

 PRVA GROUP

AUDITED ANNUAL REPORT 2016

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1. INTRODUCTORY WORD FROM THE MANAGEMENT BOARD

Prva group and its companies are one of the leading providers of income protection products in the Central and South-East Europe. The two core pillars, which include pension and life insurance, are supplemented by other personal insurance and saving products, as well as annuities.

Supplementary pension markets in Macedonia and Slovenia are the most important business of the Group. KB Prvo penzisko društvo AD Skopje is the leading provider on Macedonia's mandatory supplementary pension insurance market. The Company operated in line with expectations in 2016 and managed to sustain its market share at 52 percent.

In February 2016, Prva osebna zavarovalnica introduced lifecycle funds in the voluntary supplementary pension insurance. Thus, our insurants have the choice of various pension insurance saving schemes depending on their age and have a say in the optimisation of yields, with the aim of achieving higher pension from supplementary pension insurance. During the implementation of the new product, Prva osebna zavarovalnica pursued the objectives of the amended legislation and became the insurance company with by far the largest share of new payments made in the lifecycle funds. Our success is demonstrated by the fact that as much as 75% of the premium is being paid in funds that pursue a more dynamic investment policy, that the first two life-cycle funds (Prva Dinamični and Prva Uravnoteženi) have to date collected 10% of assets and, that the insurants are happy with a more dynamic investment policy. The latter is a reflection of highly profitable performance of lifecycle funds in 2016: Prva Dinamični achieved profitability rate of 15%, Prva Uravnoteženi over 11% and Prva+ Zajamčeni over 5%.

In addition, we recorded growth in sales of all life insurance product groups as compared to the previous year. We enhanced our mission of marketing income protection products by supplementary products such as long-term saving schemes to allow our clients to choose between a comprehensive range of products. Pursuant to Solvency II Directive, in 2016 Prva osebna zavarovalnica calculated its capital requirements for the first time. Prva's solvency capital of over 160% means that it fully complies with the Solvency II requirements and this is an additional assurance of its capital strength and security, and of being able to met all of its liabilities.

All the other companies in the Group reported profits at the end of the year, as well as an increase in the number of insurants, premiums and assets under management. The Group reported €4.6 million of net profit in 2016. In addition, the volume of assets under management rose by more than €92 million to €752 million, and the Group ended the year with over 442 thousand insurants.

In line with the Group's 2017-2019 strategy, we aim to increase both the amount of assets under management and insurance premium. To this aim we are strengthening our marketing activities on all markets. According to our plans, we expect to have over 500,000 insurants and over €1 billion in assets under management. In future, the Prva Group will continue to pursue a high level of corporate governance based on the Group's Code, which ensures safe and ethical operations of the entire Group.

Boštjan Škufca Zaveršek
Member of the Management Board



Alenka Žnidaršič Kranjc
President of the Management Board



2. THE ACTIVITIES OF THE COMPANY AND THE GROUP AND ITS DEVELOPMENT

Prva Group - Skupina Prva, zavarovalniški holding, d.d. (formerly Prva pokojninska družba d.d.) is an insurance holding in which 3 pension companies, 1 insurance undertaking and 1 company engaged in marketing insurance products of a sister company, operated in 2016.

The Company's activity includes holding operations in insurance and pension funds.

Ernst & Young was appointed the auditor of the Company and the Group.

Prva Group - Skupina Prva, insurance holding company, plc. is a public limited company set up for an indefinite period of time.

In 2015, the following enterprises operated within the Group: Prva osebna zavarovalnica d.d. in Slovenia; KB Prvo in Macedonia; DDOR Garant in Serbia; FSKP in Kosovo; and Prva zavarovalniško zastopniška družba, d.o.o. in Slovenia.

Prva Group - Skupina Prva, insurance holding company, plc. compiled consolidated financial statements of the Group, which includes five subsidiaries, under IFRS as adopted by the EU. The consolidated financial statements are based on the original financial statements of the enterprises included in consolidation, inclusive of the necessary consolidation adjustments which, however, are not subject to posting in the financial statements of the enterprises included in consolidation. In the financial statements, subsidiaries are accounted for under the cost method. The report includes presentation of the operations of the long-term business funds managed by the subsidiaries.

Prva Group does not have any branch offices either in Slovenia or abroad.

In the Annual Report, Skupina Prva plc. is referred to as Skupina Prva, Prva Group or the Company, whereas Skupina Prva Group is referred to as Skupina Prva Group or the Group.

Prva plc. has not adopted any specific diversity policy in relation to the presentation in the governance or supervisory bodies regarding gender, age or education.

3. COMPANY BODIES

The Company's bodies consist of the General Meeting, the Supervisory Board, the Management Board, and the Audit Committee.

The General Meeting of the Prva Group is comprised of legal entities and natural persons possessing shares of the Prva Group.

The Supervisory Board consists of four members. All are representatives of the capital.

The Management Board represents and presents the Company. The Company's Management Board consists of Alenka Žnidaršič Kranjc as the President and Boštjan Škufca Zaveršek as its Member.

The owners of the Company have the right to change the financial statements after their approval by the Management Board.

The registered seat of the Company:

Skupina Prva d.d. (Prva Group plc.)
Ameriška ulica 8
1000 Ljubljana
Slovenia

3.1. REPORT ON THE WORK OF THE SUPERVISORY BOARD AND AUDIT COMMITTEE OF PRVA GROUP

The four-member Supervisory Board performed its duties and tasks in accordance with provisions of the Insurance Act, Companies Act, Articles of Association, and Rules of Procedure of the Supervisory Board in 2016.

SUPERVISORY BOARD

In 2016, the Supervisory Board consisted of Nicholas Andrew Lindsay Stuart (Chairman), Dariga Sambayeva, Tanja Tuš and Jože Mermal (until 16 June 2016) when he was replaced by Helena Petrin.

SUPERVISORY BOARD'S TASKS

The Supervisory Board monitored and discussed the operations of the Company and the work of the Management Board in two regular sessions and three conference calls in 2016. It carried out the legally prescribed supervision of the Company's operations and supervised the implementation of the resolutions adopted in previous sessions and at the General Meetings of the Company. In accordance with the Supervisory Board's decision, Alenka Žnidaršič Kranjc was appointed President of the Management Board for the new mandate.

In 2016, the work of the Supervisory Board further consisted of addressing the Annual Report of Prva Group, insurance holding company, plc., for 2015, forming the opinion of the Supervisory Board on the Annual Report for 2015, addressing the Auditor's Report for 2015, and Reports of the Audit Committee for 2016, drafting a proposal for the General Meeting to nominate the company's auditor for 2016, addressing and adopting the Business Plan for 2017-2019, and ongoing supervision of all the Company's operations and the comparison of the objectives realised with those planned.

At its last session in 2016 and with an outlook on the future operations of the Company, the Supervisory Board adopted the Business Plan for 2017-2019 and was informed of the plans of all the subsidiaries for the same strategic period.

The Supervisory Board was informed about the decisions of the supervisory bodies in a timely fashion and monitored their implementation.

At the meeting on 10 May 2017, the Supervisory board will review the Annual Report of Prva Group for 2016 and recommend the General meeting to adopt it.

AUDIT COMMITTEE

The Supervisory Board established a three-member Audit Committee which was, in 2016, composed of the following:

- Nicholas Andrew Lindsay Stuart (Chairman),
- Dariga Sambayeva (Deputy Chairperson),
- Mojca Babnik (Independent Expert).

The tasks and competencies of the Audit Committee are laid down in the Companies Act, Rules of Procedure of the Audit Committee, Rules of Procedure of the Supervisory Board and decisions adopted by the Supervisory Board.

In 2016, the Audit Committee addressed the following topics in two regular sessions and two conference calls:

- risk management and internal control efficiency (monitoring of the relevance of risk management, provision of sufficient amount of capital and monitoring internal controls efficiency and performance);
- efficiency and performance of the internal audit services in subsidiaries (monitoring efficiency and performance of internal audit services in individual subsidiaries through quarterly reports of internal auditors in subsidiaries or declarations made by internal auditors);
- financial statements and external audit (proposing appointment of external auditors, participating in drafting contracts between the auditor and the insurance undertaking, checking and monitoring auditor's independence, monitoring audit of the annual financial statements, cooperating with external auditors and assessing the annual report structure);

- integrity of financial information provided by the insurance undertaking (monitoring financial reporting procedures and their integrity);

The Audit committee issued an Annual Report on its work performed in 2016 which, among other, includes a positive opinion on the Annual Report of Prva Group plc for 2016, the consolidated Annual Report of Prva Group plc for 2016, and Report on Related Party Transactions for 2016.

Ljubljana, 10 May 2017

Nicholas Andrew Lindsay Stuart
Chairman of the Supervisory Board



3.1. STATEMENT OF THE RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board approved the publication of the financial statements, accounting policies used and notes to the financial statements on 28 March 2017.

The Management Board is responsible for preparing the annual report which represents a true and fair view of the Company's and the Group's financial position and of their financial results for the year 2016.

Members of the Management Board and the Supervisory Board confirm that the Annual Report of the Group and the Company, and its integral parts, inclusive of the corporate governance statement, have been compiled and published in accordance with the Companies Act and International Financial Reporting Standards, as adopted by the EU.

The Management Board is responsible for the preparation of the annual report of the Group and the Company, including the financial statements and consolidated financial statements and notes thereto that give a true and fair presentation of the financial position of the Company and the Group.

The Management Board confirms that the financial statements of the Company and the Group have been compiled under the assumption of a going concern, that the appropriate accounting policies have been consistently applied, and that any changes in these have been disclosed, and that accounting estimates have been made based on the principle of prudence and due diligence.

The Management Board is also responsible for the adoption of measures to secure the assets of Prva Group, insurance holding company, plc., and to prevent and detect fraud and other irregularities and/or illegal acts.

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 may result in a significant tax liability.

Pursuant to Articles 545 and 546 of the Companies Act, the management submitted a Report on transactions with the parent and other subsidiaries in the Group, confirming the fact that in view of the circumstances known at the time these legal transactions were made, Prva plc. was not disadvantaged in transactions with the parent or its related parties. Furthermore, no legal transactions were undertaken in 2016 and no actions were either carried out or omitted, which could cause damage to the Company as a result of the influence imposed by the parent.

Ljubljana, 28 March 2017

Boštjan Škufca Zaveršek
Member of the Management Board



Alenka Žnidaršič Kranjc
President of the Management Board



3.2. CORPORATE GOVERNANCE STATEMENT

Pursuant to the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the Company issues the following corporate governance statement for the period from 1 January to 31 December 2016.

The Company applies the Corporate Governance Code for Public Limited Companies adopted by the Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia on 27 October 2016 and, which came into effect on 1 January 2017 and is available on the website of the Ljubljana Stock Exchange (www.ljse.si). While the application of the Corporate Governance Code for Public Companies (the Code) is not obligatory, the Company is required to disclose the recommendations not complied with including explanation of the reasons for non-compliance. In 2015 the Company adopted the Corporate Governance Policy, which sets out the main guidelines for corporate governance of subsidiaries, considering long-term objectives of the Company and the legislation applicable to a country of the subsidiaries. The Company did not decide to use any other corporate governance.

Derogation from the Code

The Company has adopted a decision to apply by analogy rather than explicitly follow recommendations of the Code

based on the following facts:

- The activity of the Company is limited to the management of participations in subordinated companies and generates revenue almost exclusively from dividends received from companies in which it holds equity shares. To ensure the relevant level of corporate governance in subordinated companies, in 2015 the Company adopted a corporate governance policy of the Prva Group plc., which is applicable to all subordinated companies
- In line with the Company's scope of operations, in 2016 the Company employed on average 2.2 members of staff.
- The share capital of the Company is divided into two classes of shares (regular shares with voting rights and preference shares without voting rights). However, only preference shares are quoted on the stock exchange (without voting rights and without the right to participation in the governance of the Company). For some time now the ownership structure of both classes of shares has been stable with relatively small number of shareholders and only minor movements in ownership.

Considering the limited scope of the Company's activities and very few staff, as well as relatively stable ownership, the Company made a study of costs associated with compliance with the recommendations of the Code and assessed that further compliance with the Code was not cost efficient and would not contribute to the maximisation of the Company's value. The Company does comply with all the binding provisions of the relevant legislation that directly refer to the corporate governance of public limited companies.

Description of key characteristics of the internal control and risk management systems in the Company relating to the financial reporting process

Within the framework of the internal control system and risk management related to the financial reporting process, special attention is devoted to:

Identifying important business events that have a direct or significant impact on the financial reporting;

- Accounting categories and individual accounts and the related processes;
- Regular updating and documenting of the business processes flow;
- Assessing the results and eliminating the weaknesses identified in the planned or existing internal controls.

Information referred to in items 3, 4, 6 and 9 of the sixth paragraph of Article 70 of ZGD-1

The Company rules regarding appointment and replacement of members of the Management Board and the Supervisory Board are specified in the Articles of Association. All amendments to the Articles of Association may be adopted by the General Meeting with a majority of no less than 81% of the share capital represented. The share capital's structure is explained in Section "Share capital and shareholders". The Company did not adopt any specific restrictions regarding voting rights other than in terms of preference shares which are, according to the

Articles of Association, without voting rights. The Company rules regarding appointment and replacement of members of the Management Board and the Supervisory Board are specified in the Articles of Association. No other rules have been adopted. Members of the Management are not authorised for issuing or acquiring treasury shares.

The Management Board convenes the General Meeting of Shareholders at least one month in advance. Usually, it is convened at the head office of the Company. The competences of the General Meeting of Shareholders are stipulated in the Companies Act (ZGD-1). The General Meeting decides with a majority of votes cast by the share capital represented. Shareholders can exercise their rights at the General Meeting either in person or by proxy. Shareholders' rights are specified in the Articles of Association and applicable legislation.

Information on corporate and supervisory bodies

The managing and corporate governance of the Company are conducted under a two-tier system. The Company's Management Board consists of Alenka Žnidaršič Kranjc as the President and Boštjan Škufca Zaveršek as its Member. The Management Board performs its duties in accordance with statutory provisions, Articles of Association, internal rules and the established and generally accepted good business practices. The same applies to the Supervisory Board whose composition and tasks as well as those of its Audit Committee, are described in detail in Section "Report on the work of the Supervisory Board and Audit Committee of Prva Group".

Ljubljana, 28 March 2017

Boštjan Škufca Zaveršek
Member of the Management Board



Alenka Žnidaršič Kranjc
President of the Management Board



4. SHARE CAPITAL AND SHAREHOLDERS

The Company's share capital amounts to €13,386,247 and did not change in 2016. Individual capital elements are described in detail in Section 21. "Equity".

The owners of Prva Group, insurance holding company, plc. are successful Slovenian companies, a foreign bank, members of the Supervisory and Management Boards and other shareholders, as well as companies that have included their insureds in one of the pension schemes of Prva osebna zavarovalnica, d.d. The ultimate parent of Prva Group, insurance holding company, plc. is A-Z Finance d.o.o.. A-Z Finance was founded in 1998 and is 100% owned by Alenka Žnidaršič Kranjc.

Table1: Ten largest shareholders of ordinary and preference shares of Prva Group, plc. as at 31 December 2016

Name of shareholder/Ordinary shares	Holding at 31 December 2016 in %
DEJ d.o.o.	50.20%
EBRD	20.00%
KYMAH LIMITED	12.22%
BTC d.d.	4.16%
KRITNI SKLAD PRVA+ ZAJAMČENI	4.14%
ADRIATIC SLOVENICA D.D. KOPER, KRITNI SK	3.10%
BELIČ DAMJAN	1.34%
KRITNI SKLAD PRVA ZAJAMČENI	0.59%
ENGROTUŠ d.o.o.	0.49%
FAVO d.o.o.	0.42%
10 MAJOR SHAREHOLDERS	96.65%
OTHER LEGAL ENTITIES	1.38%
OTHER NATURAL PERSONS	1.98%
TOTAL AT 31 DECEMBER 2016	100.00%

Name of shareholder/Preference shares	Holding at 31 December 2016 in %
KRITNI SKLAD PRVA+ ZAJAMČENI	34.52%
KRITNI SKLAD PRVA ZAJAMČENI	11.26%
CIMOS d.d.	7.35%
Alpen.SI, mešani fleksibilni podsklad -	5.88%
OBVEZNIŠKI SKUPNI POKOJNINSKI SKLAD Z ZA	4.71%
Sava Re, d.d.	4.04%
SALONIT ANHOVO. d.d.	3.79%
GEN d.o.o.	2.94%
INFOND d.o.o., PE Infond Global, mešani	2.65%
NOVA KBM d.d.	2.35%
10 MAJOR SHAREHOLDERS	79.50%
OTHER LEGAL ENTITIES	10.61%
OTHER NATURAL PERSONS	9.89%
TOTAL AT 31 DECEMBER 2016	100.00%

Source: The Share Register of Prva Group plc.

43 legal entities or natural persons are owners of class A ordinary shares. The largest shareholders among them are Dej d.o.o. with a 50.20% holding, EBRD with a 20% holding, Kymah Limited with a 12.22% holding, and BTC with a 4.16% holding. The others own a total of 13.43% of ordinary shares.

Class B shares are owned by 77 legal entities or natural persons. The largest stake is owned by Prva osebna zavarovalnica d.d. - Kritni sklad Prva+ Zajamčeni in the amount of 34.52%, followed by Prva osebna zavarovalnica d.d. - Kritni sklad Prva Zajamčeni with 11.26% stake, followed by Cimos d.d. with a 7.35% stake. The others own a total of 46.87% of preference shares.

At the end of 2016, the Company does not possess any authorised capital for the payment of shares.

5. ECONOMIC ENVIRONMENT

5.1 MACROECONOMIC ENVIRONMENT

Relatively favourable economic developments continued in Europe in 2016 where, as a result of improved labour market conditions, the growth in private consumption contributed most to the economic growth. The balance sheet data of banks shows that taking into account the net value of loans, in the year under review, loans extended to households exceeded corporate loans. To a lesser extent, the economic growth was influenced by gross capital expenditure and government consumption, while according to the European Central Bank, the contribution of net exports was slightly negative. In the course of the year, the ECB maintained interest rates unchanged, announcing at the end of the year its intention to extend the securities purchase programme, which is expected to continue until at least the end of 2017, or until inflation is brought closer to the set target of two percent. After a period of more than two years, the annual inflation rate reported by Eurostat in December was again above one percent. Its movements were significantly affected by the prices of energy and other raw materials. International institution forecasts for 2017 and 2018 envisage economic growth in the eurozone of between 1.5 and 1.7 percent. Potentially negative impact on the outlook could come from geopolitical risks, among which we should highlight economic uncertainty as a result of the departure of the United Kingdom from the EU, the impact of any unexpected decision of the US administration on trade agreements, as well as any surprises in the outcome of the upcoming elections in particular in Germany and France.

While at the beginning of 2016 the US economy showed only modest growth, it exceeded expectations particularly in the third quarter when gross domestic product (GDP) reached an annual rate of 3.5%, the highest growth in the last two years. As in the previous year, the US Federal Reserve (FED) increased its key interest rate in December 2016 to 0.75%, reflecting in addition to the expanding economic activity also the improved situation on the labour market and expectations of inflation developments. The latter could be further encouraged through fiscal policies and infrastructure investments following measures imposed by the newly elected US president Donald Trump. It should be noted that at the end of 2016, the value of the euro against the US dollar recorded a record low in the last twelve years, while according to the last quarter results, the unemployment rate came close to the natural rate of unemployment.

Slow-down in Chinese growth along with a reduction in the volume of trade and investments reinforced investor uncertainty at the beginning of 2016, which was among other reflected also in a major decline in global stock prices. Compared to previous years, the Chinese economy growth continues its downturn. Despite this, the reason for annual economic growth of 6.7%, which in the end exceeded expectations, primarily lies in the increase in consumption, which was further strengthened during the year and which, according to analysts, remains the main driver of future economic growth along with exports. On the other hand, the increase in borrowing poses one of the biggest risks to economic growth. In addition, China wrestles with large capital outflows, which may increase even further as a result of certain protectionist decisions of the newly elected US President. Prices on the real estate market continued to grow in 2016, along with increasingly more pronounced speculations about an emerging real estate bubble.

Despite measures to boost the economy and the rather loose monetary policy of the Central Bank, the Japanese economy shrunk further than expected due to declining industrial production and stagnant GDP. The expected annual gross domestic product growth for 2016 is below 1%, the expected annual inflation of 0.1% is far from the desired 2% and Japanese export activity was impacted also by appreciation in the value of the yen against the dollar. Given its non-functioning monetary policy, Japan will have to resort to a number of fiscal measures including raising taxes and reducing spending in order to improve its poor economic outlook. However, in the short term, these restrictive measures may lead to a further reduction in economic activity. On the other hand, Japan's unemployment data was better than expected reaching close to 3%. Due to labour shortages and the growing demographic burden posed by the elderly, the country is slowly opening its doors to foreign workers.

