Skupina GENERALI

ANNUAL REPORT

AUDITED

Adriatic Slovenica and Adriatic Slovenica Group

I. Adriatic Slovenica in Adriatic Slovenica Group

II. Financial Report

III. Appendix

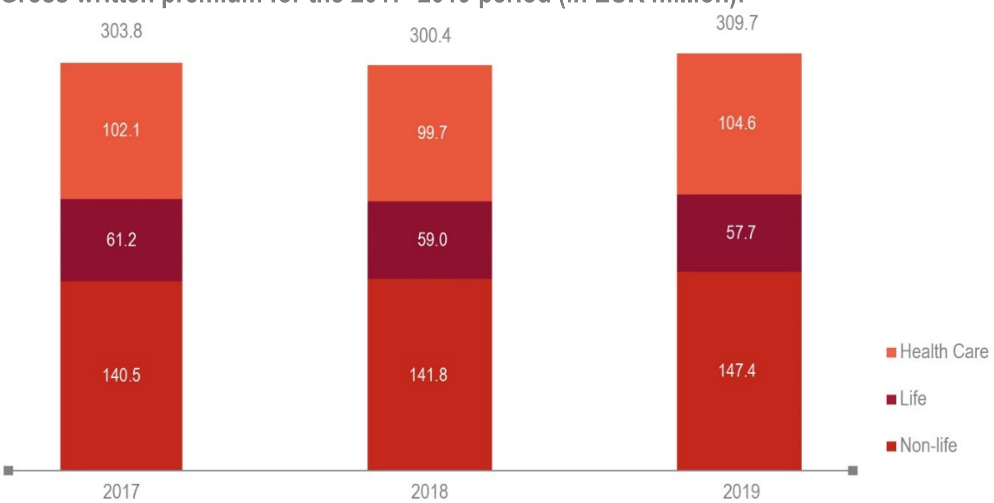
1. ADRIATIC SLOVENICA AND THE ADRIATIC SLOVENICA GROUP (AS AND THE AS GROUP)

The Company Adriatic Slovenica d. d. (AS) and the companies forming the AS Group were part of the KD Group until 13 February 2019. Following the completion of the sale process and the transfer of shares, on 13 February 2019, Generali CEE Holding, B.V. became the sole shareholder, while Adriatic Slovenica and the companies in the AS Group became part of the Generali Group.
Pursuant to the Merger by Absorption Agreement and the permissions issued by the competent regulators, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. on 3 January 2020. In accordance with the laws, the latter, as the transferee company, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations, while Adriatic Slovenica was deleted from the Court Register.
Accordingly, this Annual Report and the Consolidated Annual Report have been prepared and adopted by the transferee company Generali zavarovalnica d. d., however it refers exclusively to Adriatic Slovenica's operations in 2019.

1.1 HIGHLIGHTS OF THE COMPANY IN 2019

	2019	2018
Gross written premium (in EUR million)	309.7	300.4
Gross claims paid (in EUR million)	219.5	221.0
Market share	12.5%	12.8%
Combined ratio (other insurance)	96.5%	94.3%
Combined ratio (health insurance)	98.6%	98.8%
Profit before tax (in EUR million)	7.9	10.3
Net profit (in EUR million)	6.9	8.9
Return on equity	7.1%	9.2%
Return on investment	10.1%	-0.2%
	31.12.2019	31.12.2018
Financial investments, cash and cash equivalents (in EUR million)	720.5	652.0
Gross liabilities from insurance contracts (in EUR million)	607.9	548.4
Number of employees	1,001	1,057
Carrying amount of capital (in EUR million)	98.8	95.2
Carrying amount of share (in EUR million)	9.58	9.24
Credit rating (31.12.2019)	A negativ (Fitch Ratings)	BBB+stable (Fitch Ratings)

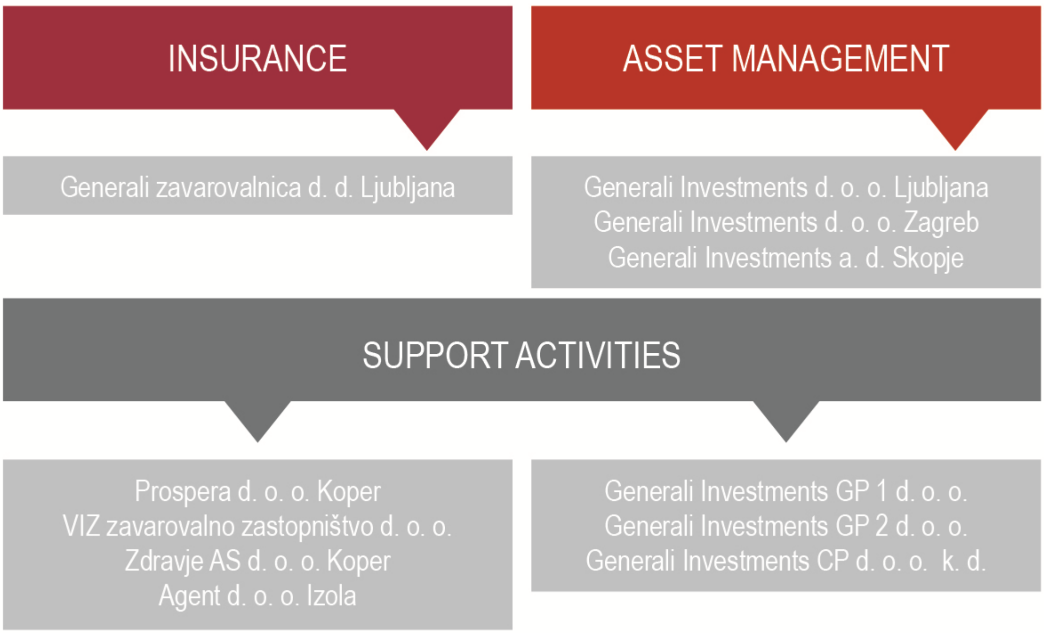
Gross written premium for the 2017–2019 period (in EUR million):



1.2 HIGHLIGHTS OF THE AS GROUP IN 2019

	2019	2018
Gross written premium (in EUR million) – insurance activity	309.7	300.4
Gross claims paid (in EUR million) – insurance activity	219.5	221.0
Market share (in Slovenia) - insurance activity	12.5%	12.8%
Operating profit (in EUR million)	12.5	15.2
Profit before tax (in EUR million)	8.4	11.1
Net profit (in EUR million)	7.0	9.2
Return on equity	7.2%	9.5%
	31.12.2019	31.12.2018
Assets (in EUR million)	810.0	732.5
Carrying amount of capital (in EUR million)	100.0	96.2
Financial liabilities (in EUR million)	1.5	0.5
Subordinated issued bonds (in EUR million)	49.7	49.6
Credit rating	A negativ (Fitch Ratings)	BBB+stable (Fitch Ratings)
Assets under management (in EUR million) - asset management	539.2	478.1
Market share (in Slovenia) - asset management	17.9%	19.4%

Our core business areas:



In **insurance business**, the Company provides comprehensive insurance protection through non-life, life, pension and health insurances in Slovenia. The Company provides its services in Croatia to a smaller extent through its branch**.**

Asset management or investment funds management in Slovenia is performed by the subsidiary Generali Investments d. o. o., Ljubljana (KD Skladi d. o. o. until the renaming of the company in late August 2019) whose main activity is management of investment funds and other portfolios. The Company is the oldest and one of the leading Slovene management companies, which as at 31 December 2019 managed Generali Krovni sklad with its 16 sub-funds and two special investment funds - Generali Growth Equity Fund, a private equity fund, and Generali Adriatic Value Fund, a special investment fund, the first regulated real estate alternative investment fund (AIF) in Slovenia. Another two management companies operate outside Slovenia, together managing 14 investment funds, of which 10 mutual funds in Croatia and 4 mutual funds in Macedonia. Furthermore, Generali Investments manages investments of guarantee funds of Pokojninsko varčevanje AS and life insurance investments.

Support is provided by the following small companies of the AS Group operating in Slovenia: VIZ d. o. o., Prospera, družba za izterjavo d. o. o., Zdravje AS d. o. o. and Agent d. o. o. Two subsidiaries currently operate outside Slovenia. The subsidiaries of the company Generali Investments abroad are Generali Investments d. o. o. Zagreb and Generali Investments a. d. Skopje, while in Slovenia the subsidiaries are pa Generali Investments CP d. o. o. k. d., Generali Investments GP 1 d. o. o . and Generali Investments GP 2 d. o. o.

1.3 MAJOR BUSINESS EVENTS OF THE AS COMPANY AND THE AS GROUP IN 2019 AND EARLY 2020

- On 31 January 2019, the Generali Adriatic Value Fund, a special investment fund, the first regulated real estate alternative investment fund (AIF) in Slovenia, completed the purchase of the fourth property, the Austria Trend Hotel, from CA Immobilien Anlagen AG.

- On 13 February 2019, KD Group, finančna družba d.d., Ljubljana, Dunajska cesta 63 (hereinafter referred to as "KD Group") disposed of 100% of the shares of the subsidiary Adriatic Slovenica and transferred all shares of Adriatic Slovenica to the new holder, the company Generali CEE Holding, B.V. The sales procedure under the Agreement regarding the sale of 100% of the shares of the Company Adriatic Slovenica dated 23 May 2018 was concluded with the same company. With this, KD Skladi (now Generali Investments) became part of the Generali Group. On the same day, Adriatic Slovenica received the Letters of Resignation of the members of the Supervisory Board - representatives of the previous shareholder, namely the Chairman of the Supervisory Board Aljoša Tomaž, Deputy Chairman of the Supervisory Board Aleksandar Sekavčnik and Member of the Supervisory Board Tomaž Butina.

- On 18 February 2018, the 56th General Meeting of Shareholders was held. The Supervisory Board of Adriatic Slovenica, consisting of Gregor Pilgram, Luciano Cirinà, Miroslav Bašta and Miroslav Singer, was appointed for a term of five years.

- On 18 February 2019, the international rating agency Fitch increased the Adriatic Slovenica's financial strength rating from "BBB-" to "BBB +" and changed the assessment of the future outlook of the Company from “under criteria observation” to "stable". The improvement of the rating was the consequence of the publication by Assicurizazioni Generali S.p.A (IFS: A-/Negative) that, following the obtainment of all regulatory approvals, concluded the acquisition of the insurance company Adriatic Slovenica d. d., which was previously owned by KD group d.d.

- On 13 May 2019, Generali Investments (at that time KD Skladi) was selected as the asset manager of the SEGIP Programme, which supports innovative and fast-growing SMEs and mid-cap companies that were established in Slovenia or are creating jobs in Slovenia.

- On 28 May 2019, Adriatic Slovenica entered into the Merger by Absorption Agreement with Generali zavarovalnica d. d. Ljubljana. The validity of the contract was subject to the consent of the General Meeting of Shareholders of both companies involved in the merger. The consent was given at the 58th General Meeting of Shareholders of Adriatic Slovenica d. d. on 30 May 2019.

- On 31 July 2019, Jure Kvaternik, Member of the Management Board of Adriatic Slovenica, resigned as a member of the Management Board of the Company. Pursuant to this, from 1 August 2019 onwards the Management Board consisted of Gabriel Škof as President of the Management Board and Matija Šenk as Member of the Management Board.

- On 27 August 2019, the Supervisory Board of Adriatic Slovenica accepted the resignation of the President of the Management Board, Gabriel Škof. At the same time, the Supervisory Board appointed Gregor Pilgram as the new

President, subject to his obtaining the permission of the Insurance Supervision Agency to serve as a Member of the Management Board.

- On 1 September 2019, Luciano Cirinà was appointed Chairman of the Supervisory Board and Miroslav Singer was appointed Deputy Chairman of the Supervisory Board.

- On 30 September,2019, Gregor Pilgram received permission from the Insurance Supervision Agency to serve as member of the management board in an insurance company. From that date onwards, Gregor Pilgram assumed the position of President of the Management Board of Adriatic Slovenica.

- On 4 December 2019, all necessary permissions (including the permission of the Insurance Supervision Agency) were issued for the merger by absorption of Adriatic Slovenica by Generali osiguranje d.d. (the Transferee Company).

- On 13 December 2019, Fitch Ratings upgraded Adriatic Slovenica's Insurer Financial Strength (IFS) Rating to 'A' from 'BBB+'. The upgrading of the rating follows the revision of the Adriatic Slovenica’s strategic status to 'Core' from 'Important' to its parent Assicurazioni Generali S.p.A. (Generali; IFS: A/Negative). The Outlook on Adriatic's IFS Rating is Negative, reflecting that on Generali.

- In December 2019, the Generali Growth SIS d. o. o. k. d. was established. This is a special investment fund managed by Generali Investments. The Fund invests primarily in ambitious small and medium-sized companies, offering support in growth financing, capacity expansion, sales network building, new product development as well as acquisition of competitors and management of succession matters.

- On 27 December 2019, Generali Growth SIS d. o. o. k. d., a private equity fund, completed its first investment by acquiring a 75% interest in the Croatian company Eko Papir d.o.o.

- On 3 January 2020, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. Generali zavarovalnica, as the transferee company, and in accordance with the laws, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations. On the same date Adriatic Slovenica ceased to exist and was deleted from the Court Register.

- On 7 January 2020, as a result of the merger between Adriatic Slovenica and Generali zavarovalnica d.d., the Fitch Ratings withdrew Adriatic Slovenica's Insurer Financial Strength "A". Prior to the withdrawal, the Outlook on Adriatic Slovenica's IFS Rating was Negative.

- On 31 January 2020, a meeting by correspondence of the Supervisory Board was held. In the meeting consent was given to the Management Board to adopt a new version of IDD Policy Ver. 2.0, and to appoint Simon Repek holder of the actuarial key function for life insurance and Breda Žvanut Skok for non-life insurance and the ability and suitability of candidates for members of the Supervisory Board Luciano Cirinà, Carlo Schiavetto and Miroslav Singer were assessed.

- On 11 February 2020, the 55th General Meeting of Shareholders was held d. d.. In this Meeting, Luciano Cirinà, Carlo Schiavetto and Miroslav Singer were appointed members of the Supervisory Board as of 11 February 2020, while Stefano Culos was dismissed as Member of the Supervisory Board on the same day.

- On 3 March 2020, after obtaining the license from the Insurance Supervision Agency to act as Member of the Management Board, Katarina Guzej became Member of the Management Board of Generali zavarovalnica.

- On 12 March 2020, Slovenia declared an epidemic under Article 7 of the Communicable Diseases Act due to an increase in the number of cases of Coronavirus infection and Covid-19 disease in the country. At the same time, in accordance with the recommendations issued by the National Institute of Public Health (NIJZ) and the Government of the Republic of Slovenia, the Insurance Company adopted the recommended safeguard measures to ensure a safe working environment, safety of the employees, the policyholders and other clients. The basis for the declaration of the epidemic was the expert opinion of the National Institute of Public Health

(NIJZ). By declaring the epidemic, Slovenia followed the declaration of a pandemic by the World Health Organization, declared the day before. The negative effects of the epidemic on the business of the Insurance Company cannot yet be assessed.

1.4 STRATEGIC OBJECTIVES ACHIEVED BY AS GROUP

The sale of Adriatic Slovenica to Generali CEE Holding was finally concluded in February 2019. Therefore, the accelerated integration of the Company into the Generali Group was being carried out last year, while at the same time all preparatory procedures for the merger of the Company with the existing insurance company Generali d.d. Ljubljana were carried.
Notwithstanding the completion of the entire sales process, in the course of its operations in 2019 the Company pursued the key strategic objectives set within the Adriatic Slovenica 2017-2022 Strategic Plan:

1. Sustainable and profitable operation with a strong cost base and a new balance of products.
2. Development and sales of new assistance services while improving the profitability of existing products.
3. Improvement of the performance of exclusive sales channels and introduction of a hybrid distribution model.
4. Improvement of the growth of existing online and other sales channels (WIZ / Croatia / Generali Investments).

Within the framework of the successful implementation of the set strategic guidelines, worth highlighting are the excellent sales results achieved through traditional sales channels as well as the modern digital sales channels, both in Slovenia and Croatia. In 2019, a 3.1% growth in business was achieved.

The highest growths were recorded in motor insurance, mainly land motor vehicle insurance (7%), general liability insurance (12%), assistance insurance (11%), other damage to property insurance (7%) and fire insurance (4%). Owing to the successful sale of new supplementary health insurance and its price increase, as well as the good sale and transformation of above-standard health insurance, a 5% business growth was also achieved in the health sector.

In terms of sales channels, the highest growth rates were achieved by the Wiz sales channel and by Croatia Branch, two sales channels that achieve their results through successful digital sales.

Last year, the Wiz digital sales channel grew by 40% - sales of all key product groups Wiz Avto (Wiz Car), Wiz Zdravje (Wiz Health), Wiz Tujina (Wiz Abroad) were on the rise. The Croatia Branch Office also recorded a high 27% growth last year. The latter posted close to EUR 6 million in premiums, of which 52% in non-life insurance and 48% in life insurance segments. In doing so, the Branch realized the majority of motor vehicle insurance sales through the digital sales channel.

The Company thus managed to consolidate its position on the Slovene and Croatian insurance markets, reaching as the fourth largest insurance group a 12.5% market share on the Slovenian insurance market. Along with Generali d. d., Ljubljana, the Generali Group holds the third place in Slovenia, with a 16.7% market share.

Furthermore, within the framework of the strategic plans achieved, worth highlighting is the improved profitability of operations in the most important insurance classes. The Company has significantly improved the profitability of motor vehicle and health insurance by introducing a series of short and long term measures. Under motor vehicle insurance, measures have been taken to improve the selection of risks in the underwriting of cargo vehicle insurance, exceptional discounts were abolished, the policies of the customers with the worst technical result were not extended and new tariffs for motor vehicle insurance for regular sales and sales via the Wiz digital channel were introduced. In the area of health insurance, the Company carried out a series of activities for the transformation and extension of insurance Specialists into Specialists with assistance and increased the premium in the segment of complementary health insurance.

Accordingly, the Company achieved a combined ratio of 96.5% in the field of non-life insurance, while in the field of health insurance, it achieved a combined ratio of 98.6% by adequately managing the costs and despite a rise in health care costs.

With EUR 6.9 million of net profit, the Company achieved the return on equity (ROE) of 7.1 %. Profitability of operations and appropriate risk management lead to further strengthening of the capital adequacy of the Company and maintaining adequate capital surplus over the capital requirement.

Before the end of the year i.e. in mid-December, the international rating agency Fitch Ratings upgraded Adriatic Slovenica's Insurer Financial Strength (IFS) Rating to 'A' from 'BBB+'. The upgrading of the rating followed the revision of the Adriatic Slovenica's strategic status to 'Core' from 'Important' to its parent Assicurazioni Generali S.p.A. (Generali; IFS: A/Negative). The Outlook on Adriatic's IFS Rating was Negative, reflecting that on Assicurazioni Generali S.p.A.

2. GOVERNANCE STATEMENT

The corporate governance statement of (the acquired company) Adriatic Slovenica d.d., which forms an integral part of the Management Report as per the fifth paragraph of Article 70 of the Companies Act (ZGD-1), as a result of the merger by absorption is issued by the transferee company Generali zavarovalnica d.d. The corporate governance statement refers to the period from 1 January 2019 to 31 December 2019.

Governance System

The corporate governance system is regulated by the rules, which in a transparent and understandable manner determine:

- the organisational structure with precisely defined, transparent and consistent internal relationships regarding the responsibilities;
- an effective system of information transmission, proportionate in nature, scale and complexity of the Company's operations, with effective key management functions that are integrated into the organisational structure and decision-making processes of the Company;
- the structure of written rules, processes and risk management procedures, which comprise measures to ensure regular and continuous operations;
- the governance and management bodies of the Company and all employees are familiar and comply with the laws, professional rules and internal regulatory framework, taking into account their competences, powers and responsibilities, and the field of work.

Statement on the use of corporate governance codes

In 2019, Adriatic Slovenica d.d. (AS) committed again to apply the KD Group Governance Code (available on the Company website www.as-skupina.si/-/kodeks-upravljanja-skupine-kd/), as it is not required to apply the published corporate governance codes. The Company has only one shareholder and its securities are not traded on the official market. In its operations, the Company also abides by the Insurance Code (available on the website of the Slovenian Insurance Association at www.zav-zdruzenje.si).

Description of the main features of the internal controls and risk management system in the Company related to the financial reporting procedure

Internal controls are guidelines and procedures established by the Company and implemented at all levels in order to manage the risks related to financial reporting. The purpose of internal controls is to ensure efficiency and effectiveness of operations, reliability of financial reporting and compliance with the applicable laws and other external and internal regulations.

The Company is subject not only to the Companies Act but also to the special provisions of the Insurance Act, which regulates the obligation of insurance companies to establish and maintain adequate internal controls and risk management system. The implementing regulations related thereto are issued by the Insurance Supervision Agency and the Company complies with them.
Accounting controls are closely linked to IT controls, which restrict and control access to the network, data and applications as well as ensure completeness and accuracy of data capturing and processing.
For the purpose of financial reporting on a consolidated basis, the procedures and internal controls are defined in the internal accounting rules and the rules on providing consolidated financial statements of the Adriatic Slovenica Group.
The Group members submit their financial information for the preparation of consolidated financial statements in the form of reporting packages, prepared as required by the International Financial Reporting Standards (IFRS) and the guidelines of the parent company and within the time limits set in accordance with the financial calendar of the Company. The reporting packages include in-built cross controls that ensure data consistency. The packages are checked by external auditors. As an additional control of the accuracy of the reporting packages, the subsidiaries provide their original accounts. The introduction of unified information systems in subsidiaries and of the applications that support consolidation, planning and reporting increased the effectiveness of financial information exchange between the subsidiaries and the parent company and thus the information control. The appropriateness of established and operating internal IT controls is checked by IT specialists as part of the regular annual audit of financial statements.

In addition to the aforementioned system, AS set up a system of internal controls also in other important business processes. Internal controls include procedures and actions that ensure compliance with the law and internal rules. All major business processes in the Company are described, including with definitions of control points and individual controllers. The basic controls include checking the received documentation or systemic or manual control of the data processed. The Company follows the rules and regulations on the appropriate handling of confidential data and internal information, the admissibility of investments and the prohibition of insider trading. It regularly monitors the actions of employees when conducting transactions with financial instruments for their own account. Other persons to whom the Company has delegated the provision of particular services have to perform their tasks and duties in compliance with the laws, implementing regulations, the service contract, internal rules and working procedures that are in force in the Company.

Key Functions

The Company established an effective corporate governance system with four key internal control functions: the risk management function, the actuarial function, the compliance function and the internal audit function. They are set up as separate organisational units (teams), which are directly subordinated to the Management Board. The tasks, responsibilities, processes and reporting obligations of every key function are regulated in detail in the respective internal documents.

The actuarial function

It is organised in two permanent teams: Actuarial Activities for Non-life Insurance and Actuarial Activities for Life Insurance.

The key duties of the actuarial function include:
- coordination of the calculation of insurance technical provisions for the purposes of calculating capital requirements;
- information of the managing and supervisory bodies on the reliability and adequacy of methods, models and assumptions, which were used in the calculation of insurance technical provisions, and on the adequacy of calculated insurance technical provisions;
- control of the calculation of insurance technical provisions when approximations are applied in the calculation;

- verification of the appropriateness of the overall underwriting risk policy; provision of an opinion whether the amount of the premium of individual products is sufficient to cover all the obligations arising from these insurance contracts;
- verification of the adequacy of reinsurance or transfer of risk to a special purpose vehicle;
- participation in the introduction and implementation of the risk management system, particularly in the development, application and monitoring of the appropriateness of capital requirement calculation models and in conducting own risk and solvency assessment.

The actuarial function has access to all information of the Company that is needed to perform the duties of the actuarial function (records, data, documents, reports, correspondence with the Insurance Supervision Agency).

The risk management function

This function is placed within the risk management system or the second pillar (line of defence) of an effective risk management system. The primary task of the risk management function is to report on the risks defined as material to both the Management Board and the Supervisory Board. On its own initiative or at the request of the Management Board or the Supervisory Board, the risk management function also reports on other specific areas of risk.

The main risk management objectives are:
- comprehensive coordination and supervision of activities related to risk management in the Company;
- measurement and assessment of the comprehensive risk profile of the Company, including early identification of potential future risks;
- reporting to the Management Board on the risks defined as material.

Moreover, the risk management function coordinates all internal and external reporting procedures related to risks.

Risk management is discussed in greater detail in Section 8.1. hereof.

The compliance function

The compliance function is placed within the internal controls system (internal control) at the second pillar (line of defence) of an effective risk management system.

From the organisational point of view, the compliance function holder is a member of the permanent Compliance Team that is also managed by the holder. The function holder has an appropriate independence and has access to the applicable information and the members of the broader management team. The compliance function holder is a member of the Risk Management Committee, which is a consultative body with regard to the risk management system. The Compliance Team cooperates mainly with the permanent Legal Support and Risk Management teams, and where appropriate also with members of other process teams, whereby it has to be ensured that every task is performed by a person who did not participate in planning or carrying out of an activity that is subject of a task, and it has to be ensured that the conflict of interest is avoided so that it cannot affect the performance of the tasks in the context of compliance monitoring.

The tasks and responsibilities of the compliance function are:
- monitoring and regular assessment of the appropriateness and effectiveness of regular procedures and measures introduced to remedy any deficiencies in the Company's compliance with the applicable regulations and other commitments;
- provision of advice and assistance in ensuring compliance of the Company’s operations with the obligations set by the applicable regulations and with any other commitments;
- assessment of potential impacts of changes in the legal environment on the operations of the Company in terms of compliance with the applicable regulations and other commitments;

- definition and assessment of risks relating to the compliance of the operations of the Company with the applicable regulations and other commitments;
- informing the Management Board and the Supervisory Board on compliance of the operations of the Company with the applicable regulations and other commitments as well as on the assessed compliance risk of the operations of the Company.

Internal Audit

The internal audit is organised as an independent Internal Audit Team, which is directly subordinated to the Management Board. It is separated from other organisational units of the Company, both functionally and organisationally. Based on the risk assessment, the Internal Audit Team performs permanent and comprehensive supervision of the operations of the Company in order to verify and assess whether the risk management processes, internal controls and governance of the Company are adequate and operate in the manner ensuring the achievement of the following important objectives:

- effective and efficient operations of the Company, including the achievement of business and financial performance goals, and protection of assets against loss;
- reliable, timely and transparent internal and external financial and non-financial reporting;
- compliance with the law, other applicable regulations and internal rules.

The Internal Audit Team helps the Company to achieve the set objectives by promoting well-thought-out and organised assessment methods and by improving the effectiveness of risk management and control processes. Furthermore, it contributes to added value by providing independent and impartial assurances and advisory services. The Internal Audit Team reports on its work to the Management Board, the Audit Committee and the Supervisory Board.

The work of the Internal Audit Team is described in detail in Section 8.2. of the Management Report contained in the Annual Report.

External Audit

The audit of the financial statements is performed by the audit firm Ernst & Young d. o. o., Ljubljana. In line with the applicable local laws, the audit of the financial statements of the Zagreb Branch is performed by Antares revizija d. o. o. The company adheres to the provisions of the Insurance Act on the regular change of the external auditor.

Disclosure of information in line with the sixth paragraph of Article 70 of the Companies Act

The information is presented in detail in Section 6.1 of the Management Report contained in the Annual Report.

The Management Bodies of Adriatic Slovenica

The governance system

The Company has a two-tier management system. It is run by the Management Board, whose work is supervised by the Supervisory Board.

The Company pursues a diversity policy in management and supervisory bodies. In the composition of the Management and Supervisory Boards, the following aspects of the diversity policy are taken into account: age, education and professional experience, whereas gender is not taken into consideration.

General Meeting of Shareholders

Competences

The General Meeting of Shareholders decides on:

- adoption of the Annual Report if the Supervisory Board did not approve the Annual Report or if both the Management Board and the Supervisory Board left the decision on the adoption of the Annual Report to the General Meeting of Shareholders;
- distribution of accumulated profit based on the proposal of the Management Board and the report submitted by the Supervisory Board;
- appointment and recall of the Supervisory Board members;
- granting of a discharge to the Management and Supervisory Boards;
- amendments to the Articles of Association;
- measures to increase or reduce the capital;
- winding down the Company and change of status;
- appointment of an audit at the proposal of the Supervisory Board;
- other matters stipulated by law and the Articles of Association.

Convening of the GMS

The General Meeting of Shareholders, the body through which shareholders of the Company exercise their rights in respect of matters concerning the Company, is convened at least once a year, by the end of August at the latest. The General Meeting of Shareholders may also be convened in other circumstances set out by law or by the Articles of Association and when this is in the interest of the Company. As a general rule, the Company's Management Board convenes the General Meeting of Shareholders. The law stipulates when it can be convened by the Supervisory Board or the shareholders of the Company.

Entitlement to attend the General Meeting of Shareholders

All shareholders who are entered into the Central Securities Depository of securities issued in dematerialised form no later than by the end of the fourth day before the date of the General Meeting of Shareholders have the right to attend the General Meeting and exercise their voting right if they apply to be present no later than by the end of the fourth day prior to the date of the General Meeting of Shareholders. Conditions for participation or exercising of voting rights are specified in the convening of the General Meeting.

Resolutions

The General Meeting of Shareholders adopts resolutions by the majority of the votes cast (simple majority) unless the Articles of Association or the law lay down a higher majority or other requirements.

Voting right

The shareholders' voting right is exercised proportionally with their own stake in the Company's share capital. Each no-par value share corresponds to one vote. The voting right can also be exercised by proxy holders based on the written mandate and also through a financial organisation or shareholders' association.

The General Meetings of Shareholders (GMS) held in 2019

In 2019, the General Meetings of Shareholders was convened on three occasions.

- The 56th General Meeting of Shareholders was held on 13 February 2019. New members of the Supervisory Board were appointed in this the General Meeting;
- The 57th General Meeting of Shareholders was held on 24 April 2019. The General Meeting of Shareholders took note of the adopted Annual Report of Adriatic Slovenica and the AS Group for 2018, including the auditor's opinion, the Supervisory Board's Report on the Annual Report and the Annual Internal Audit Report for 2018, including the opinion of the Supervisory Board;

- The 58th General Meeting of Shareholders was held on 30 May 2019. The General Meeting of Shareholders adopted the resolution granting approval to the Merger by Absorption Agreement and the submission of statements under Article 599, Paragraph 6 of the Companies Act.

Supervisory Board

Operation of the Supervisory Board

The Supervisory Board oversees the management of the Company's business operations. In performing its work, the Supervisory Board follows the applicable regulations.

As part of its more important duties, the Supervisory Board:

- gives approval to the business strategy of the Company;
- approves the financial plan of the Company;
- gives consent to the Management Board with respect to written rules of the governance system;
- gives consent to the Management Board with respect to IAD's annual work plan;
- assess the adequacy of processes and the effectiveness of internal audit;
- drafts the opinion on the annual internal audit report for the General Meeting of Shareholders;
- discusses the findings of the ISA (Insurance Supervision Agency) and other regulatory bodies supervising the Company;
- verifies annual and interim reports of the Company;
- verifies the Annual Report submitted by the Management Board, takes a position on the Audit Report and prepares a report for the General Meeting of Shareholders, stating any observations and confirms it;
- reviews the draft proposal for the distribution of accumulated profits and submits its findings to the General Meeting of Shareholders in form of a written report.

In accordance with the law, the Supervisory Board holds at least one session per quarter, usually after the end of each quarter.

Supervisory Board in 2019

In accordance with the Articles of Association and the applicable law, the Supervisory Board is composed of six members, of which four shareholder representatives are appointed by the General Meeting of Shareholders, whereas two SB members – employee representatives are elected by the Work Council of the Company, which then informs the General Meeting of Shareholders of its decision. Members of the Supervisory Board are appointed for a maximum five-year term with the possibility of reappointment. The Supervisory Board concluded the year in the following composition - Luciano Cirinà, Chairman, Miroslav Singer, Vice Chairman, Miroslav Bašta, Member, Borut Šuštaršič, Member - Employee Representative, Matjaž Pavlin, Member - Employee Representative. Gregor Pilgram, who was also a member of the Supervisory Board, during the period of his temporary appointment to the Management Board, could not perform his function in the Supervisory Board.

Composition of the Supervisory Board in 2019	Office	Started serving as the SB member	Term of office
Aljoša Tomaž	Chairman	20. 3. 2018	Resigned on 13. 2. 2019
Tomaž Butina	Member	7. 9. 2017	Resigned on 13. 2. 2019
Aleksander Sekavčnik	Vice-Chairman	20. 3. 2018	Resigned on 13. 2. 2019
Borut Šuštaršič	Member - employee representative	28. 9. 2015	28. 9. 2023*
Matjaž Pavlin	Member - employee representative	7. 4. 2016	7. 4. 2021
Gregor Pilgram	Member Chairman	18. 2. 2019 20. 3. 2019	18. 2. 2024 31. 8. 2019
Luciano Cirinà	Member Chairman	18. 2. 2019 1. 9. 2019	18. 2. 2024
Miroslav Singer	Member Vice-Chairman	18. 2. 2019 1. 9. 2019	18. 2. 2024
Miroslav Bašta	Member	18. 2. 2019	18. 2. 2024

*New 4-year appointment starting on 28 September 2019.

Remunerations, reimbursements and other benefits

Data on earnings of the Supervisory Board members are disclosed in more detail in Section 11.4. of the Financial Report. Remunerations are in line with the resolution passed by the 43rd General Meeting of Shareholders held on 3 September 2012.

Shareholdings of Supervisory Board members

The Supervisory Board members do not own any shares of the Company.

Supervisory Board Committes

In line with the law and good practice, the Supervisory Board may appoint one or several committees in charge of a particular area, which prepare draft resolutions of the Supervisory Board, ensure their implementation and perform other duties, thus supporting the Supervisory Board's work. In 2019, two Supervisory Board Committees were active first, to be followed by only the Audit Committee.

Audit Committee

The operation of the Audit Committee

The Audit Committee of the Supervisory Board was established in 2007, even before this became obligatory for insurance undertakings. The duties and competences of the Audit Committee are set out in the Companies Act, the Charter of the Audit Committee, the Rules of Procedure of the Audit Committee, the Rules of Procedure of the Supervisory Board and other autonomous sources of law (e.g. recommendations for audit committees).

The Audit Committee has the following competences and performs the following important duties:

- monitors the effectiveness of internal controls in the Company, internal audit and risk management systems;
- monitors the financial reporting processes;
- monitors the statutory audits of separate and consolidated financial statements;
- reviews and monitors the independence of the auditor for the Company's Annual Report, particularly when providing additional non-audit services;
- proposes to the Supervisory Board a candidate to be appointed as an auditor of the Company's Annual Report;
- monitors the integrity of financial information provided by the Company;
- assesses the Annual Report and prepares proposals for the Supervisory Board;
- participates in determining the main areas of auditing;
- participates in the preparation of the agreement between the auditor and the Company;
- cooperates with the auditor in auditing the Company's Annual Report, particularly by exchanging information on major issues relating to the audit.

Audit Committee in 2019:

The Audit Committee ended the year composed of Beáta Petrušová, Chairman of the Committee and Vera Dolinar, Member. The following composition changes were made during the year:

Composition of the Audit Committee in 2019	Office	Term of office
Matjaž Pavlin	Chairman – SB Member	Resigned on 15. 7. 2019
Tomaž Butina	Vice-Chairman – SB Member	Resigned on 13. 2. 2019
Vera Dolinar	Member – Independent Expert	From 12. 12. 2016, indefinite duration
Beáta Petrušová	Member Chairman	From 8. 4. 2019, indefinite duration From 30. 9. 2019

Payments, reimbursements and other benefits

Data on earnings of the Audit Committee members are disclosed in Section 11.4 of the Financial Report. Remuneration of the Audit Committee members is in line with the resolution passed by the 45th General Meeting of Shareholders held on 27 May 2013.

Committee for the regular monitoring of the implementation of the Strategy and achievement of the target business model

The Supervisory Board appointed the Committee for the regular monitoring of the implementation of the Strategy and achievement of the target business model in 2018. The Committee ceased its operations immediately after the change of sole shareholder, with the resignation of all members.

Payments, reimbursements and other benefits

Data on earnings of the Committee members are disclosed in Section 11.4 of the Financial Report included in the Annual Report. Remuneration of the members is in line with the resolution passed by the 43rd General Meeting of Shareholders held on 3 September 2012.

Management Board

Operation of the Management Board

The Management Board manages, presents and represents the Company in legal transactions. The Management Board acted within the framework of the meetings of the Management Board. In addition to formal meetings of the Management Board, it exercised the powers and responsibilities in the daily operations as well as the powers and responsibilities with regard to the General Meeting of Shareholders, as defined by the Companies Act and the Insurance Act. . The Management Board performed the activities in relation to the Supervisory Board in accordance with the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. The Management Board has at least two members; the specific number of board members is set by the Supervisory Board according to Company's business needs. In legal transactions, the Company must always be represented jointly by at least two members.

Competences and major tasks of the Management Board:

- manages and organises the operations of the Company;
- presents and represents the Company;
- is responsible for the legality of the operations of the Company;
- adopts the development strategy of the Company and submits it to the Supervisory Board for approval;
- adopts the business and financial plan of the Company subject to the approval of the Supervisory Board;
- adopts internal documents of the Company;
- reports to the Supervisory Board on the operations of the Company and the Group;
- drafts an annual report and submits it, including the auditor's report and proposal on distribution of accumulated profits, to the Supervisory Board for approval;
- convenes the General Meeting of Shareholders;
- implements the resolutions passed by the General Meeting of Shareholders and the Supervisory Board.

Management Board in 2019

There were major changes in the composition of the Management Board in 2019. The Management Board concluded the year with two members: Gregor Pilgram, President of the Management Board and Matija Šenk, Member of the Management Board. During the year, the following composition changes were made:

Composition of the Management Board in2019	Office	Start date of term of office	Duration / end of term of office
Gabrijel Škof	President	1. 10. 2017	Resigned on 1. 10. 2019
Matija Šenk*	Member	30. 1. 2014	31. 1. 2024
Jure Kvaternik	Member	16. 4. 2018	Resigned on 31. 7. 2019
Gregor Pilgram**	President	1. 10. 2019	1 year

* New 5-year appointment starting on 31 January 2019.
**Temporary appointment among the Members of the SB.

Presentation of the Members of the Management Board as at 31 December 2019

Gregor Pilgram, President of the Management Board, born in 1973, graduated from Vienna Economic University. He commenced his successful career in 1999 as an expert in the controlling department of Generali zavarovalnica in Ljubljana, in 2004 he became Member of the Management Board and in 2008 President of the Management Board of Generali zavarovalnica. He upgraded his extensive experience in the field of insurance through various management positions within the regional structures of the Generali Group. In 2013, he was appointed CEO of Generali CEE Holding. During his work in Slovenia, Gregor Pilgram has been a member of numerous associations, including the Executive Board of the Manager's Association of Slovenia. In 2010, he was awarded the Young Manager of the Year award by the Manager's Association of Slovenia for shaping the Slovene insurance market and for the achievements of Generali zavarovalnica in Slovenia.

Matija Šenk, Member of the Management Board, born in 1962, graduated in mathematics and became a certied actuary obtained in cooperation with the Faculty of Economics and the Faculty of Actuaries from Great Britain. He has gained a more than 20-year long experience in the insurance industry (since 1996) where he held many managerial posts in supervisory boards at home and abroad. He held managerial posts in the companies of the Group KD Group, from being the President of the Management Board of Slovenica, to being a member of the Management Board of Adriatic Slovenica a long-serving President of the Management Board of KD Življenje and CEO of KD Group. He is a member of numerous associations, as well as author and co-author of books and a rich array of articles on insurance business. In 2014 he became Member of the Management Board of Adriatic Slovenica and has been Member of the Management Board of the Company ever since.

Remunerations, reimbursements and other benefits

The data on remuneration of the Management Board members are discussed in greater detail in Section 11.4 of the Financial Report included in the Annual Report.

Equity shares

No equity shares were held by the Members of the Management Board.

Ljubljana, 20 March 2020

Katarina Guzej Member of the Management Board	Mitja Feri Member of the Management Board	Vanja Hrovat President of the Management Board

3. SUPERVISORY BOARD REPORT

Supervision of the operation of Adriatic Slovenica d.d. and the Adriatic Slovenica Group

The purpose of the report of the Supervisory Board is to provide the General Meeting of Shareholders with an expert evaluation of the materials for the session when the shareholders will examine the Annual Report and decide on the distribution of accumulated profit. The Supervisory Board is responsible for reviewing the Annual Report of Adriatic Slovenica d. d. and the Consolidated Annual Report of Adriatic Slovenica. In its report, the Supervisory Board is required to specify the manner and scope of its supervision of the Company's operation in the course of the business year and provide its opinion of the auditor's report and other statutory reports.

Following the merger of Adriatic Slovenica d. d., the Supervisory Board of Adriatic Slovenica (hereinafter referred to explicitly as SB AS) ceased to function, the report is submitted by the Audit Committee of the Supervisory Board of the acquiring company Generali zavarovalnica d.d. (hereinafter 'the Supervisory Board). The same applies to the Audit Committee of the Supervisory Boards, as shown in the separate report on the work of the Audit Committee.

The SB AS started the year 2019 composed of: Aljoša Tomaž as Chairman, Aleksander Sekavčnik as Vice-Chairman, Tomaž Butina as Member, Matjaž Pavlin as Member and Employee Representative and Borut Šuštaršič as Member and Employee Representative. Immediately following the entry of the shareholder Generali CEE Holding B.V. (13 February 2019) into the ownership of Adriatic Slovenica d. d., the composition of the Supervisory Board partly changed as members Aljoša Tomaž, Aleksander Sekavčnik and Tomaž Butina resigned and new members of the SB AS were appointed in the General meeting of Shareholders, namely Gregor Pilgram, Luciano Cirinà, Miroslav Bašta and Miroslav Singer. The SB AS then appointed Gregor Pilgram as Chairman of the Supervisory Board and Luciano Cirinà as Vice Chairman on 20 March 2019. On 31 August 2019, Gregor Pilgram resigned as Chairman because of his temporary appointment to the Company's Management Board and Luciano Cirinà took over the chairmanship of the Supervisory Board from 1 September 2019, and Miroslav Singer became Vice Chairman. The SB AS ended 2019 in the following composition Luciano Cirinà as Chairman, Miroslav Singer as Vice Chairman, Miroslav Bašta as Member, Gregor Pilgram as Member (provisionally appointed President of the Management Board), Matjaž Pavlin as Member and Employee Representative and Borut Šuštaršič as Member and Employee Representative.

The SB AS Board performed its activities in accordance with the agreed model of supervision over the operation of the Management Board. In 2019, the Supervisory Board held 11 sessions, 9 of which by correspondence. In the course of the sessions, the Supervisory Board discussed the quarterly performance and risk reports of the Company. The Supervisory Board approved the Annual Report and the Consolidated Annual Report of Adriatic Slovenica d.d. for 2018 as well as reviewed the report on the relationship with the controlling company in 2018. The Supervisory Board also examined the reports prepared by the actuarial function with regard to non-life and life insurances for 2018 and approved the Supervisory Board functions activity report and compliance report for 2018. Furthermore, the Supervisory Board approved the Solvency and Financial Condition Report (SFCR) for 2018 and the Own Risk and Solvency Assessment (ORSA) of the insurance company Adriatic Slovenica, conducted a regular annual review of the management policies of the insurance company, examined the report on the activities of Internal Audit in the first half of 2019 and the annual report of the monitoring of compliance key function for 2019. Further to the proposal of the Management Bard, the Supervisory Board approved the convening of the session of the General Meeting of Shareholders in which the General Meeting of Shareholders decided on the distribution of accumulated profit and granted discharge to the Supervisory Board and the Management Board for the business year 2019.

In addition to its regular tasks, the SB AS also performed human resources tasks, producing competency and suitability assessments for the newly appointed members of the Supervisory Board and the Management Board. It appointed Matija Šenk as a new Member of the Management Board and accepted the resignation of the Member of the Management Board Jure Kvaternik and later the resignation of the President of the Management Board, Gabriel Škof, provisionally appointing Gregor Pilgram, among its members, as the President of the Management Board. The SB AS also took note of the resignation of Audit Committee of the Supervisory Board member Matjaž Pavlin and appointed Beáta Petrušova Member of the Audit Committee. The SB AS approved the appointment of Nataša Sremac as the holder of the compliance key function.

The SB AS regularly monitored the merger process with Generali d.d. throughout the year and, inter alia, it approved the Merger by Absorption Agreement and adopted the Report on the Review of the Merger in specially convened meetings.

Following the merger of Adriatic Slovenica d. d. with Generali d. d., the duties of the Supervisory Board related to the control over the acquired company Adriatic Slovenica d. d. had to be continued by the Supervisory Board of Generali. Until the date of this report, the Supervisory Board considered the performance report of Adriatic Slovenica in the last quarter of 2019, and the Internal Audit report for the second half of the year as well as the internal audit annual report for 2019.

Review and approval of the Annual Report

At its session held on 26 March 2020, the Supervisory Board examined the Annual Report and Consolidated Annual Report of Adriatic Slovenica for 2019 along with the corresponding reports of the certified auditor Ernst & Young d.o.o., the proposal of the Management Board on the distribution of accumulated profit and the proposal for granting a discharge.

The reports of the certified auditor indicate that the financial statements of Adriatic Slovenica d.d. are a fair presentation of the Company's and Group's financial positions as at 31 December 2019 as well as of financial results and cash flows in the business year 2019 and in accordance with IFRS.

The Supervisory Board took note of the report of the Audit Committee giving a positive opinion on the Annual Report and the Consolidate Annual Report. The Supervisory Board had previously taken note of the report on the activities of Internal Audit in the second half of 2019 and the annual report for 2019. The Supervisory Board issued a positive opinion on the annual report on the activities of Internal Audit in 2019. On the basis of familiarization with the work of the SB AS and the presented internal audit reports, the Supervisory Board of Generali may therefore assess that no such breaches in the management of risks have been identified which could endanger the safety of the company's operations.

Furthermore, the Supervisory Board took note of the report by the Management Board on the relationship of the Company with the controlling company in 2019 and the auditor's opinion on this report, issued on the basis of Article 546 of the Companies Act. The auditor's opinion states that none of the collected data suggested that the factual information provided in the Report on the relationship with the controlling company was inaccurate, or that the value of the Company's performance with respect to the legal transactions listed in the report was disproportionately high or that there were any circumstances warranting a materially different assessment of disadvantages than that provided by the Management Board. The Supervisory Board finds that the content of the Annual Report and the Consolidated Annual Report present a true and fair view of the operation of Adriatic Slovenica d.d.

On the basis of the review of the Annual Report and the examination of the auditor's reports for 2019, the Supervisory Board:

- approves the Annual Report of Adriatic Slovenica d.d. for 2019,
- approves the Consolidated Annual Report of the Adriatic Slovenica Group for 2019,
- gives a positive opinion on the reports of the auditor Ernst & Young d. o. o.,
- proposes to the General Meeting of Shareholders to grant a discharge to the Management Board and Supervisory Board and to allocate the accumulated profit in accordance with the proposal of the Management Board.

It is proposed that the distribution of accumulated profit be conducted following the established model according to which Generali d. d. does not pay dividends, while the merged company Adriatic Slovenica needs to allocate a part of the accumulated profit equal to 90% of the net profit (of the company Adriatic

Slovenica d.d.). This amounts to EUR 6,237,545.09 and, after rounding off the payment per share to two decimal places, the amount of EUR 6,218,800.69 would be allocated for dividends. The Management Board thus proposes to the Supervisory Board to submit the following proposal regarding the distribution of accumulated profit for resolution of the General Meeting of Shareholders:

The accumulated profit of Generali d.d., as established on 31 December 2019, amounts to EUR 3,538,070.

The accumulated profit of the company Adriatic Slovenica d.d., acquired on 3 January 2020, as established on 31 December 2019, amounts to EUR 36,973,931.18.

The sum of the accumulated profits of the two companies amounts to EUR 40,512,001.18 and this accumulated profit shall be distributed as follows:

- *A part of the accumulated profits amounting to EUR 6,218,800.69 shall be used for dividend payments in the gross amount of EUR 2,63 per share. The Company will pay dividends on 24 April 2020 to Shareholders registered with KDD (Central Securities Clearing Corporation) on 20 April 2020.*

- *The rest of the accumulated profits in the amount of EUR 34,293,200.49 shall remain unallocated and its distribution will be decided upon in the coming years.*

Ljubljana, 26 March 2020

Gregor Pilgram
Chairman of the Supervisory Board

4. REPORT OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD

Report of the Audit Committee of the Supervisory Board on its activities in 2019 and on the review of materials for the approval of the Annual Report for 2019.

Formal aspect:
The purpose of the report of the Audit Committee is to provide the Supervisory Board with an expert assessment of the materials which are the basis for the examination by the Supervisory Board of the Annual Report of Adriatic Slovenica d.d. and the Adriatic Slovenica Group along with the auditor's reports, the Management Board's proposal on the distribution of accumulated profit, the report on the relationship with the controlling company and the annual report on the activities of Internal Audit in 2019.

The Audit Committee provides the Supervisory Board with expertise required for the implementation of supervision over the management of the Company.

Given that, following the acquisition of Adriatic Slovenica d. d., the Audit Committee of the Supervisory Board of Adriatic Slovenica (hereinafter referred to explicitly as AC AS) ceased to function, the report is submitted by the Audit Committee of the Supervisory Board of the acquiring company Generali zavarovalnica d. d. (hereinafter 'the Audit Committee').

The AC AS started the year 2019 in the following composition: Matjaž Pavlin as the Chairman, Tomaž Butina as the Vice-Chairman and Vera Dolinar as independent member. After the termination of office of Tomaž Butina following his withdrawal from the Supervisory Board, the Supervisory Board appointed a new member Beáta Petrušova (20 March 2019), who became chairwoman of the Audit Committee after the resignation of Matjaž Pavlin (30 September 2019).

The AC AS held four regular sessions, two of which by correspondence. In these sessions the AC AS focused on the following topics

1. risk management and efficiency of internal controls;
2. Internal Audit reports (individual reports, reports on the implementation of recommendations, half-yearly reports, annual report) and the annual and long-term work plan of the Internal Audit;
3. actuarial function reports;
4. reports and annual work plan of the compliance function;
5. financial reporting;
6. audit of financial statements;
7. annual report, report on the relationship with the controlling company, Solvency and Financial Condition Report, Own Risk and Solvency Assessment;
8. auditor selection and independence and provision of non-audit services by the selected auditor;
9. monitoring of the progress of inspections, follow-up on decisions issued by regulators to the Company.

After the merger, the work of AC AS related to the progress of auditing and adoption of the Annual Report and the Consolidated Annual Report of Adriatica Slovenica d. d. has been continued by the Audit Committee of the Generali Supervisory Board.

Substantive aspect:
Risk management and efficiency of the internal control system

In the reporting period, the AC AS monitored the efficiency of risk management in the Company by closely following the Company's performance and examining risk reports. The AC AS examined the work plan of the key function Compliance for 2019 and gave its consent to it.

Operating efficiency of Internal Audit

In 2019, the AC AS regularly monitored the functioning of Internal Audit, the adequacy of procedures, the operating efficiency and performance as well as the compliance of operations with the International Standards for the Professional Practice of Internal Auditing. The Internal Audit carried out its activities on the basis of the Annual Work Programme, which was fully implemented. The AC AS examined quarterly reports on the implementation of recommendations of the Supervisory Board and established that the auditees were successful in implementing the recommendations thus redressing the deficiencies and irregularities. In addition to auditing and monitoring the implementation of the recommendations, Internal Audit also provided advisory services and monitored the Company's operations on an ongoing basis, including risk exposure. The AC AS also discussed the Report on the activities of Internal Audit for the first half of 2019 that is submitted to the Supervisory Board.

The Internal Audit Report for the second year-half, which is submitted to the Supervisory Board, and the Internal Audit Annual Report for 2019, which is submitted to the Supervisory Board and the General Meeting of Shareholders, were prepared after the conclusion of the merger and were discussed by the Audit Committee of Generali d.d.

Based on the insight into the work of AC AS and the aforementioned review of internal audit reports, the Audit Committee is of the opinion that the Internal Audit in Adriatic Slovenica d.d. in 2018 was performed successfully and efficiently, using the appropriate auditing procedures.

Financial statements and external audit

In accordance with its competences, the AC AS was involved in determining the frame of reference for the relationship with the auditor Ernst & Young d.o.o. The AC AS was informed about the progress of the audit and the Audit Committee of Generali d.d. was informed about all the findings and the Auditor's Report after the completion of the audit.

Based on the auditor’s opinion, the audit was conducted without any difficulties. With regard to the Annual Report of Adriatic Slovenica d.d. and the Consolidated Report of Adriatic Slovenica Group for business year 2019 and the corresponding audit reports by Ernst & Young d.o.o., the Audit Committee concludes:

- that the Annual Report was prepared within the statutory time limit and contains all the mandatory elements;
- that the disclosures in the financial statements are complete;
- that the financial statements are prepared in compliance with the generally accepted auditing standards and adequately reflect the applied accounting policies;
- that the insurance company adequately formed its statutory reserves and reserves for own shares;
- that Ernst & Young d.o.o. issued an unqualified opinion on the financial statements of the company and the group.

Conclusions:

In the light of the above, the Audit Committee proposes to the Supervisory Board:

1. **to issue a positive opinion on the report on the activities of the Internal Audit in Adriatic Slovenica d.d. for the second half of 2019 and the annual report on the activities of Internal Audit in Adriatic Slovenica d. d. in 2019;**

2. **to issue a positive opinion on the auditor’s reports and to approve the Annual Report and the Consolidated Annual Report of Adriatic Slovenica d. d. for the business year 2019 in their proposed form.**

Ljubljana, 23 March 2020

Carlo Schiavetto
Chairman of the Audit Committee

5. NON-FINANCIAL STATEMENT

Adriatic Slovenica and Adriatic Slovenica Group Business Model

The strategy of the AS Group is based on the insurance industry and complemented by high-quality asset management services and investment products. In **insurance business**, the Company AS provides comprehensive insurance protection through non-life, life, pension and health insurance in Slovenia and to a certain extent in Croatia through its branch. **Asset management** or investment funds management is performed by the subsidiary Generali Investments in Slovenia and abroad by its subsidiaries Generali Investments Zagreb and Generali Investments Skopje. The AS Insurance Company implemented the development strategy, which is included within the framework of the Adriatic Slovenica 2017-2022 Strategic Plan also in 2019.

Sustainable and profitable operation with a strong cost base: we are developing a flexible organisation that enables us to quickly and effectively adapt to the changing market conditions and legislative environment. We offer quality, modern and at the same time affordable insurance products and services. In that regard, it is important that we operate at optimum cost, while maintaining the technological freshness and the highest quality of services.

Our customers are our partners: we are building long-term partnerships with customers who appreciate a good-quality offer and professional and efficient services. We settle claims fast and effectively communicate new features, which guarantee even greater safety and savings to our customers. We work proactively to respond to the wishes of policyholders and the needs of modern times. We follow technological trends and intertwine new developments innovatively into our services and offers, adapted to companies or individuals alike.

Comprehensive range of insurance products and solutions: our significant competitive advantage is the 'one-stop' comprehensive insurance protection. We take care of safety of an individual and of all their property under one safe roof. Personal safety is ensured with the widest range of health, life and pension insurance products tailored to the needs of every person. In addition, we offer quality assistance services and support that round the circle of safety for our policyholders. Our range is being constantly supplemented with financial solutions that enable profitable savings while ensuring safe autumn years. We identify risks and offer insurance solutions for the widest array of business risks and natural disasters. In cooperation with the company management, we guarantee superior protection for all key business areas and employees, thereby significantly increasing the company performance and cost effectiveness.

We promote the integration culture: we are developing an organisation that is connected outside and inside by our five values. We are creating a working environment that motivates employees and promotes team spirit and cooperation. We radiate energy outward, so that it can be felt by our customers. We connect modern products and expert advice into the full circle of safety - with the customer at the heart of all our efforts. We also connect with the wider environment and, with the support of various social projects and individuals, we enable the development and enrichment of the environment in which we live and create.

Company staff policies

The Company staff policies support the business objectives and the strategy of the Company and the Group, since only qualified, committed, responsible and, not least, satisfied employees can meet ambitious goals. The company regularly measures the organizational climate and employee satisfaction, assesses their competencies and performance, and promotes education and training of all employees, with an emphasis on the development of behavioural and sales competencies.

The Company's managerial staff are subject to specific requirements regarding their professional competence and personal suitability due to the managing or supervising responsibilities. The knowledge, skills and experience required from everyone holding a position in the management and supervisory bodies of the company ensure that these persons make competent decisions in managing the company on the basis of a good understanding and knowledge of the Company's operations, risks and corporate governance structure as well as knowledge of the legislation. The requirements for competency and suitability are determined separately for the members of the Supervisory Board and the Audit Committee of the Supervisory Board, the members of the Management Board and the holders of key functions in the company. The Company remuneration policy encourages reliable and efficient risk management without encouraging risk taking which would exceed the limits of risk tolerance. It is based on the foundations of the Company business strategy, vision and objectives, the Company risk management strategy, the Company performance and the company long-term interests. The activities, results and main indicators of the Company staff policy are presented in more detail in Section 10.1. of the Company Annual Report.

Environmental and social policies of the Company and anti-corruption action

Since its establishment, Adriatic Slovenica has been supporting a plethora of projects, initiatives and campaigns of national importance as well as regional and local events contributing to a better quality of life. Through donations and sponsorships, we have been promoting projects related to healthcare, sport, culture, preservation of natural and cultural heritage, education and safety, especially relating to health preservation and a healthy lifestyle. A responsible attitude towards the environment has been a long-standing practice of the insurance company and its employees. The main activities and indicators of the company's operations in the field of sustainable development are discussed in more detail in Section 10.2. of the Company Annual Report. The Adriatic Slovenica outsourcing policy defines the principles that constitute a guideline in concluding contracts for the outsourcing of functions or activities and defines the method and procedure for the selection of independent providers. The policy determines the requirements for the selection of service providers, the obligation to conclude a written agreement, the continuous verification of the service providers and other activities that the Company must implement to achieve the purpose defined by the policy.

The employees of Adriatic Slovenica are obliged to respect the Code of Conduct of Adriatic Slovenica d.d. According to the Code, the employees act in accordance with the laws and the applicable internal rules and guidelines, in a responsible and fair manner, avoiding any conflict between private and business interests. Protection of confidential data, honesty towards customers and operation consistent with the applicable data protection legislation and adequate internal regulatory framework constitute important bases of trust of our clients. Confidential data, price sensitive information and company records, irrespective of whether they relate to natural or legal persons and regardless of whether they relate to the operations of a particular company or the AS Group or its employees, must be protected at an appropriate level which does not allow access to persons who do not need such data to perform their tasks. Corruption is not tolerated neither in the Company nor in the entire AS Group. Because situations may arise that do not constitute corruption by law, but which may raise doubts about the fair conduct of employees, customers or business partners, the Code of Conduct lists rules of conduct that will prevent such doubts. Charitable donations and sponsorships must remain within the legal system and the adopted common policy; we do not provide political donations and donations to political parties (in accordance with the Political Parties Act).

The Company and the AS Group are fully committed to the international fight against money laundering and terrorist financing and carry out all necessary procedures for identifying clients and informing the competent institutions in accordance with applicable laws and internal regulations. Employees, regardless of their workplace, must not participate in nor tolerate illegal activities. This applies in particular to any infringement of antitrust regulations and tax evasion, including, but not limited to, engaging in tax fraud. Adriatic Slovenica has developed a system for dealing with notices of wrongdoing from the point of view of legality and respect for the company's internal normative regulation (the whistle-blowing system). The purpose of the system of receiving and dealing with notices of wrongdoing is to enable employees to directly inform the Compliance Team about the wrongdoing that has not been recognized and adequately managed within the framework of regular processes and internal regulatory framework of the Company, as well as to ensure proper treatment of notifications and protection of notifiers.

Ljubljana, 20 March 2020

Katarina Guzej,
Member
of the Management Board

Mitja Feri,
Member
of the Management Board

Vanja Hrovat,
President
of the Management Board

6. GENERAL INFORMATION ABOUT ADRIATIC SLOVENICA AND THE AS GROUP

6.1 AS as AT 31. 12. 2019

Abbreviated company name	ADRIATIC SLOVENICA d. d.
Address	Ljubljanska cesta 3a, 6503 Koper, Slovenia
Phone	++386 5 66 43 100
Company registration number	5063361
VAT identification number	SI 63658011
Share capital	EUR 42,999,529.80
Equity attributable to the controlling company	100 %
Date of entry into the Companies Register:	20 November 1990
Management Board:	Gregor Pilgram, President; Matija Šenk, Member
Credit rating	Fitch Ratings: A (31. 12. 2019)

Share capital and shareholders of Adriatic Slovenica as at 31 December 2019:

Shareholder structure	No. of shares	Portion
Generali CEE Holding B. V.	10,304,407	100.00 %
Total	**10,304,407**	**100.00 %**

Generali CEE Holding B. V. is the 100% Shareholder.
As at 31 December 2019, the share capital of the Company amounted to EUR 42,999,529.80.

Shares

Along the general information on shares, below is also the information required to be disclosed in line with the sixth paragraph of Article 70 of the Companies Act (ZGD-1).

All shares of Adriatic Slovenica are ordinary, no-par value, registered and dematerialised, and all of the same class. The shares give their holders the following rights:

- the right to participate in the management of the Company (each share entitles its holder to one vote at the General Meeting of Shareholders);
- the right to a proportional part of the Company's profit (dividend);
- the right to a proportionate part of the assets remaining after liquidation or bankruptcy.

Restrictions on the transfer of shares: All shares of Adriatic Slovenica are freely transferable.

Holders of qualifying holdings under the Takeovers Act (ZPre-1): GENERALI CEE Holding B.V is the sole shareholder and holder of the qualifying holding.
Holders of securities with special controlling rights: Adriatic Slovenica did not issue any securities with special controlling rights.
Employee share schemes: Adriatic Slovenica does not have a regulated employee share scheme.

Restrictions on voting rights are not defined.

Agreements between shareholders which may result in restrictions on the transfer of securities or voting rights: No agreements are possible as there is only one shareholder.

Company regulations on the appointment and replacement of the Management Board Members: In line with the Articles of Association of Adriatic Slovenica, the President and the Members of the Management Board are appointed by the Supervisory Board for a five-year term of office with the possibility of illimited reappointment. The natural persons with an unlimited legal capacity that fulfil the conditions laid down in the Companies Act, the Insurance Act and the Fit and Proper Policy for managerial personnel may be appointed to the Management Board. The Supervisory Board may recall the Management Board or its members for reasons stipulated by law.

Company regulations on the appointment and replacement of the Supervisory Board Members: In accordance with the Articles of Association of Adriatic Slovenica, the Supervisory Board consists of six Members. Four of them are shareholder representatives elected by the General Meeting of Shareholders and two are employee representatives elected by the Company's Works Council or directly by the Company's employees, of which the Works Council informs the General Meeting of Shareholders.
Members of the Supervisory Board, shareholder representatives, are elected by the General Meeting of Shareholders by a majority vote of the present shareholders. The term of office of the Supervisory Board members is 5 years, with the possibility of re-election. Natural persons with an unlimited legal capacity that fulfil the conditions laid down in the Companies Act, the Insurance Act and the Fit and Proper Policy for managerial personnel may serve as Supervisory Board members. In accordance with the law, the General Meeting may recall the Supervisory Board Members, shareholder representatives, early with a resolution by a majority that corresponds to at least three-quarters of the represented share capital.

The Adriatic Slovenica rules on amendments to the Articles of Association: The Articles of Associations contain no specific rules for their amendment. They can be changed based on the law in a General Meeting of Shareholders' resolution by a majority that corresponds to at least three-quarters of the represented share capital.

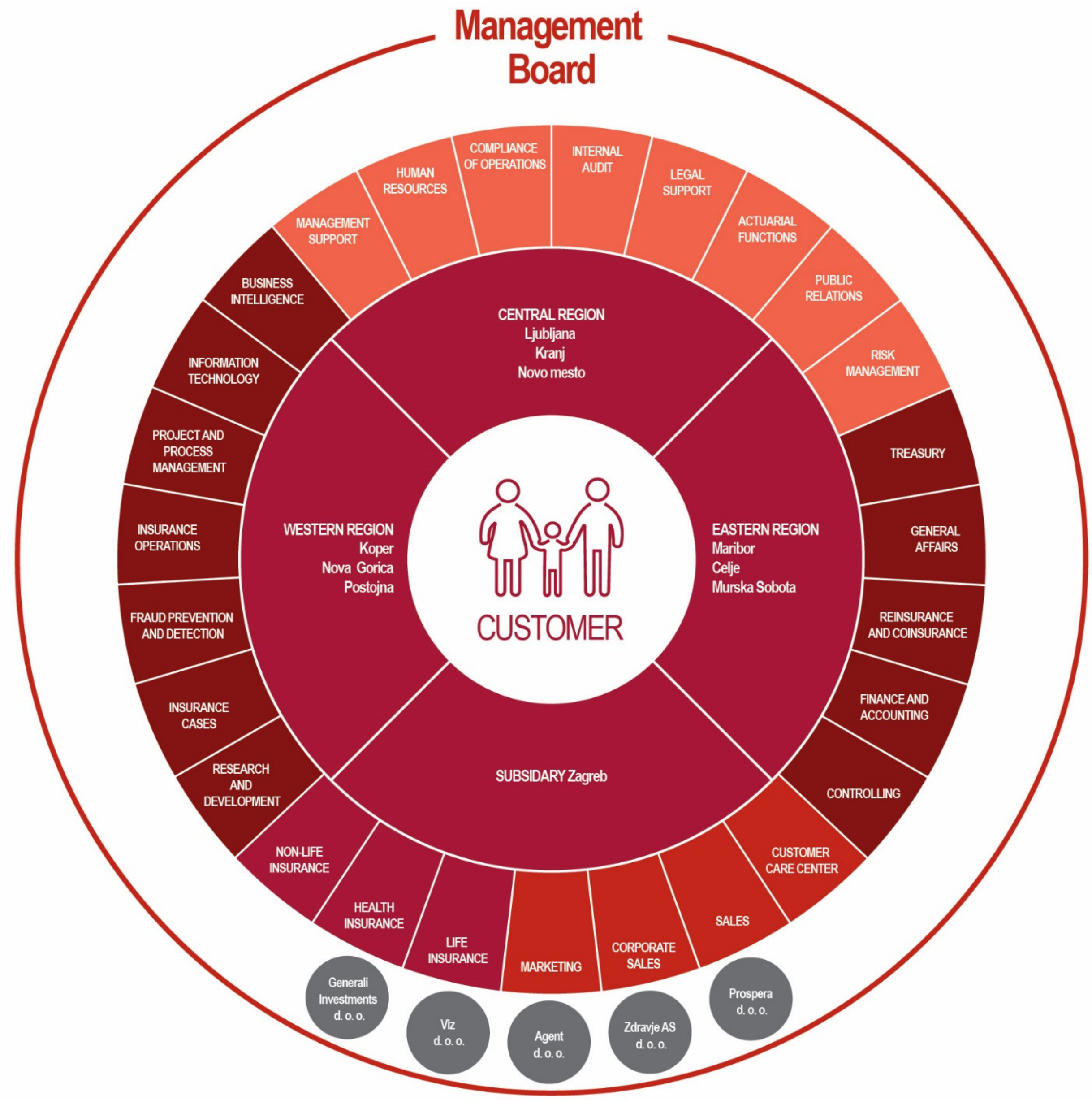
Powers of the Management Board, particularly with regard to own shares: The powers of the Management Board are set by the law. The Company's General Meeting of Shareholders did not grant the Management Board any powers related to own shares.

Important agreements taking effect, being amended or terminated based on the change in the control of the Company as a result of a public takeover bid: Adriatic Slovenica covers its exposure with reinsurance for its own account (retrocession).

