions) disclosed in full under life insurance.

	2018	2017
Change in other technical provisions	**-33,375,304**	**-30,441,019**
- life	-33,375,304	-30,441,019
Change in technical provisions for the policyholders that assume the investment risk	**23,519,448**	**-8,204,735**
- Unit-linked life insurance	23,519,448	-8,204,735
Change in technical provisions	**-9,855,856**	**-38,645,754**

2.10.21 Net claims incurred and change in provisions for outstanding claims

	2018	2017
Gross claims paid	**-46,139,304**	**-28,566,461**
Reinsurers' share of claims paid	**1,712**	**93,875**
- Change in gross provisions for outstanding claims	**-447,408**	**-506,212**
- Change in gross provisions for reported outstanding claims	-117,022	-56,362
- Change in gross provisions for non-reported outstanding claims	-330,386	-449,850
Change in provisions for outstanding claims - reinsurance part	**112,317**	**61,809**
Change in gross provisions for non-reported outstanding claims - reinsurance part	112,317	61,809
Life insurance	**-46,472,683**	**-28,916,989**
Gross claims paid	**-954,130**	**-821,872**
Reinsurers' share of claims paid	**216,500**	**205,766**
- Change in gross provisions for outstanding claims	**-604,802**	**-281,153**
- Change in gross provisions for reported outstanding claims	-61,547	35,620
- Change in gross provisions for non-reported outstanding claims	-543,255	-316,774
Change in provisions for outstanding claims - reinsurance part	**121,080**	**176,296**
Change in gross provisions for non-reported outstanding claims - reinsurance part	121,080	176,296
Non-life insurance	**-1,221,352**	**-720,963**
Gross claims paid	**-47,093,435**	**-29,388,334**
Reinsurers' share of claims paid	**218,212**	**299,642**
- Change in gross provisions for outstanding claims	**-1,052,210**	**-787,365**
- Change in gross provisions for reported outstanding claims	-178,569	-20,742
- Change in gross provisions for non-reported outstanding claims	-873,641	-766,623
Change in provisions for outstanding claims - reinsurance part	**233,398**	**238,105**
Change in gross provisions for non-reported outstanding claims - reinsurance part	233,398	238,105
Total net claims incurred	**-47,694,036**	**-29,637,952**

2.10.22 Operating expenses

	2018	2017
Acquisition costs	-3,725,252	-3,648,895
Depreciation of assets required for operation	-181,238	-160,355
1,164,783 1,140,730	-1,889,013	-1,848,821
Costs of services of natural persons not performing an activity, including the taxes payable by the Company	-39,854	-26,171
Other operating costs	-2,032,674	-1,864,442
Life insurance	**-7,868,030**	**-7,548,685**
Acquisition costs	-412,640	-343,767
Depreciation of assets required for operation	-59,532	-51,462
1,164,783 1,140,730	-620,492	-593,327
Costs of services of natural persons not performing an activity, including the taxes payable by the Company	-13,091	-8,399
Other operating costs	-667,681	-598,340
Non-life insurance	**-1,773,436**	**-1,595,295**
Acquisition costs	-4,137,893	-3,992,662
Depreciation of assets required for operation	-240,769	-211,817
Labour costs	-2,509,505	-2,442,148
Costs of services of natural persons not performing an activity, including the taxes payable by the Company	-52,945	-34,570
Other operating costs	-2,700,355	-2,462,782
Operating expenses	**-9,641,466**	**-9,143,980**

Acquisition costs

	2018	2017
Brokers' commissions	-3,686,635	-3,631,922
Other direct insurance underwriting costs	-38,618	-16,973
Life insurance	**-3,725,252**	**-3,648,895**
Brokers' commissions	-301,345	-234,467
Other direct insurance underwriting costs	-111,296	-109,299
Non-life insurance	**-412,640**	**-343,767**
Brokers' commissions	-3,987,980	-3,866,389
Other direct insurance underwriting costs	-149,913	-126,272
Total insurance underwriting costs	**-4,137,893**	**-3,992,662**

In addition to the costs of salaries, the Insurance Company's labour costs also include the accrued costs of remuneration for the members of the Management Board and the key function holders in the amount of EUR 163,990 (EUR 196,810 in 2017) and the change of provisions for short-term and long-term employee benefits in the amount of EUR 11,125 (EUR 13,095 in 2017).