With just over 2% GDP growth, the United Kingdom reported the fastest growth among G7 countries, appeasing at least for a time some of the forecasts that in the event of an unexpected exit from the EU, the country might fall into recession. A large drop in the British pound against other major currencies in the second half of the year

resulted in an increase in inflation and downsized forecasts of some companies regarding profit margins as the currency depreciation was reflected mainly through the reduction in revenue and increased expenditures on imports of raw materials. On the other hand, due to the cheaper pound, the United Kingdom reduced its trade deficit and increased the number of overnight stays by foreign tourists. According to recent figures, the United Kingdom is not seeking either partial or associate membership in the EU, and everyone's eyes are fixed on the negotiations following the triggering of Article 50 of the Treaty of Lisbon, which will officially start the UK's exit from the EU.

After several years of negative trends, developing markets recorded surprise growth in 2016, although from the point of view of the composition, this growth is rather fragile. The reason for the growth can be found mainly in the increase in prices of raw materials and the recovery in demand in developed economies, which is expected to continue throughout 2017. For emerging markets, the USA remains a "double-edged sword", since the projected fiscal incentives are expected to yield positive spillover effects. On the other hand, the tightening of international trade relations, stronger dollar and announced increase in interest rates and the resulting more expensive borrowing in dollars, will pose an additional burden for these countries.

Currently, the estimated global growth for 2016 is at 3.1%, while for 2017, the International Monetary Fund forecasts economic growth of 3.4%, and 3.6% in 2018. While the forecasts cannot overlook the fact that global growth remains weak, there seem to be no signs of a noticeable decline. As a result of the growth acceleration in the second half of 2016, prospects for the eurozone have improved, in particular in Germany, whose economy is expected to grow in 2017 at a similar pace as the eurozone. Forecasts for Italy are less optimistic as the growth is not expected to reach 1%. Strong growth of over 4% is envisaged for developing countries, whose main driving force is India with 6.6% growth. Good prospects are forecast also for the two large exporters of energy, i.e. Brazil, whose GDP is expected to gradually halt its downfall, and Russia with a forecast of an almost 1% GDP growth. It is worth mentioning that companies and countries around the world took advantage of low and in some cases even negative interest rates. Thus, according to the World Bank data, in 2016 a record value of debt securities was issued.

According to the latest data published during the year, Slovenia recorded a growth in its gross domestic product (GDP) of 2.5%. As a result of improving conditions in the labour market (the unemployment rate in November was 10.4%) and disposable income growth, private consumption will continue to have a positive effect on economic activity. Exports strengthened mainly on account of foreign demand and improving competitiveness however, following transition to the new financial perspective, the state investment activity declined in 2016. The general economic climate in Slovenia is improving, as is consumer confidence. Thus the forecast by the European Commission that in 2017 the Slovenian economy will begin to overheat is slightly surprising. The Commission explained its forecast through the concept of the output gap, where the level of real GDP is expected to exceed the potential GDP in 2017, which is an indication of overheating. In 2017 and 2018, economic growth is forecast at 3%, which is in excess of the average growth in both the eurozone and the EU as a whole. The key driver of this growth remains private consumption, together with the recovering labour market and exports.

Table2: Selected indicators for Slovenia and forecasts:

	2013	2014	2015	2016 Assessment				2017 Forecast							
				4Q 15	Q1 16	Q2 16	Q3 16	UMAR	BS	MDS	EK	UMAR	BS	MDS	EK
Real GDP (YoY in%)	-	3.0	2.9	3.3	2.5	2.7	2.7	2.3	2.2	2.3	2.5	2.9	2.5	1.8	3.0
Current account (% of GDP)	1.0	7.0	7.3	7.2	6.2	6.6	7.4	6.7	7.6	7.7	6.3	5.6	7.0	7.2	5.5
Debt/GDP	70.3	80.9	83.1	83.0	83.8	82.3	82.6		78.7	80.4	80.9		79.6	81.6	78.9
				09 16	10 16	11 16	12 16								
CPI (YoY in %)	1.8	0.2	-0.5	0.2	0.6	0.6	0.5	1.1	-	-	-	1.4	1.4	1.0	1.1
Unemployment (%)	13.1	13.1	12.3	10.3	10.5	10.4		11.2	0.1	0.3	0.2	10.2	7.4	7.9	7.0
Budget (% of GDP)	-	-	-	-	-	-	-								
	15.0	5.0	2.7	1.1						2.5	2.0			2.7	1.7

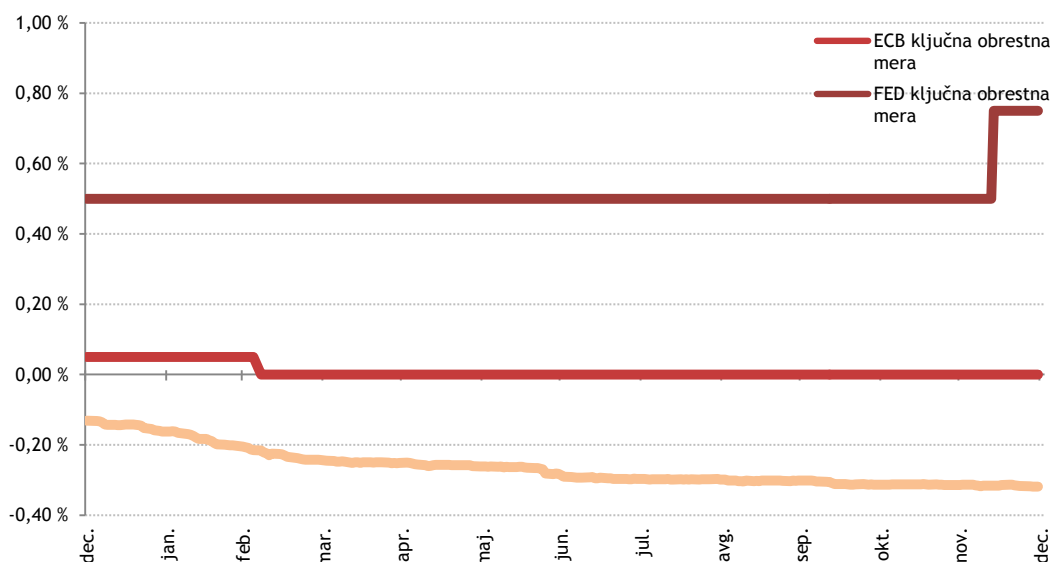
6 CAPITAL MARKETS

6.1 MONEY MARKETS AND INTEREST RATES

In the USA and Europe, monetary policy remained vague and pacing in 2016, although less so than in the previous year. In December, the US Federal Reserve (Fed), again raised its key interest rate by 25 basis points to between 0.5% and 0.75%, exactly one year after the previous rise in interest rates. If this increase was somewhat expected by investors, the Fed surprised when it announced three rather than two rises in the reference interest rate in the current year. This has led to an increase in the required rate of return on US government bonds and raised the yield curve. The Fed has stressed in its communications that in future, it can afford a faster pace of raising interest rates, mainly due to higher inflation expectations and faster economic growth.

On the other hand, the ECB kept its interest rates unchanged at the end of 2016 (leaving the key and deposit rates at 0.00% and -0.40% respectively), and extended the program of securities purchase with the aim of ensuring price stability. The current program, which expires in March, will continue with a reduced monthly volume of purchases (from €80 bn to €60 bn) until the end of 2017 or until inflation is brought closer to the medium-term target. The news that in the event of adverse economic trends, the ECB was ready to expand its scope of monthly purchases or extend the program to run into 2018, was particularly encouraging for all the investors. In addition, the ECB expanded potential set of bonds with purchases below -0.40% yield to maturity.

Graph 1: Key interest rate trend of the ECB, FED and 3 M Euribor in 2016



Source: Bloomberg

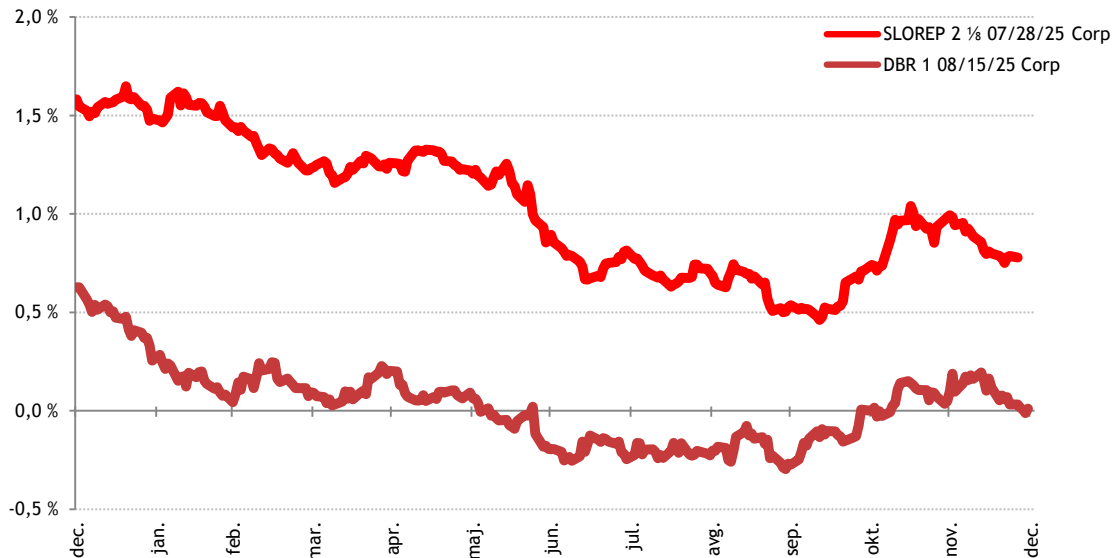
6.2 BOND MARKETS

Bond investments also gained in value in the past year. Amid the continued loose monetary policy of the main central banks, the safest bond rates recorded only a minor annual change. On the other hand, a combination of the economic recovery in the developed world and the measures taken by the European Central Bank, which has since June intervened also on the corporate bond markets, resulted in reduced premiums on bonds with a lower credit rating. The increase in commodity and energy prices along with the reduced pace of increase in the key interest rates imposed by the Fed, had a significant effect on the reduction of the required bond yield of issuers in resource-rich developing countries.

From a historical perspective, in 2016 we witnessed a large yield spread between 10-year German and US government bonds. This is probably a result of the aforementioned divergent monetary policies. The annual yield to maturity on 10-year US treasury bonds rose to 2.6% in December, its record level in the last 2 years. At the same time the eurozone also experienced a shift in interest rates, albeit at a much smaller level. Yield spreads on government bonds in the eurozone have increased the most in Italy, primarily due to political uncertainty regarding the constitutional referendum, which took place in early December.

In mid-September, the Moody's credit-rating agency raised its opinion on the safety of Slovenian government bonds. The so-called "prospects" rose to positive and this confirmed the June's rise in Slovenia's credit rating from A- to A by Standard & Poor's.

Graph 2: Rate of return trend of Slovene and German 9-year state bonds in 2016



Source: Bloomberg

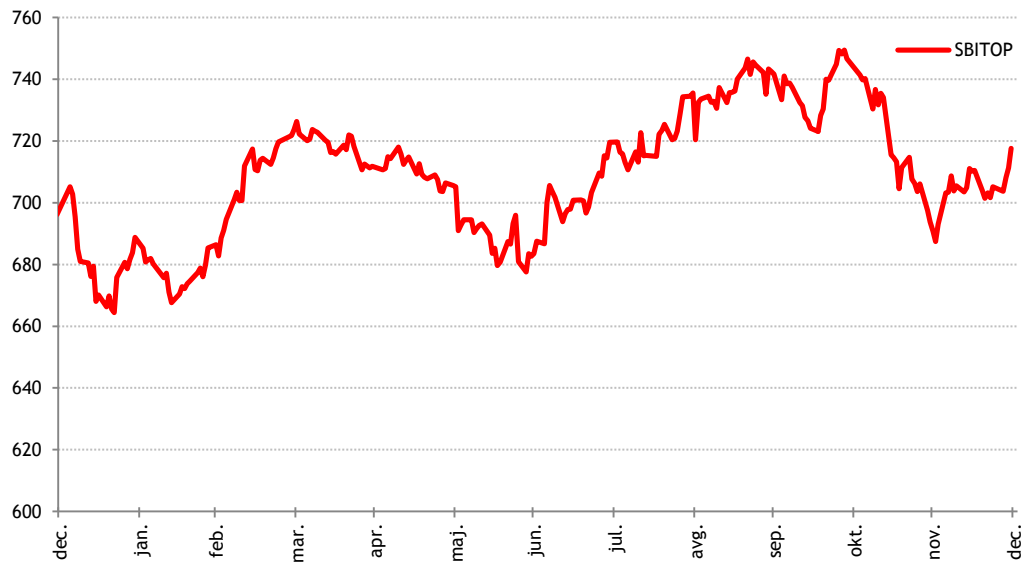
6.3 STOCK MARKETS

The US continued its economic recovery in 2016, and as a result of good conditions of the local economy and lower interest rates than were originally expected, the central American stock indices achieved 15.4% growth as measured by the S&P 500 index in EUR. The growth in stock prices in the last two months was also a result of US President Donald Trump announcing a more expansionary fiscal policy and lower taxes, which could further promote the growth of the world's largest economy in the coming years. On the other hand, a mere 1.7% return was last year recorded by shares of issuers in Europe (as measured by the STOXX 600 index), which were first subjected to the influence of the cooling of the Chinese economy, followed by the Brexit and problems experienced by the Italian banks.

Significant growth was achieved in the past years also on developing markets. China responded to the cooling of its economic growth with new fiscal and monetary incentives, with the aim of strengthening the local economy. These measures were reflected also in the rising prices of raw materials, as China, the world's second largest economy, is a major user of all basic industrial metals. Consequently, the largest growth in stock indices was recorded by the developing countries that are rich in raw materials and energy.

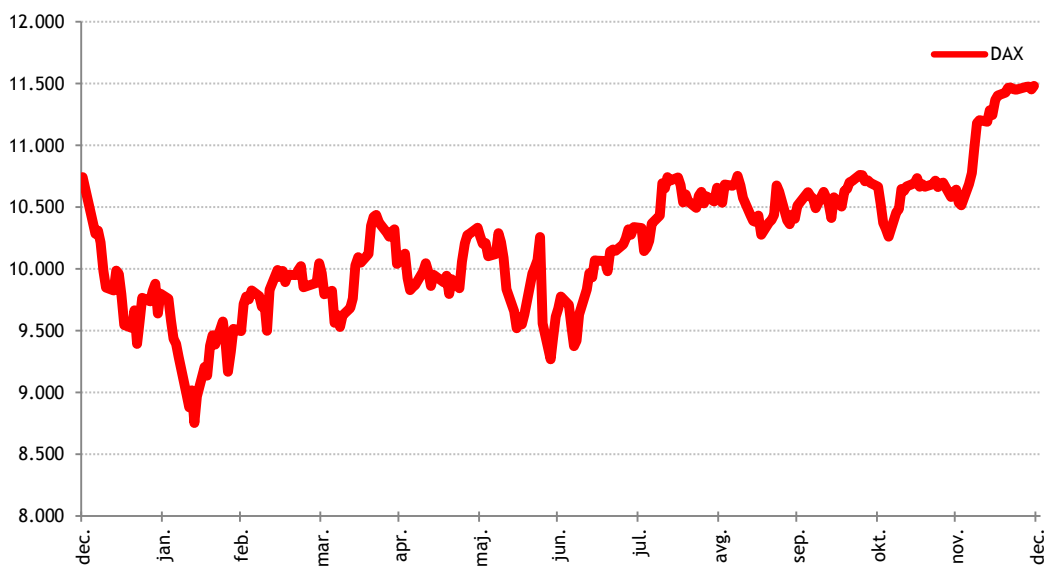
Prices of major shares on the Ljubljana Stock Exchange on average recorded gains in 2016; the SBI TOP index gained 3.1%, and the total turnover on the stock exchange amounted to €333.7 m.

Graph 3: SBITOP index trend in 2016



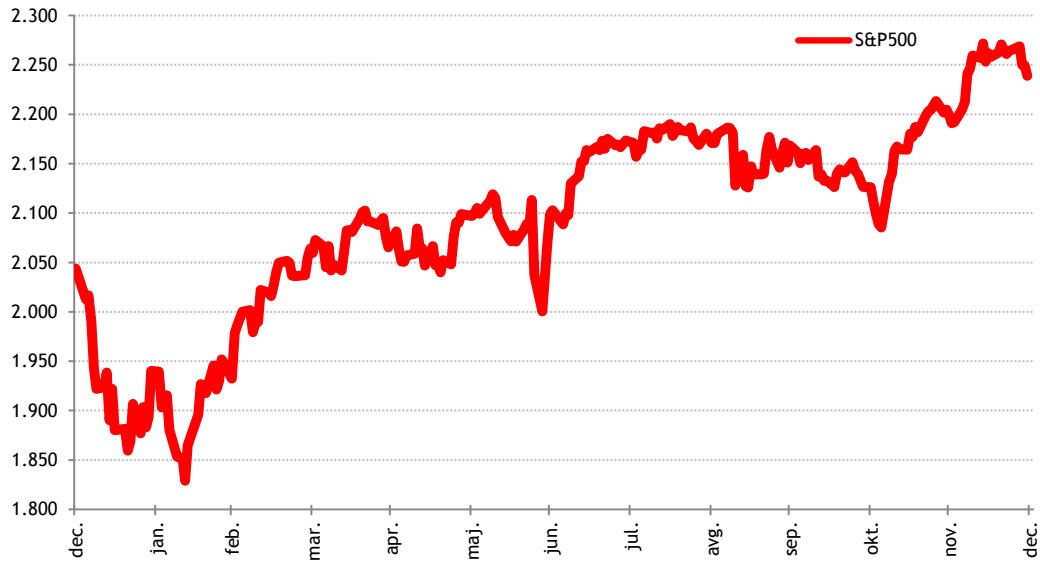
Source: Bloomberg

Graph 4: DAX index trend in 2016



Source: Bloomberg

Graph 5: S&P 500 index trend in 2016



Source: Bloomberg

6.4 COMMODITY MARKETS

After 20 January 2016, when the price of oil recorded its lowest point in several years of \$26 dollars per barrel, it ended the year at more than \$50 a barrel. The key reason for this price rise is rising demand on the supply side, since the production of shale oil in the US dropped significantly. In addition, the growth in oil prices was also influenced by the decision of the Organization of Petroleum Exporting Countries (OPEC) and various non-OPEC members to reduce oil production by a total of 1.8 million barrels per day, which is the reason for the almost 20% increase in oil prices in December 2016.

Prices of other raw materials also rose in 2016, especially metals, which have responded to the growth in Chinese demand and the US forecast of increased investments in infrastructure. Due to increased uncertainty regarding the political and economic events (Brexit), the price of gold also increased in 2016. Prices of raw material, as measured by Bloomberg Commodity Index growth (in EUR) increased in 2016 by 13.7%.

Graph 6: Oil prices in 2016



Source: Bloomberg

7 FINANCIAL RESULT OF THE COMPANY AND THE GROUP

The Company ended the 2016 financial year with net profit of €1,220,429 primarily as a result of the investment part of operations. The Group ended 2016 with net profit of €4,595,966.

Table3: Key financial indicators of Prva Group plc. and the Group

	Prva Group		The Group	
	2016	2015	2016	2015
Net premium income	0	0	11,674,718	12,208,790
Net cost of claims	0	0	-4,621,049	-4,745,911
Cost of acquiring insurants	0	0	-2,824,468	-2,950,038
Profit before tax	1,355,080	1,143,753	5,259,272	5,495,811
Net profit	1,220,492	1,083,553	4,595,966	5,028,218
Income tax and other levies	-134,588	-60,200	-663,307	-467,594
Assets under management*	-	-	751,692,765	659,377,277
Number of policyholders	-	-	443,042	437,822
Net increase in the number of policyholders	-	-	5,220	24,884
Average annual premium	-	-	170	195
Management fee	-	-	0.76%	0.85%
Yields of funds (attributed weighted average)	-	-	5.87%	4.85%
Equity				
ROE from operations			8.37%	11.50%
ROE from investments			6.16%	6.10%
Total ROE			14.53%	17.60%
Number of employees on the last day of the year			138	116

* Sum of balances in disclosure: Assets from financial contracts (Disclosure 18, table 36) in the amount of €255,323,586; assets from pension annuities the amount of €12,648,397; disclosure of off balance sheet liabilities of the Group (Disclosure 26, Table 53) in the amount of €481,227,369; as well as unit-linked assets amounting to €2,493,414 recognised in the Company's statement of financial position.

8. INFORMATION TECHNOLOGY

Through continued development and implementation of new information technology solutions, enterprises in the Group are successfully enhancing their business processes.

9. ORGANISATION AND PERSONNEL

Based on the hours worked, Prva Group, insurance holding company plc. had an average of 2.2 employees in 2016. The number of employees varies depending on the requirements in a specific period. As at the last day of 2016, 2.2 persons were employed in the Company. A total of 138 staff were employed by the entire Group at 31 December 2016.