Agreements between the Company and the members of its management or supervisory body on compensation in case of their resignation, dismissal without cause or the termination of their employment due to a statutory takeover bid (under the law governing takeovers): In the case of resignation, Management Board members are not eligible to a severance pay. If, however, they are recalled or if their employment agreement is terminated by the Supervisory Board without cause, in the case of business reasons, or in the event of inability to perform, the Management Board members are entitled to a severance pay.

6.2 ORGANISATION AND ORGANISATIONAL STRUCTURE OF AS

Organisational scheme of Adriatic Slovenica and the AS Group with subsidiaries (31. 12. 2019):



The Insurance Company AS (the parent company of the AS Group) provides its clients with services in a diversified marketing network in Slovenia, which was developed regionally as early as in 1993. The parent company is at the same time the meeting point of the Group's business development. The Company is process-organized and processes are executed by permanent and flexible process teams. The business processes in the Company are divided by content into corporate affairs, sales and development, operational performance and risks and finances. These take place at the headquarters and within three regions and in the Zagreb Branch, which adapts the processes to the parent company. The basic sales process is carried out in separate geographical areas in the Western, Central and Eastern regions (with units in Koper, Nova Gorica and Postojna; Ljubljana, Novo mesto and Kranj; Maribor, Celje and Murska Sobota). Since the beginning of 2019, all product and service development has been part of a single R&D Team, the Customer Care Centre was extended to the Customer Centre. The BI (data) team, formerly part of the IT framework, was transformed into the corporate Business Intelligence Team, which ensures the interpretation, quality and interdisciplinary nature of data for a more effective decision-making at all levels of the Company.

Sales Network

AS has a modern and wide spread sales network throughout Slovenia as well as in Croatia. The quality of the sales network is reflected primarily in the consultative selling method, which provides customers with adequate and comprehensive insurance protection. The sales area in Slovenia is organized according to target customers groups, covering both sales to natural persons, small and medium-sized enterprises, sales to large legal entities and clients seeking their insurance coverage digitally.

Sales to large legal entities, corporations and customers requiring a broader business cooperation at the level of the company, and to public procurement clients or clients dedicated to specific activities, are carried out in several ways. Such operations are conducted either directly through key account managers or indirectly through insurance brokers and via the public procurement portal. As these are more complex insurance operations, sales are based on the individual dealing with risk and the adjustment of the insurance programme to the client's business environment. We offer each client individual treatment and a general key account manager and the client his own manager available for monitoring and assistance during the insurance period.

The SME segment, representing the largest share of legal entities in Slovenia, is provided with comprehensive insurance coverage, including pension and health insurance for company employees. Sales activities with consultancy are dealt with in this segment by our own agents, agency sales network, employed key account managers and broking companies.

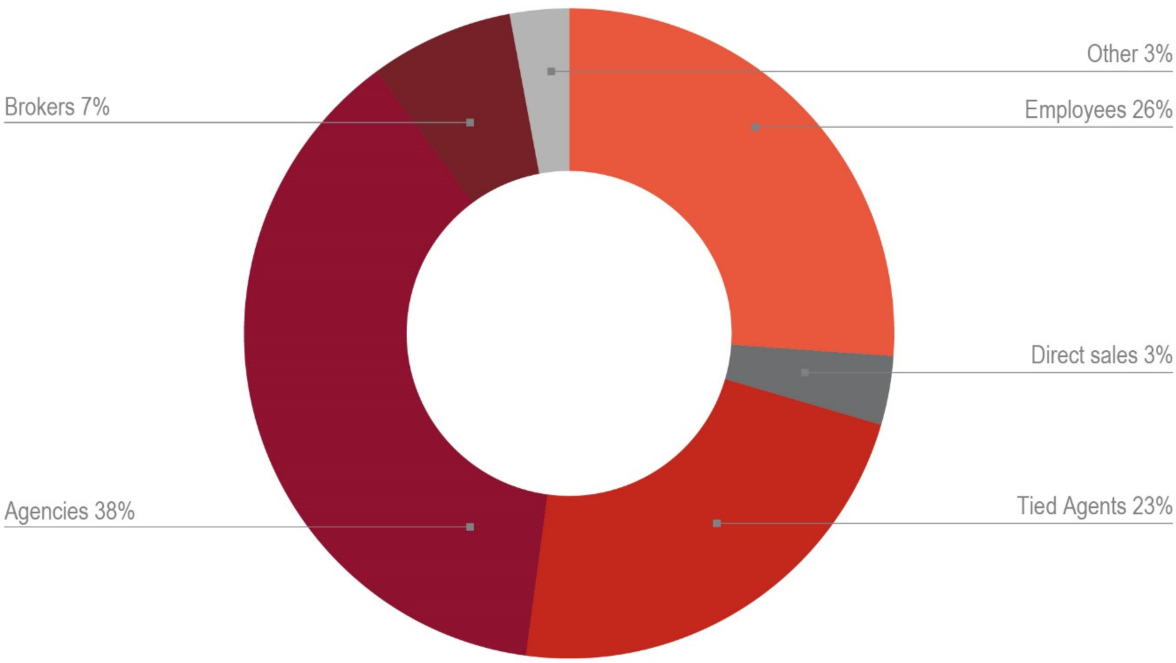
In addition to the traditional sales channels described above, AS also has a highly developed sales model through modern digital sales channels. Digital channels are being intensively developed via the WIZ sales website, which is constantly under intensive optimization and updating. Sales on the WIZ website are on the rise, although many clients still use it for browsing and obtaining information on insurance, while clients usually take out complex insurance over one of the traditional sales channels. Larger traditional sales channels are the agency sales network, own agents and employees, supplemented by complementary sales channels and broking companies.

The largest sales channel is the agency sales network (as much as 38 % of the overall sales) divided into exclusive agencies (offering our clients only our insurance products) which they make up the vast majority of agency sales and non-exclusive agencies (offering also insurance products of other insurance companies). The second largest is a set of sales channels consisting of employees who sell and manage major systems insurance and mass insurance (Supplementary Health Insurance - DZZ), accounting for 26% of all premiums collected. This is followed by the third major own agent sales channel, representing 23% of the premium collected.

In order to effectively support the sales network in underwriting insurance, we further upgraded the centralized sales network support through the Sales Support Centre in 2019. The upgrade of the Sales Support Centre was primarily aimed at further training and increasing the range of services it provides to the sales network and at adjusting the operations of the Centre in view of the increased volume of analytical assistance in directing sales.

Our sales network provides services in three regions, at 53 points of sale: in nine business units located in all regional centers throughout Slovenia: in Koper, Postojna, Nova Gorica, Ljubljana, Kranj, Novo mesto, Celje, Maribor and Murska Sobota; in five branch offices: Domžale, Idrija, Krško, Slovenj Gradec and Ribnica; and in 33 representative offices and 6 offices of specialized agents. Customers can make use of 122 underwriting points available with the contract agencies of the Insurance Company. The Company also cooperates with other contractual partners, such as motor vehicle inspection companies, freight forwarders and travel agencies.

Breakdown of the gross written premium by main sales channels in 2019 (in %):



In 2019, the Zagreb Branch sales network comprised three channels, namely its own agent network and its own Call Centre, independent agencies and digital agencies. In total, about thirty marketeers marketed life insurance. The sales offices are in Zagreb, Varaždin and Split. AS Osiguranje had contracts with approximately 50 agencies in 2019. The Zagreb Branch maintained the existing work processes and adapted them to the processes of the parent company. In 2019, the Branch further intensified its digital and traditional motor vehicle and life insurance sales. They pay particular attention to increasing the efficiency of their own agents in the marketing of life insurance, and are also planning to expand the contractual sales network.

Generali Investments began to develop alternative funds, aimed primarily at institutional investors and better-off individuals in 2017. In 2019, the first alternative real estate fund, the Generali Adriatic Value Fund, a special investment fund, was joined by the private equity fund Generali Growth SIS d. o. o. k. d. The Company estimates that the area of alternative funds is interesting for its development and plans to create new funds in the future, funds which will invest their assets in alternative investment classes. With the intention to optimize its business, Generali Investments constantly develops new digital solutions that contribute to the efficiency of operations and to the improvement of the user and investor experiences. At the end of 2019, Generali Investments launched a completely redesigned free mobile application for investors, which provides an overview of Generali Investments' up-to-date information and gives investors an updated view of the portfolio and the transfer between its products.

A brief history of Adriatic Slovenica

Adriatic Slovenica d.d. was founded in 1990 when Adriatic Zavarovalna družba d. d. Koper was established from the regional unit of the insurance community Triglav in Koper. In the next three years, it put in place an extensive sales network across Slovenia and Istria with branches in Koper, Pula, Ljubljana, Celje, Kranj, Postojna, Nova Gorica, Novo mesto, Maribor and Murska Sobota. The Company continued to expand through mergers and takeovers: in 2005, Slovenica d.d. merged with Adriatic and was renamed Adriatic Slovenica Zavarovalniška družba d.d. In 2013, Adriatic Slovenica, as part of a spin-off operation, took over the employees and the entire portfolio of its sister insurance company KD Življenje. In 2015, the cross-border merger of Adriatic Slovenica with KD Životno Osiguranje took place. In 2018, a minor subsidiary KD IT d.o.o. was acquired by merger. Adriatic Slovenica and its subsidiaries became part of the Generali Group on 13 February 2019. On 3 January 2020, Adriatic Slovenica merged with Generali zavarovalnica d. d, which, as the transferee company, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations. Adriatic Slovenica was deleted from the Court Register on the same day.

6.3 THE AS GROUP

In addition to the parent company Adriatic Slovenica, Zavarovalna družba d.d., the Group consists of the direct subsidiaries Generali Investments d. o. o. (until renaming in late August 2019 KD Skladi d.o.o.), Prospera d.o.o., VIZ d.o.o., Zdravje AS d.o.o. and Agent d.o.o., all wholly owned by Adriatic Slovenica.

The subsidiary Generali Investments d. o. o. holds a 94.6% stake in the indirect subsidiary Generali Investments a. d. Skopje (until renaming KD Fondovi a.d. Skopje) and a 96.7% stake in the indirect subsidiary Generali Investments d. o. o. Zagreb (until renaming KD Locusta Fondovi d.o.o. Zagreb). The subsidiary holds a 100% stake in the companies Generali Investments GP 1 d. o. o. and Generali Investments GP 2 d. o. o. and a 54.79% stake in the company Generali Investments CP d. o. o. k. d.

The parent company holds a 48.51% percent stake in Nama trgovsko podjetje d. d., Slovenia, a 33.09% stake in MEDIFIT d. o. o., a 25% stake in the company IDORU d. o. o., thus considering them associates.

Generali Investments

Generali Investments, družba za upravljanje d. o. o.	
Address	Dunajska cesta 63, 1000 Ljubljana, Slovenia
Company registration number	5834457
VAT identification number	SI 56687036
Activity:	- activity of custody funds and other funds and similar financial entities - financial fund management
Share capital	EUR 1,767,668
Equity attributable to the controlling company:	100 %
Date of entry into the Companies Register:	11 March 1994 under No. Srg 1392/94
Management:	Luka Podlogar, President of the Management Board; Casper Frans Rondeltap, Member of the Management Board

Generali Investments is the oldest and one of the leading asset management companies in Slovenia. It was incorporated on 24 February 1994 as Kmečka družba d.d. During its life, its name was changed numerous times (in 2001 it was first renamed KD Investments, then KD Investments, družba za upravljanje, d.d. and KD Investments, družba za upravljanje, d.o.o.). In 2008, it was named KD Skladi, družba za upravljanje, d.o.o., with the short name KD Skladi d.o.o. and in late August its name changed again to Generali Investments. The principal activity of Generali Investments is investment fund management. The company offers investors (particularly those from South-East Europe) the widest possible range of investment options worldwide, and at the same time provides a comprehensive investment offer in this region. As at the 2019 year-end, the Company managed Generali Krovni sklad (Umbrella Fund) with 16 sub-funds which invest in different types of securities (shares, bonds, deposits) on various global capital markets and in different branches, as well as two special investment funds Generali Adriatic Value Fund, a special investment fund, the first regulated Real Estate Alternative Investment Fund (AIF) in Slovenia, and Generali Growth SIS d. o. o. k. d, a private equity fund.

The Company managed the following sub-funds of Generali Krovni sklad: Generali Galileo, mešani fleksibilni sklad (Generali Galileo, Mixed Flexible Fund), Generali Rastko, evropski delniški sklad (Generali Rastko, Europe Equity Fund), Generali Bond, obvezniški – EUR (Generali Bond – EUR), Generali MM, sklad denarnega trga –

EUR (Generali MM, Money Market – EUR), Generali Prvi izbor, sklad delniških skladov (Generali First Selection, Fund of Equity Funds), Generali Balkan, delniški (Generali Balkan, Equity), Generali Novi trgi, delniški (Generali New Markets, Equity), Generali Surovine in energija, delniški (Generali Raw Materials and Energy, Equity), Generali Tehnologija, delniški (Generali Technology, Equity), Generali Vitalnost, delniški (Generali Vitality, Equity), Generali Indija – Kitajska, delniški (Generali India – China, Equity), Generali Latinska Amerika, delniški (Generali Latin America, Equity), Generali Vzhodna Evropa, delniški (Generali Eastern Europe, Equity), Generali Dividendni, delniški (Generali Dividend, Equity), Generali Amerika, delniški (Generali America, Equity) and Generali Corporate Bonds, obvezniški sklad (bond fund).

In over two decades of operation, Generali Investments has received numerous awards for the successful asset management. In 2019, asset manager Luka Flere, Investment Sector Manager, received the highest award given by the magazine Moje Finance (My Finance Magazine) in the field of management in Slovenia and became the Best Asset Manager in 2019. In the nine years of awarding, the Best Asset Manager of The Year award went to the company Generali Investments for the sixth time. In January 2019, the US-based internationally recognized and independent agency for the evaluation of fund management performance, Morningstar, which also monitors the performance in asset management of the company Generali Investments (at the time KD Funds), ranked the company among the 9% of the world's top management companies.

In Slovenia the company Generali Investments, družba za upravljanje d. o. o. has the following subsidiaries: Generali Investments CP d. o. o. k.d., Dunajska 63 Ljubljana, GP 1, , družba za investicije d. o. o. Dunajska 63 Ljubljana and Generali Investments GP 2, , družba za investicije d. o. o. Dunajska 63 Ljubljana. Outside Slovenia, two fund management subsidiaries manage together 14 investment funds, of which 10 mutual funds in Croatia and 4 in Macedonia. As at 31 December 2019, Generali Investments, d. o. o. was the controlling company of the management company Generali Investments d. o. o., Savska cesta 106, Zagreb, in which it has a 96.7% stake, and of the management company Generali Investments a. d. Skopje, Bul. Partizanski odredi 14A, Skopje, Macedonia, in which it has a 94.6% stake.

Slovenia	**As at 31. 12. 2019**
Number of (UCITS) funds	16
Assets under management of (UCTIS) funds	EUR 539 million
Number of alternative funds	2
Assets under management of alternative funds *	EUR 78 million
No. of employees in asset management	11
Total no. of employees	54
Assets under management (including management)	EUR 967 million
Croatia	**As at 31. 12. 2019**
Number of (UCITS) funds	8
Assets under management of (UCTIS) funds	EUR 34 million
Number of alternative funds	2
Assets under management of alternative funds	EUR 1 million
No. of employees in asset management	3
Total no. of employees	8
Total assets under management	EUR 35 million
Macedonia	**As at 31. 12. 2019**
No. of funds	4
No. of employees in asset management	3
Total no. of employees	6
Assets under management	EUR 23 million

Prospera

The Prospera company has operated since 2011 specialising in debt recovery, in particular bad debt recovery and recovery under judicial recovery procedures. As a part of the AS Group, it is included in the consolidated financial statements of the controlling company. In addition to optimizing debt recovery, it adjusts recovery procedures to help implement the parent company's strategy.

Prospera družba za izterjavo d. o. o.	
Address	Ljubljanska cesta 3, 6000 Koper, Slovenia
Phone	++386 5 66 43 333
E-mail	info@prospera-kp.si
Company registration number:	6074618000
VAT identification number:	SI 34037616
Other financial service activities, except insurance and pension funding, n.e.c.	Other financial service activities, except insurance and pension funding, n.e.c.
Share capital:	EUR 100,000
Equity attributable to the controlling company:	100 %
Date of entry into the Companies Register:	16 December 2011
Management:	Bojana Merše, Managing Director

Viz

AS provides its clients with various modern insurance products also online, through its WIZ brand, which is the abbreviation for the following important factors of online sales - **V**arno, **V**arčno, **I**zjemno, **Z**aupanja vredno (Safe, Economical, Exceptional, Trustworthy). Clients who want to address their insurance needs remotely may make use of the website www.wiz.si and a state-of-the-art Customer Support Centre accessible through various communication channels.

Viz zavarovalno zastopništvo d. o. o.	
Address	Ljubljanska cesta 3a, 6000 Koper, Slovenja
Free toll phone:	080 11 24
E- mail:	info.wiz.si@generali.com
Web page:	www.wiz.si
Company registration number:	6161456000
VAT identification number:	SI87410206
Activity:	Activities of insurance agents and brokers
Share capital:	EUR 77,247
Equity attributable to the controlling company:	100 %
Date of entry into the Companies Register:	14 May 2012
Management:	Gašper Bračič , Managing Director

Zdravje AS

The company Zdravje AS has been providing specilist outpatient healthcare since 2017 in the fields of orthopedics, physiotherapy, surgery and X-ray diagnostics. The activity is carried out at three locations in Ljubljana: specialist examinations are carried out at Bohoričeva 5 at the premises of MD Medicina Sanatorium, physiotherapy is performed at Chengdujska 25 at the premises of the Institute for Occupational Health and Safety, and X-ray diagnostics at Vojkova 48. Only self-paying services are provided by the Zdravje AS clinic as the outpatient clinic is not part of the public health network. In addition to the health insurers of the Company, the clients of Zdravje AS are also the policyholders of other commercial insurers and self-payers.

Zdravje AS d. o. o.	
Address:	Bohoričeva ulica 5, 1000 Ljubljana, Slovenia
Phone:	++386 030 704 429
E- mail:	info@zdravje-as.si
Company registration number:	6332846000
VAT identification number:	SI 22745866
Activity:	Specialist outpatient health care service
Share capital:	EUR 352,490
Equity attributable to the controlling company:	100 %
Date of entry into the Companies Register:	7 March 2013
Management:	Katerina Rihter, Managing Director

AGENT

The Company Agent d. o. o. has be an AS's long-standing business partner (since 1991) providing insurance agency services ever since its establishment. It is one of the key sales channels for non-life insurance offered by AS in the area of the Slovenian Littoral, with branch offices in Izola, Koper and Lucija. In 2016, Agent's special agent network was created following the arrival of the agents from the company FT&Partnerji who operate throughout Slovenia.

Agent d. o .o.	
Address:	Cankarjev drevored 4, 6310 Izola – Isola,
Company registration number:	5467438000
VAT identification number:	SI 20359187
Activity:	Cankarjev drevored 4, 6310 Izola – Isola,
Share capital:	5467438000
Equity attributable to the controlling company:	SI 20359187
Date of entry into the Companies Register:	Insurance agency
Management:	Borut Širca, Managing Director

7. PERFORMANCE IN 2019

7.1 OVERVIEW OF DEVELOPMENTS IN THE ECONOMY AND THE INSURANCE MARKET

Slovenia's macroeconomic environment in 2019

The effects of the international environment significantly slowed down economic growth in 2019. Exports to our main trading partners declined year-on-year, with exports of some of the major intermediate products related to the automotive industry suffering the largest decline. Real GDP growth slowed down to 1.7% in the last quarter of last year, while the annual 2019 GDP growth stood at 2.4%. Household consumption contributed most to growth in the last quarter, supported by a relatively high employment growth, wage growth and social transfers. However, at the end of the year, with increased uncertainty about future economic conditions, the consumer confidence indicator decreased and household savings increased. Growth in construction investment, which was high at the beginning of the year and virtually stalled during the year, rebounded at the end of the year. In other activities, movements were more subdued. Manufacturing activity has been stagnant since the first quarter of last year, which is partly due to a slowdown in exports to major trading partners. In the euro area, year-on-year economic growth in the last quarter of 2019 was the lowest in the last six years, amounting to only 1%.

The situation on the labour market improved further towards the end of 2019, but less intensively than at the end of 2018. The number of labour force increased by 2.5% year-on-year in the first eleven months, most notably in construction, transport, storage and catering. However, it should be emphasized that employment growth is based primarily on the employment of foreigners, since the contribution of foreigners to total growth is over 70%. The number of the unemployed continues to decline, with 75,292 unemployed registered at the end of 2019, down 4.1% from end-2018. Wage growth strengthened last year, mainly due to the increase in the general government sector, and to a lesser extent also due to a rise in the minimum wage. Growth in social transfers was also higher, where the adopted tax relief of the holiday pay had a beneficial impact. With increased funding, households stepped up their purchases of some consumer durables, such as cars and household appliances.

Year-on-year price growth was 0.4 percentage points higher than in the previous year and stood at 1.8%. Prices of essential goods (especially food) and semi-durable goods increased, while prices of durable goods decreased further. Growth in energy prices finally slowed down in 2019 to 1.2%, reaching only one third of the 2018 growth. Service price growth slowed down at the end of the year, but was still more than twice as high as commodity price growth. In particular, prices for services related to housing, health insurance and catering were rising fast.

Despite the solid growth in the domestic market, the rise in the prices of industrial products of Slovenian producers remained low, owing to the months-long decline in prices on foreign markets. Core inflation picked up slightly in 2019 but was still below 2%.

The surplus of the consolidated balance of public financing in 2019 was lower than in the previous year. The lower revenue growth was due to year-on-year lower non-tax and EU revenues, also with a lower tax revenue growth. The lower surplus was also affected by increased expenditure, in particular expenditure related to the agreed wage increases and further employment growth in the public sector, as well as measures in the field of social transfers.

Credit activity in the Slovenian banking system was supported in 2019 primarily by the growth of deposits by domestic non-banking sectors. Year-on-year growth in loans to domestic non-banking sectors increased last year owing to a slightly stronger growth in corporate and NFI loans, but remained moderate. Household loans continued to contribute the most to overall growth.

The Slovene insurance market in 2019

22 (re)insurance, pension and other companies having their registered seat operated in the Slovenian insurance market. Of the insurance companies, eight are composite, five life and five non-life insurance companies.

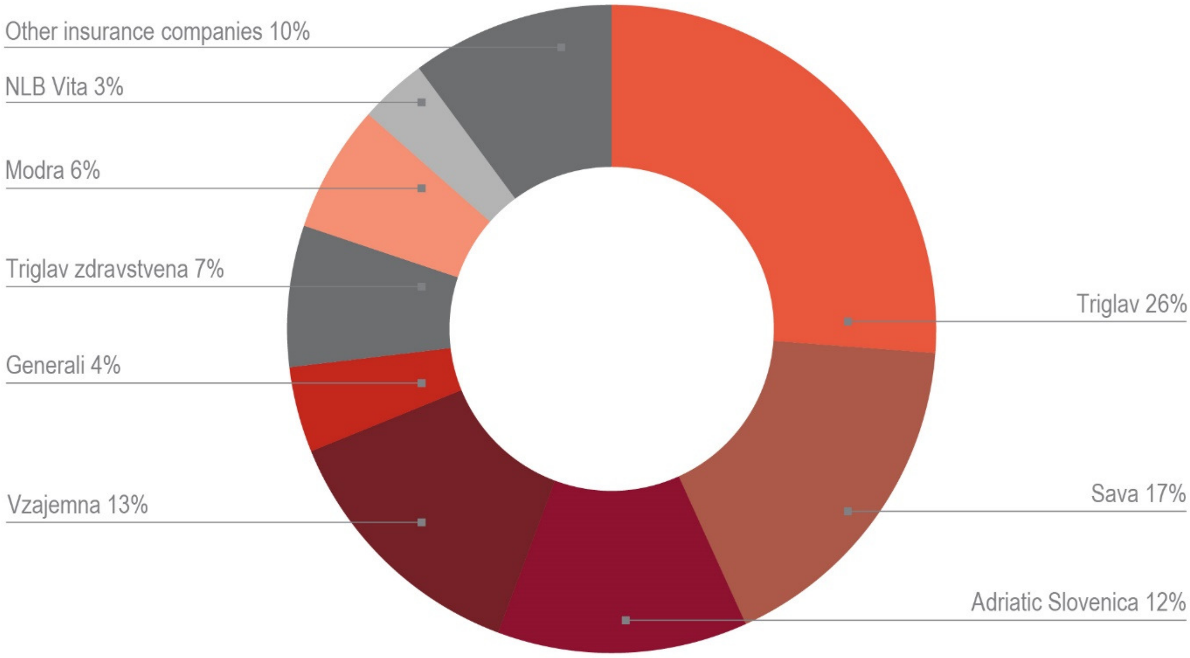
According to data collected by the Slovenian Insurance Association, gross written premium showed a growth in demand for insurance products in 2019. A premium of EUR 2.5 billion was accumulated in total, which represents an increase of 7.5% compared to 2018. Written premium from non-life insurance totalled EUR 1,763 million (70 %), while written premium from life insurance amounted to EUR 754 million (30 %). Growth was recorded in all insurance segments. Other insurance grew by 4.3%, health insurance by 11.7%, and life insurance by 5.5%.

The growth of the insurance business was driven by growth in the economic environment, better labour market conditions, wage growth and social transfers, which were reflected in a larger volume of purchases and savings in various forms of insurance.

Within non-life insurance, the highest growth was recorded by general liability insurance, assistance insurance, insurance, suretyship insurance and motor vehicle insurance. The growth in health insurance was also partly driven by the rise in the prices of complementary health insurance, which was introduced by all providers on the market. In the area of life and pension insurance, pension and (traditional) life insurance grew the most.

The Slovene insurance market was again last year marked by a high concentration rate. The five largest insurance companies held a 76% share of the insurance market. Adriatic Slovenica ranked fourth among the insurance companies on the market by holding a 12.5% market share.

The structure of the Slovene insurance market in 2019:



The Croatian macroeconomic environment in 2019
The Croatian economy recorded a steady economic growth in 2019, which is projected to be 2.9%, or 0.2 percentage points more than last year. In the last quarter of 2019, roughly the same dynamics of growth in both private and government consumption was recorded; the growth of services exports grew significantly, while investments and commodity exports slowed. Considering the different proportions of various categories, the growth of personal consumption had the biggest impact on GDP growth, while exports of services and goods and government consumption had a smaller impact. The growth of personal consumption was driven by positive trends in the labour market, the movement of net wages and the credit activity of commercial banks. The dynamics of investment growth can be linked to the use of EU funds, while the export of services was influenced by the effects of the good tourist season. Commodity exports grew mainly due to increased exports of pharmaceuticals and motor vehicles and their parts.

Given the rise in aggregate demand and a noticeable slowdown in the growth of imports of goods and services, domestic production increased, with the largest increase in gross value added being recorded in the wholesale and retail trade, transport, catering and construction sectors. For the second consecutive year, the manufacturing industry recorded an actual decline in gross value added of 1.6%.

The consumer price index is estimated to be 0.8% in 2019, mainly due to significantly lower energy prices, lower prices of unprocessed food (the impact of reduced VAT on fresh food) and industrial products excluding food and energy. Prices of services increased compared to the previous year, as did the prices of processed foods, which had the greatest impact on inflation.

The Croatian insurance market in 2019
The Croatian insurance market achieved a growth of 7.0%. In total, insurance companies collected premiums of EUR 1,422 million, which is EUR 93 million more than in the previous year. Growth was mainly driven by non-life insurance, representing 70.9% or EUR 1,009 million of written premiums, which shows an increase of its extent by 11.3%. Life insurance segment totalled premiums of EUR 414 million, with emphasis on traditional life insurance products.

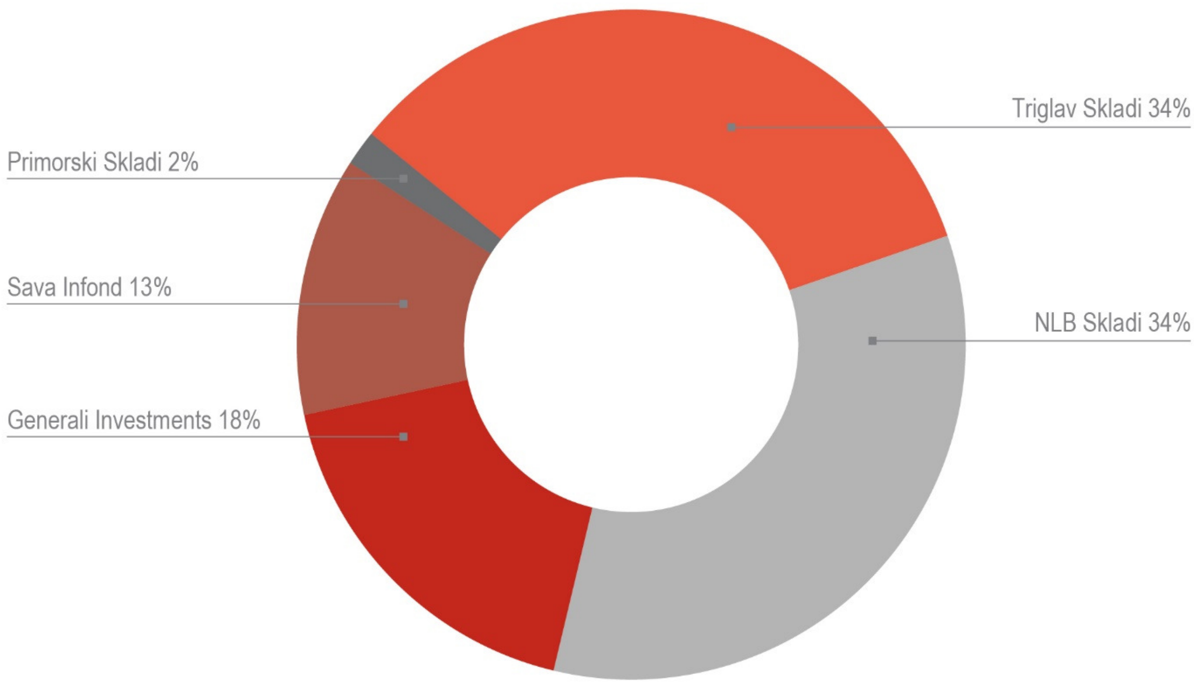
The non-life insurance structure did not change over the last period. In 2019, motor vehicle insurance again prevailed with 21.8%, comprehensive motor vehicle insurance premium accounted for 11.9% of total written premium, while the rest of the premium was evenly divided between other insurance subclasses.

There were 20 insurance companies in the market. The market can be described as concentrated as 5 major insurance companies (Croatia osiguranje, Allianz, Euroherc, Vienna Insurance Group, Generali) held a market share of 65% at the end of the year.

7.2 CAPITAL MARKETS AND THE INDUSTRY OF MUTUAL FUNDS DOV

At the 2019 year-end, the Slovene market featured five Slovene management companies, which had - according to the data of the Securities Market Agency - assets amounting to EUR 3.020 billion from 455,787 investors. Compared to 2018 year-end, the assets managed within mutual funds grew by EUR 551 million or 22.2% at the 2019 year-end, i.e. by EUR 187 million.
With regard to the value of net assets managed within mutual funds, at the 2019 end-year most assets were managed by NLB Skladi, i.e. EUR 1.023 billion, which represents a market share of 34%. It is followed by Triglav Skladi with EUR 1.019 billion and a market share of 33.9% and Generali Investments ranking third with EUR 539.2 million from 51,096 investors and a market share of 17.9%.
Compared to the end of 2018, at the year-end 2019 the assets managed within the Generali Krovni sklad (Umbrella Fund) were up by 12.8% or EUR 61.1 million. The increase in assets is a consequence of a growth in capital markets of 15.2% or EUR 72.5 million, however this was partly decreased by a negative net flow of -2.4% or a net outflow of EUR 11.4 million. In 2019, payments into the Generali Umbrella Fund totalled EUR 42.12 million while pay-outs amounted to EUR 53.55 million.

Market shares of individual management companies as at 31 December 2019, measured by value of net assets managed by mutual funds:



Capital markets in 2019
Global stock markets grew well over 20% in 2019, as measured by the MSCI Index. After a correction made in the last quarter of 2018, the year began with a recovery and by the summer the markets had made up for lost

ground. Growth continued in the second half of the year, when the world's major stock indices reached their historical peaks. Developed markets went up more than markets of developing countries. Expectations for economic growth declined during the year and macroeconomic indicators showed a worse picture than in previous years. As a countermeasure, the central banks showed that they had not yet exhausted their options and resumed a softer monetary policy. The required yields to maturity on debt securities decreased, and in some cases to record low interest rates. In the last part of the year there was progress in negotiating a US-China trade agreement. Uncertainty about Britain's exit from the European Union also became less risky.

Developed markets

US stock prices gained more than 30%, as measured by the MSCI Index expressed in Euro. According to the latest figures, the US economy was growing at a slower pace in 2019 than in the previous year. The unemployment rate dropped to a low 3.5% during the year. This was the lowest unemployment rate since 1969, i.e. the lowest in the last half century. According to the University of Michigan, consumer confidence was at high levels, as it had been in the year before. On the other hand, the outlook for US companies worsened. The uncertainty surrounding the trade wars and import tariffs announced by the US and China reduced the outlook mostly in the manufacturing industry. The time had come when the US Central Bank was forced to act. The US Federal Reserve (FED), which had raised its key interest rate four times in the previous year, lowered it three times last year, each time by 25 basis points. At the end of the year the interest rate amounted to 1.75%. No changes in central bank interest rates are expected in 2020. At the close of last year, market expectations indicated two interest rate hikes. Thus the FED brought a surprise to the market and its consequences spread to the financial markets. The required yield to maturity on the 10-year US government bond, which ranged above 3 percent for most of last year, was falling and fell below 1.5% at the end of the summer. The US stock indices S&P 500 and Dow Jones climbed to their historic peaks. A partial agreement on tariffs between the US and China was reached in December, further boosting the market. In the future, China is expected to increase its imports of US goods, thereby reducing its trade surplus with the US. Similar to the US, economic growth cooled on the old continent. In the largest European economy, Germany, the annual growth was less than 1%. The export-oriented German economy felt the trade war in the form of a decline in demand for German goods. Unlike in the US, consumer confidence in the euro area was low. The consumer was the major force of European recovery in the previous years. Inflation also declined, hovering around 1% at an annual level towards the end of the year. At its September meeting, the ECB lowered its deposit rate charged to the banks for deposits to a negative 0.5%. This was a decrease of 10 basis points. They also reintroduced bond buyback on the secondary market. They will continue making purchases of 20 billion a month as long as needed. The additional liquidity in the market was reflected in lower required yields on government and corporate bonds. The yield to maturity on the 10-year German government bond dropped further into negative territory in 2019, reaching a historical low of negative 0.7%. In British election, PM Johnson and his Conservative party succeeded in getting the largest majority after 1987, when Thatcher succeeded in doing this. This has cleared the way for Britain's separation from the EU, as Johnson now has the necessary support to carry out his plan. The value of the British pound jumped significantly in the last quarter.

Emerging markets

Stock markets in the main economies of developing countries went up (just like the markets in the developed world). However, they did not manage to rise above the highest rates achieved in 2018. The MSCI BRIK stock index rose by more than 20%, measured in euros. The highest growth was recorded by Russian shares, which soared by more than 40%. The lowest growth in BRIC countries was recorded by investments in India, where exchange rate growth was only slightly above 8% as measured by the MSCI index. The uncertainty over the trade wars and the cooling of global economic growth had a crucial role. Most of the currencies of developing countries lost value against the US dollar in 2019, which is also the reason for lower returns on investment in these countries. According to recent data, economic growth in China was 6%. Although this is still a higher rate of economic growth than in the developed world, it was the lowest economic expansion since 1992, when Deng Xiaoping introduced its economic reforms. The Chinese Central Bank responded by reducing the required reserves that the banking sector is obliged to hold, which released additional liquidity into the economy. India, the fastest growing large developing economy only last year, suffered a decline in economic growth, which was 4.5%, according to the latest data. Unemployment also increased during the year. The Brazilian economy, just like the year before, showed a very low economic growth. The far-right government of President Bolsonar failed to implement the pension reform. The government was also under international pressure due to poor control over the safeguard of the Amazon tropical forest, where the number of deliberately set fires increased dramatically. Among the BRIC countries, the highest growth was recorded by investments in Russia. Russia, whose main exports are crude oil and its derivatives, profited from the rise in prices of this most important energy source. A barrel of crude oil went up by about $ 10 a year.

Slovenia and the Balkans

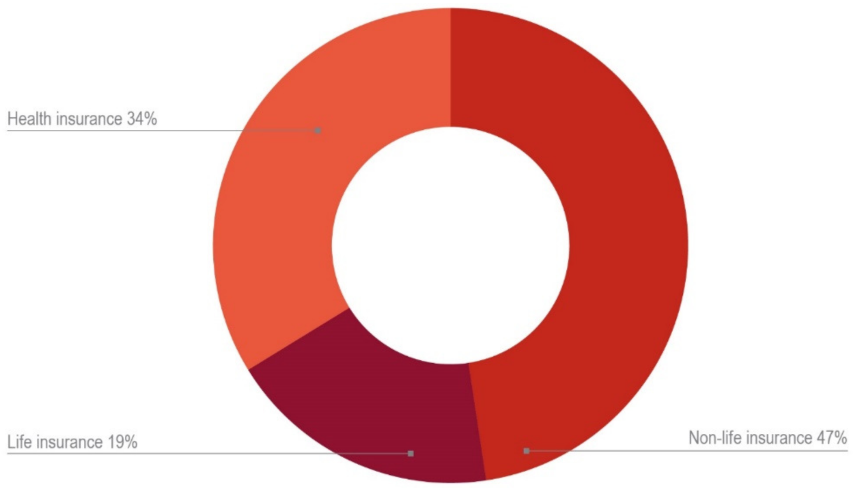
The prices of the most important companies increased on the Slovenian stock market. The Slovenian Stock Exchange Index SBITOP thus reached its highest value since 2010, gaining about 15% in 2019. The cooling of the global economic growth was also reflected in Slovenia. The economy thus grew at a slower pace than in the previous year. Consumer confidence and company outlooks declined, especially in the second part of the year. The largest market in the region, Romania, recorded the highest growth of more than 30%. The rates were close to the historical peaks achieved in 2007. In the neighbouring Bulgaria, the SOFIX Index continued its downward trend from the previous year, ending the year about 4% lower. Croatia's CROBEX climbed to its highest level in the last 2 years.

7.3 ANALYSIS OF OPERATIONS OF AS

7.3.1 Gross written premiums from insurance, co-insurance and reinsurance contracts

In the reporting period, the written premium totalled EUR 309.7 million, which represents an increase of 3.1% compared to the previous year, whereby the non-life insurance premium increased by 4 percentage points and the health insurance premium by 4.9 percentage points. Premium from the non-life insurance segment accounted for the bulk of total written premium, followed by premium from the health and life insurance.

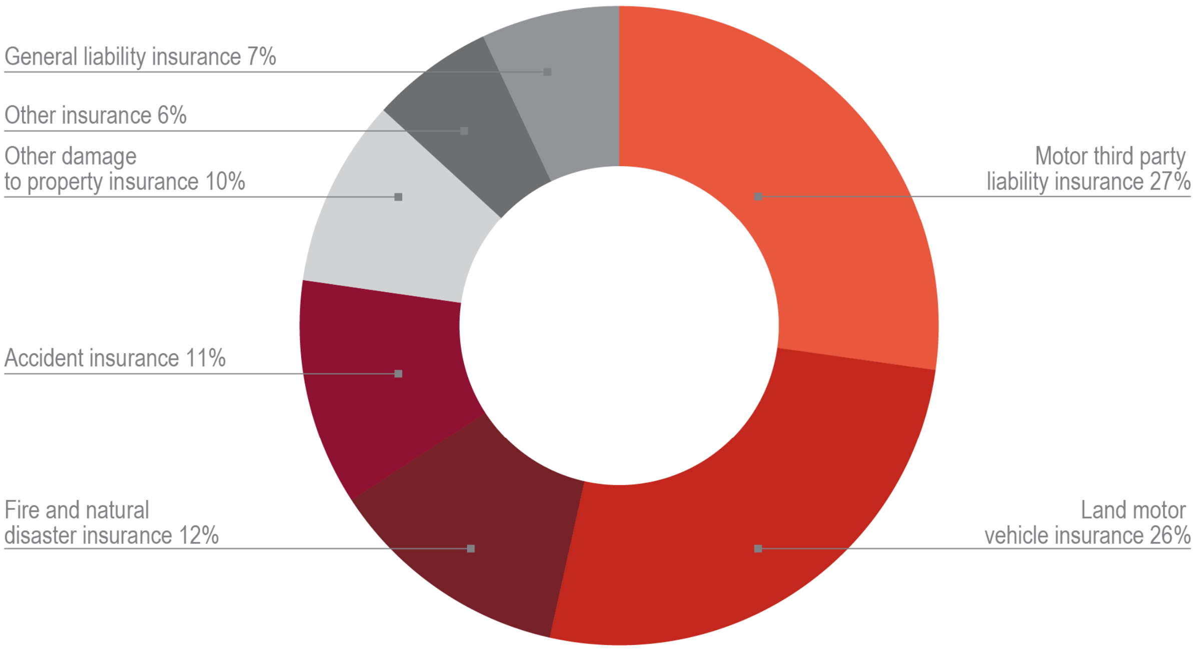
The structure of written premium by insurance class in 2019:



Gross written premiums from insurance, co-insurance and reinsurance contracts by insurance class:

in EUR thousand	1-12 2019	1-12 2018	Index 2019/2018	Structure 2019
Accident insurance	16.936	17.658	95,9	5,5
Land motor vehicle insurance	38.732	36.232	106,9	12,5
Fire and natural disaster insurance	18.136	17.471	103,8	5,9
Other damage to property insurance	14.030	13.102	107,1	4,5
Motor third party liability insurance	40.137	39.455	101,7	13,0
General liability insurance	10.319	9.214	112,0	3,3
Other insurance	9.157	8.637	106,0	3,0
Total non-life (other) insurance	**147.448**	**141.768**	**104,0**	**47,6**
Mixed and term life insurance	23.339	22.403	104,2	7,5
Unit-linked life insurance	34.359	36.582	93,9	11,1
Pension insurance	0	0	0,0	0,0
Total life and pension insurance	**57.698**	**58.984**	**97,8**	**18,6**
Health insurance	**104.568**	**99.694**	**104,9**	**33,8**
TOTAL	**309.713**	**300.446**	**103,1**	**100,0**

The structure of written premium in non-life (other) insurance in 2019:



The written premium amounted to EUR 147.4 million and went up in motor vehicle and other non-life insurance classes, while the premium in accident insurance went down compared to last year..

In motor-vehicle insurance (motor third party liability insurance and land motor vehicle insurance), despite a more stringent policy of granting extraordinary discounts and clearing of the unprofitable portfolio, we managed to achieve a 4.2% growth. The growth of the motor-vehicle insurance premium was significantly influenced by the growth of the premium in the Croatian market, as the Zagreb Branch concluded more than 23,000 motor vehicle policies in 2019.

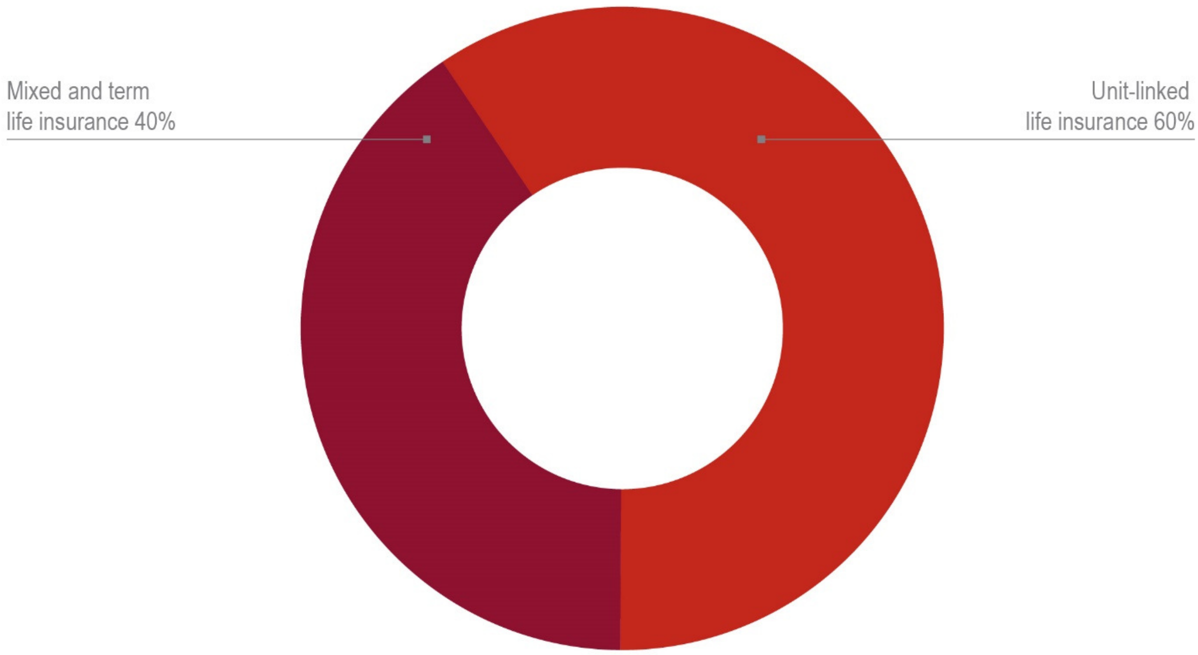
In 2019, there was also an increase in fire and natural disaster insurance (3.8% growth), which is related to the acquisition of new policyholders, an increase in the premium of existing insurance, as well as a growth of the DOM AS product. The growth of the DOM AS product also contributed significantly to the growth of other damage to property insurance (7.1% growth), reflecting the successful sale of above-standard packages with additional cover (legal protection and housing assistance) and an excellent trend in increasing insurance contract renewal. Other damage to property insurance also showed high growth in machinery breakdown, construction and multirisk insurance.

The highest 12% growth in premiums was recorded last year in general liability insurance. Both new insurance contracts and premiums for existing insurance were on the rise.

In the group of other insurance, assistance insurance was the most important in scope and growth. Motor-vehicle and medical travel insurance recorded an 11% growth.

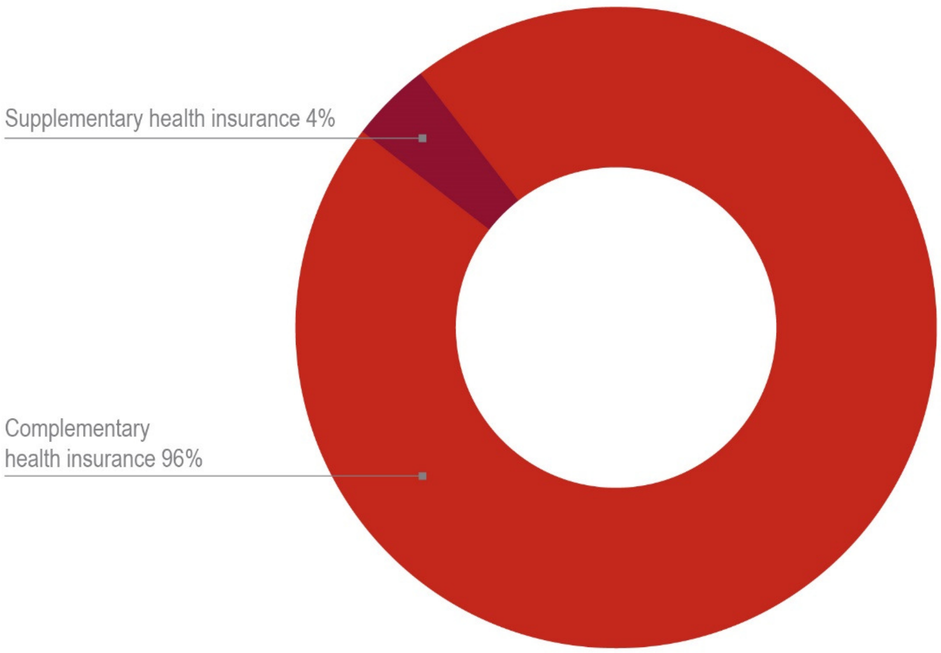
Last year, however, the Company failed to maintain the volume of accident insurance premiums. The premium fell by 4.1 percentage points; the decline was recorded on the occupational accident insurance sub-category.

The structure of written premium in life insurance in 2019:



The life insurance premium decreased by 2.2% in 2019 compared to 2018. The unit-linked life insurance, especially single premium unit-linked insurance, decreased by 6.1 percentage points. However, the protection (risk) life insurance and additional benefit insurance covers increased. The Company no longer sales mixed life insurance schemes. Consequently, a 4.2% growth was recorded in traditional life insurance.

The structure of written premium in health insurance in 2019:



Compared to 2018, health insurance premium was higher by 4.9 percentage points% and amounted EUR 104.6 million. Complementary health insurance premium totalled EUR 100.3 million, which is a rise by 4.6 percentage points. Furthermore, in 2019, the Company, just like the other two providers, carried out two price increases of the complementary health insurance premium due to the rising cost of health care services. In addition, the increase in premiums was influenced by the increased number of new contracts and the resumption of the number of complementary health insurance policyholders.

The growth of supplementary health insurance has continued from year to year. Last year, an increase of more than 11% was achieved, with premiums (including the SHI) totalling EUR 4.3 million. Within this group of health insurance, the bestselling product is Specialists with assistance. In the past year, the Company renewed the product, which was reflected in the growth of new sales and improvement of the profitability of the product.

The number of policyholders and insurance contracts by insurance class in 2019:

Insurance class	Adriatic Slovenica d. d. The number of insured persons 2019	Adriatic Slovenica d. d. The number of insurance contracts issued 2019	Group The number of insurance contracts issued 2019
Accident insurance	3.556.140	451.124	451.124
Health insurance	328.402	326.358	326.358
Land motor vehicle insurance	152.843	152.843	152.843
Aircraft insurance	9	9	9
Marine loss insurance	1.418	1.418	1.418
Transportation (goods in transit) insurance	2.591	2.591	2.591
Fire and natural disaster insurance	86.046	86.046	86.046
Other damage to property insurance	118.921	118.921	118.921
Motor vehicle liability insurance (MTPL)	299.214	299.214	299.214
Aircraft liability insurance	18	18	18
Ship/boat liability insurance	5.105	5.105	5.105
General liability insurance	14.296	14.296	14.296
Suretyship insurance	447	447	447
Miscelaneous financial loss insurance	4.098	4.098	4.098
Legal expenses insurance	6.946	6.946	6.946
Insurance of assistance	184.476	184.476	184.476
Life insurance	75.083	74.472	74.472
Unit-linked life insurance	72.028	69.878	69.878
Pension funds asset management in accordance with ZPIZ 2/ saving	9.694	9.869	9.869
Pension Anuities	93	93	93

Note: As of 1 January 2009, the number of insurance policies sold is aligned with the statistical insurance standard. The relevant indicator is the number of signed insurance contracts at the level of line of business as reported in the past using the ST forms. A long-term policy is taken into account for each year of its duration.

7.3.2 Gross claims paid

Gross claims paid went down by 0.7 percentage point in 2019 and totalled EUR 219.5 million throughout the year. The largest share is due to the claims in the non-life and health insurance segments.

Gross claims paid of Adriatic Slovenica by insurance class:

in EUR thousand	1-12 2019	1-12 2018	Index 2019/2018	Structure 2019
Accident insurance	8.115	7.996	101,5	3,7
Land motor vehicle insurance	25.881	27.000	95,9	11,8
Fire and natural disaster insurance	10.148	8.329	121,8	4,6
Other damage to property insurance	7.591	7.940	95,6	3,5
Motor third party liability insurance	27.001	27.464	98,3	12,3
General liability insurance	3.214	2.985	107,7	1,5
Other insurance	5.364	5.630	95,3	2,4
Total non-life (other) insurance	**87.314**	**87.344**	**100,0**	**39,8**
Mixed and term life insurance	12.577	13.546	92,8	5,7
Unit-linked life insurance	31.130	32.818	94,9	14,2
Pension insurance	429	634	67,6	0,2
Total life and pension insurance	**44.135**	**46.998**	**93,9**	**20,1**
Health insurance	**88.089**	**86.642**	**101,7**	**40,1**
TOTAL	**219.538**	**220.984**	**99,3**	**100,0**

Non-life (other) insurance

Gross claims paid in the non-life insurance segment remained at the same level as last year and totalled EUR 87.3 million. A bigger gross claims paid rise was recorded by fire and natural disaster insurance, mainly due to a one large fire claim, some summer storms and floods in November. there was a significant rise in claims in the area of general liability insurance (by 7.7 percentage points) with a parallel substantial increase in premium (12 percentage points). A considerable drop of claims paid and settled was recorded in the last year in motor vehicle insurance and other damage to property insurance and other non-life insurance classes.

Life and pension insurance

Claims paid in 2019 totalled EUR 44.1 million, which represents a decline of 6.1% compared to last year. The number and volume of maturities went down in 2019, both in investment and in traditional classes of insurance. A lower surrender rate, in particular in traditional classes of life insurance, continued.

Health insurance

In 2019, claims paid from health insurance, excluding the equalisation scheme expenses, were higher than in the previous year, totalling EUR 88.1 million. As a result of rising prices for health services, total claims for complementary health insurance increased (2.1%). On the other hand, claims for supplementary health insurance decreased by 13.6 percentage points. With regard to these insurance classes, the Company manages the loss events together with the Zdravje AS Centre, with which it has established reference prices and standards of procedures for other contractors. The Company has continued to limit the growth of claims paid also by taking measures to prevent and manage frauds and scams.

7.3.3 Analysis of operations of Adriatic Slovenica - Financial result and position

Financial result

The Company Adriatic Slovenica ended 2019 with a net profit of EUR 6.9 million and net return on equity of 7.1%

Income statement:

in EUR thousand	2019 Non-life	2019 Life	2019 Health care	2019 Total	2018 Non-life	2018 Life	2018 Health care	2018 Total	Index 19/18
REVENUES	**144.337**	**109.322**	**104.829**	**358.489**	**142.885**	**65.946**	**100.998**	**309.829**	**115,7**
Net premium revenue	**137.811**	**55.497**	**104.321**	**297.630**	**132.221**	**56.835**	**100.141**	**289.197**	**102,9**
Gross written premium	147.448	57.698	104.568	309.713	141.768	58.984	99.694	300.446	103,1
Ceded written premium	-8.432	-2.178	0	-10.609	-8.124	-2.131	0	-10.255	103,5
Change in unearned premium	-1.205	-23	-247	-1.474	-1.423	-19	448	-994	148,3
Commissions receivable	**-91**	**933**	**0**	**842**	**1.084**	**777**	**0**	**1.862**	**45,2**
Other revenue	**3.129**	**3.076**	**223**	**6.427**	**4.616**	**438**	**402**	**5.456**	**117,8**
Other operating revenue	2.021	196	218	2.435	2.932	232	401	3.566	68,3
Rental revenue from investment property	1.106	79	0	1.185	1.680	171	1	1.852	64,0
Other financial revenue	1	2.801	6	2.807	3	34	0	37	7.537,1
Other fee and commision income	0	0	0	0	0	0	0	0	-
Investment revenue	**3.488**	**49.817**	**285**	**53.590**	**4.964**	**7.896**	**454**	**13.315**	**402,5**
Revenue from shares in associates	191	1.402	14	1.607	156	1.403	21	1.581	101,6
Investment revenue	3.296	48.415	271	51.983	4.808	6.493	433	11.734	443,0
EXPENSES	**-139.180**	**-108.281**	**-103.089**	**-350.551**	**-134.703**	**-65.486**	**-99.352**	**-299.541**	**117,0**
Net claims incurred	**-86.118**	**-44.168**	**-91.736**	**-222.022**	**-82.363**	**-46.385**	**-88.857**	**-217.605**	**102,0**
Gross claims paid	-86.016	-44.135	-90.302	-220.453	-84.880	-46.998	-88.519	-220.397	100,0
Reinsurers' and co-insurers' share	4.446	346	0	4.793	4.412	682	0	5.094	94,1
Changes in claims provisions	-4.548	-379	-1.434	-6.362	-1.896	-68	-339	-2.302	276,3
Change in insurance technical provisions for unit-linked	**0**	**-38.720**	**0**	**-38.720**	**0**	**29.073**	**0**	**29.073**	**-133,2**
Change in other insurance technical provisions and liab	**-306**	**-3.921**	**0**	**-4.228**	**-70**	**-2.716**	**-5**	**-2.791**	**151,5**
Change in other insurance technical provisions	6	-3.921	0	-3.916	-16	-2.716	-5	-2.736	143,1
Change in liabilities from investment contracts	0	0	0	0	0	0	0	0	-
Expenses for bonuses and discounts	-312	0	0	-312	-54	0	0	-54	573,3
Operating expenses	**-45.502**	**-16.285**	**-10.767**	**-72.554**	**-41.625**	**-17.016**	**-10.009**	**-68.650**	**105,7**
Costs of services	-26.410	-9.552	-5.488	-41.449	-24.145	-9.764	-4.736	-38.645	107,3
of which: Acquisition costs	*-18.801*	*-5.408*	*-1.895*	*-26.104*	*-16.883*	*-5.388*	*-1.379*	*-23.650*	*110,4*
Labour costs	-16.067	-5.819	-4.692	-26.578	-14.834	-6.389	-4.687	-25.911	102,6
Costs of material and energy	-585	-170	-120	-874	-516	-183	-119	-819	106,8
Depreciation and amortisation	-2.441	-744	-468	-3.653	-2.130	-679	-467	-3.275	111,5
Other expenses from insurance operations	**-1.919**	**-280**	**-250**	**-2.448**	**-1.926**	**-418**	**-259**	**-2.604**	**94,0**
Other expenses	**-1.992**	**-1.128**	**-336**	**-3.456**	**-4.686**	**-2.562**	**-221**	**-7.469**	**46,3**
Revaluation operating expenses	-338	-269	-135	-742	-137	-230	-2	-370	200,7
Investment property expenses	-719	-24	0	-743	-1.688	-71	-2	-1.761	42,2
Other operating expenses	-673	-150	-200	-1.023	-2.577	-154	-216	-2.948	34,7
Other financial expenses	-263	-685	-1	-948	-284	-2.107	-1	-2.391	39,7
Investments expenses	**-1.455**	**-1.599**	**0**	**-3.054**	**-2.178**	**-23.285**	**0**	**-25.463**	**12,0**
Expenses for shares in associates	0	0	0	0	0	0	0	0	-
Investments expenses	-1.455	-1.599	0	-3.054	-2.178	-23.285	0	-25.463	12,0
Financial expenses for interest	**-1.888**	**-2.181**	**0**	**-4.069**	**-1.855**	**-2.178**	**0**	**-4.033**	**100,9**
PROFIT BEFORE TAX	**5.156**	**1.042**	**1.740**	**7.938**	**8.182**	**460**	**1.646**	**10.288**	**77,2**
TAX	**-677**	**-4**	**-327**	**-1.007**	**-1.308**	**179**	**-302**	**-1.432**	**70,3**
Income tax	-440	59	-352	-733	-829	145	-269	-952	77,0
Deferred tax	-237	-63	26	-274	-480	34	-34	-480	57,2
NET PROFIT/LOSS	**4.479**	**1.038**	**1.413**	**6.931**	**6.873**	**638**	**1.344**	**8.856**	**78,3**

Net premium revenue

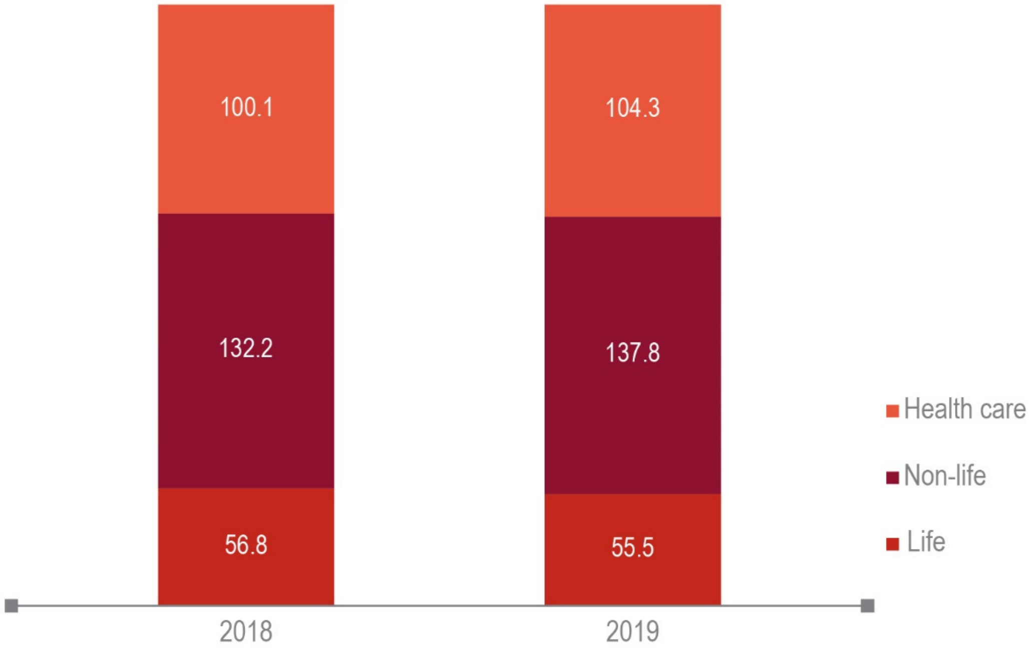
In the reported period, total gross written premium amounted to EUR 309.7 million or 3.1% more than in the comparable period a year before. In non-life insurance, growth was observed for all insurance classes, with the exception of liability for ship insurance, transportation (goods in transit) insurance and accident insurance.

In life insurance, the commercially attractive insurance classes were the protection (risk) insurance, additional benefit insurance and unit linked insurance with regular premium payments. In the health insurance group, complementary health insurance and supplementary health insurance grew on the basis of an increase in the portfolio.

The Company collected EUR 297.6 million in net premium in 2019, which is 2.9% more than in the previous year. The ceded reinsurance premium was 3.5% higher and amounted to EUR 10.6 million, while the change in the unearned premiums in 2019 had a negative effect equal to EUR 1.5 million on the total net operating revenue.

The predominant segment in the net premium revenue structure was non-life insurance accounting for a 46.3% share. In 2019, it reached EUR 137.8 million, which is 4.2% more than in 2018. Non-life insurance is followed by the health insurance segment with a rise to EUR 104.3 million of net revenue or by 4.2% and life insurance revenue with EUR 55.5 million and a 18.6% share in the revenue structure.

The structure of net premium revenue by business segment in 2019 and 2018 (in EUR million):



Net claims incurred

In 2019, net claims incurred, taking into consideration the changes in claims provisions, reached EUR 222.0 million, which represents a 2.0% rise compared to the previous year. The net claims incurred are higher by EUR 4.4 million, which is attributable to the formation of additional claims provisions for both reported (RBNS) and non-reported damages (IBNR). Claims provisions increased by EUR 6.4 million in 2019, while their recognised provisioning (increase) amounted to EUR 2.3 million in 2018.

The growth in net claims incurred in non-life insurance stems from a one large fire claim, summer storms and autumn floods. The loss ratio is more favourable, in particular in the case of land motor vehicle insurance, general liability insurance, assistance insurance and ship insurance.

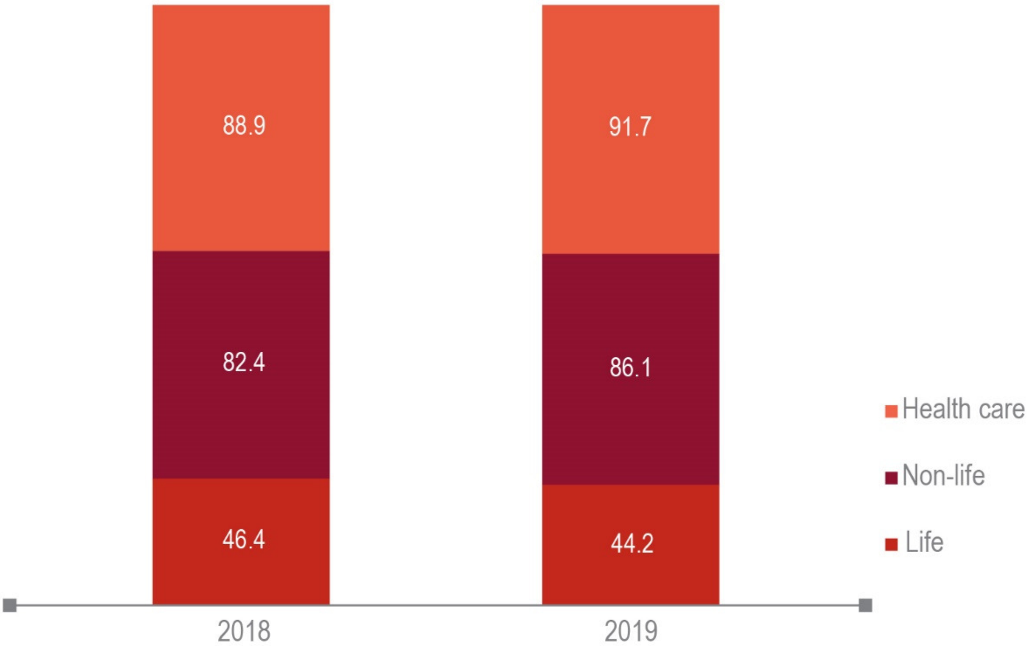
In the life insurance segment, the year was marked by the consequences of a lower volume of maturities. The higher net claims incurred in the area of health insurance in 2019, compared to 2018, are mainly the result of the medical inflation, i.e. higher prices for healthcare services.

The ratio between net claims incurred and net premium revenue improved last year by 0.9% or 0.6 percentage points, down from 75.2% to 74.6%.

In the structure of net claims incurred, health insurance is the prevailing segment with a 41.3% share, which increased by 3.2% in 2019 compared to 2018 and totalled EUR 91.7 million.

In the second place, net claims incurred in the non-life segment faced an upturn of 4.6% and amounted to EUR 86.1 million. Net claims incurred in life insurance stood at EUR 44.2 million with a 19.9% share of total net claims incurred.

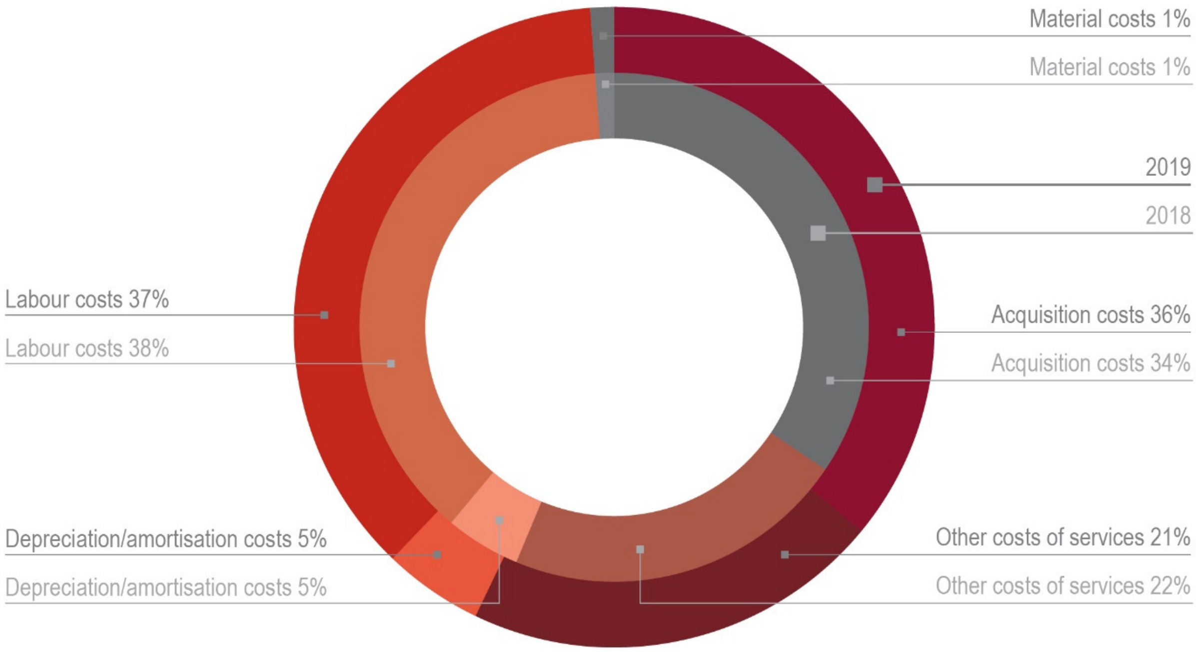
The structure of net claims incurred by business segments in the 2019 and 2018 period (in EUR million):



Operating expenses

Operating expenses (excluding claim settlement costs, which are recorded under gross claims incurred) amounted to EUR 72.6 million and increased by 5.7% i.e. by EUR 3.9 million in 2019. The increase resulted from the 7.3% change in service costs, which include a significant share of acquisition costs (EUR 26.1 million, which is higher by EUR 2.5 million). Labour costs rose by 2.6 %. Material costs and depreciation/amortization costs remained at the level of last year's comparable period.