Other operating costs

	2018	2017
Operating costs of materials	-59,005	-33,198
Cost of rents	-248,414	-221,972
Reimbursements of work-related costs	-216,199	-198,893
Payment transactions, asset management, custodian and other financial services	-511,580	-464,166
Costs of intellectual and personal services	-260,586	-217,000
Insurance costs	-44,075	-43,590
Marketing costs	-419,098	-412,434
Costs of other services	-874,657	-817,795
Other costs	-66,741	-53,736
Other operating costs	**-2,700,355**	**-2,462,782**

The largest share of other operating costs in 2018 was contributed by the costs of other services, of which the costs of computer services in the amount of EUR 485,700 (EUR 452,474 in 2017). Other operating costs also include the costs of operating lease of business premises in the amount of EUR 248,414 (EUR 221,972 in 2017). The Insurance Company has signed a lease agreement for the business premises for a definite period of five years, which can only be terminated in the event of non-fulfilment of contractual obligations. The table below shows the total amount of future minimum rents by period, all of it comprising the costs of operating lease of business premises.

	2018	2017
Up to 1 year	195,249	195,249
More than 1 year, less than 5 years	569,476	764,725
More than 5 years	0	0
Total	**764,725**	**959,974**

The costs of the auditor are shown under the costs of intellectual and personal services:

	2018	2017
Auditing of the annual report	32,086	32,086
Other services of giving assurances	0	0
Tax consultancy services	0	0
Other non-auditing services	47,110	3,416
Total	**79,196**	**35,502**

2.10.23 Other insurance expenses

The Insurance Company did not disclose any other items under other insurance expenses in 2017 and 2018.

2.10.24 Other expenses

The largest share of other expenses is due to adjustments and write-offs of the value of assets, which totalled EUR 357,406 in 2018 (EUR 305,699 in 2017), the costs of ISA's supervision in the amount of EUR 86,012 (EUR 77,574 in 2017), the write-off of fixed assets in the amount of EUR 1,315 (EUR 27,918 in 2017) and negative exchange rate differences arising from assets and liabilities in the amount of EUR 140 (EUR 3,148 in 2017).

2.10.25 Tax expense

	2018	2017
Corporate income tax for the current year	-1,865,614	-1,400,713
Deferred tax	100,396	11,147
Life insurance	**-1,765,218**	**-1,389,566**
Corporate income tax for the current year	-69,690	-129,568
Non-life insurance	**-69,690**	**-129,568**
Corporate income tax for the current year	-1,935,304	-1,530,281
Deferred tax (Note 2.10.11)	100,396	11,147
Total corporate income tax	**-1,834,908**	**-1,519,134**

From 2013 to including 2016, the tax rate for the corporate income tax was 17% and after 2017 19%.

	2018	2017
Profit before tax	10,164,978	8,408,340
Tax rate in %	19%	19%
Profit before tax * applicable tax rate	1,931,346	1,597,585
Revenues exempted from tax	-202,918	-81,227
Expenses not recognised for tax purposes	106,480	2,776
Expenses for taxes	**1,834,908**	**1,519,134**
Effective tax rate	**18.1%**	**18.1%**

2.10.26 Earnings Per Share

The Basic earnings per share equal the adjusted earnings per share as at 31/12/2018, namely EUR 4,935 (EUR 4,081 in 2017).