Table4: The number of employees of Prva plc. by level of education as at 31 December 2016

Organisational unit	Headcount	Level of education	Headcount
Administration	1.2	PhD.	1.1
Analysts	1	University degree	1.1
Total	2.2	Total	2.2

10. RISK MANAGEMENT

- Risk management is an integral part of all business process of the Group and the Company.
- A detailed description of the risk management process is included in Sections 28 to 30 of the financial report

Risk management has become an integral part of all business process, based on clear and specific organisation and well-thought processes, responsibilities and authorisations of individual functions and committees. Risk management provides for the control and management of uncertainties stemming from business opportunities, which is of fundamental importance for superior business decisions and consequently improved performance results.

10.1. MANAGEMENT OF CAPITAL AND CAPITAL ADEQUACY

The primary goal of capital management is to ensure sufficient and appropriate capital adequacy of all companies within the Group.

Pursuant to the current Slovene legislation, capital is measured in terms of its availability to comply with regulatory capital requirements at the level of individual insurance companies as well as at the level of the Group.

10.2. FINANCIAL RISK

In managing assets of guarantee funds and financing operations we are exposed to the following core risks as part of the capital and capital adequacy management:

- Risk of changes in prices of securities and fluctuation of interest rates
- Credit risk and
- Liquidity risk.

When forming the investment policies of individual portfolios, we consider the nature and characteristics of an insurance company's liabilities as we aim to achieve optimum spread of assets and an optimum return.

10.3. INTEREST RATE RISK

Interest rate risk is the risk of fluctuating market interest rates impacting the value of interest-sensitive assets, bonds and other debt securities whose value is sensitive to the interest rate fluctuation. In the event of interest rates increase, the value of debt securities usually falls. On the other hand, in the event of a fall in interest rates, the value of debt securities usually increases. Interest sensitivity of debt securities is usually increased though prolonged maturity periods, reduced absolute level of interest rate in the economy, and lower instrument coupon.

Interest rate risk is managed primarily through balancing of investment maturities (debt financial instruments), restructuring of investments from debt financial instruments at fixed interest rate to debt financial instruments with variable rates of interest, maturity balancing, and average modified duration of debt financial instruments while considering anticipated changes in interest rates, and the use of derivatives.

10.4. RISK OF CHANGES IN SHARE PRICES

The Company and the Group manage the risk of changes in prices of its portfolio securities through setting limits of acceptable exposure and through spread of investments both geographically and industry-wise. The security portfolio is comprised primarily of debt securities and as a result of this diversification, the risk of changes in prices of securities is further mitigated. Another important factor affecting investment decisions is the liquidity of securities.

10.5. LIQUIDITY RISK

Liquidity risk is the risk that due to limited liquidity of investments on securities market, the Company or the Group will not be able to trade an individual investment or trade the investment at significantly unfavourable conditions (primarily pricing conditions) than those at which the investment was valued. The risk or threat of imbalanced liquidity or imbalances between maturities of assets and liabilities may result in liquidity issues i.e. lack of monetary assets needed for the settlement of liabilities on maturity.

Liquidity risk is minimised through balancing investments' liquidity (liquidity is measured in terms of the issue's volume and the gap between its cost and its selling price), considering individual capital market's liquidity, and regular monitoring of the dynamics of inflow and outflows of portfolio assets, as well as by balancing the required additional liquidity assets under the ALM principle.

10.6. CURRENCY RISK

Currency risk is the risk of changes in foreign currency exchange rates impacting the value of the local currency investments, which are denominated in a foreign currency.

Our exposure to currency risk is only minor as most of our assets are invested in the euro.

Of other currency exposures, major exposure risk derives from currencies of the former Yugoslav countries.

Currency risk is mitigated predominantly through balancing of the assets and liabilities currency structure, by selecting investments in foreign currencies whose exchange rates in comparison with the local currency on average fluctuate in opposite directions (appropriate currency spread), and by use of derivatives.

10.7. CREDIT RISK

Credit risk, as one of the most significant financial risks is the risk of the counter party or the issuer of a financial instrument held by long-term business funds or the Company, failing to fulfil its obligations in full amount either on maturity or subsequently. It also includes the risk of a reduction in the value of securities as a consequence of increased probability of default, which is usually reflected in the reduction of the credit rating of the issuer's debt instruments.

A subgroup of the credit risk is the settlement risk, which is the risk of loss due to the process of payments between two or more parties in the settlement systems failing to proceed as expected or as agreed. This occurs mostly on exchange of assets when one of the parties to the settlement fails to settle its liabilities to one or several creditors after they had already fulfilled their individual obligations.

Credit risk is measured through daily monitoring of the issuers' operations or those of counter parties, to which the funds or the Company are exposed to in the form of deposits or receivables on account of derivative financial instruments. As part of the business performance monitoring, credit ratings, direction of changes in credit ratings, the volume of share capital of these entities, their performance result etc. are monitored particularly closely.

In addition, the basis for determining the risk of counter party default includes the contractual relationship between the Company and its counter party or the issuer, regulatory provisions, Rules of Procedures of the Central Securities Clearing Corporation in relation to transaction settlement, and rules on compliance with obligations on organised markets on which financial instruments are traded.

Settlement risk is managed by following high quality standards of business partners, their services and payment discipline, which are monitored during the business relationship duration.

10.8. OPERATIONAL RISK

Operational risk is the risk of a loss, including a legal risk, arising due to the following circumstances:

- Inadequate or inaccurate performance of internal processes
- Other inappropriate conduct of persons belonging to the internal business sphere of the legal entity
- Inadequate or inaccurate operation of systems belonging to the internal business sphere of the entity, or
- Other external events or actions.

Examples of operational risks include: external criminal activities, strategic risk, natural disasters, internal control system, process management, terrorist attacks and war, information technology infrastructure, software applications, legal risk, risk of loss of reputation, human error etc. Operational risk is managed through well-defined investment process including internal and external controls, which minimise the likelihood of losses arising from operational risk.

10.9. FUTURE PLANS

In the coming years, the Group will closely follow its vision of becoming the major provider of pension insurance products in the region with a minimum 25-percent market share on all the markets where the Group operates. To leverage our comparative advantage through the growth in pension insurances, we will widen our offerings to include life insurance and other saving products on the markets where we have a comparative advantage as we are already present with pension insurance. Development of life insurance products will be based on the growth of pension annuities and innovative products, which are available to a wider circle of individuals.

Thus the Group is expecting to have over 470 thousand insurants by the end of 2017, total Assets under management in excess of €800 million and over €85 million of premium. Consolidated profit is expected to reach EUR 4.3 million in 2017. In line with the strategy adopted for 2017-2019 period, in the next five years we are expecting to reach 550 thousand insurants and a record-breaking €1 bn of Assets under management.

Our efforts in the next few years will be focused on the existing markets. The highest increase in Assets under management is expected in KB Prvo, Macedonia, as in addition to the growth in the second pillar, we are also expecting an increase in voluntary pension insurance. Further increase in sales of traditional life insurance products is expected in Prva osebna zavarovalnica d.d. in Slovenia, along with an increase in the share of the entire operations. DDOR Garant in Serbia and FSKP Kosovo are both planning stable growth and an increase in profits.

We shall strengthen our activities aimed at a closer customer interaction to improve customer satisfaction and thus increase our sales.

10.10. SIGNIFICANT SUBSEQUENT EVENTS

Pursuant to the notification no. INI-139/17 published on the Ljubljana Stock Exchange website <http://seonet.ljse.si/> on 1 March 2017 and providing the required conditions are fulfilled, we are expecting a significant change in the ownership. It is expected that based on the option contract, 20.0% of the PPDM shares held by the European Bank for Reconstruction and Development will be acquired by Dej d.o.o., which will thus increase its holding from existing 50.2% to 70.2%.

11. INDEPENDENT AUDITOR'S REPORT



This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Prva group d.d.

Opinion

We have audited the separate financial statements of Prva Group d.d. (the "Company") and the consolidated financial statements of Group Prva Group (the "Group"), which comprise the statement of financial position and consolidated statement of financial position as at 31 December 2016, the income statement and consolidated income statement, the statement of other comprehensive income and consolidated statement of other comprehensive income, the statement of changes in equity and consolidated statement of changes in equity, the statement of cash flows and consolidated 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 separate financial statements and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 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). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report. We are independent of the Company Prva Group d.d. and the Group Prva Group 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 separate and consolidated 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 separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated 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 separate and consolidated 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 separate and consolidated financial statements.

Valuation of financial investments valued at fair value (consolidated financial statements)

Financial investments valued at fair value (Investments in securities, Assets attributable to unit holders and Assets from financial contracts) represent 76% of the Group Total assets.

The valuation of financial investments carried at fair value is quite complex and judgmental area as described in the Note 34. Fair Value concerning the accounting estimates and judgments.

Of total assets, 15% are represented by level 3 financial investments valued at fair value. Estimation uncertainty is particularly high for these instruments as

Our audit procedures included the assessment of controls over the identification, measurement and management of valuation risk, and evaluating the methodologies, inputs and assumptions used by the Group in determining fair values. For the Group's fair value models, we evaluated management's inputs and models. We compared observable inputs against independent sources and externally available market data. For a sample of instruments with significant unobservable valuation inputs, we assessed the assumptions and models used or re-performed an



significant valuation inputs are unobservable. Given the magnitude of financial investments and judgment involved in their valuation, this is considered a key audit matter.

independent valuation assessment, by reference to what we considered to be available alternative methods and sensitivities to key factors. We tested a selection of instruments to establish how many institutions contributed to pricing inputs and how wide the ranges of observable quotes were. We assessed whether the financial statement disclosures of fair value risks reflect the Group's exposure to valuation risk.

Other information

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

Our opinion on the separate and consolidated 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 separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated 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 separate and consolidated financial statements is, in all material respects, consistent with the separate and consolidated 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 and the Group 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.

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

Management is responsible for the preparation and fair presentation of the separate and consolidated 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 the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group'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 and Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated 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 separate and consolidated 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 and the Group'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 and Group'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 separate and consolidated 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 and the Group to cease to continue as a going concern;
- * evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- * obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee 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 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, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ljubljana, 28. March 2017


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


Simon Podvinski
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

12. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

12.1. INCOME STATEMENT

EUR	Notes	Prva Group		The Group	
		2016	2015	2016	2015
Net premium income	1.1	0	0	11,674,718	12,208,790
Other insurance income	1.2	216,745	281,911	7,613,667	7,802,653
Revenue from financial assets					
<i>Interest income</i>	2.1	92,226	85,134	1,330,120	1,495,955
<i>Interest expense</i>	2.2	0	0	-20	-183
<i>Dividend income</i>	3	1,662,314	1,184,961	114,923	34,649
<i>Net foreign exchange differences</i>	4	0	0	67,893	5,000
<i>Net gains/losses from disposal of investments</i>	4	-56,159	20,365	548,780	544,278
<i>Revaluation financial income (net)</i>	4	0	0	168,712	32,875
<i>Impairment loss</i>	4		-134,005	-3	-134,007
Net cost of claims	5.1	0	0	-4,621,049	-4,745,911
Change of technical provisions	5.2	0	0	-1,440,507	-2,476,333
Operating costs					
<i>Cost of acquiring insurants</i>	6			-2,824,468	-2,950,038
<i>Employee costs</i>	7	-411,338	-173,833	-4,032,734	-3,162,577
Amortisation and depreciation	12,13	-10,433	-24,868	-277,273	-270,507
Other costs	8	-140,376	-99,895	-2,739,547	-2,463,234
Other revenues	9.1	2,101	3,983	117,817	111,932
Other expenses	9.2			-441,758	-537,529
Profit before tax		1,355,080	1,143,753	5,259,272	5,495,811
Income tax and deferred tax	10	-134,588	-60,200	-663,307	-467,594
Net profit		1,220,492	1,083,553	4,595,966	5,028,218
- <i>attributable to equity holders of the parent</i>				3,768,510	4,328,638
- <i>non controlling interest</i>				827,456	699,580
Net / diluted earnings per share	11	-	-	11.55	13.47

The notes on pages 31 through 81 are an integral part of the financial statements.

12.2. STATEMENT OF COMPREHENSIVE INCOME OF THE COMPANY AND THE GROUP

EUR	Notes	Prva Group		The Group	
		2016	2015	2016	2015
I.	NET PROFIT/LOSS FOR THE YEAR	1,220,492	1,083,553	4,595,966	5,028,218
II.	OTHER COMPREHENSIVE INCOME AFTER TAX (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	124,856	-24,402	660,373	-774,794
4	Net gains/losses on re-measurement of AFS financial assets	117,124	-24,402	716,867	-870,224
4.1.	Gains / (losses) recognised in the revaluation reserve	126,088	-11,207	1,324,682	-338,916
4.2.	Transfer of gains / (losses) from the revaluation reserve to profit or loss	-8,964	-13,195	-607,815	-531,307
5	Exchange rate differences	0	0	-25,149	-12,477
6	Tax on other comprehensive income	10	7,732	0	-31,345
III.	NET COMPREHENSIVE INCOME FOR THE PERIOD (I + II)	1,345,348	1,059,151	5,256,339	4,253,423
	attributable to equity holders of the parent	-	-	4,414,696	3,559,625
	non-controlling interest	-	-	841,643	693,799

The notes on pages 31 through 81 are an integral part of the financial statements.

12.3. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

EUR	Notes	Prva Group		The Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
ASSETS					
Property, plant and equipment	12	65,135	45,023	613,030	649,590
Intangible assets	13	0	1,088	617,778	591,189
Deferred tax assets	10	162,725	289,581	284,219	553,514
Investments in subsidiaries	14.1	16,660,326	16,660,326	0	0
Financial assets					
Assets attributable to unit holders	15	0	0	2,493,414	1,808,137
Investments in securities		1,996,732	2,242,177	44,322,395	37,550,876
1. Held-to-maturity	16.1	0	0	0	0
2. Available-for-sale	16.2	1,996,732	2,242,177	43,170,285	36,677,178
3. Measured at fair value through profit or loss	16.3	0	0	1,152,110	873,698
Short-term deferred costs and accrued revenue	17	3,668	1,110	310,987	252,125
Assets from financial contracts	18			255,323,586	240,788,639
Issued loans and deposits	19	1,678,268	1,273,848	6,080,570	8,235,180
Other receivables	17	30,516	18,591	2,281,561	2,098,900
Cash and cash equivalents	20	230,522	41,606	1,388,208	653,785
TOTAL ASSETS		20,827,891	20,573,349	313,715,747	293,181,935
EQUITY and LIABILITIES					
Equity					
1. Issued share capital		13,386,247	13,386,247	13,386,247	13,386,247
2. Reserves		6,021,220	6,021,220	6,021,220	6,021,220
3. Revaluation reserve		48,427	-76,429	249,038	-397,148
4. Retained earnings		1,220,954	1,201,359	12,399,699	9,832,085
5. Treasury shares		-1,110	-1,110	-1,110	-1,110
6. Non-controlling interest		0	0	4,184,759	3,691,078
Total equity	21	20,675,738	20,531,287	36,239,853	32,532,372
Technical provisions	22	0	0	19,050,835	17,076,402
<i>Of that: gross provisions in favour of unit-linked insurance underwriters</i>		0	0	2,493,414	1,808,137
Liabilities from financial contracts	23	0	0	255,323,586	240,788,638
Financial liabilities from borrowings	24	0	0	6,729	9476
Other liabilities	25	27,425	38,049	1,349,468	2,009,348
Deferred tax liabilities		0	0	133,591	117,167
Other provisions	25	0	0	113,925	59,698
Short-term accrued costs and deferred revenue	25	124,728	4,014	1,497,761	588,834
TOTAL EQUITY AND LIABILITIES		20,827,891	20,573,349	313,715,747	293,181,935

The notes on pages 31 through 81 are an integral part of the financial statements.

12.4. CASH FLOW STATEMENT OF THE COMPANY AND THE GROUP

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit or loss before taxes	1,355,080	1,143,753	6,921,807	6,457,581
Adjustments for:	-1,744,107	-1,090,857	-1,091,364	-1,057,469
Profit/loss from investments measured at	0	0	-168,953	-1,358
Net interest income	-92,226	-85,134	-1,091,645	-1,254,827
Dividend income	-1,662,314	-1,184,961	-1,777,087	-34,649
Impairment of investment	0	134,005	21,278	134,007
Depreciation of fixed assets	10,433	24,868	169,385	170,254
Gains/losses from disposal of investments	0	20,365	0	20,365
Net foreign exchange differences	0	0	-75,376	-91,262
Change in technical provisions	0	0	1,831,033	0
Profit from operating activities prior to changes in working capital	-389,027	52,896	5,830,443	5,400,113
Increase in receivables/liabilities	222,464	212,486	1,333,985	1,822,856
Cash flow from operations	-166,563	265,382	7,164,428	7,222,969
Interest income	112,033	85,963	1,488,126	3,437,518
Interest paid		0	0	0
Tax paid		0	-205,273	0
Net cash from operating activities	-54,530	1,531,495	8,447,280	10,660,487
Cash flows from investing activities				
Proceeds/disbursements to acquire property, plant and equipment	-29,457	-40,896	-135,122	-116,056
Proceeds/disbursements to acquire intangible assets	0	0	-174,754	5,907
Proceeds/disbursements from disposal of AFS financial assets	434,916	646,875	20,441,386	646,875
Disbursements to acquire financial assets measured at fair value	-201,422	-1,651,489	-25,242,341	-9,515,209
Proceeds/disbursements for non-current investments	0	0	0	-20,809
Proceeds/disbursements for non-current HTM investments	0	0	-949,727	-794,573
Net receipts from repayments and expenditure for issued loans and deposits	-422,010	711,567	-217,973	-384,946
Proceeds/disbursements for the establishment of new entities, payment of additional capital		0	0	0
Dividends received	1,662,314	1,184,961	114,772	29,688
Net cash from investing activities	1,444,342	851,018	-6,163,757	-10,149,123
Cash flows from financing activities				
Payment of preference and ordinary dividends and repayment of capital	-1,200,897	-1,202,538	-1,200,897	-1,202,538
Dividends paid to minority interests		0	-347,962	-165,629
Net cash from financing activities	-1,200,897	-1,202,538	-1,548,858	-1,368,167
Net cash flows	188,916	-175	734,665	-856,803
Net foreign exchange differences	0	0	-315	125
Cash and cash equivalents as at 1 January	41,606	41,782	653,858	1,510,462
Closing balance of cash and cash equivalents at 31 december	230,522	41,607	1,388,208	653,784

The notes on pages 31 through 81 are an integral part of the financial statements.

12.5. STATEMENT OF CHANGES IN EQUITY OF PRVA GROUP

EUR	Share capital	Share premium	Treasury shares	Other profit reserves	Revaluation reserve	Retained earnings	Total equity
Opening balance at 1 January 2015	13,386,247	6,017,833	-1,110	3,386	-52,028	1,320,344	20,674,673
Comprehensive income for the period	0	0	0	0	-24,402	1,083,553	1,059,151
a.) Net profit	0	0	0	0	0	1,083,553	1,083,553
b.) Other comprehensive income	0	0	0	0	-24,402	0	-24,402
Ordinary share dividends	0	0	0	0	0	-801,581	-801,581
Preference share dividends	0	0	0	0	0	-400,825	-400,825
Capital increase from own assets	0	0	0	0	0	0	0
Payment of capital	0	0	0	0	0	0	0
Closing balance at 31 December 2015	13,386,247	6,017,833	-1,110	3,386	-76,429	1,201,359	20,531,286
Opening balance at 1 January 2016	13,386,247	6,017,833	-1,110	3,386	-76,429	1,201,359	20,531,286
Comprehensive income for the period	0	0	0	0	124,856	1,220,492	1,345,348
a.) Net profit	0	0	0	0	0	1,220,492	1,220,492
b.) Other comprehensive income	0	0	0	0	124,856	0	124,856
Ordinary share dividends	0	0	0	0	0	-800,072	-800,072
Preference share dividends	0	0	0	0	0	-400,825	-400,825
Capital increase from own assets	0	0	0	0	0	0	0
Payment of capital	0	0	0	0	0	0	0
Closing balance at 31 December 2016	13,386,247	6,017,833	-1,110	3,386	48,427	1,220,954	20,675,737

The notes on pages 31 through 81 are an integral part of the financial statements.