The structure of operating expenses in 2019 and 2018 (in %):



Changes in other insurance technical provisions (excluding claims provisions)

In 2019, the volume of mathematical/insurance technical provisions for unit-linked insurance increased by EUR 38.7 million due to the growth in the unit value of policyholders' assets (on the revenue side under this heading, the revenue of unit-linked life insurance assets increased leading to a neutral impact on the net profit in life insurance).

Other insurance technical provisions were provisioned in the amount of EUR 4.2 million, mainly in the life insurance segment (EUR 3.7 million), in line with the development of the classic life insurance portfolio.

Investment revenue and expenses

The Company achieved a net financial result from investing activities in the amount of EUR 50.5 million, which is more than in 2018 by EUR 62.7 million.

This was contributed by both investment revenue which increased by EUR 40.3 million and investment expenses which decreased by EUR 22.4 million. Financial revenue and expenses also include net financial revenue/expenses from unit-linked insurance. Due to high growth in stock markets in 2019, the net profit from such investments amounted to EUR 42.8 million, in contrast to 2019, when a loss of EUR -20.5 million was recorded.

Excluding the impact of revenue/expenses from unit-linked investments of policyholders, which, together with the change in mathematical provisions, are neutral for financial statements, the net investment revenue in life insurance was higher by only 0.2 million than in 2018. Net investment revenue from investment in the life insurance segment (excluding the effect of unit-linked insurance) amounted to EUR 5.4 million last year.

Net revenue from non-life insurance, totalling EUR 2.0 million in 2019, was lower than in 2018 by EUR 0.7 million. Net revenue from investment in the health insurance segment was EUR 0.3 million and went down by EUR 0.2 million relative to the comparable period.

Other (insurance) revenue and (insurance) expenses and financial expenses for interest

In 2019, the net result of other revenue and expenses (including other insurance revenue and expenses) totalled EUR 1.4 million and was EUR 4.1 million higher than in the previous comparable period. This favourable result was mainly due to lower investment property expenses, lower other operating and financial expenses. The financial expenses of the issued bonds were at the level of last year's values.

Net profit or loss

Detailed financial statements show that the Company operated positively in all insurance segments. The net operating result in the amount of EUR 6.9 million consists of positive results in life insurance (EUR 1.0 million), non-life insurance (EUR 4.5 million), and health insurance amounting to EUR 1.4 million. The decrease in the net operating result in 2019 compared to the previous periods was influenced primarily by the lower underwriting result of non-life insurance due to a worsened combined ratio.

Financial result ratios for the 2019 and 2018:

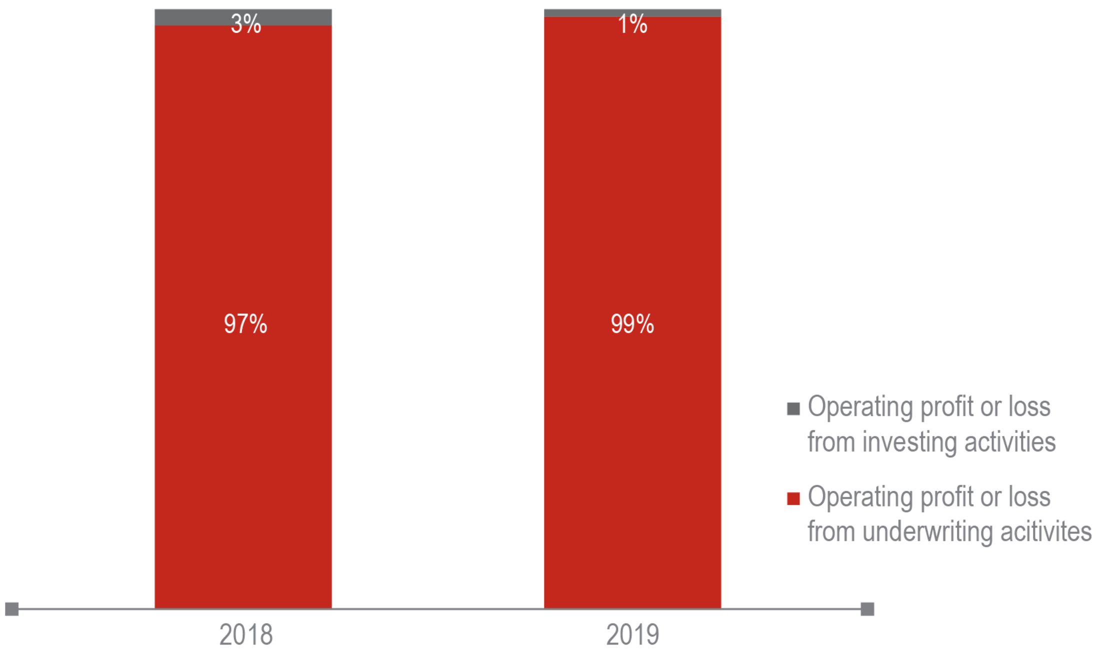
	2019		2018	
	Non-life	Health care	Non-life	Health care
Net expense ratio	33,1%	10,3%	30,7%	10,0%
Net loss result	62,5%	87,9%	62,3%	88,7%
Expense ratio	34,0%	10,7%	32,0%	10,1%
Combined ratio	96,5%	98,6%	94,3%	98,8%

Profit/loss before taxation by segments for 2019 and 2018*:

	2019				2018			
	Non-life	Life	Health care	Total	Non-life	Life	Health care	Total
Operating profit or loss from underwriting activities	4.886	1.509	1.450	7.845	7.539	1.294	1.193	10.026
Operating profit or loss from investing activities	270	-467	290	93	643	-834	453	262
Profit before tax	**5.156**	**1.042**	**1.740**	**7.938**	**8.182**	**460**	**1.646**	**10.288**

* The underwriting result of life insurance includes the transfer of return on unit-linked insurance and guaranteed return. The profit or loss from investing activities combines a presentation of all financial revenues and expenses: investment revenue and expenses, investment property revenue and expenses, financial revenue and expenses from interest, other financial revenue/expenses.

The structure of profit before tax for 2019 and 2018:



Revenue and expenses for the year by insurance class of the parent company:

in EUR thousand	2019	
Name of insurance class	Revenue	Expenses
Accident insurance	17.400	(14.694)
Health insurance	104.455	(102.360)
Land motor vehicle insurance	39.063	(38.776)
Aircraft insurance	9	(16)
Marine insurance	511	(366)
Cargo insurance	1.355	(1.745)
Fire and natural disaster insurance	23.962	(25.233)
Other damage to property insurance	13.764	(14.746)
Motor third party liability insurance	42.980	(39.606)
Aircraft liability insurance	12	(10)
Marine liability insurance	506	(302)
General liability insurance	10.614	(7.862)
Credit insurance	158	(158)
Suretyship insurance	170	(186)
Miscellaneous financial loss insurance	861	(1.071)
Legal expenses insurance	106	(64)
Assistance insurance	5.215	(5.538)
Life insurance	35.551	(32.508)
Unit-linked life insurance	76.670	(78.877)
Capital redemption insurance	930	(1.586)

Financial position

As at 31 December 2019, total assets of the Company stood at EUR 807 million, representing a 10.6% increase compared to the previous year. The increase resulted from a growth in value of unit-linked insurance assets and financial investments. The bulk of assets at 2019 year-end was accounted for by life insurance assets (64.9%), 33.8% by non-life insurance assets and the rest was intended for the implementation of health insurance activities.

The structure of assets:

in EUR thousand	2019	in %	2018	in %	Index 19/18
ASSETS	807.176	100,0%	729.927	100,0%	110,6
Intangible assets	6.169	0,8%	6.503	0,9%	94,9
Property, plant and equipment	28.371	3,5%	28.132	3,9%	100,9
Deferred tax assets	2.423	0,3%	3.496	0,5%	69,3
Investment property	11.692	1,4%	26.065	3,6%	44,9
Financial assets and financial investments in subsidiaries and associated companies	46.168	5,7%	46.826	6,4%	98,6
Financial investments	312.720	38,7%	274.133	37,6%	114,1
- loans and deposits	9.091	1,1%	43.134	5,9%	21,1
- held to maturity	11.809	1,5%	29.629	4,1%	39,9
- available for sale	286.323	35,5%	191.976	26,3%	149,1
- recognised at fair value through profit and loss	5.497	0,7%	9.394	1,3%	58,5
Unit-linked insurance assets	311.499	38,6%	274.128	37,6%	113,6
Reinsurers' and co-insurers' share of insurance technical provisions	17.048	2,1%	14.904	2,0%	114,4
Assets from financial contracts	18.686	2,3%	11.913	1,6%	156,9
Receivables	26.909	3,3%	19.590	2,7%	137,4
- receivables from direct insurance operations	23.002	2,8%	15.583	2,1%	147,6
- receivables from reinsurance and co-insurance operations	1.647	0,2%	1.170	0,2%	140,8
- current tax receivables	140	0,0%	0	0,0%	-
- other receivables	2.120	0,3%	2.838	0,4%	74,7
Other assets	5.772	0,7%	5.305	0,7%	108,8
Cash and cash equivalents	19.720	2,4%	18.933	2,6%	104,2

Investments accounted for EUR 720 million or 89.3% of total assets (31 December 2018: EUR 652 million). Compared to the previous year, the volume of investments increased by 10.5%.

As at the 2019 year-end, EUR 311 million was accounted for by unit-linked insurance assets, EUR 312.7 million by other financial investments, EUR 46.2 million by financial investments insubsidiaries and associated companies, EUR 11.7 million by investment property, EUR 18.7 million by assets from financial contracts (pension insurance) and EUR 19.7 million by cash and cash equivalents.

Due to increase of unit value of unit-linked insurance assets, the unit-linked insurance assets increased by 13.6 % compared to the previous year. The volume of financial investments increased by 14.1 % (by EUR 38.6 million), while the volume of investment property decreased by EUR 14.4 million. The volume of assets from financial contracts increased by EUR 6.8 million.

Most of the Company investments (excluding unit-linked insurance assets) are investments in debt securities (65.6 %) and equity securities (25.2 %), which in most cases are related to the government (65.2 %) and the financial sectors (21.5 %).

The structure of financial assets by type as at 31 December 2019 (excluding unit-linked insurance assets):

As at 31 December 2019, receivables amounted to EUR 26.9 million, accounting for 3.3% of total assets, and, compared to the previous reporting period, minimally raised their share. Receivables from direct insurance operations showed the greatest increase of EUR 7.4 million.

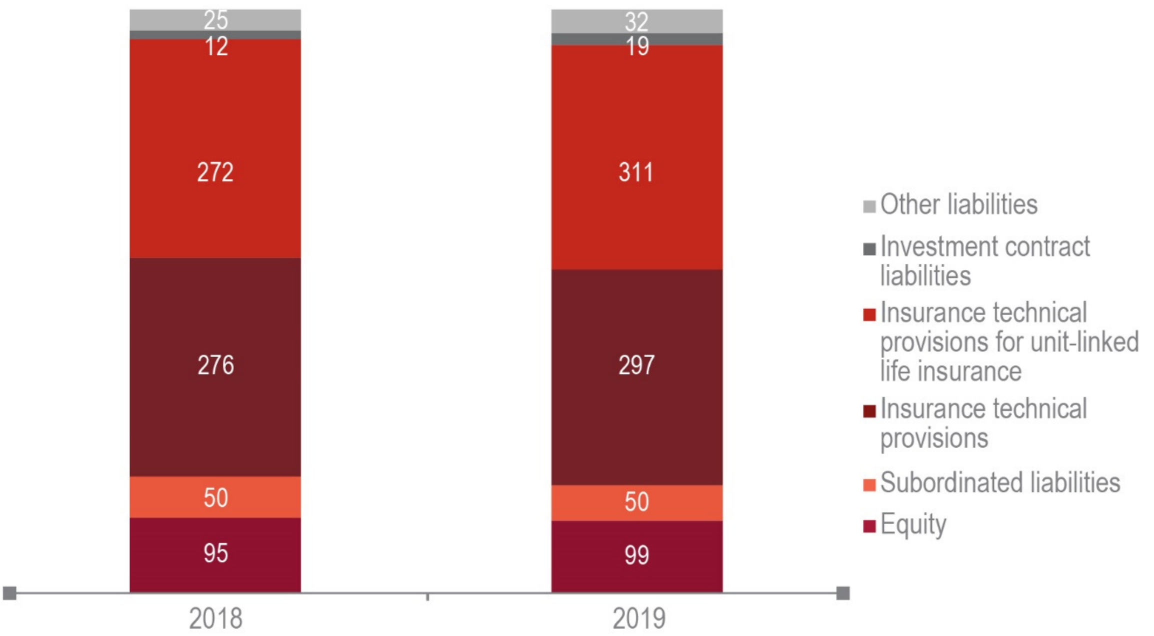
As at 31 December 2019, the value of property, plant and equipment and long-term intangible assets totalled EUR 34.5 million. The former accounted for 3.5% and long-term intangible assets for 0.8% of total assets. The amount of insurance-technical provisions ceded to reinsurance/coinsurance increased by EUR 14.9 million to EUR 17 million.

The structure of liabilities:

in EUR thousand	2019	in %	2018	in %	Index 19/18
LIABILITIES	807.176	100,0%	729.927	100,0%	110,6
CAPITAL	98.757	12,2%	95.176	13,0%	103,8
Capital and reserves attributable to majority shareholders of the Company	98.757	12,2%	95.176	13,0%	103,8
Called-up capital	*43.000*	*5,3%*	*43.000*	*5,9%*	*100,0*
Share premium	*4.212*	*0,5%*	*4.212*	*0,6%*	*100,0*
Reserves from profit	*9.224*	*1,1%*	*9.224*	*1,3%*	*100,0*
Fair value revaluation reserve	*5.348*	*0,7%*	*229*	*0,0%*	*2334,2*
Net profit brought forward	*30.043*	*3,7%*	*29.656*	*4,1%*	*101,3*
Net profit or loss for the period	*6.931*	*0,9%*	*8.856*	*1,2%*	*78,3*
Subordinated issued bonds	49.677	6,2%	49.582	6,8%	100,2
Insurance technical provisions	297.221	36,8%	276.383	37,9%	107,5
Unearned premium	51.461	6,4%	50.006	6,9%	102,9
Insurance technical provisions for life insurance	114.757	14,2%	110.294	15,1%	104,0
Claims provisions	124.095	15,4%	115.570	15,8%	107,4
Other insurance technical provisions	6.907	0,9%	514	0,1%	1344,0
Insurance technical provisions for unit-linked life insurance	310.690	38,5%	271.970	37,3%	114,2
Other provisions	5.617	0,7%	4.805	0,7%	116,9
Deferred tax liabilities	402	0,0%	0	0,0%	-
Investment contract liabilities	18.686	2,3%	11.913	1,6%	156,9
Financial liabilities	1.257	0,2%	483	0,1%	260,2
Operating liabilities	11.090	1,4%	7.103	1,0%	156,1
Other liabilities	13.778	1,7%	12.511	1,7%	110,1

As at the end of the 2019 reporting period, total equity amounted to EUR 98.8 million, or 3.8% more than the previous year. The proportion of equity in total assets went down by 0.8 percentage points and stood at 12.2% as at 31 December 2019. The share capital, consisting of 10,304,407 ordinary registered no-par value shares, remained unchanged in 2019 and totalled EUR 43 million at the year-end.

The structure of liabilities of the Company as at 31 December 31. 12. 2019:



On the liabilities side, the insurance-technical provisions totalled EUR 607.9 million as at 2019 year-end when compared to the year before, increasing their volume in parallel to the maintenance of their total share in total assets of 75.3%. Within the insurance-technical provisions, the insurance technical provisions for unit-linked insurance increased by 14.2% to EUR 310.7 million, whereas other insurance technical provisions rose to EUR

297.2 million showing an increase of EUR 20.8 million. Based on the issuance of the subordinate debt in the first half of 2016, the financial liabilities of the Company stood at EUR 49.7 million.

As at 31 December 2019, operating liabilities stood at EUR 11.1 million (increase of EUR 4 million). At the same time, liabilities from financial contracts were recognized in the amount of EUR 18.7 million (creation in 2016 in connection to pension insurance premium). Based on accrued expenses, other liabilities increased by EUR 1.3 million to EUR 13.8 million.

7.4 ANALYSIS OF THE AS GROUP OPERATIONS

Consolidated financial statements of the AS Group comprise financial statements of the parent company Adriatic Slovenica d.d. and the subsidiaries: Prospera d.o.o., VIZ d.o.o, Generali Investments d.o.o., Zdravje AS d.o.o. and Agent d.o.o.. The majority of the value of economic categories of the Group includes the assets, liabilities, revenue and expenses of the parent company Adriatic Slovenica.

Financial result

The Adriatic Slovenica Group operated well in 2019, ending the reporting year with a positive outcome. In 2019, the net profit amounted to EUR 7.2 million and return on equity was 7.2%.

Income statement:

	2019						2018						
in EUR thousand	Non-life	Life	Health care	Manage-ment	Consoli-dation	Total	Non-life	Life	Health care	Manage-ment	Consoli-dation	Total	Index
REVENUES	**145.653**	**107.931**	**105.241**	**10.615**	**-1.133**	**368.308**	**144.515**	**64.545**	**101.372**	**10.881**	**-1.517**	**319.795**	**115,2**
Net premium revenue	**137.811**	**55.497**	**104.321**	**0**	**0**	**297.630**	**132.221**	**56.835**	**100.141**	**0**	**0**	**289.197**	**102,9**
Gross written premium	147.448	57.698	104.568	0	0	309.713	141.768	58.984	99.694	0	0	300.446	103,1
Ceded written premium	-8.432	-2.178	0	0	0	-10.609	-8.124	-2.131	0	0	0	-10.255	103,5
Change in unearned premium	-1.205	-23	-247	0	0	-1.474	-1.423	-19	448	0	0	-994	148,3
Commissions receivable	**-91**	**933**	**0**	**0**	**0**	**842**	**1.084**	**777**	**0**	**0**	**0**	**1.862**	**45,2**
Other revenue	**3.746**	**3.076**	**580**	**10.604**	**-786**	**17.220**	**5.411**	**438**	**781**	**10.872**	**-715**	**16.786**	**102,6**
Other operating revenue	2.650	196	574	192	-199	3.413	3.743	232	780	101	-193	4.664	73,2
Rental revenue from investment property	1.095	79	0	0	-142	1.032	1.664	171	1	0	-146	1.691	61,0
Other financial revenue	1	2.801	6	0	0	2.807	3	34	0	0	0	37	7.537,1
Other fee and commision income	0	0	0	10.412	-445	9.968	0	0	0	10.771	-377	10.394	-
Investment revenue	**4.186**	**48.426**	**340**	**11**	**-347**	**52.616**	**5.799**	**6.495**	**449**	**9**	**-802**	**11.951**	**440,3**
Revenue from shares in associates	173	11	69	0	0	253	40	3	16	0	0	58	434,7
Investment revenue	4.013	48.415	271	11	-347	52.363	5.759	6.493	433	9	-802	11.893	440,3
EXPENSES	**-140.414**	**-108.281**	**-103.638**	**-8.738**	**1.133**	**-359.937**	**-136.244**	**-65.491**	**-99.913**	**-8.546**	**1.517**	**-308.677**	**116,6**
Net claims incurred	**-86.118**	**-44.168**	**-91.736**	**0**	**0**	**-222.022**	**-82.363**	**-46.385**	**-88.857**	**0**	**0**	**-217.605**	**102,0**
Gross claims paid	-86.016	-44.135	-90.302	0	0	-220.453	-84.880	-46.998	-88.519	0	0	-220.397	100,0
Reinsurers' and co-insurers' share	4.446	346	0	0	0	4.793	4.412	682	0	0	0	5.094	94,1
Changes in claims provisions	-4.548	-379	-1.434	0	0	-6.362	-1.896	-68	-339	0	0	-2.302	276,3
Change in insurance technical provisions for un	**0**	**-38.720**	**0**	**0**	**0**	**-38.720**	**0**	**29.073**	**0**	**0**	**0**	**29.073**	**-133,2**
Change in other insurance technical provisions	**-306**	**-3.921**	**0**	**0**	**0**	**-4.228**	**-70**	**-2.716**	**-5**	**0**	**0**	**-2.791**	**151,5**
Change in other insurance technical provisions	6	-3.921	0	0	0	-3.916	-16	-2.716	-5	0	0	-2.736	143,1
Change in liabilities from investment contracts	0	0	0	0	0	0	0	0	0	0	0	0	-
Expenses for bonuses and discounts	-312	0	0	0	0	-312	-54	0	0	0	0	-54	573,3
Operating expenses	**-46.115**	**-16.285**	**-11.204**	**-8.662**	**1.118**	**-81.147**	**-42.183**	**-17.017**	**-10.498**	**-8.475**	**1.516**	**-76.656**	**105,9**
Costs of services	-25.935	-9.552	-5.706	-4.548	973	-44.767	-23.757	-9.765	-5.026	-4.608	1.516	-41.639	107,5
of which: Acquisition costs	*-16.579*	*-5.408*	*-1.895*	*0*	*0*	*-23.882*	*-15.606*	*-5.385*	*-1.379*	*0*	*2*	*-22.369*	*106,8*
Labour costs	-17.091	-5.819	-4.823	-3.596	0	-31.329	-15.731	-6.389	-4.812	-3.651	0	-30.582	102,4
Costs of material and energy	-598	-170	-136	-136	0	-1.040	-528	-183	-148	-65	0	-924	112,6
Depreciation and amortisation	-2.491	-744	-539	-382	145	-4.011	-2.168	-679	-513	-152	0	-3.511	114,2
Other expenses from insurance operations	**-1.919**	**-280**	**-250**	**0**	**0**	**-2.448**	**-1.926**	**-418**	**-259**	**0**	**0**	**-2.604**	**94,0**
Other expenses	**-2.605**	**-1.128**	**-336**	**-43**	**0**	**-4.112**	**-5.669**	**-2.562**	**-221**	**-55**	**0**	**-8.508**	**48,3**
Revaluation operating expenses	-905	-269	-135	-6	0	-1.314	-1.034	-230	-2	-3	0	-1.269	103,6
Investment property expenses	-574	-24	0	0	0	-598	-1.571	-71	-2	0	0	-1.643	36,4
Other operating expenses	-864	-150	-200	-31	0	-1.244	-2.781	-154	-216	-48	0	-3.199	38,9
Other financial expenses	-263	-685	-1	-7	0	-955	-284	-2.107	-1	-4	0	-2.396	39,8
Investments expenses	**-1.463**	**-1.599**	**-108**	**0**	**0**	**-3.170**	**-2.178**	**-23.288**	**-71**	**0**	**0**	**-25.537**	**12,4**
Expenses for shares in associates	-8	0	-108	0	0	-116	0	-3	-71	0	0	-75	155,7
Investments expenses	-1.455	-1.599	0	0	0	-3.054	-2.178	-23.285	0	0	0	-25.463	12,0
Financial expenses for interest	**-1.889**	**-2.181**	**-3**	**-33**	**15**	**-4.091**	**-1.855**	**-2.178**	**-1**	**-16**	**1**	**-4.048**	**101,0**
PROFIT BEFORE TAX	**5.239**	**-349**	**1.603**	**1.877**	**0**	**8.370**	**8.271**	**-945**	**1.458**	**2.335**	**0**	**11.118**	**75,3**
TAX	**-695**	**-4**	**-327**	**-328**	**0**	**-1.354**	**-1.346**	**179**	**-323**	**-441**	**0**	**-1.932**	**70,1**
Income tax	-509	59	-352	-265	0	-1.067	-894	145	-269	-450	0	-1.468	72,7
Deferred tax	-186	-63	26	-64	0	-287	-452	34	-55	9	0	-464	61,8
NET PROFIT/LOSS	**4.544**	**-353**	**1.277**	**1.549**	**0**	**7.016**	**6.925**	**-767**	**1.135**	**1.893**	**0**	**9.186**	**76,4**
Minority interest	0	0	0	17	0	17	0	0	0	41	0	41	42,4
Interest of parent company	**4.544**	**-353**	**1.277**	**1.532**	**0**	**6.999**	**6.925**	**-767**	**1.135**	**1.852**	**0**	**9.145**	**76,5**

Net premium revenue

In the reporting period, the gross written premium of the Group was 3.1% higher than the year before, amounting to a total of EUR 309.7 million. In non-life insurance, growth was observed for all insurance classes, with the exception of accident insurance. Accident insurance premium decreased by 4.1%, the decrease was recorded in the sub-class of occupational accident insurance. The highest 12% growth in premiums was recorded last year in the general liability insurance class. New insurance contracts were on the rise as well as premiums on existing insurance.

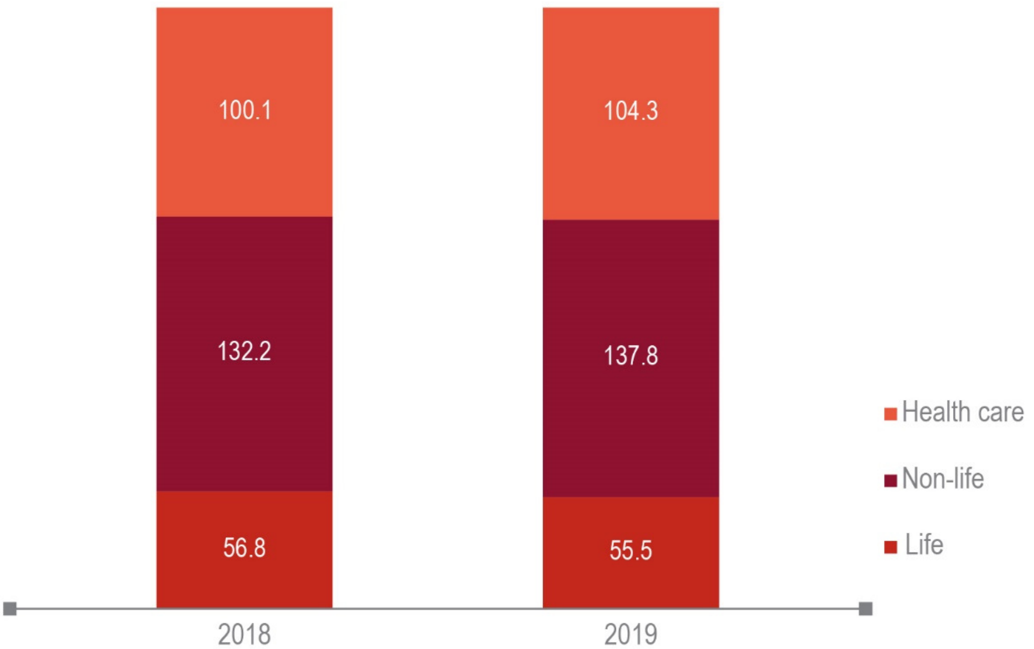
In the life insurance segment, a decline in unit-linked insurance, especially single premium unit-linked insurance was recorded. On the other hand, the protection (risk) insurance and additional benefit life insurance coverage increased.

In the health insurance segment, complementary health insurance experienced an increase of 4.6%, while supplementary health insurance classes saw an increase of 11.6%.

By taking into account the premiums ceded to reinsurers and changes in unearned premiums, the Company collected EUR 297.6 million in net premium, which is 2.9% more than in the previous year. The ceded reinsurance premium was 3.5% higher and amounted to EUR 10.6 million.

The predominant segment in the net premium revenue structure was non-life insurance. In 2019, it reached EUR 137.8 million, accounting for a 46.3% share, which is EUR 5.6 million (4.2%) more than in 2018. The life insurance segments experienced a decrease of net premium revenue of 2.4%, while the health insurance segment recorded an increase of 4.2%. The health insurance segment thus totalled EUR 104.3 million of net revenue, or a 35.1% share of total net premium revenue, while the life insurance segment totalled EUR 55.5 million and an 18.6% share of total net premium revenue.

The structure of net premium revenue by business segment in 2018 and 2019 (in EUR million):



Net claims incurred

In 2019, net claims incurred, taking into consideration the changes in claims provisions, reached EUR 222.0 million, which represents a 2% growth compared to the previous year. This was significantly connected to additional establishment of claims provisions for reported (RBNS) and non-reported (IBNR) damage . These claims provisions increased in 2019 by EUR 6.4 million, while in 2018 their establishment (increase) of EUR 2.3 million was recognized.

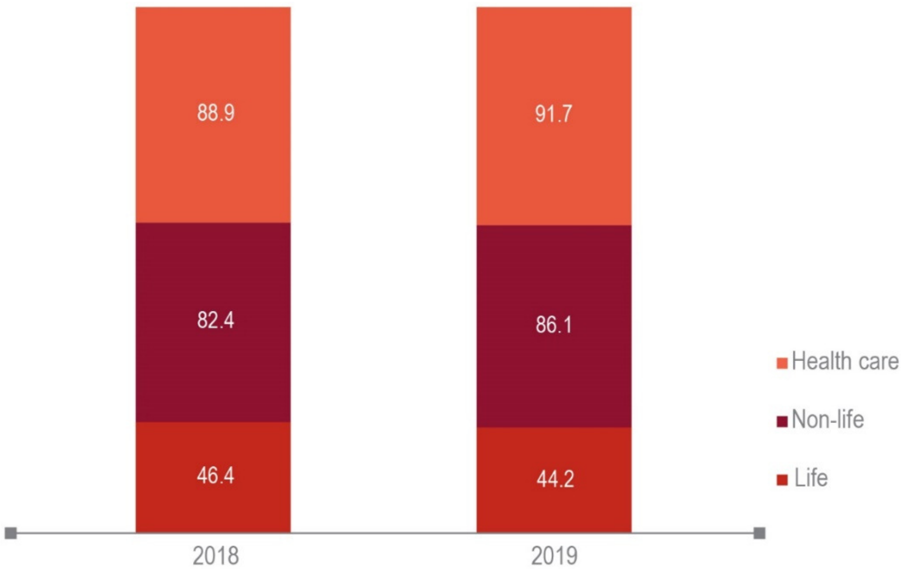
In non-life insurance, a more favourable net relevant loss ratio was achieved, mainly related to accident insurance, land motor vehicle insurance, general liability insurance and marine insurance.

Life insurance was marked by the consequences of a lower volume of maturities. Compared to last year, increased net claims incurred in 2019 were mainly due to increased prices of health services.

In the structure of net claims incurred, health insurance is the prevailing segment with a 41.3% share, which increased due to the increased process of health services by 3.2% in 2019 compared to 2018 and totalled EUR 91.7 million. In the second place, net claims incurred in the non-life segment faced an upturn by 4.6% and amounted to EUR 86.1 million. Net claims incurred in life insurance stood at EUR 44.2 million with a 19.9% share of total net claims incurred.

The ratio between net claims incurred and net premium revenue improved by 0.9% or 0.6 percentage point, down from 75.2% to 74.6%.

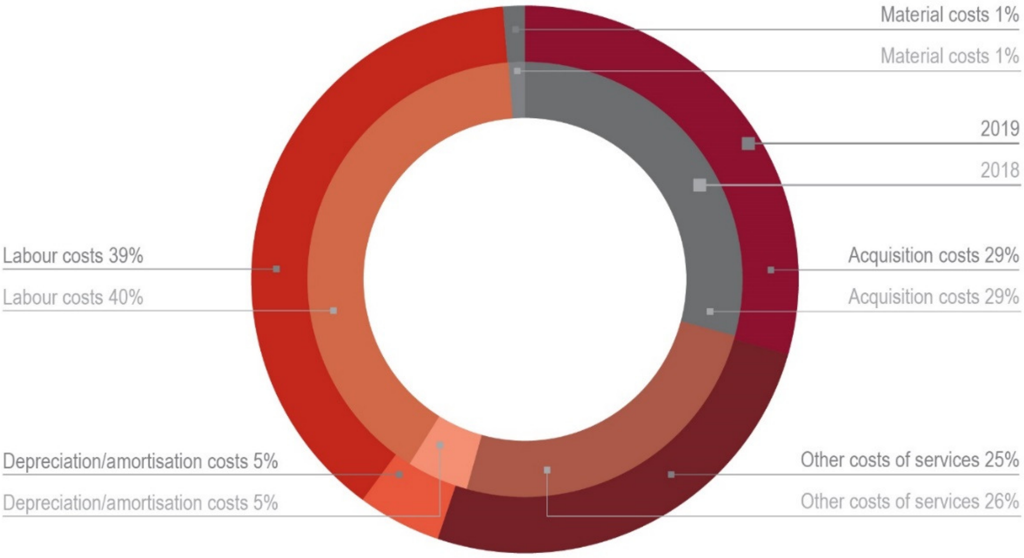
The structure of net claims incurred by business segments in 2018 and 2019 (in EUR million):



Operating expenses

Operating expenses (excluding claim settlement costs, which are recorded under gross claims incurred) amounted to EUR 81.1 million and increased by 5.9% i.e. by EUR 4.5 million in 2019. The largest increase in expenses is recorded in the cost of services, which rose by 7.5% to EUR 44.8 million and consist of a significant share of acquisition costs, which grew by 6.8% to EUR 23.9 million. Compared to the previous year, labour costs increased by 2.4% to EUR 30.6 million and, costs of material and goods increased by 12.6%, while depreciation and amortisation costs rose by 14.7% to EUR 4 million.

The structure of operating expenses in 2018 and 2019 (in %):



Changes in insurance technical provisions

In 2019, the volume of mathematical/insurance technical provisions for unit-linked insurance increased by EUR 38.7 million due to increased unit value of policyholders' assets (on the expenses side under this heading, the expenses for unit-linked life insurance investments increased leading to a neutral impact on the net profit in life insurance). Under other insurance technical provisions, provisions worth EUR 4.2 million were set up, mainly in the life insurance segment (EUR 3.7 million), in line with the development of the traditional life insurance portfolio

Investment revenue and expenses

The Company achieved a net financial result from investing activities in the amount of EUR 49.4 million, which is more than in 2018 by EUR 63 million. This was mainly contributed by investment revenue, which was higher by EUR 40.7 million and investment expenses, which were lower by EUR 22.4 million. Financial revenue and expenses also include net financial revenue/expenses from unit-linked insurance. In 2019, the net financial result of these investments amounted to EUR 42.8 million due to high growth in stock markets, unlike in 2018 when a loss of EUR -20.5 was suffered.

After excluding the impact of investment revenue/expenses from unit-linked insurance, which, together with the changes in mathematical provisions, have a neutral impact on financial statements, investment revenue in the life insurance segment rose by only EUR 0.2 million compared to 2018. The net investment revenue from investment in the life insurance segment (excluding unit-linked insurance) thus amounted to EUR 4 million in the past year.

The net income from non-life insurance, which amounted to EUR 2.7 million in 2019 and were lower by EUR 0.9 million than in 2018. Net investment revenue from health insurance amounted to EUR 0.2 million or EUR 0.1 million less against to the comparable period.

Other revenue and expenses and financial expenses for interest

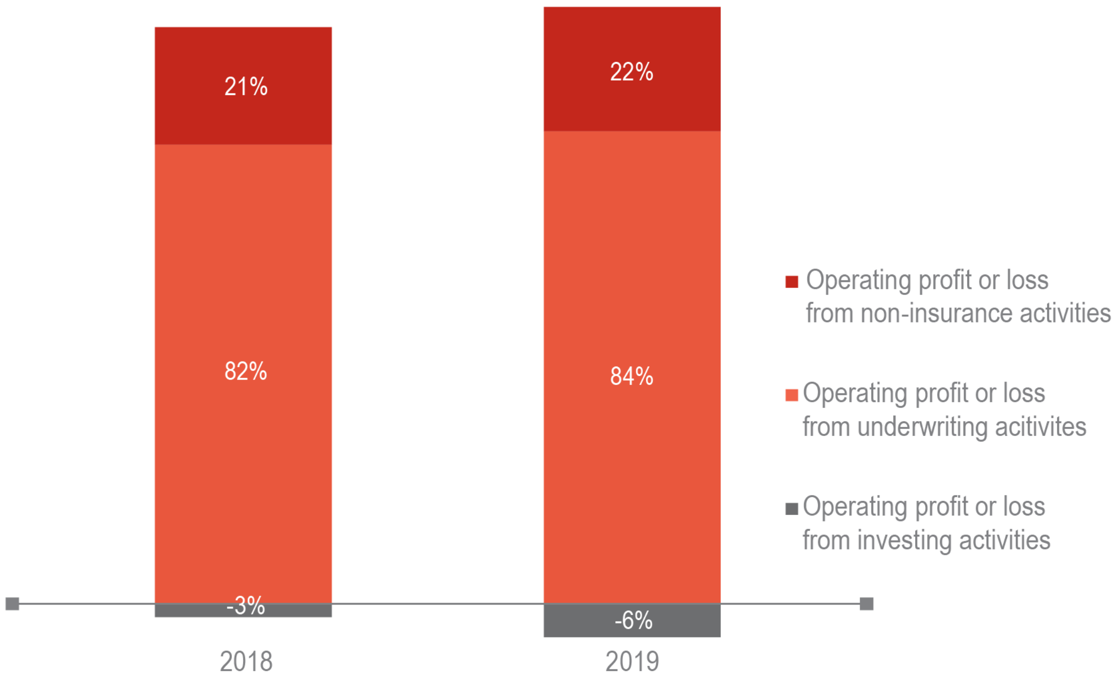
In 2019, the net result of other revenue (including fee and commission revenue or insurance revenues) and expenses (including financial expenses for interest) totalled EUR 7.4 million and was EUR 3.9 million higher than in the previous comparable period. This result is based on lower expenses which in 2019 amounted to EUR 10.7 million (lower expenses from investment property, lower other operating expenses and other financial expenses). Financial expenses for bonds issued remained at the same level as in the past period. Other revenue was down

EUR 0.6 million compared to the previous year and amounted to EUR 18.1 million (lower reinsurance fees for non-life insurance). The impact of Generali Investments brings an additional EUR 10.6 million in commission revenue at Group level.

Net profit or loss

Detailed financial statements of the Company show that net operating result in the amount of EUR 7.2 million consists of positive results in the non-life insurance (EUR 4.5 million), health insurance (EUR 1.3 million) and asset management (EUR 1.5 million) segments, while the life insurance segment showed a negative net result of EUR 0.4 million. The decrease of the net profit in 2019, when compared to the previous years, was mostly affected by the lower underwriting result of non-life insurance as a result of the deterioration of the combined ratio.

The structure of profit before tax for 2018 and 2019:



Financial position

As at 31 December 2019, total assets of the AS Group stood at EUR 810 million, representing a 10.6% increase compared to the previous year. The increase resulted from growth of the value of unit-linked insurance assets, which grew by 13.6% to EUR 311.5 million and the increase in financial investments, which increased by 14% to EUR 316.8 million.

The bulk of assets at the 2019 year-end was accounted for by life insurance assets (64.2%), by non-life insurance assets (33.8%) and the rest was intended for the implementation of health insurance activities and asset management.

The structure of assets:

in EUR thousand	31.12.2019	in %	31.12.2018	in %	Index
ASSETS	**810.026**	**100,0%**	**732.509**	**100,0%**	**110,6**
Intangible assets	32.096	4,0%	32.253	4,4%	99,5
Property, plant and equipment	31.647	3,9%	30.854	4,2%	102,6
Deferred tax assets	3.172	0,4%	4.251	0,6%	74,6
Investment property	9.039	1,1%	23.757	3,2%	38,0
Financial assets and financial investments in subsidiaries and associated companies	12.363	1,5%	12.062	1,6%	102,5
Financial investments	316.826	39,1%	278.033	38,0%	114,0
- loans and deposits	9.041	1,1%	42.998	5,9%	21,0
- held to maturity	11.809	1,5%	29.629	4,0%	39,9
- available for sale	290.137	35,8%	195.805	26,7%	148,2
- recognised at fair value through profit and loss	5.840	0,7%	9.601	1,3%	60,8
Unit-linked insurance assets	311.499	38,5%	274.128	37,4%	113,6
Reinsurers' and co-insurers' share of insurance technical provisions	17.048	2,1%	14.904	2,0%	114,4
Assets from financial contracts	18.686	2,3%	11.913	1,6%	156,9
Receivables	29.983	3,7%	22.887	3,1%	131,0
- receivables from direct insurance operations	23.953	3,0%	16.668	2,3%	143,7
- receivables from reinsurance and co-insurance operations	1.647	0,2%	1.170	0,2%	140,8
- current tax receivables	319	0,0%	34	0,0%	928,8
- other receivables	4.064	0,5%	5.015	0,7%	81,0
Other assets	6.193	0,8%	5.756	0,8%	107,6
Cash and cash equivalents	21.473	2,7%	21.712	3,0%	98,9

As at 31 December 2019, on the assets side, investments were recognised as the most important category. They accounted for EUR 668.4 million or 82.5% of total assets (31 December 2018: EUR 599.9 million). Compared to the previous period under examination, the volume of investments increased by 11.4%. As at the end of 2019, EUR 311.5 million was accounted for by unit-linked insurance assets, EUR 316.8 million by other financial investments, EUR 12.4 million by financial investments in subsidiaries and associated companies, EUR 9 million by investment property, EUR 18.9 million by financial contracts and EUR 21.5 million by cash and cash equivalents.

Due to an increase in unit value of unit-linked insurance assets, the unit-linked insurance assets increased by 13.6% compared to the previous year, and accounted for a 38.5% share of total assets as at 31 December 2019 (31 December 2018: a 37.4% share). The volume of financial investments increased by 14.0 % (by EUR 38.8 million), while the volume of investment property decreased by EUR 14.7 million. Assets from financial contracts increased by EUR 6.8 million.

As at 31 December 2019, receivables amounted to EUR 30 million, accounting for 3.7% of total assets, and, owing to the increase by 31% (compared to the previous reporting period), they increased their share. A growth in the value of all groups of receivables (the larges tone in receivables from direct insurance business) occurred, with the exception of other receivables, which fell by 19%.

As at 31 December 2019, property, plant and equipment and long-term intangible assets totalled EUR 63.7 million. The former accounted for 3.9% and the latter for 4% of total assets.

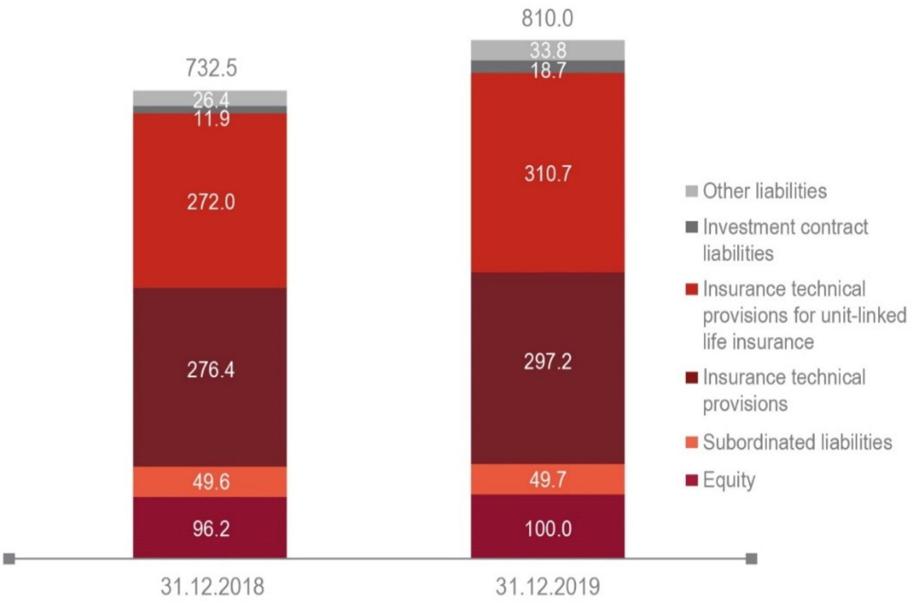
The amount of insurance technical provisions ceded to reinsurance/coinsurance increased by EUR 2.1 million to EUR 17 million.

The structure of liabilities:

in EUR thousand	31.12.2019	in %	31.12.2018	in %	Index
LIABILITIES	810.026	100,0%	732.509	100,0%	110,6
CAPITAL	99.988	12,3%	96.218	13,1%	103,9
Capital and reserves attributable to majority shareholders of the Company	99.938	12,3%	96.112	13,1%	104,0
Called-up capital	*43.000*	*5,3%*	*43.000*	*5,9%*	*100,0*
Share premium	*4.212*	*0,5%*	*4.212*	*0,6%*	*100,0*
Reserves from profit	*9.224*	*1,1%*	*9.224*	*1,3%*	*100,0*
Translation reserves	*11*	*0,0%*	*13*	*0,0%*	*85,6*
Fair value revaluation reserve	*5.825*	*0,7%*	*549*	*0,1%*	*1061,7*
Net profit brought forward	*30.668*	*3,8%*	*29.970*	*4,1%*	*102,3*
Net profit or loss for the period	*6.999*	*0,9%*	*9.145*	*1,2%*	*76,5*
Minority interest	50	0,0%	106	0,0%	47,0
Subordinated issued bonds	49.677	6,1%	49.582	6,8%	100,2
Insurance technical provisions	297.221	36,7%	276.383	37,7%	107,5
Unearned premium	51.461	6,4%	50.006	6,8%	102,9
Insurance technical provisions for life insurance	114.757	14,2%	110.294	15,1%	104,0
Claims provisions	124.095	15,3%	115.570	15,8%	107,4
Other insurance technical provisions	6.907	0,9%	514	0,1%	1344,0
Insurance technical provisions for unit-linked life insurance	310.690	38,4%	271.970	37,1%	114,2
Other provisions	5.753	0,7%	4.984	0,7%	115,4
Deferred tax liabilities	435	0,1%	0	0,0%	-
Investment contract liabilities	18.686	2,3%	11.913	1,6%	156,9
Financial liabilities	1.479	0,2%	525	0,1%	282,0
Operating liabilities	11.125	1,4%	7.157	1,0%	155,4
Other liabilities	14.972	1,8%	13.777	1,9%	108,7

As at 31 December 2019, total equity amounted to EUR 100 million, i.e. 3.9% more than at the 2018 year-end. The proportion of equity in total assets went up by 0.8 percentage points and stood at 12.3% as at 31 December 2019.

The structure of liabilities as at 31 December 2019 (in EUR million):



On the liabilities side, the insurance technical provisions totalled EUR 607.9 million at the 2019 year-end when compared to the year before, increasing their volume by 10,9% in parallel to increasing their total share in total assets by 0.1 percentage point. The insurance technical provisions for unit-linked insurance rose by 14.3% to

EUR 310.7 million, whereas other insurance technical provisions rose by 7.5% and increased their volume to EUR 297.2 million.

The financial liabilities of the Group resulting from the issuance of the subordinate debt in the first half of 2016 stood at EUR 49.7 million.

As at 31 December 2019, operating liabilities stood at EUR 11.1 million. At the same time, liabilities from financial contracts were recognized in the amount of EUR 18.7 million (set up in 2016 in connection to pension insurance premium), which represents a 56.9% increase compared to 2018 year-end. Based on other short-term liabilities from insurance operations, other liabilities increased by EUR 1.2 million to EUR 15 million.

8. RISK MANAGEMENT AND INTERNAL AUDIT

8.1 RISK MANAGEMENT

In April 2019, AS published its 2018 Report on Solvency and Financial Condition of the Company, which, together with the extended annual set of quantitative reporting templates (QRT) and the regular report to the supervisor, present the disclosure requirements in accordance with the third pillar of Solvency II. The Report, reviewed by an independent external auditor, shows that at the 2018 year-end the Company showed a surplus of eligible own funds above the required capital. In 2019, the risk profile of the Company did not change significantly, however, as a result of methodological changes in the calculation of capital adequacy due to harmonization with the accession of the Generali Group, the capital adequacy ratio of the Company slightly decreased. The 2019 capital adequacy ratio will be disclosed in the revised 2019 Solvency and Financial Condition, which will be published on the Company's corporate website.

In the last quarter of 2019, the own risk and solvency assessment for 2019 was carried out based on the adopted medium-term business strategy, the business plan for 2020 deriving from it, and the projections until 2022. In the framework of the own risk and solvency assessment, the sustainability of the medium-term business strategy to meet the capital requirements and to achieve risk appetite, as well as the resilience of the Company to the risks associated with the implementation of the strategy were tested. According to the results of the own risk and solvency assessment, the Company demonstrates excess capital adequacy and exceeds risk appetite also in comparison with the own assessment of capital requirements over the entire business planning period. According to projections from the own assessment, the capital adequacy of the Company (already merged in 2020) is expected to continue to grow up until 2022. As per the own assessment of risks and solvency, the negative shocks and scenarios tested would not jeopardize the company's capital adequacy.

8.1.1 Risk management system

Risk management is understood by the Management Board as the first line of defence or as a way to avoid the occurrence of a situation, which could endanger the existence of the Company. The capital of the Company complements risk management in terms of ensuring compliance with the obligations of the Company even during adverse extraordinary events.

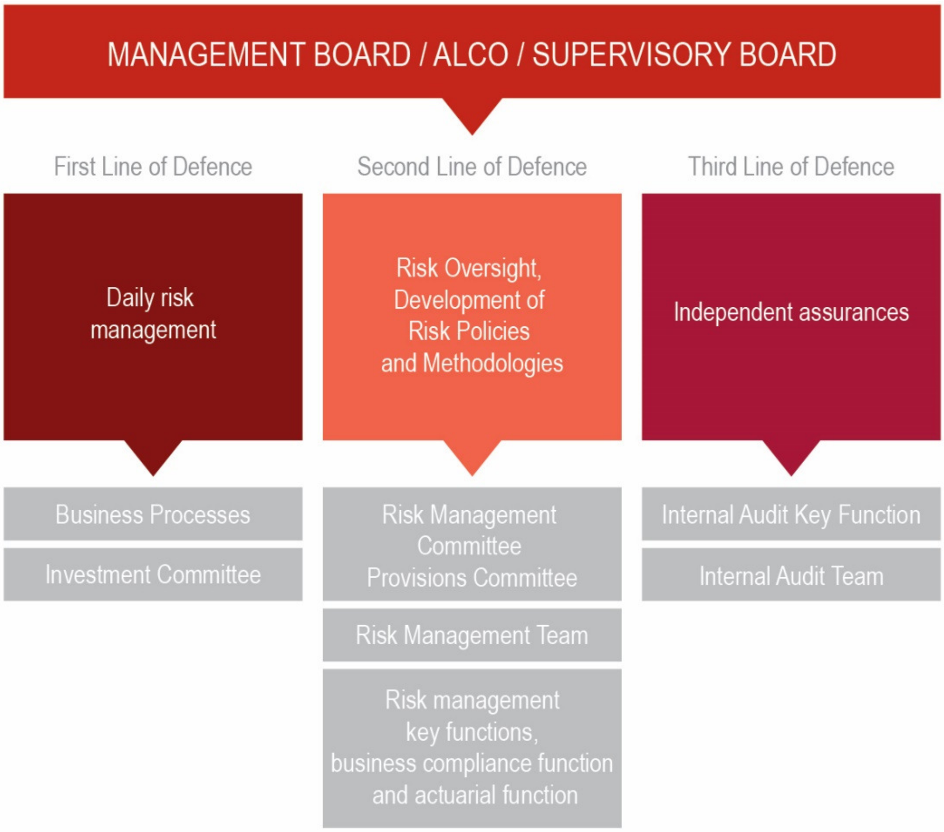
The risk management system of the Company is managed and supervised by the Management Board and designed not only to identify potential events that may have a negative impact on the operations of the Company, but also to manage risks based on the risk appetite by giving reasonable assurances on the achievement of business goals of the Company. The risk management system is proportional to the nature, scope and complexity of the company's operations.

In line with the Solvency II requirements, along with the risk management key function, the Company established the following key management functions: the compliance function, the actuarial function and the internal audit function.

In accordance with the three lines of defence system, the risk management process is implemented throughout the entire Company. The first line of defence, which includes all business processes in the Company or their owners and the Investment Committee, is responsible for regular operational management of risks arising from the process or being a result of the process. Risk managers (usually the director of the team in charge of a particular process) therefore assume risks and are responsible for ongoing identification, assessment, measurement and reporting (to the Risk Management Team) as well as for the initial management or risks arising from their processes.

The Risk Management Committee, the Risk Management Team and the risk management key function, including the actuarial and compliance key functions, form the second line of defence, which is responsible for reviewing and coordinating the first line of defence, developing policies and strategies, setting risk tolerances and limits, as well as preparing reports and presenting them to the ALCO Committee, the Management Board and the Supervisory Board of the Company. The third line of defence, which includes the internal or other assurance providers, is responsible not only for an independent assessment of the effectiveness of the risk management process and practices but also for providing timely and objective recommendations and assurances regarding risk management.

The three lines of defence system:



In the context of the three lines of defence system, several committees have been established, among which the Assets and Liabilities Management Committee (ALCO) has the most important role in the risk management system. In addition to asset and liability management, the Committee approves balance sheet risk management policies and the risk appetite relating to balance sheet risks as well as provides guidelines for the provision of the planned key risk indicators (KRIs) in line with the business policy of the Company.

The Risk Management Committee has been established with the aim of ensuring uniform identification and assessment of the risks to which the Company is exposed. Moreover, the Committee gives professional opinions and proposals to the Management Board regarding the management of these risks in order to ensure efficient management of the Company. The Investment Committee has been established with an aim to implement the strategic and tactical investment activity in the Company, while the Provisions Committee was set up to monitor and manage the provisions arising from the assumed liabilities of the Company.

8.1.2 Risk Management Process

Risk management means the identification, measurement or assessment, control and monitoring of risks at all levels, including reporting on the risks to which the Company is or may be exposed in its operations.

In the context of the policies defining the risk management system, the Company developed specific risk management action plans, which include internal risk management procedures, risk management measures and internal procedures for their implementation, internal procedures for monitoring the implementation of risk management measures.

The risk management process comprises the following key steps:

- risk identification, which involves a comprehensive and timely identification of risks to which the Company is or may be exposed and an analysis of the causes of their occurrence;
- risk measurement or assessment, which includes the preparation of quantitative and/or qualitative assessments for measurable and/or unmeasurable risks identified in the risk identification process;
- risk management, which encompasses the process of selection and introduction of risk reduction measures;
- risk monitoring, which comprises the rules on risk liability, frequency and monitoring;
- risk reporting, which includes regular and extraordinary reports and the frequency of reporting.

8.1.3 Definition of Risk Categories

The risk management system includes at least the following key areas of risks:

- capital adequacy;
- taking out insurance and establishment of insurance technical provisions;
- asset-liability management;
- management of underwriting, market, credit, operational, liquidity and concentration risks and any other risks to which the Company is exposed;
- reinsurance and other techniques for reducing the risks.

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions taken into account in the calculation of insurance technical provisions.

Market risk is the risk of loss or of adverse changes in the financial situation of an insurance undertaking, resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Credit risk is the risk of loss or of adverse changes in the financial situation of an insurance undertaking, resulting from fluctuations in the credit position of securities issuers, counterparties and potential debtors, to which an insurance undertaking is exposed in the form of counterparty default risk, credit spread risk and concentration risk.

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

Liquidity risk is the risk that the Company is unable to realise its investments and other assets in order to settle its financial obligations when they fall due.

Concentration risk means exposure to risk with the possibility of loss, which is high enough to be a threat to the solvency or financial position of the Company.

The material risk of the Company in which, directly or indirectly, all the other mentioned types of risk are reflected, is the **risk of ensuring appropriate capital adequacy** or the risk that the capital of the Company is insufficient to cover all the risks assumed. Capital risk relates to inappropriate capital structure and level in relation to the volume and manner of operation or to the problems which the Company would face in acquiring fresh capital, particularly if it needed to increase its capital rapidly or in adverse conditions. An adequate capital base provides a safety reserve for various risks to which the Company is exposed in its operations. The Company manages this risk primarily by maintaining an appropriate surplus capital above its solvency needs, calculated in accordance with the standard formula and own assessment, and by implementing a specific capital risk management policy. Ensuring sufficient capital in relation to the solvency needs is one of the key elements of the assigned credit ratings of the Company. Risk management types are discussed in greater detail in Section 7 of the financial part of the Report.

8.1.4 The integration of the risk management system and the Company's business strategy

Risk management begins with the Company strategy, as is the case with all the other activities related to the operations of the Company. After the strategy is created, the supervisory mechanisms are set up, which enable the strategy to be carried out by optimally implementing the key value factors and effectively managing the risks arising from these factors by all teams of the Company.

The integration of the Company's business strategy and the risk management system:

The basic concept of the risk management strategy is the risk appetite, including tolerances to most material risks, which is defined in line with the business strategy and the capital management strategy (risk capacity).

At the Company level, the risk appetite represents the total amount of risk which the Company is prepared to assume in the pursuit of its mission and vision, business and strategic goals. The risk appetite is limited with the risk capacity, which the Company is able to assume based on its available economic capital. The risk appetite is clearly defined and appropriately presented throughout the whole organisation at all levels and is included in the business planning process of future operations. The risk appetite is expressed in the form of statements and metrics.

Risk tolerance represents the maximum risk which the Company is willing to assume with respect to each risk category in order to achieve its business and strategic objectives by cumulatively operating within the framework of the defined risk appetite. The operational limits relate to day-to-day business decisions.

8.1.5 Own Risk and Solvency Assessment

As one of the integral parts of its business strategy, the Company specifically plans its capital requirements or the available capital so as to reflect all material risks to which the Company is exposed. This is performed in the context of Own Risk and Solvency Assessment (ORSA). The primary ORSA objectives are to ensure sound and prudent risk management within the Company through a better understanding of comprehensive capital requirements and capital allocation, as well as through the understanding of the interconnection between risks and capital management in the planning of future operations of the Company.

Furthermore, the aim of the ORSA is to provide another view of the capital adequacy assessment of the Company by comparing its own risk profile assessment with the assumptions used to calculate the regulatory capital requirements so as to verify whether the regulatory SCR calculation method (the standard formula) correctly takes into account the entire risk profile of the Company. The Company can manage its risks either through capital requirements and by ensuring regulatory capital or with other risk mitigation techniques, taking into consideration the business strategy, the risk profile, and the accepted risk limits and tolerances. By identifying its comprehensive capital requirements, the Company decides whether to assume or transfer certain risks, sets optimal capital allocation and assesses other performance parameters, which are reflected in the strategic decisions of the Company.

In contrast, the ORSA has to reflect the business strategy of the Company. When performing the ORSA, it is therefore necessary to take into consideration the strategic decisions affecting the risk profile of the Company, the capital requirements and the available capital of the Company. The management and supervisory bodies of the Company should be aware of and clearly understand the implications of the strategic decisions on the abovementioned capital aspects of the Company. Furthermore, they should take into account whether such implications are desired, feasible, namely whether the Company could even afford them, considering the scope and the quality of its own funds.

8.1.6 IT-related safety risk management

In order to improve the quality, safety and reliability of the IT systems, several internal safety tests were carried out in 2019 to identify vulnerability which poses a safety risk to the Company and clients. As a rule, tests were carried out before the transition of upgraded information solutions into production. In addition, the recommendations arising from a major security overview of the internal network were implemented. The implementation of these recommendations implies a significant increase in the security level from the point of view of the vulnerability of the internal network.

8.2 INTERNAL AUDITING

The internal audit is organised as an independent Internal Audit Team, which is directly subordinated to the Management Board. It is separated from other organisational units of the Company, both functionally and organisationally. It is headed by a director who directly reports to the Management Board on the performed tasks and operations, which guarantees the independence of its functioning.

In accordance with the legal requirements and based on the risk assessment, the Internal Audit Team performed supervision of the operations of the Company in order to verify and assess whether the risk management processes, internal controls and governance of the Company are adequate and operate in the manner ensuring the achievement of the following important objectives:

- effective and efficient operations of the Company, including the achievement of business and financial performance goals, and protection of assets against loss;
- reliable, timely and transparent internal and external financial and non-financial reporting;
- compliance with the law, other applicable regulations and internal rules.

Internal auditing was carried out in accordance with the requirements of the Insurance Act (ZZavar-1) and other applicable regulations, the professional internal auditing rules issued by the Slovenian Institute of Auditors and the internal documents of the Company.

An external assessment of the quality of the internal audit function was carried out three times, in 2008, 2013 and 2017. The opinion of the external evaluators was that internal auditing was carried out, in all material respects, in accordance with all the International Standards for the Professional Practice of Internal Auditing and in accordance with The Code of Internal Auditing Principles and the Code of Ethics for Internal Auditors and that the Internal Audit Team operates efficiently and effectively. They also expressed the opinion that the Internal Audit Team adds value to the Company and makes a significant contribution to the Company's performance.

The Internal Audit Team carried out internal audit activities on the basis of the annual work plan for 2019, which was adopted by the Management Board of the Company after receiving the approval of the Supervisory Board. An important part of auditing was devoted to carrying out audits, monitoring the implementation of recommendations, continuous auditing, day-to-day supervision, advising the management of the Company, cooperating with key functions in the Company and to the activities concerning the merger with the insurance company Generali.

In performing internal audits, the focus was on auditing those areas that represent higher risks for the Company and consequently a greater potential damage (loss) or major lost opportunities; assessing the risk management system and the established internal control system; reviewing the preparation of the insurance company for changes in legislation; approach with the aim to create added value; verification whether operations are economical and in compliance with internal rules and external regulations; identification of risk arising from occurrence of fraud and the transfer of good business practices.

After each internal audit, a draft report was initially issued by the Internal Audit Team and submitted to the auditee for comment. The final report was examined by the Management Board, which set a deadline for the auditee to take corrective action or to implement the recommendations issued by the Internal Audit Team.

As a result of active monitoring of the corrective measures of the auditees by the Internal Audit Team, a high share of implemented recommendations was achieved again in 2019.

After being examined by the Management Board, all internal audit reports were also sent to the Audit Committee. Two half-yearly and an annual report were produced and examined by the competent bodies of the Company.

9. CUSTOMER AT THE CENTRE OF PRODUCTS AND SERVICES OF THE AS GROUP

9.1 IMPORTANT CUSTOMER SERVICES

Policyholders contact the Company in many ways, and every contact is important for us, as we want to satisfy the wishes of the policyholders and attract the attention of new ones. We developed and supplemented our range of insurance products and services, and improved our information and consultancy services for our clients in the field of taking out insurance and settling claims. We provided our clients with special club benefits and continued with the programme aiming at raising awareness about a healthier lifestyle and the importance of insurance cover.

9.1.1 MOJ AS (MY AS)

The Moj AS (My AS) Portal enables the customers to independently view their insurance policies, check and make payments, report claims and monitor claim settlement progress and monitor their investment in life and pension insurance on their computers, tablets or mobile phones. At the same time, clients can now receive via the portal all non-commercial notifications (on the progress of insurance, payment orders, investment value notices, reminders) sent to the policyholders by the Company. By the end of the year, over 42,000 users have been registered on the portal. The annual growth in the number of users is over 30%, and e-notification is used by over 60% of registered users. On average, there are over 400 viewers per day.

9.1.2 WIZ ONLINE BRAND

The offer at the Wiz Online Point of Sale, where users can find simple and modern insurance products (Wiz Avto – Wiz Car, Wiz Zdravje – WIZ Health, Wiz Kolo – Wiz Bicycle, WIZ Kuža – WIZ Dog, WIZ Tujina – WIZ Abroad, WIZ Smučar - WIZ Skier …) was further enriched in 2019 so that now WIZ Avto (Wiz Car) insurance offers the possibility of taking out additional partial coverage insurance and the first motor vehicle policy WIZ Mladi voznik (WIZ Young driver). We also launched personalized videos as part of the process of renewing motor vehicle insurance and offered our clients the opportunity to upgrade their new policies with additional coverage which they simply choose right in the video. Our clients' needs are changing, therefore we want to make it easier for them to take out and renew insurance and to easily upgrade their protection. We also redesigned the web site to give our customers a better view of the offer and give them an even better user experience.

9.1.3 CENTER ZDRAVJE AS (AS HEALTH CENTRE)

The AS Health Centre provides quick and quality assistance to customers using services from the supplementary insurance schemes Specialisti z asistenco (Specialists with assistance) and transitional care insurance.
We dealt with a total of 10,973 specialist services, mostly in orthopaedics, dermatology and surgery. In addition to the basic and control examinations, we also authorized the corresponding diagnostic examinations, namely 649 endoscopic examinations, 2098 MR examinations, 645 X-rays examinations, 2055 ultrasound examinations, 285 CT examinations and 310 histopathological examinations. There were also 220 authorizations for surgery and 895 authorizations for physiotherapy. We provided 60 policyholders with insurance services for transitional care (transportation to control check-ups and assistance at home). In our internal AS Health Centre customer satisfaction survey, customers rated our services and staff at the Centre with the highest ratings. The average satisfaction rating was 4.94 out of 5 (NPS 39%).

As many as 99.7798 % of the policyholders are satisfied with the AS Health Centre

The toll free number 080 81 10, intended for the complementary health insurance policyholders, recorded 10,284 calls, which is by 67% more than the year before. The increased number of calls can be attributed to the increased number of supplementary health insurance contracts and to the increased awareness of policyholders about the possibility of using health services.

9.1.4 MOJ SERVIS AS (MY AS SERVICE) AND ROADSIDE ASSISTANCE

Repairing the car in the network of Company contracted car service providers simplifies procedures and saves time for policyholders and those who have suffered loss. They have at their disposal a quick damage appraisal at the garage, a quality and quick repair and free-of-charge use of a replacement vehicle during car repair (up to 3 days and up to 100 km/day). Clients are rewarded for having chosen the MOJ SERVIS AS (My AS Service) with a coupon enabling them to purchase a new or to renew car insurance. Policyholders can select this Service in the network of authorized and all-brand garages throughout Slovenia. Owing to the good experience of policyholders, MY SERVICE is becoming more and more popular and exceeds 40% of all motor vehicle damage repairs. Roadside assistance is provided through the Call Centre to anyone who claims damage (policyholders and those who have suffered loss) due to a car accident.

9.1.5 CUSTOMER CARE

Regardless of the which way customers contact the Company, we strive to live up to their expectations. Direct contact with them, monitoring of their satisfaction and sales support are implemented via a series of channels, the central toll-free number 080 11 10, email address info@as.si, Moj AS Portal, Facebook, chat and personal contact at the Customer Care Centre.

In 2019, 730,487 communications with clients via all communications channels were recorded. Particular care is dedicated to individual consulting in the area of life insurance where advice is provided on insurance management and asset management,. Customers are assisted when purchasing insurance, we carry out recovery of unpaid premiums and conduct user experience satisfaction surveys.

9.1.6 AS KLUB UGODNOSTI (AS BONUS CLUB)

In 2019, we provided our members and their families with discounts and benefits on over 30 services. Our members used the most discounts for Dom AS insurance, visits to the Volčji Potok Arboretum, cheaper membership fees for the Alpine Association of Slovenia and cheaper skiing at the Golte ski resort. At the end of the year, the Club carried out activities in connection with the merger of insurance companies and with the updated new Generali Bonus Club, with which we wish to continue to make the experience of the Club members enjoyable.