	Year 2018	Year 2017
Net profit/loss	8,033,722	6,306,845
Weighted average of the number of ordinary shares	1,088	1,088
Life insurance	**7,384**	**5,797**
Net profit/loss	296,349	582,361
Weighted average of the number of ordinary shares	600	600
Non-life insurance	**494**	**971**
Net profit/loss	8,330,071	6,889,206
Weighted average of the number of ordinary shares	1,688	1,688
Total earnings per share	**4,935**	**4,081**

2.10.27 Comprehensive income for the business year

	Year 2018	Year 2017
Net profit or loss for the accounting period	8,033,722	6,306,845
Items of other comprehensive income subsequently not reclassified to profit or loss:	-12,245	1,734
- Change of revaluation surplus related to actuarial gains/losses arising from the severance pays upon retirement	-13,530	1,916
- Tax	1,285	-182
Items of other comprehensive income that can be subsequently reclassified to profit or loss:	-10,402,371	347,954
- Change of revaluation surplus related to available-for-sale financial assets	-12,842,433	429,573
- Tax	2,440,062	-81,619
Life insurance	**-2,380,894**	**6,656,534**
Net profit or loss for the accounting period	296,349	582,361
Items of other comprehensive income that can be subsequently reclassified to profit or loss:	-9,896	-52,432
- Change of revaluation surplus related to available-for-sale financial assets	-12,218	-64,731
- Tax	2,321	12,299
Non-life insurance	**286,452**	**529,929**
Net profit or loss for the accounting period	8,330,071	6,889,206
Items of other comprehensive income not subsequently reclassified to profit or loss:	-12,245	1,734
- Change of revaluation surplus related to actuarial gains/losses arising from the severance pays upon retirement	**-13,530**	**1,916**
- Tax	1,285	-182
Items of other comprehensive income that can be subsequently reclassified to profit or loss:	-10,412,268	295,522
- Change of revaluation surplus related to available-for-sale financial assets	-12,854,651	364,842
- Tax	2,442,384	-69,320
Total comprehensive income for the year	**-2,094,442**	**7,186,462**

If the Insurance Company recognised the change in the fair value of financial assets available for sale and other revaluation surplus in the income statement and not in the comprehensive income, it would post loss in the amount of EUR 2,094,442 (in 2017 profit in the amount of EUR 7,186,462).

2.10.28 Cash flow statement

The Insurance Company compiles the cash flow statement according to the indirect method. The following are disclosed separately:

- Cash flows from operating activities
- Cash flows from investing activities and
- Cash flows from financing activities.

Cash flows from operating activities have been prepared in accordance with the indirect method in which profit/loss is adjusted by the effects of non-cash transactions (e.g. the change in unearned premium, the change in technical and other provisions, depreciation, the change in the value of financial assets, value adjustments of receivables, write-offs of receivables, deferred taxes and similar).

Cash flows from investing activities show the expenses for acquiring intangible assets, property, plant and equipment and financial assets on the one hand and income from interest, dividends and disposals of financial assets on the other hand.

According to the IFRS, cash flows from operating activities are aligned with the profit for the current year:

		Year 2018	Year 2017
A.	**Cash flows from operating activities**		
a)	**Profit before tax**	**10,164,978**	**8,408,340**
	- adjustments for:	**11,233,085**	**25,261,838**
-	Unearned premium	145,404	109,353
-	Technical and other provisions	10,646,446	39,205,810
-	Change in the value of financial assets at fair value through profit or loss	9,669,207	-5,855,902
-	Depreciation	240,769	211,817
-	Value adjustments for assets and the effects of the change in the fair value of assets held to maturity, assets available for sale, loans and receivables	-9,468,743	-8,409,239
b)	**Corporate income tax paid**	**-1,437,943**	**-1,732,489**
c)	**Changes in net current assets in balance sheet items (including accruals and deferrals and deferred tax assets and liabilities)**	**-814,148**	**-716,116**
-	Change in receivables from direct insurance operations	-260,586	-400,557
-	Change in receivables from reinsurance	75,154	-73,514
-	Change in other receivables	60,542	23,359
-	Change in deferred costs and accrued revenues	1,675,573	-902,474
-	Change in debts from direct insurance operations	76,846	298,258
-	Change in debts from reinsurance	-9,169	2,702
-	Change in other liabilities	-2,560,062	216,005
-	Change in accrued costs and deferred revenues	127,554	120,105
d)	**Receipts from/disbursements for operating activities (a+b+c)**	**19,145,973**	**31,221,573**
B.	**Cash flows from investing activities**		
a)	**Receipts from investing activities**	**162,613,104**	**124,207,959**
-	Receipts from interest	8,556,785	7,879,635
-	Receipts from dividends	855,444	746,240
-	Receipts from disposal of financial investments	153,199,886	115,563,379
-	Receipts from disposal of property, plant and equipment	988	18,704
b)	**Disbursements for investing activities**	**-179,685,718**	**-154,245,116**
-	Disbursements for acquiring intangible assets and property, plant and equipment	-352,355	-244,283
-	Disbursements for acquisition of financial assets	-179,333,364	-154,000,833
c)	**Receipts from/disbursements for investing activities (a+b)**	**-17,072,614**	**-30,037,157**
C.	**Cash flows from financing activities**		
b)	**Disbursements for financing activities**	**-2,066,762**	**-3,697,007**
-	Payment of dividends	-2,066,762	-3,697,007
c)	**Receipts from/disbursements for financing activities (a+b)**	**-2,066,762**	**-3,697,007**
Č)	**Opening balance of cash and cash equivalents**	**28,110**	**2,540,701**
-	**Cash inflow or outflow for the period**	**6,596**	**-2,512,591**
D)	**Closing balance of cash and cash equivalents**	**34,706**	**28,110**

2.10.29 Related parties

The owners of NLB Vita d.d. Ljubljana (core group) are Nova Ljubljanska banka d.d., Ljubljana, Trg republike 2 and KBC Insurance NV, Leuven, Waaistraat 6, Belgium. As at 31/12/2018 and 31/12/2017, each of them owned a 50% equity stake in the Insurance Company.

The Insurance Company thus estimates that it has business relationships with the owners and their group members, members of the Management Board and the Supervisory Board and their close family members and companies controlled by the members of the Management Board and the Supervisory Board and their close family members.

The Insurance Company does not have any internal owners.

The Insurance Company conducts business with its related persons according to the arm's length principle.

The total amount of the Insurance Company's debts to the members of the Management Board as at 31/12/2018 amounted to EUR 19,032 (as at 31/12/2017: EUR 19,201). The total receipts of the members of the Management Board in 2018 amounted to EUR 270,335 (in 2017: EUR 289,458). The total accounted receipts of the President of the Management Board Irena Prelog, MSc, in 2018 amounted to EUR 159,498 (in 2017: EUR 141,713), of which short-term cash benefits EUR 131,461 (in 2017: EUR 116,077), cost reimbursements EUR 1,126 (in 2017: EUR 1,218), the premium for supplementary pension insurance EUR 2,819 (in 2017: EUR 2,819) and remuneration EUR 24,092 (in 2017: EUR 21,600). The total accounted receipts of the Member of the Management Board Tine Pust, MSc, in 2018 amounted to EUR 108,975 (in 2017, after the date of assuming the position, i.e. 13 December 2017: EUR 7,987), of which short-term cash benefits EUR 95,384 (in 2017: EUR 7,672), cost reimbursements EUR 1,175 (in 2017: EUR 43), the premium for supplementary pension insurance EUR 2,819 (in 2017: EUR 235) and remuneration EUR 9,596 (in 2017: EUR 0).

The chair and the members of the Supervisory Board received no remuneration for their work in 2018 and 2017.

In 2018, as well as in the previous years, the Insurance Company approved no advances or loans to the members of the Management Board, Supervisory Board or to the employees working under service contracts.