12.6. STATEMENT OF CHANGES IN EQUITY OF THE GROUP

	Share capital	Share premium and other profit reserves	Revaluation reserve	Net profit and retained earnings	Total equity attributable to equity holders of the parent	Equity attributable to minority shareholders	Total
EUR							
Opening balance at 1 January 2015	13,386,247	6,020,110	371,865	6,705,854	26,484,076	3,162,908	29,646,984
Comprehensive income for the period	0	0	-769,013	4,328,638	3,559,625	693,799	4,253,423
a) Net profit	0	0	0	4,328,638	4,328,638	699,580	5,028,218
b) Other comprehensive income	0	0	-769,013	0	-769,013	-5,782	-774,794
Ordinary share dividends - The Group	0	0	0	-801,581	-801,581	0	-801,581
Preference share dividends - The Group	0	0	0	-400,825	-400,825	0	-400,825
Dividends paid to minority interests	0	0	0	0	0	-165,629	-165,629
Equity repayments - The Group	0	0	0	0	0	0	0
Closing balance at 31 December 2015	13,386,247	6,020,110	-397,148	9,832,086	28,841,295	3,691,078	32,532,372
Opening balance at 1 January 2016	13,386,247	6,020,110	-397,148	9,832,086	28,841,295	3,691,078	32,532,372
Comprehensive income for the period	0	0	646,186	3,768,510	4,414,696	841,643	5,256,339
a) Net profit	0	0	0	3,768,510	3,768,510	827,456	4,595,966
b) Other comprehensive income	0	0	646,186	0	646,186	14,187	660,373
Ordinary share dividends - The Group	0	0	0	-800,072	-800,072	0	-800,072
Preference share dividends - The Group	0	0	0	-400,825	-400,825	0	-400,825
Dividends paid to minority interests	0	0	0	0	0	-347,962	-347,962
Equity repayments - The Group	0	0	0	0	0	0	0
Closing balance at 31 December 2016	13,386,247	6,020,110	249,038	12,399,699	32,055,093	4,184,759	36,239,852

The notes on pages 31 through 81 are an integral part of the financial statements.

13. NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

13.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Management Board confirms its responsibility for the preparation of the separate and consolidated financial statements of the Company and the Group. The financial statements of Prva Group, insurance holding company, plc. and the Group for the year ended 31 December 2016, were approved by the Management Board on 28 March 2017. Prva Group, insurance holding company, plc., is a public limited company, established in the Republic of Slovenia. Preference shares of the Company are listed on the free market of the Ljubljana Stock Exchange.

In line with the Insurance Act, Prva Group, insurance holding company, plc., is a mixed-activity insurance holding company since it holds a significant share in at least one insurance company. In line with its activities, the Company performs holding activities in its subsidiary companies. At the end of 2016, the Company employed 2.2 persons (2015: 1.2).

The Company is a legal successor of Prva pokojninska družba, which modified its status in 2007. A new entity Prva osebna zavarovalnica d.d. was established to which all activities of optional additional retirement insurance were transferred as from 1 September 2007. Prva Group, insurance holding company, plc., changed the name of the company (formerly Prva pokojninska družba, d.d.) and its activities.

In addition to the Prva Group, insurance holding company, plc. the Group includes:

Prva osebna zavarovalnica d.d.

The company was established in 2007 when the insurants from supplementary pension insurance were transferred from Prva pokojninska družba d.d.. Prva Group, insurance holding company, plc. is the 100% owner of Prva osebna zavarovalnica d.d. The operations of Prva osebna zavarovalnica, d. d. in 2014 were predominantly related to supplementary pension insurance within the framework of the third pillar in Slovenia. Beside supplementary pension insurance, which belongs to the insurance group with proceeds capitalization, the company started in 2009 to promote accident insurance, life insurance (class of insurance 19), life insurance with investment risk (class of insurance 21) and health insurance. Prva osebna zavarovalnica is currently a manager of four pension funds (in two pension plans), three funds of unit-linked insurance with different investment policies, four long-term business funds belonging to other classes of insurance, and a business fund portfolio. In 2016 the Company offered two pension plans with life-cycle, divided to four funds. On 31 December 2016, the Company had 82 members of staff in full-time employment (2014: 64).

KB Prvo penzisko društvo AD Skopje

The operations of KB Prvo penzisko društvo AD Skopje relate to the second and third pillar supplementary pension insurance in Macedonia. The company was established in 2005.

Prva Group, insurance holding company, plc., is a 51% owner of KB Prvo penzisko društvo AD Skopje. The remaining 49% stake is owned by the largest Macedonian bank, the Komercijalna banka a.d. Skopje. On 31 December 2016, the Company had 30 members of staff in full-time employment (2014: 29).

DDOR-GARANT društvo za upravljanje dobrovoljnim penzijskim fondom AD Beograd

The operations of DDOR-GARANT AD Beograd relate to the third pillar supplementary pension insurance in Serbia.

In 2016, Prva Group, insurance holding company, plc., held a 60% interest in the company, which was established in May 2006. On 31 December 2016, the company had 19 members of staff in full-time employment (2014: 17).

Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristine Kosovo

The operations of Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristine Kosovo relate to supplementary pension insurance of the third pillar in Kosovo.

Prva Group, insurance holding company, plc., holds a 67.4% interest in the company, which was established on 4 September 2006. The remaining 32.6% of the company is owned by Dukagjini Sh.p.k.. The company started to perform pension insurance transactions in 2007. On 31 December 2016, the company had 5 members of staff in full-time employment (2014: 4).

Prva zavarovalniško zastopniška družba d.o.o., Slovenija

The company was established at the end of 2010 and is in the 100% ownership of Prva Group plc. The company's core activity is the sale of insurance services and products of Prva osebna zavarovalnica d.d. to current and

new clients, as well as the increase of market shares of Prva osebna zavarovalnica d.d. within the personal insurance group. At 31 December 2016 the company had no staff (2015: 0).

Table 5: Investments into subsidiary and associated companies as at 31 December 2016

EUR	Ownership	Carrying amount	Total equity of the Company	Profit/loss for 2016
Subsidiaries				
Prva osebna zavarovalnica d.d. <i>Ameriška ulica 8, 1000 Ljubljana</i>	100%	12,730,000	23,182,668	3,290,574
KB Prvo penzisko društvo AD Skopje <i>Blv.Ilinden 1, 1000 Skopje</i>	51%	918,272	6,866,400	1,448,097
Fondi Slloveno- Kosovar I Pensioneve Sh.A Pristine Kosovo <i>Rr.UCK, nr.50/2, 10000 Prishtine</i>	67.40%	511,985	494,065	24,931
DDOR GARANT Beograd <i>Maršala Birjuzova 3-5, 11000 Beograd</i>	60%	2,435,768	1,578,447	274,401
PRVA zavarovalniško zastopniška družba, d.o.o. <i>Ameriška ulica 8, 1000 Ljubljana</i>	100%	64,300	6,451	-366
Total		16,660,325	32,128,031	5,037,638

Ultimate parent

A-Z Finance d.o.o.

The ultimate parent of Prva Group plc. is A-Z Finance d.o.o. based at Devinska 1, Ljubljana. A-Z Finance was founded in 1998 and is 100% owned by Alenka Žnidaršič Kranjc. The company holds a 62.5% interest in DEJ d.o.o., which holds a 50.20% stake in Prva Group plc. A-Z Finance compiles a consolidated annual report, which can be obtained at the head office of the company. DEJ d.o.o. does not prepare a consolidated annual report and is included in the consolidated annual report of A-Z Finance d.o.o.

Summary of significant accounting policies

Statement of compliance

The enclosed separate and consolidated financial statements of Prva Group plc. and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations adopted by the IFRS Interpretations Committee, as endorsed by the European Union.

On the balance sheet date, in terms of the EU's standard confirmation process, there are no discrepancies in the accounting policies of Prva Group, and the International Financial Reporting Standards (IFRS) adopted by the EU.

The financial statements have been compiled in accordance with the current regulations governing reporting requirements of insurance and pension companies applicable in the financial year 2016.

Basis of preparation

The financial statements of Prva Group plc. and the Group are prepared on the basis of accounting policies shown below.

The accounting policies used are consistent with those applied in previous years, except for the newly adopted standards and interpretations effective for periods beginning on or after 1 January 2016 as presented below.

Basic Policies

The consolidated financial statements of the Group and the separate financial statements of the Company are prepared under historical cost convention, except for the assets measured at fair value through profit or loss, and available-for-sale assets at fair value through OCI. The financial statements are presented in euros. All values are rounded to one euro, except when specifically indicated otherwise.

Significant accounting assumptions and estimates

Significant accounting estimates

The preparation of financial statements requires the management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities of the Company and the Group, disclosure of potential liabilities on the reporting date and the amounts of revenues and expenses of the Company and the Group for the period ending on the reporting date.

Management estimates include but are not limited to: depreciation period and the residual value of intangible assets and property, plant and equipment, allowances for inventories and doubtful receivables, and claims arising from lawsuits. Future events and their effects cannot be determined with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment property - pension funds

Investment property (land and buildings) are carried separately from all other items of property, plant and equipment. The following qualifying criteria applies for classification of real estate in the group of investment property:

- Investment property generates economic benefits Investment property is held for the purpose of lease to bring rental income or increase its cost
- The asset is not designated for sales in the immediate future during ordinary course of business.
- The asset's cost can be estimated reliably.

On its acquisition, an item of investment property is measured at cost comprising transaction costs; after initial recognition, they are measured at fair value. Fair value of investment property is its market price on the reporting date, determined by application of established valuation techniques for market values of real estate (comparable market prices, most recent transaction prices). Revaluation of investment property is made at least at the end of the financial year or, in the event of major market changes, it can also be made during the financial year as and when necessary.

Non-marketable investments - pension funds

Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets. As a result of the financial crisis, uncertainty associated with the assessment of the fair value is even greater.

If no active market exists for a financial instrument, its fair value is determined using one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the insurance undertaking applies this particular technique.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

When fair value cannot be determined, financial instruments are measured at cost (the amount paid or received) increased by the cost of transaction.

Technical provisions - Prva osebna zavarovalnica d.d.

Technical provisions are set aside according to the Insurance Act and its implementing regulations, and provisions of IFRS 4.

The Company recognise technical provisions for coverage of future liabilities from insurance contracts as well as losses incurred as a result of risks stemming from insurance contracts.

The Company set aside provisions for unearned premium, provisions for claims outstanding and mathematical provisions in accordance with provisions of the Insurance Act. The Company sets aside special provisions that

have a status of mathematical provisions for unit-linked insurance contracts where investment risk stems from changes in the value of investment funds' units.

Adequacy of the amount of provisions is verified by adequacy test (LAT-s) at least once a year. The actuarial function holder informs Supervisory Board and Management Board of the Company about the findings of the reliability and adequacy of the methods, models and assumptions used in the calculation of technical provisions, and on whether they formed technical reserves adequate to cover all liabilities of the acquired insurance.

Significant management assumptions

In the process of applying the accounting policies, management had made the following judgements apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statement.

The most significant assumptions relate to:

- The classification of financial instruments, namely the division between financial instruments the Company intends to hold to maturity and those available for trading or sale.
- Technical provisions Technical provisions are calculated based on insurance contracts, considering past development of claims events and expectations for the future.
- Fair value of financial assets and their impairment: Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets. As a result of the financial crisis, uncertainty associated with the assessment of the fair value is even greater.

Investments into subsidiaries and associated companies in the separate financial statements of Prva Group, plc.

Investments into subsidiaries and associated companies are recognised at cost less impairment losses. Subsidiaries are those companies over which the parent maintains a controlling interest. Investments in associated companies refer to enterprises where although the parent has a significant influence, they are not subsidiaries of the parent.

Consolidation bases

The consolidated financial statements comprise the financial statements of Prva Group, insurance holding company, plc., and its subsidiaries as at 31 December 2016 and comparable data as at 31 December 2015.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, as well as intra-group dividends, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary during the financial year, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative exchange rate differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Bases for consolidation before 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the carrying amount of the share of the net assets acquired was recognised in equity.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding commitment to cover these. Losses incurred prior to 1 January 2010 were not allocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained as its proportionate share of net assets at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the general administrative costs.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages (step acquisitions), the acquisition date fair value of the acquirer's previously held interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. When contingent consideration is recognised in equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates and joint ventures

Investments in associated companies and joint-ventures are recognised using the equity method. An associated company is a company where the parent company has a considerable influence but the company is neither a subsidiary nor a joint-venture. A joint-venture is an investment in jointly controlled enterprises in line with the founding contract. Financial statements of associated companies and joint-ventures provide the basis for the use of the equity method. The reporting date of associated companies and joint-ventures is the same as for the Group. Associated companies and joint-ventures use the same accounting policies as the Group.

Investments in associated companies and joint-ventures are recognised in the statement of financial position at acquisition cost plus changes (after the purchase) in the capital of an associate company or a joint-venture, less potential impairment losses. A share of the result of an associated company or a joint-venture is reported in the income statement. If changes are recognised in the statement of comprehensive income or the capital of the

associated company or a joint-venture, the Group recognises the share of these changes and discloses significant differences in the statement of comprehensive income or statement of changes in equity.

Foreign currency translation

The financial statements of the Company and the Group are presented in euro (EUR), which is the functional and reporting currency of the parent company and its subsidiaries in Slovenia. Transactions in a foreign currency are translated at the exchange rate of the European Central Bank prevailing on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate of the functional currency on the reporting date. All differences arising from the translation of foreign currency are recognised in the profit or loss. Non-monetary assets and liabilities, recognised in terms of historical cost in a foreign currency, are translated using the exchange rate on the day of the transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate prevailing on the day when the fair value was determined.

The functional currencies of the foreign subsidiaries are as follows:

- Macedonian denar for KB Prvo penzisko drustvo Skopje
- euro for Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristine Kosovo,
- Serbian dinar for DDOR GARANT Beograd

On the reporting day, the financial statements of the aforementioned subsidiaries were translated into the reporting currency of the consolidated financial statements. The exchange rate of the European Central Bank on the reporting day was used for the statement of financial position, while the average exchange rate for the financial year was used for the income statement.

Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the income statement.

Land, buildings and equipment

Equipment is recognised at cost, which includes direct costs of acquisition, less accumulated depreciation and impairment losses. The Company and the Group use the straight-line depreciation method over the estimated useful life of the assets. The depreciation rates did not change in 2016 and are identical to those used in 2015.

Assets	Depreciation rate in %
Land and buildings	2,50%
Equipment	10 - 33,33

Impairment test of carrying amounts of equipment is performed when events and changes in the circumstances show that the carrying amount exceeds the recoverable amount. If events occur which show that the book value of an asset exceeds its estimated recoverable value, the asset is impaired to its recoverable value. The recoverable value of an asset is the net sales value or value in use, namely the higher of the two. The value in use is determined by discounting expected future cash flows to the net current value using pre-tax discount rates, which reflect the current market estimate of the time value of money and potential risks associated with each individual asset. For assets whose future cash flows are also dependent on the remaining assets in individual cash-generating units, the value in use is calculated on the basis of future cash flows of this cash-generating unit. Impairment losses are recognised as an item of operating expenses from revaluation.

Derecognition of equipment is carried out when the asset is sold or when economic benefits are no longer expected from the continued use of the individual asset. Gains and losses on derecognition of an asset are reported in the profit or loss in the year the individual asset is deleted from the books.

Residual value of assets, assessed on the basis of their useful life or the amortisation method are reviewed or changed if necessary on an annual basis prior to the preparation of the annual financial statements.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of property, plant and equipment.

Borrowing costs

Borrowing costs comprise interest and other costs incurred by the Company and the Group in relation to the borrowing of financial assets. Borrowing costs may also include interest on overdrawn accounts at banks and interest on borrowings raised, foreign exchange differences from borrowings raised in foreign currency, and

financial lease costs. Borrowing costs are recognised in the period to which they pertain as expenses associated with financial assets and liabilities.

Intangible assets

Intangible assets acquired individually are recognised at cost while intangible assets acquired on the basis of a business combination are recognised at fair value on the day of the takeover. After initial recognition the historical cost method is used. The value in use of an individual intangible asset is limited. Amortisation of an item of intangible assets is recognised through profit or loss.

Intangible assets are amortised according to the straight-line amortisation method over their estimated useful lives using annual amortisation rates ranging from 10.0% to 33.3%.

Intangible assets created within the Group are not capitalised. The costs represent expenses in the period in which they arise.

Intangible assets are tested on an annual basis for impairment individually or as a portion of the cash-generating unit. The useful life of an individual intangible asset is assessed once a year and adjusted as required.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of intangible assets.

Investments

The Company and the Group classify investments into the following categories:

- Investments at fair value through profit or loss
- Available-for-sale investments,
- Investments held to maturity,
- Issued loans and receivables.

The classification is based on the purpose of their acquisition.

Recognition of financial assets

The Company and the Group initially recognise all investments, except for investments classified at fair value through profit or loss, at fair value, which includes the purchase costs that are directly attributable to the acquisition. Investments classified at fair value through profit or loss are recognised at fair value (direct costs of acquisition are not included in the acquisition value).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value. Realised gains and losses on investments classified at fair value through profit or loss are recognised directly in the profit or loss.

The fair value of investments in debt and equity securities quoted on organized markets is their quoted price at the end of trading on the balance sheet date. If the financial instruments are not listed on the stock exchange, the fair value is determined on the basis of a similar instrument or, the fair value may be determined as the net current value of future cash flows which the Company or the Group expect from the financial investment.

Acquisition and sale of individual financial investments classified at fair value through profit or loss are recognised on the trading day, which is the day the Company or the Group commit to purchase or sell an individual asset.

Available-for-sale investments

After the initial recognition, all investments which the Company or the Group classify as available-for-sale are stated at fair value. Gains or losses from available-for-sale investments are recognised in the statement of comprehensive income as net unrealised gains or losses on available-for-sale investments until the investment is sold or otherwise divested. If the investment is impaired, the impairment is recognised in the profit or loss.

The acquisition and sale of individual financial assets classified as available-for-sale are recognised on the trading day; this is the day the Company or the Group commit to purchase or sell an individual asset.

On the reporting date the Company assesses whether there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred. Financial assets available for sale are assessed for any important and long term decrease in fair value which means that the assets are overestimated. In assessing the prolonged decrease of fair value of equity securities below their cost, the Company checks whether the period from the first decrease of fair value of an equity instrument below its cost exceeds 9 months and if the decrease was below cost for the whole duration of the nine month period. An important decrease of fair value is considered at least 40-percent decrease in fair value of an assets compared to its cost.

If any such signs of impairment of available-for-sale investments are present, the cumulative loss, measured as the difference between the estimated costs and the present fair value, less impairment losses previously recognised in profit or loss, is recognised and the expenses are recognised in the profit or loss.

Investments held to maturity

The Company or the Group recognise financial assets with fixed or determinable payments and fixed maturities which are not derivative instruments, as financial investments held to maturity, if the Company has a positive intention and ability to hold the investment until maturity. Investments which the Company maintains for an indefinite period of time are not classified into this group.

Investments which are recognised as held-to-maturity are carried at amortised cost using the effective interest rate method. The amortised cost is calculated by allocation of the premium or the discount on acquisition over the period until the maturity of the investment. Gains and losses on investments carried at amortised cost are recognised in the profit or loss (disposal, impairment or effects of the discount / premium amortisation).

Investments classified as held-to-maturity financial assets are recognised on the transaction date.

Loans and receivables

Loans and receivables are financial assets with fixed and determinable payments which are not traded on the organised market. This group includes both loans and receivables obtained by the Company, as well as loans and receivables originating from the Company. Loans and receivables are carried at amortised cost using the effective interest rate method. Investments classified into loans and receivables are recognised on the transaction date.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value of an asset or a liability considers the asset's or liability's characteristics assuming exchange of an asset or a liability in an ordinary transaction in current market conditions, on the principal market or the most advantageous market for the asset or liability.

In the fair value measurement of non-financial assets, the ability of market participants to generate economic benefits from the highest and best use of the asset or from the asset's sale to another market participant who would use the asset to its highest and best use, is considered.

Fair value of financial instruments traded on organised financial markets is their quoted price on the reporting date. If the price is not quoted on an active market, the stockbrokers' bid price is used as the reference price. If no active market exists for a financial instrument, the Company and the Group determine its fair value based on one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the Company and the Group apply this particular technique.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

When fair value cannot be determined, financial instruments are measured at cost (the amount paid or received) increased by the cost of transaction.

The following fair value hierarchy is used to disclose fair value measurement of financial assets:

Level 1: quoted prices in active markets for identical assets (quoted prices).

Level 2 comparable market inputs (other than quoted inputs of identical assets) obtained directly or indirectly for identical or similar assets.

Level 3: the use of valuation models using mostly unobservable market inputs.

Derecognition of financial instruments

A financial asset is written-off when the risks and benefits and the control over contractual rights related to financial instruments are transferred. A financial liability is derecognised once it has been paid, extinguished or has become statute-barred.

Investment property - pension funds

Investment property (land and buildings) are carried separately from all other items of property, plant and equipment. The following qualifying criteria applies for classification of real estate in the group of investment property:

1. Investment property generates economic benefits Investment property is held for the purpose of lease to bring rental income or increase its cost
2. The asset is not designated for sales in the immediate future during ordinary course of business.
3. The asset's cost can be estimated reliably.

On its acquisition, an item of investment property is measured at cost comprising transaction costs; after initial recognition, they are measured at fair value. Fair value of investment property is measured at market prices on the reporting date, determined by application of established valuation techniques used in measurement of real estate's market values (comparable market prices, most recent transaction prices). Revaluation of investment property is made at least at the end of the financial year or, in the event of major market changes, it can also be made during the financial year as and when necessary.