9.1.7 MIGIMIGI PROGRAMME

Migimigi is a community and a programme that lives through “omnichannel communication” on social media, www.migimigi.si website, through Migimigi ambassadors, influencers and at sporting events. It represents a new look and attitude of the Company with its customers, as it encourages continuous interaction and nurturing of relationships with policyholders and builds a more lasting relationship and trust. The Programme offers a diverse set of exciting and easy-to-use challenges, by constantly raising awareness of, informing of, educating about and encouraging the members of the Migimigi community to implement healthy habits to improve the quality of life and well-being and to reduce stress. It also highlights the dangers we cannot avoid and offers the best solutions to effectively protect an individual and his or her family from unforeseen life events. The Migimigi community has been operating for two seasons. In the meantime, as many as 14 challenges have successfully taken up, attracting more than 50,000 Slovenes to get active. A number of them, along with more than 40 trainers and Migimigi ambassadors, attended the September Migimigi Days at the Arboretum. This largest outdoor recreation attracted a total of 5,000 fans who were moving at two events. More than 26,000 participants joined the 2019 challenges. Most of them strengthened their knowledge of the mountain etiquette and the principles of safe mountaineering in the AS Safe Mountaineer Challenge, tested their stress load in the Destress Challenge and refreshed their knowledge of cycling rules in the AS Safe Cyclist Challenge. Attention was also drawn by the challenge Move it for the Puppies.

9.2 INSURANCE AND SERVICES DEVELOPMENT

9.2.1 Non-Life Insurance Products

Due to the sales process and the announced merger of the company, we intensively analysed the products of both insurance companies and prepared new, common insurance bases, instructions for underwriting and underwriting IT applications that follow Generali's guidelines for underwriting.

On account of a legal change, we increased the minimum sum insured for the Professional Liability Insurance for Physicians and Dentists to EUR 130,000 in the second year quarter. During this period, we enabled the taking out of the product Tujina AS (AS Abroad) also via the application Skleni AS (AS Underwrite) and in this way brought it even closer to the underwriters and thus to the customers. Among other things, at the beginning of the year, on the model of the WIZ Kuža (WIZ Dog) product, which is sold exclusively via the Internet, we also prepared the Kuža AS (AS Dog) product for pet insurance for the sales network.

In spite of intensive work on new products, in the last quarter, together with our colleagues from Generali, we renewed our insurance bases for professional liability insurance in the field of architectural and engineering activities. This was due to the new legislation, which stipulated, among other things, the increase of the minimum sum insured for professional indemnity insurance from EUR 41,730 to at least EUR 50,000 per insurance case and annually (once a year aggregate), and we further significantly changed the scope of professional liability coverage.
At the end of the year, we also renewed the underwriting bases for general liability, manufacturer's liability and other professional liability insurance so as to comply with the rules of the Generali Group. Furthermore, we radically changed the general terms and conditions for construction and assembly works insurance. The year ended with intense preparations for the joint appearance of the two insurance companies on the market.

In the field of motor vehicle insurance, activities were carried out in accordance with the plans, while from March 2019 onwards, we focused as much as possible on the programmed merger. The motor vehicle insurance area was a high priority and most of our efforts, resources and ideas were focused on the designing of a quality motor vehicle portfolio and future offerings in this area.

9.2.2 Life and Pension Insurance Products

In January 2019, we continued with the marketing campaign featuring affordable payments of the additional one-off premium to unit-linked life insurance, which had begun in December 2018. We wanted to encourage clients to pay additional amounts under affordable conditions. At the same time they were rewarded with either a gift voucher or a money vouchers which can be used to renew or extend existing insurance or to take out new insurance. The additional payments give customers higher savings and tax-free returns after ten years of insurance. The campaign was limited in time and lasted until 28 February 2019.

In March 2019, we developed the exclusive Premium Garant unit-linked insurance, a lifelong insurance with one-time premium payment, designed for clients with higher savings. It is primarily intended for saving while providing minimal insurance coverage. The insurance may be partly or fully (for the first three years) tied to a guaranteed return investment and/or investment funds. Over the duration of the life insurance, the part of the investment having the guaranteed return gradually decreases until the end of the 10th year. The Premium Garant enables favourable enrichment of assets in the selected investment without payment of entry fees, stability and security of the assets, tax-free returns after ten years and quick access to the assets.

In the light of merging with Generali Insurance Company, in April and May we paid a lot of attention to market research and analysis of competitive advantages, and made a comparison of all types of insurance in the Slovenian market. Based on this research, together with Generali Insurance Company, in the second half of the year we renewed and streamlined various life insurance for post-merger marketing.

The insurance underwriting application Skleni AS)AS Underwrite) was upgraded in 2019 and it thus also allows taking out supplementary health insurance, accident insurance for children and school youth and insurance with foreign assistance Tujina AS (AS Abroad). Additionally, optimization was performed in the area of the import of data on underwritten offers into the back-office system, which shortened the time required to enter the policy, and integration with the My AS Portal, which enables the client to access the underwritten insurance documentation at any time.

In the area of **pension savings**, we successfully continued the marketing activities. Together with the Customer Care Centre and the account managers specialised in pension insurance, we provided our policyholders with timely and professional information support.

The policyholders were regularly informed about the operations of the Company pension funds and the importance and benefits of saving for a safe old age in the second pension pillar via posts on the Company's website and social networks. Our business partners could to securely communicate and share confidential business files through the AS B2B web portal.

In 2019, in accordance with the law, changes were made to the Rules of Management of the group of guarantee funds Pokojninsko varčevanje AS (AS Pension Savings), Rules of Management of the Guarantee Fund with guaranteed return under PN-A01, to all three Statements on the Investment Policy of Guarantee Funds Pokojninsko varčevanje AS (AS Pension Savings) and the Statement on the Investment Policy of Guarantee Funds with guaranteed return under PN-A01. The changes relate, in particular, to the investment policy of guarantee funds, which was supplemented by the possibility of investing in alternative and special investment funds and of changing the rate of the custodian fee.

9.2.3 Health Insurance Products

In the area of health insurance, Adriatic Slovenica has continued implementing activities which ensure comprehensive healthcare to policyholders and has strived to preserve the leading position among insurance companies in the development of innovative health products and health-related assistance services.

Both individuals and companies were provided with the possibility of taking out modern health, accident and life insurance packages, as in our development we are aware of the importance of continuous monitoring of the needs and wishes of our policyholders. In 2019, we upgraded the Insurance Specialists with Assistance product with new innovative covers and successfully offered it to all existing policyholders. The Specialists with assistance package was adapted for collective underwriting, as this insurance is also important for companies – a timely diagnosis is crucial for the beginning and the course of treatment and has a significant impact on the quality of health of the policyholders and their speed of recovery, preventing potential complications and consequences which can occur and contributing to their faster return to work.

Quality and efficient assistance services are based on the development of information support and the upgrade of the Assistance Centre. In 2019, we paid great attention to the contracted network of health service providers and continued the standardization of the procedures for the most frequent activities of health services implemented by providers for complementary and supplementary health insurance policyholders. We expedited the appointment process to provide a faster service to our policyholders. In order to achieve this, we have been building business relationships with recognized professionals and selecting the best and professionally most qualified providers of these services.

Great attention is devoted to the business processes that need to be managed among the stakeholders of the self-paying healthcare market, which requires the development of digital solutions in particular in order to integrate all stakeholders, namely insurance companies, health providers and patients. Thus, in 2019, we developed an electronic solution for making appointments for self-paid health services for our policyholders.

9.2.4 Settling Insurance Cases

Our guiding principle in settling insurance cases is comprehensive customer-to-repair solutions, provided in collaboration with external partners. With a network of contracted garages MOJ SERVIS (MY SERVICE) and a free POMOČ NA CESTI (ROADSIDE ASSISTANCE) service, we are building a long-term partnership with our customer. In this area, the Company is focusing on smart, integrated services and various new tools such as mobile applications and other technological solutions. Customer-friendly digital communication has also been at the forefront of the development of the E-ŠKODA (e-Claims) project, which has been providing customers with an easy way to report damage on a new digital platform since 2019.

9.2.5 Information Technology

In 2019, we continued with the activities of establishing a modern information ecosystem which will enable a rapid and efficient development of modern digital solutions and applications. We provided information support to the AS Group companies as well as hosting services in the corporate private cloud. Due to the sale, we established an independent private cloud hosting and providing services to the accounting processes of KD Skladi (now Generali Investments). As part of the e-Škoda (e-Claims) project, we set up a modern digital platform that supports a simple and user-friendly system for loss event reporting. The platform is intended for both internal employees and clients. On the main INIS information system, we supported the functionality of capturing a digitized handwritten signature throughout all underwritten documentation. With regard to the Skleni AS (AS Underwrite) platform, we supported the underwriting of the supplementary health insurance and travel insurance products. We have continuously upgraded existing information systems with additional functionalities related to sales, claims and accounting processes.
In 2019, most activities were focused on the process of merging with Generali Insurance Company. Within this framework, we defined the target architecture of the integrated information systems and performed the necessary upgrades on the underwriting application, integration interfaces as well as the back-office systems. The greatest emphasis was placed on the introduction of information support for mass products, namely motor vehicle and home insurance products. We provided import, consolidation and, consequently, a single view of the customer in information systems intended for customer management. The Ultimus in BusinessConnect information system was adapted to the new common processes. We upgraded the information system with the new integrated functionalities of the merged insurance company to answer the needs of the Call Centre.

In the area of infrastructure, the main server of the Oracle database was replaced with the new generation Oracle Exadate. The virtual environment servers and the disk array were upgraded. The architecture of the data warehouse was being continuously upgraded due to the need for increased volume and quality of data. Because of the merger with Generali insurance company, the two computer networks and active directories were integrated. The email system was upgraded to have the new email domain.

The Business Intelligence Information Systems were amended with the Generali information systems as a source. QlikView applications were upgraded to take into account the acquired data related to the merged insurance company.

The automatization of data production for the reporting to the regulator and the legislator, as well as to meet the reporting requirements of the Generali Group continued. Company portals were upgraded with additional content and services to come even closer to our customers. The WIZ underwriting application was updated, enabling the Company to market a new motor vehicle insurance product.

In order to successfully launch the business strategy, especially in the fields of digitalization and digital transformation, technologies were established and competencies within the IT developed to enable fast and efficient development of modern digital solutions and applications. This includes the development of modern web and mobile solutions, the development of APIs for the needs of the API economy, the integration of these solutions with back-office systems and information solutions, and the introduction of the Customer Engagement system.

9.2.6 Business Intelligence

The BI (data) team, until end of 2018 part of the IT framework, was transformed in 2019 into the corporate Business Intelligence Team and commenced ensuring the interpretation, quality and interdisciplinary nature of data required for decision-making at all levels of the Company. In 2019, the architecture of the Company data warehouse was being continuously upgraded and the volume and quality of data were increased.

For the purposes of post-merger business intelligence, interfaces were prepared to capture data from Generali sources IVVR, INSURANCE2 and VIS. From the summer onwards, on the one hand data contained in policies, insurance on the policies and premium items (receivables and payments) and on the other, data included in claims files and financial claims data (paid and liquidated claims amounts) were prepared. QlikView applications were customized for the corporate visual identity of the merged Generali insurance company.

In relation to artificial intelligence, the Churn DZZ project was brought to completion. The project served to determine the likelihood of moving out of an individual client who took complementary health insurance from the Company. This information was put in use when informing customers about the price increase in early 2019 and partly also in relation to the second price increase in late 2019.

9.2.7 Process Development

Process management is the basis for streamlining costs and one of the key factors for increasing productivity. It facilitates to meet the needs of internal and external customers with the lowest consumption of resources and through a continuous optimization and automation of steps in the business process, variability and flexibility. It focuses on improving the business performance of the company as a whole.
The Project and Process Management Team developed a methodology for the management, inventory and visualization of business processes in 2018. It was designed in order to ensure, in this rapidly changing business environment, a suitable model which will make it easier and clearer to manage and document processes.

The methodology was the starting point for the preparation of regulations on the management and implementation of Company business processes and of instructions for the drawing up of business processes. These two documents define uniform recommendations for the inventory and visualization of processes to achieve a unified listing of all processes of the Company.

9.2.8 Marketing and Sales Activities

In this area, 2019 was marked by a new communication platform with the slogan "Ziher je ziher" (What's safe is safe).. This simple and somewhat humorous communication brought our insurance products and services, which can often be difficult to understand and complex for our customers, closer to target groups, trying to persuade the clients to select them.

The Migimigi project, which promotes a healthy lifestyle with the intention to raise public awareness of the importance of insurance, continued. In the area of motor vehicle insurance, the improved car assistance service, whose new interesting covers made it even more attractive to drivers, was communicated.

We have made it easier for entrepreneurs to choose suitable insurance with the special web application Business Insurance Configurator. This application warns entrepreneurs about the risks that threaten their business and advises suitable insurance products according to their activity, size, number of employees, etc.

Our activities were further strengthened at the local level through partnership links. Local events and gatherings were made more exciting with interesting challenges. Promotional activities were also carried out at major national events, most notably Migimigi Day - the largest recreational event, the Franja Cycling Marathon, the Olympic Festival and the Original Lake Bled Run.

10. EMPLOYEES AND SUSTAINABLE DEVELOPMENT IN THE AS GROUP

10.1 EMPLOYEES OF AS AND THE AS GROUP

The strategic goals we have set ourselves can be achieved by competent, committed and satisfied employees. In 2019, we continued to conduct annual development interviews - AS Dialogue and Management by Objectives, as well as to assess employees' competencies and work performance. A large proportion of personnel activities was devoted to the education and training of employees, with particular emphasis on the development of management and sales competencies.

The 2-year AS Perspective development programme was completed and the first group of graduates was awarded certificates for successfully completing the programme. Employee satisfaction is also conditioned by the effective reconciliation of personal and professional life, which is why we introduced 2 new measures within the framework of the Family Friendly Enterprise Certificate. Employees are our partners, they must be heard, thus our concern was focused on ensuring a good working environment and providing professional assistance and support in increasing the efficiency of business processes.

10.1.1 The number and educational structure of employees in AS and the AS Group

On 31 December 2019, the entire AS Group had 1,121 employees. Taking into account the employment share in individual companies, 1,077.2 employees worked in the AS Group. AS had 1,001 employees as at the end of 2019, which is 56 less than in the previous year. Considering the employment share in individual companies, 942 employees or 94% worked full-time, while 59 employees or 6% worked part-time.

The number of employees in AS and the AS Group:

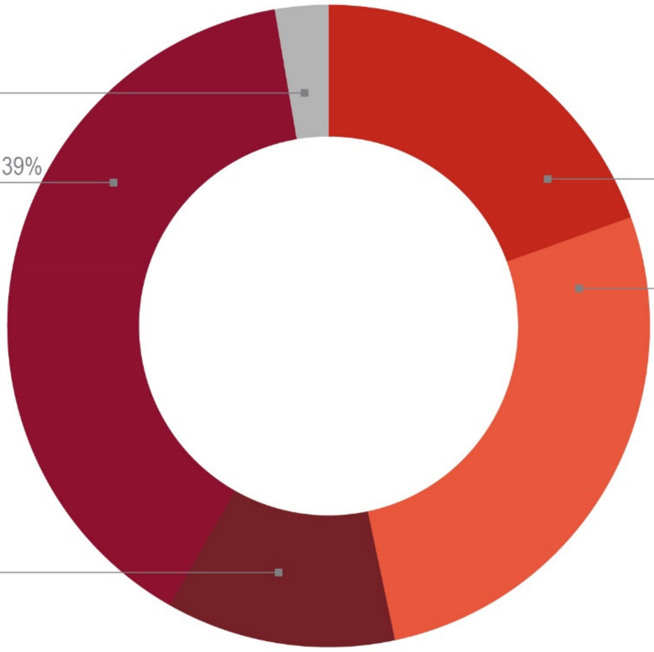
	Number of employees				Difference	
	2019		2018		2019/2018	
The parent company and subsidiaries	per person	FTE	per person	FTE	per person	FTE
Adriatic Slovenica d.d.	1,001	982.9	1,057	1,037.2	-56	-54.3
Prospera, družba za izterjavo, d.d.	28	7	31	8.5	-3	-1.5
VIZ, zavarovalno zastopništvo, d.o.o.	4	2.25	3	2.25	1	0
Zdravje AS, zdravstvene storitve, d.o.o.	3	2.4	6	4.275	-3	-1.875
Generali Investments, družba za upravljanje, d.o.o., Slovenia	54	51.7	55	53.75	-1	1.25
Generali Investments, d.o.o., Macedonia	6	6	6	6	-1	-1
Generali Investments, d.o.o. za upravljanje investicijskim fondovima, Croatia	8	8	9	9	-1	-1
Generali Investments GP 1, družba za investicije, d. o. o.	0	0	0	0	0	0
Generali Investments GP 2, družba za investicije, d. o. o.	0	0	0	0	0	0
Generali Investments CP d.o.o. k.d.	0	0	0	0	0	0
Agent d. o. o.	17	17	17	17	0	0
Total	**1,121**	**1,077.2**	**1,184**	**1,138**	**-63**	**-59.9**

**FTE - the number of employees in relation to the share of employment in a particular company.

Among the Adriatic Slovenica staff, 66% were women and 34% were men. The average age of employees was 45.3 years. The proportion of fixed-term employees was 3%.

In the AS's wide sales network in all regions, insurance products were sold by 262 insurance agents employed in AS, 520 agents working through authorized universal and special agencies, 525 agents working through complementary channels and 36 contract agents.

Number of agents in the marketing network in 2019:



The largest share (as many as 48%) of AS employees, has completed level VII or higher education. Due to the nature of the insurance business, employees with level V technical education account for an important share of AS staff—as much as 35%—since the statutory requirement for insurance agents is completed secondary education.

Level of education	2019 Share (in %)	2018 Share (in %)
Level I–IV	3,4	3,0
Level V	34.5	35.7
Level VI	14.0	14.2
Level VII	44.3	43.6
Level VIII–IX	3.9	3.5
Total	100.0	100.0

10.1.2 Employee care

The "Family-Friendly Enterprise" Full Certificate, by which the Company strives for a better work-life balance of its employees, was obtained in 2019. As part of this full certificate, the Company set up an additional set of measures, which will be gradually implemented by 2021. The starting point for the new measures was, in particular, the findings and suggestions obtained by means of a survey carried out among the employees.
At Christmas season, the Company traditional handing of gifts to children of employees existing since its establishment, took place. In 2019, gifts were given to 449 children, who also enjoyed the organized holiday party with Santa Claus.
AS offers numerous benefits to its employees. Employees with families, retired personnel and Slovene war veterans can benefit from the quality and affordable accommodation facilities of the Company, located in Slovenia and Croatia.
All employees are included in the group accident insurance and they can also join the voluntary supplemental pension insurance scheme co-financed by the Company. As many as 96% of all employees were included in the AS group supplementary pension insurance scheme.
The Company provides a special bonus to all its employees when underwriting the additional insurance “Zdravje AS” – Težke bolezni in operacije” (AS Health – Critical illness and surgery insurance). This bonus was enjoyed by 911 employees and 161 members of their families. The Company also provides a special bonus regarding accident insurance. The employees can take out accident insurance for their pre-school and school children

under more affordable terms. Furthermore, both employees and their family members are offered favourable conditions when underwriting the Specialists with assistance insurance.

10.1.3 Quality of life in the Company

A healthy lifestyle gives us élan, socializing and exercising bring us together. Therefore, we took advantage of numerous events organized by our Sports and Culture Club Pravi Asi (True AceS) to meet with colleagues from different teams. The Sports and Culture Club Pravi Asi (True AceS) has been active since 2010 with the aim of promoting sports and cultural activities in the Company and active socialising of employees outside working hours. One of the major objectives of the Club is creating a positive atmosphere in the Company. Seeing that the Club offers many opportunities for exercising and socializing, it is an attractive opportunity to spend free time for family members and retired employees. The Club is also open to outside members, family and friends of employees and any other ordinary lover of sport and healthy life.
In 2019, numerous new members joined the Club. We are proud that the Club now has as many as 540 members. The Sports and Culture Club operates in several sections (running, hiking, cycling and culture) and takes part in winter and summer sports games organized by financial organizations.
Events where employees socialize with each other generate significant added value. Sports games, New Year's celebration and various gatherings on special occasions, enable us to get to know each other and connect with other employees.

10.1.4 Health and Safety

A positive climate was promoted through health promotion activities thus providing employees with healthy work in a healthy working environment. In 2019, we continued focusing heavily on acquiring skills for preventative action in the workplace, healthy eating, encouraging physical activity and active living, raising awareness and providing counsel and assistance in coping with negative stress factors and promoting techniques to strengthen good relationships in the workplace. Employees were provided with apples, workshops were organized to teach how to prepare healthy snacks, employees were encouraged to take short active breaks at work and to enable them to test their physical performance. AS Health Promoters - our ambassadors of workplace recreation and of healthy lifestyles – were awarded special recognition for their contribution to the health of their colleagues.

In line with the applicable legislation on safety and health at work, the Company tends to the health and well-being of its employees - 276 employees were referred to preliminary, periodic or targeted check-ups. Annual vaccination against seasonal influenza, provided by the Company for its employees since 2006, was organised. We are proud that an increasing number of employees are involved in organized forms of health promotion, which can be attributed to the attractiveness of their content and to an increased employee's awareness of the importance of a healthy lifestyle. This has proven to be reflected both in the reduction of injuries, health disorders and diseases of the employee.

10.1.5 Diversity Charter of Slovenia

The Diversity Charter of Slovenia was officially established in 2017 when it was signed by 59 Slovenian organisations, including Adriatic Slovenica. It is a charter of principles that the organization follows when promoting diversity, non-discrimination and equal opportunities in the workplace. As such, it encourages the acceptance, respect and integration of diversity in Slovenian organizations as an innovation potential for sustainable organization solutions. Today the Diversity Charter brings together as many as 145 organizations and more than 17,000 employees.

10.1.6 Effective age management strategy

The Company ensures that all generations of employees feel good in the working environment, as intergenerational cooperation is of key importance for quality workplace relations and the stability of the organization. In order to enable everyone to participate in modern processes and to master new technologies, the Company provides employees with education and training, while intergenerational cooperation is included in our HR strategy. The Efficient Age Management Strategy was formulated in 2018 as the starting point for the implementation of the project within the ASI Public Call, and in the medium and long term as a basis for a planned, organized and systematic management of the active ageing of employees. Our participation in the ASI Project ended in September 2019. We are proud to have been given the opportunity to cooperate with the Munera Consortium and with numerous external contractors within the framework of the public project for acquiring basic and professional competences.

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10.1.7 Certificate of Good Organisational Energy Award

The intensity of organizational energy is closely linked to the success of the company and its performance. That is why the Company again joined the national survey measuring both organizational climate, which takes into account the motivation, satisfaction and commitment of employees and intellectual, emotional and behavioural potential.
The Company first took part in the survey in 2016. In 2017 and 2018 we achieved optimum or higher organizational energy index. We are proud of the 2019 results, once again proving that our organizational energy remains excellent and our single index has grown again. Owing to the high index of organizational energy, the Company again received the Certificate of Good Organizational Energy; however, since we scored the highest index of organizational energy among financial organizations, the Company again received the award for the best index of organizational energy in the industry.

The 2019/2020 of Good Organizational Energy Certificate awarded to Adriatic Slovenica

10.1.8 Employee training

The Company enables its employees the best conditions to develop competencies and to achieve continuous personal growth, greater creativity, a sense of teamwork as well as the ability to adapt to the changes in the market and facilitate business decision-making. All this is supported and provided by the in-house training system Akademija AS (AS Academy). When organising the AS Academy training courses, the Academy begins with knowledge right at its source, which is then upgraded with experience of different teams. The Company is extremely proud of the internal transfer of knowledge provided by the in-house instructors who share their knowledge with enthusiasm. All training programmes provided by the AS Academy are implemented systematically for different target groups. The needs for development and knowledge and skill upgrading are identified by means of the competence system. The team of internal trainers ensure continuous education and transfer of good practices.
In 2019, the greatest emphasis continued to be placed on training excellence in communication and effective tackling of challenges. A lot of emphasis was put on workshops aimed at consolidating professional knowledge - the traditional forms of education were therefore complemented by e-learning, webinars and examinations.

Individual content of educational programmes was supplemented with training in cooperation with external coaches and internal trainers.
Training was received by 94 % of employees. Each employee attended 8 training modules on average and totalled 54 hours. 52% of the training sessions were conducted by internal trainers, i.e. colleagues, while 48 percent of training session were organized in cooperation with external lecturers, coaches and educational institutions. As in previous years, trained for the most hours in 2019, clocking an average of 102 hours. They were followed by insurance agents with 60 hours, professional staff with 59 hours and other employees with 25 hours. Adriatic Slovenica supports employees in studying at work and gaining a higher level of formal education.

The Company also implements social responsibility with the development of young scholarship holders, enabling them to acquire experience during their studies. The Company collaborates with various secondary schools and allows students to complete compulsory training and obtain their first work experience. The Company organized meetings of students from various faculties where the field of insurance, our good practices and business models were presented in detail.

10.1.9 Employee development systems

Employee development systems that are implemented in the Company ensure employees potential and environment that will enable to achieve the set business goals by committed and satisfied employees. The most important are:

AS Dialogue – Annual development interviews are carried out once a year to verify and assess competencies of the employees and to plan and monitor their career development.

Management by Objectives - The management by objective process involves the entire management structure (from the first to the fourth level of management) and expert specialists. The implementation has brought about an increased efficiency of direct management of employees at all levels and thus achievement of Company business goals and strategies.

AS Onboarding process – involves all new (employed) co-workers and is intended for a systematic induction and integration of new employees into the work environment and social systems.

AS Perspective – the implementation of the development system AS Perspective continued. The system enables promising individuals to acquire new knowledge with the help of their mentors and external lecturers, training for managerial or professional careers as part of a two-year programme.

AS Mentorship - is implemented for the various target groups, according to the needs of AS employee development models.

10.1.10 Intranet

Kompas Intranet Portal – this the main access point enabling employees to access information and education was made ready for the planned merger. A new joint intranet, Generali Kompas, was set up and further enhanced with new functionalities. The major joint innovations include underwriting documentation, Generali GIRS documents, Generali TV multimedia portal, joint news and updated Generali Focus weekly newsletter for all employees, agencies and subsidiaries and a single point where to book meeting rooms. Generali Kompas can now be used on mobile devices, where after entering the user name and password, it is possible to browse news and other posts. Numerous further upgrades are planned for 2020.

10.1.11 Work-related injuries

In 2019 And in 2019, we successfully implemented the basic principle of a safe working environment - to prevent injuries at work. In accordance with the regulations and normative acts, the Company continuously works on improving the safety culture, technical and organizational measures, education of employees and effective health promotion. Employees working in the field tend to be more susceptible to the risk of work-related injuries, especially due to unforeseen circumstances and traffic conditions. Just as in 2018, in 2019 only one (minor) work-related injury was recorded causing lost time.

Work-related injuries in AS - The number and share of injuries	2017		2018		2019	
	number	share in %	number	share in %	number	share in %
At work	2	25	0	0	0	0
On business trips	7	75	1	100	1	100
Total	9	100	1	100	1	100

Lost time due to injuries at work	2017	2018	2019
	number	number	number
	170	81	21

10.2 SUSTAINABLE DEVELOPMENT

Adriatic Slovenica pays constant attention to cooperation with the environment in which it operates. In 2019, over 200 various projects across Slovenia were supported, traditionally supporting sports, healthy lifestyle, preservation of natural and cultural heritage and culture.

Sport has been supported by the Company ever since its establishment, at the same time developing insurance products and adapting services for athletes of all categories. Top-level athletes have been provided support of the Company as the official insurer of the Olympic national teams (Team Slovenia) since 1993. AS supports the Handball Federation of Slovenia and the national handball team.

The Alpine Association of Slovenia and its more than 50,000 members, are offered affordable accident insurance and rescue costs insurance abroad with 24-hour assistance and medical assistance abroad as well as liability insurance. In 2019, the Company continued the project which provides for the installation of marking panels for a safer Slovenian Mountain Bike Route that crosses all major mountain groups and covers as many as 1,750 km of trails and 50 thousand meters of climbs. The cooperation with the Alpine Association of Slovenia was enriched with the Migimigi project, where mountain rescuer Matjaž Šerkezi leads the challenge of Let's go to the Mountains, which promotes a healthy lifestyle and safety in the mountains.

The subsidiary Generali Investments also supports sport as the general sponsor of the sailing duo Tina Mrak and Veronika Macarol 470 Slovenia Sailing Team (since 2017). Generali Investments is also a long-standing supporter of the Slovenian Chess Federation.

AS Galerija is the extensive art collection, acquired by the Company in 2012, as well as the space for exhibitions at Dunajska 63 in Ljubljana where exhibitions of the pieces of art of the collection and exhibitions by other contemporary artists have been taking place since 2014.

In 2019, the gallery continued its exhibition activity, which attracts more and more art lovers, but has also had an increasingly high media coverage. The gallery hosted a group exhibition of 11 Slovenian artists who had previously presented themselves at the International Salon of the French National Society of Fine Arts (SNBA), followed by exhibitions of paintings by Nataša Ribič Štefanec and Andrej Jemc, as well as by a prominent Slovenian group appearing under the name Wild at Heart (Aleksij Kobal, Silvester Plotajs Sicoe, Jurij Kalan and associate member Matej Čepin). At the last exhibition in 2019, the renowned fashion photographer Fulvio Grisoni presented a selection of his works. The Company systematically complements its art collection. Thus in 2019 it was enriched it by purchasing a total of 10 new works. The Gallery will continue its mission under the new name the Generali Gallery.

In culture and preservation of natural and cultural heritage, the Company has been supporting the Portorož Auditorium and the Koper Theatre (since its establishment in 2002). In cooperation with the Volčji Potok Arboretum and the Lipica Stud Farm, the Company organised various events, which contributed to the conservation of heritage and to the common visibility, while being intended for families, policyholders and members of the AS Bonus Club.

With respect to **healthcare,** the Company supported the initiative "Moj zdravnik" (*My Doctor*) for the 18th time as the main sponsor. "Moj zdravnik" is an annual nomination of the most respected Slovene doctors, organised by the Viva Magazine, to promote development and reputation of the health profession. The Company has been rewarding blood donors through the Red Cross regional branches in Izola and Koper since 1995.
Responsible attitude towards the environment has been a long-standing practice of the Company and its employees and is also reflected in the reduction of the carbon footprint. As part of the planned integration into Generali Insurance Company, at the end of 2019, we merged the locations of the two companies in Koper and Nova Gorica, thereby reducing operating costs and consequently energy consumption. In Koper, we invested EUR 18,000 in the modernization of the stormwater pumping station when the existing electric pumps were replaced with more energy-saving ones. We also renovated our offices in Nova Gorica spending EUR 35,000 and replaced all the blinds to reduce the energy required for air cooling. We continued to renew our fleet by purchasing more environmentally friendly cars.

The Company is aiming for an increasingly paperless management. Waste separation at the Company has also been a constant for many years. The types of most frequently collected waste and its quantities are shown in the table below.

Types of separated waste – quantity in kg	2017	2018	2019
Bulk waste	2,510	810	1,080
Electronic waste	460	1860	680
Toners	171	415	403
Battery packs	105	107	56
Paper	20,747	25,637	12,820

11. AS GROUP PERFORMANCE INDICATORS

Performance indicators below show performance by category in the form of segment presentations of the AS Group operations, with an emphasis on insurance activity. Apart from the indicators shown below, the performance indicators in line with the "Decision on Annual Reports and Quarterly Financial Statements of Insurance Companies" (Official Gazette of the RS no. 1/16), laid down by the Insurance Supervision Agency (AZN), are also prepared for Adriatic Slovenica d. d. These indicators are developed with regard to the prescribed accounting data prepared by the Company for the purpose of reporting to the Insurance Supervision Agency and they differ from the indicators under the IFRS. For this reason, the indicators to be submitted to the Insurance Supervision Agency are presented in the appendix to the Annual Report.

Growth of gross written premium (GROWTH INDEX (ratio between gross written insurance premiums for the current and the previous year)	Adriatic Slovenica		Group	
	2019	2018	2019	2018
Total insurance contracts	103	99	103	99
Non-life insurance contracts	104	101	104	101
Life insurance contracts	98	96	98	96
Health insurance contracts	105	98	105	98

Loss ratio (net claims incurred as a % of net premium income)	Adriatic Slovenica		Group	
	2019	2018	2019	2018
Total insurance contracts	75%	75%	75%	75%
Non-life insurance contracts	62%	62%	62%	62%
Life insurance contracts	80%	82%	80%	82%
Health insurance contracts	88%	89%	88%	89%

Operating costs as a % of gross written insurance premium	Adriatic Slovenica		Group	
	2019	2018	2019	2018
Total insurance contracts	23%	23%	26%	26%
Non-life insurance contracts	31%	29%	31%	30%
Life insurance contracts	28%	29%	28%	29%
Health insurance contracts	10%	10%	11%	11%

Gross profit/loss for the year as a % of net premium income	Adriatic Slovenica		Group	
	2019	2018	2019	2018
Total insurance contracts	3%	4%	3%	4%
Non-life insurance contracts	4%	6%	4%	6%
Life insurance contracts	2%	1%	-	-
Health insurance contracts	2%	2%	3%	4%

Gross profit/loss for the year as a % of average total assets	Adriatic Slovenica		Group	
	2019	2018	2019	2018
Total	1%	1%	1%	1%
Total insurance contracts	2%	3%	2%	3%
Non-life insurance contracts	0%	0%	-	-
Life insurance contracts	6%	7%	6%	6%
Asset management	-	-	0%	0%

Return on equity (net profit/loss for the year as a % of average total equity)	Adriatic Slovenica		Group	
	2019	2018	2019	2018
Total	7%	9%	7%	9%

AUDITED

FINANCIAL STATEMENTS FOR 2019

Adriatic Slovenica d. d.

VSEBINA

1. STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board of the company Generali zavarovalnica d.d., legal successor to the company Adriatic Slovenica d.d., is responsible for the preparation of the Annual Report of the company adriatic Slovenica for the year ended 31 December 2019. In accordance with its responsibility, it confirms that the financial statements and the notes thereto were prepared on a going-concern basis and that they comply with the applicable legislation and with the International Financial Reporting Standards as adopted by the European Union. The Management Board confirms that appropriate accounting policies were consistently applied in the preparation of financial statements and that the use of accounting judgements and estimates affecting the reported amounts of assets and liabilities and disclosures are based on the principle of prudence and good management. Furthermore, the Management Board confirms that the financial statements present a true and fair view of the financial position and performance results of the Company for 2019.

The Management Board is also responsible for proper management of accounting, for taking appropriate measures to protect the assets of the Company as well as other assets and for preventing and detecting fraud and other irregularities or illegal acts.

The tax authorities may at any time inspect the Company's books of account and tax returns and other records within five years after the fiscal year in which tax returns should have been filed, which may result in additional tax liabilities, default interest and penalties arising from corporate tax or other taxes and duties. The Management Board is not aware of any circumstances, which may give rise to any material liabilities arising from these taxes and would have a significant impact on the figures presented in the annual report or on the future financial position of the Company.

Ljubljana, 23. March 2020

Management Board of the Company:

Vanja Hrovat,
President of the Management Board

Katarina Guzej
Member of the Management Board

Mitja Feri,
Member of the Management Board

2. AUDITOR'S OPINION

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Generali zavarovalnica d.d.,

Opinion

We have audited the separate financial statements of Adriatic Slovenica, d.d. ("Adriatic Slovenica" or "the Company"), which comprise the statement of financial position as at 31 December 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate 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 financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

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

We used actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex or requiring significant judgement in the setting of assumptions, particularly long-tail business in non-life operations and LAT cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim reserves calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Company's modelling approach in the areas considered higher risk because of complexity or magnitude. We also assessed the Company's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. We assessed the experience analyses performed by the Company in their assumption setting processes. Our assessments included evaluation, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied. We compared applicable industry information considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and the specifications of the product, and the compliance of the models with International Financial Reporting Standards as adopted by the European Union. Furthermore, we performed audit procedures to evaluate if the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's LAT which is a test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the LAT included assessment of the projected cash flows and of the assumptions adopted in the context of both the Company and industry experience and specific product features.

We assessed the adequacy of the disclosures included in notes 5.15 Insurance technical provisions, 6.5 Insurance technical provisions estimates, 6.6. Future life payments estimates, and 10.14 Insurance technical provisions of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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Information technology (IT) systems and controls over financial reporting

A significant part of the Company's financial reporting process and revenue recognition is heavily reliant on IT systems with automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist, and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort was in this area. Furthermore, the complexity of IT systems and nature of application controls requires special expertise to be involved in the audit. We therefore consider this as a key audit matter.

We focused our audit on those IT systems and controls that are significant for the Company's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists in our audit procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.

Other information

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

Our opinion on the separate 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 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 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 financial statements is, in all material respects, consistent with the separate financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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

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

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

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

The audit committee and the supervisory board are responsible for overseeing the Company's financial reporting process. The supervisory board is responsible to approve the audited annual report.

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

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

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

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

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

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

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

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

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

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

Appointment and Approval of Auditor

We were appointed as auditors of the Company at the general meeting of shareholders on 21 November 2018, the president of the supervisory board has signed the audit agreement on 17 December 2018. The agreement was signed for the period of three years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for two years. Janez Uranič and Simon Podvinski are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 20 March 2020.

Non-audit Services

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

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

Ljubljana, 23 March 2020

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

Simon Podvinski
Certified auditor

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

3. FINANCIAL STATEMENTS

3.1 BALANCE SHEET

Balance sheet as at 31 December 2019

(in EUR)	Note	31 Dec 2019	31 Dec 2018
Assets		807,176,359	729,927,132
Intangible assets	10.1	6,168,610	6,503,064
Property, plant and equipment	10.2	28,371,144	28,131,545
Deferred tax assets	10.28	2,422,669	3,495,828
Investment properties	10.3	11,692,309	26,065,121
Financial investments in subsidiaries and associates	10.4	46,167,660	46,826,195
Financial investments	10.5	312,719,754	274,132,726
In loans and deposits		9,091,153	43,133,843
In held-to-maturity financial assets		11,809,059	29,628,993
In available-for-sale financial assets		286,322,970	191,975,873
In financial assets measured at fair value		5,496,572	9,394,018
Unit-linked investments of policyholders	10.6	311,499,120	274,127,785
Amounts of technical provisions ceded to reinsurers	10.7	17,047,870	14,903,528
Assets from investment contracts	10.8	18,686,486	11,912,847
Receivables	10.9	26,908,559	19,590,258
Receivables from direct insurance business		23,001,589	15,582,978
Receivables from reinsurance and coinsurance		1,647,108	1,169,663
Income tax receivables		139,905	0
Other receivables		2,119,957	2,837,617
Other assets	10.10	5,772,445	5,305,383
Cash and cash equivalents	10.11	19,719,732	18,932,850
Equity and liabilities		807,176,359	729,927,132
Equity	10.12	98,757,309	95,176,259
Share capital		42,999,530	42,999,530
Capital reserves		4,211,782	4,211,782
Reserve from profit		9,223,936	9,223,936
Reserve due to fair value measurement (Revaluation surplus)		5,348,130	229,116
Retained net earnings		30,043,325	29,656,212
Net profit or loss for the financial year		6,930,606	8,855,684
Subordinated liabilities	10.13	49,676,681	49,581,823
Technical provisions	10.14	297,220,851	276,383,358
Unearned premiums		51,460,933	50,006,208
Mathematical provisions		114,757,300	110,293,625
Outstanding claims provisions		124,095,203	115,569,562
Other technical provisions		6,907,415	513,962
Insurance technical provisions for unit-linked insurance	10.15	310,690,347	271,970,492
Other provisions	10.17	5,617,264	4,804,731
Deferred tax liabilities	10.28	402,178	(0)
Liabilities from investment contracts	10.16	18,686,486	11,912,847
Other financial liabilities	10.18	1,256,746	483,062
Operating liabilities	10.19	11,090,238	7,103,243
Liabilities from direct insurance contracts		9,303,830	3,919,407
Liabilities from reinsurance and coinsurance contracts		1,786,408	2,246,026
Income tax liabilities		0	937,811
Other liabilities	10.20	13,778,258	12,511,315

The accounting policies and notes set out on pages from 97 to 217 form an integral part of the financial statements.

3.2 INCOME STATEMENT

Income statement for the period from 1 January 2019 to 31 December 2019

(in EUR)	Note	2019	2018
NET PREMIUM INCOME	**10.21**	**297,629,639**	**289,196,804**
Gross written premiums	-	309,713,362	300,446,201
Premiums ceded to reinsurers and coinsurers	-	(10,609,241)	(10,255,255)
Change in unearned premiums	-	(1,474,482)	(994,142)
REVENUES FROM INVESTMENTS IN ASSOCIATES, of which	**10.21**	**1,607,101**	**1,581,099**
- revenue from investments in equity of associates and jointly controlled companies, calculated using the equity method	-	-	-
INCOME FROM INVESTMENTS	**10.21**	**51,982,640**	**11,733,989**
OTHER INCOME FROM INSURANCE OPERATIONS, of which	**10.21**	**841,895**	**1,861,666**
- fee and commission income	-	841,895	1,861,666
OTHER INCOME	**10.21**	**6,427,289**	**5,455,553**
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	**10.22**	**(222,021,680)**	**(217,605,490)**
Gross amounts of claims and benefits paid	-	(220,452,871)	(220,397,268)
Reinsurers'/coinsurers' shares	-	4,792,723	5,093,869
Change in claims provisions	-	(6,361,532)	(2,302,092)
CHANGE IN OTHER TECHNICAL PROVISIONS	**10.14**	**(3,915,633)**	**(2,736,245)**
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	**10.15**	**(38,719,865)**	**29,072,788**
CHANGES IN LIABILITIES ARISING FROM INVESTMENT CONTRACTS	**-**	**-**	**-**
EXPENSES FOR BONUSES AND DISCOUNTS	**-**	**(312,016)**	**(54,420)**
OPERATING EXPENSES, of which	**10.23**	**(72,554,279)**	**(68,649,506)**
- acquisition costs	-	(26,104,111)	(23,649,761)
EXPENSES FROM INVESTMENTS IN ASSOCIATES, of which	**10.21**	**-**	**-**
-loss from capital investments in associates and joint ventures, calculated using the equity method	-	-	-
EXPENSES INVESTMENTS, of which	**10.21**	**(3,053,652)**	**(25,462,541)**
- impairment losses of financial assets not measured at fair value through profit or loss	-	-	(1,046,626)
OTHER INSURANCE EXPENSES	**10.24**	**(2,448,216)**	**(2,603,665)**
OTHER EXPENSES	**10.25**	**(7,525,194)**	**(11,502,156)**
PROFIT/(LOSS) BEFORE TAX	**-**	**7,938,029**	**10,287,873**
CORPORATE INCOME TAX	**10.27**	**(1,007,436)**	**(1,432,245)**
NET PROFIT FOR THE REPORTING PERIOD	**-**	**6,930,593**	**8,855,628**

(in EUR)	Note	2019	2018
Basic net earnings/loss per share	**10.30**	**0.7**	**0.86**
Diluted net earnings/loss per share	**-**	**0.67**	**0.86**

The accounting policies and notes set out on pages from 97 to 217 form an integral part of the financial statements.

3.3 STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income for the period from 1 January 2019 to 31 December 2019

(in EUR)	Note	2019	2018
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	**-**	**6,930,593**	**8,855,628**
OTHER COMPREHENSIVE INCOME AFTER TAXATION	**10.12**	**4,882,031**	**(181,016)**
Items not to be allocated to profit or loss in subsequent periods	**-**	**(236,983)**	**(17,292)**
Actuarial net gain/loss for pension programmes	-	(236,983)	(17,292)
Items that may be allocated to profit or loss in subsequent periods	**10.12**	**5,119,015**	**(163,724)**
Net gain/loss from re-measurement of available-for-sale financial assets	-	6,319,771	(202,129)
Gain/loss, recognised in revaluation surplus	-	8,376,490	(897,144)
Transfer of gain/loss from revaluation surplus to income statement	-	(2,056,718)	695,015
Tax on items that may be allocated to profit or loss in subsequent periods	-	(1,200,756)	38,404
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAXATION	**-**	**11,812,625**	**8,674,612**

The accounting policies and notes set out on pages from 97 to 217 form an integral part of the financial statements.

3.4 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for the period from 1 January 2019 to 31 December 2019

				III. Reserves from profit							
in EUR	Note	I. Share capital	II. Capital reserve	Legal abd statutory	Credit risk	Catastrophic loss reserves	Other reserves	IV. Revaluation surplus	V. Retained earnings	VI. Net profit/loss	TOTAL EQUITY
Total amount at the end of previous financial year		42,999,530	4,211,782	1,519,600	-	-	7,704,336	229,116	29,656,212	8,855,684	95,176,259
OPENING BALANCE IN THE FINANCIAL PERIOD		**42,999,530**	**4,211,782**	**1,519,600**	**-**	**-**	**7,704,336**	**229,116**	**29,656,212**	**8,855,684**	**95,176,259**
Comprehensive income net of tax	**10.12**	**-**	**-**	**-**	**-**	**-**	**-**	**5,119,015**	**(236,983)**	**6,930,606**	**11,812,637**
a. Net profit/loss for the year		-	-	-	-	-	-	-	-	6,930,606	6,930,606
b Other comprehensive income	10.12	-	-	-	-	-	-	5,119,015	(236,983)	-	4,882,031
Allocation of net profit/loss for the preceeding year to retained		-	-	-	-	-	-	-	8,855,684	(8,855,684)	-
Payment (accounting) of dividends	10.12	-	-	-	-	-	-	-	(8,140,482)	-	(8,140,482)
Other		-	-	-	-	-	-	-	(91,105)	-	(91,105)
CLOSING BALANCE AS AT 31 DECEMBER		**42,999,530**	**4,211,782**	**1,519,600**	**-**	**-**	**7,704,336**	**5,348,130**	**30,043,326**	**6,930,606**	**98,757,309**

Accounting policies and notes set out on page 185 are an integral part of the statement of changes in equity.

Statement of changes in equity for the period from 1 January 2018 to 31 December 2018

				III. Reserves from profit							
in EUR	Note	I. Share capital	II. Capital reserve	Legal abd statutory	Credit risk	Catastrophic loss reserves	Other reserves	IV. Revaluation surplus	V. Retained earnings	VI. Net profit/loss	TOTAL EQUITY
Total amount at the end of previous financial year		42,999,530	4,211,782	1,519,600	-	-	7,704,336	392,840	28,614,486	11,449,372	96,891,946
OPENING BALANCE IN THE FINANCIAL PERIOD		**42,999,530**	**4,211,782**	**1,519,600**	**-**	**-**	**7,704,336**	**392,840**	**28,614,486**	**11,449,372**	**96,891,946**
Increase at acquisition of subsidiary											
Comprehensive income net of tax	**10.12**	**-**	**-**	**-**	**-**	**-**	**-**	**(163,724)**	**(17,292)**	**8,855,684**	**8,674,668**
a. Net profit/loss for the year		-	-	-	-	-	-			8,855,684	8,855,684
b Other comprehensive income	10.12	-	-	-	-	-	-	(163,724)	(17,292)		(181,016)
Allocation of net profit/loss for the preceeding year to retained		-	-	-	-	-	-	-	11,449,372	(11,449,372)	-
Payment (accounting) of dividends	10.12	-	-	-	-	-	-	-	(10,304,407)		(10,304,407)
Other		-	-	-	-	-	-	-	(85,947)		(85,947)
CLOSING BALANCE AS AT 31 DECEMBER		**42,999,530**	**4,211,782**	**1,519,600**	**-**	**-**	**7,704,336**	**229,116**	**29,656,212**	**8,855,684**	**95,176,259**

Accounting policies and notes set out on page 185 are an integral part of the statement of changes in equity.

The Company records separately net profit or loss carried forward and net profit or loss for its life, non-life and health insurance businesses. In accordance with the provisions laid down in the Companies Act, the Company uses the current profit to cover attributable loss carried forward separately for its life, non-life and health insurance businesses.

3.5 STATEMENT OF CASH FLOWS

Statement of cash flows for the period from 1 January 2019 to 31 December 2019

(in EUR)	Note	2019	2018
Cash flows from operating activities	**-**	**31,940,944**	**20,229,714**
Income statement items	**-**	**28,083,515**	**21,338,790**
Net premiums written in the period	-	299,104,121	290,190,946
Revenues from investments (other than financial revenues)	-	16,224,820	15,386,710
Other operating revenues (other than revaluation and excluding the decrease in provisions) and financial revenues from operating receivables	-	2,616,291	4,446,961
Net claims paid for the period	-	(215,660,148)	(215,303,399)
Net operating expenses excluding depreciation costs and change in deferred acquisition costs	-	(68,365,804)	(64,732,742)
Investment expenses (excluding depreciation and financial expenses)	-	(2,014,008)	(3,841,803)
Other operating expenses excluding depreciation (other than revaluation and excluding the increase in provisions)	-	(3,821,493)	(4,807,884)
Income tax and other taxes excluded from operating expenses	-	(264)	-
Changes in net operating assets (receivables for insurance, other receivables, other assets and deferred tax assets and liabilities) of balance sheet items	**-**	**3,857,429**	**(1,109,076)**
Opening less closing operating receivables from direct insurance operations	-	(8,243,510)	536,433
Opening less closing receivables from reinsurance	-	(684,866)	1,016,743
Opening less closing other receivables from (re)insurance contracts	-	650,001	(695,138)
Opening less closing other receivables and assets	-	5,267,730	(1,550,049)
Opening less closing deferred tax assets	-	274,581	386,179
Opening less closing inventories	-	0	10,669
Closing less opening liabilities from direct insurance operations	-	5,384,439	(1,348,147)
Closing less opening liabilities from reinsurance	-	(459,618)	83,754
Closing less opening other operating liabilities	-	935,069	(1,457,784)
Closing less opening other liabilities (other than unearned premium)	-	733,603	1,908,264
Net cash from/(used in) operating activities	**-**	**31,940,944**	**20,229,714**
Cash flows from investing activities	**-**	**(19,070,080)**	**(4,645,714)**
Cash inflows from investing activities	**-**	**121,613,132**	**156,542,793**
Cash inflows from interest received from investing activities	-	4,357,458	6,154,166
Cash inflows from dividends and participations in profit of others	-	2,973,786	3,089,986
Cash inflows from disposal of property, plant and equipment	-	962,248	24,269
Cash inflows from disposal of financial investments	-	113,319,639	147,274,371
Cash outflows from investing activities	**-**	**(140,683,212)**	**(161,188,507)**
Cash outflows to acquire intangible assets	-	(1,961,342)	(7,513,027)
Cash outflows to acquire property, plant and equipment	-	(2,453,345)	(2,177,116)
Cash outflows to acquire financial investments	-	(136,268,525)	(151,498,364)
Net cash from /(used in) investing activities	**-**	**(19,070,080)**	**(4,645,714)**
Cash flows from financing activities	**-**	**(12,083,982)**	**(14,281,758)**
Cash inflows from financing activities	**-**	**94,858**	**56,945**
Cash inflows from long-term loans and issued bonds	-	94,858	56,676
Cash inflows from short-term loans	-	-	269
Cash outflows from financing activities	**-**	**(12,178,839)**	**(14,338,702)**
Cash outflows for interest paid	-	(4,038,358)	(4,032,677)
Cash outflows for payments of short-term financial liabilities	-	-	(1,619)
Cash outflows to pay out dividends and other participations in profit	-	(8,140,482)	(10,304,407)
Net cash from/(used in) financing activities	**-**	**(12,083,982)**	**(14,281,758)**
Closing balance of cash and cash equivalents	10.11	**19,719,732**	**18,932,852**
Cash flows for the period	**-**	**786,883**	**1,302,242**
Closing balance of cash and cash equivalents for the previous year	**-**	**18,932,852**	**17,630,610**

The accounting policies and notes set out on pages from 97 to 217 form an integral part of the financial statements.

3.6 STATEMENT OF ACCUMULATED PROFIT

Statement of accumulated profit for 2019

(in EUR)	Note	2019	2018
Net profit/(loss) for the financial year	-	**6,930,606**	**8,855,684**
Net profit carried forward (+) / net loss carried forward (-)	**10.12**	**30,043,325**	**29,656,212**
- result for the current year under effective standards	-	30,043,325	29,656,212
Balance-sheet profit allocated by the Annual General Meeting as follows:	-	**36,973,931**	**38,511,895**
− to the shareholder	-	-	8,140,482

The accounting policies and notes set out on pages from 97 to 217 form an integral part of the financial statements.

4. INTRODUCTORY NOTES AND BASES FOR THE PREPARATION OF FINANCIAL STATEMENTS

The insurance company Adriatic Slovenica d.d. is a public limited company with the registered office in Koper, Ljubljanska cesta 3a, Slovenia. The Company is entered in the Companies Register kept by the Court Register of the Koper District Court, entry number 1/015555/00.

Adriatic Slovenica d.d. (the controlling company) together with the subsidiaries PROSPERA d.o.o., VIZ d.o.o., ZDRAVJE AS d. o. o., Agent d.o.o., Generali Investments (ex KD Skladi d.o.o.) and five indirect subsidiaries Generali Investments d. o. o. Zagreb, Croatia (ex KD Locusta Fondovi d. o. o., Croatia), Generali Investments, a. d. Skopje e (ex KD Fondovi AD Skopje), Generali Investments GP 1, Generali Investments GP 2 and Generali Investments CP d. o. o. k. d. forms the Adriatic Slovenica Group for which, in addition to separate financial statements and the annual report, it also prepares the consolidated financial statements and disclosures to the consolidated financial statements for the year ended 31 December 2019.

The separate financial statements and notes, which refer only to the insurance company Adriatic Slovenica d.d., are set forth below. The consolidated financial statements can be obtained at the head office of the insurance company Generali zavarovalnica d. d. and can be accessed at the company website.

Access to consolidated annual reports and financial statements for as at 31 December 2019

As of 13 February 2019, the Company operates directly within the Central and Eastern European Holding, which is controlled by Generali CEE Holding B.V., having its registered office in Amsterdam, the Netherlands, De Entree 91, 11014 BH Amsterdam, where the Consolidated Annual Report can be obtained for the said Holding, which represents the narrowest circle within the Group to which the insurance company is dependent.

The Consolidated Annual Report is produced for the widest range of related companies within the Group by the controlling company Assicurazioni Generali S. p. A, having its registered office in Trieste, Piazza Duca degli Abruzzi 2 where the Consolidated Annual Report can be obtained for the entire Generali Group. The company Assicurazioni Generali S. p. A. controls the company Generali CEE Holding B. V.

Management and governance bodies

Management Board of the insurance company in 2019

Gregor Pilgram, President of the Management Board (from 1 October 2019)
Gabrijel Škof, President of the Management Board (resigned on 1 October 2019)
Matija Šenk, Member of the Management Board
Jure Kvaternik, Member of the Management Board (resigned on 31 July 2019)

Supervisory Board of the insurance company in 2019

Aljoša Tomaž, Chairman (resigned on 13 February 2019)
Aleksander Sekavčnik, Deputy Chairman (resigned on 13 February 2019)
Tomaž Butina, Member (resigned on 13 February 2019)
Gregor Pilgram, appointed as Member from 18 February 2019 to 18 February 2024, Chairman from 20 March 2019 to 31 August 2019
Luciano Cirinà, appointed as Member from 18 February 2019 to 18 February 2024, Chairman since 1 September 2019
Miroslav Bašta, appointed as Member from 18 February 2019 to 18 February 2024
Miroslav Singer, appointed as Member from 18 February 2019 to 18 February 2024, Deputy Chairman since 1 September 2019
Matjaž Pavlin, Member, employee representative
Borut Šuštaršič, Member, employee representative

With the deletion of Adriatic Slovenica d. d., the management bodies also ceased, and as of 3 January 2020 the merged company is headed by a two-member Management Board comprising Vanja Hrovat, President of the Management Board and Mitja Feri, Member of the Management Board, and is overseen by the Supervisory Board composed of Gregor Pilgram, Chairman, Carlo Schiavetti, Deputy Chairman, Stefano Culos, Member and Suzana Meglič, Member.

On 3 March 2020, after obtaining the license from the Insurance Supervision Agency to act as Member of the Management Board, Katarina Guzej became Member of the Management Board of Generali zavarovalnica.

Audit Committee in 2019

Matjaž Pavlin, Chairman – Member of the SB (resigned on 15 July 2019)
Tomaž Butina, Deputy Chairman (resigned on 13 February 2019)
Beáta Petrušová, Member (independent expert, since 8 April 2019, for an unlimited period), Chairman since 30 September 2019
Vera Dolinar, Member (independent expert, since 12 December 2016, for an unlimited period)

Committee for the regular monitoring of the implementation of the Strategy and achievement of the target business model was dismissed on 8 April 2019

Aljoša Tomaž, Chairman – Member of the SB (until 8 April 2019)
Aleksander Sekavčnik, Deputy Chairman – Member of the SB (until 8 April 2019)
Carlo Palmieri - Member – Independent Expert (until 8 April 2019)

Shareholders as at 31 December 2019

Shareholder structure	Number of shares	Share	Change
KD Group d. d.	10,304,407	100.00%	Until 13 February 2019
Generali CEE Holding b.v., The Netherlands	10,304,407	100.00%	Since 13 February 2019, purchase

The share of ownership is under the selling procedure to the Company Generali CEE Holding, B.V.

Number of employees as at the 2019 year-end

Data on employees by number and level of education in 2019

	Qualification level					
Number of employees as at	I- IV	V	VI	VII	VII.-IX	Total
1 Jan 2019	30.0	344.0	138.0	443.0	29.0	984.0
31 Dec 2019	29.0	325.0	131.0	425.0	30.0	940.0
1 Jan 2019 AS Branch	3.0	33.0	13.0	18.0	-	67.0
31 Dec 2019 AS Branch	3.0	30.0	11.0	17.0	-	61.0
2019 average	**33.1**	**372.3**	**146.5**	**452.6**	**29.9**	**1,034.4**

Note: The number of employees as at the end of the reporting year and the number of employees as at the first day of the next year are not equal since some employees are employed in the Company until 31 December and some are employed starting as of 1 January. The above table shows the number of employees per person in Adriatic Slovenica as at the reporting date.

Legend: "AS" – the number of employees in Adriatic Slovenica
"Zagreb Branch" – the number of employees in Adriatic Slovenica, Zagreb Branch.

Some employees of Adriatic Slovenica are partially employed at Prospera d.o.o. subsidiary, therefore, the number of employees of the Company is calculated considering the proportion of employment in individual companies. As at the 2019 year-end, the number of employees in Adriatic Slovenica, taking into consideration these proportion, is 982.88 and is different from the number of employees per person, which was 1,001 employees.

4.1 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements and the Annual Report (Management Report and Financial Statements) prepared by the Adriatic Slovenica zavarovalna družba d. d. have been prepared for 2019 in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Commission Regulation and in accordance with the provisions of the national legislation, the Slovene Companies Act (ZGD-1) and its amendments and the Insurance Act (ZZavar-1). Furthermore, the financial statements and annual report have been prepared in compliance with the national implementation regulation, the Decision on Annual Reports and Quarterly Financial Statements of Insurance Undertakings issued by the Insurance Supervision Agency (Official Gazette of the Republic of Slovenia No. 1/16). The financial statements are prepared under the going concern assumption. The reporting period is equal to the calendar year.

4.1.1 Statement on compliance

In the current financial year, the Company observed in the preparation of its financial statements the same policies as those observed in the preparation of the financial statements for the previous financial year, with the exception of the newly adopted or revised standards and interpretations issued by the International Accounting Standards Board - IASB and its competent committee (International Financial Reporting Interpretations Committee - IFRIC of the IASB) effective for the periods commencing 1 January 2019 as adopted by the European Union (hereinafter: the EU). These standards are described below.

The abbreviations used in the text have the following meaning:

IFRS – International Financial Reporting Standards,
IAS – International Accounting Standards,
IFRIC –Interpretations to the International Financial Reporting Standards issued by the competent committee of the Board for IFRS, and
SIC - standards interpretations issued by the Standards Interpretations Committee.

IFRS 16: Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires from the lessees to recognise most of the leases in financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.
Upon transition to IFRS 16, the Company recognized additional EUR 1,536,526 of assets and EUR 1,536,526 of liabilities for leases. Upon transition to IFRS 16, the Company applied the simplified transition method, which makes the effect of the transition to Company equity equal to zero. On the day of the transition, the Company applied a discount rate equal to 2.31% for the calculation of lease liabilities. The implementation of the standard is presented in more detail below (see Section 4.4. Change in accounting policies).

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

The amendments address concerns arising from implementing IFRS 9 Financial instruments before implementing the new standard that is being developed and deals with insurance contracts and will replace IFRS 4. The amendments allow insurance companies to introduce two solutions in the calculation of insurance contracts: a temporary exemption from applying IFRS 9 and the application of an overlay approach that permits the companies that are issuer of contracts which belong within the scope of IFRS 4, to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets.

The Management assessed the impact of the amendments on the financial statements and adopted the possibility of temporary exemption from the application of IFRS 9, as permitted by the amendments to IFRS 4 Insurance Contracts to insurance companies. Due to the possibility of temporarily postponing the application of IFRS 9, insurance companies are allowed to continue applying IAS 39 for periods beginning before 1 January 2022. The Management decided to apply the temporary exemption from the application of IFRS 9 because the main activity of the Insurance

Company is connected with insurance. The Insurance Company assessed whether it is qualified for the temporary exemption as at 31 December 2015 and found that liabilities arising from insurance contracts within the scope of IFRS 4 represented 97.64%. Since 31 December 2015 until the beginning of the application of the standard on 1 January 2018 and until the reporting date on 31 December 2019, there has been no change in the activity of the insurance company which would have an impact on the possibility of temporarily suspending the application of IFRS 9.

Overview of liabilities arising from insurance contracts under IFRS 4

Liability type	Value as at 31.12.2015	% of total liabilities
Liabilities arising from contracts that are dealt with in accordance with IFRS 4	528,742,324	93.68%
Liabilities from non-derivative investment contracts measured at fair value through profit or loss	-	0.00%
Liabilities for derivatives used to mitigate risks arising from contracts within the scope of IFRS 4, investment contracts measured at fair value through profit or loss and from the assets backing those contracts	-	0.00%
Relevant tax liabilities	1,540,738	0.27%
Relevant other liabilities including employee benefits	20,800,167	3.69%
Total	551,083,229	97.64%

Below are disclosures that allow users of the Company's financial statements to compare with companies applying IFRS 9.

The table below presents an analysis of the fair value of classes of financial assets as at the end of the reporting period, as well as the corresponding change in fair value during the reporting period. The financial assets are divided into two categories: Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading and any other financial assets.

Overview of the fair value and its changes in 2019

	SPPI financial assets			Other financial assets		
in EUR	Fair value as on 1.1.2019	Fair value as on 31.12.2019	Change	Fair value as on 1.1.2019	Fair value as on 31.12.2019	Change
Debt securities	191,454,936	259,118,536	67,663,600	8,562,737	4,584,589	(3,978,148)
Equity securities	-	-	-	36,412,195	44,099,632	7,687,437
Derivatives	-	-	-	(429,961)	-	429,961
Loans and deposits	34,610,787	7,041,033	(27,569,754)	-	-	-
Financial receivables	8,523,057	2,050,120	(6,472,936)	-	-	-
Cash and cash equivalents	18,932,850	19,719,732	786,882	-	-	-
Total	253,521,629	287,929,421	34,407,792	44,544,971	48,684,221	4,139,250

The following table shows the carrying amount of the SPPI assets by credit risk rating grades. The carrying amount is measured in accordance with IAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

Exposure to credit risk of the SPPI assets

Carrying amount	AAA	AA/A	BBB	BB/B	Unrated	Total 31.12.2019
Debt securities	10,426,238	119,036,305	95,074,626	17,425,919	12,981,292	254,944,379
Loans and deposits	-	-	1,228	-	7,039,804	7,041,033
Financial receivables	-	8,994	425,938	650,000	965,188	2,050,120
Cash and cash equivalents	-	6,048	6,013,102	5,989,125	7,711,459	19,719,732
Total	10,426,238	119,051,347	101,514,894	24,065,043	28,697,743	283,755,265

The following table provides information on the fair value and carrying amount for those SPPI assets which the Company has determined do not have a low credit risk. The carrying amount is measured in accordance with IAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

Financial assets which do not have a low credit risk as on 31.12.2019

in EUR	Fair value as on 31.12.2019	Carrying amount as on 31.12.2019
Debt securities	30,407,210	30,407,210
Loans and deposits	7,039,804	7,039,804
Financial receivables	1,615,188	1,615,188
Cash and cash equivalents	13,700,583	13,700,583
Total	**52,762,786**	**52,762,786**

IFRS 9: Prepayment features with negative compensation (Amendment)

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be ‘negative compensation’), to be measured at amortized cost or at fair value through other comprehensive income. The amendment does not have a material impact on the financial statements of the Company/Group.

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

The Amendments relate to whether the measurement, in particular impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the ‘net investment’ in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. The amendment does not have a material impact on the financial statements of the Company.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The amendment does not have a material impact on the financial statements of the Company as it does not operate in a complex multinational tax environment.

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

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The amendment does not have a material impact on the financial statements of the Company.

The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The Management has assessed that none of the amendments, when initially applied, will have a material impact on the financial statements.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 - Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

B) Standards which are not yet effective and have not been adopted early by the Company

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. Management has assessed the effect of the standard on the financial statements of the Company and expects that the new Standard, when initially applied, will not have a material impact on the financial statements of the Company. This effect however cannot be estimated reliably at this time.

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Company.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Company.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)"

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Company.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Company.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Company.

4.2 TRANSLATION FROM FOREIGN CURRENCIES

4.2.1 Functional and presentation currency

The financial statements are presented in euros, which is the functional and presentation currency of Adriatic Slovenica. All financial statement disclosures are also presented in euros. Due to rounding of amounts, minimal differences may arise from summing up certain items (EUR + (-) 1).

4.2.2 Foreign currency transactions and accounts of foreign entities

Foreign currency transactions and balances are translated into the functional currency using the reference rate of the European Central Bank (ECB) applicable as at the date of financial statements. Translation results are recognised in the income statement as net gains or losses arising from foreign exchange differences.

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies into the functional currency are recognised in the income statement. If the transaction is recognised in equity, exchange differences from the conversion to the functional currency are recognised in other comprehensive income. Exchange differences arising in respect of investments of the parent company in the capital of subsidiaries abroad are recognised directly in equity and are recognised in the income statement only on disposal of the investments.

Non-monetary items that are measured at purchase price in a foreign currency are translated using the exchange rate applicable at the date of transaction, while non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate applicable at the date when the fair value was determined.

In the context of changes in the fair value of monetary securities denominated in foreign currency classified as available for sale, translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security are accounted for separately. Translation differences related to changes in the amortised cost are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets or liabilities, measured at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets or liabilities, classified as available for sale, are included in the revaluation surplus, together with the effect of fair value measurement in other comprehensive income.

4.3 INSURANCE AND FINANCIAL CONTRACTS

The Company concludes contracts, under which it accepts insurance or financial risk or both types of risk from the policyholder, which is why it classifies its products under insurance and financial contracts.

Insurance contracts include contracts with a significant insurance risk. They may also include financial risk, whereas financial contracts do not include insurance risk.

A material insurance risk is defined as the possibility of having to pay significant additional benefits on the occurrence of a loss event. A significant additional benefit is defined as the difference between the benefits payable on the occurrence of a loss event and the benefits payable if the loss event did not occur. The significance of additional benefits is assessed by comparing the maximum difference between the economic value of the payment in the case of occurrence of loss event and the payment in the remaining cases. As a general guideline, the Company defines 10% as the benchmark for assessment of significance of insurance risk, if the additional benefits payable in the case of occurrence of a loss event amount to at least 10% of benefits payable in other events.