The tables below show the balance of assets and liabilities as at the last day of the business year and the revenues and expenses arising from operations with related persons, namely:

- The extended group comprises common data relating to both owners of the Insurance Company and all companies related to the owners.
- The core group comprises the data separately for the owner NLB d.d. Ljubljana and the other companies in the NLB Group.

The balance of assets and liabilities to the owners and the group companies (extended group) as at 31 December *

	2018	2017	2018	2017	2018	2017
	Total	Total	NLB Group	NLB Group	Other companies in the KBC Group	Other companies in the KBC Group
1. Stakes in investment funds	119,416,246	142,711,340	105,192,403	96,365,695	14,223,843	46,345,646
2. Deposits	1,280,503	3,458,691	1,280,503	3,458,691	0	0
3. Debt securities	0	0	0	0	0	0
4. Equity securities (shares)	0	0	0	0	0	0
5. Cash and cash equivalents	34,706	28,110	34,706	28,110	0	0
6. Receivables and deferred costs and accrued revenue	311,655	476,670	274,256	372,733	37,399	103,937
7. Liabilities to insurance brokers	197,804	201,566	197,804	201,566	0	0
8. Other liabilities	71,563	83,119	71,563	83,119	0	0
9. Accrued costs and deferred revenues	502,604	495,846	502,604	495,846	0	0

*As at 31 December, the Insurance Company disclosed no balances of assets and liabilities to the owner KBC Insurance NV but merely to other companies in the KBC Group, namely KBC Asset Management and KBC Bank.

The balance of assets and liabilities to the owners and the group companies (core group) as at 31 December*

	2018	2017	2018	2017	2018	2017
	NLB Group	NLB Group	NLB d.d.	NLB d.d.	Other companies in the NLB Group	Other companies in the NLB Group
1. Stakes in investment funds	105,192,403	96,365,695	0	0	105,192,403	96,365,695
2. Deposits	1,280,503	3,458,691	1,280,503	3,458,691	0	0
3. Debt securities	0	0	0	0	0	0
4. Equity securities (shares)	0	0	0	0	0	0
5. Cash and cash equivalents	34,706	28,110	20,344	20,370	14,362	7,740
6. Receivables and deferred costs and accrued revenue	274,256	372,733	140,211	229,143	134,045	143,590
7. Liabilities to insurance brokers	197,804	201,566	197,804	201,566	0	0
8. Other liabilities	71,563	83,119	15,191	15,724	56,372	67,396
9. Accrued costs and deferred revenues	502,604	495,846	502,604	495,846	0	0

The amounts of the revenues and expenses arising from the operations with the owners and the Group companies (extended group)*

	2018	2017	2018	2017	2018	2017
	Total	Total	NLB Group	NLB Group	Other companies in the KBC Group	Other companies in the KBC Group
Gross written premiums	3,190,455	3,492,480	3,190,455	3,492,480	0	0
Interest income	-1,720	498	-1,720	498	0	0
Income from exchange rate differences	57,039	26,942	57,039	26,942	0	0
Commission revenues	1,342,587	1,396,703	1,114,279	910,918	228,307	485,785
Expenses for exchange rate differences	-28,474	-76,263	-28,474	-76,263	0	0
Commissions for securities operations	-1,362	-7,258	0	0	-1,362	-7,258
Acquisition costs	-3,995,509	-3,838,498	-3,995,509	-3,838,498	0	0
Operating expenses	-629,827	-591,222	-629,827	-591,222	0	0
Revaluation of fund assets	-9,669,207	5,855,902	-8,487,757	4,510,187	-1,181,451	1,345,715

*The Insurance Company disclosed no revenues and expenses arising from the operations with the owner KBC Insurance NV but merely with other companies in the KBC Group, namely KBC Asset Management and KBC Bank.