Operating and other receivables

Operating receivables are recognised in the amounts arising from invoices issued less any bad debt allowances. The assessed bad debt allowances are based on the reasonable expectation of the Company that payment is no longer probable either in full or in a certain amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and cash in hand as well as deposits with maturity of up to three months.

Equity

The equity of the Company consists of ordinary and preference shares.

Direct additional costs of issuing new shares less tax effects are recognised in equity. In the event that any of the Group companies purchase shares of the parent, the payment including the direct transaction costs less tax effects is recognised in equity as treasury shares until these shares are reissued, sold or withdrawn. In the event of a subsequent sale or reissue of these shares, all effects of the sale or issue are included in the equity.

Ordinary shares

An ordinary share entitles its owner to a voting right and, based on the decision of the General Meeting, to dividends.

Preference shares

Preference shares are cumulative shares without voting rights which entitle their owners to a fixed 6% dividend per annum. The General Meeting adopts decisions on the payment of dividends at its sessions upon the proposal of the Management Board. Preference shares are considered as a part of equity, since holders of ordinary shares decide at the General Meeting whether dividends will be paid out to preference shareholders or not.

Borrowings

All borrowings are initially recognised at fair value less the cost of acquisition. At initial recognition, borrowings are recognised at amortised cost using the effective interest rate method through profit or loss, taking into consideration the costs of acquisition and any discount or premium upon acquisition.

Upon elimination of these liabilities, gains or losses are recognised in the profit or loss.

Employee benefits

Employee benefits include salaries and other allowances in accordance with the collective employment agreement. Contributions to the pension fund at the national level, social security, health insurance and unemployment insurance are recognised by the Company as expenses of the period. The Company also recognises any potential future costs arising from the collective agreement in connection to employees in accordance with IAS 19. The aforementioned expenses are calculated in accordance with the actuarial method and are recognised over the entire employment period for individual employees for whom the collective agreement applies.

In the calculation, the following assumptions are used:

- Full mortality table for Slovenia 2007,
- Retirement age and pension qualifying years in accordance with ZPIZ-2
- 1.0% salary increase,
- Amount of termination benefit on retirement pursuant to the law, which is equal to the value of two average salaries of an employee or two average salaries in Slovenia, whichever is the highest,
- Amount of jubilee awards are equal to the amount specified by the Decision on determining the amount of reimbursement of work related and other benefits.
- Discounted interest rate of 1.9%

Assumptions used in 2016 are the same as those used in 2015, except for discount interest rate, which amounted in 2016 to 1.9% (2015: 1.9%) and salary increase, which in 2015 amount to 1.0% (2015: 1.5%). The effect of changes in discount rates and changes in the salary increase, representing a decrease of technical provisions in the amount of 1,596 EUR. Since the impact on the financial position of the Company would be insignificant, the amounts are not specifically disclosed in the statement of comprehensive income. Also in 2015 the disclosure was not included in the statement of comprehensive income.

Operating and finance lease

A lease is a contractual relationship in which the lessor transfers to the lessee the right to use of an asset for a set period of time in exchange for payment.

When the Company or the Group appears as a lessor, the lease is classified as a finance lease if substantially all of the risks and benefits associated with the ownership of an asset are transferred. When an asset is subject to a finance lease, the present value of the lease is recognised as a receivable and reported under the item "Loans". The difference between the gross amount and the receivable's present value is recognised as a financial income. Lease income is recognised over the duration of the lease using the net investment method (before tax) that reflects fixed periodical rate of earnings and is reported as the interest income.

When the Company or the Group appears as a lessee, the item of property, plant and equipment obtained under finance lease is reported at the lower of fair value or present amount of minimum lease payments until the end of the lease, less accumulated depreciation and accumulated impairment losses. These assets are depreciated over their useful life. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Ally leases other than finance leases are considered operating leases. In operating lease, the book value of the leased asset is increased by initial costs of the operating lease and recognised on a straight-line basis over the lease term much like the lease income. Rental income is recognised when received.

Insurance contracts classification

Classification of insurance contracts of subsidiary Prva osebna zavarovalnica is consistent with:

- International Financial Reporting Standard 4 (IFRS 4)
- International Actuarial Standard of Practice 3 (IASP 3)

An insurance contract is a contract under which one party (the insurer) accepts significant 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.

IFRS 4 states that uncertain event is when at the time of agreeing the contract it is not clear:

- Whether the insured event will happen,
- When will it happen and
- What the policy benefit will be.

The insurance risk is deemed significant if an insured event could cause the policyholder to pay significant extra amounts by whatever scenario other than those that do not include market component (they do not affect the economy of business). If under a scenario that includes a market component, significant extra amounts must be paid, condition specified in the previous sentence may be fulfilled even when there is an extremely low probability that the insured event will occur or when the expected (i.e. probability-weighted) present value of conditional cash flows accounts for a minor share of expected present value of all remaining cash flows.

The insurer assesses the importance of insurance risk in each individual case rather than based on the importance of financial statements. Therefore, the insurance risk is important also when there is a minimal probability of material claim for the whole group of contracts. Such assessment of individual contracts facilitates their

classification as insurance contracts. However, when a relatively homogeneous group of contracts is comprised of contracts that transfer insurance risks, the insurer does not need to verify each individual contract in the group to identify a few contracts that transfer an insignificant insurance risk.

Prva osebna zavarovalnica d.d. and the Group classify insurance contracts into homogeneous groups for which the insurance company estimates the significance of insurance risk. Contracts in individual groups have common characteristics such as the class of insurance, insurance conditions, type of cover and premium payment method (one time premium or regular payments of a premium).

Insurance contracts that bear significant risk are accounted for in line with IFRS 4. If the insurance contracts do not have significant insurance risk, they are accounted for as financial contracts in line with IAS 39.

Detailed accounting treatments of individual categories stated above are explained below.

Liabilities for insurance contracts - technical provisions

Long term technical provisions for insurance contracts are set aside according to the Insurance Act and its implementing regulations, as well as in compliance with IFRS 4.

For all insurance transactions, Prva osebna zavarovalnica d.d. and the Group have to make adequate technical provisions which are designed to cover future liabilities from insurances and risk losses arising from insurance transactions. The insurance company is required to set aside the following technical provisions:

- Provision for unearned premiums
- Provisions for bonuses, rebates and reversals
- Claim reserves
- Other technical provisions
- Mathematical provisions
- Provisions for unit-linked insurances

Technical provisions are set aside based on the balances as at the last day of the accounting period or financial year.

At least once a year Prva osebna zavarovalnica and the Group assess the adequacy of the technical provisions. In case they are not adequate, additional provisions are formed and charged to the profit for the period.

Revenue and expenses from investments are recognised in the profit or loss. Written premium and written gross claims are also included in the profit or loss of the insurance company. The same applies to entry, exit and management fees.

Accounting treatment of technical provisions is classified by type of provision as specified in the chart of accounts of insurance companies.

Assets and liabilities from financial contracts

These represent pension funds' assets, which guarantee the fulfilment of liabilities to the insureds. The subsidiary Prva osebna zavarovalnica manages four pension funds in accordance with the Pension and Disability Insurance Act (ZPIZ-2).

The assets comprise investments and cash. Investments in funds are categorised into:

- Investments at fair value through profit or loss
- Investments held to maturity,
- Loans and receivables
- Investment property.

Revenues and expenditures in respect of investments are recognised directly to insureds. Payment of premiums, realised and unrealised capital gains or losses are also included under this item rather than in the income statement of the Company. Entry, exit and management fees are included in the profit or loss of the Group as revenues.

Liabilities in respect of voluntary supplementary pension insurance are mathematical provisions, which are divided into mathematical provisions for net premium paid, and provisions for guaranteed return and excess over the guaranteed return. All pension schemes of the Company contain guaranteed yield which ranges from 40% to 60% of the guaranteed yield in line with ZPIZ-1.

Net liabilities to pension policyholders represent mathematical provisions which are managed separately for each individual pension fund. Mathematical provisions must comply with the Decision on Detailed Rules and Minimum Standards to be Applied in the Calculation of Technical Provisions and at any time equal at least the amount of the redemption value of the insurance. Thus, provisions are formed for each individual pension fund and comprise

the guaranteed funds on the personal account of policyholders and provisions for returns exceeding the guaranteed return.

The guaranteed value of the fund consists of the net premium paid and the prescribed guaranteed return. Under the Slovenian legislation, the Company is liable for guaranteed liabilities and guaranteed yields.

Mathematical provisions from voluntary supplementary pension insurance are not reinsured with any unit-linked fund.

Reinsurance

With reinsurance the insurance company transfers part of the risk to the Reinsurance Company and pays reinsurance fee.

Prva osebna zavarovalnica plc. draws up reinsurance calculation at the end of each quarter of the year. Reinsurance premium is recognised as a liability towards Reinsurance Company. At each quarter-end, claim calculation is drawn up and reinsurance claims are recognised as a receivable from Reinsurance Company. Changes in unearned premium reinsured and changes in outstanding claim reserve reinsured are determined by Prva osebna zavarovalnica at the end of every month when calculating unearned premium and claim reserve.

The reinsurance part of technical provisions in the statement of financial position is stated as an item of the insurance company's assets.

Revenue

Revenues are recognised if it is likely that the Company will acquire economic benefits from them and if such benefits can be reliably measured. Revenues originate from services offered by the Company to its subsidiary companies, namely services relating to investment, internal auditing, and lease of hardware and software.

The majority of revenues of the Group originate from

- ***Revenues from insurance premium.***

Net revenues from insurance premiums are calculated as gross insurance premiums less the reinsurers' share adjusted for the change in gross unearned premium, which is further adjusted by the reinsurance undertaking's share in the unearned premium. The written gross insurance premium in insurance contracts is the insurance premium written in a period.

Gross insurance premiums are recognised in accounting records on the day of settlement of account rather than on the day of payment.

- ***Fee and commission income***

- ***Entry fees***

The Group, in performing its activity in accordance with the pension schemes, and general terms and conditions, charges an entry fee, meaning that the collected assets transferred into an individual long-term business fund are decreased by the amount of the entry fees and the fund is managed with assets which represent net premiums. The entire amount of revenue from entry fees is recognised when statements of account are made.

- ***Management fees***

The Group manages twelve long-term business funds, for which it charges a management fee, meaning that the monthly value of assets in individual long-term business funds is decreased by the amount of the management fee.

- ***Exit fees***

The Group is entitled to an exit fee in accordance with the pension schemes, meaning that the redemption value is decreased by the exit fee and this net value is then received by the individual terminating the insurance.

Interest

Interest income is calculated and recognised on the basis of the effective interest rate.

Dividends

Dividends are recognised when the Company or the Group obtain the right to issue dividend pay-outs.

Other financial income

Income from changes in fair value of financial assets arise on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss. Gains on disposal arise on derecognition of financial assets other than financial assets measured at fair value through profit or loss. Gains on disposal is the difference between the asset's carrying amount and its selling price.

Costs and expenses

Net claims costs

Net expenses for claims are gross claims (compensation and appraisal expenses), deducted for reinsured part and amended for the change in gross claim reserves, which are adjusted for the share of reinsurance in these reserves. Appraisal expenses include external and internal expenses for assessing the eligibility of claims for loss events.

Net operating expenses and acquisition costs

Net operating expenses comprise of direct and indirect acquisition costs as well as other operating expenses such as depreciation, payroll, costs of natural persons not engaged in activity and other operating expenses which are not included under other items of costs.

Neither IFRS nor BC 116 prohibits or requires the deferral of acquisition costs. The standard does not state which costs can be deferred, the period of the deferral or the method of depreciation. Majority of direct and indirect acquisition costs are the costs of the period, whereas the direct costs of the insurances which are marketed via external network, are deferred over a prolonged period of time. Deferred costs are recognised as an asset in the statement of financial position, whereas the change between the opening and closing balance of the period is stated as a separate item of acquisition costs in the income statement. The depreciation rate is set by actuary based on the dynamics of the utilisation of future corresponding premiums collected.

Financial expenses

Financial expenses comprise expenses arising as a result of fair value changes, loss on disposal of financial assets, impairment losses and other financial expense.

Expenses resulting from fair value changes of financial assets arise on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss.

Gains on disposal arise on derecognition of financial assets other than financial assets designated at fair value through profit or loss. Loss on disposal is the difference between the asset's carrying amount and its selling price.

Tax

Current tax

Current tax assets or liabilities for current and past periods are measured at amounts the Company or the Group expect to pay or at amounts of tax credits. Current tax assets or liabilities are measured using tax rates valid on the reporting date.

Deferred tax

Deferred tax assets and liabilities are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognised.

Deferred tax assets are also recognised for unused tax losses and unused tax credits which are carried over into the following period if it is probable that the relevant amount of taxable profits will be available in future periods against which unused tax losses may be utilised.

Deferred tax assets are reviewed on the reporting date and are impaired for that portion of the assets for which it is no longer probable that a sufficient taxable profit will be available against which the unused tax losses could be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. The tax rates (and tax regulations) valid on or substantially valid on the reporting date are used.

Deferred tax is recognised directly in the statement of comprehensive income if it refers to items recognised directly in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when the Company:

- has a legal right to offset assessed tax assets and assessed tax liabilities, and
- deferred tax assets and deferred tax liabilities relate to the same tax authority in relation to
 - the same taxable unit, or to
 - different taxable units who intend to either settle the assessed tax liabilities and assessed tax assets with the difference, or simultaneously recover tax assets and settle tax liabilities in each of the future financial periods in which significant amounts of deferred tax assets or liabilities are expected to be either recovered or settled.

Impairments

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. When objective evidence exist that an available-for-sale financial asset is impaired, the accrued impairment loss transitionally recognised in other comprehensive income, is reclassified to profit or loss. Objective evidence of equity securities' impairment includes statutory changes of the issuer (bankruptcy, liquidation), significant reduction in fair value of securities (a reduction in of 40 percent or more), or a prolonged reduction in the securities fair value that continues over a period of more than 9 months. Objective evidence of debt securities' impairment includes statutory changes of the issuer (bankruptcy, liquidation), delay in repayments, or other significant negative events that impact the issuer's creditworthiness.

Reversals of impairment on equity securities classified as available for sale financial assets, is recognised in other comprehensive income.

Impairment loss incurred on a financial asset recognised at amortised cost is the difference between its carrying amount and present value of future cash flows, determined using the effective interest rate method.

For financial assets measured at amortised cost and available-for-sale financial assets that are debt instruments, the impairment reversal is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Investment property is checked annually for any indication of impairment. When an item of investment property has been impaired, its recoverable amount is assessed. The asset's recoverable amount is the higher of its net selling amount less cost of sales and its value in use. When the net carrying amount of investment property exceeds its recoverable amount, the difference is recognised as an impairment loss.

New and amended standards and interpretations

The accounting policies applied in the compilation of consolidated financial statements are the same as those used in the preparation of consolidated financial statements for the year ended 31 December 2015, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2016 and which are presented below.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively.

These amendments do not have any impact on the consolidated financial statements, as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively and do not have any impact on the consolidated financial statements, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the consolidated financial statements. Prva Group is assessing the potential impact of these amendments on its financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

These amendments do not have any impact on the consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the consolidated financial statements as the Group does not apply the consolidation exception.

New IFRS Standards and Interpretations not yet adopted by the EU

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but, not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Group estimates that the amendment will not have any impact on the consolidated financial statements.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group estimates that the amendments will not have any impact on the consolidated financial statements.

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

Application of amendments will result in additional disclosure provided by the Group.

Clarifications to IFRS 15 -Revenue from the Contracts with Customers

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The amendments:

- Clarify when a promised good or service is distinct within the context of the contract,

- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators,
- Clarify when an entity’s activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time,
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
- Add two practical expedients to the transition requirements of IFRS 15 for:
 - (a) completed contracts under the full retrospective transition approach; and
 - (b) contract modifications at transition

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

The Group is required to apply these amendments retrospectively. . Early application is permitted and must be disclosed.

The Group is currently assessing the impact of the clarification and plans to adopt it on the required effective date.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations;
- and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The amendments are effective for annual periods beginning on or after 1 January 2018.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

New IFRS Standards and Interpretations adopted by the EU but not yet Effective

The standards and interpretations disclosed below have been issued and adopted by the EU; but are not yet effective up to the date of issuance of the consolidated/separate financial statements. The Group intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective. The Group did not early adopt any of the standards.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, the recognition of their impairment, and hedge accounting. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of the revised IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of its financial liabilities.

The Group plans to adopt the new standard on the required effective date.

Annual improvements to IFRS Standards 2014-2016 Cycle

Include amendments to three Standards:

- IFRS 12 Disclosure of Interests in Other Entities: effective for annual periods beginning on or after 1 January 2017; amendments clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 1 First-time Adoption of International Financial Reporting Standards effective for annual periods beginning on or after 1 January 2018; amendments deleted the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose;
- IAS 28 Investments in Associates and Joint Ventures effective for annual periods beginning on or after 1 January 2018; amendments clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition,

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received 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. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts

IFRIC 22 is effective for annual periods beginning on or after 1 January 2018; early adoption is permitted. Interpretation can be applied either prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period or an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify the requirements on transfers to, or from, investment property.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. Amendments are applied to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

13.2. ADDITIONAL DISCLOSURES OF THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT ITEMS

Disclosures which the Company is obliged to include in its annual report in compliance with the Companies Act and International Financial Reporting Standards are presented under separate headings and under the items to which they correspond.

13.3. SEGMENT REPORTING

1. GEOGRAPHICAL SEGMENTS

The Group operates or has operated in two main geographic areas: Main geographic area of the Group is Slovenia. In addition, the Group is present in other non-member countries of the south-eastern Europe.

The following table displays revenues, data on profits, assets and certain liabilities broken down by geographical segments.

Table6: Geographical segments

Year Ended on 31 December 2016	Slovenia	Third countries	Total
Revenues by segment in 2016	18,661,266	4,874,436	23,535,703
Other data by segment			
Assets by segment	320,888,100	9,395,292	330,283,392
Financing:			
Property, plant and equipment	94,044	33,733	127,777
Intangible assets	163,324	18,691	182,015
Total financing	257,368	52,423	309,791

* before consolidation entries

Year Ended on 31 December 2015	Slovenia	Third countries	Total
Revenues by segment in 2015	19,343,123	4,397,148	23,740,271
Other data by segment			
Assets by segment	301,510,045	8,317,289	309,827,334
Financing:			
Property, plant and equipment	97,896	43,400	141,295
Intangible assets	484,268	13,911	498,178
Total financing	582,164	57,310	639,474

Revenues earned in Slovenia by individual segment relate to income generated by Prva Osebnna zavarovalnica d.d., companies in the Group, and Prva zavarovalno zastopniška družba. Amounts earned by segments in third countries relate to subsidiaries in Kosovo, Macedonia and Serbia. The amounts presented are exclusive of consolidation entries.

2. OPERATING SEGMENTS

Primary operating segments of the Group include:

- Non-life insurance,
- Life assurance,
- Other

Table7: Operating segments

Year Ended on 31 December 2016	Non-life insurance	Life insurance	Other	Total
Revenues by segment	2,140,169	14,693,338	6,770,366	15,717,700
Net profit or loss for the period	680,705	2,609,873	2,967,921	6,258,499
Total assets	5,217,530	294,836,228	30,223,183	330,276,941

* before consolidation entries

Year Ended on 31 December 2015	Non-life insurance	Life insurance	Other	Total
Revenues by segment	709,515	13,781,336	1,226,849	15,717,700
Net profit or loss for the period	506,857	4,199,058	1,482,973	6,188,887
Total assets	4,493,027	277,273,918	28,084,345	309,851,290

Non-life insurance represents amounts earned by Prva osebnna zavarovalnica; Other relates to income generated by the Group, Life insurance relates to amounts earned by Prva osebnna zavarovalnica from sale of life insurance

and the remaining amount relates to other pension funds included in the consolidation. The amounts presented are exclusive of consolidation entries.

13.4. NOTES TO THE INCOME STATEMENT

1. OPERATING INCOME

Operating income of the Company refers only to services the Company charges to subsidiary companies for services rendered. These incomes are eliminated from the consolidated revenues.

Income of the Group consists of:

- Net income from insurance premiums
- Other insurance income

1.1 Net premium income

Table8: Net income from insurance premiums

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Gross insurance premiums written	0	0	12,397,862	12,857,675
Premiums written re-insured	0	0	-716,461	-637,104
Change of unearned premium	0	0	-6,683	-11,781
Total	0	0	11,674,718	12,208,790

1.2 Other insurance income

Other insurance income is composed from:

- entry fees
- management fees
- exit fees
- other services.

Table9: Other insurance income

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Entry fees	0	0	2,029,122	1,971,717
Management fee	0	0	5,371,143	5,651,279
Exit fees	0	0	152,463	179,657
Revenues from operations	216,745	281,911	60,939	0
Total	216,745	281,911	7,613,667	7,802,654

Main part of other insurance income represents entry and management fees from supplementary pension insurance.