Part of insurance contracts held by the Company as at 31 December 2017 in its portfolio includes the option of discretionary participation in the positive result (hereinafter: DPF). Participation in the positive result is defined in the general terms and conditions for life insurance and in specific rules. Obligations arising from DPF are fully recognised within mathematical provisions.

According to IFRS 4, the discretionary participation is a contractual right to additional benefits supplementary to guaranteed benefits, namely:

- benefits which are likely to represent a significant share of the total contract benefits;
- benefits whose amount or time frame is specified by the insurer; and
- benefits which are contractually based on:
    - the success of a given category of contracts or certain types of contracts;
    - realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or

- the profit of the company, long-term business fund or other entity that issues the contract.

4.3.1 Insurance contracts

The insurance contracts issued by the Company can be classified according to their characteristics into four main groups:

- non-life insurance contracts,
- health insurance contracts,
- life insurance contracts and
- unit-linked life insurance contracts where investment risk is borne by the policyholder.

Non-life insurance contracts

This class includes accident (casualty) insurance, insurance of land motor vehicles, fire and other damage or loss insurance, liability insurance, financial loss insurance, goods in transit (transport) insurance, credit and suretyship insurance, assistance insurance, as well as insurance of legal expenses and litigations costs. This mainly involves short-term insurance contracts, with the exception of credit and construction insurance.

In all of the above contracts, premiums are written when the policyholder's obligation for payment occurs. Revenues contain all costs in addition to premiums, including the agency fee, except taxes. The part of the premiums from in-force insurance contracts which refers to unexpired insurance coverage on the balance sheet date is presented as unearned premium reserve and represents a liability of the Company. Written premiums less changes in unearned premium reserves are recognised as income.

The amounts of claims (expenses) are recognised when claims incurred as the estimated amount of liability. Claims that have not been finally settled, i.e. paid by the balance-sheet date, are recognised as provision for claim provisions. The benefits paid, decreased by enforced subrogations and increased by the amount of change in claim provisions, are recognised as costs/expenses.

Health insurance contracts

The Company provides three out of four types of voluntary health insurance in accordance with the provisions laid down in the Health Care and Health Insurance Act (hereinafter: the ZZVZZ), specifically complementary health insurance, additional health insurance and parallel health insurance.

The Company issues long-term insurance contracts based on monthly or annual premiums.

Premiums, benefits paid, revenues and expenses are calculated and recognised in accounting records in the same manner as for non-life insurance contracts.

The groups offering complementary health insurance are included in equalisation schemes under the Health Care and Health Insurance Act (the ZZVZZ), which equalizes the differences in the medical costs between different structures of the insured of individual insurance companies with regard to age and gender. The Company is a payer under the equalisation scheme and recognises these expenses as expenses for claims and benefits paid.

Life insurance contracts

Long-duration life insurance contracts include in particular: mixed life insurance which offers coverage in the event of maturity and in the event of death during the term of the insurance contract, mixed life insurance with extended coverage for critical illnesses, life insurance for the event of death (either lifelong or for a specified period of time or decreasing term), life insurance in the event of death due to cancer and lifelong annuity insurance. Some types of life insurance can be concluded with additional accident insurance, additional critical illness insurance and other additional insurance. In this group the Company also accounts for voluntary supplementary pension insurance under the PN-A01 pension scheme and deferred temporary annuity contracts.

Premiums, claims, revenues and expenses are calculated and recognised in accounting records in the same manner as for non-life insurance contracts.

A mathematical provision is calculated for these contracts. It is recognised in the amount of the present value of estimated future liabilities based on active insurance contracts, decreased by the present value of the estimated future premiums payments. These liabilities are determined using assumptions on mortality, surrenders, costs and revenues from investments as they are recognised in the products' premium calculations, or more prudent assumptions are used to provide for the possibility of unfavourable deviation from expectations (safety margin). Changes in mathematical provisions are recognised as an expense of the Company.

Unit-linked life insurance contracts where policyholders bear the investment risk

Long-term unit-linked life insurance where policyholders bear the investment risk combine savings in mutual funds, investment funds or internal long-term business funds selected by the insured, and life insurance in case of the insured person's death with the guaranteed payment of the insurance sum.

Premiums are recognised as revenue when paid. Initiation (front-end) and administrative expenses are deducted from the paid premiums. Depending on the insurance product, the insured is charged a monthly management fee, risk premiums for the event of death and in some products also the premium for additional accident insurance. In some products, the risk premium is calculated from tables and in others as a % of the premium paid.

Liabilities arising from long-term insurance contracts where policyholders bear the investment risk include liabilities incurred by the insurer towards its policyholders in accordance with individual insurance contracts and products.

The amount of liabilities includes the changes in asset unit value that are reduced by management fees and risk premiums. In addition, liabilities are increased by premiums and reduced by costs. In the case of surrender, the liabilities are reduced and the surrender value equals the Group's liabilities, reduced by surrender fee in the event of surrender or upon termination of insurance.

In individual life insurance contracts in which the policyholders bear the investment risk, total liabilities as at the balance sheet date equal the sum of unit values as at the balance sheet date and not yet converted net premiums paid. Depending on the insurance product, the liabilities are increased for any advance payments.

It is assumed that in each period risk premiums charged based on expected population mortality, are sufficient to cover death claims in excess of the unit values on individual personal accounts of insured. Additional liabilities are therefore not recognised in terms of these claims, except for individual products in which the risk premium is calculated in a different way.

An insurance contract where the policyholder bears the investment risk is a contract with the built-in link between the contractual payments and the units of internal or external investment fund chosen by the insured. This built-in link is consistent with the definition of an insurance contract and therefore not unbundled from the main insurance contract.

4.3.2 Reinsurance contracts

The contracts concluded between the Company and the reinsurers that entitle the Company to reimbursement of damages arising from one or more insurance contracts issued by the Company, and meeting the criteria of definition of insurance contracts, are classified as reinsurance contracts.

4.3.3 Financial contracts

Financial contracts are contracts that carry financial risk without a material insurance risk.

Under financial contracts, the Company includes voluntary supplementary pension insurance concluded under the Pokojninsko varčevanje AS – individualno (Pension savings AS – individual) and Pokojninsko varčevanje AS – kolektivno (pension savings AS – collective) pension schemes.

The Company is managing assets from voluntary supplementary pension insurance in the separate funds Pokojninsko varčevanje AS in accordance with the lifecycle investment policy. The funds Pokojninsko varčevanje AS, which were formed based on the legislation of the Republic of Slovenia regulating additional pension insurance (SVPI), provides financial optimization of saving for supplementary pension as well as tax benefits to both employees and employers.

The Pokojninsko varčevanje AS (Pension savings) funds consists of:

- the Pokojninsko varčevanje AS Drzni up to 50 fund,
- the Pokojninsko varčevanje AS Umirjeni between 50 and 60 fund,
- the Pokojninsko varčevanje AS Zajamčeni above 60 fund.

The investment policy of each fund is designed specifically for the target age group of policyholders and in accordance with the investment goals for the age group, at which individual funds are aimed. In the Pokojninsko varčevanje AS Zajamčeni above 60, the fund manager assures a return of 60% of average annual interest rate on government securities, which is taking into account the legal basis prescribed by the finance minister for calculation of the minimum return.

4.4 CHANGES IN ACCOUNTING POLICIES

With effect from 1 January 2019, the new International Financial Reporting Standard IFRS 16 Leases became effective and the insurer was required to make a mandatory change in accounting policies. The simplified transition method was applied in the implementation of this standard, which makes the transition effect of the transition to Company equity equal to zero. The Company did not restate the comparative information for the balance sheet as at 31 December 2018. Upon transition to IFRS 16, the Company recognized additional EUR 1,536,526 of the right to use the lease asset in the amount of the recognized amount of the lease liability in the amount of the present value of future payments. The right-of-use assets and lease liabilities are recognized as separate items in the balance sheet.

Adoption of IFRS 16 and effect on the balance sheet at transition date 1 January 2019

in EUR	1. 1. 2019	Change under MSRP 16	31. 12. 2018
Assets			
Property, plant and equipment	**29,668,071**	**1,536,526**	**28,131,545**
Lease assets	1,536,526	1,536,526	-
Total assets	**29,668,071**	**1,536,526**	**28,131,545**
Equity and liabilities			
Long-term financial liabilities	**1,536,526**	**1,536,526**	**-**
Long-term lease liabilities	1,536,526	1,536,526	-
Short-term financial liabilities	**53,101**	**-**	**53,101**
Short-term, lease liabilities	53,101	-	53,101
Total liabilities	**1,589,627**	**1,536,526**	**53,101**
Total equity and liabilities	**1,589,627**	**1,536,526**	**53,101**

A discount rate of 2.31% was applied at the date of transition to calculate lease liabilities. The discount rate did not change until the end of 2019. The rights to use lease assets are depreciated on a straight-line basis throughout the lease term.. Depreciation and amortization costs are recognized in operating expenses while interest expenses are recognized as financial expenses. All lease contracts are cancellable and refer to the lease of business premises and parking lots. For the calculation of long-term lease liabilities, the five-year period was taken into consideration in accordance with the Group's policies.

Short-term leases (with a term of less than 12 months) and low-value leases (the cost of assets is less than USA 5,000) were excluded from the calculation of rights to lease and lease liabilities. Such leases are disclosed in the same manner as in the previous year, that is, as operating expenses.

The table below outlines additional lease disclosures until end of 2019.

Leases included in the balance sheet

in EUR	31.12.2019
Assets	
Right to use real estate (land and buildings)	1,202,007
Right to use vehicles	-
Right to use equipment	-
Right to use other assets	-
Right to use lease assets	**1,202,007**
Liabilities	
Short-term lease liabilities with a term of less than 1 year	-
Long-term lease liabilities with a term between 1 and 5 years	1,256,076
Long-term lease liabilities with a term of more than 5 years	-
Total lease liabilities	**1,256,076**

As at 31 December 2019, the rights to use lease assets amounted to EUR 1,202,007. In 2019, the depreciation of these assets amounted to EUR 302,006. Financial expenses for lease interest were recognized for EUR 16,877

Leases included in the income statement

in EUR	1. 1. 2019 - 31. 12. 2019
Profit of loss - Leases	
Lease income	**1,076,798**
Sublease income	**3,077**
Operating expenses	**122,124**
Short-term lease expense and low-value lease expense	122,124
Depreciation of the right of use	**(307,836)**
Right to use real estate (land and buildings)	(307,836)
Right to use vehicles	-
Right to use equipment	-
Right to use other assets	-
Other expenses	**(30,664)**
Financial expenses for lease interests	(30,664)
Profit or loss recognized in financing	**619,251**

Adriatic Slovenica, as a lessor, primarily has operating leases. Lease assets are predominantly investment property, to a lesser extent leases relate to the lease of fixed assets and leased premises (sublease contracts). Lease contracts are mostly cancellable. Lessees do not have the option to purchase property upon completion of the lease.

4.5 CHANGES IN THE ADRIATIC SLOVENICA d.d. BUSINESS STRUCTURE

IDORU inteligentni analitični sistemi d. o. o. (Intelligent analytical Systems Ltd.)

In March 2019, the insurance company Adriatic Slovenica d. d. acquired an additional 10.00% share in IDORU inteligentni analitični sistemi d. o. o. The company's core business is related to information technology and computer services. IDORU inteligentni analitični sistemi d. o. o. operates in Ljubljana. As of 31.12. 2019 Adriatic Slovenica d. d. owns and controls voting rights of IDORU inteligentni analitični sistemi d. o. o. with a share of 25.00% therefore the latter is classified as an associate.

About the company

Registered company name: IDORU inteligentni analitični sistemi d. o. o.
Head office and address: Celovška cesta 206, Ljubljana, 1000 Ljubljana
Company registration number: 8068640000

VAT identification number: SI 69662517
Share capital: EUR 7.500,00 and is fully paid up.
The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

Establishment of the companies Generali Investments GP 1 d. o. o. and Generali Investments GP 2 d. o. o.

In May 2019, the subsidiary Generali Investments, Slovenia founded two new companies, Generali Investments GP 1 d. o. o. and Generali Investments GP 2 d. o. o. The core business of both companies is the provision of financial services. The company Generali Investments, Slovenia is among the largest subsidiaries of Adriatic Slovenica d. d. which, when the two new companies were established, became an indirect parent company.

About the company Generali Investments GP 1 d. o. o.

Registered company name: Generali Investments GP 1, družba za investicije, d. o. o.
Abbreviated company name: Generali Investments GP 1 d. o. o.
Head office and address: Dunajska cesta 63, Ljubljana, 1000 Ljubljana
Company registration number: 8436304000
VAT identification number: 32924925
Share capital: EUR 7.500,00 and is fully paid up.
The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

About the company Generali Investments GP 2 d. o. o.

Registered company name: Generali Investments GP 2, družba za investicije, d. o. o.
Abbreviated company name: Generali Investments GP 2 d. o. o.
Head office and address: Dunajska cesta 63, Ljubljana, 1000 Ljubljana
Company registration number: 8435685000
VAT identification number: 86585614
Share capital: EUR 7.500,00 and is fully paid up.
The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

Generali Investments GP 2 d. o. o., kapitalske naložbe, CP k. d.

In 2019, the subsidiary Generali Investments d.o.o. Ljubljana co-founded the company Generali Investments CP d. o. o. k. d. with its stake in the new company being EUR 20,000, representing a 54.79% share in the company at 2019 year-end. The newly established company was not included in the consolidated financial statements under the full consolidation method.

About the company Generali Investments GP 2 d. o. o., kapitalske naložbe, CP k. d.

Registered company name: Generali Investments GP 2 d. o. o., kapitalske naložbe, CP k. d.
Abbreviated company name: Generali Investments CP d. o. o. k. d.
Head office and address: Dunajska cesta 63, Ljubljana, 1000 Ljubljana
Company registration number: 8537135000
VAT identification number: 44629338
Share capital / company member shareholding: EUR 36.500.00.
The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used for the preparation of the financial statements are presented in the text below. These accounting policies have been followed consistently in the preparation of the financial statements for the financial year 2019.

5.1 INTANGIBLE ASSETS

The Company values intangible assets at the cost value, that is, intangible assets are carried at cost less amortisation and any accumulated impairment losses.

The annual amortisation rates are determined according to the useful life of an individual intangible asset. The Company charges amortisation calculated on a straight-line basis over the estimated useful life of the assets. The amortisation of intangible assets is calculated individually by applying the following amortisation rates

Amortisation rates and useful lives of intangible assets:

Name of intangible asset by amortisation groups	Annual rate of amortisation 2019	Useful life in 2019 in years
Investments in third party intangible assets	20%	5
Other material rights	10%	10
Computer software	20%	5
Other intangible assets	10%	10

The expected useful lives of intangible assets is the period in which it is possible to expect economic benefits from the asset. The useful lives are determined by the Company according to the duration of contractual or other rights. Based on this, the useful life cannot be longer from the period in which the Company may use the asset; however, it may be shorter. Intangible assets may have a non-defined useful life if, based on an analysis of all relevant factors, it is determined that there is no foreseeable limit to the period in which it is expected that the asset will generate net cash inflows for the Company.

The impairment test is performed for all significant intangible assets, for which carrying amount exceeds their recoverable amount. An impairment test is performed for all assets whose individual purchase price exceeds EUR 50,000. The determined impairment loss (the asset's carrying amount that exceeds its recoverable amount) is recognised in the income statement as loss due to impairment.

The Company derecognises intangible assets when it does not expect to gain any future economic benefits from their use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised as a difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement as revaluation income or revaluation expense.

5.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are classified according to their nature as property (property held for own use) and equipment, which are further divided in subcategories on the basis of their purpose. An item of property, plant and equipment is recognised at the time of its acquisition. At initial recognition, an item of property, plant and equipment that qualifies for recognition as an asset is stated at cost, which means at purchase price less accumulated depreciation and accumulated impairment losses. The cost of an item includes its purchase price and all costs directly attributable to bringing the asset to condition necessary for it to be capable of operating. As part of property, plant and equipment, the costs incurred to replace parts of property, plant and equipment that help prolong the useful life of the asset are accounted for as well as the costs which increase future economic benefits from its use compared to previously anticipated benefits (modernisation costs, enhancement costs, costs increasing the capability of the fixed asset).

In the event of changed circumstances, which affect the estimated useful life of an item of property, plant and equipment, the effects of such changes in the useful life are recognised in the income statement.

The annual depreciation rates are determined according to the useful life of an individual item of property, plant and equipment. The useful life of plant, property and equipment is defined as the expected useful life for the Company. The assessment of the useful life of an asset is the Company's best estimate based on its experience with similar assets. Depreciation is calculated and charged on a straight-line basis over an asset's estimated useful life. Depreciation starts when assets are available for use, i.e. as of the first day of the next month.

Depreciation rates and useful lives of property, plant and equipment

Property, plant and equipment by depreciation groups	Annual rate of depreciation 2019	Useful life in 2019 in years
Buildings	1.3 -1.8 %	56-77
Motor vehicles	12.5-15.5 %	6-8
Computer equipment	33.3 %-50%	2-3
Office equipment	10 -25 %	4-10
Other equipment (furniture, fittings & fixtures)	10 -25 %	4-10

Property (buildings) used by the Company for the performance of its own activities are part of the whole – a cash-generating unit, i.e. the Company, which generates cash inflows by performing its principal activities. The Company has defined three cash-generating units - non-life insurance, health insurance and life insurance. The recoverable amount is generally the amount that is larger than the value in use or fair value decreased by costs of sale.

The management believes that in normal (expected) business conditions the book value of property intended for the performance of activities is at least equal to the recoverable amount of property. Business conditions are considered to deviate from normal if, in the last three years, the cash-generating unit has achieved a negative result, which in each case exceeds the amount of importance of the insurance company and there is no prospect that its business will improve in the coming years.

The management assesses the values of these properties in case the business circumstances significantly change or deviate from normal (expected) business conditions (a single cash-generating unit has been operating negatively for the last three years) or when the properties intended for own use are reclassified into investment properties.

In such cases, recoverable amount is determined based on property appraisals by external certified appraisers. The appraisals are prepared using the same methodology as used for measurement of recoverable amounts of investment property. If the recoverable amount of properties is lower than their carrying amount, such properties are impaired and the Company recognizes this difference in the income statement as an impairment loss and is considered an operating expense.

The Company derecognizes an item of property, plant and equipment each year at the balance sheet date upon disposal or upon the conclusion that the it is no longer expected to obtain benefit from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal revenues, if any, and the carrying amount of the item, including disposal costs are recognised in profit or loss as revaluation revenue or revaluation expense.

5.3 INVESTMENT PROPERTIES

Investment properties (land and buildings) are assets held by the Company with the purpose to earn cash flow from rent, increase the value or both. If a property is classified as an investment property, the Management Board takes into account the purpose of the property.

Investment properties (land and buildings) are measured initially at their cost, including transaction costs and any directly attributable expenditure. Subsequently, they are measured at cost less any accumulated depreciation and any accumulated impairment losses. The straight-line method is used to calculate depreciation.

Depreciation rates and useful lives of investment properties

Investment properties	Annual rate of depreciation 2019	Useful life in 2019 in years
Buildings	1.3 -1.8%	56-77

At least once per year, the Management Board performs an impairment test of investment properties, namely using accredited independent appraisers qualified to perform valuation of property. For new real property, its purchase price is considered as fair value.

The Management Board performs an impairment test for investment properties whose carrying amount exceeds 5% of the materiality in terms of financial statements as a whole. The Company defines the materiality in terms of financial statements as a whole at 3% of the equity, as recorded in the balance sheet

In the assessment of impairment test for investment properties, the return of each property and market profitability is taken into account. If the actual return of an individual property exceeds the required return of property, the property does not show signs of impairment. Otherwise, the recoverable amount is determined for the property, using the following property valuation methods (also defined in valuation methods in the section on fair value):

- the income approach: this approach is based on the principle of present value of future returns – rent and similar revenues arising from the management of the property (value in use),
- the market approach: this approach determines the indicator value of the real property based on transactions for the same or very similar property. This approach is especially useful for real properties that are sold in large numbers on the secondary market (fair value).

The Company performs impairment of an investment property to the value of recoverable amount if the recoverable amount of the property is lower than the carrying amount, under the same conditions that apply for properties classified as property, plant and equipment.

Property, which the Company intends to sell in near future and whose carrying amount will be settled mainly through sale rather than further use, are classified under non-current assets held for sale.

Gains or losses arising from derecognition or disposal of investment property are recognised in the income statement through financial income or expenses.

Rental/lease income from investment property is charged on the basis of issued contracts. Rental income, which refers to the investment property, is stated in the financial statements among other revenue.

5.4 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES OF THE GROUP

Subsidiaries

Subsidiaries are the companies in which the Company as the controlling entity directly or indirectly holds more than 50% of voting rights. Regardless of the nature of its participation in a subsidiary, the Company particularly assesses whether it controls that company and determines whether the company is a controlling company or a subsidiary.

The Company's investment in its subsidiary is accounted for in separate financial statements using the cost method of accounting, which means that the investment is stated at cost less impairment losses. Any needs for impairment are determined at the end of the financial year or on an interim basis if there are any signs of impairment. Recoverable amount assessments are performed by independent appraisers based on external valuations of company value.

For the recognition of impairment losses of subsidiaries, the following assessment procedures were used:

- the subsidiaries in bankruptcy proceedings, financial reorganisation (compulsory composition) or in liquidation are impaired up to the recoverable amount;
- the subsidiaries whose business results are deteriorating and operating losses are increasing are impaired in the amount of losses in proportion to the ownership stake in the event that the value of the capital of the company – in proportion to the ownership stake – is lower than the cost of the investment;
- discounted cash flow valuation;
- the net asset value method.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount or the amount of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The difference in the value is recognised in profit or loss as revaluation financial expenses.

Associates

The insurance company considers investment in a company as associate if it has a significant however not dominant influence, usually accompanied by direct or indirect shareholding between 20 and 50%.

After initial recognition, the Company measures its investment in an associate at cost. Any impairment needs are identified at the end of the financial year or on an interim basis if there are indications for impairment. The assessment of potential impairment is performed by external appraisers based on external valuations of company value, or by using internal models. For the recognition of impairment losses, the same procedures are used as for subsidiaries and the difference in value is recognised in profit or loss as revaluation financial expenses

5.5 FINANCIAL INVESTMENTS

Financial investments are an integral part of the financial instruments of the Company, and they are financial assets held by the insurance company for the purpose of using them to cover future liabilities arising from insurance and financial contracts and any losses associated with risk arising from insurance contracts. Financial investments are recognised at transaction date and upon sale at derecognition date.

Types of financial assets

After initial recognition depending on the purpose for which the investment was acquired, financial assets as classified as:

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

Loans, deposits and financial receivables

Loans, deposits and financial receivables are financial assets with fixed or determinable payment amounts and dates that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in the income statement.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost and, after initial measurement, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method.

The fair value of the long-term securities from this group of financial assets may be temporarily lower than their carrying amount for a period of time without resulting in an impairment loss on the investment, except in the case there is a risk of change in the financial position of the issuer.

The interest calculated using the effective interest rate method is recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either classified as available-for-sale (AFS) and are not classified in any of the other categories.

Financial assets are initially recognised at fair value or at transaction cost, for which fair value cannot be measured, namely by performing impairment test (if a security is not quoted in an active market), including all transaction costs. The interest on debt securities related to the available-for-sale financial assets is calculated using the effective interest rate method and recognised through profit or loss. Financial assets designated as available-for-sale are recognised on the transaction date.

Changes in the fair value of securities classified as available-for-sale are recognised in relation to the contents of the occurrence of changes in fair value. The exchange differences on debt securities are recognized in the income statement, and other changes (e.g. change in market rate) are recognized directly in other comprehensive income. For equity securities, all changes in fair value are recognized in other comprehensive income. In the sale or impairment of available for-sale securities, the cumulative adjustment in other comprehensive income is removed and the effects are reported in the income statement.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are divided into two subcategories: the "held for trading" (TRA) subcategory and the "upon initial recognition" (FVD) subcategory:

- in the "held for trading" subcategory, the Company classifies all (short-term) financial assets that were acquired for trading or for which there is evidence of recent short-term profit and all derivatives that are not financial guarantee contracts. This subcategory also includes derivatives used by the Company to hedge against risks since the Company does not use special rules for accounting treatment of hedging;
- in the "upon initial recognition" subcategory, the Company classifies financial assets tied to long-term unit-linked insurance contracts and financial assets for the purpose of eliminating or significantly reducing inconsistencies in measurement or recognition ("accounting mismatch"), which would otherwise arise from the measurement of assets or liabilities or from the recognition of gains and losses on various bases.

Financial assets classified as assets measured at fair value through profit or loss also include financial investments in mutual funds and open investment firms with variable share capital, related to long-term insurance contracts bound to units of investment funds. Among the financial assets at fair value through profit or loss, the Company also allocates the policy loans from unit-linked insurance, represented by financial instruments recorded as units and valued using the value of units of funds of related policies.

Financial assets measured at fair value are recognised initially at fair value, and costs of acquisition are recognised in the income statement. Gains or losses arising from changes in the fair value of these financial assets are included in the income statement during the period in which they occur.

Fair Value

Financial assets measured at fair value through profit or loss at initial recognition and available-for-sale financial assets are carried at fair value. Loans, deposits, receivables and held-to-maturity financial assets are stated at amortised cost using the method of future cash flow value discounting using effective interest rates, reduced by impairments.

Fair value is reported if it is reliably measurable. It depends on available market data which enable the Company to evaluate fair value. For listed financial asset instruments (equity and debt securities) which have a price on an active securities market, fair value is determined as the product of the units of financial assets and the quoted market price or the final rate as at the date of the balance sheet. The Company selects the appropriate rate depending on the type of financial investment and depending on the organised securities market, on which the financial investment is quoted.

In fair value assessment of **equity securities**, the Company continuously assesses the market activity, where the final rate of the last day of trading with the security must not be older than one month and the exchange rate used must be based on adequate liquidity, or the turnover on the trading date (regular transactions without batches) must amount to at least 20% of total value of the security position (market value of the last valuation), or at least EUR 50,000 in absolute terms. The smallest of the values is taken into account as a criterion.

In the assessment of fair value of **debt securities** traded on the regulated securities market, the Company sets an exchange rate based on the closing price published on the stock exchange on the balance sheet date. If there is no information about the closing price on the balance sheet date for an individual debt security, the closing price from the last day, on which the debt security was traded will be used, but this closing price may not be older than one month. The final price used must be based on adequate liquidity, where the total volume of concluded transactions on this day must be at least EUR 500,000. If published prices on the active market do not meet the activity criteria, fair value is calculated based on the bid rate published on the balance sheet rate in the Bloomberg system from BVAL (Bloomberg Valuation Service) or based on the internal model for the calculation of fair value of the debt security. Fair value is determined monthly using internal models, namely for corporate debt securities based on the internal model for fair value calculation of the corporate debt security and for government debt securities based on the internal model for fair value calculation of the government debt security.

The methods of evaluation and important parameters for individual types of financial assets are presented in the table below, where the application of different methods is also classified with regard to the fair value hierarchy.

Allocation in the fair value hierarchy

In order to improve compliance and comparability of fair value measurement and related disclosures, financial assets are allocated into three levels of fair value hierarchy. The allocation to a particular level is based on inputs to valuation methods used for fair value measurement. In the fair value hierarchy, the types with highest priority are unadjusted, quoted prices in active markets for identical assets or liabilities (Level 1 inputs), and the ones with the lowest priority are unobservable inputs (Level 3 inputs).

The Company follows the following inputs in value estimation techniques:

- Level 1: determined by inputs that present the quoted prices (unadjusted) in an active market for identical assets or liabilities, to which the Company has access on the date of the measurement. They ensure the most reliable proof of fair value and must be used without adjustments for fair value measurement.
- Level 2: determined by inputs that are not quoted prices from Level 1, but could be indirectly or directly observed for an asset or liability. If an asset or liability has a determined (contractual) maturity, the input must be observable during the whole validity period of the asset or liability. Level 2 inputs include: quoted prices for identical or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are not quoted prices observable for an asset or liability, and inputs, approved on the market.
- Level 3: determined by unobservable inputs that include an insignificant market component, if it exists at all, for the asset or liability on the day of measurement. The goal of fair value measurement remains the same, namely the output price on the day of measurement from the viewpoint of a participant in the market who owns an asset or has a liability. Therefore, unobservable inputs must reflect the assumptions that would be used by the participants in the market for the estimation of the value of an asset or liability, including the risk assumptions.

Financial assets, for which there is no active market and the fair value of which cannot be measured reliably, are by the Company valued at cost and the need for impairment is determined individually. These financial assets are allocated by the Company into Level 3 in the fair value hierarchy.

Techniques of value estimation and inputs for allocation to Level 2 and Level 3 of the fair value hierarchy

Type of financial investment	Method of estimation	Important parameters	Applied parameter value	Fair value hierarchy
INTERNAL / EXTERNAL APPRAISERS				
Debt securities	**Internal model**			
Debt securities - state	Calculation of required profitability	Weighted average of profitability of two liquid state securities of the same country, with shorter and longer maturity		Level 2
		Weight 1: number of days between maturity date of observed security maturity date of the securities for which fair value note		
Debt securities – companies and financial institutions	Calculation of sum of required profitability for	State bonds of comparable maturity	od -0,561% do 0,863%	Level 2
		Credit risk for risky industries (CDS), considering the comparable maturity and investment class rate	od 0,29% do 6,86%	
		illiquidity	od 0 do 0,15 %	
Equity securities	**Internal model**			
	Method of comparable companies on stock exchange	Market indexes: P/E, P/B, P/S, P/EBITDA, F/FCF, based on stock quotations and / or prices of comparable companies and selected financial categories of the company under assessment		Level 3
Investment properties	**Authorised external appraisers**			Level 3
	Market method	Analysis of actual real estate market transactions	od 65 % do 112 %	
	Revenue method (direct capitalisation method)	Present value of future expected gains		
		Capitalisation rate (gains and repayment)	od 7,72 % do 8,32 %	
		Discount rate	1.05%	
		Allowance for lack of marketability (illiquidity)		
Capital investments in associates	**Authorised external appraisers**			
	Net asset value method	Change in prices of real estate		Level 3
	Discounting of cash flows	g (growth rate in period of constant growth)		
		net margin (constant growth period)		
		discount rate	14.9%	
		discount for lack of marketability		

Type of financial investment	Method of estimation	Important parameters	Fair value hierarchy
EXTERNAL APPRAISERS (market organiser)			
Debt securities - compound	stochastic model, network model HW1f and HW2f	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, volatility of interest rates, correlation matrix, share index volatility	Level 2
Equity securities - compound	stochastic model	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, share index volatility	Level 2
BLOOMBERG BVAL			
Debt securities			
Debt securities - state	Cash flow discounting	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, indicative quotations, BVAL rate estimate of 6 - 10	Level 2
		curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, indicative quotations, BVAL rate estimate of 1 - 5	Level 3
Debt securities – companies and financial institutions	Cash flow discounting	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, engendered, actual quotes, indicative quotations, BVAL rate estimate of 6 - 10	Level 2
		curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, engendered, actual quotes, indicative quotations, BVAL rate estimate of 1 - 5	Level 3

Impairment of financial assets

Assets carried at amortised cost

At each balance sheet date, it is assessed whether there is any objective evidence that financial assets are impaired. Impairment losses are recognised and assets revalued only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of financial assets, and that loss event (events) has an impact on the estimated future cash flows of the financial asset or group of financial assets. Objective evidence that a financial asset or group of financial assets is overvalued includes observable data on the operations of external companies and relate to the following events:

- significant financial difficulty of the issuer or borrower,
- a breach of contract, such as a default on the payment of interest or principal,
- loan rescheduling under more favourable conditions due to the inability to service the debt,
- bankruptcy of the debtor or financial reorganisation;
- disappearance of an active market for such financial assets due to financial difficulties.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity financial assets carried at amortised cost, the amount of the loss incurred due to impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement as revaluatory financial expense. If a loan or held-to-maturity investment has a variable interest rate, the current effective interest rate determined in the contract is used for discounting cash flows and measuring any impairment loss. Impairment may also be measured on the basis of an instrument's fair value using an observable market price.

To the extent that a loan is uncollectible, it is written off against the related provisions for loan impairment. Loans are considered uncollectible once all necessary collection procedures have been carried out and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the expenses for loan impairment, recognised in the income statement.

Where at later periods impairment losses for debt securities are decreased and the decrease can be related objectively to an event occurring after the impairment was recognised in the income statement (e.g. improved credit rating of the borrower), such impairment losses are reversed by adjusting the income statement items where the amount of the reversal is recognised.

Assets measured at fair value

The Company checks at each balance sheet date for any objective evidence of impairment of financial investments or groups of financial investments classified as available-for-sale, for which it is assessed whether the decline in fair value is significant or prolonged and, consequently, whether the assets are overvalued. In the assessment of a long-lasting decrease in fair value below the original cost of equity securities, the period taken into account is no more than 12 months from the day when the fair value of capital instruments fell below the original cost for the first time and remained below it for the entire period of 12 months, whereas for the assessment of a significant decrease in fair value the insurance company's management considers at least a 30% decrease in fair value compared to the acquisition cost. An impairment of debt securities is made in case of financial difficulties of the issuer, in case of contract breach and failure to fulfil payment obligation, debt reprogramming or possibility of bankruptcy.

If there are signs of impairment in held-for-sale financial assets, the cumulative loss measured on the basis of the difference between the estimated costs and the current fair value, less impairment losses of the asset previously recognised in the income statement, are recognised, and the expense is also recognised in the income statement.

Reversal of impairment

If in a subsequent period, the amount of an impairment loss decreases and provided that the decrease can be related objectively to an event occurring after the impairment was recognised, the entity reverses the previously recognised impairment loss by stating a new amount in the value adjustment account. The reversal does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been. The amount of the reversal of impairment for losses is recognised in the income statement, provided it refers to debt securities. For equity securities carried as available-for-sale financial assets, the reversal of impairment through the income statement is not allowed. In such cases, reversal of impairment is done through other comprehensive income.

5.6 UNIT-LINKED INSURANCE CONTRACT INVESTMENTS

Unit-linked assets, which are measured at fair value, are disclosed separately and classified as financial assets at fair value through profit or loss upon initial recognition. Additionally, policy-based loans backed by unit-linked insurance contracts are classified as financial assets at fair value through profit or loss. The latter are treated as financial instruments, accounted for as units and measured at net asset value per unit of insurance policy funds used to back the loans.

The value of the units of financial instruments used as investments of the fund backing unit-linked insurance is calculated as at the balance sheet date by multiplying the number of units of individual financial instruments with their active market price as at that day. Financial investments for unit-linked insurance contracts are revalued on a monthly basis.

5.7 ASSETS FROM FINANCIAL CONTRACTS

Assets from financial contracts are recorded separately, because the Company uses the returns arising from such assets to cover obligations from financial contracts and losses due to financial risks, but not losses arising from insurance risk from insurance operations. Financial investments and cash assets are recorded under assets from financial contracts. The Company recognizes and values financial investments of assets from financial contracts in the same way as other financial investments (see Section 5.5).

5.8 REINSURERS' SHARE OF INSURANCE TECHNICAL PROVISIONS

The benefits to which the Company is entitled under its reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long-term receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts.

The amounts of these reinsurance assets are determined based on estimated losses or reinsurance loss reserves under the reinsurance contracts, taking into account the shares in unearned premiums.

Reinsurance assets are derecognised when the rights from reinsurance contracts expire or are transferred to a third party.

5.9 RECEIVABLES

Recognition of receivables

At initial recognition, insurance receivables are recognised on the basis of the issued insurance policy or when policyholders are charged insurance premiums. Reinsurance/co-insurance and other receivables are recognised based on an invoice or other authentic document (e.g. reinsurance settlement). Upon initial recognition, these receivables are recognised at initial value, which is later on reduced for impairment due to adjustments of receivables.

The Company can **recourse** a policyholder, i.e. debtor in the amount of the indemnity payment in accordance with the provisions of insurance contracts, when the indemnification, i.e. benefit is calculated, for which it has obtained adequate legal basis for the first payment. In case the indemnity amount in an individual case exceeds EUR 30,000, it is recognised – the subrogation receivable toward the policyholder or debtor in the balance sheet evidence does not exceed the estimated indemnity amount. The subrogation receivable is in such cases estimated individually, taking into account individual adjustments of subrogation receivables. In forming subrogation receivables for car insurance, the insurance company can (based on Article 7 of ZOZP and Article 3 of the General terms) exercise the right of refund of indemnity paid, including late payment interest and expenses in the maximum amount of EUR 12,000, except if the damage is done intentionally and the Company claims the refund of the total amount.

Before the subrogation receivable is exercised, the unexercised subrogation claims are kept as off-balance sheet items and no impairment is formed. The only exception is subrogation claims under credit insurance that become exercised immediately after inception. Paid subrogation claims are recognised as decrease of claims paid.

Impairment of receivables

At each reporting date (at least on a quarterly basis), the Company reviews whether the estimate of a receivable's fair value or recoverable value is adequate, or it prepares an estimate of the recoverable amount on the basis of the actual realised cash flows over the last observed time period for an individual class of receivables. Where it is not to be expected that claims will be fully settled, the Company has set up indicators for impairment (uncollectability) of receivables, which trigger the calculation of the impairment charge decreasing the financial result of the Company.

Based on the estimated fair value, i.e. recoverable (collectible) amount of a receivable, adequate adjustments of receivables are made on an individual or collective basis.

The fair value, i.e. the recoverable (collectible) amount of receivables is assessed and adequate impairment of an individual receivable is formed if the aggregate carrying amount of all past-due premium payments of a particular insured person, i.e. policyholder, on the valuation date amounts to EUR 30,000 or more.

Any other receivable may be impaired on individual basis that would otherwise be subject to revaluation in the framework of collective value adjustment.

Receivables for which impairment is not assessed individually are classified in groups having similar characteristics of credit risk. These groups are divided into receivables from individuals and legal entities, where in receivables from individuals, the groups differ based on type of payment.

For each group, the value adjustment for individual receivable is determined depending on its maturity and actual (un)realised percentage of payments in the past period for a particular group.

In the case of receivables due from policyholders in the **life insurance** segment, the Company abides by the provisions laid down in the Code of Obligations and general terms and conditions of life insurance contracts. When a policyholder defaults under the contractually determined payment schedule for three instalments, the need to write-down the past-due instalments is recognised. The past-due amounts are impaired in the whole amount (100%), since the probability that payments will never be made or that such insurance coverage will be capitalised is high. Accordingly, adjustments of receivables are reversed.

As regards receivables for **unit-linked life insurance** contracts, no impairment is recognised since revenues are recognised when premiums are paid.

Value adjustments of **subrogation** receivables are made collectively. The impairment represents a proportion of actual non-payments in the preceding financial period. Due to a higher default risk, impairments are made individually per subrogation claim above EUR 30,000. After end of the financial year, the percentage of value adjustment per subrogation receivable may be reassessed only if their average recovery rate is substantially changed. The accrued and unpaid interest from transactions with recourse, disclosed in accounts receivable, are impaired at the same percentage as the subrogation receivables. Receivables from the subrogation procedure costs more than 30 days overdue are impaired at the same percentage as the subrogation receivables. For assessment and impairment purposes, factoring claims are treated as subrogation receivables.

5.10 OTHER ASSETS

Amongst other assets, the Company accounts for inventories, deferred acquisition costs and short-term deferred costs (expenses) and accrued revenues for the cases where the payment of the rendered services refers to a later period.

Deferred acquisition costs

Unearned premiums in the entire amount are recognised in amounts as they arise from the maturity structure of the insurance contracts as at the balance sheet date. The portion of already realised expenses under acquisition costs in relation to the calculated amounts that relate to reporting periods after the balance sheet date are recognised in the full amount as a special item of deferred expenses under the asset items in the balance sheet. Deferred acquisition costs are presented on the basis of the calculated share of gross costs for underwriting fees and commissions in gross insurance premiums and gross unearned insurance premiums for every individual insurance class.

5.11 CASH AND CASH EQUIVALENTS

Cash and balances held on the accounts with banks and other financial institutions are treated separately for monetary assets denominated in local currency and separately for monetary assets denominated in foreign currencies, which have to be broken down into monetary assets available immediately and those placed as deposits redeemable at notice (demand deposits). Cash of the Company consists solely of cash, while cash equivalents include demand deposits serving to ensure short-term liquidity and short-term deposits placed with maturity up to 3 months.

Revaluation of monetary assets is performed only for the monetary assets denominated in foreign currencies, if after initial recognition the exchange rate of the foreign currency against the euro is changed. The foreign exchange difference is recognised as an ordinary financial expense or financial revenue.

5.12 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets and liabilities are offset in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, namely to realise the asset and settle the liability simultaneously.

Receivables and liabilities arising from internal relationships (between individual funds or general ledgers) are separately presented in financial statements. At the end of the reporting period, the receivables and liabilities among individual funds are offset and the balance is presented as receivables or liabilities, which are offset, i.e. balanced, in the cumulative balance sheet.

5.13 EQUITY

The Company as a composite insurance company discloses the share capital and other capital components separately by insurance group. The baseline split ratio is established to ensure capital adequacy required for performing insurance business in the non-life insurance segment and separately for the life insurance segment.

Share capital

Share capital is defined with the amounts invested by the owners and with amounts that have been generated through operations and that belong to the owners. Share capital of Adriatic Slovenica is the nominal value of the called-up and fully paid ordinary no-par value shares denominated in euros.

Capital reserves

Capital reserves carry the share premium - paid up surplus capital and the amount generated by the elimination of the general capital revaluation adjustment. Capital reserves can be used in accordance with the Companies Act, which strictly defines the terms of capital reserves usage for covering net loss of the period, net loss carried forward or increase of equity using assets of the Company.

Reserves from profit

Reserves from profit are divided to contingency reserves, legal and statutory reserves, treasury shares reserve and other reserves from profit. The insurance company forms reserves from profit pursuant to the provisions of the Companies Act (ZGD-1), insurance legislation governing the establishment of reserves, on the basis of the decision adopted by the Management Board and endorsed by the Supervisory Board regarding the establishment of reserves and on the basis of the decision adopted by the Management Board and endorsed by the Supervisory Board regarding the needs for achieving and preserving the adequate level of capital adequacy (other reserves from retained earnings).

Within the framework of other reserves, formed in line with the previously applicable laws, the Company recognises half of the profits generated before the end of 2013 by complementary health insurance, as determined in accordance with the Health Care and Health Insurance Act (ZZVZZ-H) and the decision passed by the Insurance Supervision Agency (Decision on detailed instructions for accounting and disclosure of accounting events relating to the implementation of equalisation scheme for complementary health insurance).

Revaluation surplus

Revaluation surplus is recognised on the basis of the revaluation of assets performed in the course of the year in a particular reporting period. The Company recognises under the revaluation surplus the revaluation adjustment in relation to movement in and valuation of available-for-sale final assets at fair value. The revaluation surplus amount in the balance sheet is adjusted by the deferred tax amount.

Retained earnings and net profit or loss for the financial year

Retained earnings are composed of the net profit brought forward from previous years, net profit or loss for the financial year and net profit for the current year. The insurance company recognises net profit for the financial year as net profit brought forward once the decision to distribute profit for the financial year is adopted and the amounts for the settlement of previous losses, the amounts for reserves and the appropriations of shareholders are allocated.

5.14 SUBORDINATED LIABILITIES

Under subordinate liabilities, the Company discloses liabilities arising from the issuance of subordinated bonds. Subordinated bonds are debt securities where in the event of insolvency or capital inadequacy of the issuer, the holder is entitled to payment contained in this security only after all liabilities of the issuer against unsubordinated creditors are settled. In financial statements, subordinated debt is measured at amortized cost.

5.15 INSURANCE TECHNICAL PROVISIONS

The Company must establish appropriate insurance technical provisions for liabilities arising from its business. The purpose of technical provisions is to cover future liabilities arising under insurance and any losses arising from risks, which arise out of insurance contracts. Insurance technical provisions are established in accordance with the Insurance Act (ZZavar), the Decision on detailed rules and minimum standards to be applied in the calculation of insurance technical provisions, and the Rules on the formation of insurance technical provisions.

The Company recognises as liabilities gross technical provisions and insurance technical provisions for the received co-insurance. The liabilities reinsured and co-insured are reported under the assets of the Company.

Unearned premiums

Unearned premiums are formed in the amount of the portion of the written premiums, which refers to the insurance cover for the insurance period after the end of the reporting period for which the provision is calculated.

Unearned premiums are calculated for each individual insurance policy, which had valid coverage at the end of the reporting period. They are also calculated for policies, which become valid after the date of the transfer if a premium was charged before the date of the transfer. In the deferral of charged premium, three different procedures are followed depending on whether the sum insured is equally distributed across the term of the policy or if it is increasing or decreasing:

- equally distributed sum insured - majority of insurance classes;
- increasing sum insured - for building and construction insurance (other damage to property insurance);
- decreasing sum insured - credit insurance.

Mathematical provisions

Life insurance contracts

Mathematical provisions are established in the amount of the present value of estimated future obligations of the Company arising from issued insurance contracts, less the estimated present value of future premiums to be paid on the basis of those insurance contracts. As a rule, the prospective net Zillmer method is used. The Zillmer amount for an individual contract does not exceed 3.5% of the sum insured. Liabilities for every contract are greater than or equal to zero. The Company also establishes a mathematical provision for long-term products, to which probability tables and calculations as for life insurance are applied.

For mixed life insurance contracts and life insurance contracts against the risk of death, the future liabilities reflect the payment of agreed sum insured with allocated surpluses in the event of maturity or payment of agreed sum insured with added surpluses in the event of death.

Mathematical provisions for annuity contracts for a limited time are calculated using a prospective net Zillmer method. They are recognised in the amount of the current value of estimated future payments of agreed annuities (with allocated surpluses), including expenses for annuity payment less the estimated present value of future premiums to be paid on the basis of those insurance contracts.

Mathematical provisions for pension insurance of the long-term business fund of collective additional pension insurance for PN-A01 are calculated as a product of the value per unit of the long-term business fund and the number of units held as at the day of calculation. The guaranteed liability to policyholders is therefore covered. An additional provision is formed for surplus returns over the guaranteed return (for the allocation of regular and final bonuses). Revaluation reserve of available-for-sale financial assets of long-term business fund of supplementary pension insurance is also recognised in mathematical provisions. Provisions arising from guaranteed premium factors for the calculation of additional old-age pension are formed in the amount of current value of future benefits, which the policyholders can decide to accept upon exercising the right to receive additional old-age pension. These provisions are recognised within the framework of mathematical provision for life insurance long-term business fund.

In annuity insurance (whole life annuity, whole life annuity with guaranteed payments until the insured person is 78 years old, or guaranteed payment for the period of 10 years) future liabilities of the Company are payments of the agreed annuities, including attributed surpluses and annuity payment costs.

Future liabilities of the policyholder are future premiums agreed in the contract.

Once a year (at the end of the year), the amount of profit attributable to the holders of participating policies (the DPF portion) is determined. Mathematical provisions are increased by the amount attributed to eligible policyholders.

The surplus attributed to an individual mixed life insurance policy is considered to represent a one-off premium for the remaining insurance period and it is calculated in an additional sum insured (additional annuity in annuity insurance), which is guaranteed. An additional sum insured is paid out in the event of death or endowment. For some insurance products, prompt payment of allocated surplus is possible, while for some insurance products the surplus is allocated to the policy as additional assets in the policyholder’s account.

Unit-linked life insurance contracts

Mathematical provision from unit-linked life insurance represents the value of assets held on the insured person’s policy. The total value of mathematical provisions is the sum of units of an individual fund multiplied by the asset value per unit of the fund. The aggregate provision is increased by the amount of the paid premium, which is allocated to the purchase of units of the fund (there is a time delay between the payment of the premium and purchase order and the actual transfer of the purchased units to the insured's personal account). Depending on the insurance product, provisions are increased by any advance payments.

Claims provisions

Claims provisions are established in the amount of the estimated liabilities which the Company is obliged to pay on the basis of insurance contracts, where an insurance event occurs before the end of the reporting period, and regardless whether the insurance event has already been reported, including all estimated costs to be incurred by the Company in settling these claims.

No discounting of the claims provisions is applied, except for claims and benefits paid from liability insurance, which are paid out as annuities.

The calculation of claims provisions is divided into several parts based on the nature of the claim file:

- for claims reported but not settled by the end of the accounting period, an individual account of all relevant claim files is taken and the value of expected payments is estimated;
- for claims incurred but not reported by the end of the accounting period (hereinafter IBNR claims – claims incurred but not reported), the estimated ultimate cost of payments is calculated on the basis of statistical information on similar cases in the past;
- the calculation of IBNR claims was carried out on the basis of insurance classes using different methods: the modified statistical method, the triangle method (the Chain Ladder Method) based on paid or based on incurred

claims, and special method for liability insurance annuities. When the method is selected, the characteristics of the insurance class are considered in terms of whether the insurance cases are long tailed or short tailed.

The statistical method depends on the monitoring of reported claims in the past. The number of IBNR claims is calculated on the level of individual insurance class as a product of the estimated number of IBNR claims and the estimated value of IBNR claims. The estimated number of IBNR claims is calculated by multiplying the number of reported claims in preceding year and the average coefficient of incurred and reported claims according to all incurred and reported claims in the last three years. The estimated value of IBNR claims is calculated as the average value of IBNR claims in the preceding year or as the average value of claims paid in the preceding year, if the number of claims was relatively small.

The Chain Ladder Method is based on paid or incurred claims with monthly or annual development factors, depending on the characteristics of the incidence of loss and claim settlement procedures. The claims are arranged in a triangle where the rows represent the accident year, and the columns represent the number of years from the time the claims incurred to and the time it was paid or incurred. It is assumed that the pattern of claims in the future will be similar to the pattern from the past years. The prediction of ultimate claims is based on the calculation of average annual development factors which are smoothened into decreasing pattern.

The special method for liability insurance annuities is based on assessment of the number and amount of subsequently reported annuity claims, as well as on the assessment of the increased liability for already reported annuity cases.

The claim provision is decreased by estimated expected subrogations.

The provisions for claim settlement costs are included in the gross provisions for claims

Other insurance technical provisions

Provisions for bonuses, discounts and cancellations

Provisions for bonuses are formed in the amount of the estimated amount of the expected bonus for those policies, where the policyholder is entitled to bonus reimbursements. Liabilities are calculated on the basis of the bonus reimbursement rule, which is specified in the insurance contract.

The provision for cancellation is formed in the amount of estimated reimbursement to policyholders in the event of premature cancellation of a contract/policy, taking into account unearned premium reserves of individual contract.

Other insurance technical provisions

The Company presents provisions for unexpired risk among other insurance technical provisions.

Provisions for unexpired risk are established to cover claims and expenses associated with active insurance contracts which will incur after the accounting period and are not covered under unearned premium provision. Provisions for unexpired risks are calculated at the level of lines of business. The criterion for their formation is the negative result (loss) of line of business in the current period and the opinion that the negative result of line of business is a result of the premium which was set too low. The provisions for unexpired risk are also formed in other special cases when the Company is aware of the accepted liabilities for which it does not have any unearned premiums formed.

5.16 INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS

Provisions for credit risk and concentration risk arising from underlying assets are established for unit-linked life insurance products, where insurance is tied to securities with guaranteed maturity benefit. The provisions are created for the products for which the Company bears the credit risk associated with the issuer of the security and the concentration risk. They are formed for the risk of unbundling of securities components or illiquidity of the issuer of the security to which the guarantee is bound.

5.17 LIABILITIES FROM FINANCIAL CONTRACTS

Under liabilities from financial contracts, the Company classifies obligations of the Pokojninsko varčevanje AS funds. These are formed for voluntary supplemental pension insurance concluded using the Pokojninsko varčevanje AS –

individualno and Pokojninsko varčevanje AS – kolektivno pension schemes. They are calculated based on the collected net premium from policyholders by savings account and fund by multiplying the number of asset units in the fund with the value of an asset unit in the fund on the valuation date. Net premium of policyholders (savers) is gross written premium less entry costs.

In relation to the liabilities from financial contracts in the fund with a guaranteed return (Pokojninsko varčevanje AS guaranteed above 60), the guaranteed asset value is also calculated – the number of guaranteed asset units multiplied with the value of the guaranteed asset unit on the valuation date. The guaranteed return under the adopted pension scheme for the Pokojninsko varčevanje AS guaranteed above 60 provides guaranteed return of 60% of the average annual interest rate on government securities, taking into account the legal basis prescribed by the finance minister to calculate the minimum guaranteed return.

If the asset value by individual savings account is less than the guaranteed asset value, the Company will form liabilities (provisions) due to the failure to achieve the guaranteed return. Liabilities to savers due to the failure to achieve the guaranteed return are formed within own funds of fund manager under other non-current liabilities for the ZPIZ 2. Within the fund AS pension saving fund – Zajamčeni od 60, these liabilities are recognised as contingent liabilities to savers in the off-balance-sheet items, which at the time of the payout (surrender) are paid out at the value calculated as at the day of surrender.

5.18 OTHER PROVISIONS

Other provisions are formed for present obligations arising from past events to be settled for the period that has not been determined with certainty and whose value cannot be reliably assessed.

Accrued and deferred items include accrued expenses and deferred revenues that are generated on the basis of straight-line charges to operations or profit and loss as well as inventories with expected costs that still have not been incurred. Costs are accrued and included in annual financial statements in estimated amounts; in interim financial statements, they are spread over shorter accounting periods based on the time factor.

Employee benefits

Employee benefits include provisions for the unused part of annual leave, provisions for jubilee benefits and provisions for termination benefits at retirement and are presented as a separate item under other provisions and accruals (the long-term portion as long-term provisions and the short-term portion within item accrued expenses).

Post-employment and other long-term employee benefits

The items referring to post-employment and other long-term employee benefits include:

- termination benefits at retirement and
- long-service benefits,

for which provisions for long service benefits and termination benefits at retirement are formed. Provisions are recognised in accordance with the Projected Unit Credit Method (PUCM) in accordance with the IAS 19 (the method for calculating benefits in proportion to the work performed), and the calculation takes into account mortality, employee retention, future increase in salaries, expected inflation rate and expected return on investments. In the balance sheet, these liabilities are recognised as net present value of all post-employment liabilities. The future cash flows are discounted by applying the market rate for investment-grade bonds on the balance-sheet date. The discount rate assumption is based on the ECB curve (including all EU countries), by taking into account the average rate according to the expected duration of liabilities arising from termination benefits at retirement and long service benefits. The adequacy of the applied actuarial assumptions is reviewed periodically.

For the purpose of forming provisions for long-service benefits, the amount of one to two average gross salaries (depends on the long service) in the Company is taken into account. Long service benefit liability upon reaching the threshold of 10, 20 or 30 years of service of an employee is recognised pro rata with the years of service with the employer.

As a basis for establishing termination benefits at retirement, the amount of three or two gross salaries (set out in an individual employment contract/collective agreement) is taken into account (of the employee or the average salary in the

Republic of Slovenia in case it is higher). The liability for termination benefit at retirement is recognised through the entire period of service of the employee.

The liabilities for provisions for termination benefits and long service benefits are recognised on the basis of obligations, which arise from the concluded employment contracts and effective labour legislation, also include taxes and contributions of the employer.

Termination benefits upon retirement and long service benefits are recognised as operating costs (labour costs) in the income statement when they are paid. The same goes for the recognition of changes in these provisions due to repayments or new formations. Revaluation of provisions for benefits upon retirement, arising from an increase or decrease of the present value of liabilities due to changes in actuarial assumptions and adjustments arising from experience are recognised as actuarial gains or losses within other comprehensive income.

5.19 OPERATING LIABILITIES

Operating liabilities are initially carried at historical cost that arises from appropriate documents. Later on, they are increased in accordance with the documents and decreased on the same basis or based on the payments made.

Amongst operating liabilities, liabilities arising from direct insurance contracts, reinsurance and co-insurance coverage liabilities, and current tax liabilities are recognised. The liabilities for the payment of premiums on the basis of reinsurance contracts are recognised as reinsurance liabilities and are accounted for as expenses at maturity.

5.20 OTHER LIABILITIES

Other liabilities include the determined short-term accrued and deferred items that comprise short-term employee benefits, short-term accrued expenses and short-term deferred revenues, liabilities for the payout of dividends and other operating liabilities, such as current liabilities to employees, bonds/securities, liabilities for consumer loans, received advances and other similar items.

Short-term employee benefits

Liabilities for short-term employee benefits are accounted for in nominal value and presented as labour costs in the income statement. Short-term employee benefits represent salaries, holiday pay, etc.

Short-term accrued expenses

Short-term accrued expenses are set up with the intention to spread disbursements over the income statement, even though these expenses have not been incurred. Considering past developments in operations, the management can estimate the expenses that will incur for the period concerned, even though they did not yet receive appropriate documents. Based on this estimate, the amount is taken into account in the financial statement. When the business event occurs, accrued expenses are decreased and the difference between accrued and actual expenses is recognised through profit or loss. Apart from that, expenses for unused annual leave are carried under short-term accrued expenses.

5.21 REVENUES AND EXPENSES

Revenues include fair value of received compensation or receivables for the sale of services under the normal operating conditions of the Company. All categories of revenues and expenses for non-life, health and life insurance are presented separately. Revenues from insurance services (gross written premiums) are carried at invoiced amounts excluding tax on insurance contracts (DPZP), refunds, discounts and rebates. An exception to this is revenues from unit-linked insurance services that are accounted as paid realisation. Other revenues are accounted for a net value excluding value-added tax.

Revenues from insurance premiums

Net revenues from insurance premiums are calculated as gross written premium increased by the premium received under co-insurance and decreased by the premium ceded to co-insurance and reinsurance and decreased by the change in net unearned premium reserves. The basis for recognising gross insurance premiums are invoiced premiums, except for UL (unit-linked fund) and life insurance where such basis is premium paid.

When non-life and health insurance contracts are terminated, the calculated revenues from premiums are decreased by the proportional part of the unexpired period for which the insurance premium has been calculated. In the accounting books, gross insurance premiums and reinsurance and/or co-insurance share are recorded separately.

Revenues from insurance premiums are monitored separately by insurance group and lines of business.

Revenues and expenses from investments

Revenues and expenses from investments include revenues arising from interest, realised gains/losses from the disposal of investments, dividends, gains and losses from foreign exchange differences, and revenues and expenses from the reversal of impairment or impairment of financial assets.

Revenues and expenses for interest on investments are recognised through profit or loss upon their occurrence and are calculated in accordance with the effective interest rate method, except for financial assets measured at fair value through profit or loss, in which case, they are calculated using the nominal interest method. In the balance sheet, the interest on all debt securities is posted together with financial investments.

Profit (loss) arising from disposal of investments is recognised in the income statement among realised financial revenues and expenses. As regards available-for-sale financial assets, recognised at amortised cost, profit or loss is recognised in the income statement when it is realised, when such assets are revalued due to impairments or when previously recognised impairment for these assets is reversed.

Gains and losses from exchange difference are calculated for assets in foreign currencies. They are translated at the balance sheet date by applying the reference exchange rate of the European Central Bank published by the Bank of Slovenia. Relevant exchange rates published by the Bank of Slovenia on a monthly basis for business entities can also be used for foreign currency translation.

Dividend income on a capital instrument is recognised in the income statement when the right to receive payment is established.

Impairments and reversal of impairment of financial investments

Losses due to impairment are recognised and assets are revalued if there is objective evidence of impairment due to an event occurring after the initial recognition of the assets and that event has an impact on the estimated future cash flows from the financial asset.

If during the period after a loss on debt securities has been recognised, the amount of impairment loss is decreased and if this decrease can be objectively related to an event that took place after the impairment was recognised, the previously recognised loss on debt securities due to impairment in the income statement reversal of impairment is carried out.

Other insurance revenues

Fee and commission revenue for insurance and financial contract management are recognised as other insurance revenues.

Revenue from **fees and commissions from insurance contracts** is mostly revenue from reinsurance fees and commissions.

Revenue from **fees and commissions from financial contracts** is mostly revenue from entry/exit fees (for entry and exit costs) and fees for management of financial contracts. In accordance with the pension scheme of the voluntary pension insurance, the Company as the fund manager is entitled to the charged entry fee, which means that the gross written premium is reduced by the entry costs. For asset management within the funds, net premium is therefore used. The Company calculates the net asset value of individual funds on a monthly basis and charges a management fee, which also belongs to the fund manager and reduces the asset value of the fund. Upon termination of saving account or exit (surrender), the Company is entitled to the surrender fee, reducing the surrender value of the saver by the exit fee.

Other revenues

Under other revenues, other net insurance revenues and revaluation operating revenues are carried. Furthermore, other revenues include revenues from rentals of investment properties charged on the basis of the concluded leasehold contracts and other operating revenues such as the recovered amount of previously written-off debt, received fines and damages, and other similar items.

Net claims incurred

Net claims incurred are direct expenses arising from the insurance business. They are carried separately by line of business.

Net claims incurred are composed of gross calculated claims that include direct and indirect claims handling costs and are increased in the income statement by claims from received co-insurance and decreased by the claims, ceded to co-insurance and reinsurance and increased by the change in net claims provisions.

Net claims incurred arising from health insurance contracts also include revenues or expenses from equalisation schemes.

Operating expenses

Gross operating expenses are recognised as historical costs by natural and presented as functional groups in the income statement. Claims handling costs are an integral part of expenses for claims paid, while acquisition costs and other operating costs are presented separately. In the disclosures, total operating expenses are presented by natural and functional groups.

Deferred acquisition costs

Acquisition costs are recognised in the income statement when they are incurred. Since these costs refer to the period when contracts are active, they are accrued in the portion that relates to the period after the reporting date. The Company defers expenses for the acquisition of non-life insurance contracts.

Under life insurance contracts and financial contracts with discretionary participation feature, acquisition costs are deferred on the basis of the Zillmer adjustment method when mathematical provisions are calculated.

Other insurance expenses

Other insurance expenses include expenses such as expenses for preventive activity, contributions for settling claims for damage made by uninsured and unidentified vehicles, and other net insurance expenses.

Other expenses

Expenses from investment properties, revaluatory operating expenses, and other operating and financial expenses not arising from investments are carried under other expenses.

5.22 TAXES AND DEFERRED TAXES

Tax expenses includes current tax and deferred tax; the tax expense is recognised either in the income statement or in the statement of other comprehensive income, when the taxes refer to revenues or expenses, which are recognised in the statement of other comprehensive income (in equity), i.e. when tax liabilities are recognised as tax assets from prior periods.

Tax assessment

The Company charges and pays the insurance contracts tax of 8.5% of the taxable amount in compliance with the Insurance Contracts Tax Act.

For the taxable part of its operations, the insurance company charges the VAT in compliance with the Value Added Tax Act and exercises the right to deductible VAT. For its principal activity, the Company has the right to 1% deducted VAT (the rate is controlled annually). For its property leasing activities, the Company exercises the right to a 100% deducted VAT.

The corporate income tax levied on income is calculated in line with the Corporate Income Tax Act of the Republic of Slovenia by applying the tax rates effective as at the balance sheet date. The tax rate applied in the calculation of corporate income tax for 2019 was 19%. Local tax legislation in Slovenia has decided to keep the tax rate at 20% in 2020, deductible temporary differences will be therefore recognized at the 20% tax rate.

The Company has established a subsidiary in the Republic of Croatia, generating an operating result abroad. Slovenia and Croatia signed an international bilateral agreement on avoiding double taxation, based on which, the taxation of profit generated by the subsidiary is made in the country where the head office of the company is situated, in line with the treaty on avoidance of double taxation. The taxable profits, generated abroad by the insurance company, are first subject to taxation in the country of the subsidiary, that is the Republic of Croatia, using the effective tax rate (18% in 2019), and then reported in the tax report of the parent company in Slovenia, where the previously paid tax abroad is deducted, but only up to the level of tax rate effective in Slovenia (19% in 2019).

Deferred taxes

Deferred taxes are effects of the differences between the carrying amount of the posted items in the balance sheet and their tax value, calculated in accordance with the liability method under the balance sheet for all temporary differences. Deferred taxes are accounted for as deferred tax assets or as deferred tax liabilities.

Deferred tax assets and deferred tax liabilities have been established for the financial year under review and for the past financial years to the extent that it is probable that future taxable profit will be available and tax will be paid to the tax authorities (recovered from the tax authorities), by applying the tax rates (and tax regulations) effective as at the balance sheet date. Any deductible temporary differences are recognised if it is to be expected that disposable taxable income will occur, against which the deductible temporary differences can be utilised. Any deductible temporary differences are recognised by the prescribed tax rate for the year when disposable taxable profit is expected.

Deductible temporary differences are expenses not recognised for tax purposes that arise primarily from provisions set up for employee benefits, calculated depreciation that exceeds the amount of the calculated depreciation at the rates recognised for tax purposes, and revaluation adjustments as a consequence of temporary impairment of receivables and financial investments in the statement of other comprehensive income.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company uses estimates and assumptions, which affect the reporting of assets and liabilities in the subsequent financial year. The estimates and considerations are constantly checked and are based on past experience and other factors, which appear relevant in the given circumstances, including expected future events.

6.1 IMPAIRMENTS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are impaired when the management finds that there is objective evidence of a significant or prolonged decline in the fair value of such assets below their cost value. Determining what is a significant and prolonged requires consideration. In the course of this consideration, the Company checks, among other factors: the normal volatility of the stock price and how long stocks prices have been declining, the financial position of the issuer, performance of the industry and the sector, changes in technology and in cash flows from operations and financing, and changes in an active market for such a financial asset due to any financial problems of the issuer.

In its accounting policies, the Company takes as a criterion of significance that influences the recognition of the relevant portion of impairment of equity securities in the income statement a decline in the fair value below their cost value of 30% or 12 months sustained significant decline in fair value.

On the basis of an expert opinion, it was established that there was no need for impairment among investments in the group of available-for-sale financial assets.

6.2 FAIR VALUE MEASUREMENT OF DEBT SECURITIES

On the day of assessment, the Company measures the fair value of debt securities which have a price on an active market by determining the main market price based on the stock exchange value, taking into account the market activity criteria assessment. If the published values on the active market do not comply with the market activity criterion, an internal model is used to calculate the market value (for more details see Section 5.5. Fair value).

The Company measures the fair value of debt securities (marketable bonds) traded on the OTC market according to Bloomberg BID spreads using the Bloomberg Valuation Service (BVAL). This is the next generation of prices for determining the fair value of investments available in Bloomberg, representing the price which is calculated on the basis of directly and indirectly observed market inputs. Moreover, BVAL rates are equipped with quality assessment on a scale from 1 to 10, where 10 means the highest possible quality of data.

6.3 IMPAIRMENT LOSSES ON RECEIVABLES AND LOANS

In determining whether losses from impairment of receivables should be recognised in the profit and loss statement, the management decides whether there are indications of any decrease of future cash flows of a group of receivables. Such indicators can involve changes in the repayment of receivables or economic circumstances which can be linked to a potential halt in the repayment of loans or receivables. The management uses estimates, determined based on past losses.

In 2019, the Company applied the same methodology for assessment of appropriateness of fair value calculation (see Policies, Section 5.9.) and calculated impairment adjustments of receivables as in previous years. In its revision of loans, the Company did not identify any signs that would suggest impairments to be made.

6.4 DETERMINING RECOVERABLE AMOUNT OF INVESTMENT PROPERTY

Due to potential impairments, the fair value of investment properties is checked at least once a year by independent certified appraisers qualified to perform property valuation. The management also assesses impairment signs for investment properties whose carrying amount exceeds 5% of the carrying amount, which is considered material based on financial statements as a whole.

6.5 ESTIMATIONS OF INSURANCE TECHNICAL PROVISIONS

Non-life and health insurance contracts

Claims reported but not settled

Provisions for claims outstanding are based on the estimated ultimate cost of claims incurred but not settled, separately for each claim. The material/tangible damages are assessed by claim adjusters employed in the Company, while the nonmaterial damages and claims incurred in court proceedings are assessed by lawyers (attorney-at-law) of the Company. The assessments are made based on experience by taking into account the expected future trends (inflation, service price inflation, changes in court practice ...). Within the item claim provisions, the provisions for claims arising from liability insurance contracts were also formed; they are paid out as annuities, namely in the amount of the capitalised value of the annuity by taking into account a 1.75% interest rate.