The amounts of the revenues and expenses arising from the operations with the owners and the Group companies (core group)

	2018	2017	2018	2017	2018	2017
	NLB Group	NLB Group	NLB d.d.	NLB d.d.	Other companies in the NLB Group	Other companies in the NLB Group
Gross written premiums	3,190,455	3,492,480	3,190,455	3,492,480	0	0
Interest income	-1,720	498	-1,720	498	0	0
Income from exchange rate differences	57,039	26,942	43,093	13,431	13,946	13,511
Commission revenues	1,114,279	910,918	0	0	1,114,279	910,918
Expenses for exchange rate differences	-28,474	-76,263	-28,474	-76,263	0	0
Commissions for securities operations	0	0	0	0	0	0
Acquisition costs	-3,995,509	-3,838,498	-3,995,464	-3,838,421	-44	-78
Operating expenses	-629,827	-591,222	-303,672	-304,571	-326,154	-286,651
Revaluation of fund assets	-8,487,757	4,510,187	0	0	-8,487,757	4,510,187

NLB Vita also conducts business with companies related to the state that are carried out in accordance with the Insurance Company's normal operating conditions. The scope of individually insignificant transactions with the companies related to the state totalled EUR 102,376 in 2018 (EUR 94,381 in 2017) and is related to post and telecommunications services.

2.10.30 Events after the end of the business year

In the period from the year-end of 31/12/2018, there were no events that would impact the financial statements or additional disclosures in the annual report.

Opinion by a certified auditor

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NLB Vita d.d.

Opinion

We have audited the financial statements of NLB Vita d.d. (the Company), which comprise the statement of financial position as at 31 December 2018, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Estimates used in calculation of Insurance Liabilities, and Liability Adequacy Test (LAT)

The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions – like inflation, interest rate, mortality, lapse and longevity - are being used to estimate these long-term liabilities, both in the insurance contract liabilities as reported in the statement of financial position and in the LAT. We determined this to be a significant item for our audit and a key auditing matter.

We used actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex and/or requiring significant judgement in the setting of assumptions, particularly LAT cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim reserves calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Company's modelling approach in the areas considered higher risk because of complexity and/or magnitude. We also assessed the Company's approach and methodology for the actuarial analyses including estimated versus actual results and

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experience studies. We assessed the experience analyses performed by the Company in their assumption setting processes. Our assessments included assessment, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with International Financial Reporting Standards as adopted by the European Union. Furthermore, we performed audit procedures to determine the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's LAT which is a test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the LAT included assessing the reasonableness of the projected cash flows and assessment of the assumptions adopted in the context of both the Company and industry experience and specific product features.

We assessed the adequacy of the disclosures included in notes 2.3.10 and 2.10.9 (Technical provisions) of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

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Responsibilities of management, audit committee and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee and the supervisory board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the audit committee and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Company on 3.3.2016 based on our approval by the General Meeting of Shareholders of the Company on 31.3.2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 5 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 12.3.2019.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the Annual Report and in the financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, 28.3.2019

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 3

Primož Kovačič
Certified auditor

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Persons responsible for compiling the annual report

The Management Board of NLB Vita, življenjska zavarovalnica d.d. Ljubljana, hereby approves the financial statements for the year that ended on 31 December 2018 and the applied accounting policies and notes to financial statements indicated in this report.

The Management Board confirms that the financial statements were compiled by consistently applying the appropriate accounting policies, that accounting estimates were made according to the principles of prudence and due diligence and that the financial statements show a true and fair view of the company's assets and performance for the year 2018.

The Management Board is also responsible for the appropriate accounting system and adoption of measures to secure the property and other assets. The Management confirms that the financial statements and notes thereto have been compiled under the assumption of a going concern and in accordance with the applicable legislation and International Financial Reporting Standards adopted by the European Union.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that might give rise to any material liability arising from the above. From the founding of the company until the day of issue of the annual report, the tax authorities conducted a tax audit of the Company in 2006 and a separate tax audit of the receipts of natural persons for 2011.

Ljubljana, 21/02/2019

Tine Pust, MSc., CFA
Member of the Management Board

Irena Prelog, MSc.
President of the Management Board

Life is unpredictable.
We are there
for you and we
keep our promises.

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