The entry fees are charged from paid-in premiums, not exceeding 2.95% of the paid-in premium at the year-end (2015: 2.95%).

The Group also charges annual management fee ranging from 0.5% to 1.0% for the administration and management of all pension funds (2015: 1.0% to 1.5%).

Upon the termination of the supplementary pension insurance, the administrator is entitled to an exit fee in the amount of 1% of the redemption value upon termination of the insurance contract (2015: 1%).

2. INTEREST INCOME AND EXPENSE

Interest income include interest from bank deposits and interest from investments earned in 2016.

2.1 Interest income

Table10: Interest income

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Financial assets	92,226	85,134	1,202,962	1,330,604
1. Held to maturity	0	0	0	0
2. Available-for-sale	92,226	85,134	1,171,990	1,308,713
3. Measured at fair value through profit or loss	0	0	30,971	21,891
Loans and deposits	0	0	127,159	165,351
Other	0	0	0	0
Total interest income	92,226	85,134	1,330,121	1,495,955

2.2 Interest expense

Table11: Interest expense

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Other interest expense	0	0	-20	-183
Total	0	0	-20	-183

3. DIVIDEND INCOME

Table12: Dividend income

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Dividend income on available-for-sale financial assets	1,662,314	1,184,961	85,698	34,649
Dividend income from investments measured at fair value through profit or loss	0	0	29,225	0
Total	1,662,314	1,184,961	114,923	34,649

4. NET GAINS/LOSSES FROM INVESTMENTS

Table13: Net gains/losses from investments

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Net gains from revaluation of investments measured at fair value through profit or loss	0	0	168,712	32,875
Net gains/losses from disposal of securities	-56,159	20,365	548,780	544,279
Impairment of investments not measured at fair value through profit or loss	0	-134,005	3	-134,007
Net foreign exchange differences	0	0	67,894	5,000
Total	-56,159	-113,640	785,389	448,147

5. NET EXPENSES FOR CLAIMS AND CHANGES IN TECHNICAL PROVISIONS

5.1 *Net expenses for claims*

Table14: Net expenses for claims

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Gross claims charged	0	0	-4,676,978	-4,611,578
Re-insurance share of gross claims	0	0	292,870	254,962
Change of provisions for outstanding claims	0	0	-499,049	-717,577
Change of provisions for outstanding claims re-insured	0	0	262,109	328,282
Total	0	0	-4,621,048	-4,745,911

5.2 *Changes in technical provisions*

Table15: Changes in technical provisions

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Change of gross mathematical provisions	0	0	0	0
Life insurance guarantee fund	0	0	-1,393,438	-2,474,583
Non-life insurance guarantee fund	0	0	-47,070	-1,750
Total	0	0	-1,440,508	-2,476,333

6. COSTS OF ACQUIRING INSURANTS

Commissions to agents and marketing promotion costs directly attributed to the acquisition of insurants are included under costs of acquiring insurance. Commissions to agents refer to fees which are paid to outside contractors as an award for the successful acquisition of insurants. The presented item comprises also changes in deferred insurance acquiring costs.

Table16: Costs of acquiring insurants

EUR	2016	2015	2016	2015
Commissions to agents costs	0	0	-2,432,060	-2,792,609
Marketing campaigns costs	0	0	-392,408	-157,429
Total	0	0	-2,824,468	-2,950,038

7. EMPLOYEE COSTS

Salaries, holiday pay, reimbursements for meals and transportation to work, employer contributions and taxes for remitted salaries and payments of supplementary pension insurance are included under labour costs for 2016.

Prva Group plc. had 2.2 employees at the end of 2016 (2015: 2.2), while there were 138 persons employed in the Group at the end of 2016 (2015: 116).

Table17: Employee costs

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Employee salaries	-236,737	-145,202	-2,904,337	-2,365,613
Holiday pay	-1,600	-800	-70,480	-56,569
Reimbursements for meals and transportation to work	-2,211	-1,818	-138,942	-104,449
Employer's contributions and taxes on salaries paid	-41,542	-24,104	-592,197	-513,728
- Pension insurance contributions	-22,835	-13,254	-261,776	-254,487
- Social security contributions	-18,707	-10,850	-330,421	-259,240
Payments to employees for supplementary pension insurance	-4,084	-1,910	-109,240	-94,779
Other labour costs	-125,164	0	-217,537	-27,440
Total	-411,338	-173,833	-4,032,733	-3,162,577

8. OTHER COSTS

Other costs comprise the cost of services by individual persons, material operating costs, service operating costs, marketing costs, supervisory board costs, rental costs, deferred employee liabilities and other costs.

Table18: Other costs

EUR	Prva Group		The Group	
	FY 2016	FY 2015	FY 2016	FY 2015
Reimbursement of work-related costs	-2,201	-1,185	-64,197	-112,132
Costs of intellectual and personal services	-37,250	-19,154	-471,617	-499,482
Cost of rent	-24,514	-15,291	-424,321	-398,834
Costs of other services	-66,163	-62,544	-792,915	-610,818
Other costs	-10,248	-1,719	-1,248,606	-1,170,251
Revenues from reinsurance	0	0	262,109	328,282
Total	-140,376	-99,893	-2,739,546	-2,463,234

Table19: Audit fees

EUR	Prva Group		The Group	
	FY 2016	FY 2015	FY 2016	FY 2015
Audit of the annual report	-9,442	-7,017	-59,582	-62,525
Other non-auditing services	0	0	0	0
Other auditing services	-7,600	0	-18,723	0
Tax advisory services	0	0	0	0
Total	-17,042	-7,017	-78,305	-62,525

9. OTHER REVENUES AND EXPENSES

9.1 Other revenues

Other revenues relating to the operating costs of real estate, the difference in the sale of fixed assets and services between related parties.

9.2 Other expenses

Table20: Other expenses

EUR	FY 2016	FY 2015	FY 2016	FY 2015
Other expenses	0	0	-441,758	-537,529
Total	0	0	-441,758	-537,529

Other expenses mainly relating to items incurred by Prva osebna zavarovalnica plc., and cover the costs charged to the Company and cannot be included under any other profit or loss item. Most expenses representing bonus premiums by insurance companies, write-offs of receivables as well as tangible and intangible assets.

10. DEFERRED AND CURRENT TAX

Table21: Deferred tax of Prva group

EUR	Balance sheet		Recognised in statement of comprehensive income	Recognised in profit or loss
	31.12.2016	31.12.2015	FY 2016	FY 2016
Deferred income tax assets	154,993	289,581	0	0
Revaluation of HTM investments	0	0	0	0
Fixed asset depreciation	0	0	0	0
Impairment of investments and receivables	33,094	117,682	0	-84,588
Provisions for employees	0	0	0	0
Unutilised tax losses	121,899	171,899	0	-50,000
Revaluation of AFS investments to fair value	0	0	0	0
Total deferred income tax assets (+)/liabilities (-)	154,993	289,581	0	-134,588

Table22: Deferred tax - The Group

EUR	Balance sheet		Recognised in statement of comprehensive income	Recognised in profit or loss
	31.12.2016	31.12.2015	FY 2016	FY 2016
Deferred income tax assets	237,468	553,514	-22,653	-293,014
Fixed asset depreciation	3,234	3,358	0	-124
Impairment of investments and receivables	58,256	149,313	-22,653	-68,026
Provisions for employees	4,172	3,465	0	707
Unutilised tax losses	171,806	397,377	0	-225,571
Deferred income tax liabilities	120,129	117,167	2,962	0
Revaluation of AFS investments to fair value	120,129	117,167	2,962	0
Deferred income tax assets	117,339	436,347	-25,615	-293,014

As at 31 December 2016, deferred tax amounts were restated using tax rates effective at the time the Company expects to utilise these tax assets i.e. at the rate of 19% (2015: 17%).

Table23: Reconciliation of tax and accounting profit multiplied by the tax rate applicable in Slovenia

EUR	Prva Group		The Group	
	2016	2015	2016	2015
Profit for the year before tax	1,355,080	1,143,753	5,259,272	5,495,811
Net increase/decrease in the tax basis	-	-	-	-932,334
Expenses not recognised for tax purposes	19,985	141,488	178,222	173,979
Tax relief	0	14,578	92,042	62,058
Tax loss utilised	0	74,577	1,063,676	744,286
Deduction of foreign tax	0	0	0	0
Deferred tax	-134,588	-50,000	-293,014	-199,738
Income tax	0	-10,200	-370,293	-267,856
Total tax	-134,588	-60,200	-663,307	-467,594
Efektivna davčna stopnja	9.93%	5.26%	12.61%	8.51%

In the financial year under review, the Company /the Group accounted for the amount of current income tax payable using the applicable tax rate of 17% in Slovenia (2015: 17%).

11. NET EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit for the financial period belonging to ordinary shareholders by the weighted average number of outstanding ordinary shares in the financial period. The weighted average number of outstanding ordinary shares is calculated using data on the number of outstanding ordinary shares while taking into consideration eventual purchases and sales within the period and the period in which the shares participated in the generating of profit. The adjusted earnings per share also take into account all potential ordinary shares. The Company does not have any potential ordinary shares, therefore the net earnings per share equals to the adjusted earnings per share.

Table24: Earnings per share

	The Group	
	2016	2015
Net profit for the year attributable to the Company/Group	3,768,510	4,328,638
Less dividends paid out to owners of preference shares	-400,825	-400,825
Net profit attributable to ordinary equity holders of the parent (EUR)	3,367,685	3,927,813
Weighted average number of ordinary shares for basic earnings per share	291,484	291,484
Earnings per share (in EUR)	11.55	13.48

13.5. NOTES TO THE STATEMENT OF FINANCIAL POSITION
12. PROPERTY, PLANT AND EQUIPMENT

Table25: Movement in property, plant and equipment in 2016

EUR	Prva Group		The Group	
	Equipment	TOTAL	Buildings and equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2015	164,193	164,193	1,660,998	1,660,998
Additions	29,457	29,457	127,777	127,777
Disposals	0	0	-58,362	-58,362
Currency differences	0	0	-385	-385
At 31 Dec 2016	193,650	193,650	1,730,027	1,730,027
ACCUMULATED DEPRECIATION				
At 31 Dec 2015	119,170	119,170	1,011,408	1,011,408
Depreciation in 2015	9,345	9,345	127,073	127,073
Disposals	0	0	-21,074	-21,074
Currency differences	0	0	-409	-409
At 31 Dec 2016	128,515	128,515	1,116,998	1,116,998
CARRYING AMOUNT				
At 31 Dec 2015	45,023	45,023	649,590	649,590
At 31 Dec 2016	65,135	65,135	613,030	613,030

The Company has not pledged any items of property, plant and equipment as collateral for borrowings.

Table26: Movement in property, plant and equipment in 2015

V EUR	Prva Group		The Group	
	Equipment	TOTAL	Buildings and equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2014	152,283	152,283	1,591,390	1,591,390
Additions	41,051	41,051	141,295	141,295
Disposals	-28,986	-28,986	-71,688	-71,688
At 31 Dec 2015	164,193	164,193	1,660,998	1,660,998
ACCUMULATED DEPRECIATION				
At 31 Dec 2014	134,069	134,069	948,543	948,543
Depreciation in 2015	4,716	4,716	113,023	113,023
Disposals	-19,615	-19,615	-50,157	-50,157
At 31 Dec 2015	119,170	119,170	1,011,408	1,011,408
CARRYING AMOUNT				
At 31 Dec 2014	18,214	18,214	642,848	642,848
At 31 Dec 2015	45,023	45,023	649,590	649,590

13. INTANGIBLE ASSETS

Table27: Movement in intangible assets in 2016

EUR	Prva Group				The Group			
	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL
ACQUISITION VALUE								
At 31 Dec 2015	178,858	0	0	178,858	1,880,469	15,275	97,698	1,993,441
Additions	0	0	0	0	17,077	163,324	125,404	305,805
Transfers	0	0	0	0	163,324	-163,324	-101,619	-101,619
Disposals	0	0	0	0		-5,834	0	-5,834
Currency differences	0	0	0	0	-2,437	11	-3,108	-5,534
At 31 Dec 2016	178,858	0	0	178,858	2,058,433	9,452	118,375	2,186,260
ACCUMULATED AMORTISATION								
At 31 Dec 2015	177,770	0	0	177,770	1,401,692	0	560	1,402,252
Amortisation in 2016	1,088	0	0	1,088	140,767	0	4,130	144,897
Disposals	0	0	0	0	0	0	24,382	24,382
Currency differences	0	0	0	0	-2,387	0	-662	-3,049
At 31 Dec 2016	178,858	0	0	178,858	1,540,072	0	28,410	1,568,482
CARRYING AMOUNT								
At 31 Dec 2015	1,088	0	0	1,088	478,777	15,275	97,138	591,189
At 31 Dec 2016	0	0	0	0	518,360	9,452	89,965	617,778

Table28: Movement in intangible assets in 2015

EUR	Prva Group				The Group			
	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL
ACQUISITION VALUE								
At 31 Dec 2014	178,858	0	0	178,858	1,676,305	27,426	126,215	1,829,945
Additions	0	0	0	0	159,878	220,814	117,487	498,178
Transfer	0	0	0	0	44,286	-232,965	-146,004	-334,683
Disposals	0	0	0	0	0	0	0	0
At 31 Dec 2015	178,858	0	0	178,858	1,880,469	15,275	97,698	1,993,441
ACCUMULATED AMORTISATION								
At 31 Dec 2014	157,618	0	0	157,618	1,244,771	0	0	1,244,771
Amortisation in 2015	20,152	0	0	20,152	156,921	0	560	157,481
Disposals	0	0	0	0	0	0	0	0
At 31 Dec 2015	177,770	0	0	177,770	1,401,692	0	560	1,402,252
CARRYING AMOUNT								
At 31 Dec 2014	21,240	0	0	21,240	494,039	41,140	202,330	563,124
At 31 Dec 2015	1,088	0	0	1,088	478,777	15,275	97,138	591,189

14. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

14.1 *Interests in subsidiaries*

Interests in subsidiaries represent investments of Prva Group plc. in the following companies: Prva osebna zavarovalnica d.d., KB Prvo penzisko društvo AD, Skopje, Fondi Slloveni-Kosovar I Pensioneve sh.A Pristine Kosovo, DDOR GARANT Beograd, PRVA zavarovalniško zastopniška družba, d.o.o.. These companies and the parent company Prva Group plc. form the Group.

Table29: Interests in subsidiaries

EUR	Ownership	Prva Group	
		31.12.2016	31.12.2015
Prva osebna zavarovalnica d.d.	100%	12,730,000	12,730,000
KB Prvo penzisko društvo AD Skopje	51%	918,272	918,272
Fondi Slloveni- Kosovar I Pensioneve Sh.A Pristine Kosovo	67%	511,985	511,985
DDOR GARANT Beograd	60%	2,435,768	2,435,768
PRVA zavarovalniško zastopniška družba, d.o.o.	100%	64,300	64,300
Total		16,660,326	16,660,326

Voting rights in subsidiaries are equal to the ownership share.

15. ASSETS OF UNIT-LINKED POLICY HOLDERS

Table30: Assets of unit-linked policy holders

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Assets of unit-linked policy holders	0	0	2,493,414	1,808,137
Total	0	0	2,493,414	1,808,137

16. INVESTMENTS IN SECURITIES

Investments in securities represent investments in shares and bonds.

Table31: Investments in securities

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Investments into securities held-to-maturity	0	0	0	0
Investments into securities available for sale	1,996,732	2,242,177	43,170,285	36,677,178
Investments into securities designated at fair value through profit or loss	0	0	1,152,110	873,698
Total	1,996,732	2,242,177	44,322,395	37,550,876

Table32: Structure of securities based on type of interest rate

V EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Investments into securities held to maturity:	0	0	0	0
- debt securities at fixed rate of interest	0	0	0	0
- debt securities at variable rate of interest	0	0	0	0
Investments into securities available for sale	1,996,732	2,242,177	43,170,285	36,677,178
- debt securities at fixed rate of interest	1,996,732	1,801,454	34,925,074	36,236,456
- debt securities at variable rate of interest	0	440,722	48,557	440,722
- equity securities	0	0	8,196,654	0
Investments into securities designated at fair value through profit or loss	0	0	1,152,110	0
- debt securities at fixed rate of interest	0	0	1,152,110	873,698
- debt securities at variable rate of interest	0	0	0	0
- equity securities	0	0	0	0
Total	1,996,732	2,242,177	44,322,395	37,550,876

The effective interest rate for securities ranges from 0.2% to 7.03% (2015: from 1.1 to 6.9%).

16.1 Investments in securities held to maturity

At 31 December 2016 or 31 December 2015, the Group reports no held-to-maturity investments.

16.2 Investments in securities, available for sale

Table33: Investments in securities, available for sale

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Investments traded on the organised market	1,996,732	1,453,377	42,703,734	37,550,876
Investments not traded on the organised market	0	0	466,551	0
Total	1,996,732	1,453,377	43,170,285	37,550,876

Investments traded on the organised market are valued on the basis of market prices.

16.3 Investments in securities measured at fair value through profit and loss

Table34: Investments in securities measured at fair value through profit and loss

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Investments traded on the organised market	0	0	1,152,110	873,698
Investments not traded on the organised market	0	0	0	0
Total	0	0	1,152,110	873,698

Investments traded on the organised market are valued on the basis of market prices.

17. OTHER RECEIVABLES AND SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME

Table35: Other receivables and short-term deferred costs and accrued income

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Receivables arising out of insurance operations	0	0	1,343,737	1,066,006
Short-term trade receivables	16,219	16,600	168,621	438,388
Short-term advance payments	1,312	1,312	196,913	2,890
Income tax assets	9,350	0	109,892	27,950
Other receivables and assets	3,635	679	477,090	563,667
Deferred expenses and accrued income	3,668	1,110	295,714	252,125
Total	34,183	19,700	2,591,968	2,351,026

18. ASSETS FROM FINANCIAL CONTRACTS

Assets from financial contracts relate to the Prva osebna zavarovalnica d.d. pension funds.

Table36: Assets from financial contracts

EUR	Carrying amount		Market value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Investment into securities:	208,420,291	183,244,827	208,231,409	183,244,827
1. Held to maturity	17,039,748	0	16,850,867	0
2. Available for sale	0	0	0	0
3. Measured at fair value through profit or loss	191,380,543	183,244,827	191,380,543	183,244,827
Investment property	16,331,950	17,547,954	16,331,950	17,547,954
Issued loans and deposits	25,361,047	35,938,832	25,361,047	35,938,832
Trade receivables (insurants)	0	0	0	0
Other receivables (assets)	3,663,277	730,586	3,663,277	730,586
Cash and cash equivalents	1,547,021	3,326,440	1,547,021	3,326,440
Total assets	255,323,586	240,788,639	255,134,705	240,788,639
Technical provisions	254,855,618	240,453,955	254,855,618	240,453,956
Operating liabilities	467,967	334,683	467,967	334,683
Total liabilities	255,323,586	240,788,637	255,323,586	240,788,638

Table37: Investments on accounts of pension insurants

		31.12.2016	31.12.2015
Pension fund Prva in Prva+ Dinamični	Investments into securities held-to-maturity	0	0
	Investments in securities measured at fair value	8,822,645	0
	Issued loans and deposits	100,093	0
	Investment property	0	0
	Cash and cash equivalents	199,935	0
Pension fund Prva in Prva+ Uravnoteženi	Investments into securities held-to-maturity	0	0
	Investments in securities measured at fair value	11,281,166	0
	Issued loans and deposits	550,316	0
	Investment property	0	0
	Cash and cash equivalents	322,670	0
Pension fund Prva Zajamčeni	Investments into securities held-to-maturity	2,339,672	0
	Investments in securities measured at fair value	20,231,574	19,660,031
	Issued loans and deposits	3,910,874	6,881,446
	Investment property	1,425,710	1,595,950
	Cash and cash equivalents	138,818	1,012,116
Pension fund Prva+ Zajamčeni	Investments into securities held-to-maturity	14,700,076	0
	Investments in securities measured at fair value	151,045,159	163,584,795
	Issued loans and deposits	20,799,764	29,057,386
	Investment property	14,906,240	15,952,003
	Cash and cash equivalents	885,598	2,314,325

Investments of pension funds in deposits with banks and savings banks represent long-term and short-term deposits, denominated in euros. The interest rates on deposits range from 0.45% - 8.20% annually (2015: 1.30% to 8.20%).

Investments in held-to-maturity securities represent bonds of the Republic of Slovenia, EC/OECD countries and other countries, and corporate bonds from the organised markets of the Republic of Slovenia and EC and OECD countries, as well as other countries.

Investments in securities designated at fair value through profit or loss represent shares traded on the securities market, shares not traded on the securities market, and corporate bonds from the organised markets of the Republic of Slovenia and EC and OECD countries, as well as other countries.

Investments in property are investments in investment property measured at fair value. In the year 2016 there were impairments in amount of 1,216,003 EUR.