Claims incurred but not reported (hereinafter: IBNR)

The majority of provisions for IBNR liabilities are calculated by applying the triangle method. It combines features of the chain-ladder method using run-off triangles of paid or recognized losses and the Bornhueter-Ferguson technique.

The claims are arranged in a triangle where the rows represent the year of loss event occurrence, while the columns represent the number of years lapsed between the year in which the loss event occurred and the year in which claims are paid or recognised. Large claims are taken into account in the triangle only up to the amount of the large claim, which is determined for each line of business. If the triangle shows that the development has not been completed, the development factor is also determined. The prediction of ultimate claims is based on the calculation of the average annual development factors.

During the last year in which claims were incurred, the prediction of the ultimate claims cost is verified by calculating the expected future ultimate claim costs through the estimated result of the line of business and the premium earned. For the calculation of the IBNR provision for those years, the higher of the two amounts is taken into account.

Estimations of individual claims are regularly reviewed and adjusted if needed due to new information. IBNR provisions are determined by the Company based on analysis of past loss events, using different mathematical and statistical methods. The Company assumes that claims development in the future will be realised similarly as in the past, and takes into account the perceived trends and variances. Within the calculations of provisions for claims, also assessments of success of future subrogation and level of future claims settlement costs are made. The adequacy of applied assumptions and assessments is periodically reviewed and new conclusions are used in the future valuations.

Due to an increase in the portfolio of life insurance in the event of death, the Company started forming IBNR for the risk in the event of death.

Loss development – non-life insurance

The triangle depicts how the Company changed its assessment of ultimate liabilities for claims in non-life insurance. The amounts in the triangle include claims reserved, as recognised by the insurance company in individual years.

Non-life insurance claims experience

in EUR					Accident/loss year						
Cumulative claim payment	befor 2010	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
At the end of loss year	-	106,123,654	103,900,951	109,732,984	90,848,539	92,148,616	87,557,888	88,231,654	89,291,142	85,496,766	93,105,078
1 year after loss year	-	98,882,126	92,331,285	104,142,780	87,477,430	85,239,212	81,956,952	86,186,241	88,301,425	83,006,172	-
2 years after loss year	-	96,330,471	90,568,304	96,570,014	85,740,792	83,397,478	80,211,635	84,303,381	87,122,500	-	-
3 years after loss year	-	95,301,074	89,085,735	94,028,156	83,827,339	81,579,315	78,688,971	82,697,486	-	-	-
4 years after loss year	-	93,622,460	86,234,853	94,315,327	84,162,769	81,058,863	78,549,847	-	-	-	-
5 years after loss year	-	93,138,216	87,113,178	93,416,625	83,619,271	81,868,822	-	-	-	-	-
6 years after loss year	-	92,620,067	86,819,320	93,888,987	83,598,621	-	-	-	-	-	-
7 years after loss year	-	92,363,891	87,042,657	93,606,627	-	-	-	-	-	-	-
8 years after loss year	-	92,484,515	87,204,374	-	-	-	-	-	-	-	-
9 years after loss year	-	92,438,731	-	-	-	-	-	-	-	-	-
Cumulative loss estimate	-	92,438,731	87,204,374	93,606,627	83,598,621	81,868,822	78,549,847	82,697,486	87,122,500	83,006,172	93,105,078
Total losses paid until 31 Dec. 2019	-	90,597,866	83,941,193	91,573,107	81,738,081	78,891,374	75,065,246	77,321,602	78,189,633	69,303,274	50,368,554
Claim provisionss - balance 31 Dec.	16,378,216	1,840,865	3,263,181	2,033,520	1,860,540	2,977,448	3,484,601	5,375,884	8,932,867	13,702,898	42,736,525

Claims provisions do not include claim handling costs.

Non-life claims provisions (excluding health insurance) as recognised in the balance sheet

(in EUR)	Listing + IBNR	Provisions for valuation costs	Total
Provisions as at 31.12.2018	96,601,594	6,658,043	103,259,637
Provisions as at 31.12.2019	102,586,544	7,188,867	109,775,411

Life insurance contracts

The liabilities, which arise from traditional life insurance contracts with a discretionary participation feature (DPF), are calculated on the technical assumptions used in the calculation of premiums for the product, i.e., by taking into account more prudent assumptions arising from regulatory requirements or judgements made by the Company.

The main assumptions used by the Company are the following:

- future mortality (in the past, the insurance contracts portfolio of the insurance company was too small to be used for own experience; hence mortality estimates are based on statistical tables and specifically: for whole life insurance and endowment insurance, the Company uses the Slovene mortality tables from the year 1992 and 2007, while for annuity insurance German tables from the year 1987 and 1994 are used);
- interest rate in the 1.5% to 4% bracket;
- the acquisition costs up to the maximum amount required by regulation.

The assumptions used for the purpose of determining the adequacy of the provisions formed for life insurance contracts and the findings are described in more detail in the section on the liability adequacy test (Section 7.2.1).

In 2019, the Company did not modify the assumptions used for the calculation of liabilities arising from life insurance contracts.

6.6 ESTIMATES OF FUTURE PAYMENTS UNDER LIFE INSURANCE CONTRACTS

The significant estimates and assumptions used for the calculation of liabilities arising from the issued life insurance contracts refer to expected mortality, lapse rate, return on investment, administrative expenses and future premiums. These assumptions are determined when concluding a contract and are used to calculate liabilities in the course of the insurance period. New assessments are prepared at each reporting period for the purpose of establishing whether previously determined liabilities are adequate. If it is decided that the liabilities are adequate, the assumptions are not changed. If liabilities are not adequate, the assumptions are modified so as to reflect expectations in accordance with the best estimate. A more detailed description of assumptions and the way in which they are determined can be found in the section about the liability adequacy test and in the section on insurance risk.

6.7 EMPLOYEE BENEFITS

Employee benefits are recognised in the financial statements on the basis of estimates of future liabilities that will derive from:

- payments of long-service benefits to the employees who will fulfil in the future the statutory/legal conditions;
- termination benefits for the employees who will fulfil in the future the conditions for retirement and who will be employed in the Company on that day.

Future liabilities are calculated on the basis of the actuarial calculation assumptions as a discounted value of future cash flows, while taking into account certain assumptions.

Main assumptions included in the calculation of provisions for termination and jubilee benefits:

- discount rate,
- expected salary growth in the insurance company, including the expected salary increase due to promotion,
- expected mortality expressed based on Slovenian tables 2007,
- the future turnover is determined by taking into account the age of the employees, and specifically for the age group between 20 and 30 years of age, for the age group between 30 and 40 years of age and for the employees aged 40 or more.

7. RISK MANAGEMENT

The Company is already by the nature of its business exposed to insurance risk, since its activity is underwriting insurance contracts with which it assumes risk from its policyholders. As all other financial organisations, the Company is also exposed to various financial risks such as liquidity, credit and market risk (interest rate, currency and price risk). In addition to exposure to insurance and financial risks, the Company is also exposed to operational risks.

The purpose of risk management is to ensure stable and long-term operations and decrease exposure to individual risks. Risk management is a continuous cyclical process that can be broken down into three stages. In the first stage, potential risks are identified. In the second stage, individual risks are modelled and measured. Based on the risk identification and measurement, the Company's management adopts adequate measures to mitigate or control these risks (the third stage). In addition, a continuous monitoring system has been established to assess the effectiveness of the applied measures, to monitor the remaining risks and to early identify potential new risks. The leverage at management's disposal is various and depends on the level of exposure and the type of risk.

In order to be efficient, the risk management system follows the strategy and risk management policy approved by the Company's Management Board. The aim of efficient risk management is not to avoid risks by any means, but rather to accept consciously the adequate risks and to execute appropriate measures to either limit these risks or, if they are realised, limit the economic damage. The Company accepts risks, knowing that businesses with higher level of risk usually bears higher return. The optimum balance between risk and return is crucial for ensuring adequate safety of policyholders and at the same time expanding the value of the Company.

In addition to setting the guidelines regarding the ratio between risks, returns and capital, and the guidelines for the implementation of business policies and strategies for individual areas in the Company, the Management Board is responsible for the promotion of transparent and clear decisions and processes, which represent important building blocks of the risk awareness culture in the Company. With constant optimisation and expansion of the risk management function, the Company remains prepared for all the risks in its future business operations.

7.1 CAPITAL ADEQUACY REQUIREMENTS AND CAPITAL MANAGEMENT

One of the Company's most important missions, which is also required by law, is ensuring an adequate capital level (capital adequacy) in line with the volume and types of insurance business and the risks it is exposed to in the course of its operations.

In the framework of its capital management policy, the Company pursues the goal of maintaining a certain surplus of available capital above the required level (pursuant to applicable legislation), which not only ensures protection against unpredictable adverse events but also guarantees continued operation and coverage for potential losses from current operations, while maintaining adequate return on capital. Ensuring a suitable surplus of capital above the required level represents—apart from profitability of operations— one of the two most significant accepted risk appetites.

Disclosure of capital adequacy in accordance with the Solvency II Directive and the new Insurance Act (ZZavar-1) became binding for the Company as of the beginning of 2016. On Day 1 when the new regime came into effect, the Company recorded a surplus of available capital above the required level (SCR). The capital under the Solvency II regime differs from the carrying amount as it is calculated as the difference between the fair value of assets and liabilities, while all balance sheet items, which have not been measured in this way so far need to be revalued at fair value for the purposes of Solvency II. A major difference is seen especially in technical provisions, which are considered as the best estimate increased by risk margin in accordance with the Solvency II principles.

In April 2019, the Company published the Solvency and Financial Condition Report for 2018. The report was also reviewed by an independent external auditor, and it is evident from the report that at the 2018 year-end the Company had a surplus of own assets above the required capital. The Company confirms that as at 30 September 2019, the day of the last assessment and report to the regulator on capital adequacy in line with Solvency II, it achieved capital adequacy showing capital surplus above the required SCR level and the accepted risk appetite.

The parent company performs the own risk and solvency assessment (ORSA) as an additional verification of capital surplus adequacy, bringing a new perspective on the assessment of the Company's capital adequacy by comparing the own assessment of the Company's risk profile with the assumptions used in the calculation of regulatory capital requirements to check if the regulatory SCR calculation method (standard formula) covers the entire risk profile of the Company correctly. As part of own assessment, the impact of planned activities in terms of their effect on the Company's capital adequacy in its future operations was also tested

The management and supervisory bodies of the parent company need to be aware of and clearly understand the implications of strategic decisions for the above-mentioned capital aspects of the Company, as well as consider whether these implications are desired, feasible or if the Company can even afford them, considering the amount and quality of own funds. Therefore, in line with the applicable policies, all major strategic decisions that could affect the capital requirements and the Company's available capital are examined in terms of their impact on the Company's capital adequacy.

According to the results of the own risk and solvency assessment, the Company showed excess capital adequacy and excess risk appetite, also in comparison with the own assessment of capital requirements over the entire business planning period. According to projections from the own assessment, the Company's capital adequacy is expected to continue to grow up to 2022, while after the merger with Generali zavarovalnica in 2020, the capital adequacy of the merged insurance company will reach even higher levels. According to the own risk and solvency assessment, the tested negative shocks and scenarios would not jeopardize the Company's capital adequacy

7.2 TYPES OF RISKS

7.2.1 Insurance risks

Insurance risks are all possible risks which the Company faces during its principal activity - acceptance of risk from a policyholder. Given the nature of insurance contracts, insurance risk is random and unpredictable. It can be realised at any stage of the Company's principal activity, be it the formation of insurance product (the product is improperly designed), the formation of price (the amount of premium is insufficient to cover contractual obligations and compensation of losses) or underwriting risk (wrong decision about risk acceptance, non-compliance with the price list and terms of insurance, signing insurance contracts based on false data, improper reinsurance for particular risks, improper assessment of probable maximum loss (PML), insurance for concentrated risks (e.g. geographic concentration), insufficient employee qualifications for risk assessment). When accepting insurance risks, the following risks can occur as well: the risk of insufficient technical provisions, claim risk (the risk that the reported number or amount of claims will exceed the expected values and that the retention will be too high due to improper reinsurance security, especially in case of catastrophic events), the risk of change in policyholder behaviour (which reflects especially in the number of insurance fraud attempts) and, last but not least, the risk of changes in the economic environment, which can lead to a lower number of policies signed due to a lower purchasing capacity and a higher number of contract surrenders and of claims enforced.

The Company manages insurance risks primarily through effective implementation of internal controls, internal auditing, through forming adequate technical provisions to cover future liabilities from already issued insurance contracts and through appropriate reinsurance. Much attention is devoted to the development of new products to ensure that already in the process of product development; the relevant statistics are carefully observed, confirming the appropriateness of the considered assumptions. After the implementation of a product, the Company constantly monitors the underwriting results by line of business, analyses any deterioration and corrects premium rates or terms of insurance, if necessary. The other area, critical for the realisation of insurance risks, is the underwriting process. The Company controls this risk by means of instructions on underwriting process, stricter criteria and procedures for underwriting, especially for high sums insured and comprehensive coverage. Specialised departments in charge of high risks (in the field of non-life insurance) monitor the development of particular insurance contracts and may deny renewal of contracts or re-assess the underwritten risk. Reinsurance is an important mean of insurance risk management and will be described in further detail below.

Concentration of insurance risk

Concentration of insurance risk is the exposure of the insurance portfolio to loss events over a certain territory, which may result in mass damage of insured buildings as part of the same event.

The concentration of insurance risk is managed by means of various types of reinsurance per risk, per event and in annual aggregate, and all these types are complementary.

The table below presents possible concentration of insurance risk, and specifically the Company's exposure to large policyholders and beneficiaries.

Insurance risk concentration arising from the largest policyholders as at 31 December 2019

(in EUR)	Aggregate premium – 10 largest policyholders	As share of insurance group aggregate premium	Aggregate premium – 100 largest policyholders	As share of insurance group aggregate premium
Life insurance	53,851	1.15%	427,867	9.12%
Unit-linked insurance	775,299	2.26%	2,655,888	7.73%
Health insurance	435,579	0.42%	894,837	0.86%
Non-life insurance	10,128,023	6.93%	21,500,416	14.72%
Total	**11,392,752**	**3.93%**	**25,479,008**	**8.80%**

Insurance risk concentration arising from the largest policyholders as at 31 December 2018

(in EUR)	Aggregate premium – 10 largest policyholders	As share of insurance group aggregate premium	Aggregate premium – 100 largest policyholders	As share of insurance group aggregate premium
Life insurance	70,162	0.31%	197,798	0.88%
Unit-linked insurance	1,079,433	2.95%	3,365,606	9.20%
Health insurance	454,271	0.46%	879,897	0.88%
Non-life insurance	10,446,218	7.41%	21,331,741	15.14%
Total	**12,050,083**	**3.97%**	**25,775,042**	**8.50%**

In the light of the fact that the share of the top 10 and top 100 largest insurers in proportion to the entire portfolio is relatively small, a conclusion can be drawn that the concentration of large insurers does not present high risk.

Non-life insurance contracts

As regards non-life insurance, the Company is exposed to various types of risk associated with the sectors of the economy in which policyholders engage in business activities.

The concentration of individual risks is determined by analysing the insurance portfolio. For this purpose, a detailed examination of the exposure to the following risks by number, area and amount of insurance is produced;

- earthquake,
- storm,
- flood.

The analyses show that, according to its structure, the portfolio of Adriatic Slovenica is most exposed to the above risks. These are managed by proportional reinsurance protection above the maximum own shares in the form of reinsurance of individual events, as well as a greater number of such events in the form of reinsurance coverage of annual claims aggregate.

In order to ensure an adequate level of reinsurance coverage, the results of internationally recognized modelling of the exceptional events offered by the reinsurance broker are used.

The level and form of the reinsurance programme has so far proved to be adequate. Over the past two years, reinsurance protection was activated in case of a major event and in case of coverage of the annual aggregate of claims.

Life insurance

The table below shows the concentration of insurance risk arising from life insurance contracts, and specifically the aggregate underwritten sum insured slotted into five categories according to the amount of the sum insured under a separate insurance contract.

Aggregate underwritten sum insured under all contracts

(in EUR)	Net of reinsurance 2019	With reinsurance 2019	Net of reinsurance 2018	With reinsurance 2018
0–9,999 euros	272,975,782	252,902,228	283,999,762	263,648,436
10,000–29,999 euros	838,404,406	735,440,516	848,233,681	742,821,756
30,000–59,999 euros	980,775,623	665,034,737	967,927,165	660,515,035
60,000–99,999 euros	714,866,726	311,948,666	666,008,034	296,563,093
Over 100,000 euros	409,517,287	115,193,752	363,816,169	105,732,286
Total	3,216,539,825	2,080,519,899	3,129,984,810	2,069,280,605

For annuity insurance risk concentration is presented with total annual annuities classified into five categories, depending on the amount of the annual annuity per individual insured. Annual annuity is considered to be the amount which the insured would receive if the payments under the contract were due.

Structure of annually paid annuities

in EUR	TOTAL ANNUAL ANNUITY PAYMENTS IN 2019		TOTAL ANNUAL ANNUITY PAYMENTS IN 2018	
Annual annuity payments to the insured person as at 31 December	amount	%	amount	%
EUR 0–999	319,220	11.22%	387,499	12.57%
EUR 1,000–1,999	784,918	27.58%	843,419	27.35%
EUR 2,000–2,999	532,611	18.71%	553,421	17.95%
EUR 3,000–3,999	390,508	13.72%	412,114	13.37%
Over EUR 4,000	819,025	28.78%	886,883	28.76%
Total	2,846,282	100%	3,083,335	100%

In 2019, concentrations of insurance risk with respect to the annuity business remained at the same level compared to the previous year. As in 2018, concentration of insurance risk was again the highest in the over EUR 4,000 annuity payment bracket.

Liability adequacy test for insurance contracts

The Company carries out a liability adequacy test (LAT-test) with the aim to determine whether its provisions set up at the balance sheet date are sufficient to cover its liabilities. The test is carried out by calculating the best estimate of provisions such as the current value of all cash flows arising from the in-force insurance contracts. The calculation for the test is made by using the current estimates of future cash flows. At the balance sheet date, this calculation is compared with the technical provisions formed.

If the liability adequacy test shows a deficiency, the Company recognises such deficiency as increased liability in the income statement.

The liability adequacy test is carried out separately for the life and non-life business.

Life insurance

For the purpose of establishing whether provisions for life insurance are adequate, on 31 December 2019 the Company applied the methodology applied by the new owner, the Generali Group. In addition to the components used in the previous period, several additional components were considered in the application of the Liability Asset Test (LAT): MVM – Market Value Margin, UGL – Unrealised Gains and Losses and DPL – Deferred Policyholder Liabilities.

For the purpose of establishing whether provisions for life insurance are adequate, the Company combines lines of insurance business in homogenous insurance groups, and specifically:

- life insurance;
- unit-linked life insurance contracts;
- voluntary supplementary pension insurance

The expected cash flows are generated under:

- premiums (life insurance and additional accident cover);
- claims paid (death, endowment, annuities, surrender, accident claims);
- expenses (other payments of fees and commissions, administrative costs, claim handling costs);
- any other expected cash flows arising from insurance contracts:
    - costs of external fund managers (if material),
    - partial reimbursement by external fund managers,
    - reinsurance result.

With regard to individual cash flows, the following assumptions have been taken into account:

- provisions in individual insurance policies (amount of the premium, the schedule of premium payments, the sum insured for death and maturity, amount of annuities);
- technical bases of the relevant products (mortality/morbidity tables, interest rate, costs of front-end fees, other administrative expenses),
- assumptions (mortality rates, lapse rates, future inflation, claims paid under accident policies).

The cash flows for individual years are discounted on the last day of the accounting period.

Economic and operating assumptions

Risk discount rate

For the purpose of calculating the present value of the expected future cash flows based on the risk-free interest rate, the yield curve calculated using the all euro area central government bonds dataset (i.e. not only the AAA-rated bonds) published by the ECB on 30 December 2019 is used.

Inflation

In line with the Generali Group's approach, fixed cost inflation is taken into account from the beginning of the duration of the insurance. The inflation assumption, which consists of a combination of the harmonised index of consumer prices and the index of labour costs, taking into account the share of labour costs in total costs of the company, is provided by the Generali Group.

Costs/expenses

The derived cost assumption is assessed applying the same approach as for the valuation of technical provisions under the Solvency 2 Directive. The estimated future costs are divided into fixed costs that increase depending on the forecasted inflation, and variable costs. Specific features of individual insurance products are taken into consideration when dividing the costs.

Mortality rates

The estimations of mortality rates are based on analyses of the insurance company’s own life insurance portfolio.

In accordance with the methodology applied by the Generali Group, the assumption of mortality takes into account the localized mortality rate forecast under the Lee-Carter method.

Lapse rates

The relevant lapse rates are based on the analysis of surrenders and other early cancellations of own portfolio in the past years, divided according to insurance categories and insurance duration. The assumptions are revised and adjusted annually. In deriving the assumed lapse rate, the Company has given more weight to the recent period.

Claims arising from additional (extra) accident coverage

These claims are estimated on the basis of historical claims ratio from such insurance contracts in the portfolio in the past years.

Results of the life insurance liability adequacy test for the financial year 2019

The liability adequacy test (LAT) results of 31 December 2019, showed no deficiencies in any group of life insurance.

Non-life insurance and health insurance

The Company has tested the adequacy of the provisioning for unearned premiums for non-life insurance and health insurance contracts. The provisions for losses and provisions for bonuses, discounts and cancellations are calculated on the basis of current estimates; hence, it is deemed that the provisions for these liabilities have been made in the adequate amount.

The liability adequacy test is thus limited to the unexpired portion of active (unexpired) contracts. It is performed by examining the difference between the expected amount of claims for losses and the expenses attributable to the unexpired portion of policies still in force at the balance sheet date and the amount of the formed provision for unearned premiums.

In its forecasting of expected claims, the Company in 2019 applied the claims ratio of final claims occurred in 2019, while in the forecasting of expenses, the cost ratio of administrative expenses was applied.

Under the classes of insurance where inadequate amount of unearned premium provisions in relation to the expected loss events, has been determined, the insurance company forms additional provisions for unexpired risks and recognises them in the financial statements as liabilities within the item other technical provisions.

Results of the non-life insurance liability adequacy test for the financial year 2019

The LAT as of 31 December 2019 showed no deficits on any of non-life insurance classes.

Sensitivity analysis

The Company performs the sensitivity analysis to measure the changes in performance indicators (parameters) set out below on its profit or loss as at the last day of the financial year.

Sensitivity test – parameters

Sensitivity factor	Description of sensitivity factor applied
Interest rate (for insurance contracts)	Impact of a change in interest rates by a ±1%
Costs/Expenses	Impact on increase/reduction in all expenses, other than acquisition expenses by ±5%
Mortality – life insurance	Impact of an increase in mortality rates by 5%
Mortality - annuity insurance	Impact of a reduction in mortality rates by 5%
Loss ratio in relation to premium	Impact of an increase in loss ratios by 5%

Individual calculations presented in the tables below have been made so as to take into account the modification to a particular sensitivity factor while other assumptions are left unchanged.

Impact on net profit before tax generated by the Company

(in EUR) Factor	31 Dec 2019	31 Dec 2018
Costs/expenses +5 %	3,608,737	(3,427,267)
Costs/expenses -5 %	(3,608,737)	3,427,267
Interest rates +1 %	14,358,840	11,709,652
Interest rates -1 %	(17,675,964)	(14,647,531)
Assurance mortality +5 %	293,938	175,776
Annuitant mortality -5 %	(312,913)	(196,510)
Loss ratio +5 %	(14,881,482)	(14,459,931)
Loss ratio -5 %	14,881,482	14,459,931

The Company is prudent in its risk management operations. The role of reinsurance is important in the process as an additional risk-hedging tool that contributes to a more secure insurance risk management policy.

7.2.2 Insurance risk management through reinsurance protection

Purpose and objectives of reinsurance protection

Insurance risks are managed through reinsurance protection programme, ensuring solvency and liquidity of operations, stability of operating results and financial soundness. During conclusion reinsurance contracts, we collaborate with reinsurers with the highest credit ratings.

The type, form, scope and structure of the reinsurance programme is planned on the basis of the amount of the maximum retention of the Company and the volume, homogeneity, quality and types of the insurance portfolio, considering the characteristics and specifics of individual line of business. In this context, the Company focuses on the establishment and provision of the optimum reinsurance protection both against individual large losses and against aggregated exposure of the Company's portfolio of insurance business to natural forces – either by individual insurance event, as well as by annual aggregate.

Reinsurance contracts provide the Company with automatic reinsurance coverage for the majority of the risks assumed up to the agreed limit and under the agreed conditions.

For exceptional risks, which exceed the limits of contractual reinsurance protection, the Company ensures facultative reinsurance protection. The program of the planned reinsurance is composed of traditional proportional and non-proportional forms of facultative reinsurance protection.

Within the operational risk management, the Company integrated the control mechanisms in the information system that prevent concluding insurance contract with sum insured that exceed reinsurance contract limits without prior approval of the Reinsurance Team, that the facultative reinsurance treaty has been provided or that the facultative reinsurance treaty is not needed.

Analysis of the Company's portfolio from the aspect of reinsurance risk

Earthquake risk presents the highest concentration of the Company's insurance risk. The reinsurance protection for catastrophic perils is therefore formed considering the millennial return period, based on the results from modelling our exposure to earthquake risk as per the AIR model, which is performed by the Company's reinsurance intermediary. The earthquake exposure is managed by proportional reinsurance, supplemented by non-proportional reinsurance after the event and reinsurance coverage of annual claims aggregate.

The catastrophic perils reinsurance protection also covers the perils of floods, storm, hail and other natural disasters.

Health insurance presents a very dispersed risk, therefore, for the existing extent of insurance coverage, the equalisation is performed within the Company.

The life insurance portfolio is homogenous, with a small portion of risks exceeding the Company's maximum retention; hence it is covered with a proportional, and in the event of mass losses, with an additional (extra) non-proportional contractual reinsurance protection.

The 2019 structure of the reinsurance programme is comparable with the previous year. it has responded adequately to loss events exceeding retention, calculated for lines of business. Only the retention in XL reinsurance motor vehicle liability has increased.

Reinsurance concentration in the financial year 2019

Type of reinsurance in EUR	Reinsurance premium	Structure of reinsurance premium	Reinsurance policy fees	Written reinsurance claims/losses	Change in unearned premiums for reinsurance	Change in outstanding claims provisions for reinsurance	Impact of reinsurance result on profit
Motor QS	-	0.00%	(134,541)	298,614	-	(231,330)	(67,257)
Quota share reinsurance of earthquake risk	(3,914)	0.04%	1,096	-	(23)	-	(2,841)
Non-life Gross Risk XL reinsurance	(1,544,199)	14.66%	-	2,671,514	-	3,555,464	4,682,779
Engineering Risk XL reinsurance	(170,626)	1.62%	-	4,046	-	(50,000)	(216,580)
Non-life Cat XL reinsurance	(2,296,931)	21.80%	-	65,273	-	(200,821)	(2,432,479)
Non-life, i.e. annual aggregate Cat XL losses	(1,252,295)	11.89%	-	391,619	-	(340,762)	(1,201,438)
XL reinsurance motor vehicle liability insurance and green cards	(900,705)	8.55%	-	644,326	-	(676,332)	(932,711)
XL reinsurance of comprehensive automobile insurance (casco)	(37,927)	0.36%	-	-	-	-	(37,927)
Other non-life reinsurance	**(2,152,419)**	**20.43%**	**264,550**	**420,897**	**(18,259)**	**(50,033)**	**(1,535,264)**
Health reinsurance	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**
Life reinsurance	**(2,177,574)**	**20.67%**	**698,374**	**346,309**	**(19,835)**	**133,288**	**(1,019,438)**
Total reinsurance in the financial year	**(10,536,590)**	**100.00%**	**829,479**	**4,842,598**	**(38,117)**	**2,139,473**	**(2,763,157)**
Co-insurance provided	**(72,651)**	**0.00%**	**13,856**	**50,323**	**18,350**	**24,635**	**34,513**
Co-insurance received	**227,238**	**0.00%**	**(33,479)**	**(23,499)**	**19,454**	**38,660**	**228,373**
Reinsurance received	**1,148,514**	**0.00%**	**(202,419)**	**(76,699)**	**(14,360)**	**(511,705)**	**343,332**
Total Re(co)insurance	**(9,233,489)**	**0.00%**	**607,437**	**4,792,723**	**(14,674)**	**1,691,064**	**(2,156,939)**

Reinsurance concentration in the financial year 2018

Type of reinsurance in EUR	Reinsurance premium	Structure of reinsurance premium	Reinsurance policy fees	Written reinsurance claims/losses	Change in unearned premiums for reinsurance	Change in outstanding claims provisions for reinsurance	Impact of reinsurance result on profit
Motor QS	-	0.00%	916,981	408,017	-	(1,217,891)	107,107
Quota share reinsurance of earthquake risk	(186,779)	1.83%	52,298	-	(342,387)	(178)	(477,046)
Non-life Gross Risk XL reinsurance	(1,251,360)	12.26%	-	-	-	-	(1,251,360)
Engineering Risk XL reinsurance	(260,136)	2.55%	-	413,051	-	7,008	159,923
Non-life Cat XL reinsurance	(2,332,987)	22.85%	-	-	-	(16,230)	(2,349,217)
Non-life, i.e. annual aggregate Cat XL losses	(1,057,644)	10.36%	-	2,884,710	-	(1,919,939)	(92,873)
XL reinsurance motor vehicle liability insurance and green cards	(794,425)	7.78%	-	563,381	-	872,874	641,830
XL reinsurance of comprehensive automobile insurance (casco)	(46,150)	0.45%	-	155,000	-	(130,000)	(21,150)
Other non-life reinsurance	(2,149,906)	21.06%	246,828	505,514	(38,928)	169,777	(1,266,715)
Health reinsurance	-	0.00%	-	-	-	-	-
Life reinsurance	(2,131,328)	20.87%	582,109	681,661	1,867	(30,552)	(896,243)
Total reinsurance in the financial year	**(10,210,715)**	**100.00%**	**1,798,217**	**5,611,334**	**(379,448)**	**(2,265,131)**	**(5,445,744)**
Co-insurance provided	(44,540)	0.00%	11,653	73,714	(134,490)	(21,593)	(115,256)
Co-insurance received	207,055	0.00%	(38,265)	(7,650)	(4,593)	121,781	278,329
Reinsurance received	667,884	0.00%	(105,325)	(583,529)	19,309	(13,270)	(14,931)
Total Re(co)insurance	**(9,380,316)**	**0.00%**	**1,666,280**	**5,093,869**	**(499,222)**	**(2,178,213)**	**(5,297,603)**

The above table shows the reinsurance concentration for all contracts.

In 2019, the reinsurance and coinsurance premiums of EUR 10,609,241 was totalled or 3.5% more compared to the previous year. The increase in the reinsurance premium is mainly due to the increased fire damage in 2019 and the loss events over the past years.

In 2018, a total of EUR 916,981 were charged from reinsurance of the car insurance quota in the years 2012 - 2014, which was the result of the release of claims provisions and thus of improving of the loss ratio. In 2019, due to an increase in the provision for one of the claims from 2014, the result deteriorated, which resulted in a fee of EUR -134,541 arising from the car insurance quota in 2012-2014. In 2018, a total of EUR 829,479 reinsurance fees were charged, which is 53.9% less than in 2018.

In 2019, the reinsurers' share in claims totalled EUR 9,842,598, of which EUR 2,671,514 came from reinsurance of a large fire loss occurred in 2019, which also had the largest positive impact on the total reinsurance result in 2019 of EUR 5,842,398. As the loss event was comparable to 2018, the total reinsurance received was higher by EUR 358,263 than in 2018. In other reinsurance programmes, there was no significant loss event in 2019 and the results in these programmes were lower than in 2018.

7.2.3 Financial risks

The Company is exposed to financial risks through its asset and liability management, reinsurance assets and liabilities arising from its insurance and financial contracts. The key financial risks that the Company faces is that the future changes in market and other financial conditions will affect the value of the Company's financial assets, meaning that the financial liabilities of counterparties will not be covered. This could potentially lead to a situation when the inflows from financial investments will not be sufficient to cover the outflows, arising from insurance and financial contracts.

In line with analyses of situations in financial markets, risk assessment and stress testing with regard to the changed circumstances in the financial market as well as by taking into consideration the general investment strategy of the Company, the Risk Management Team proposes limits for risk measures, exposures to individual investment grades, issuers and their rating as well as individual markets. They are addressed by the Risk Management Committee and then approved by the Assets and Liabilities Management Committee.

Strategic and tactical implementation of the investment activity is performed by the Investment Committee. Its competences and responsibilities as well as all other provisions relating to its operation are laid down in the Rules on the Performance of Investment Activity. The Treasury Team is responsible for operational implementation of the investment activity.

When designing individual investment policies, the Company takes into consideration the characteristics of obligations and the assumed risk appetite. The Company actively manages and controls all risks to which it is exposed with its assets and liabilities by constantly monitoring cash flows and ensuring that it always has enough liquid assets at its disposal to settle its liabilities, by investing its assets in a manner which ensures long-term returns high enough to exceed the amount of returns on insurance liabilities, by matching the terms of financial assets against financial liabilities, and by ensuring adequacy of financial assets.

The most important components of financial risks, including market risks, are:

- liquidity risk,
- credit risk,
- risk of change in prices of equity securities,
- interest risk,
- currency risk.

In the disclosures related to the presentation of financial risk management, the assets and liabilities arising from unit-risk life insurance contracts are not included since the financial risks are entirely assumed by the policyholders. In 2019, these assets totalled EUR 319,552,644 (2018: EUR 278,425,381), out of which, EUR 311,499,120 (2018: EUR 274,127,785) of assets from the balance sheet are related to the category of assets of policyholders who bear investment risk, and EUR 8,053,524 (2018: EUR 4,297,596) to other balance sheet categories of funds, where policyholders bear investment risk.

These other assets are derived from unit-linked insurance transactions, but as at 31 December, these were from policyholders who take over the investment risk and do not bear the financial risk, therefore they are not included in the disclosures related to the risks that the Company presents below. Other balance sheet items are specifically presented in the following table.

(in EUR)	2019	2018
Cash at bank	3,514,511	2,748,830
Financial receivables	1,069,494	1,156,951
Receivables from direct insurance operations	3,469,363	366,181
Deferred tax assets	145	145
Amounts of technical provisions ceded to reinsurers	-	25,485
Other assets	11	4
Total	8,053,524	4,297,596

The following tables show how the Company manages and controls financial risks. All the risks are monitored by the Company at the level of individual fund, while the analysis of assets and liabilities (ALM – asset liability management) is for financial risk management is presented at the insurance contract level. The first table presents the balance of all assets and liabilities by individual items and how the amount of particular financial assets and all assets aggregated by individual insurance and financial contract matches the amount of liabilities. The tables containing the results of the asset and liability analysis for financial risk management for 2019 and 2018 show that the sum of assets and liabilities is not equal to the sum of individual amounts by insurance class, since in the category "loans, other operating receivables, other assets and liabilities" assets and liabilities were offset also at the aggregate level.

Analysis of assets and liabilities for financial risk management as at 31 December 2019

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Investment contracts pension savings	Total
ASSETS					
Financial assets at fair value through profit or loss	**924,830**	**(0)**	**3,659,759**	**5,959,247**	**10,543,836**
- listed	-	-	2,756,839	409,487	3,166,326
- non-listed	-	-	-	289,897	289,897
Government bonds	924,830	(0)	902,920	5,259,863	7,087,613
Held-to-maturity financial assets	**-**	**-**	**11,809,059**	**-**	**11,809,059**
- listed	-	-	944,695	-	944,695
Government bonds	-	-	10,864,363	-	10,864,363
Available-for-sale financial assets	**131,955,160**	**10,153,948**	**101,026,213**	**-**	**243,135,321**
- listed	38,422,917	(0)	9,940,123	-	48,363,040
- non-listed	11,874,100	-	3,865,288	-	15,739,388
Government bonds	81,658,143	10,153,948	87,220,802	-	179,032,893
Total debt financial instruments	**132,879,990**	**10,153,948**	**116,495,030**	**5,959,247**	**265,488,215**
Financial assets at fair value through profit or loss	-	-	911,983	11,823,190	12,735,173
- listed	-	-	911,983	11,823,190	12,735,173
Available-for-sale financial assets	22,258,625	670,697	20,258,327	-	43,187,649
- listed	8,488,098	-	19,603,175	-	28,091,273
- non-listed	13,770,527	670,697	655,152	-	15,096,375
Total equity financial instruments	**22,258,625**	**670,697**	**21,170,310**	**11,823,190**	**55,922,822**
Loans, deposits and financial receivables	2,145,278	3,102,029	2,774,352	8,371	8,030,030
Investments in subsidiaries and associates	11,616,727	3,428,953	31,121,980	-	46,167,660
Total financial investments	**168,900,621**	**17,355,627**	**171,561,672**	**17,790,807**	**375,608,727**
Amount (technical provisions) transferred to reinsurers	16,679,170	-	368,700	-	17,047,870
Receivables from insurance business and other receivables	28,962,272	11,734,828	5,882,234	-	25,861,721
Cash and cash equivalents	9,125,739	1,827,570	5,251,914	895,679	17,100,901
Other assets	49,132,621	125,386	2,767,448	-	52,004,497
Total assets	**272,800,422**	**31,043,411**	**185,831,967**	**18,686,486**	**487,623,715**
Liabilities from insurance contracts	**155,094,284**	**13,738,323**	**-**	**-**	**168,832,605**
- non-current liabilities	55,783,475	-	-	-	55,783,472
- current liabilities	99,310,809	13,738,323	-	-	113,049,132
Liabilities from insurance contracts with DPF	**-**	**-**	**120,708,884**	**-**	**120,708,884**
- non-current liabilities	-	-	110,347,999	-	110,347,999
- current liabilities	-	-	10,360,885	-	10,360,885
Liabilities from investment contracts	**-**	**-**	**-**	**18,647,836**	**18,647,836**
- non-current liabilities	-	-	-	18,647,836	18,647,836
Equity capital	**67,731,885**	**10,245,488**	**21,117,837**	**(26)**	**99,095,184**
Bonds issued (Subordinated liabilities)	**22,851,273**	**-**	**26,825,408**	**-**	**49,676,681**
Other liabilities	**27,122,979**	**7,059,600**	**17,179,838**	**38,675**	**30,662,524**
- non-current liabilities	9,555,991	47,848	11,732,504	-	13,183,696
- current liabilities	17,566,989	7,011,753	5,447,334	38,675	17,478,828
Total liabilities	**272,800,422**	**31,043,411**	**185,831,967**	**18,686,486**	**487,623,715**

This table should be read together with the note in Section 7.2.3. Paragraph 6.

Analysis of assets and liabilities for financial risk management as at 31 December 2018

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Investment contracts pension savings	Total
ASSETS					
Financial assets at fair value through profit or loss	**3,447,189**	**(0)**	**5,115,548**	**1,968,733**	**10,531,470**
- listed	2,514,899	(0)	4,490,980	390,251	7,396,130
Government bonds	932,290	(0)	624,568	1,578,482	3,135,340
Held-to-maturity financial assets	**9,135,039**	**302,325**	**20,191,629**	**-**	**29,628,993**
- listed	9,135,039	302,325	8,788,476	-	18,225,841
Government bonds	-	-	11,403,153	-	11,403,153
Available-for-sale financial assets	**66,344,630**	**8,215,244**	**81,835,083**	**589,227**	**156,984,184**
- listed	20,553,510	(0)	7,323,844	-	27,877,354
- non-listed	3,891,193	-	-	-	3,891,193
Government bonds	41,899,927	8,215,244	74,511,239	589,227	125,215,637
Total debt financial instruments	**78,926,858**	**8,517,569**	**107,142,260**	**2,557,960**	**197,144,647**
Financial assets at fair value through profit or loss	-	-	831,280	6,380,143	7,211,423
- listed	-	-	831,280	6,380,143	7,211,423
Available-for-sale financial assets	22,654,325	670,697	12,255,894	1,550,550	37,131,466
- listed	7,564,367	-	11,600,742	1,550,550	20,715,658
- non-listed	15,089,959	670,697	655,152	-	16,415,807
Total equity financial instruments	**22,654,325**	**670,697**	**13,087,174**	**7,930,693**	**44,342,889**
Loans, deposits and financial receivables	30,464,042	2,912,564	8,600,286	4,104	41,980,996
Investments in subsidiaries and associates	12,465,602	3,308,613	31,051,980	-	46,826,195
Total financial investments	**144,510,828**	**15,409,443**	**159,881,699**	**10,492,757**	**330,294,727**
Amount (technical provisions) transferred to reinsurers	14,648,281	-	229,762	-	14,878,043
Receivables from insurance business and other receivables	28,521,464	7,070,916	5,459,885	-	22,719,761
Cash and cash equivalents	9,167,005	2,607,506	4,409,508	1,420,090	17,604,110
Other assets	62,337,479	134,778	3,553,811	-	66,005,110
Total assets	**259,185,057**	**25,222,644**	**173,534,665**	**11,912,847**	**451,501,751**
Liabilities from insurance contracts	**147,303,369**	**12,149,250**	**-**	**-**	**159,452,619**
- non-current liabilities	55,116,835	77,873	-	-	55,194,708
- current liabilities	92,186,534	12,071,378	-	-	104,257,911
Liabilities from insurance contracts with DPF	**-**	**-**	**115,485,096**	**-**	**115,485,096**
- non-current liabilities	-	-	102,684,123	-	102,684,123
- current liabilities	-	-	12,800,973	-	12,800,973
Liabilities from investment contracts	**-**	**-**	**-**	**11,886,157**	**11,886,157**
- non-current liabilities	-	-	-	11,886,157	11,886,157
Equity capital	**65,922,000**	**9,697,126**	**19,213,777**	**(13)**	**94,832,889**
Bonds issued (Subordinated liabilities)	**22,807,639**	**-**	**26,774,185**	**-**	**49,581,823**
Other liabilities	**23,152,050**	**3,376,268**	**12,061,608**	**26,703**	**20,263,166**
- non-current liabilities	6,500,913	14,710	5,586,706	-	5,121,709
- current liabilities	16,651,138	3,361,558	6,474,902	26,703	15,141,457
Total liabilities	**259,185,058**	**25,222,644**	**173,534,665**	**11,912,847**	**451,501,751**

This table should be read together with the note in Section 7.2.3., Paragraph 6.

In the tables showing the Classification of assets by maturity into non-current and current assets for 2019 and for 2017, the sum of receivables and liabilities is not equal to the sum of individual amounts of insurance groups as the receivables and liabilities were offset at the aggregate level.

Classification of assets by maturity into non-current and current assets as at 31 December 2019

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Investment contracts pension savings	Total
Non-current assets					
Debt securities	**131,955,160**	**10,153,948**	**115,971,235**	**4,162,726**	**262,243,069**
At fair value through profit or loss	-	-	3,135,963	4,162,726	7,298,690
- listed	-	-	3,135,963	4,162,726	7,298,690
Available for sale	131,955,160	10,153,948	101,026,213	-	243,135,321
- listed	120,081,060	10,153,948	97,160,925	-	227,395,933
- non-listed	11,874,100	-	3,865,288	-	15,739,388
Held to maturity	-	-	11,809,059	-	11,809,059
- listed	-	-	11,809,059	-	11,809,059
Equity securities	**22,258,625**	**670,697**	**20,258,327**	**11,823,190**	**55,010,839**
At fair value through profit or loss	-	-	-	11,823,190	11,823,190
- listed	-	-	-	11,823,190	11,823,190
Available for sale	22,258,625	670,697	20,258,327	-	43,187,649
- listed	8,488,098	-	19,603,175	-	28,091,273
- non-listed	13,770,527	670,697	655,152	-	15,096,375
Investments in subsidiaries and associates	11,616,727	3,428,953	31,121,980	-	46,167,660
Loans, deposits and financial receivables	620,147	-	564,447	-	1,184,594
Total financial investments	**166,450,659**	**14,253,598**	**167,915,989**	**15,985,916**	**364,606,162**
Amount (technical provisions), transferred to reinsurers	7,889,311	-	-	-	7,889,311
Receivables from insurance business and other receivables	9,839,626	553,579	209,195	-	2,449,754
Other assets	34,484,609	-	284,293	-	34,768,901
Total assets	**218,664,205**	**14,807,177**	**168,409,476**	**15,985,916**	**409,714,128**
Current assets					
Debt securities	**924,830**	**(0)**	**523,796**	**1,796,520**	**3,245,146**
At fair value through profit or loss	924,830	(0)	523,796	1,796,520	3,245,146
- listed	924,830	(0)	523,796	1,506,624	2,955,250
- non-listed	-	-	-	289,897	289,897
Equity securities	-	-	911,983	-	911,983
At fair value through profit or loss	-	-	911,983	-	911,983
- listed	-	-	911,983	-	911,983
Loans, deposits and financial receivables	1,525,131	3,102,029	2,209,905	8,371	6,845,435
Total financial investments	**2,449,961**	**3,102,029**	**3,645,684**	**1,804,891**	**11,002,565**
Amount (technical provisions), transferred to reinsurers	8,789,859	-	368,700	-	9,158,559
Receivables from insurance business and other operating receivables	19,122,646	11,181,249	5,673,039	-	23,411,966
Cash and cash equivalents	9,125,739	1,827,570	5,251,914	895,679	17,100,901
Other assets	14,648,012	125,386	2,483,155	-	17,235,596
Total assets	**54,136,217**	**16,236,233**	**17,422,491**	**2,700,570**	**77,909,587**

This table should be read together with the note in Section 7.2.3., Paragraph 6.

As at the 2019 year-end, the non-current assets prevailed with a 84% share, and current assets accounting for 26% of total assets.

Classification of assets by maturity into non-current and current assets as at 31 December 2018

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Investment contracts pension savings	Total
Non-current assets					
Debt securities	**77,994,568**	**8,517,569**	**106,544,203**	**1,865,006**	**194,921,347**
At fair value through profit or loss	2,514,899	-	4,517,491	1,275,779	8,308,169
- listed	2,514,899	-	4,517,491	1,275,779	8,308,169
Available for sale	66,344,630	8,215,244	81,835,083	589,227	156,984,184
- listed	62,453,437	8,215,244	81,835,083	589,227	153,092,991
- non-listed	3,891,193	-	-	-	3,891,193
Held to maturity	9,135,039	302,325	20,191,629	-	29,628,993
- listed	9,135,039	302,325	20,191,629	-	29,628,993
Equity securities	**22,654,325**	**670,697**	**12,255,894**	**7,930,693**	**43,511,609**
At fair value through profit or loss	-	-	0	6,380,143	6,380,143
- listed	-	-	0	6,380,143	6,380,143
Available for sale	22,654,325	670,697	12,255,894	1,550,550	37,131,466
- listed	7,564,367	-	11,600,742	1,550,550	20,715,658
- non-listed	15,089,959	670,697	655,152	-	16,415,807
Investments in subsidiaries and associates	12,465,602	3,308,613	31,051,980	-	46,826,195
Loans, deposits and financial receivables	317,186	2,499,908	559,240	-	3,376,333
Total financial investments	**113,431,682**	**14,996,787**	**150,411,316**	**9,795,699**	**288,635,484**
Amount (technical provisions), transferred to reinsurers	8,501,444	-	-	-	8,501,444
Receivables from insurance business and other receivables	9,701,632	527,996	274,638	-	3,523,647
Other assets	34,358,880	-	419,706	-	34,778,586
Total assets	**165,993,639**	**15,524,782**	**151,105,660**	**9,795,699**	**335,439,161**
Current assets					
Debt securities	**932,290**	**(0)**	**598,056**	**692,954**	**2,223,301**
At fair value through profit or loss	932,290	(0)	598,056	692,954	2,223,301
- listed	932,290	(0)	598,056	692,954	2,223,301
Equity securities	-	-	831,280	-	831,280
At fair value through profit or loss	-	-	831,280	-	831,280
- listed	-	-	831,280	-	831,280
Loans, deposits and financial receivables	30,146,856	412,656	8,041,046	4,104	38,604,663
Total financial investments	**31,079,146**	**412,656**	**9,470,383**	**697,058**	**41,659,244**
Amount (technical provisions), transferred to reinsurers	6,146,837	-	229,762	-	6,376,599
Receivables from insurance business and other operating receivables	18,819,831	6,542,921	5,185,247	-	19,196,114
Cash and cash equivalents	9,167,005	2,607,506	4,409,508	1,420,090	17,604,110
Other assets	27,978,598	134,778	3,134,105	-	31,226,524
Total assets	**93,191,418**	**9,697,861**	**22,429,005**	**2,117,148**	**116,062,591**

This table should be read together with the note in Section 7.2.3., Paragraph 6.

As at the 2018 year-end, the non-current assets prevailed with a 74% share, and current assets amounts to 16% of total assets.

Liquidity risk

Liquidity risk is the risk of liquidity-related difficulty and inability of the Company to fulfil current obligations from in-force insurance contracts and other current operating liabilities of the Company, due to mismatch between maturity of assets and liabilities. Liquidity risk also includes the risk of the Company suffering losses of liquid assets due to settlement of unexpected or unexpectedly high liabilities.

The Company mitigates its exposure to liquidity risk by maintaining a suitable structure and adequate diversification of investments, planning future cash flows to cover future foreseeable liabilities and providing an adequate volume of high liquidity investments in order to cover future contingencies.

The exposure to liquidity risk is also measured through measurement of duration match between assets and liabilities. The following tables present the types of the Company's assets and liabilities through undiscounted cash flows according to their maturity.

In addition, liabilities arising from unit-linked insurance contracts are also disclosed. In the annual periods where the cash flows of assets and liabilities are not balanced, liquidity is balanced with available short-term investments without maturity.

Overview of maturity of assets in 2019 – undiscounted cash flows

(in EUR)	Carrying amount	No maturity date	Up to 1 year	1-5 years	5-10 years	10-15 years	over 15 years	Total
Debt financial instruments	**259,528,969**	**-**	**27,713,340**	**104,513,081**	**95,398,105**	**17,745,430**	**27,926,568**	**273,296,523**
Financial assets at fair value through income statement	4,584,589	-	543,025	3,167,800	540,125	1,500	521,100	4,773,550
Financial assets held to maturity	11,809,059	-	1,293,121	5,948,212	5,622,766	1,768,280	2,039,310	16,671,689
Financial assets available for sale	243,135,321	-	25,877,193	95,397,069	89,235,214	15,975,650	25,366,158	251,851,284
Equity financial instruments	**44,099,632**	**44,099,632**	**-**	**-**	**-**	**-**	**-**	**44,099,632**
Financial assets at fair value through income statement	911,983	911,983	-	-	-	-	-	911,983
Financial assets available for sale	43,187,649	43,187,649	-	-	-	-	-	43,187,649
Loans, deposits and financial receivables	**9,091,153**	**-**	**5,483,945**	**1,132,487**	**252,361**	**262,093**	**2,352,094**	**9,482,980**
Assets of policyholders who bear investment risk	**311,499,120**	**232,733,241**	**2,476,918**	**29,417,800**	**36,519,181**	**2,637,297**	**7,731,359**	**311,515,797**
Assets from investment contracts	**18,686,486**	**12,718,869**	**115,284**	**2,918,550**	**2,128,563**	**514,125**	**324,775**	**18,720,165**
Investment properties	**642,905,360**	**289,551,742**	**35,789,487**	**137,981,917**	**134,298,210**	**21,158,945**	**38,334,796**	**657,115,097**
Total financial investments	17,047,870	-	9,285,525	5,866,744	1,535,166	357,490	3,088	17,048,013
Receivables from insurance business and other receivables	29,331,228	-	29,303,998	27,230	-	-	-	29,331,228
Operating and other receivables	19,719,732	14,269,732	5,450,000	-	-	-	-	19,719,732
Other assets	**709,004,190**	**303,821,474**	**79,829,010**	**143,875,891**	**135,833,376**	**21,516,435**	**38,337,884**	**723,214,070**
Bonds issued (Subordinated liabilities)	49,676,681	-	3,954,500	15,837,000	55,915,500	-	-	75,707,000
Non-life and health insurance	168,832,608	-	114,457,477	41,008,667	10,573,852	2,605,293	187,319	168,832,608
Unit-linked life insurance	312,282,555	-	15,722,135	60,388,704	68,758,507	54,106,932	113,306,277	312,282,555
Life insurance	120,708,891	-	6,379,463	13,976,807	23,136,841	20,175,704	60,900,499	124,569,313
Investment contracts	18,647,838	-	392,057	1,425,150	3,310,636	3,658,241	9,861,753	18,647,838
Other liabilities	1,256,746	-	670	1,256,076	-	-	-	1,256,746
Total Liabilities	**671,405,319**	**-**	**140,906,302**	**133,892,404**	**161,695,337**	**80,546,170**	**184,255,847**	**701,296,060**

Overview of maturity of assets in 2018 – undiscounted cash flows

(in EUR)	Carrying amount	No maturity date	Up to 1 year	1-5 years	5-10 years	10-15 years	over 15 years	Total
Debt financial instruments	**194,586,687**	**-**	**21,421,561**	**91,689,569**	**55,038,562**	**16,181,796**	**34,409,928**	**218,741,416**
Financial assets at fair value through income statement	8,562,737	-	670,821	5,225,875	2,685,575	1,500	521,400	9,105,171
Financial assets held to maturity	29,628,993	-	4,737,893	21,715,487	6,891,018	2,186,796	2,089,800	37,620,993
Financial assets available for sale	156,394,957	-	16,012,847	64,748,207	45,461,970	13,993,500	31,798,728	172,015,252
Equity financial instruments	**36,412,196**	**36,412,196**	**-**	**-**	**-**	**-**	**-**	**36,412,196**
Financial assets at fair value through income statement	831,280	831,280	-	-	-	-	-	831,280
Financial assets available for sale	35,580,916	35,580,916	-	-	-	-	-	35,580,916
Derivatives		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans, deposits and financial receivables	**43,133,843**	**-**	**38,590,217**	**2,764,416**	**775,170**	**203,142**	**1,889,113**	**44,222,058**
Assets of policyholders who bear investment risk	**274,127,785**	**205,929,558**	**1,955,222**	**24,443,691**	**31,498,575**	**4,203,006**	**6,142,579**	**274,172,631**
Assets from investment contracts	**11,912,847**	**8,877,254**	**507,419**	**902,000**	**1,435,500**	**1,000**	**200,600**	**11,923,773**
Investment properties	**560,173,359**	**251,219,009**	**62,474,419**	**119,799,676**	**88,747,807**	**20,588,945**	**42,642,220**	**585,472,075**
Total financial investments	14,903,528	-	6,514,812	6,239,708	1,633,609	511,719	3,681	14,903,528
Receivables from insurance business and other receivables	23,086,086	-	23,058,122	27,964	-	-	-	23,086,086
Operating and other receivables	18,932,850	18,932,850	-	-	-	-	-	18,932,850
Other assets	**617,095,823**	**270,151,858**	**92,047,353**	**126,067,347**	**90,381,416**	**21,100,663**	**42,645,901**	**642,394,539**
Bonds issued (Subordinated liabilities)	49,581,823	-	3,944,000	15,815,000	59,892,000	-	79,651,000	159,302,000
Non-life and health insurance	159,452,619	-	103,923,869	39,576,394	11,140,272	4,224,073	588,011	159,452,619
Unit-linked life insurance	273,416,137	-	12,413,328	56,019,388	57,243,045	47,513,666	100,226,710	273,416,137
Life insurance	115,485,096	-	5,106,964	11,208,426	23,036,646	20,656,854	62,602,537	122,611,427
Investment contracts	11,886,159	-	127,421	698,528	1,954,090	2,350,561	6,755,558	11,886,159
Other liabilities	483,062	-	413,637	335,687	(918,949)	-	(222,727)	(392,352)
Total Liabilities	**610,304,896**	**-**	**125,929,219**	**123,653,423**	**152,347,104**	**74,745,154**	**249,601,089**	**726,275,989**

Credit risk

Credit risk is a potential loss of the Company in case of failure by the third party/debtor to fulfil the contractual obligations. The segments most exposed to credit risk are: financial investments, loans and receivables, receivables from insurance contracts and reinsurance assets.

The Company manages its exposure to credit risk mainly by constant monitoring of credit rating of issuers of financial instruments and ensuring adequate dispersal of investments between investments involving a degree of risk and no-risk investments. Adriatic Slovenica monitors credit risk associated with receivables from insurance transactions and reinsurance assets on the basis of assessing the collectability of individual receivables. Credit rating procedures are based on obtaining and checking of publicly accessible information on the current financial position of the issuers of financial instruments and their future liquidity.

In reinsurance, as with respect to financial assets, the credit risk management procedures involve checking the reinsurer's credit rating. In accordance with the strategy for credit risk management, liabilities covered by reinsurance arrangements are reinsured by investment-grade reinsurers.

Maximum exposure to credit risk by financial asset class as at 31 December 2019[1]

(in EUR)	AAA-A	BBB-B	CCC-C	Not rated	Total 2019
Financial assets at fair value through profit or loss	3,646,694	731,503	-	206,392	4,584,589
Debt securities	3,646,694	731,503	-	206,392	4,584,589
Held-to-maturity financial assets	9,372,057	2,437,002	-	-	11,809,059
Debt securities	9,372,057	2,437,002	-	-	11,809,059
Available- for-sale financial assets	120,090,487	110,063,542	-	12,981,292	243,135,321
Debt securities	120,090,487	110,063,542	-	12,981,292	243,135,321
Loans, deposits and financial receivables	8,994	517,672	-	7,494,992	8,021,659
Assets from investment contracts	2,536,250	3,216,604	-	206,392	5,959,247
Debt securities	2,536,250	3,216,604	-	206,392	5,959,247
Total financial investments	**135,654,482**	**116,966,324**	**-**	**20,889,067**	**273,509,874**
Receivables from insurance business and other receivables	1,546,137	159	-	24,315,425	25,861,721
Reinsurers' share of technical provisions	16,744,454	27,833	-	275,582	17,047,870
Cash and cash equivalents	2,348	9,692,163	-	6,510,711	16,205,222
Total assets exposed to credit risk	**153,947,421**	**126,686,480**	**-**	**51,990,785**	**332,624,687**

Investments in debt securities which remained non-rated in 2019 comprise important Slovene state-owned or private companies which issued these securities. Given loans, deposits and financial receivables without a credit rating accounted for 93% of all loans, deposits and financial receivables. The maximum exposure to individual issuers without a rating relating to given loans is represented by loans to the funds Generali investments GP 1 d. o. o. & Generali Growth Equity Fund specialni investicijski sklad k. d., accounting for 48.8% of all given loans without a rating. All given loans are adequately collateralized. A share of 43% of given loans without a rating are collateralized with redemption value of insurance policies, 7% with property and 50% with other forms of security.

[1] This table should be read together with the note in Section 7.2.3, paragraph 6. In the tables Maximum exposure to credit risk by financial asset class for the observed years, the sum of assets and liabilities is not equal to the sum of individual amounts by insurance class, since in the category of other receivables and liabilities set-offs among funds were performed only at the level of the aggregate sum.

Maximum exposure to credit risk by category of financial assets as at 31 December 2018

(in EUR)	AAA-A	BBB-B	CCC-C	Not rated	Total 2018
Financial assets at fair value through profit or loss	3,515,218	5,047,520	-	0	8,562,737
Debt securities	3,515,218	5,047,520	-	0	8,562,737
Held-to-maturity financial assets	9,789,834	17,326,702	-	2,512,457	29,628,993
Debt securities	9,789,834	17,326,702	-	2,512,457	29,628,993
Available- for-sale financial assets	71,660,601	73,964,874	-	10,769,482	156,394,957
Debt securities	71,660,601	73,964,874	-	10,769,482	156,394,957
Loans, deposits and financial receivables	16,317	23,665,150	-	18,295,426	41,976,892
Assets from investment contracts	1,768,455	789,505	-	-	2,557,960
Debt securities	1,768,455	789,505	-	-	2,557,960
Total financial investments	**86,750,424**	**120,793,750**	**-**	**31,577,365**	**239,121,539**
Receivables from insurance business and other receivables	976,838	539	-	21,742,383	22,719,761
Reinsurers' share of technical provisions	14,664,191	-	-	213,853	14,878,043
Cash and cash equivalents	2,358	9,953,754	-	6,227,908	16,184,019
Total assets exposed to credit risk	**102,393,811**	**130,748,043**	**-**	**59,761,509**	**292,903,363**

Bond investments portfolio without credit rating in 2018 relates to debt securities of important Slovene state-owned or private companies which issued these securities. Given loans, deposits and financial receivables without a credit rating accounted for 44% of all given loans, deposits and financial receivables. The maximum exposure to individual issuers without rating relating to given loans is represented by a loans to SRC Sistemske integracije d. o. o., accounting for 45% of all given loans without a rating. A share of 45% of given loans without a rating are collateralized by with equity shares in companies, 38% with redemption value of insurance policies, 8% with property and 9% with other forms of security.

With the aim of seeking higher returns adjusted for risk, the Company increased its exposure to the Republic of Slovenia in 2019. Investments in bonds of the Republic of Slovenia represent 5.62%, Slovenian bank bonds 3.24%, shares of Slovenian banks 0.15% and deposits with domestic banks 0.10%.

With regard to the country of the issuer, the insurance company is mainly exposed to government bonds of EU members. The government bonds of the Republic of Slovenia, Spain, Portugal, France, Italy, Croatia and Romania account for a total of 24% of all investments.

Credit risk: Past-due and not past-due financial instruments as at 31 December 2019

		Total past due and not impaired					Total past due and impaired					
In EUR	Neither past due nor impaired	Up to 30 days	From 31 to 90 days	From 91 to 270 days	Over 270 days	Total past-due date and not impaired	Gross value	Value adjustment – individual impairment	Value adjustment – group impairment	Net value	Total past due date and impaired	Total
Financial investments (debt securities)	259,528,969	-	-	-	-	-	-	-	-	-	-	259,528,969
Assets from investment contracts	5,959,247	-	-	-	-	-	-	-	-	-	-	5,959,247
Loans and financial receivables	7,337,160	-	-	-	-	-	-	-	-	-	-	7,337,160
Amount (technical provisions) ceded to reinsurers	17,047,870	-	-	-	-	-	-	-	-	-	-	17,047,870
Receivables from Insurance contracts and other receivables	14,957,672	283	968,673	1	153,002	1,121,958	20,474,026	(882,479)	(9,809,456)	9,782,090	9,782,090	25,861,722
Insurance receivables	14,442,182	283	968,673	1	-	968,957	16,938,641	(575,062)	(7,431,487)	8,932,092	8,932,092	24,343,231
Recourse receivables	26,276	-	-	-	-	-	2,704,421	(307,417)	(1,723,359)	673,646	673,646	699,921
Other receivables	489,214	-	-	-	153,002	153,002	830,963	-	(654,610)	176,353	176,353	818,569
Total	304,830,918	283	968,673	1	153,002	1,121,958	20,474,026	(882,479)	(9,809,456)	9,782,090	9,782,090	315,734,966

This table should be read together with the note in Section 7.2.3. Paragraph 6.

Credit risk: Past-due and not past-due financial instruments as at 31 December 2018

		Total past due and not impaired					Total past due and impaired					
In EUR	Neither past due nor impaired	Up to 30 days	From 31 to 90 days	From 91 to 270 days	Over 270 days	Total past-due date and not impaired	Gross value	Value adjustment – individual impairment	Value adjustment – group impairment	Net value	Total past due date and impaired	Total
Financial investments (debt securities)	194,586,687	-	-	-	-	-	-	-	-	-	-	194,586,687
Assets from investment contracts	2,557,960	-	-	-	-	-	-	-	-	-	-	2,557,960
Loans and financial receivables	35,946,693	60,880	-	-	19	60,899	243,502	(125,219)	(13,736)	104,547	104,547	36,112,139
Amount (technical provisions) ceded to reinsurers	14,878,042	-	-	-	-	-	-	-	-	-	-	14,878,042
Receivables from Insurance contracts and other receivables	6,006,948	477,522	77,858	154,775	57,458	767,613	26,358,842	(7,611,650)	(2,801,992)	15,945,200	15,945,200	22,719,760
Insurance receivables	2,280,428	327,807	65,918	40,077	7,357	441,159	22,509,419	(5,060,711)	(2,490,019)	14,958,689	14,958,689	17,680,277
Recourse receivables	-	1,535	-	-	-	1,535	3,124,738	(1,999,171)	(234,227)	891,340	891,340	892,875
Other receivables	3,726,520	148,181	11,941	114,697	50,101	324,919	724,685	(551,768)	(77,747)	95,170	95,170	4,146,609
Total	253,976,330	538,402	77,858	154,775	57,476	828,511	26,602,344	(7,736,869)	(2,815,728)	16,049,747	16,049,747	270,854,589

This table should be read together with the note in Section 7.2.3. Paragraph 6.

Risk of changes in prices of equity securities

The risk of changes in prices of equity securities is defined as the risk of fluctuation in the price of equity investments which would affect the expected return of financial assets or their value, recognised in the investment portfolio of the Company. To mitigate this risk, the Company maintains a sector and geographic spread of investments, does not cross the allowed limitations of exposure towards individual issuers and invests its assets in investments with an appropriate ratio between risk and profitability.

The Company measures the risk of changes in prices of equity securities by means of analysis of sensitivity to changes in share prices. This risk affects equity securities, share mutual funds and mixed mutual funds (corresponding part). The results are presented within the market risks sensitivity analysis.

Interest rate risk

Interest rate risk is the risk that a change in interest rates on the market will affect the value of assets and liabilities that are sensitive to interest rate fluctuations.

It is reflected in the following: a change in market value of debt securities, except when they are classified as held-to-maturity investments, or the risk associated with the ability to reinvest financial assets at maturity under at least identical conditions with those for financial assets past due. The change in interest rates can also affect the fair value of liabilities that are prone to this risk.

With the aim to manage its exposure to interest rate risk, the Company applies the following procedures:

- for liabilities with determinable future cash flows, it employs immunisation procedures, which allow it to balance the average duration of investments with the average duration of liabilities;
- balancing interest rates on assets and on liabilities;
- ensuring a suitable structure of investments in terms of profitability and duration.

Interest rate risk is measured by means of sensitivity analysis, namely by changes in value of investments in debt financial instruments and value of provisions when interest rates change. The effect of changes in interest rates is presented within the following market risks sensitivity analysis.

Classification of financial assets and liabilities on the basis of fixed and variable interest rates [2]

	Fixed interest rate		Variable interest rate		Total	
in euros	2019	2018	2019	2018	2019	2018
ASSETS						
Debt securities	208,312,939	145,253,098	51,216,030	49,333,589	259,528,969	194,586,687
Loans and deposits	7,007,152	32,064,870	33,881	2,545,916	7,041,033	34,610,786
Cash and cash equivalents	16,205,222	16,184,019	-	-	16,205,222	16,184,019
Assets from financial contracts	4,205,608	2,516,403	2,657,688	1,465,752	6,863,296	3,982,154
Total	**235,730,921**	**196,018,391**	**53,907,598**	**53,345,256**	**289,638,520**	**249,363,647**
LIABILITIES						
Debt securities	-	-	-	429,961	-	429,961
Bonds issued (Subordinated liabilities)	49,676,681	49,581,823	-	-	49,676,681	49,581,823
Total	**49,676,681**	**49,581,823**	**-**	**429,961**	**49,676,681**	**50,011,784**

This table should be read together with the note in Section 7.2.3. Paragraph 6.

[2] Including receivables from long-term insurance fund of investment risk.

Risk of guaranteed return

2019 has been marked by heightened political uncertainty, mainly shaped by trade disputes and forecasts, and the introduction of trade restrictions, uncertainty and complications around Brexit, as well as fears of a cooling down of the global economy. With the slowdown of macroeconomic data and the alternately warm-cold trade relations between the US and China, capital markets were driven primarily by central bank policies. The expansionary monetary policy of major central banks couples with investor optimism in reaching trade agreements are factors which have positively impacted capital markets' returns. Annual exchange rates have risen in virtually all types of securities.