Table38: Movement in investments on accounts of pension insurants

EUR	31.12.2016	31.12.2015
At 1 January	240,058,052	237,110,927
Increase	120,785,883	79,720,897
Revaluation	14,546,192	5,516,497
Decrease	-123,729,819	-82,290,269
At 31 December	251,660,309	240,058,052

Table39: Structure of securities based on type of interest rate on accounts of pension insurers

EUR	31.12.2016	31.12.2015
Debt securities	157,413,928	170,186,433
- Fixed interest rate	153,859,150	167,809,574
- Variable interest rate	3,554,779	2,376,859
Equity securities	51,006,362	13,058,394
Total	208,420,291	183,244,827

The effective interest rate on securities of pension funds ranges from 0.0 to 8.0% (2015: from 0.7 to 8.2%).

19. ISSUED LOANS AND DEPOSITS

Table40: Issued loans and deposits

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Issued loans and deposits	1,678,268	1,273,848	6,080,570	8,235,180
Total	1,678,268	1,273,848	6,080,570	8,235,180

Issued loans and deposits of Prva Group plc. represent deposits in banks. The interest rate for new deposits amounts to an average 0.5 - 1.45% (2015: 1.3% - 1.8%) nominal interest rate. The interest rates on deposits are fixed.

Of total deposits of the Company, 78% matures in 2017, while 56% of total deposits of the Group matures within 12 months.

All of the Company's deposits are denominated in euros. Within the Group, 12% of the deposits are denominated in the Macedonian denar; all other deposits are denominated in euro.

20. CASH AND CASH EQUIVALENTS

Table41: Cash and cash equivalents

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Cash on hand	0	0	402	510
Cash on current accounts (local currency)	229,483	2,993	997,766	201,884
Cash on current accounts (foreign currency)	0	0	171,075	8,639
Deposits with up to 3-month maturity at banks	1,039	38,613	218,966	442,751
Total	230,522	41,606	1,388,209	653,785

Deposits with up to three month maturity are disclosed inclusive of related interest as accrued in accordance with contractual terms. These funds are intended for the current coverage of costs and current placements.

21. EQUITY

At 31 December 2016, the share capital of the Company amounted to EUR 13,386,247, of which EUR 6,704,638 relates to ordinary shares, with the difference in the amount of EUR 6,681,609 relating to preference shares.

The capital of the Group represents the capital of Prva Group plc. and the capital of a non-controlling interest.

Table42: Share capital

EUR	31.12.2016	31.12.2015
Approved share capital (ordinary shares with a face value of EUR 23.00)	6,704,638	6,704,638
Approved share capital (preference shares with a face value of EUR 33.00)	6,681,609	6,681,609
Share capital (ordinary shares with a face value of EUR 23.00)	6,704,638	6,704,638
Share capital (preference shares with a face value of EUR 33.00)	6,681,609	6,681,609
Total share capital (issued and paid-up shares)	13,386,247	13,386,247

Table43: Number of issued and paid-up shares

EUR	Ordinary shares		Preference shares	
	2016	2015	2016	2015
At 1 January	291,484	291,484	202,437	291,484
Issued	0	0	0	0
At 31 December	291,484	291,484	202,437	291,484

The Company/the Group owns 18 ordinary and 51 preference treasury shares on 31 December 2016.

21.1 Reserves

Share premium comprises the surplus of capital paid (payments above the minimum emission values of shares or stakes) in the amount of EUR 6,017,833 (2015: EUR 6,017,833) and cannot be distributed. Other profit reserves amount to EUR 3,388 the same as in 2015.

Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the profit or loss. These reserves cannot be distributed.

Retained earnings have not been earmarked for any specific purpose and can be used to finance dividend payments in subsequent years.

Table44: The structure and movement of reserves in 2016

EUR	Prva Group				The Group			
	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Total	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Total
1.1.2016	6,021,220	-76,429	1,201,359	7,146,150	6,021,220	-397,148	9,832,085	15,456,157
Change	0	124,856	19,595	144,451	0	646,186	2,567,614	3,213,800
31.12.2016	6,021,220	48,427	1,220,954	7,290,601	6,021,220	249,038	12,399,699	18,669,957

Table45: The structure and movement of reserves in 2015

EUR	Prva Group				The Group			
	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Total	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Total
1.1.2015	6,021,220	-52,028	1,320,343	7,289,535	6,021,220	371,865	6,705,854	13,098,939
Change	0	-24,401	-118,984	-143,385	0	-769,013	3,126,231	2,357,218
31.12.2015	6,021,220	-76,429	1,201,359	7,146,150	6,021,220	-397,148	9,832,085	15,456,157

21.1 Dividends proposed and paid

At 31 December 2016, the distributable profit of Prva Group plc. amounts to EUR 1,220,954 and is comprised of retained earnings of EUR 462 and of the current year's profit amounting to EUR 1,220,492.

The Company intends to pay dividends to ordinary and preference shareholders for the 2016 financial year in total amount of EUR 1.2 million and the proposal will be submitted for approval to the General Meeting which will be held in June 2017. Dividends, which are announced after the reporting period, are not included in the liabilities item in the statement of financial position.

Dividends were paid out also in previous years. In 2016, a total of EUR 1.2 million of dividends was paid to holders of preference and ordinary shares.

22. TECHNICAL PROVISIONS

Table46: Technical provisions

v EUR	31.12.2016	31.12.2015
Non-life insurance	1,054,030	821,884
Gross unearned premiums	90,379	89,622
Gross provision for outstanding claim	902,823	718,505
Gross mathematical provisions	60,827	13,757
Life insurance	17,996,805	16,254,516
Gross unearned premiums	89,648	83,722
Gross mathematical provisions	13,563,357	12,973,768
Provisions for deficit determined on checking the amount of provisions made	224,766	78,000
Gross provisions in favour of unit-linked insurance underwriters	2,493,414	1,808,137
Gross provision for outstanding claim	1,625,620	1,310,889
Total	19,050,835	17,076,400

23. LIABILITIES FROM FINANCIAL CONTRACTS

While Prva Group plc. does not have any liabilities from financial contracts, its subsidiaries do. Only Prva osebna zavarovalnica recognised these liabilities in the statement of financial position in accordance with IFRS.

Table47: Liabilities from financial contracts

EUR	31.12.2016	31.12.2015
Other liabilities from PDPZ	467,967	334,683
Net liabilities to pension policyholders	254,855,618	240,453,956
Total	255,323,586	240,788,638

Liabilities from financial contracts of the Group companies abroad, members of the Prva Group are reported in the off balance sheet records in accordance with IFRS. Furthermore, these liabilities are reported in the off balance sheet records also in the consolidated financial statements as required by IFRS.

Prva osebna zavarovalnica reports its financial contracts in the statement of financial position in accordance with IFRS and consequently, these are reported also in the consolidated statement of financial position.

Table48: Other liabilities from financial contracts

EUR	31.12.2016	31.12.2015
Liabilities from insurance operations	423,809	315,794
Other liabilities	44,159	18,889
Total	467,967	334,683

Liabilities from insurance operations are liabilities for fees and commission and liabilities to insureds of Prva osebna zavarovalnica d.d.

Table49: Net liabilities to pension policyholders

EUR	31.12.2016	31.12.2015
Mathematical provisions for paid net premiums	187,186,348	209,835,810
Mathematical provision for attributable return of fund	43,803,363	30,618,146
<i>Guaranteed return</i>	<i>21,180,314</i>	<i>14,775,801</i>
<i>Return exceeding the guaranteed return</i>	<i>22,623,049</i>	<i>15,842,345</i>
Provisions for insurance, where the property of fund is divided into units (VEP)	23,865,907	0
Total	254,855,618	240,453,956

Net liabilities to pension policyholders represent mathematical provisions which are managed separately for each individual long term business fund.

Mathematical provisions must comply with the Decision on Detailed Rules and Minimum Standards to be Applied in the Calculation of Technical Provisions and at any time equal at least the amount of the redemption value of the insurance.

Thus, provisions are formed for each individual pension fund with guaranteed return and comprise the guaranteed funds on the personal account of policyholders and provisions for returns exceeding the guaranteed return. The guaranteed value of the fund consists of the payment of the net premium and prescribed guaranteed return.

In the year 2016 were in accordance with the principle of investments managements based on life-cycle relevant for insurant, established pension funds Prva in Prva+ Dynamic and prva in Prva+ Balanced, for which the provisions are formed based on the unit value of the property.

Table50: Movement in liabilities due to pension insurance policyholders in 2015 and 2016

EUR	2015
At 1 Jan 2015	237,435,508
Payments	19,679,461
Redemption and net transfers	-19,496,540
Net result from investments	6,681,448
Fees	-3,845,922
At 31 Dec 2015	240,453,956
EUR	2016
At 1 Jan 2016	240,453,956
Payments	20,313,944
Redemption and net transfers	-17,840,437
Net result from investments	14,961,864
Fees	-3,033,710
At 31 Dec 2016	254,855,618

24. FINANCIAL LIABILITIES FROM BORROWINGS

The Company do not have any financial liabilities from borrowings. The Group do have borrowings in Kosovo in amount of 6,729 EUR (2015: 9,476 EUR).

25. OTHER LIABILITIES, OTHER PROVISIONS AND SHORT-TERM ACCRUED COSTS AND DEFERRED INCOME

Table51: Liabilities

EUR	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Other provisions	0	0	124,441	59,698
Other liabilities	27,425	38,049	678,509	2,009,348
Short-term accrued costs and deferred revenue	124,728	4,014	2,157,624	588,834
Total	152,153	42,062	2,960,574	2,657,880

The Group companies settle their liabilities on maturity. Only larger companies i.e. KB Prvo, Macedonia and Prva osebna zavarovalnica, Slovenia have open liabilities above EUR 100,000. These are accounts payable to suppliers, to employees and liabilities relating to the purchase of securities. Short-term accrued and deferred items of the Group represent deferred income from insurance premiums.

26. OFF BALANCE LIABILITIES OF THE COMPANY

The Company's and the Group's off balance sheet liabilities refer to liabilities arising from the lease contract for business premises and pension funds of subsidiaries abroad.

Table52: Movements in rent liabilities (EUR)

Maturity	Prva Group		The Group	
	2016	2015	2016	2015
In one year	21,484	15,291	33,509	265,207
In one to five years	50,724	23,711	360,035	1,023,373
In more than 5 years	0	0	0	0
SKUPAJ	72,208	39,002	393,544	1,288,580

In accordance with IFRS, liabilities from financial contracts of subsidiaries abroad are carried in the off balance sheet records.

Table53: Assets of long-term business funds of subsidiaries abroad recognised in the off balance sheet items (Group disclosure)

v EUR	31.12.2016	31.12.2015
Fondi Kosovo	6,490,690	6,054,148
KB Prvo Makedonija	426,904,761	354,017,523
DDOR Garant Srbija	47,831,918	44,371,036
Total	481,227,369	404,442,706

13.6. OTHER DISCLOSURES TO THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

27. REMUNERATIONS OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, AND RELATED PARTY TRANSACTIONS

In 2016, a total of EUR 233,475 was paid to the Management Board and members of the Supervisory Board of Prva Group plc. (2015: EUR 128,817), which is a 81% increase over the amount paid in 2015.

Table54: Costs of the Management and Supervisory Boards (including attendance fees of subsidiaries) for Prva Group

	2016	2015
Management board	219,361	114,703
Supervisory Board	14,114	14,114
Total payouts	233,475	128,817

In 2016, Prva Group did not provide members of its Management or Subsidiary boards with any prepayments or loans, nor did it assume any liabilities on their behalf. Remunerations made in 2016 are presented below.

Table55: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2016

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Bonus	Total
Alenka Žnidaršič Kranjc	36,000	0	319	0	0	67,000	103,319
Boštjan Škufca Zaveršek	102,000	2,819	5,422	800		5,000	116,042
Total	138,000	2,819	5,741	800	0	72,000	219,361

Members	Function	Attendance fee	Total gross	Personal income tax	Net	Contr. for pension and disability ins. 8.85% + 0.53% flat contrib.
TANJA TUŠ	2,500	716	3,216	336	2,880	302
JOŽE MERMAL	1,250	358	1,608	336	1,272	151
HELENA PETRIN	1,250	358	1,608	336	1,272	151
LINDSAY STUART	3,750	716	4,466	934	3,532	419
DARIGA SAMBAYEVA -EBRD	3,216	0	0	0	0	0
Total	11,966	2,148	10,898	1,943	8,955	1,022

Table56: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2015

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Bonus	Total
Alenka Žnidaršič Kranjc	36,000	0	306	0	0	60,000	96,306
Boštjan Škufca Zaveršek	17,000	470	927	0	0	0	18,397
Total	53,000	470	1,233	0	0	60,000	114,703

Members	Function	Attendance fee	Total gross	Personal income tax	Net	Contr. for pension and disability ins. 8.85% + 0.53% flat contrib.
Tanja Tuš	2.500	716	3.216	672	2.544	302
Jože Mermal	2.500	716	3.216	672	2.544	302
Lindsay Stuart	3.750	716	4.466	934	3.532	419
Total	8.750	2.148	10.898	2.278	8.620	1.023

The following other entities are considered related to Prva Group plc. and the Group:

- A-Z Finance d.o.o.
- AZ Nepremočnine d.o.o.
- EBRD, Velika Britanija
- Dej d.o.o.
- MPN, d.o.o.
- Deos, d.d.

Table57: Transactions of Prva Group plc. with subsidiaries in 2016

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	20,163	10,842	0	1,378
KB Prvo	0	165,373	13,750	0
DDOR	0	27,573	2,267	0
FONDI	0	12,957	203	0
Total	20,163	216,745	16,219	1,378

Table58: Transactions of Prva Group plc. with subsidiaries in 2016 - dividends and interests

PG - related parties	Dividend income	Interest income	Interest expense
POZ	1,300,000	0	0
KB Prvo	362,164	0	0
DDOR	0	0	0
FONDI	0	0	0
Total	1,662,164	0	0

Table59: Transactions of Prva Group plc. with subsidiaries in 2015

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	20,809	65,934	0	1,607
KB Prvo	0	165,000	13,750	0
DDOR	0	40,977	2,850	0
FONDI	0	12,000	0	0
Total	20,809	283,911	16,600	1,607

Table60: Transactions of Prva Group plc. with subsidiaries in 2015 - dividends and interests

PG - related parties	Dividend income	Interest income	Interest expense
POZ	1,000,000	0	0
KB Prvo	120,709	0	0
DDOR	59,291	0	0
FONDI	0	0	0
Total	1,180,000	0	0

The Company, the Group and individual subsidiaries recorded no other significant related-party transactions in 2016.

The parent charged to its subsidiaries fees for investment management and internal audit services, as well as rent for hardware and software.

All transactions with subsidiaries have been carried out under market conditions.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

28.1 Insurance risk management

Each insurance contract is exposed to uncertainties whether insurance event will appear, when it will appear and what the repayment will be. By nature, the insurance risks that arise from insurance contrast are coincidental and thus unpredictable.

Insurance risks relate to uncertainty of the insurance transactions. The most important components of insurance risks are:

- Risk of unsuitable amount of premium (premium risk) and
- Risk of inappropriate amount of technical provisions (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. Claim events are random variables and therefore actual numbers and amounts vary from statistical average. Provision risk is the risk of inappropriate amount of technical provisions set aside.

Experiences show that portfolio size and spread decrease these variances. Prva osebna zavarovalnica has implemented a process of accepting insurances that differentiates among different types of risks and aims to achieve appropriate portfolio size risks in order to decrease variability of expected claims.

The insurance company manages risks with the help of criteria set for accepting insurances which depends on the amount of the sum insured and the type of risk. Furthermore, the insurance company manages these risks through appropriate development of products, pricing and reinsurance.

28.2 Financial risk management

The basic financial instruments of the Company and the Group comprise financial investments in securities, money deposits and cash on accounts at banks. The main purpose of these financial instruments is to attain the long-term yields of the insurance company. The Company and Group also have other financial instruments such as trade receivables and payables which arise upon the Company and Group carrying out transactions.

The main types of risk originating from the financial instruments of the insurance company include market risk, liquidity risk and credit risk.

28.3 Capital management

Prva Group manages its capital with the aim of ensuring both smooth and continued operations of the Company and maximum profitability for its shareholders, through optimal balance between borrowings and capital.

The Group monitors capital balances of its subsidiaries to ensure adequate amount of capital. All of the subsidiaries fully comply with the relevant capital adequacy requirements.

29. CREDIT RISK

The Company and the Group operate only with well established, trustworthy clients. They are exposed to credit risk in terms of investments in securities, issued loans and deposits, cash and other receivables. The main exposure presents the risk of the other counter party default due to insolvency; the maximum exposure equals the carrying amount of the financial instruments.

Securities presented in the table below have been classified to different groups according to their credit rating. In determining individual investment's credit rating, the credit ratings issued by Moody's, S&P and Fitch are taken into account. When credit rating has been issued by more than one agency, the second best credit rating is applied. The table shows investments in securities, issued loans and deposits, cash and other receivables. Equity securities are not included in the analysis as they carry no direct credit risk.

Table61: The credit quality of the financial assets of Prva Group

Prva Group plc.	31.12.2016	%	31.12.2015	%
1. Rating - AAA	0	0.00%	0	0.00%
2. Rating - AA	0	0.00%	0	0.00%
3. Rating - A	0	0.00%	0	0.00%
4. Rating - BBB	508,021	25.44%	718,722	20.10%
5. Below BBB	448,902	22.48%	673,603	18.84%
6. No rating	1,039,809	52.08%	2,183,896	61.07%
Total	1,996,732	100.00%	3,576,221	100.00%

In the rating group below BBB in 2016 we can see mainly investments in securities issued by domestic entities of the Company and its subsidiaries and deposits of local banks with credit ratings. In the rating group without rating there are mainly deposits of local banks without rating and securities issued by domestic entities of the Company and its subsidiaries.

Table62: The credit quality of the financial assets of the Group

The Group	31.12.2016	%	31.12.2015	%
1. Rating - AAA	0	0.00%	0	0.00%
2. Rating - AA	909,831	2.05%	542,231	1.10%
3. Rating - A	7,646,291	17.25%	2,221,680	4.70%
4. Rating - BBB	10,871,995	24.53%	16,242,794	34.10%
5. Below BBB	4,882,416	11.02%	15,171,229	31.80%
6. No rating	20,011,863	45.15%	13,487,109	28.30%
Total	44,322,395	100.00%	47,665,043	100.00%

The following table presents the investment structure in terms of financial instruments used, which are presented in the above table of credit risk analysis.

Table63: Investment structure in terms of financial instrument of Prva Group

EUR	31.12.2016	31.12.2015
Investments:	3,675,000	3,516,024
• in loans and deposits	1,678,268	1,273,848
• held to maturity	0	0
• available for sale	1,996,732	2,242,177
• at fair value through profit or loss	0	0
Receivables and other assets	30,516	18,591
Cash and cash equivalents	230,522	41,606
Total	3,936,038	3,576,221

Table64: Investment structure in terms of financial instrument of the Group

EUR	31.12.2016	31.12.2015
Investments:	50,402,964	44,912,358
• in loans and deposits	6,080,570	8,235,180
• held to maturity	0	0
• available for sale	43,170,285	36,677,178
• at fair value through profit or loss	1,152,110	873,698
Receivables and other assets	2,280,981	2,098,900
Cash and cash equivalents	1,388,208	653,785
Total	54,072,154	47,665,043

Due to high investment dispersion, neither the Company nor the Group are significantly exposed to a single issuer. No investments have been pledged as collateral.

Table65: The credit quality of the financial investments of pension funds

PDPZ	31.12.2016	%	31.12.2015	%
1. Rating - AAA	3,618,528	1.42%	2,523,706	1.20%
2. Rating - AA	6,463,784	2.53%	1,043,753	0.50%
3. Rating - A	40,812,217	15.98%	7,143,979	3.40%
4. Rating - BBB	65,177,881	25.53%	85,716,450	40.78%
5. Below BBB	47,161,008	18.47%	57,365,447	27.29%
6. No rating	92,090,169	36.07%	56,388,953	26.83%
Total	255,323,587	100.00%	210,182,288	100.00%

In accordance with the Insurance Act, investments are spread, therefore long term business funds are not significantly exposed to one individual issuer. The "no rating" class includes mainly investments in cash deposits held at Slovenian banks and debt securities of Slovenian issuers. Class 5 "Below BBB" includes mainly the bonds of Slovenian issuers and bonds of companies engaged in cyclical industries, whose credit rating deteriorated due to the economic crisis. Equity securities and real estate are not included in the analysis as they carry no direct credit risk.

The Company and pension funds have no outstanding receivables. None of the investments are pledged as collateral.

The Company and the Group regularly assess credit risk arising from deposits at banks and by following a conservative investments policy invest any surplus assets in deposits of local banks for which the Company and the Group believe there is no risk of default on repayment i.e. no significant credit risk.

Table66: The credit quality of the financial investments of pension funds

	31.12.2016	31.12.2015
Investments:	216,741,590	206,125,264
• in loans and deposits	25,361,047	35,938,831
• held to maturity	17,039,748	0
• available for sale	191,380,543	170,186,433
Receivables and other assets	3,663,277	730,586
Cash and cash equivalents	1,547,021	3,326,440
Total	238,991,636	210,182,290

Table67: Maturity structure of receivables

Gross receivables (EUR)	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Not matured	30,516	18,591	2,192,192	1,995,351
Up to 90 days	0	0	101,835	110,220
More than 90 days	0	0	19,122	42,926
Total	30,516	18,591	2,313,150	2,148,497

Receivable allowances (EUR)	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Not matured	0	0	0	0
Up to 90 days	0	0	14,958	29,341
More than 90 days	0	0	17,210	20,256
Total	0	0	32,168	49,597

Carrying amount of receivables (EUR)	Prva Group		The Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Not matured	30,516	18,591	2,192,192	1,995,351
Up to 90 days	0	0	86,877	80,879
More than 90 days	0	0	1,912	22,670
Total	30,516	18,591	2,280,981	2,098,900

30. LIQUIDITY RISK

The Company and the Group manage liquidity risk through cash flow forecasting. The Company uses cash flow forecasts to take into account the maturity of financial investment including planned outflows which relate to the Company's operations.

Financial investments of the Company and the Group are financed with the Company's capital. At the end of the year, the Company and the Group report only liabilities for running costs with maturity of up to 3 months. The following tables represent the structure of assets and liabilities according to maturities.

Table68: Overview of the contractual maturity of the financial assets and liabilities of Prva Group plc.

EUR	31.12.2016			31.12.2015		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	20,565,848	2,007,055	18,558,792	20,217,957	1,151,595	19,066,361
Investments in subsidiaries	16,660,326	0	16,660,326	16,660,326	0	16,660,326
Share in associated company	0	0	0	0	0	0
Investments in securities	1,996,732	198,589	1,798,144	2,242,177	208,501	2,033,675
1. Held to maturity	0	0	0	0	0	0
2. Available for sale	1,996,732	198,589	1,798,144	2,242,177	208,501	2,033,675
Issued loans and deposits	1,678,268	1,577,945	100,323	1,273,848	901,488	372,360
Cash and cash equivalents	230,522	230,522	0	41,606	41,606	0
Other receivables	30,516	30,516	0	18,591	18,591	0
TOTAL ASSETS	22,593,096	2,236,159	20,356,936	20,236,547	1,170,186	19,066,361
LIABILITIES						
Other liabilities	27,425	27,425	0	38,049	38,049	0
TOTAL LIABILITIES	27,425	27,425	0	38,049	38,049	0

Table69: Overview of the contractual maturity of the financial assets and liabilities of the Group.

EUR	31.12.2016			31.12.2015		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	46,815,808	6,603,310	40,212,499	39,359,013	7,112,327	32,246,686
Share in associated company	0	0	0	0	0	0
Assets of unit-linked insurants	2,493,414	16,471	2,476,943	1,808,137	0	1,808,137
Investments in securities	44,322,395	6,586,839	37,735,556	37,550,876	7,112,327	30,438,549
1. Held to maturity	0	0	0	0	0	0
2. Available for sale	43,170,285	5,434,729	37,735,556	36,677,178	7,087,502	29,589,676
3. Measured at fair value through profit or loss	1,152,110	1,152,110	0	873,698	24,825	848,873
Issued loans and deposits	6,080,570	4,396,754	1,683,815	8,235,180	4,842,752	3,392,428
Cash and cash equivalents	1,388,208	1,388,208	0	653,785	653,785	0
Other receivables	2,280,981	2,280,981	0	2,098,900	2,098,900	0
Assets from financial contracts	255,323,586	92,895,833	162,427,753	240,788,639	47,986,435	192,802,204
TOTAL ASSETS	311,889,153	107,565,087	204,324,067	291,135,517	62,694,199	228,441,318
LIABILITIES						
Other liabilities	2,280,981	2,280,981	0	2,009,348	2,009,348	0
Liabilities from financial contracts	255,323,586	28,294,018	227,029,567	240,788,639	15,358,419	225,430,220
TOTAL LIABILITIES	257,604,567	30,575,000	227,029,567	242,797,987	17,367,767	225,430,220

Table70: Overview of the structure of liabilities of Prva Group considering expected non-discounted cash flow in 2016

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Assets and liabilities with no maturity	Total	Carrying amount
ASSETS						
Deferred tax assets	0	162,725	0	0	162,725	162,725
Investments in securities	198,589	1,798,144	0	0	1,996,732	1,996,732
1. Held-to-maturity	0	0	0	0	0	0
2. Available-for-sale	198,589	1,798,144	0	0	1,996,732	1,996,732
3. Measured at fair value through profit or loss	0	0	0	0	0	0
Short-term deferred costs and accrued revenue	3,668	0	0	0	0	3,668
Assets from financial contracts	0	0	0	0	0	0
Issued loans and deposits	1,577,945	100,323	0	0	1,678,267	1,678,267
Other receivables	30,516	0	0	0	30,516	30,516
Cash and cash equivalents	0	0	0	230,522	230,522	230,522
TOTAL ASSETS	1,810,717	2,061,192	0	230,522	4,098,762	4,102,430
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	152,153	0	0	0	152,153	152,153
TOTAL LIABILITIES	152,153	0	0	0	152,153	152,153

Table71: Overview of the structure of assets and liabilities of Prva Group considering expected non-discounted cash flow in 2015

Prva Group		31.12.2015				
EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Assets and liabilities with no maturity	Total	Carrying amount
ASSETS						
Deferred tax assets	0	289,581	0	0	289,581	289,581
Investments in securities	1,032,479	2,737,514	204,500	0	3,974,493	2,242,177
1. Held-to-maturity	0	0	0	0	0	0
2. Available-for-sale	1,032,479	2,737,514	204,500	0	3,974,493	2,242,177
3. Measured at fair value through profit or loss	0	0	0	0	0	0
Short-term deferred costs and accrued revenue	1,110	0	0	0	1,110	1,110
Assets from financial contracts	0	0	0	0	0	0
Issued loans and deposits	905,598	380,139	0	0	1,285,737	1,273,848
Other receivables	18,591	0	0	0	18,591	18,591
Cash and cash equivalents	0	0	0	41,606	41,606	41,606
TOTAL ASSETS	1,957,777	3,407,235	204,500	41,606	5,321,537	3,866,912
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	4,013	0	0	0	4,013	4,013
TOTAL LIABILITIES	4,013	0	0	0	4,013	4,013

Table72: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2016

The Group		31.12.2016				
EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	No maturity /on demand	Total	Carrying amount
ASSETS						
Investments in securities	3,984,138	15,050,067	17,012,365	10,346,019	46,392,589	44,322,395
1. Held to maturity	1,175,123	2,248,827	2,950,983	0	6,374,932	0
2. Available for sale	1,640,434	12,738,226	14,018,585	8,196,654	36,593,900	43,170,285
3. Held for trading	1,168,581	63,014	42,797	2,149,365	3,423,756	1,152,110
Assets of unit-linked insurants	310,987	0	0	0	310,987	310,987
Issued loans and deposits	25,157,234	79,350,797	83,477,243	67,338,312	255,323,586	255,323,586
Cash and cash equivalents	4,265,423	1,647,770	0	0	5,913,193	6,080,570
Other receivables	2,452,911	0	0	0	2,452,911	2,280,981
Assets from financial contracts	0	0	0	1,388,208	1,388,208	1,388,208
TOTAL ASSETS	36,170,694	96,048,634	100,489,608	79,072,540	311,781,475	309,706,727
LIABILITIES						
Other liabilities	2,280,981	0	0	0	2,280,981	2,280,981
Liabilities from financial contracts	27,826,051	55,321,508	171,708,059	0	254,855,618	255,323,586
TOTAL LIABILITIES	30,107,033	55,321,508	171,708,059	0	257,136,599	257,604,567

Table73: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2015

The Group		31.12.2015				
EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	No maturity /on demand	Total	Carrying amount
ASSETS						
Investments in securities	7,112,327	22,009,257	12,665,826	0	41,787,411	37,550,876
1. Held to maturity	0	0	0	0	0	0
2. Available for sale	7,087,502	21,930,924	12,623,406	0	41,641,833	36,677,178
3. Held for trading	24,825	78,333	42,420	0	145,578	873,698
Assets of unit-linked insurants	0	0	1,808,137	0	1,808,137	1,808,137
Issued loans and deposits	4,842,752	3,492,438	0	0	8,335,190	8,235,180
Cash and cash equivalents	653,785	0	0	0	653,785	653,785
Other receivables	2,098,900	0	0	0	2,098,900	2,098,900
Assets from financial contracts	47,986,435	117,060,354	75,069,846	672,004	240,788,639	240,788,639
TOTAL ASSETS	62,694,199	142,562,049	89,543,809	672,004	295,472,062	291,135,517
LIABILITIES						
Other liabilities	2,009,348	0	0	0	2,009,348	2,009,348
Liabilities from financial contracts	15,358,419	30,115,051	195,314,878	0	240,788,348	240,788,348
TOTAL LIABILITIES	17,367,767	30,115,051	195,314,878	0	242,797,696	242,797,696

31. INTEREST RATE RISK

The Company and Group's exposure to changes in market interest rates is very low as they did not have investments with variable interest rate on 31 December 2016 or 31 December 2015.

At the reporting date, modified duration of market-sensitive portion of the assets amounted to 2.23.

The Company and the Group adopt decisions for mitigating interest risk on the basis of active monitoring of the development of events on international capital markets. At the same time, interest rate risk of funds managed by Prva osebna zavarovalnica relates to guaranteed return which a fund must ensure to policyholders in line with the pension schemes. Through active management of investments, the Group mitigates its interest rate risk.

Table74: Interest rate risk - pension funds

Change in market interest rate	FY 2016	FY 2015
	Impact on technical provisions (EUR)	Impact on technical provisions (EUR)
+/-10 bt	3,555	2,377

32. CURRENCY RISK

The Group's liabilities and receivables are converted according to the reference exchange rate of the European Central Bank at 31 December 2016. Due to regulating exposure by currencies on individual level of subsidiaries, the Group is not exposed to major currency risk. Foreign currency translation reserves arising due to exchange rates are recognised through statement of comprehensive income.

Table below represents sensitivity to changes in important currencies to which the Group is exposed given that all other parameters remain the same.

The MKD currency represents the volatility in the assets of the Macedonian subsidiary. The same applies to bonds denominated in RSD which are included in the portfolio of the Belgrade subsidiary.

Table75: Currency risk of the Group

Currency	2016		2015	
	Exchange rate change	Impact on pre-tax income	Exchange rate change	Impact on pre-tax income
BAM	5%	0	5%	0
	-5%	0	-5%	0
MKD	5%	10,581	5%	27,865
	-5%	-10,581	-5%	-27,865
RSD	5%	488	5%	1,849
	-5%	-488	-5%	-1,849

As at 31 December 2016, the Company's does not have any financial assets denominated in foreign currencies.

Table76: Values of foreign currency balances in the Group

v EUR	31.12.2016	31.12.2015
MKD	211,620	557,301
RSD	9,750	36,982

33. THE RISK OF CHANGES TO THE MARKET PRICES OF SECURITIES

The Company is exposed to the risk of changes to the market prices of securities in the case of equity securities quoted on financial markets. As at 31 December 2016, the Company reports EUR 0.00 of such investments (2015: EUR 124,718).

Table77: The effect of changes to the market prices of equity securities - Prva Group

	Index change in %	FY 2016 Impact on capital (EUR)	FY 2015 Impact on capital (EUR)
Other	+/-10	0	12,472

The Group is exposed to the risk of changes to the market prices of securities in relation to equity securities quoted on financial markets. As at 31 December 2016, the Group reports EUR 0 of such investments (2015: EUR 124,718).

Table78: The effect of changes to the market prices of equity securities - the Group

	Index change in %	FY 2016 Impact on capital (EUR)	FY 2015 Impact on capital (EUR)
Other	+/-10	0	12,472

The Company and the Group are also exposed to the risk of changes of market prices of securities due to their exposure to fixed income securities. If the market interest rate was to grow by 100 bp, the market value of the Company's portfolio would fall by EUR 44,527 and the capital of the Group would fall by EUR 2,240,046 as shown by the following table.

Table79: The effect of changes of market prices of securities sensitive to market interest rates - Prva Group

Change in market interest rate	FY 2016 Impact on capital (EUR)	FY 2015 Impact on capital (EUR)
+/-100 bt	44,527	71,063

Table80: The effect of changes of market prices of securities sensitive to market interest rates - The Group

Change in market interest rate	FY 2016 Impact on capital (EUR)	FY 2015 Impact on capital (EUR)
+/-100 bt	2,240,046	1,495,737

Neither of the illustrations above includes securities of the long-term business fund carrying investment risk, with respect to which the insurance company is not exposed to market risk as a result of the management arrangement.

34. FAIR VALUE

Table81: Overview of the carrying and fair value of financial instruments of the Company

EUR	Carrying amount		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total financial assets	3,936,038	3,576,222	3,936,038	3,576,222
Investment into securities:	1,996,732	2,242,177	1,996,732	2,242,177
1. Held to maturity	0	0	0	0
2. Available for sale	1,996,732	2,242,177	1,996,732	2,242,177
Issued loans and deposits	1,678,268	1,273,848	1,678,268	1,273,848
Trade receivables (insurants)	0	0	0	0
Other receivables (assets)	30,516	18,591	30,516	18,591
Cash and cash equivalents	230,522	41,606	230,522	41,606
Assets on accounts of pension insurance holders	0	0	0	0

Table82: Overview of the carrying and fair value of financial instruments held by the Group

EUR	Carrying amount		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total financial assets	311,889,153	291,135,518	311,700,272	291,135,518
Investment into securities:	44,322,395	37,550,876	44,322,395	37,550,876
1. Held to maturity	0	0	0	0
2. Available for sale	43,170,285	36,677,178	43,170,285	36,677,178
3. Measured at fair value through profit or loss	1,152,110	873,698	1,152,110	873,698
Issued loans and deposits	6,080,570	8,235,180	6,080,570	8,235,180
Trade receivables (insurants)	180,151	438,388	180,151	438,388
Other receivables (assets)	2,100,830	1,660,513	2,100,830	1,660,513
Cash and cash equivalents	1,388,208	653,785	1,388,208	653,785
Investments in favour of unit-linked insurants	2,493,414	1,808,137	2,493,414	1,808,137
Assets on accounts of pension insurance holders	255,323,586	240,788,639	255,134,705	240,788,639
Total financial liabilities	257,816,999	240,788,638	257,816,999	240,788,638
Liabilities from financial contracts	255,323,586	240,788,638	255,323,586	240,788,638
Technical provisions in favour of unit-linked insurants	2,493,414	1,808,137	2,493,414	1,808,137

34.1 Assets and liabilities according to fair value hierarchy

In fair value measurement of assets and liabilities, the Company and the Group followed the following fair value hierarchy:

- **Level 1:** quoted prices in active markets for identical assets (quoted prices).
- **Level 2** comparable market inputs (other than quoted inputs of identical assets) obtained directly or indirectly for identical or similar assets.
- **Level 3:** the use of valuation models using mostly unobservable market inputs.

Table83: Assets and liabilities of the Company in terms of fair value hierarchy in 2016

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				0
Investments	956,923	0	1,039,809	1,996,732
Investments in securities	956,923	0	1,039,809	1,996,732
<i>Held for sale</i>	956,923	0	1,039,809	1,996,732
ASSETS whose fair value is disclosed				
Receivables	0	0	30,516	30,516
Issued loans and deposits	0	0	1,678,268	1,678,268
Cash and cash equivalents	0	0	230,522	230,522
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	27,425	27,425

There were no transfers from level 1 to level 2 or 3 in 2016.

Table84: Assets and liabilities of the Company in terms of fair value hierarchy in 2015

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	1,035,261	0	1,206,916	2,242,177
Investments in securities	1,035,261	0	1,206,916	2,242,177
<i>Held for sale</i>	1,035,261	0	1,206,916	2,242,177
ASSETS whose fair value is disclosed				
Receivables	0	0	18,591	18,591
Issued loans and deposits	0	0	1,273,848	1,273,848
Cash and cash equivalents	41,606	0	0	41,606
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	38,049	38,049

Table85: Assets and liabilities of the Group in terms of fair value hierarchy in 2016

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	34,483,127	126,438	12,049,323	46,658,888
Assets of unit-linked policyholders	2,213,192	0	123,301	2,336,493
Investments in securities	32,269,935	126,438	11,926,022	44,322,395
<i>Designated at fair value through profit or loss</i>	0	0	1,152,110	1,152,110
<i>Held for sale</i>	32,269,935	126,438	10,773,912	43,170,285
Assets from financial contracts	151,134,278	4,239,216	52,338,998	207,712,492
Investments in securities	151,134,278	4,239,216	36,007,048	191,380,542
<i>Designated at fair value through profit or loss</i>	151,134,278	4,239,216	36,007,048	191,380,542
<i>Investment property</i>	0	0	16,331,950	16,331,950
ASSETS whose fair value is disclosed				
Receivables	0	0	2,281,561	2,281,561
Assets from financial contracts	1,547,021	0	29,024,324	30,571,345
<i>Investments, held to maturity</i>	0	0	16,850,867	16,850,867
Issued loans and deposits	0	0	25,361,047	25,361,047
<i>Other receivables (assets)</i>	0	0	3,663,277	3,663,277
<i>Cash and cash equivalents</i>	1,547,021	0	0	1,547,021
Issued loans and deposits	0	0	6,080,570	6,080,570
Cash and cash equivalents	1,388,208	0	0	1,388,208
LIABILITIES whose fair value is disclosed				
Technical provisions	0	0	16,557,421	16,557,421
Technical provisions in favour of unit-linked insureds	0	0	2,493,414	2,493,414
Other liabilities	0	0	2,281,561	2,281,561
Liabilities from financial contracts	0	0	207,712,492	207,712,492

At 31.12.2016, the Group had financial assets, measured at fair value, in the amount of EUR 238,039,431 (2015: EUR 222,603,840), of which EUR 48,056,371 (2015: EUR 60,645,032 euros) classified in level third.

Table86: Assets and liabilities of the Group in terms of fair value hierarchy in 2015

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	26,809,308	207,627	12,342,078	39,359,013
Assets of unit-linked policyholders	1,709,984	80,391	17,762	1,808,137
Investments in securities	25,099,324	127,236	12,324,316	37,550,876
<i>Designated at fair value through profit or loss</i>	0	0	873,698	873,698
<i>Held for sale</i>	25,099,324	127,236	11,450,618	36,677,178
Assets from financial contracts	129,931,002	5,010,871	65,850,908	200,792,781
Investments in securities	129,931,002	5,010,871	48,302,954	183,244,827
<i>Designated at fair value through profit or loss</i>	129,931,002	5,010,871	48,302,954	183,244,827
<i>Investment property</i>	0	0	17,547,954	17,547,954
ASSETS whose fair value is disclosed				
Receivables	0	0	2,098,900	2,098,900
Assets from financial contracts	3,326,440	0	36,669,418	39,995,858
<i>Investments, held to maturity</i>	0	0	35,938,832	35,938,832
Issued loans and deposits	0	0	730,586	730,586
<i>Other receivables (assets)</i>	3,326,440	0	0	3,326,440
Cash and cash equivalents	0	0	8,235,180	8,235,180
Issued loans and deposits	653,785	0	0	653,785
LIABILITIES whose fair value is disclosed				
Technical provisions	0	0	17,076,402	17,076,402
Technical provisions in favour of unit-linked insureds	0	0	1,808,137	1,808,137
Other liabilities	0	0	2,009,348	2,009,348
Other liabilities	0	0	240,788,639	240,788,639

Table87: Valuation method for level 3

Investments into securities - Level 3	Valuation technique	Significant assumptions	Valuation technique's sensitivity to inputs and market value impact
Market securities	Bloomberg (BVAL)	/	/
Non-marketable equity securities	The model takes into account the median of the ratio between the market and carrying price (P/B ratio) and the median of the ratio between the total value of the company, its market price, and earnings per share (P/E ratio) for comparable entities.	Inputs from entities in the comparable sector are based on the latest available business information (annual reports for 2015). Liquidity discount for non-marketable securities of between 10 and 20% is considered. Changes in prices and/or valuation of comparable entities and subsequent change in the P/E and P/B ratios.	In the event of a 20% fall in stock markets or share prices and subsequent reduction in ratios, the market value of total portfolio would on average fall by 0.3% assuming that all other parameters remain unchanged.

35. OTHER FACTS

Prva Group had not issued any participation rights instruments, convertible bonds or similar securities or issued rights.

36. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the notification no. INI-139/17 published on the Ljubljana Stock Exchange website <http://seonet.ljse.si/> on 1 March 2017, and providing the required conditions are fulfilled, we are expecting a significant change in the ownership. It is expected that based on the option contract, 20.0% of the PPDM shares held by the European Bank for Reconstruction and Development will be acquired by Dej d.o.o., which will thus increase its holding from existing 50.2% to 70.2%.

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