In an environment of expansionary monetary policy and higher volatility, the Company managed the risk of failed achievement of the guaranteed return by selectively allocating investments in government and corporate securities and shares, which give optimal returns adjusted for risk. In 2019, the Fund achieved a return of 2.88 %, which is as many as 12% more than the guaranteed return of 3 %.

The Company ensured prudent management of portfolios to achieve optimum return in relation risk. In line with the existing portfolio structure, assets were invested primarily in European government bonds and, in life insurance, in European shares with a high dividend policy.

With respect to the guarantee fund with a guaranteed return under the PN-A01 pension scheme, the Company did not change the portfolio structure. There were no premium inflows into the fund as it was closed for new payments in May 2016. In 2019, the fund achieved a return of 7.98%, which is by 738 percentage points more than the guaranteed return of 0.60%. The guarantee fund "Zajamčeni od 60" (Guaranteed over 60) started operating in February 2016, when it started to build and to set up the portfolio. Following the diversification policies, investments are made primarily in bond mutual funds and ETFs, as well as corporate and government bonds. In 2019, the fund achieved a return of 6.12%, which is more than the guaranteed return by 552 percentage points.

Actual exposure to risk of guaranteed return

Pension insurance scheme/plan	2019	2018
LIFE INSURANCE		
Traditional life insurance		
Average return on investment for the period	2.88%	2.04%
Average guaranteed return	3.00%	3.10%
Difference in interest rates	-0.12%	-1.06%
PENSION INSURANCE		
Pension saving AS Zajamčeni od 60		
Average return on investment for the period	6.12%	-1.76%
Required (guaranteed) return	0.60%	0.72%
Difference in interest rates	5.52%	-2.48%
Pension insurance PN-A01		
Average return on investment for the period	7.98%	0.58%
Required (guaranteed) return	0.60%	0.72%
Difference in interest rates	7.38%	-0.14%

Currency risk

Currency risk is the risk that the exchange rate between the domestic currency in which assets are measured and the currency in which the value of individual assets is denominated will fluctuate and, consequently, negatively affect the value of investments.

Currency risk

	EUR	HRK	Other	Total 2019
ASSETS				
Financial assets measured at fair value through profit or loss	5,018,861	477,712	-	5,496,572
Equity securities	434,271	477,712	-	911,983
Debt securities	4,584,589	-	-	4,584,589
Held-to-maturity financial assets	11,809,059	-	-	11,809,059
Debt securities	11,809,059	-	-	11,809,059
Available-for-sale financial assets	274,323,604	1,802,127	10,197,239	286,322,969
Equity securities	38,357,048	-	4,830,600	43,187,649
Debt securities	235,966,555	1,802,127	5,366,638	243,135,321
Loans, deposits and financial receivables	8,011,221	-	10,438	8,021,659
Assets from investment contracts	15,134,098	-	3,552,388	18,686,486
Total financial investment	**314,296,841**	**2,279,839**	**13,760,065**	**330,336,745**
Receivables from insurance business and other receivables	19,134,150	6,727,570	-	25,861,720
Amount (technical provisions) transferred to reinsurers	17,042,597	0	5,273	17,047,870
Cash and cash equivalents	15,309,878	683,472	211,872	16,205,222
Total assets exposed to currency risk	**365,783,467**	**9,690,881**	**13,977,210**	**389,451,557**
LIABILITIES				
Bonds issued (subordinated liabilities)	49,676,681	-	-	49,676,681
Liabilities arising from insurance contracts	286,584,508	2,956,981	-	289,541,489
Liabilities from investment contracts	18,647,836	-	-	18,647,836
Other liabilities	1,207,996	-	-	1,207,996
Total liabilities exposed to currency risk	**356,117,022**	**2,956,981**	**-**	**359,074,002**

This table should be read together with the note in Section 7.2.3. Paragraph 6.

Currency risk

	EUR	HRK	Other	Total 2018
ASSETS				
Financial assets measured at fair value through profit or loss	8,973,881	420,136	-	9,394,017
Equity securities	411,144	420,136	-	831,280
Debt securities	8,562,737	-	-	8,562,737
Held-to-maturity financial assets	29,628,993	-	-	29,628,993
Debt securities	29,628,993	-	-	29,628,993
Available-for-sale financial assets	181,465,045	1,763,991	8,746,837	191,975,872
Equity securities	30,340,095	-	5,240,820	35,580,916
Debt securities	151,124,949	1,763,991	3,506,016	156,394,957
Loans, deposits and financial receivables	41,976,892	-	-	41,976,892
Assets from investment contracts	10,794,343	-	1,118,504	11,912,847
Total financial investment	**272,839,154**	**2,184,127**	**9,865,341**	**284,888,622**
Receivables from insurance business and other receivables	16,098,875	6,620,885	-	22,719,760
Amount (technical provisions) transferred to reinsurers	14,872,770	0	5,273	14,878,043
Cash and cash equivalents	14,390,075	1,793,945	-	16,184,020
Total assets exposed to currency risk	**318,200,874**	**10,598,957**	**9,870,614**	**338,670,445**
Bonds issued (subordinated liabilities)	49,581,823	-	-	49,581,823
Liabilities arising from insurance contracts	272,922,205	2,015,509	-	274,937,715
Liabilities from investment contracts	11,886,157	-	-	11,886,157
Other liabilities	434,312	-	-	434,312
Total liabilities exposed to currency risk	**334,824,498**	**2,015,509**	**-**	**336,840,008**

This table should be read together with the note in Section 7.2.3. Paragraph 6.

The Company is subject to changes in foreign exchange rates, which affect its financial position and cash flows. Since the Republic of Slovenia is member of the Economic and Monetary Union (EMU) and uses the euro, it is estimated that the exposure of the Company to currency risk is relatively low. Assets exposed to the currency risk are disclosed for 2019 and 2018. The Company's liabilities are expressed in euros and are not separately exposed to the currency risk.

Market risk sensitivity analysis

Factors

The methods and assumptions used in the preparation of the sensitivity analysis for the types of market risks to which the Company is exposed, are presented in the table below.

Sensitivity factor	Description of the sensitivity factor
Interest rates	The effect of a ±50 bp (basic points) change in market interest rates (i.e. the effect on profit and on equity if the market interest rate changes by 50 bp).
Changes in prices of equity securities	The effect on changes of market prices of equity securities is reflected in the ±15% changes of share prices, prices of ID-shares, prices of structured securities and prices of mutual funds as at 31 December 2019.

Sensitivity analyses

Analysis of sensitivity to change in the interest rate

(in EUR)	Effect on profit	Effect on equity
31 December 2018		
Interest rate change of +50 bp	(302,001)	(7,602,178)
Interest rate change of -50 bp	197,031	5,147,787
31 December 2019		
Interest rate change of +50 bp	(386,175)	(10,258,269)
Interest rate change of -50 bp	195,991	7,169,744

Analysis of sensitivity to change in exchange rates

The majority of investments made by the Company is denominated in euros since its liabilities which arise out of insurance contracts are also euro-denominated. The Insurance Act (ZZavar) stipulates that the Company must match its investments of the long-term fund (assets covering mathematical provisions) with long-term guarantees against its liabilities arising under insurance contracts whose amount depends on the fluctuations in exchange rates to at least 80%. Since the liabilities incurred by the Company are denominated in euros, it can be concluded that the majority of its investments have been made in euro-denominated securities; hence its exposure to currency risk is very low.

Analysis of sensitivity to changes in prices of equity securities

(in EUR)	Effect on profit	Effect on equity
31 December 2018		
Change in prices of equities +15%	1,081,713	5,569,720
Change in prices of equities -15%	(1,081,713)	(5,569,720)
31 December 2019		
Change in prices of equities +15%	1,910,276	4,213,691
Change in prices of equities -15%	(1,910,276)	(4,213,691)

Under the sensitivity analysis, the changes in prices of shares refer to prices, obtained with the closing interest rate on the reporting date for the current and the past year.

In the context of the investments of the unit-linked policies, the investments reflect as much as possible the value of units of the mutual investment funds, which arise out of insurance contracts. The changes in values have no material effect on the profit or loss. The change has an impact on the income from investments and at the same time on the changes in the amount of provisions, which means that the changes in the prices of securities have no material impact on the profit or loss.

7.2.4 Operational risk and strategic risk

Operational risk

Operational risk mostly includes the risk of loss as a result of ineffectiveness, failure or errors in the business process implementation, malfunction or non-existence of internal controls, unprofessional, inappropriate or harmful employee behaviour, system or infrastructure malfunction or any other external factors, including amendments to legislation, business interruptions due to natural catastrophes or epidemics, competition, etc.

The key moment for management of operational risks is their identification and assessment, and in the second stage the execution of measures for their minimisation and uninterrupted monitoring of other risks. Risk control, especially that of operational risk, is primarily a responsibility of owners of processes where these risks occur or are related to. The internal control system, internal control reviews and calculations of key risk indicators are used as the primary tool for management of operational risk. The identified and potential future risks are documented in the risk catalogue, which is updated quarterly. The Company adopted the business continuity strategy aimed at a quick recovery of business processes critical for its operations.

Strategic risk

Strategic risks can occur in the early stages of strategy planning, strategy execution, management and strategic decision-making and supervision of the Company. The realisation of these risks can crucially affect the ability of the Company to reach its strategic goals. In order to eliminate these risks, it is of utmost importance that the Company has clearly determined responsibilities and competences, an effective communication and reporting system, and constant monitoring of fulfilment of the set goals. In order to manage the strategic risks as effectively as possible, operating categories of the business plan are designed in line with the Company's accepted risk appetite. Before the final approval, the business plan is being tested in order to find out if the risk appetite and capital adequacy, as required by the Solvency II principles, are reached.

8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities is the amount, by which an asset can be exchanged or a debt can be repaid between knowledgeable and willing parties in an orderly transaction. The fair value assessment of financial investments depends on the availability of market data serving as a basis for fair value assessment by the Company. The Company is generally establishing fair value of financial instruments as described in the policies in Section 5.5 for the purpose of fair value measurement of financial assets and their organisation into hierarchy.

Assets, operating receivables and operating liabilities which are of short-term nature are not included in the display of assets and liabilities at fair value because it has been confirmed that the carrying value is a very good approximation of fair value.

Financial assets categorised in the fair value hierarchy in 2019

in EUR as at 31 Dec 2019	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss, held for sale	**1,512,301**	**1,512,301**	**586,653**	**925,648**	**-**
Equity securities	-	-	-	-	-
Debt securities	925,648	925,648	-	925,648	-
Investment coupons of mutual funds	586,653	586,653	586,653	-	-
Derivatives	-	-	-	-	-
Financial assets measured at fair value through profit or loss, at initial recognition	**3,984,271**	**3,984,271**	**325,330**	**3,351,002**	**307,939**
Equity securities	-	-	-	-	-
Debt securities	3,658,941	3,658,941	-	3,351,002	307,939
Investment coupons of mutual funds	325,330	325,330	325,330	-	-
Derivatives	-	-	-	-	-
Available-for-sale financial assets	**271,226,594**	**271,226,594**	**29,584,930**	**232,592,489**	**9,049,175**
Equity securities	5,892,434	5,892,434	5,892,434	-	-
Debt securities	243,135,321	243,135,321	1,493,657	232,592,489	9,049,175
Investment coupons of mutual funds	22,198,839	22,198,839	22,198,839	-	-
Unit-linked investments of policyholders	**294,425,163**	**294,425,163**	**232,733,241**	**61,691,922**	**-**
Assets from investment contracts	**17,782,436**	**17,782,436**	**11,823,190**	**5,549,760**	**409,487**
Total financial assets measured at fair value	588,930,766	588,930,766	275,053,345	304,110,820	9,766,601-
Held-to-maturity financial assets	**11,809,059**	**15,983,215**	**32,628**	**15,929,545**	**21,042**
Debt financial instruments	11,809,059	15,983,215	32,628	15,929,545	21,042
Available-for-sale financial assets	**15,096,375**	**15,096,375**	**-**	**-**	**15,096,375**
Equity securities	15,096,375	15,096,375	-	-	15,096,375
Assets from investment contracts	**904,050**	**904,050**	**-**	**-**	**904,050**
Loans and deposits	**8,021,659**	**8,021,659**	**-**	**-**	**8,021,659**
Unit-linked investments of policyholders	**21,657,962**	**21,657,962**	**-**	**-**	**21,657,962**
Investments in subsidiaries and associates	**46,167,660**	**46,167,660**	**-**	**-**	**46,167,660**
Total financial assets for which the fair value is disclosed	103,656,765	107,830,921	32,628	15,929,545	91,868,747
TOTAL ASSETS	692,587,530	696,761,687	275,085,973	320,040,365	101,635,349
Bonds issued (Subordinated liabilities)	49,676,681	49,676,681	-	49,676,681	-
Total liabilities for which the fair value is disclosed	49,676,681	49,676,681	-	49,676,681	-
TOTAL LIABILITIES	49,676,681	49,676,681	-	49,676,681	-

Financial assets categorised in the fair value hierarchy in 2018

in EUR as at 31 Dec 2019	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss, held for sale	**1,600,129**	**1,600,129**	**562,724**	**1,037,404**	**-**
Debt securities	1,037,404	1,037,404	-	1,037,404	-
Investment coupons of mutual funds	562,724	562,724	562,724	-	-
Financial assets measured at fair value through profit or loss, at initial recognition	**7,793,889**	**7,793,889**	**268,556**	**7,234,193**	**291,140**
Debt securities	7,525,333	7,525,333	-	7,234,193	291,140
Investment coupons of mutual funds	268,556	268,556	268,556	-	-
Available-for-sale financial assets	**175,560,065**	**175,560,065**	**20,954,455**	**148,588,919**	**6,016,691**
Equity securities	7,391,871	7,391,871	7,391,871	-	-
Debt securities	156,394,957	156,394,957	1,789,347	148,588,919	6,016,691
Investment coupons of mutual funds	11,773,237	11,773,237	11,773,237	-	-
Unit-linked investments of policyholders	**258,841,768**	**258,841,768**	**205,929,557**	**52,912,211**	**-**
Assets from investment contracts	**10,488,653**	**10,488,653**	**7,930,693**	**2,167,709**	**390,251**
Total financial assets measured at fair value	**454,284,503**	**454,284,503**	**235,645,986**	**211,940,436**	**6,698,082**
Held-to-maturity financial assets	**29,628,993**	**35,059,979**	**409,389**	**34,628,727**	**21,863**
Debt financial instruments	29,628,993	35,059,979	409,389	34,628,727	21,863
Available-for-sale financial assets	**16,415,807**	**16,415,807**	**-**	**-**	**16,415,807**
Equity securities	16,415,807	16,415,807	-	-	16,415,807
Assets from investment contracts	**1,424,194**	**1,424,194**	**-**	**-**	**1,424,194**
Loans and deposits	**34,610,786**	**34,610,786**	**-**	**-**	**34,610,786**
Unit-linked investments of policyholders	**15,286,017**	**15,286,017**	**-**	**-**	**15,286,017**
Investments in subsidiaries and associates	**46,826,195**	**46,826,195**	**-**	**-**	**46,826,195**
Total financial assets for which the fair value is disclosed	**144,191,994**	**149,622,980**	**409,389**	**34,628,727**	**114,584,864**
TOTAL ASSETS	**598,476,498**	**603,907,483**	**236,055,375**	**246,569,163**	**121,282,946**
Derivatives	429,961	429,961	-	429,961	-
Total financial liabilities measured at fair value	**429,961**	**429,961**	**-**	**429,961**	**-**
Bonds issued (Subordinated liabilities)	49,581,823	49,542,150	-	49,542,150	-
Total liabilities for which the fair value is disclosed	**49,581,823**	**49,542,150**	**-**	**49,542,150**	**-**
TOTAL LIABILITIES	**50,011,785**	**49,972,111**	**-**	**49,972,111**	**-**

Level 3 assets and liabilities

Financial assets and liabilities categorised in the fair value hierarchy – Level 3 movement in 2019

(in EUR)	1. 1. 2019	Total profit/loss in profit or loss	Total profit/loss in comprehensive income	Purchase	Sale	Transfers (to) from Level 3	Exchange rate differences	31 Dec 2019
Assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss, at initial recognition	**291,140**	-	**16,799**	-	-	-	-	**307,939**
Debt securities	291,140	-	16,799	-	-	-	-	307,939
Available-for-sale financial assets	**6,016,691**	-	**32,544**	**2,999,940**	-	-	-	**9,049,175**
Equity securities	-	-	-	-	-	-	-	-
Debt securities	6,016,691	-	32,544	2,999,940	-	-	-	9,049,175
Assets from investment contracts	**390,251**	**19,236**	-	-	-	-	-	**409,487**
Total assets	**6,698,082-**	**19,236**	**49,343**	**2,999,940**	-	-	-	**9,766,601**

Financial assets and liabilities categorised in the fair value hierarchy – Level 3 movement in 2018

(in EUR)	1 Jan 2018	Total profit/loss in profit or loss	Total profit/loss in comprehensiv e income	Purchase	Sale	Transfers (to) from Level 3	Exchange rate differences	31 Dec 2018
Assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss, at initial recognition	**301,886**	-	**(10,746)**	-	-	-	-	**291,140**
Debt securities	301,886	-	(10,746)	-	-	-	-	291,140
Available-for-sale financial assets	**4,254,607**	-	**726,803**	**1,082,792**	**(47,511)**	-	-	**6,016,691**
Debt securities	4,254,607	-	726,803	1,082,792	(47,511)	-	-	6,016,691
Assets from investment contracts	**403,988**	-	**(13,737)**	-	-	-	-	**390,251**
Total assets	**4,960,481**	-	**702,320**	**1,082,792**	**(47,511)**	-	-	**6,698,082**

In 2019, the Company purchased debt securities, which belong to Level 3, under the following financial instrument groups

- assets available for sale, EUR 2,999,940.

Fair value of the financial assets as at 31 December 2019 amounts to EUR 9,766,601.

Among level 3 movements, only financial assets measured at fair value are shown. The movements and reclassifications into level 3 are not shown for the financial assets whose fair value is measured at cost.

Sensitivity analysis of financial assets classified to Level 3 is shown below

Sensitivity analysis of non-listed securities

(in EUR)	31 Dec 2019	31 Dec 2018
Value of investments classified to Level 3	9,766,601	6,698,082
Estimated value deviation	-	(66,366)

Level 3 financial assets valuation methods

Valuation of equity is carried out by application of internal valuation models, while the valuation of debt securities is carried out on the basis of the BID rate from the BVAL source (score from 1 to 5).

Assumption/Parameter	Change
Interest rate change	0.5

Reclassification of financial assets between levels

(in EUR)	2019	2018
Reclassification from Level 1 to Level 2	451,316	931,282

Until 31 December 2019, the Company did not reclassify financial asset between groups due to the change in their intended use nor due to the change in capital market conditions. The Company reclassified debt securities from Level 2 to Leve1 because they did not meet the conditions for classification at Level 1 (sufficient liquidity on the stock exchange).

9. REPORTING BY BUSINESS LINE

The Company reports by business lines in separate financial statements of the parent company in accordance with the requirement of the Insurance Supervision Agency and the implementing regulation "Decision on Annual Reports and Quarterly Financial Statements of Insurance Undertakings" (Official Gazette of the Republic of Slovenia No. 1/2016). In line with IFRS 8, segment reporting is presented in consolidated financial statements.

The core activity of Adriatic Slovenica is insurance business, which provides services in the non-life, life and health insurance segments, therefore these business lines are further divided into insurance groups where similar insurance products are grouped by insurance group. These groups are subject to different rates of profitability, opportunities for growth, future prospects and risks. The management periodically reviews the business results by these groups in order to not only take decisions on the basis thereof regarding the resources to be allocated to a particular segment but also to assess the performance of individual segments and the entire Company.

The non-life insurance includes:

- motor third party liability insurance,
- land motor vehicle insurance,
- accident insurance,
- fire and natural forces insurance,
- other damage to property insurance,
- general liability insurance,
- credit and suretyship insurance,
- travel medical insurance with emergency assistance abroad (ZZTA),
- other non-life insurance.

The life insurance includes:

- mixed and term life insurance,
- unit-linked life insurance,
- supplemental voluntary pension insurance PN-A01,
- voluntary supplemental pension insurance "Pokojninsko varčevanje AS" (AS Pension Saving).

Health insurance:

- complementary health insurance,
- parallel supplementary health insurance.

Assets, liabilities, revenue, expenses and profit or loss are monitored separately for individual insurance groups

- non-life insurance,
- life insurance and
- health insurance, which is managed separately for complementary health insurance and other health insurance.

Assets and liabilities by insurance group include the assets and liabilities of the Company which can be directly attributed to a particular insurance group, as well as those which can be indirectly allocated to an insurance group. Due to the transactions between individual groups, the balance of assets and liabilities in the Total column is not equal to the sum of individual insurance groups, because final offset between assets and liabilities is performed at the level of total balance.

Revenue and expenses of a particular insurance group arise from the operation of a business segment and can be directly attributed to a particular business segment; moreover, the relevant portion of revenue and expenses can be reasonably allocated to a business segment.

The accounting policies of business line are identical to the accounting policies of the Company.

9.1 BALANCE SHEET BY SEGMENT

Balance sheet as at 31 December 2019 by segment in accordance with the Decision on the Annual Reports of Insurance Undertakings

(in EUR)	Life insurance	Non-life insurance	Complementary health insurance	Other health insurance	Total
Assets	524,071,097	272,800,422	28,806,133	2,237,278	807,176,359
Intangible assets	**55,146**	**6,113,464**	**-**	**-**	**6,168,610**
Property, plant and equipment	**0**	**28,371,144**	**-**	**-**	**28,371,144**
Deferred tax assets	**207,090**	**2,514,321**	**530,671**	**22,908**	**2,422,669**
Investment properties	**1,363,948**	**10,328,362**	**-**	**-**	**11,692,309**
Financial investments in subsidiaries and associates	**31,121,980**	**11,616,727**	**3,428,953**	**-**	**46,167,660**
Financial investments	**141,509,187**	**157,283,893**	**13,496,782**	**429,891**	**312,719,754**
In loans and deposits	3,843,846	2,145,278	3,102,029	-	9,091,153
In held-to-maturity financial assets	11,809,059	-	-	-	11,809,059
In available-for-sale financial assets	121,284,539	154,213,785	10,394,754	429,891	286,322,970
In financial assets measured at fair value	4,571,742	924,830	-	(0)	5,496,572
Unit-linked investments of policyholders	**311,499,120**	**-**	**-**	**-**	**311,499,120**
Amounts of technical provisions ceded to reinsurers	**368,700**	**16,679,170**	**-**	**-**	**17,047,870**
Assets from investment contracts	**18,686,486**	**-**	**-**	**-**	**18,686,486**
Receivables	**9,144,651**	**26,447,951**	**10,290,236**	**891,013**	**26,908,559**
Receivables from direct insurance business	633,445	11,209,566	10,269,024	889,554	23,001,589
Receivables from reinsurance and coinsurance	144,776	1,502,332	-	-	1,647,108
Income tax receivables	1,575,115	927,952	-	567	139,905
Other receivables	6,791,315	12,808,101	21,212	892	2,119,957
Other assets	**1,348,365**	**4,319,651**	**121,521**	**3,865**	**5,772,445**
Cash and cash equivalents	**8,766,424**	**9,125,739**	**937,969**	**889,601**	**19,719,732**
Equity and liabilities	524,071,097	272,800,422	28,806,133	2,237,278	807,176,359
Equity	**20,779,937**	**67,731,885**	**9,315,489**	**929,999**	**98,757,309**
Share capital	11,973,787	31,025,743	-	-	42,999,530
Capital reserves	1,697,506	2,514,276	-	-	4,211,782
Reserve from profit	-	4,348,056	4,782,443	93,438	9,223,936
Reserve due to fair value measurement (Revaluation surplus)	1,749,185	3,394,963	191,785	12,197	5,348,130
Retained net earnings	(627,678)	21,969,516	2,943,075	809,424	30,043,325
Net profit or loss for the financial year	5,987,136	4,479,332	1,398,185	14,940	6,930,606
Subordinated liabilities	**26,825,408**	**22,851,273**	**-**	**-**	**49,676,681**
Technical provisions	**128,388,244**	**155,094,284**	**12,974,012**	**764,311**	**297,220,851**
Unearned premiums	396,904	44,498,817	6,296,097	269,115	51,460,933
Mathematical provisions	114,757,300	(0)	-	-	114,757,300
Outstanding claims provisions	7,146,895	109,775,410	6,677,711	495,187	124,095,203
Other technical provisions	6,087,145	820,058	204	8	6,907,415
Insurance technical provisions for unit-linked insurance	**310,690,347**	**-**	**-**	**-**	**310,690,347**
Other provisions	**15,325**	**5,601,939**	**-**	**-**	**5,617,264**
Deferred tax liabilities	**410,303**	**796,349**	**44,987**	**2,861**	**402,178**
Liabilities from investment contracts	**18,686,486**	**-**	**-**	**-**	**18,686,486**
Other financial liabilities	**106**	**1,256,640**	**-**	**-**	**1,256,746**
Operating liabilities	**3,014,688**	**4,986,291**	**5,355,175**	**97,813**	**11,090,238**
Liabilities from direct insurance contracts	885,283	3,318,596	5,010,896	89,055	9,303,830
Liabilities from reinsurance and coinsurance contracts	613,302	1,173,106	-	-	1,786,408
Income tax liabilities	1,516,103	494,589	344,279	8,759	0
Other liabilities	**15,260,253**	**14,481,761**	**1,116,470**	**442,295**	**13,778,258**

The balance of assets and liabilities as per column does not equal the sum of individual insurance segments because on the level of balance sums, final set-offs of assets and liabilities in the total amount of EUR 20,738,571 were made in the categories of receivables (in the subcategory of other receivables), other assets and in the category of other liabilities.

Balance sheet as at 31 December 2018 by segment in accordance with the Decision on the Annual Reports of Insurance Undertakings

(in EUR)	Life insurance	Non-life insurance	Complementary health insurance	Other health insurance	Total
Assets	463,872,894	259,185,057	23,104,314	2,118,330	729,927,132
Intangible assets	**275,729**	**6,227,335**	**-**	**-**	**6,503,064**
Property, plant and equipment	**(0)**	**28,131,545**	**-**	**-**	**28,131,545**
Deferred tax assets	**271,799**	**2,791,597**	**509,692**	**18,304**	**3,495,828**
Investment properties	**2,129,121**	**23,905,602**	**-**	**30,398**	**26,065,121**
Financial investments in subsidiaries and associates	**31,051,980**	**12,465,602**	**3,308,613**	**-**	**46,826,195**
Financial investments	**129,986,670**	**132,045,226**	**11,659,783**	**441,047**	**274,132,726**
In loans and deposits	9,757,237	30,464,042	2,912,564	-	43,133,843
In held-to-maturity financial assets	20,191,629	9,135,039	302,325	-	29,628,993
In available-for-sale financial assets	94,090,977	88,998,955	8,444,893	441,047	191,975,873
In financial assets measured at fair value	5,946,828	3,447,189	(0)	(0)	9,394,018
Unit-linked investments of policyholders	**274,127,785**	**-**	**-**	**-**	**274,127,785**
Amounts of technical provisions ceded to reinsurers	**255,247**	**14,648,281**	**-**	**-**	**14,903,528**
Assets from investment contracts	**11,912,847**	**-**	**-**	**-**	**11,912,847**
Receivables	**5,554,411**	**25,729,867**	**5,711,856**	**831,065**	**19,590,258**
Receivables from direct insurance business	703,467	8,418,766	5,689,285	771,460	15,582,978
Receivables from reinsurance and coinsurance	103,559	1,066,104	-	-	1,169,663
Income tax receivables	1,249,279	79,483	-	59,360	0
Other receivables	3,498,107	16,165,514	22,571	245	2,837,617
Other assets	**1,148,965**	**4,072,996**	**102,484**	**1,895**	**5,305,383**
Cash and cash equivalents	**7,158,339**	**9,167,005**	**1,811,886**	**795,620**	**18,932,850**
Equity and liabilities	463,872,894	259,185,057	23,104,314	2,118,330	729,927,132
Equity	**19,557,133**	**65,922,000**	**8,558,784**	**1,138,342**	**95,176,259**
Share capital	11,973,787	31,025,743	-	-	42,999,530
Capital reserves	1,697,506	2,514,276	-	-	4,211,782
Reserve from profit	-	4,348,056	4,782,443	93,438	9,223,936
Reserve due to fair value measurement (Revaluation surplus)	233,510	(67,104)	44,430	18,279	229,116
Retained net earnings	4,997,592	21,227,596	2,127,736	1,036,100	29,656,212
Net profit or loss for the financial year	654,737	6,873,435	1,604,175	(9,475)	8,855,684
Subordinated liabilities	**26,774,185**	**22,807,639**	**-**	**-**	**49,581,823**
Technical provisions	**116,930,740**	**147,303,368**	**11,382,501**	**766,749**	**276,383,358**
Unearned premiums	375,654	43,304,240	6,064,681	261,635	50,006,208
Mathematical provisions	109,990,102	225,650	-	77,873	110,293,625
Outstanding claims provisions	6,564,985	103,259,636	5,317,705	427,237	115,569,562
Other technical provisions	0	513,842	116	5	513,962
Insurance technical provisions for unit-linked insurance	**271,970,492**	**-**	**-**	**-**	**271,970,492**
Other provisions	**12,054**	**4,792,677**	**-**	**-**	**4,804,731**
Deferred tax liabilities	**56,758**	**24,096**	**10,422**	**4,288**	**(0)**
Liabilities from investment contracts	**11,912,847**	**-**	**-**	**-**	**11,912,847**
Other financial liabilities	**232,286**	**250,777**	**-**	**-**	**483,062**
Operating liabilities	**2,398,338**	**4,011,463**	**2,043,656**	**37,909**	**7,103,243**
Liabilities from direct insurance contracts	694,052	1,471,889	1,715,557	37,909	3,919,407
Liabilities from reinsurance and coinsurance contracts	600,021	1,646,004	-	-	2,246,026
Income tax liabilities	1,104,264	893,570	328,099	-	937,811
Other liabilities	**14,028,061**	**14,073,038**	**1,108,950**	**171,043**	**12,511,315**

The balance of assets and liabilities as per column does not equal the sum of individual insurance segments because on the level of balance sums, final set-offs of assets and liabilities in the total amount of EUR 18,353,462 were made in the categories of receivables (in the subcategory of other receivables), other assets and in the category of other liabilities.

9.2 INCOME STATEMENT BY SEGMENT

Income statement for the period from 1 January 2019 to 31 December 2019 by segment, in accordance with the Decision on Annual Reports of Insurance Undertakings

(in EUR)	Life insurance	Non-life insurance	Complementary health insurance	Other health insurance	Total
NET PREMIUM INCOME	**55,496,840**	**137,811,434**	**100,064,499**	**4,256,867**	**297,629,639**
Gross written premiums	57,697,782	147,447,689	100,295,915	4,271,975	309,713,362
Premiums ceded to reinsurers and coinsurers	(2,177,574)	(8,431,667)	-	-	(10,609,241)
Change in unearned premiums	(23,368)	(1,204,588)	(231,417)	(15,109)	(1,474,482)
REVENUES FROM INVESTMENTS IN ASSOCIATES, of which	**1,402,235**	**191,091**	**13,775**	**-**	**1,607,101**
INCOME FROM INVESTMENTS	**48,414,967**	**3,296,439**	**255,363**	**15,871**	**51,982,640**
OTHER INCOME FROM INSURANCE OPERATIONS, of which	**932,832**	**(90,937)**	**-**	**-**	**841,895**
- fee and commission income	932,832	(90,937)	-	-	841,895
OTHER INCOME	**3,075,579**	**3,128,658**	**213,542**	**9,510**	**6,427,289**
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	**(44,167,645)**	**(86,117,569)**	**(89,211,721)**	**(2,524,745)**	**(222,021,680)**
Gross amounts of claims and benefits paid	(44,135,262)	(86,015,619)	(87,851,715)	(2,450,274)	(220,452,871)
Reinsurers'/coinsurers' shares	346,309	4,446,414	-	-	4,792,723
Change in claims provisions	(378,691)	(4,548,365)	(1,360,006)	(74,470)	(6,361,532)
CHANGE IN OTHER TECHNICAL PROVISIONS	**(3,921,319)**	**5,687**	**-**	**-**	**(3,915,633)**
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	**(38,719,865)**	**-**	**-**	**-**	**(38,719,865)**
EXPENSES FOR BONUSES AND DISCOUNTS	**-**	**(311,924)**	**(88)**	**(4)**	**(312,016)**
OPERATING EXPENSES, of which	**(16,284,814)**	**(45,502,491)**	**(9,117,788)**	**(1,649,187)**	**(72,554,279)**
- acquisition costs	(5,407,740)	(18,801,131)	(1,679,032)	(216,207)	(26,104,111)
EXPENSES INVESTMENTS, of which	**(1,598,952)**	**(1,454,656)**	**(45)**	**-**	**(3,053,652)**
OTHER INSURANCE EXPENSES	**(279,662)**	**(1,918,644)**	**(204,447)**	**(45,463)**	**(2,448,216)**
OTHER EXPENSES	**(3,308,461)**	**(3,880,802)**	**(291,604)**	**(44,327)**	**(7,525,194)**
PROFIT/(LOSS) BEFORE TAX	**1,041,736**	**5,156,287**	**1,721,485**	**18,522**	**7,938,029**
CORPORATE INCOME TAX	**(3,600)**	**(676,955)**	**(323,299)**	**(3,582)**	**(1,007,436)**
NET PROFIT FOR THE REPORTING PERIOD	**1,038,136**	**4,479,332**	**1,398,185**	**14,940**	**6,930,593**

Income statement for the period from 1 January 2018 to 31 December 2018 by segment, in accordance with the Decision on Annual Reports of Insurance Undertakings

(in EUR)	Life insurance	Non-life insurance	Complementary health insurance	Other health insurance	Total
NET PREMIUM INCOME	**56,834,535**	**132,220,880**	**96,293,603**	**3,847,786**	**289,196,804**
Gross written premiums	58,984,490	141,768,135	95,865,573	3,828,003	300,446,201
Premiums ceded to reinsurers and coinsurers	(2,131,328)	(8,123,928)	-	-	(10,255,255)
Change in unearned premiums	(18,628)	(1,423,327)	428,030	19,783	(994,142)
REVENUES FROM INVESTMENTS IN ASSOCIATES, of which	**1,403,467**	**156,262**	**21,369**	**-**	**1,581,099**
INCOME FROM INVESTMENTS	**6,492,877**	**4,808,032**	**420,097**	**12,983**	**11,733,989**
OTHER INCOME FROM INSURANCE OPERATIONS, of which	**777,494**	**1,084,171**	**-**	**-**	**1,861,666**
- fee and commission income	777,494	1,084,171	-	-	1,861,666
OTHER INCOME	**437,661**	**4,615,690**	**310,078**	**92,123**	**5,455,553**
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	**(46,384,716)**	**(82,363,417)**	**(86,010,239)**	**(2,847,119)**	**(217,605,490)**
Gross amounts of claims and benefits paid	(46,998,483)	(84,880,071)	(85,712,074)	(2,806,640)	(220,397,268)
Reinsurers'/coinsurers' shares	681,661	4,412,208	-	-	5,093,869
Change in claims provisions	(67,894)	(1,895,554)	(298,165)	(40,479)	(2,302,092)
CHANGE IN OTHER TECHNICAL PROVISIONS	**(2,715,531)**	**(15,563)**	**-**	**(5,152)**	**(2,736,245)**
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	**29,072,788**	**-**	**-**	**-**	**29,072,788**
EXPENSES FOR BONUSES AND DISCOUNTS	**-**	**(54,410)**	**(11)**	**(0)**	**(54,420)**
OPERATING EXPENSES, of which	**(17,015,675)**	**(41,625,010)**	**(8,608,706)**	**(1,400,116)**	**(68,649,506)**
- acquisition costs	(5,388,022)	(16,882,647)	(1,234,568)	(144,524)	(23,649,761)
EXPENSES INVESTMENTS, of which	**(23,284,880)**	**(2,177,661)**	**-**	**-**	**(25,462,541)**
- impairment losses of financial assets not measured at fair value through profit or loss	(221,576)	(825,051)	-	-	(1,046,626)
OTHER INSURANCE EXPENSES	**(418,164)**	**(1,926,079)**	**(254,546)**	**(4,876)**	**(2,603,665)**
OTHER EXPENSES	**(4,740,002)**	**(6,541,100)**	**(203,509)**	**(17,545)**	**(11,502,156)**
PROFIT/(LOSS) BEFORE TAX	**459,855**	**8,181,797**	**1,968,137**	**(321,915)**	**10,287,873**
CORPORATE INCOME TAX	**178,526**	**(1,308,362)**	**(363,962)**	**61,552**	**(1,432,245)**
NET PROFIT FOR THE REPORTING PERIOD	**638,381**	**6,873,435**	**1,604,175**	**(260,362)**	**8,855,628**

Income statement for the period from 1 January 2019 to 31 December 2019 – Adriatic Slovenica d.d., Podružnica Zagreb za osiguranje (the Zagreb branch)

in EUR	2019	2018
NET PREMIUM INCOME	**5,285,900**	**4,186,028**
Gross written premiums	5,977,837	4,657,177
Premiums ceded to reinsurers and coinsurers	(98,994)	(49,545)
Change in unearned premiums	(592,943)	(421,605)
INCOME FROM INVESTMENTS	**1,633,685**	**449,951**
OTHER INCOME FROM INSURANCE OPERATIONS, of which	**858,307**	**893,505**
- fee and commission income	858,307	893,505
OTHER INCOME	**90,761**	**68,830**
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	**(2,453,634)**	**(1,396,225)**
- Gross amounts of claims and benefits paid	(2,130,313)	(1,264,093)
- Change in claims provisions	(323,322)	(132,133)
CHANGE IN OTHER TECHNICAL PROVISIONS	**(43,719)**	**(51,462)**
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	**(2,137,797)**	**(719,084)**
EXPENSES FOR BONUSES AND DISCOUNTS	**(2,006)**	**(1,429)**
OPERATING EXPENSES, of which	**(2,623,558)**	**(2,230,173)**
- acquisition costs	(1,402,278)	(1,065,629)
EXPENSES INVESTMENTS, of which	**-**	**(495,736)**
OTHER INSURANCE EXPENSES	**(1,016,392)**	**(996,820)**
OTHER EXPENSES	**(54,866)**	**(273,856)**
PROFIT/(LOSS) BEFORE TAX	**(463,320)**	**(566,473)**
CORPORATE INCOME TAX	**37,807**	**154,144**
NET PROFIT FOR THE REPORTING PERIOD	**(425,513)**	**(412,329)**

9.3 STATEMENT OF COMPREHENSIVE INCOME BY SEGMENT

Statement of comprehensive income for the period from 1 January 2019 to 31 December 2019 by insurance segment, in accordance with the Decision on Annual Reports of Insurance Undertakings

(in EUR)	Life insurance	Non-life insurance	Complementary health insurance	Other health insurance	Total
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	**1,038,136**	**4,479,332**	**1,398,185**	**14,940**	**6,930,593**
OTHER COMPREHENSIVE INCOME AFTER TAXATION	**1,515,674**	**3,225,084**	**147,355**	**(6,083)**	**4,882,031**
Items not to be allocated to profit or loss in subsequent periods	**-**	**(236,983)**	**-**	**-**	**(236,983)**
Actuarial net gain/loss for pension programmes	-	(236,983)	-	-	(236,983)
Items that may be allocated to profit or loss in subsequent periods	**1,515,674**	**3,462,068**	**147,355**	**(6,083)**	**5,119,015**
Net gain/loss from re-measurement of available-for-sale financial assets	1,871,203	4,274,158	181,920	(7,509)	6,319,771
Gain/loss, recognised in revaluation surplus	3,609,991	4,592,088	181,920	(7,509)	8,376,490
Transfer of gain/loss from revaluation surplus to income statement	(1,738,788)	(317,930)	-	-	(2,056,718)
Tax on items that may be allocated to profit or loss in subsequent periods	(355,529)	(812,090)	(34,565)	1,427	(1,200,756)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAXATION	**2,553,810**	**7,704,416**	**1,545,540**	**8,858**	**11,812,625**

Statement of comprehensive income for the period from 1 January 2018 to 31 December 2018 by insurance segment, in accordance with the Decision on Annual Reports of Insurance Undertakings

(in EUR)	Life insurance	Non-life insurance	Complementary health insurance	Other health insurance	Total
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	**638,381**	**6,873,435**	**1,604,175**	**(260,362)**	**8,855,628**
OTHER COMPREHENSIVE INCOME AFTER TAXATION	**447,910**	**(584,632)**	**(37,477)**	**(6,817)**	**(181,016)**
Items not to be allocated to profit or loss in subsequent periods	**(264)**	**(17,028)**	**-**	**-**	**(17,292)**
Actuarial net gain/loss for pension programmes	(264)	(17,028)	-	-	(17,292)
Items that may be allocated to profit or loss in subsequent periods	**448,174**	**(567,604)**	**(37,477)**	**(6,817)**	**(163,724)**
Net gain/loss from re-measurement of available-for-sale financial assets	553,301	(700,746)	(46,268)	(8,416)	(202,129)
Gain/loss, recognised in revaluation surplus	414,951	(1,257,412)	(46,268)	(8,416)	(897,144)
Transfer of gain/loss from revaluation surplus to income statement	138,350	556,666	-	-	695,015
Tax on items that may be allocated to profit or loss in subsequent periods	(105,127)	133,142	8,791	1,599	38,404
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAXATION	**1,086,290**	**6,288,803**	**1,566,698**	**(267,179)**	**8,674,612**

10. NOTES TO INDIVIDUAL ITEMS OF FINANCIAL STATEMENTS

10.1 INTANGIBLE ASSETS

Movements in intangible assets

(in EUR)	Material in rights and licences	Software	ND assets in the process of acquisition	Total
AT COST				
Balance as at 1 Jan 2018	**4,229,223**	**18,973,475**	**0**	**23,202,698**
Increases due to acquisition of companies	-	6,037,786	-	6,037,786
Direct increases - investments	-	1,471,859	-	1,471,859
Decreases during the year	(3,126,306)	-	-	(3,126,306)
Transfers between intangible assets, and property, plant and equipment	-	2,521	-	2,521
Other changes	-	793	-	793
Balance as at 31 Dec 2018	**1,102,917**	**26,486,434**	**0**	**27,589,351**
New balance as at 1 Jan	**1,102,917**	**26,486,434**	**0**	**27,589,351**
Direct increases - investments	-	1,961,342	-	1,961,342
Other changes	-	(779)	-	(779)
Balance as at 31 Dec 2019	**1,102,917**	**28,446,996**	**0**	**29,549,913**
VALUE ADJUSTMENT				
Balance as at 1 Jan 2018	**3,732,910**	**14,802,322**	**-**	**18,535,232**
Increases due to acquisition of companies	-	3,469,777	-	3,469,777
Depreciation during the year	-	1,986,310	-	1,986,310
Decreases during the year	(3,126,306)	(0)	-	(3,126,306)
Revaluation owing to impairment of assets	220,583	-	-	220,583
Other changes	-	691	-	691
Balance as at 31 Dec 2018	**827,188**	**20,259,099**	**-**	**21,086,287**
New balance as at 1 Jan	**827,188**	**20,259,099**	**-**	**21,086,287**
Depreciation during the year	-	2,075,152	-	2,075,152
Decreases during the year	-	(0)	-	(0)
Revaluation owing to impairment of assets	220,583	-	-	220,583
Other changes	-	(719)	-	(719)
Balance as at 31 Dec 2019	**1,047,771**	**22,333,533**	**-**	**23,381,304**
BOOK VALUE				
Balance as at 31 Dec 2018	**275,729**	**6,227,334**	**0**	**6,503,064**
Balance as at 31 Dec 2019	**55,146**	**6,113,464**	**0**	**6,168,610**

At the end of 2019, the balance of intangible assets decreased by EUR 334,454 compared to the end of the previous year, mainly due to depreciation. Despite the lower balance as at 31 December 2019, investments in software purchase and improvement in the amount of EUR 1,961,342 were made.

Apart from revaluating property rights, the Company did not carry out any other impairments within intangible assets.

As at 31 December 2019, the operating liabilities to suppliers of intangible assets amounted to EUR 122,207. These are disclosed under Company's other liabilities. The Company has no financial liabilities arising from the purchase of intangible assets, no intangible assets pledged as security, no legal restrictions were put on intangible assets nor were these assets pledged as collateral for debt. The Company does not have any internally generated intangible assets nor does it have any intangible assets acquired by a government grant. All the intangible assets are owned by the Company and free from encumbrances.

The intangible assets will be finally depreciated by 2033 based on their determined useful lives and the applied depreciation rates. The Company uses the straight-line basis method and in 2019 it did not change the depreciation rates. Depreciation of intangible assets is posted in the income statement among operating costs.

10.2 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment

(in EUR)	Land and building	Office and other equipment	Property, plant and equipment in process of acquisition	Assets arising from a lease	Investment in foreign tangible fixed assets	Total
AT COST						
Balance as at 1 Jan 2018	**27,207,249**	**16,838,307**	**360,355**	**-**	**18,488**	**44,424,399**
Increases due to acquisition of companies	-	489,149	-	-	-	489,149
Direct increases - investments	28,754	1,027,567	269,759	-	(0)	1,326,079
Direct increases - advance payments	-	-	332,691	-	-	332,691
Decreases during the year	-	(952,143)	(135,523)	-	-	(1,087,666)
Transfers between intangible assets, investment property, and property, plant and equipment	-	309,281	(311,802)	-	-	(2,521)
Other changes	-	537	-	-	69	605
Balance as at 31 Dec 2018	27,236,002	17,712,697	515,480	-	18,557	45,482,737
New balance as at 1 Jan	27,236,002	17,712,697	515,480	-	18,557	45,482,737
Change in transition to IFRS 16	-	-	-	1,536,526	-	1,536,526
Direct increases - investments	7,201	950,660	17,192	-	0	975,053
Direct increases – advance payments	-	-	104,936	-	-	104,936
Decreases during the year	-	(2,431,852)	(0)	(32,513)	-	(2,464,365)
Transfers between intangible assets, investment property, and property, plant and equipment	264,365	97,841	(362,206)	-	-	(0)
Other changes	-	(612)	-	-	(66)	(679)
Balance as at 31 Dec 2019	27,507,569	16,328,734	275,402	1,504,013	18,491	45,634,209
VALUE ADJUSTMENT						
Balance as at 1 Jan 2018	**4,822,974**	**11,460,166**	**-**	**-**	**15,723**	**16,298,863**
Increases due to acquisition of companies	-	455,796	-	-	-	455,796
Depreciation during the year	284,119	1,178,604	-	-	1,788	1,464,512
Decreases during the year	-	(868,545)	-	-	-	(868,545)
Revaluation owing to impairment of assets	0	-	-	-	-	0
Transfers between intangible assets, investment property, and property, plant and equipment	-	(0)	-	-	-	(0)
Other changes	-	507	-	-	60	567
Balance as at 31 Dec 2018	5,107,094	12,226,528	-	-	17,571	17,351,192
New balance as at 1 Jan 2015	5,107,094	12,226,528	-	-	17,571	17,351,192
Depreciation during the year	287,567	1,010,025	-	302,006	675	1,600,273
Decreases during the year	-	(1,687,863)	-	-	(0)	(1,687,863)
Revaluation owing to impairment of assets	0	-	-	-	-	0
Other changes	-	(472)	-	-	(67)	(539)
Balance as at 31 Dec 2019	5,394,661	11,548,218	-	302,006	18,179	17,263,064
BOOK VALUE						
Balance as at 31 Dec 2018	22,128,909	5,486,170	515,480	-	986	28,131,545
Balance as at 31 Dec 2019	22,112,908	4,780,516	275,402	1,202,008	312	28,371,145

As at 31 December 2019, the operating liabilities to suppliers of property, plant and equipment amounted to EUR 1,563. These are disclosed under Company's other liabilities.

The Company has no financial liabilities arising from the purchase of property, plant and equipment, no property, plant and equipment pledged as security, no legal restrictions were put on property, plant and equipment nor were these assets pledged as collateral for debt.

With the exception of land and buildings, which have longer useful lives and are expected to be fully depreciated by 2099, it is expected that all other items of property, plant and equipment at the disposal of the Company be fully depreciated based on the determined useful lives and depreciation rates by the year 2028. The Company uses the straight-line basis method and in 2019 it did not change the depreciation rates. Depreciation of property, plant and equipment is posted in the income statement among operating costs.

The balance of property, plant and equipment as at 31 December 2019 compared to the 2018 year-end increased by EUR 239,599, mainly due to investments in the purchase of software for EUR 843,681, purchase of cars for EUR 97,841 and purchase of other equipment for EUR 106,979. In 2019, the value of buildings for the provision of insurance activities also increased, with investments worth EUR 122,128 still in progress.

The lower value of property, plant and equipment in 2019 was caused by depreciation carried out in the accounting period, disposal, sale and write off of property, plant and equipment. Major disposals in 2019 relate to equipment in the amount of EUR 676,860, means of transport (cars) in the amount of EUR 55,100, write-off of computer equipment and sale of other assets of lower value.

At the end of the year, the Company wrote off hardware and property, plant and equipment that had already been depreciated and were judged to be no longer suitable for use. Profit from the sale of property, plant and equipment amounted to EUR 226,731.

Upon transition to IFRS 16, the Company recognized EUR 1,536,526 of the right to use assets that influenced the increase in property, plant and equipment. The recognition of rights to use assets is presented in more detail in section 4.1.1 - IFRS 16 Leases.

As at 31 December 2019, property, plant and equipment worth EUR 9,365,737 (last year: EUR 9,459,758) of fully depreciated property, plant and equipment are fully utilized. In 2019, the Management assessed whether there were grounds for impairment of the real property needed for the performance of Company's activities in such a way as described in the guidelines given in Sections 5.2 or 5.3. The last appraisal of the recoverable amount of property intended for own use was performed by an external certified appraiser in September 2019.

The recoverable amount was assessed:

- using the method of fair value, decreased by costs of sale, defined based on the market approach, and
- using the method of value in use, defined based on the income approach.

On the basis of the assessment, it was established that as at the 2019 year-end there were no signs indicating that the real property needed for the performance of activities would have to be impaired, since the individual cash-generating unit did not show negative performance in the last three years.

10.3 INVESTMENT PROPERTIES

Movements in investments in land and buildings

(in EUR)	2019	2018
AT COST VALUE		
Balance as at 1 Jan	**31,893,725**	**31,713,870**
Direct increases - investments	-	231,151
Decreases during the year	(16,956,611)	(51,296)
As at 31 Dec	**14,937,114**	**31,893,725**
VALUE ADJUSTMENT		
Balance as at 1 Jan	5,828,604	5,426,756
Depreciation in the financial year	206,969	335,582
Decreases during the year	(2,790,768)	(12,684)
Impairment of cost	-	78,951
As at 31 Dec	**3,244,805**	**5,828,604**
BOOK VALUE		
As at 31 Dec	**11,692,309**	**26,065,121**

The Company leases all investment properties or business premises – individual parts of investment properties. All operating leases can be cancelled. Rents are charged at market prices and are re-assessed if necessary. Lease agreements are generally concluded for an indefinite period of time. The last agreement concluded for a fixed period of time will expire in 2020. The lowest rent which the Company charges under the contract is EUR 60 and in 2019 the average rent was 9.0 EUR/m².

The balance of investment property as at 31 December 2019 decreased by EUR 14,372,812. In February 2019, the Company sold the investment property Maribox located at Loška 13, Maribor in accordance with the Sales Contract for EUR 14,270,000. Upon disposal of the property, a profit of EUR 250,944 was realized, namely EUR 104,157 immediately upon sale and an additional EUR 146,786 at a later point on account of capital cost and current maintenance,

In 2019, the management assessed whether there were grounds for impairment of investment property in the way described in the policies given in Section 5.3. The last appraisal of the recoverable amount of investment property was carried out by an external certified appraiser in September 2019. In assessing the recoverable amount, the market approach (the direct sales comparison method) and the income approach (the direct yield capitalisation method) were applied.

In the **direct sales comparison method**, the recoverable amount was assessed based on market data arising from comparable transactions of similar property.

In the **income approach** (the direct yield capitalisation method), the recoverable amount was assessed using the **capitalisation rate** (discount rate) between 7.72% and 8.12% (or 7.72 %, 7.92%, 7.82%, 8.02% and 8.12 %). The following assumptions were applied to calculate the capitalisation rate:

- the real risk-free rate of return – (Rf) (return on 10-year government bond) 0.18 %,
- risk premium (p) (including liquidity premium and investment management premium) 6.20 %, 6.30 %, 6.40 %, 6.50 % and 6.60 %, and
- capital recovery premium (d) 1.34 %.

Based on the valuation, as at the 2019 year-end the Management assessed that no impairing was necessary.

The fair value of investment property as at 31 December 2019 was EUR 12,190,701, and was higher than the carrying amount of EUR 11,692,309.

The Company uses straight-line depreciation for investment property; in 2019 no changes were made to depreciation rates. Depreciation of investment property is recognised in the income statement under other operating expenses as investment property expenses.

The Company has no investment properties pledged as security, no legal restrictions were put on them nor were they pledged as collateral for debt.

Income and expenses from investment properties

(in EUR)	31 Dec 2019	31 Dec 2018
Revenues from investment properties	**1,185,219**	**2,829,976**
Other revenues arising from rents charged on investment properties	934,275	1,809,928
Gains on the disposal of investment properties	250,944	42,490
Revenues from reversal of impairment of receivables	-	977,559
Expenses for investment properties	**(748,364)**	**(1,587,631)**
Depreciation	(206,969)	(335,582)
Direct operating expenses for investment properties that generate rental income	(318,758)	(1,169,413)
Direct operating expenses for investment properties that do not generate rental income	(189,605)	(1,314)
Expenses from impairment of receivables from investment properties	(33,032)	(2,372)
Expenses from impairment of investment properties.	-	(78,951)

10.4 FINANCIAL INVESTMENTS IN ASSOCIATES

The Company classifies among subsidiaries those companies in which it has, directly or indirectly, more than half of the voting rights or has any other power to control their business. In 2019, the control of all subsidiaries was based on a majority or 100% share of voting rights. The only exceptions are indirect subsidiaries in which the Company has less than 100% share.

Direct subsidiary	Equity stake (%) 31 Dec 2019	Voting rights (%) 31 Dec 2018	Change (in %)	Note
PROSPERA družba za izterjavo d. o. o.	100.00	100.00	-	
VIZ zavarovalno zastopništvo d. o. o.	100.00	100.00	-	
ZDRAVJE AS zdravstvene storitve d. o. o.	100.00	100.00	-	
Generali Investments, družba za upravljanje, d. o. o. Ljubljana	100.00	100.00	-	
AGENT Zavarovalniško zastopanje d. o. o.	100.00	100.00	-	
Indirect subsidiary **				
Generali Investments a.d. Zagreb	96.72	90.00	6.72 -	
Generali Investments d.o.o. Skopje	94.60	94.60	-	
Generali Investments GP 1, družba za investicije, d. o. o.	100.00	-	-	Entered the Group - establishment
Generali Investments GP 2, družba za investicije, d. o. o.	100.00	-	-	Entered the Group - establishment
Generali Investments CP d. o. o. k. d.	54.79	-	-	Co-establishment
Associate				
Nama trgovsko podjetje d.d., Slovenia	48.51	48.51	-	
MEDIFIT d. o. o., Slovenia	33.09	48.00	(15)	Sale of stake
IDORU inteligentni analitični sistemi d. o. o.	25.00	-	25.00	Purchase of stake

* The share of voting rights is equal to equity stake.
** ** With regard to indirect subsidiaries, the stake of KD Skladi in indirect subsidiaries is shown.

Investments in companies within the Group and in Associates

Company Name	Carring amount of equity stake in EUR	
Subsidiary	**2019**	**2018**
PROSPERA družba za izterjavo d. o. o., Slovenija	2,920,934	3,820,934
VIZ zavarovalno zastopništvo d. o. o., Slovenija	560,000	560,000
ZDRAVJE AS d. o. o	720,000	650,000
Generali Investments, družba za upravljanje, d. o. o. Ljubljana	29,326,008	29,326,008
AGENT d. o. o.	635,000	635,000
Total subsidiaries	**34,161,942**	**34,991,942**
Indirect subsidiary		
Generali Investments a. d. Zagreb	2,142,000	2,294,293
Generali Investments d. o. o. Skopje	450,000	450,000
Generali Investments GP 1, družba za investicije, d. o. o.	7,500	-
Generali Investments GP 2, družba za investicije, d. o. o.	7,500	-
Generali Investments CP d. o. o. k. d.	20,000	-
Total indirect subsidiaries	**2,627,000**	**2,744,293**
Associates		
Nama trgovsko podjetje d.d., Slovenija	11,705,901	11,705,901
MEDIFIT d. o. o., Slovenija	248,692	128,352
IDORU inteligentni analitični sistemi d. o. o.	51,125	-
Total associates	**12,005,718**	**11,834,253**

The carrying amount of investments in subsidiaries decreased in 2019 compared to 2018 year-end, by EUR 830,000, as a result of the recapitalisation of the company Prospera d.o.o. Balance of investments in the subsidiaries increased compared to 2017 is higher on account of the newly associated company Idoru d. o. o. and to the pay-up of capital to Medifit d. o. o.

At the end of the financial year, the Management assesses the need for impairment pursuant to internal valuations and with the help of external appraisers, on the basis of external valuations of companies. In 2019, the external appraisers of valuation carried out the valuation of the company Generali Investments Ljubljana, družba za upravljanje, d. o. o. as of 30.06.2019. Based on the valuation, the Company assessed that impairments were not necessary.

To this end, an analysis of the sensitivity of recoverable amount of the company Generali Investments d.o.o. Ljubljana was provided.

In assessing the market value of the subsidiary Generali Investments d. o. o. Ljubljana the present value of expected cash flows to total capital (indirect method) was applied using the following assumptions

- risk-free rate of return: until 2022; 1.12% %; after 2022; 3.00 %
- WACC: until 2022; 10.11% %; after 2022; 11.99 %
- long-term growth rate (g): 2.5 %
- Discount for Lack of Marketability: 11 %

Sensitivity analysis of subsidiary Generali Investments d. o. o. Ljubljana

Net EBIT% achieved from planned	Equity value in EUR 000
110%	32,835
100%	30,473
90%	28,110

Movements in subsidiaries, indirect subsidiaries and associates in 2019

Movements in investments in subsidiaries and associates

(in EUR)	2019	2018
Subsidiaries		
As at 1 January	**34,991,942**	**39,110,803**
Acquisition or establishment	-	79,375
Recapitalisation	70,000	130,000
Decreases during the year	(900,000)	(4,328,236)
As at 31 December	**34,161,942**	**34,991,942**
Associates		
As at 1 January	11,834,253	11,705,901
Acquisition	176,674	133,561
Sales and disposals	(5,209)	(5,209)
As at 31 December	**12,005,718**	**11,834,253**

Adriatic Slovenica d.d. subsidiaries and changes in equity stakes of subsidiaries

Prospera d. o. o.

In the first half of 2019, Adriatic Slovenica received dividends in the amount of EUR 51,443 from its subsidiary Prospera. The dividends were fully paid in the first half of 2019.

In 2019, Adriatic Slovenica d. d., as the sole shareholder of Prospera d. o. o., received from the subsidiary EUR 900,000 in capital payment. On the basis of the finding that the volume of capital is too large in relation to the activity and needs of the company, Prospera d. o. o. carried out the decapitalization of EUR 900.000 and reduced capital reserves for this amount

ZDRAVJE AS zdravstvene storitve d. o. o.

In 2019 Adriatic Slovenica increased its investment in the subsidiary ZDRAVJE AS d. o. o. for the amount of EUR 70,000 by paying additional funds to increase the share capital. The share capital of ZDRAVJE AS d. o. o. thus increased to EUR 720,000.

Generali Investments, družba za upravljanje d. o. o. Ljubljana

In the first half of 2019, Adriatic Slovenica received dividends in the amount of EUR 1,140,000 from its subsidiary Generali Investments d. o. o. Ljubljana. The dividends were fully paid in the first half of 2019.

In 2019, the subsidiary Generali Investments, Ljubljana increased its share in the subsidiary (indirect subsidiary to AS d.d.) Generali Investments d. o. o. Zagreb by 6.72%.

Agent Zavarovalniško zastopanje d. o. o.

In the first half of 2019, Adriatic Slovenica received dividends in the amount of EUR 104,884 from its subsidiary Agent d.o.o. The dividends were fully paid in the first half of 2019.

Adriatic Slovenica d. d. Associates

Nama trgovsko podjetje d. d. (Associate)

The investment in the associate Nama d. d. is recognised in the financial statements at cost. For the purpose of financial reporting and potential impairments of investment in associate, the Company measures the recoverable amount of the investment based on appraisals performed by external appraisers. Assessment of the recoverable amount is made using the net asset value method. The recoverable amount of real property owned by Nama d. d. was assessed on the basis of the market approach and the income approach using the discount rate of 7.4–8.5%. In line with its strategy, Nama may also lease and sell its real property, in addition to performing its principal activity.

In 2019, external appraisers assessed the investment in shares of Nama d.d. as at the balance on 30 June 2019. Pursuant to this appraisal, the Management assessed that no impairments were required in 2019.

In the first half of 2019, Adriatic Slovenica received EUR 50,895 of dividends from Nama d. d. The dividends were fully paid in the first half of 2019.

Information on property and financial position of the companies within the Group

Company name in EUR	Assets		Capital		Revenues		Profit or loss for the year	
Subsidiaries	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
PROSPERA družba za izterjavo d. o. o.	3,140,488	4,056,946	2,969,474	3,882,378	1,407,121	1,840,112	33,863	40,345
VIZ zavarovalno zastopništvo d. o. o.	183,785	93,636	161,255	77,247	260,966	185,084	84,008	40,483
ZDRAVJE AS zdravstvene storitve d. o. o.	320,354	362,810	184,533	196,628	357,131	379,177	(82,095)	(132,015)
Generali Investments, družba za upravljanje, d.o.o. Ljublja	11,987,429	11,646,457	10,351,453	10,397,696	9,512,896	9,762,136	1,239,730	1,859,265
AGENT Zavarovalniško zastopanje d.o.o.	149,079	292,557	82,794	191,984	1,984,041	2,086,536	(4,307)	97,918
Indirect subsidiary	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Generali Investments a.d. Skopje	445,041	303,107	436,722	298,387	327,498	261,604	137,098	77,059
Generali Investments d.o.o. Zagreb	892,787	1,201,751	799,482	897,858	957,573	1,103,784	107,362	202,747
Generali Investments GP 1, družba za investicije, d.o.o.	-	-	-	-	-	-	-	-
Generali Investments GP 2, družba za investicije, d.o.o.	-	-	-	-	-	-	-	-
Generali Investments CP d. o. o. k. d.	40,974	-	36,500	-	-	-	-	-
Associates	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Nama trgovsko podjetje d.d.	14,505,309	12,457,350	10,149,182	10,165,533	14,024,247	15,932,493	643,999	112,989
IDORU inteligentni analitični sistemi d. o. o.	9,925	-	9,762	-	1,483	-	(32,428)	-
MEDIFIT d. o. o., Slovenija	174,162	152,591	123,560	109,423	166,995	5,314	(235,862)	(148,531)

Note: The information on property and financial position of the subsidiaries and associates are taken from financial statements, prepared by these companies.

For reporting purposes, the balance sheet data of the subsidiary Generali Investments d. o. o. Zagreb are converted into euros at the reference exchange rate of the European Central Bank. The exchange rate as at 31 December 2019 was applied to convert the balance sheet items from Croatian kuna to euros, i.e. 7.4395 (31 December 2018: 7.4125), and the average annual rate of 7.4180 (2018: 7. 4182) for the conversion of the income statement items. For reporting purposes, the balance sheet data of the subsidiary Generali investments a. d. Skopje are converted at the reference exchange rate of the Bank of Slovenia. The balance sheet items are converted from Macedonian denar (MKD) into euros at the EUR/MKD exchange rate of 61.4190 as at 31 December 2019 (on 31 December 2018: 61.606), while the income statement items were converted by using the average annual EUR/MKD exchange rate of 61.5660 (2018: 61.458).

10.5 FINANCIAL INVSETMENTS

Capital markets ended another remarkable year in terms of returns. Annual exchange rates have risen in virtually all types of securities. With macroeconomic data slowing, capital markets were driven primarily by expansionary central bank policies and optimism in resolving trade disputes, particularly between the US and China. At the end of the year, in the light of optimism and partial agreement between the US and China, US and European stock indices reached new highs. Stock markets in developing countries lagged behind developed markets on average, but most of them still achieved positive returns. The incentive policy of the central banks also had a positive impact on fixed-rate investments and on the assets of the Company where it has the majority of its financial investments.

In the following text, we are presenting the position of investments as at 31 December 2019 per groups and compared to 2018 year-end.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss – at initial recognition

(in EUR)	31 Dec 2019	31 Dec 2018
Equity securities	**325,330**	**268,556**
Listed securities	325,330	268,556
Debt securities	**3,658,941**	**7,525,333**
Listed securities	2,756,839	7,005,879
Government bonds	902,102	519,454
Total	**3,984,271**	**7,793,889**

Financial assets measured at fair value through profit or loss – held for trading

(in EUR)	31 Dec 2019	31 Dec 2018
Equity securities	**586,653**	**562,724**
Listed securities	586,653	562,724
Debt securities	**925,648**	**1,037,404**
Government bonds	925,648	1,037,404
Total	**1,512,301**	**1,600,129**

The total value of financial assets measured at fair value through profit or loss decreased in 2019, mainly due to sales of debt securities.

Available-for-sale financial assets

In 2019, the Company carried out an annual assessment of impairment needs for financial investments allocated to available-for-sale financial assets, especially for the high value non-market securities from the past years valued at cost. Based on the expert assessment and internal accounting policies, the Management determined that there was no requirement for impairment of the investments into equity marketable securities and into equity non-marketable securities in 2019.

Available-for-sale financial assets

(in EUR)	31 Dec 2019	31 Dec 2018
Equity securities	**47,551,213**	**41,233,556**
Listed securities	28,954,487	20,258,253
Non-listed securities	18,596,726	20,975,302
Debt securities	**243,257,661**	**156,513,566**
Listed securities	48,485,380	27,995,963
Non-listed securities	15,739,388	3,891,193
Government bonds	179,032,893	124,626,410
Impairment of the value of securities	**(4,485,904)**	**(5,771,249)**
Total	**286,322,970**	**191,975,873**

As at 31 December 2019, available-for-sale assets were higher compared to the year before, mostly because of capital market growth and increased investment of the Company in debt securities.

Held-to-maturity financial assets

Held-to-maturity financial assets

(in EUR)	31 Dec 2019	31 Dec 2018
Debt securities	**11,809,059**	**29,628,993**
Listed securities	944,695	18,225,841
Government bonds	10,864,363	11,403,153
Total	**11,809,059**	**29,628,993**

The balance of debt securities of financial assets held to maturity decreased in 2019, mostly because of early redemptions and maturity of these financial assets.

Effective interest rates (in %) for debt instruments not measured at fair value:

As at 31 Dec	31 Dec 2019	31 Dec 2018
Debt securities		
– held-to-maturity	5.96%	5.59%

For the fair value of the held-to maturity assets see Section 8, Table: Financial assets by fair value hierarchy.

Loans, deposits and financial receivables

Loans, deposits and financial receivables

(in EUR)	31 Dec 2019	31 Dec 2018
Loans	**6,356,534**	**28,746,033**
Long-term	598,328	3,105,240
Short-term	5,758,206	25,640,793
Deposits placed with banks	**684,499**	**5,864,753**
Long-term	586,267	271,093
Short-term	98,232	5,593,660
Financial receivables	**2,050,120**	**8,523,057**
Total	**9,091,153**	**43,133,843**

Due to loan repayments/pay offs of the loans in 2019, at the end of 2019, the loans decreased by EUR 22,389,449 compared to the previous year. Short-term loans decreased by EUR 19,882,587, while long-term loans decreased by EUR 2,506,912. Deposits placed with banks decreased by EUR 5,180,254, mainly on account of short-term deposits which are lower by EUR 5,495,428. As at 31 December 2019, the financial receivables amounting to EUR 2,050,120 represent an important part of these advances for securities purchases.

Effective interest rates on loans and deposits

in %	31 Dec 2019	31 Dec 2018
Long-term loans in		
- foreign currency	-	-
- local currency	3.83%	5.09%
Short-term loans in		
- foreign currency	-	-
- local currency	2.88%	4.10%
Deposits placed with banks		
Short-term deposits	2.08%	0.39%
Long-term deposits	1.01%	2.29%

Financial receivables

(in EUR)	31 Dec 2019	31 Dec 2018
Financial receivables arising from investment properties	51,613	118,524
Other financial receivables	1,998,508	8,404,533
Total	**2,050,120**	**8,523,057**

Movements in financial assets

(in EUR)	Fair value through profit or loss - at initial recognition	Fair value through profit or loss - held for sale	Held to maturity	Available for sale	Loans, deposits and financial receivables	Total
Balance as at 1 Jan 2018	**6,817,780**	**1,651,309**	**31,417,539**	**189,672,564**	**36,655,339**	**266,214,532**
Exchange rate differences	1,321	9,334	2,259	94,342	247,920	355,176
Increase	2,835,497	9,513	54,731	57,245,123	435,931,592	496,076,456
Change of fair value (+/-) through profit or loss (market rates)	(878,913)	(46,509)	-	-	-	(925,422)
Change of fair value (+/-) through revaluation surplus (market rates)	-	-	-	(1,510,491)	-	(1,510,491)
Increase due to interest	536,034	33,949	1,679,462	2,205,022	1,274,163	5,728,629
Decrease	(1,517,831)	(57,468)	(3,524,997)	(55,730,686)	(430,975,171)	(491,806,153)
Balance as at 31 Dec 2018	**7,793,889**	**1,600,129**	**29,628,993**	**191,975,873**	**43,133,843**	**274,132,727**
-	-	-	-	-	-	-
Balance as at 1 Jan 2019	**7,793,889**	**1,600,129**	**29,628,993**	**191,975,873**	**43,133,843**	**274,132,727**
Exchange rate differences	(1,197)	8,689	(491)	(8,223)	(41)	(1,264)
Increase	493,678	864	1,167,436	135,031,473	258,193,078	394,886,529
Change of fair value (+/-) through profit or loss (market rates)	182,481	17,273	-	-	-	199,754
Change of fair value (+/-) through revaluation surplus (market rates)	-	-	-	12,950,543	-	12,950,543
Increase due to interest	12,691	30,163	882,339	2,676,722	391,355	3,993,270
Decrease	(4,497,271)	(144,816)	(19,869,219)	(56,303,418)	(292,627,082)	(373,441,805)
Balance as at 31 Dec 2019	**3,984,271**	**1,512,301**	**11,809,059**	**286,322,970**	**9,091,153**	**312,719,754**

Movements in loans, deposits and financial receivables mainly relate to the purchase and disposal of overnight framework deposits by means of an actual transaction account. Also, due to these transactions, higher value movements are also reflected in other current financial liabilities (see Section 10.18).

10.6 UNIT-LINKED LIFE INSURANCE ASSETS

The movement of the value of unit-linked insurance assets was predominantly tied to the movement of equity investments or equity investment funds. In 2019, this investment classes rewarded investors for taking risks and yielded positive returns in equity markets. We entered 2019 fearing the escalation of trade wars and tightening of central bank monetary policies. Due to the cooling of the economy, the policy of the main central banks has completely changed. The combination of expansive monetary policies and positive signs of subduing key geopolitical tensions have led investors to move to riskier and potentially more profitable investments.

Structure of unit-linked life insurance assets

(in EUR)	31 Dec 2019	31 Dec 2018
Financial assets measured at fair value through profit or loss - at initial recognition	**294,425,163**	**258,841,769**
Equity securities	232,733,242	205,929,558
Listed securities	232,733,242	205,929,558
Debt securities	61,691,922	52,912,211
Listed securities	61,691,922	52,912,211
Loans and deposits with banks	**17,073,957**	**15,286,017**
Loans	17,073,957	15,286,017
Total	**311,499,120**	**274,127,785**

The investments made for the benefit of unit-linked life insurance policyholders amounted to EUR 311,499,120. These are units of mutual funds, market ETFS funds, cover internal funds KD Dirigent, Aktivni naložbeni paket, KD Vrhunski, Aktivni AS and structured securities of issuers DEUTSCHE BANK LONDON and BNP Paribas, in line with the choice of the insurer. Policyholders' assets in products of DEUTSCHE BANK LONDON totalled EUR 681,756 and assets invested in BNP Paribas products totalled EUR 61,010,166. These are invested in structured securities linked to selected indexes. The guarantee of repayment of 100% nominal amount of the principal of the investment in products of DEUTSCHE BANK LONDON is given by Deutsche Bank AG London. The guarantee for BNP Paribas investment products is from 75% to 100% of the nominal amount of the principal. The guarantor for these products is BNP Paribas Paris.

Movements in unit-linked life insurance financial assets

(in EUR)	31 Dec 2019	31 Dec 2018
Balance as at 1 Jan	**274,127,785**	**304,978,131**
Increase	37,257,724	39,449,455
Decrease	(40,291,482)	(45,028,304)
Change of fair value (+/-) through profit or loss (market rates)	38,579,248	(21,824,213)
Deposit placement	5,326,519	4,485,703
Deposit withdrawal	(3,546,899)	(8,099,160)
Accrued interest	71,225	87,000
Exchange rate differences	(25,001)	79,174
Balance as at 31 Dec	**311,499,119**	**274,127,785**

10.7 AMOUNT OF INSURANCE TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS

Reinsurers'/co-insurers' share in insurance technical provisions

(in EUR)	31 Dec 2019	31 Dec 2018
- from insurance contracts for incurred and reported claims	7,109,220	7,708,880
- from insurance contracts for incurred, but not reported claims	780,091	792,564
Total non-current part	**7,889,311**	**8,501,444**
- unearned premiums	480,263	500,030
- from insurance contracts for incurred and reported claims	8,292,509	5,525,168
- from insurance contracts for incurred, but not reported claims	385,787	376,886
Total current part	**9,158,559**	**6,402,084**
Total	**17,047,870**	**14,903,528**

The reinsurers' share increased by EUR 2,144,341 compared to the end of the previous year, mainly due to fire damage in 2019. As of 31 December 31 2019, it amounted to EUR 3,555,464 and contributed to the increase in the share of insurance contracts for claims incurred and reported. The Company did not record any other major events in 2019, so the share of reinsurers from insurance contracts for incurred and reported claims decreased on other reinsurance contracts as a result of the liquidation of reinsured claims from previous years.

10.8 ASSETS FROM FINANCIAL CONTRACTS

Assets from financial contracts

(in EUR)	31 Dec 2019	31 Dec 2018
Financial investments	17,790,807	10,492,757
Cash and cash equivalents	895,679	1,420,090
Total assets from investment contracts	**18,686,486**	**11,912,847**

The assets from financial contracts at the 2019 year-end predominantly comprise investments in financial assets measured at fair value through profit or loss – at initial recognition.

Assets from financial contracts – assets structure

(in EUR)	31 Dec 2019	31 Dec 2018
Financial assets measured at fair value through profit or loss - at initial recognition	**17,782,436**	**8,348,875**
Equity securities	11,823,190	6,380,143
Listed securities	11,823,190	6,380,143
Debt securities	5,959,247	1,968,733
Listed securities	409,487	390,251
Non-listed securities	289,897	-
Government bonds	5,259,863	1,578,482
Available-for-sale financial assets	**-**	**2,139,777**
Equity securities	-	1,550,550
Listed securities	-	1,550,550
Debt securities	-	589,227
Government bonds	-	589,227
Financial receivables	**8,371**	**4,104**
Total financial assets	**17,790,807**	**10,492,757**

Movement of assets from financial contracts

(in EUR)	2019	2018
Balance as at 1 Jan	**10,492,757**	**7,928,201**
Increase (purchase)	8,483,610	5,120,751
Change of fair value (+/-) through profit or loss (market rates)	1,230,230	(445,120)
Change of fair value (+/-) through revaluation surplus (market rates)	(96,419)	(34,324)
Increase due to interest	33,822	16,964
Decrease (sale)	(2,353,193)	(2,129,564)
Exchange rate differences	-	35,849
Balance as at 31 Dec	**17,790,807**	**10,492,757**

10.9 RECEIVABLES

Balance of receivables

(in EUR)	As at 31.12.2019	As at 31.12.2018
Receivables from direct insurance operations	**23,001,589**	**15,582,978**
gross value	30,651,445	22,965,131
value adjustment	(7,649,857)	(7,382,153)
Receivables from reinsurance and coinsurance	**1,647,108**	**1,169,663**
gross value	2,003,825	1,318,959
value adjustment	(356,717)	(149,296)
Income tax receivables	**139,905**	**0**
OTHER RECEIVABLES	**2,119,957**	**2,837,617**
Other current receivables from insurance operations	**869,730**	**1,288,639**
gross value	893,316	1,308,001
value adjustment	(23,586)	(19,362)
Recourse receivables	**699,921**	**892,875**
gross value	2,730,697	3,126,273
value adjustment	(2,030,775)	(2,233,398)
Operating receivables from the state	**151,263**	**199,511**
gross value	151,300	199,511
value adjustment	(38)	-
Operating receivables for advances given	**39,756**	**181,686**
gross value	72,459	196,258
value adjustment	(32,703)	(14,572)
Other current operating receivables	**332,057**	**246,943**
gross value	931,103	862,647
value adjustment	(599,046)	(615,705)
Long-term receivables	**27,230**	**27,964**
Total receivables	**26,908,559**	**19,590,258**

Compared to the year before, the balance of receivables as at 31 December 2019 was higher by EUR 7,318,302 (or by 37.4%).

The receivables were higher mostly due to receivables from direct insurance operations which account for 85% of all receivables and relate receivables from policyholders due to contractual insurance premium. The higher balance of these receivables (by EUR 7,418,611) at the end of 2019 was mainly due to the early termination of the financial year and, consequently, the temporary deferral of recording premium payments and claims payments (which could not close the liabilities). At the beginning of the financial year 2020, outstanding receivables from direct insurance operations were closed with premium payments received (these were provisionally recorded among open liabilities from direct insurance operations) while liabilities were closed with claims payments (see also liabilities arising from direct insurance contracts - Section 10.19).

In addition to receivables from direct insurance business, receivables from reinsurance and co-insurance also increased by EUR 477,446 (due to a major fire damage from 2019), as well as income tax receivables and, to a lesser extent, other current operating receivables. The balance of other receivables is lower than in the previous year.

Every reporting period, the Company checks the adequacy of fair value assessments – collectible value of receivables by preparing an estimate of the recoverable amount for an individual type of receivables based on actual realised cash flows in the last observed period (it applies to receivables from insurance premiums and subrogation receivables). If such data is not available, a projection is made based on other credible sources (see Section 5.9.).

Movements in value adjustments of receivables

(in EUR)	Receivables from insurance operations	Subrogations	Other receivables	Total
Balance as at 1 Jan 2018	7,866,126	2,101,635	671,416	10,639,176
Changes during the year	(334,677)	131,763	(21,777)	(224,690)
Balance as at 31 Dec 2018	7,531,449	2,233,398	649,639	10,414,486
-	-	-	-	-
Balance as at 1 Jan 2019	7,531,449	2,233,398	649,639	10,414,486
Changes during the year	475,124	(202,622)	5,733	278,236
Balance as at 31 Dec 2019	8,006,573	2,030,775	655,373	10,692,721

10.10 OTHER ASSETS

Other assets – total balance

(in EUR)	31 Dec 2019	31 Dec 2018
Deferred acquisition costs	5,362,066	4,745,331
Deferred expenses and accrued revenues	410,379	560,052
Total	5,772,445	5,305,383

10.10.1 Deferred acquisition costs

Movements in deferred acquisition costs

(in EUR)	Long-term deferred acquisition costs	Short-term deferred acquisition costs
Balance as at 1 Jan 2018	123,979	4,508,338
Utilised in 2018	33,218	3,554,083
Formed in 2018	53,216	3,647,099
Balance as at 31 Dec 2018	143,977	4,601,354
Balance as at 1 Jan 2019	143,977	4,601,354
Utilised in 2019	25,063	3,634,084
Formed in 2019	110,233	4,165,649
Balance as at 31 Dec 2019	229,147	5,132,919

10.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

(in EUR)	31 Dec 2019	31 Dec 2018
Cash on hand and cheques received	988	(0)
Balances on accounts	13,976,698	13,777,245
Short-term deposits placed (maturity date up to 3 months)	5,450,000	4,950,250
Other cash	292,047	205,355
Total	19,719,732	18,932,850

The effective interest rate in 2019 on call deposits was between 0.0% and 0.001% (2018: from 0.0% and 0.002%).

10.12 EQUITY

Balance of equity

(in EUR)	31 Dec 2019	31 Dec 2018
Share capital	**42,999,530**	**42,999,530**
Capital reserves	**4,211,782**	**4,211,782**
Reserves from profit	**9,223,936**	**9,223,936**
Legal reserves	1,519,600	1,519,600
Other reserves from profit	7,704,336	7,704,336
Other reserves from profit	7,704,336	7,704,336
Reserve due to fair value measurement (Revaluation surplus)	**5,348,130**	**229,116**
Retained net profit	**30,043,325**	**29,656,212**
Net profit for the financial year	**6,930,606**	**8,855,684**
TOTAL	98,757,309	95,176,259

Share capital

As at 31 December 2019, the subscribed and fully paid in share capital of the parent company amounted to EUR 42,999,530. The share capital is divided into 10,304,407 ordinary no-par value shares. All shares are registered shares. The share capital did not change in 2018.

Distribution of accumulated profits

The Company transfers the net profit for the year to accumulated profits to be used for dividend payments together with the remaining part of the accumulated profits.

At the General Meeting of Shareholders held on 24 April 2019, the direct owner of Adriatic Slovenica and the sole shareholder decided on the distribution of accumulated profits for 2018. A part of the accumulated profits in the amount of EUR 8,140,481.53 was used for dividend payments. The rest of accumulated profits in the amount of EUR 30,371,414 remained unallocated and was transferred to the accumulated profits for 2019. Dividends were paid in full.

Ownership structure

As at 31 December 2019, the controlling company Generali CEE Holding B. V. established in Amsterdam held 10,304,407 shares, i.e. 100% of Adriatic Slovenica. The ownership structure changed in 2019. Until 13 February the owner of 100% shares was KD Group d. d.

Distribution of accumulated profit and loss coverage

Adriatic Slovenica ended 2019 with a profit before tax totalling EUR 7,938,029 and a net profit for the year amounting to EUR 6,930,593. After the balance sheet date, the management adopted a decision on the use of net profit, determined the accumulated profit and formed a proposal on accumulated profit distribution.

Within its responsibilities, the Management Board of the parent company can decide on covering the loss for the year. The Management Board also decides on the distribution of net profit by life, non-life and health insurance segments, and therefore on covering the loss within the Group.

On 31 December 2019, the management used profits from past years to cover the loss for the current year, as follows.

- to partially cover the loss for the current year of unit-linked investment insurance in the amount of EUR 907,064 , and
- to cover the total loss of the current year of life insurance in the amount of EUR 4,040,105, to cover the loss generated by individual funds within the ring-fenced pension fund - payment amounting to EUR 12,671 and pension insurance amounting to EUR 55.

The management used the current year profit of EUR 10,907 to cover the loss from past years of unit-linked life insurance business.

Accumulated profits

After covering the loss from the past year and reporting year by using the profit from the current year and the profit from the past year, the final balance of net profit for the year was EUR 6,930,606. Together with the unallocated profit brought forward from previous years amounting to EUR 30,043,325, the balance sheet profit as at 31 December 2019 to be distributed at the General Meeting of Shareholders amounted to EUR 36,973,931.

Other changes

Other changes in in 2019 include foreign exchange differences in the profit/loss carried forward of the Zagreb Branch in the amount of EUR 91,105.

Reserves from profit

The Company forms reserves from profit in line with the provisions of the Companies Act (ZGD-1) relating to statutory reserves and on the basis of the decision passed by the Management Board, with the approval of the Supervisory Board, regarding the requirements to achieve and maintain the appropriate capital adequacy level in accordance with the Solvency II requirements (other reserves from profit).

After 2019, the Company did not change or form additional reserves from profit.

Capital reserves

As at 31 December 2019, the capital reserves of the Company were divided into payments exceeding the minimum amount of issue of shares or the amount of basic capital contribution (paid capital surplus) in the amount of EUR 1,724,217, and the reversal of the general equity revaluation adjustment in the amount of EUR 2,487,565.

Treasury shares

In 2019, neither the Company nor any third party for the account of the Company accepted any new treasury shares as security. Moreover, as at 31 December 2019 neither the Company nor any third party for the account of the Company held any treasury shares as security

Revaluation surplus

Revaluation surplus refers to changes in fair value of available-for-sale financial assets disclosed in other comprehensive income. Within equity, the revaluation surplus is decreased by deferred taxes.

Revaluation surplus

(in EUR)	31 Dec 2019	31 Dec 2018
Specific revaluation of equity	5,348,130	229,116
from reinforcement/impairment of available-for-sale financial assets	6,602,630	282,859
from adjustment for deferred taxes	(1,254,500)	(53,743)
Total revaluation surplus	**5,348,130**	**229,116**

Movements in revaluation surplus from available-for-sale financial assets with profit

(in EUR)	2019	2018
Balance as at 1 Jan	**229,116**	**392,841**
Profits (losses) recognised in revaluation surplus	6,784,957	(726,687)
Net change due to revaluation	8,376,490	(897,144)
Change in deferred taxes due to revaluation	**(1,591,533)**	**170,457**
Transfer of profits (losses) from revaluation surplus to profit or loss	**(1,665,942)**	**562,962**
Change in revaluation surplus transferred on disposal to profit or loss	(2,056,718)	(351,611)
Change in deferred taxes on realisation of revaluation surplus	390,777	66,806
Transfer of negative revaluation surplus to profit or loss on impairment	-	1,046,626
The change deferred taxes from impairments through profit or loss	-	(198,859)
Balance as at 31 Dec	**5,348,131**	**229,116**

10.13 SUBORDINATED LIABILITIES

On 24 May 2016, Adriatic Slovenica issued the subordinated bond Floating Rate Subordinated Notes due in 2026 (abbreviated: ADRIS Float 05/24/2026) at a nominal value of EUR 50,000,000.

The bond has the status of subordinated debt with the following features:

- The release date is 24 May 2016.
- The maturity date of the last coupon and the principal is 24 May 2026.
- The nominal value of the issue is EUR 50,000,000.
- The total bond issue comprises 50,000 lots, the value of one lot is EUR 1,000.
- All bonds were sold in full.
- The interest rate equals the 3-month EURIBOR + 7.800% fixed margin.
- In accordance with the amortisation plan, the payment frequency of interest (coupons) is on a quarterly basis, specifically on 24 February, 24 May, 24 August and 24 November.
- The principal will be paid in full at maturity.

The issued bonds are disclosed at the amortised value. Subordinated liabilities as at 31 December 2019 amounted to EUR 49,676,681. Bonds are recorded among non-life insurance in the amount of EUR 22,851,273 and life insurance in the amount of EUR 26,825,408. By 24 November 2019, the Company paid interest to the creditors in the amount of EUR 3,943,500.

Movements in issued bonds

(in EUR)	2019	2018
As at 1.1.	**49,581,823**	**49,525,147**
Accrued interest	4,038,358	4,032,676
Repayment interest	(3,943,500)	(3,976,000)
As at 31.12.	**49,676,681**	**49,581,823**

At their issue the bonds were listed on the Irish Stock Exchange. In the case of bankruptcy or liquidation of the Company, the liabilities arising from the issue of these bonds are subordinated to net debt instruments and are only paid to creditors after all non-subordinated debt liabilities arising from insurance contracts and other business relationships are paid. Issued bonds do not contain the holder's rights to recover a collectable receivable before the maturity set by the amortisation plan. The bond cannot be exchanged for other types of securities or be converted into any other liability. The bond can be recalled after five years.

10.14 INSURANCE TECHNICAL PROVISIONS

Insurance technical provisions (liabilities arising from insurance contracts) – gross and net

(in EUR)	Gross + received co-insurance as at 31.12.2019	Reinsurance + ceded co-insurance as at 31.12.2019	Net as at 31.12.2019	Gross + received co-insurance as at 31.12.2018	Reinsurance + ceded co-insurance as at 31.12.2018	Net as at 31.12.2018
Unearned premiums	44,498,817	447,122	44,051,695	43,304,240	447,054	42,857,185
Claims provisions for	109,775,410	16,232,048	93,543,362	103,259,636	14,201,227	89,058,409
- reported claims	57,085,136	15,066,170	42,018,966	54,524,262	13,031,776	41,492,486
- not reported claims	52,690,274	1,165,878	51,524,396	48,735,374	1,169,450	47,565,923
Provisions for bonuses and discounts	820,058	-	820,058	508,156	-	508,156
Mathematical provisions	(0)	-	(0)	225,650	-	225,650
Other insurance technical provisions	(0)	-	(0)	5,687	-	5,687
Total non-life insurance	**155,094,284**	**16,679,170**	**138,415,115**	**147,303,368**	**14,648,281**	**132,655,087**
Unearned premiums	6,565,212	-	6,565,212	6,326,315	-	6,326,315
Claims provisions for	7,172,898	-	7,172,898	5,744,942	-	5,744,942
- reported claims	1,088,369	-	1,088,369	975,411	-	975,411
- not reported claims	6,084,530	-	6,084,530	4,769,531	-	4,769,531
Provisions for bonuses and discounts	212	-	212	120	-	120
Mathematical provisions	-	-	-	77,873	-	77,873
Total health insurance	**13,738,323**	**-**	**13,738,323**	**12,149,250**	**-**	**12,149,250**
Unearned premiums	396,904	33,141	363,763	375,654	52,976	322,678
Claims provisions for	5,554,687	335,559	5,219,128	5,119,340	176,786	4,942,554
- reported claims	1,868,715	335,559	1,533,156	1,779,270	176,786	1,602,484
- not reported claims	3,685,972	-	3,685,972	3,340,070	0	3,340,070
Mathematical provisions	114,757,300	-	114,757,300	109,990,102	-	109,990,102
Other insurance technical provisions	6,087,145	-	6,087,145	0	-	0
The share of revaluation surplus from financial investments classified in the group of available-for-sale financial assets, which share belongs to the policyholders under the traditional life insurance contracts	6,087,124	-	6,087,124	-	-	-
Total life insurance with DPF	**126,796,036**	**368,700**	**126,427,336**	**115,485,096**	**229,762**	**115,255,334**
Total liabilities arising from insurance contracts	**295,628,643**	**17,047,870**	**278,580,774**	**274,937,714**	**14,878,043**	**260,059,671**

The disclosure of insurance technical provisions does not include claims provisions for unit-linked life insurance in the amount of EUR 1,592,208 (2018: EUR 1,445,645). These claims provisions are included separately in disclosures of insurance technical provisions for unit-linked life insurance in the next section (see Section 10.15).

The share of revaluation surplus from financial investments classified in the group of financial investments classified in the group of available-for-sale financial assets, which share belongs to the policyholders under the traditional life insurance contracts with the right to participate in the profit

The share of revaluation surplus from financial investments classified as available-for-sale financial assets and which share belongs to policyholders under traditional life insurance contracts represents 75% of unrealized gains and losses on financial assets valued as available-for-sale and is included in other technical provisions in the amount of EUR 6,087,124.

The item is an accounting category and is not attributed to traditional life insurance contracts and subsequently included in mathematical provisions under policies until the gains and losses on available-for-sale investments are actually realized through the current income statement. The Company provides coverage of insurance technical provisions from traditional life insurance with appropriate investments without considering this item.

The recognized positive surplus from the revaluation of available-for-sale investments through the statement of other comprehensive income in equity is disclosed in Section 10.12. and the statement of comprehensive income in Section 3.3.

Movements in insurance technical provisions

(in EUR)	Gross 2019	Reinsurance 2019	Net 2019	Gross 2018	Reinsurance 2018	Net 2018
Movements in unearned premium						
Balance as at 1 Jan	**50,006,208**	**500,030**	**49,506,178**	**49,526,004**	**1,013,968**	**48,512,036**
Increase in liabilities	51,033,481	480,262	50,553,219	49,507,638	500,030	49,007,608
Decrease in liabilities	49,578,757	500,030	49,078,727	49,027,433	1,013,968	48,013,465
Balance as at 31 Dec	**51,460,933**	**480,262**	**50,980,670**	**50,006,208**	**500,030**	**49,506,178**
Movements in mathematical provisions						
Balance as at 1 Jan	110,293,625	-	110,293,625	107,590,283	-	107,590,283
Increase in the period	**15,871,682**	**-**	**15,871,682**	**15,307,262**	**-**	**15,307,262**
Decrease in the period	11,595,001	-	11,595,001	12,533,753	-	12,533,753
Change of current-year DPF part	186,993	-	186,993	(70,167)	-	(70,167)
Balance as at 31 Dec	**114,757,300**	**-**	**114,757,300**	**110,293,625**	**-**	**110,293,625**
Movements in claims outstanding						
Reported claims	**57,278,944**	**13,208,563**	**44,070,381**	**58,299,362**	**14,718,687**	**43,580,675**
Not reported claims	**56,844,976**	**1,169,451**	**55,675,525**	**55,918,323**	**1,971,536**	**53,946,787**
Balance as at 1 Jan	**114,123,919**	**14,378,013**	**99,745,906**	**114,217,685**	**16,690,223**	**97,527,462**
Decrease in provisions due to payments	39,028,231	1,746,378	37,281,854	41,403,779	4,411,035	36,992,744
Change in provisions from preceding years +/-	(5,739,023)	27,654	(5,766,677)	(4,975,853)	1,559,224	(6,535,078)
Increase in provisions in the current year	53,146,331	3,908,318	49,238,013	46,285,866	539,601	45,746,265
Reported claims	**60,042,221**	**15,401,729**	**44,640,492**	**57,278,943**	**13,208,563**	**44,070,381**
Not reported claims	**62,460,775**	**1,165,878**	**61,294,897**	**56,844,976**	**1,169,450**	**55,675,525**
Balance as at 31 Dec	**122,502,996**	**16,567,607**	**105,935,389**	**114,123,919**	**14,378,013**	**99,745,906**
Movements in other insurance technical provisions						
Balance as at 1 Jan	**513,962**	**-**	**513,962**	**529,843**	**-**	**529,843**
Increase in the period	820,291	-	820,291	513,962	-	513,962
Decrease in the period	513,962	-	513,962	529,843	-	529,843
Balance as at 31 Dec	**820,291**	**-**	**820,291**	**513,962**	**-**	**513,962**
Movement of provisions for the benefit of life-insurance policies where the investment risk is borne by the policyholders						
Change in the relative share of the fair value of available-for-sale investments	6,087,124	-	6,087,124	-	-	-
Balance as at 31 Dec	**6,087,124**	**-**	**6,087,124**	**-**	**-**	**-**

10.15 INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE

Insurance technical provisions for unit-linked life insurance

(in EUR)	Gross + received co-insurance as at 31.12.2019	Reinsurance + ceded co-insurance as at 31.12.2019	Net as at 31.12.2019	Gross + received co-insurance as at 31.12.2018	Reinsurance + ceded co-insurance as at 31.12.2018	Net as at 31.12.2018
Claims provisions	1,592,208	-	1,592,208	1,445,645	25,485	1,420,159
- reported claims	1,592,208	-	1,592,208	1,445,645	25,485	1,420,159
Provisions for unit-linked life insurance policyholders	310,690,347	-	310,690,347	271,970,492	-	271,970,492
Total unit-linked life insurance	**312,282,555**	**-**	**312,282,555**	**273,416,137**	**25,485**	**273,390,652**

Movements in insurance technical provisions for unit-linked life insurance

(in EUR)	Gross 2019	Reinsurance 2019	Net 2019	Gross 2018	Reinsurance 2018	Net 2018
Movements in claims outstanding						
Reported claims	**1,445,645**	**25,485**	**1,420,159**	**1,336,512**	**-**	**1,336,512**
Balance as at 1 Jan	**1,445,645**	**25,485**	**1,420,159**	**1,336,512**	**-**	**1,336,512**
Decreased provisions due to payments	515,626	-	515,626	689,715	-	689,715
Change in provisions from preceding years +/-	(2,891)	(25,485)	22,594	(6,558)	-	(6,558)
Increase in provisions in the current year	665,080	-	665,080	805,406	25,485	779,921
Reported claims	**1,592,208**	**-**	**1,592,208**	**1,445,645**	**25,485**	**1,420,159**
Balance as at 31 Dec	**1,592,208**	**-**	**1,592,208**	**1,445,645**	**25,485**	**1,420,159**
Movements in provisions for unit-linked life insurance policyholders						
Balance as at 1 Jan	**271,970,492**	**-**	**271,970,492**	**301,043,281**	**-**	**301,043,281**
Increase in the period	73,581,197	-	73,581,197	13,605,602	-	13,605,602
Decrease in the period	34,861,343	-	34,861,343	42,678,390	-	42,678,390
Balance as at 31 Dec	**310,690,347**	**-**	**310,690,347**	**271,970,492**	**-**	**271,970,492**

10.16 LIABILITIES ARISING FROM FINANCIAL CONTRACTS

Liabilities arising from financial contracts

(in EUR)	31 Dec 2019	31 Dec 2018
Liabilities to pension savers (policyholders)	18,647,836	11,886,157
Liabilities from financial contracts for payments	17,124,451	12,097,380
Liabilities from financial contracts for fund return	1,523,386	(211,223)
Other liabilities	38,650	26,690
Total liabilities from financial contracts	**18,686,486**	**11,912,847**

As at 31 December 2019, savers' payments amounted to EUR 17,124,451 and represented the net premium (gross premium payments reduced by the entry charges). These costs/expenses charged to the saver's account represent other insurance revenues from fees and commissions for the manager of guarantee funds for AS pension insurance. In 2019, EUR 34,521 (last year: EUR 29,274) of entry charges were charged.

The gain that increases the liability is calculated from net gain (capital gains and losses), which was generated with asset management and reduced by management costs. Short-term operating liabilities are recorded under other liabilities.

Movements in financial contracts liabilities

(in EUR)	2019	2018
As at 1 January	**11,886,157**	**8,865,381**
Increase in the period	**7,900,533**	**3,856,506**
for payments	6,131,258	3,856,506
for achieved return	1,769,275	-
Decrease in the period	**1,138,853**	**835,730**
for payouts (surrender)	1,104,188	282,325
for achieved return	34,666	553,405
As at 31 December	**18,647,836**	**11,886,157**

Annual gain of savers for which the liability of the Company increases varied in 2019 depending on the type of AS pension savings, as follows:

- (17.48 %) for the guarantee fund Pokojninsko varčevanje AS Drzni do 50 (pension fund),
- (10.56 %) for the guarantee fund Pokojninsko varčevanje AS Umirjeni med 50 do 60 (pension fund),
- (6.12 %) achieved (0.60% guaranteed) for the guarantee fund Pokojninsko varčevanje AS Zajamčeni od 60 (pension fund).

Each month, at the end of the accounting period, the Company calculates the guaranteed value of assets and compares it with the guaranteed return of 60% of the average annual interest rate on government securities. As at the end of 2019, the guaranteed return was 0.60%. Since the guaranteed return was not achieved in 2019, the Company (as a pension insurance manager) formed long-term liabilities of EUR 519 charged to own fund life insurance assets, in line with the Pension and Disability Insurance Act (ZPIZ-2).

10.17 OTHER PROVISIONS

10.17.1 Other provisions

(in EUR)	31 Dec 2019	31 Dec 2018
Provisions for termination benefits	5,417,264	4,801,781
Provisions for long service benefits	200,000	2,950
Total	**5,617,264**	**4,804,731**

10.17.2 Provisions for employee benefits

Provisions for employee benefits

(in EUR)	31 Dec 2019	31 Dec 2018
Provisions for employee benefits	1,988,648	1,651,265
Other non-current provisions	3,428,616	3,150,516
Total	**5,417,264**	**4,801,781**

Movements in provisions for employee benefits

(in EUR)	2019	2018
As at 1.1.	**4,801,781**	**4,428,951**
Increase in current period	380,105	370,412
Decrease due to paid provisions for termination and jubilee benefits	(292,759)	(388,578)
Actuarial gains and losses	528,137	390,996
Adjustments arising from past experience	(80,254)	319,493
Effect of change of assumptions	608,391	71,503
As at 31 December	**5,417,264**	**4,801,781**

Movements in provisions for unused vacation and long-service benefits are entirely recognised in the income statement under operating costs. The same goes for changes in provisions for retirement benefits, except for actuarial gains or losses recognised in other comprehensive income.

The main assumptions applied in the calculation of provisions for termination and long-service benefits:

- the discount rate: the risk free interest rate curve ECB (European Central Bank) Euro area yield curve: AAA-rated euro area central government bonds dated 29.11.2019 is used to calculate the present value of the future cash flows (31 December 2018 the ECB dated 30.11.2018 was applied)
- the expected increase in salaries in the Company, including the expected increase in salaries due to promotions of 4.0% (31 December 2018: 3.6%),
- the expected mortality is determined based on Slovene mortality tables from 2007 (the same as at 31 December 2018),
- future fluctuation is determined based on the age of employees: 18% for the age group from 20 to 30 years, 8% for the age group of 30 to 40 years and 5% for 40 years of age and above (as at 31 December 2018 18% for the age group from 20 to 30 years, 10% for the age group of 30 to 40 years and 5% for 40 years of age and above).

The provision amounts in 2019 include taxes and contributions. The effect of changes in assumptions amounted to EUR 608,391.

Analysis of sensitivity to changes in parameters

Parameters	Parameter changes	2019	2018
Discount rate	discount curve move by +0,25%	(134,622)	(113,676)
	discount curve move by -0,25%	139,982	118,020
Salary increase	change in annual salary increase by +0,5%	275,922	233,995
	change in annual salary increase by -0,5%	(258,143)	(219,561)
Mortality	permanent increase in mortality by +20%	(53,033)	(44,863)
	permanent increase in mortality by -20%	53,938	45,610
Early termination of employment	expense curve move by +20%	(547,138)	(476,241)

10.17.3 Other long-term provisions

Movements in other long-term provisions

(in EUR)	2019	2018
As at 1.1.	**2,950**	**2,950**
Increase in current period (formation)	200,000	-
Decrease	(2,950)	-
As at 31.12.	**200,000**	**2,950**

10.18 OTHER FINANCIAL LIABILITIES

Movements in loans and other current financial liabilities

(in EUR)	2019	2018
Balance as at 1 Jan	**483,062**	**430,815**
Increase	261,382,009	401,026,636
Decrease	(260,608,326)	(400,974,389)
Balance as at 31 Dec	**1,256,746**	**483,062**

At the year end, the Company had settled all liabilities for received loans from previous years.

10.19 OPERATING LIABILITIES

Adriatic Slovenica has no secured liabilities.

Operating liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Liabilities arising from direct insurance contracts	9,303,830	3,919,407
Liabilities arising from reinsurance and co-insurance	1,786,408	2,246,026
Tax liability	0	937,811
Total	**11,090,238**	**7,103,243**

Compared to 2018, the operating liabilities increased by EUR 3,986,995 or by 56%, as a result of higher liabilities arising from direct insurance contracts (by EUR 5,384,423). Just as early termination in 2019 had an effect on the increase in receivables from direct insurance operations, the temporary delay in recording claims payments and premium payments (disabling the closure receivables) also caused a higher balance of direct insurance liabilities. The balance of these liabilities decreased immediately at the beginning of the financial year 2020, when liabilities for claims were closed by payments and when the unallocated premium was distributed so that receivables from direct insurance operations could be properly closed (see also receivables from direct insurance operations - Section 10.9).

For 2019, the Company accounted current tax liabilities at a 19% tax rate. Due to overpayment of income tax reflecting the 2018 calculation, the Company had no outstanding tax liabilities at the end of 2019.

10.20 OTHER LIABILITIES

Other liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Other operating (trade) liabilities	6,580,556	8,404,841
Accrued costs/expenses and deferred revenues	7,197,702	4,106,474
Total	**13,778,258**	**12,511,315**

10.20.1 Other operating liabilities

Other operating liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Long-term operating liabilities	**5,019**	**70,982**
Other long-term operating liabilities	5,019	70,982
Current operating liabilities	**6,575,537**	**8,333,860**
Current operating liabilities to suppliers	497,561	2,146,487
Current operating liabilities to employees	2,481,460	2,419,642
Other current liabilities from insurance operations	2,595,911	2,932,178
Current operating liabilities to the state (except for income tax)	453,345	468,895
Current liabilities for received advances	3,287	3,287
Other current operating liabilities	543,971	363,370
Total	**6,580,556**	**8,404,841**

As at the 2019 year-end, other operating liabilities decreased by EUR 1,824,285 (22 %) compared to the previous year. The decrease is mainly due to a decrease in short-term operating liabilities to suppliers by EUR 1,648,926, mainly due to accrued costs due to earlier termination of the year (see Section 10.20.2.).

Current operating liabilities to employees arising from labour costs predominate in the structure of other operating liabilities together with other current operating liabilities from insurance operations with a 39% share, which is by EUR 336,267 lower than in the previous year. These short-term liabilities mainly refer to:

- the liabilities to the Slovene Insurance Association for contributions for coverage of claims for damage on unknown and uninsured vehicles and vessels (in the amount of EUR 578.389; last year EUR 743.414),
- the liabilities for sales tax on insurance operations (in the amount of EUR 917.681; last year EUR 945.883),
- liabilities to other insurance companies from equalisation scheme for complementary health insurance (in the amount of EUR 0; last year EUR 474.274),
- fire tax liability (in the amount of EUR 121.138; last year EUR 110.953), and predominantly to
- liabilities for the repayment of reinsurance commissions advances. These liabilities amount to EUR 898.279, last year EUR 594.571.

Compared to the previous year, there was an increase in liabilities especially for the reinsurance commissions advances with maturity in future years. ese liabilities are based on the respective claims ratio in relation to the expected total claims. In the period from 1 January 2019 to 31 December 2019, the loss ratio of reinsurance (for which the liability for the advance was established in 2018) worsened and the liability for the reinsurance commissions advances increased. Other liabilities are lower than in the previous year, in particular due to liabilities to other insurance companies from equalisation scheme, which needed no settling in 2019.

The long-term operating liabilities of the Company include the long-term liability in the amount of EUR 519 formed in line with the Pension and Disability Insurance Act (ZPIZ-2) in favour of life-cycle pension insurance policyholders. These long-term liabilities may become due and payable also after the five-year period (see Section 10.16). Other long-term liabilities become due and payable sooner than in five years.

10.20.2 Accrued costs and deferred revenue

Accrued costs and deferred revenue

(in EUR)	31 Dec 2019	31 Dec 2018
Accrued expenses - operating	3,257,293	731,586
Accrued expenses - for unused annual holidays	1,481,615	1,334,125
Accrued expenses – acquisition costs and unexpired commissions	939,047	650,821
Accrued expenses from equalisation scheme for supplementary health insurance	561,426	539,033
Other deferred and accrued items	958,321	850,909
Total	**7,197,702**	**4,106,474**

Compared to the previous year, the balance of accrued costs at the end of 2019 was higher by EUR 3,091,228, especially as a consequence of higher accrued operating expenses (these were higher by EUR 2,525,707). At the 2019 year-end, due to the early termination of the year, the Company estimated and calculated the operating costs which were certainly to be incurred and which related to the 2019 financial year.

10.21 REVENUE

10.21.1 Premium revenue from insurance contract

Net premium revenue from insurance contracts in 2019

in EUR)	Written gross insurance premiums	Reinsurers'/ coinsurers' share in written premiums	Change in gross unearned premiums	Change in unearned premiums for reinsurance and coinsurance share	Net revenues from insurance premiums
Motor vehicle liability insurance	40,137,168	(956,110)	(232,744)	-	38,948,314
Land motor vehicle insurance	38,731,904	(1,685,309)	(493,211)	-	36,553,384
Accident insurance	16,936,335	(97,666)	45,733	(74)	16,884,327
Fire and natural forces insurance	18,136,336	(3,175,927)	(78,125)	7,019	14,889,304
Other damage to property insurance	14,030,191	(1,135,347)	(156,969)	3,582	12,741,456
General liability insurance	10,318,795	(797,939)	(142,057)	(48,297)	9,330,502
Credit insurance	(1,495)	-	71,119	-	69,624
Other non-life insurance, excluding health insurance	9,158,456	(583,369)	(218,544)	37,981	8,394,523
Insurance contracts for non-life insurance, excluding health insurance	**147,447,689**	**(8,431,667)**	**(1,204,798)**	**210**	**137,811,434**
Health insurance contracts	**104,567,891**	**-**	**(246,526)**	**-**	**104,321,365**
Life insurance	23,338,988	(2,172,982)	(3,390)	(19,978)	21,142,494
Unit-linked insurance contracts	34,358,794	(4,592)	-	-	34,354,202
Life insurance contracts	**57,697,782**	**(2,177,574)**	**(3,390)**	**(19,978)**	**55,496,840**
Total	**309,713,362**	**(10,609,241)**	**(1,454,714)**	**(19,768)**	**297,629,639**

Net premium revenue from insurance contracts in 2018

(in EUR)	Written gross insurance premiums	Reinsurers'/ coinsurers' share in written premiums	Change in gross unearned premiums	Change in unearned premiums for reinsurance and coinsurance share	Net revenues from insurance premiums
Motor vehicle liability insurance	39,454,707	(852,001)	23,493	(6,508)	38,619,691
Land motor vehicle insurance	36,231,684	(1,531,518)	(756,373)	-	33,943,793
Accident insurance	17,657,512	(115,063)	(117,959)	(162,320)	17,262,169
Fire and natural forces insurance	17,471,466	(3,049,742)	(273,101)	(276,142)	13,872,481
Other damage to property insurance	13,101,761	(1,176,517)	(117,445)	(71,506)	11,736,292
General liability insurance	9,213,747	(773,184)	(109,135)	(2,939)	8,328,489
Credit insurance	(2,965)	-	157,711	-	154,746
Other non-life insurance, excluding health insurance	8,640,224	(625,902)	285,286	3,610	8,303,218
Insurance contracts for non-life insurance, excluding health insurance	**141,768,135**	**(8,123,928)**	**(907,523)**	**(515,804)**	**132,220,880**
Health insurance contracts	**99,693,576**	**-**	**447,813**	**-**	**100,141,389**
Life insurance	22,402,748	(2,128,446)	(20,495)	1,867	20,255,674
Unit-linked insurance contracts	36,581,743	(2,882)	-	-	36,578,861
Life insurance contracts	**58,984,490**	**(2,131,328)**	**(20,495)**	**1,867**	**56,834,535**
Total	**300,446,201**	**(10,255,255)**	**(480,205)**	**(513,938)**	**289,196,804**

10.21.2 Financial revenue and expenses from investments and investments in associates

Financial revenue and expenses from investments

(in EUR)	2019	2018
Income from financial investments measured at FVTPL	**43,209,282**	**2,098,212**
Held for sale	63,575	43,283
Interest and net exchange differences	38,852	43,283
Revaluation income	24,723	-
At initial recognition	43,145,708	2,054,929
Dividends	60,999	68,079
Interest and net exchange differences	57,716	703,527
Net sales income	4,265,262	1,283,322
Revaluation income	38,761,730	-
Income from financial investments held to maturity (HTM)	**881,848**	**1,728,803**
Interest and net exchange differences	881,848	1,681,721
Sales income	0	47,082
Income from financial investments available-for-sale (AFS)	**6,399,250**	**4,899,695**
Dividends	1,283,356	1,414,569
Interest and net exchange differences	2,668,499	2,299,363
Sales income	2,444,011	1,185,763
Reversal of impairment	3,384	-
Income from loans and receivables	**1,492,260**	**3,007,279**
Interest	603,724	1,509,662
Net exchange differences	172,582	302,750
Other income	715,954	1,194,868
INCOME FROM INVESTMENTS	**51,982,640**	**11,733,989**
Income from investments - associates	50,774	78,656
Income from investments - subsidiaries	1,556,327	1,502,443
INCOME FROM INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	**1,607,101**	**1,581,099**
Expenses for financial investments measured at FVTPL	**(7,933)**	**(22,459,124)**
Held for sale	(7,933)	(46,509)
Net sales expenses	(483)	-
Revaluation expenses	(7,450)	(46,509)
At initial recognition	-	(22,412,615)
Revaluation expenses	-	(22,412,615)
Expenses for financial investments held to maturity (HTM)	**(2,144)**	**-**
Realised losses	(2,144)	-
Expenses for financial investments available-for-sale (AFS)	**(387,293)**	**(1,880,778)**
Realised losses	(387,293)	(834,152)
Impairment	-	(1,046,626)
Expenses - derivatives	**(2,656,282)**	**(1,122,639)**
EXPENSES FOR INVESTMENTS	**(3,053,652)**	**(25,462,541)**
Net financial result - investments measured at FVTPL	**43,201,349**	**(20,360,912)**
Net financial result - investments held to maturity (HTM)	**879,704**	**1,728,803**
Net financial result - available-for-sale investments (AFS)	**6,011,957**	**3,018,917**
Net financial result - derivatives	**(2,656,282)**	**(1,122,639)**
Net financial result from loans and receivables	**1,492,260**	**3,007,279**
Net financial result - investments in subsidiaries and associates	**1,607,101**	**1,581,099**
NET FINANCIAL RESULT FROM INVESTMENTS	**50,536,090**	**(12,147,454)**

Financial revenue and expenses also include net financial revenue/expenses for unit-linked insurance. In 2019, the net financial result of these investments was EUR 42,983,539. In the same period, the insurance technical provisions for these funds increased; it is therefore important to take into account the insurance technical provisions which contribute to a realistic display of results of profit or loss in funds for unit-linked life insurance. The change in these insurance technical provisions (See Section 10.15) in 2019 increased the provision by EUR 38,891,903 and thus the final result for the same amount.

Net gains/losses on held-for-trading financial assets

(in EUR)	2019	2018
Unrealised profits	56,207	26,149
Realised losses	(483)	-
Unrealised losses	(38,934)	(72,657)
Total	**16,790**	(46,509)

Net gains/losses on financial assets at initial recognition through profit or loss

(in EUR)	2019	2018
Realised profits	5,100,302	2,839,229
Unrealised profits	38,977,614	174,303
Realised losses	(835,040)	(1,555,906)
Unrealised losses	(215,885)	(22,586,918)
Total	**43,026,992**	(21,129,293)

In the total amount of net gains/losses on financial assets at initial recognition through profit or loss pertaining to unit-linked life insurance, the gain amounted to EUR 42,832,757 (2018: loss of EUR 20,540,889).

Impairment of securities of available-for-sale financial assets

(in EUR)	2019	2018
Equity securities	-	1,046,627
Total	**-**	**1,046,627**

In 2019, there was no permanent impairment of investments within the “available-for-sale financial assets”. In the previous year permanent impairment was made within the “available-for-sale financial assets” for the amount of EUR 1,046,627, of which EUR 1,003,711 in relation to equity securities and EUR 42,916 in relation to mutual funds.

Within the “held-to-maturity financial assets”, there were no permanent impairments of investments made in 2019.

10.21.3 Other insurance revenue

Other insurance revenue

(in EUR)	2019	2018
Revenue from insurance contracts	**796,812**	1,829,722
Revenues from reinsurance fees/commissions and from shares in positive technical result	607,437	1,666,280
Revenues from front-end/entry costs for insurance contracts	34,521	1,526
Other fee income for management of insurance contracts	154,854	161,915
Revenue from investment contracts	**45,083**	31,944
Revenue from investments contracts for administration (entry fees)	(0)	27,747
Other fee income for management of investment contracts	45,083	4,197
Total fee and commission revenue	**841,895**	1,861,666

Other insurance revenue consists mainly of revenue from reinsurance commissions from participation in the positive technical result from individual reinsurance contracts. Revenue from reinsurance contracts decreased in 2019 due to due to lower reinsurance fees/commissions for motor quota reinsurance in the years 2012 - 2014 as a result of different release of claims provisions in 2018 and 2019 and thus different movements in the loss result on this reinsurance contract.

The second portion of other insurance revenue includes fees for concluding and managing financial contracts arising from Pokojninsko varčevanje AS (pension saving) in line with the investment policy of the life cycle.

10.21.4 Other revenue

Other revenue

(in EUR)	2019	2018
Other net insurance revenues	1,453,286	1,413,618
Revaluation operating revenues	465,050	1,369,111
Excess on acquisitions	-	11,069
Other financial and other revenues	4,508,953	2,661,756
Total	6,427,289	5,455,553

Other net revenue from insurance operations is shown in a separate table below.

Other net insurance revenue

(in EUR)	2019	2018
Revenue for management of insurance contracts	28,370	21,627
Revenue from insurance services provided to foreign insurance companies	563,336	466,858
Revenue from rent on parking lot and cars	39,186	137,941
Revenue from Green Card sales	411,546	413,876
Revenue from other services	410,848	373,316
Total	1,453,286	1,413,618

Revaluation operating revenue

Revaluation operating revenue mostly originate from the reversal of impairment of receivables (of premium receivables, subrogation receivables, other receivables and financial receivables) in the amount of EUR 202,632, revenue from the sales of property, plant and equipment in the amount of EUR 226,731 and the write-off of liabilities from previous years in the amount of EUR 35,688.

Compared to the previous year, the revenue decreased by EUR 904,061 in total, due in particular to lower revenue from the reversal of impairments of financial receivables (down by EUR 977,559) and the reversal of impaired premium receivables (down by EUR 321,767). Despite lower total revaluation revenue, in 2019 revenue increased owing to the reversal of impairments of subrogation receivables by EUR 202,632.

Other financial and other revenue

Compared to the previous year, other financial and other revenue increased by EUR 1,847,198, which was mainly due to higher other financial revenue (this year: EUR 2,807,328; last year: EUR 37,247), arising mainly from revaluation of loans given to Fondpolica policyholders due to changes in market quotations.

In the group of other financial revenue, the predominant is revenue from the lease of investment property amounting to EUR 934,275 (in 2018: EUR 1,809,928) and which are lower compared to the same period last year by EUR 875,653 or by 48.4% due to the sale of a large investment property.

10.22 NET CLAIMS INCURRED

Net claims incurred in 2019

(in EUR)	Gross claims settled	Revenues from recourse receivables	Share of reinsurance/ coinsurance in claims/ benefits paid	Change in gross outstanding claims provisions	Change in outstanding claims provisions for reinsurance/ coinsurance share	Expenses from equalisation scheme	Net expenses for claims/ benefits paid
Motor vehicle liability insurance	27,001,027	(831,707)	(902,950)	(189,637)	885,118	-	25,961,851
Land motor vehicles insurance	25,880,504	(391,287)	(113,176)	397,178	136,695	-	25,909,913
Accident insurance	8,115,009	(9,039)	(94,969)	743,810	(160)	-	8,754,651
Fire and natural disasters Insurance	10,147,821	(32,553)	(3,024,657)	3,908,259	(3,221,659)	-	7,777,211
Other damage to property insurance	7,591,155	(23,775)	(412,525)	477,880	312,531	-	7,945,267
General liability insurance	3,213,912	(1,413)	(8,980)	613,853	(124,743)	-	3,692,630
Credit insurance	50,448	(48,446)	-	(2,264)	-	-	(262)
Other non-life insurance, excluding health insurance operations	5,313,871	140,288	10,646	630,108	(18,603)	-	6,076,310
Non-life insurance contracts, excluding health insurance contracts	87,313,747	(1,197,930)	(4,546,612)	6,579,186	(2,030,821)	-	86,117,569
Health insurance contracts	88,088,673	(42,752)	-	1,434,475	-	2,256,070	91,736,466
Life insurance	12,872,824	-	(346,309)	365,415	(158,773)	-	12,733,158
Unit-linked insurance contracts	30,841,817	-	-	146,564	25,485	-	31,013,866
Additional pension insurance PN-A01	420,621	-	-	-	-	-	420,621
Insurance contracts and investment life insurance contracts	44,135,262	-	(346,309)	511,979	(133,288)	-	44,167,645
Total	219,537,682	(1,240,683)	(4,892,921)	8,525,640	(2,164,109)	2,256,070	222,021,679

Net claims incurred in 2018

(in EUR)	Gross claims settled	Revenues from recourse receivables	Share of reinsurance/ coinsurance in claims/ benefits paid	Change in gross outstanding claims provisions	Change in outstanding claims provisions for reinsurance/ coinsurance share	Expenses from equalisation scheme	Net expenses for claims/ benefits paid
Motor vehicle liability insurance	27,463,540	(682,102)	(930,878)	(1,205,209)	175,428	-	24,820,781
Land motor vehicles insurance	27,000,126	(655,541)	(761,875)	(794,267)	638,360	-	25,426,804
Accident insurance	7,996,142	-	(147,523)	(73,438)	94,799	-	7,869,980
Fire and natural disasters Insurance	8,329,279	(19,581)	(2,141,289)	(1,058,971)	1,456,504	-	6,565,941
Other damage to property insurance	7,940,216	(51,675)	(437,220)	(244,293)	32,045	-	7,239,074
General liability insurance	2,984,673	(34,363)	(18,249)	2,074,904	(138,321)	-	4,868,646
Credit insurance	46,398	(56,634)	-	(3,014)	-	-	(13,250)
Other non-life insurance, excluding health insurance operations	5,583,700	(372,931)	(566,352)	943,668	(2,644)	-	5,585,441
Non-life insurance contracts, excluding health insurance contracts	87,344,075	(1,872,826)	(5,003,387)	(360,619)	2,256,172	-	82,363,417
Health insurance contracts	86,641,769	(54,950)	-	338,644	-	1,931,894	88,857,358
Life insurance	13,546,430	-	(681,661)	(71,791)	56,037	-	12,849,015
Unit-linked insurance contracts	32,817,567	-	-	109,133	(25,485)	-	32,901,215
Additional pension insurance PN-A01	634,486	-	-	-	-	-	634,486
Insurance contracts and investment life insurance contracts	46,998,483	-	(681,661)	37,342	30,552	-	46,384,716
Total	220,984,328	(1,927,775)	(5,685,048)	15,366	2,286,725	1,931,894	217,605,489

Net claims incurred classified into expenses for the current year and expenses for previous years

(in EUR)	Gross 2019	Reinsurance 2019	Net 2019	Gross 2018	Reinsurance 2018	Net 2018
Expenses for claims and benefits paid for current year	**233,752,631**	**7,054,861**	**226,697,770**	**225,039,847**	**1,839,099**	**223,200,748**
Claims and benefits paid	177,685,151	3,146,543	174,538,607	176,016,681	1,274,013	174,742,668
Change in outstanding claim provisions	53,811,411	3,908,318	49,903,093	47,091,272	565,086	46,526,186
Expenses from equalisation scheme	2,256,070	-	2,256,070	1,931,894	-	1,931,894
Expenses for claims and benefits paid for previous years	**(4,673,922)**	**2,169**	**(4,676,091)**	**(4,036,034)**	**1,559,224**	**(5,595,258)**
Claims and benefits paid	40,611,848	1,746,378	38,865,470	43,039,872	4,411,035	38,628,836
Change in outstanding claim provisions	(45,285,770)	(1,744,209)	(43,541,562)	(47,075,905)	(2,851,811)	(44,224,094)
Total	229,078,709	7,057,030	222,021,679	221,003,814	3,398,323	217,605,490

10.23 COSTS

10.23.1 Costs by natural group

(in EUR)	2019	2018
Operating costs for material	981,459	933,645
Acquisition costs	26,104,111	23,649,761
Operating costs for services	16,875,942	16,545,480
Depreciation/amortisation	3,653,128	3,275,294
Labour costs	**31,890,470**	**30,957,155**
Payroll – wages and salaries	21,918,547	21,760,083
Social security costs	1,780,293	1,792,553
Pension insurance costs	2,127,323	2,086,575
Other labour cost	5,046,258	4,595,374
Provisions for termination benefits and long-service benefits	1,018,050	722,570
Total	**79,505,110**	**75,361,334**

Compared to the previous year, the operating costs are higher by EUR 4,143,776 (or by 5.5%). This increase in costs is present in all groups of costs, in particular the acquisition costs (higher by EUR 2,454,350) and labour costs (higher by EUR 933,315). The acquisition costs increased in 2019 due to various factors such as higher premiums paid, the transition of the network from own agents to the agency network (higher commission rate), lower sales by account managers and higher sales by agencies and agents, higher commission due to an improved loss ratio (at the level of individual agencies and agents).

The increase in depreciation/amortisation costs by EUR 377,834 (or 11.5%) in 2019 was primarily driven by the introduction of the new accounting standard IFRS 16 Leases, which defines leases differentially, i.e. long-term leases are defined as long-term depreciable assets. With the implementation of the new standard, the cost of depreciation in 2019 increased by EUR 307,836. Leases are presented in more detail in Section 4.4.

The Company charges the input VAT to its costs as percentage of the tax deductible input VAT, decreasing the costs for the amount equal to the input VAT.

10.23.2 Costs by functional group

(in EUR)	2019	2018
Costs related to acquisition of insurance and investment contracts	26,104,111	23,675,753
Costs related to financial asset management	1,878,407	1,887,442
Costs related to PPE management	581,610	473,760
Other costs for management fees	8,072,634	8,253,852
Costs of sale	16,950,624	16,558,975
Other costs/expenses	18,966,893	17,799,725
Total costs/expenses by functional groups	**72,554,279**	**68,649,506**

10.23.3 Labour costs of own agents

(in EUR)	2019	2018
Labour costs	9,217,920	8,447,937
Wages and salaries	7,155,455	6,502,212
Social security costs	415,890	391,945
Pension insurance costs	600,108	593,422
Other labour cost	1,046,466	960,358
Costs of services provided by private individuals	160,603	189,995
Total	**9,378,523**	**8,637,932**

10.23.4 Auditor's remuneration

The audit of the annual financial statements of Adriatic Slovenica for 2019 was performed by the audit firm Ernst & Young d. o. o., also in 2018. The audit of the Zagreb Branch, Croatia, was performed by the audit firm Antares revizija d.o.o., also in 2018.

Fees paid for auditor's services

(in EUR)	2019	2018
Statutory audit of the annual report	349,579	91,500
Other audit services	112,541	45,684
Other non-audit services	-	164,244
Total fees for independent auditor's services	462,120	301,428

10.24 OTHER INSURANCE EXPENSES

Other insurance expenses

(in EUR)	2019	2018
Expenses for preventive activities	916,098	888,688
Contribution for covering losses caused by uninsured and unknown vehicles	(52,374)	(201,400)
Other net insurance expenses	1,584,492	1,916,377
Total	**2,448,216**	**2,603,665**

The expenses for preventive activities relate to expenses for payment of fire fees. Insurance companies that offer non-life insurance must charge and pay fire fees to the Slovenian Insurance Association (SZZ) as stipulated by the association's rules. The insurance company Adriatic Slovenica pays the fire fees in the amount depending on the market share and premium written from fire insurance. In 2019, these expenses were on the same level as the previous year.

The contribution for covering losses caused by uninsured and unknown vehicles is a "special fee" that the Company pays to the Slovenian Insurance Association, depending on the market share of motor vehicle liability insurance. In 2018, the Company paid to the Slovenian Insurance Association more than its subsequently determined share, which is why in 2019 the Company was entitled to a credit, which was lower than in the years 2017/2018 by EUR 149,026.

Other net insurance expenses form the largest part of other insurance expenses and are lower by EUR 331,885 compared to the previous year, mainly due to lower write-off of receivables.

Other net insurance expenses mainly include the following expenses:

- subrogation receivables write-offs, receivables write-offs from insurance premiums and write-offs of other receivables in the amount of EUR 778,929 (last year EUR 972,264),
- expenses of supervisory bodies in the amount of EUR 463,540 (last year EUR 468,733) in
- insurance expenses for car assistance in the amount of EUR 39,366 (last year EUR 25,499) in
- other net insurance expenses.

The Company reviews the recoverability of older and overdue receivables on an annual basis and decides about write-offs of receivables, the recoverability of which had been examined several times and there is solid proof (inability to repay, bankruptcy, personal bankruptcy…) that these receivables would not be repaid in the future. Write-offs are made based on the list of the inventory commission and the conclusion of the Management Board.

10.25 OTHER EXPENSES

Other expenses

(in EUR)	2019	2018
Revaluation operating expenses	**741,669**	369,549
Expenses for investment properties	**715,332**	1,585,258
Depreciation of investment properties	206,969	335,582
Impairment - investment properties	-	78,951
Other expenses for investment properties	508,363	1,170,726
Depreciation of property, plant and equipment not intended for insurance activities	**28,127**	175,527
Other operating expenses	**1,022,823**	2,947,806
Finance expenses	**5,017,243**	6,424,015
Total	**7,525,194**	11,502,156

Revaluation operating expenses were mostly generated by revaluation and impairment of receivables (from premiums, subrogations, other receivables and financial receivables) and expenses for impairment of intangible assets (long-term accrued expenses). Compared to the year before, these expenses were up by EUR 372,120 mainly due to higher expenses for impairment of receivables (expenses higher by EUR 370,295).

Compared to the year before, investment property expenses were down by EUR 1,017,327, mainly due to lower depreciation expenses (these are lower by EUR 276,013 due to the sale of a property investment in early 2019) and other expenses (lower by EUR 662,364). Other expenses for investment properties include all management, maintenance and material costs incurred during the year with respect to investment property.

Other operating expenses are presented in the table below.

Other operating expenses

(in EUR)	2019	2018
Payments for charity and cultural purposes	115,154	141,373
Benefits not depending on operating profit or loss	173,543	142,699
Financial penalties and compensations	225	737,912
Operating expenses	696,924	745,050
The rest of other operating expenses	36,976	1,180,772
Total	**1,022,823**	**2,947,806**

Compared to the previous year, other operating expenses went down by EUR 1,924,984, mainly due to the lower rest of other operating expenses (lower by EUR 1,143,796). In the previous year, write-off of receivables from outstanding rents (in the amount of EUR 967,181) caused higher other operating expenses. In 2019, other expenses for penalties and compensations contributed to the decrease in other operating expenses. Namely, last year, the Company paid the remaining part of the claim to Pozavarovalnica Sava d. d. in the amount of EUR 720,313.

In this group of expenses, a large portion are operating expenses which consist mainly of administrative and court fees, as well as membership fees to the Chamber of Commerce and various association.

Financial Expenses

(in EUR)	2019	2018
Finance expenses for interest - issued bonds	4,038,358	4,032,676
Finance costs - interest	30,664	94
Other financial expenses	948,221	2,391,244
Finance expenses arising from other financial liabilities	-	1,247,947
Finance expenses arising from other financial liabilities	169	593
Finance expenses arising from operating liabilities	948,052	1,142,704
Total	**5,017,243**	**6,424,015**

Financial expenses are lower by EUR 195,076 compared to the previous year, owing to lower finance expenses from other financial liabilities. These expenses are generated mostly by revaluation of loans given to policyholders of

Fondpolica due to due to changes in market quotations at revaluation. At the end of 2019, other financial revenue from the revaluation of these loans was primarily recognized (see Section 10.21.4).

Among financial expenses, 80% are interest expenses, which are regularly paid by the Company to creditors of the subordinated debt. In 2019, there were EUR 4,038,358 of accrued interests generated under this heading (last year EUR 4,032,676).

A large portion of financial expenses is represented by other financial expenses arising from operating liabilities, generated mostly by other investment expenses, such as purchasing commissions (amounting to EUR 463,483, last year EUR 452,516), other interest expenses (amounting to EUR 444,822, last year EUR 434,153) and negative foreign exchange differences from abroad (amounting to EUR 19,894, last year EUR 228,574).

10.26 REINSURANCE RESULT

Reinsurance result in the table below shows the net reinsurance result by insurance type.

Reinsurance result for non-life insurance in 2019

Insurance class in EUR	Reinsurance premiums	Reinsurance claims	Changes in unearned reinsurance premiums	Changes in reinsurance claims	Reinsurance commissions	Net reinsurance result
Accident insurance	(97,666)	94,969	(217)	160	(2,435)	(5,189)
Land motor vehicle insurance	(1,685,309)	113,176	-	(136,695)	(29,442)	(1,738,270)
Aircraft insurance	(5,636)	-	3,304	-	221	(2,111)
Marine loss insurance	(42,544)	-	-	-	-	(42,544)
Transportation (goods in transit) insurance	(177,776)	78,866	-	(255)	8,758	(90,408)
Fire and natural disaster insurance	(2,998,006)	3,006,478	25,646	3,253,255	84,038	3,371,410
Other damage to property insurance	(1,117,484)	412,525	3,505	(303,436)	28,905	(975,986)
Motor vehicle liability insurance (MTPL)	(956,110)	902,950	-	(885,118)	(33,206)	(971,484)
Aircraft liability insurance	(15,627)	-	6,118	-	1,324	(8,185)
Ship/boat liability insurance	(45,502)	-	-	(786)	-	(46,287)
General liability insurance	(767,064)	3,668	(47,387)	123,126	39,327	(648,330)
Suretyship insurance	(148,983)	(90,782)	9,798	(5,273)	66,657	(168,583)
Miscellaneous financial loss insurance	(75,541)	685	1,541	24,503	6,875	(41,937)
Legal expenses insurance	(4,113)	410	-	-	(128)	(3,832)
Insurance of assistance	(67,066)	166	17,215	-	14,585	(35,101)
Total non-life insurance	**(8,204,429)**	**4,523,113**	**19,521**	**2,069,481**	**185,477**	**(1,406,837)**

Reinsurance result for non-life insurance in 2018

Insurance class in EUR	Reinsurance premiums	Reinsurance claims	Changes in unearned reinsurance premiums	Changes in reinsurance claims	Reinsurance commissions	Net reinsurance result
Accident insurance	(115,063)	147,523	(162,320)	(94,799)	79,493	(145,167)
Land motor vehicle insurance	(1,531,518)	761,875	-	(638,360)	393,856	(1,014,148)
Marine loss insurance	(43,760)	-	-	-	-	(43,760)
Transportation (goods in transit) insurance	(214,160)	93,080	-	1,984	13,321	(105,775)
Fire and natural disaster insurance	(2,903,317)	2,139,995	(282,848)	(1,374,678)	114,564	(2,306,283)
Other damage to property insurance	(1,154,259)	432,929	(70,679)	(31,781)	35,851	(787,939)
Motor vehicle liability insurance (MTPL)	(852,001)	930,878	(6,508)	(175,428)	419,180	316,121
Aircraft liability insurance	(5,415)	-	210	-	861	(4,343)
Ship/boat liability insurance	(46,002)	-	0	-	-	(46,002)
General liability insurance	(735,188)	16,195	(1,668)	144,312	37,412	(538,937)
Suretyship insurance	(134,741)	66,193	8,854	533	53,335	(5,826)
Miscellaneous financial loss insurance	(171,979)	406,636	(5,439)	33,825	5,739	268,782
Legal expenses insurance	(9,469)	510	-	-	8,898	(61)
Insurance of assistance	-	(78)	-	-	26,987	26,910
Total non-life insurance	**(7,916,872)**	**4,995,737**	**(520,397)**	**(2,134,391)**	**1,189,497**	**(4,386,428)**

10.27 CORPORATE INCOME TAX

Taxes

(in EUR)	2019	2018
Corporate income tax charge	(732,979)	(952,238)
Deferred tax income/(expense)	(274,456)	(480,007)
Total	**(1,007,436)**	**(1,432,245)**

Adjustment between the actual and the calculated tax expense by applying the effective tax rate

(in EUR)	2019	2018
Profit or loss before taxation	**7,938,029**	**10,287,873**
Rate used for income tax calculation	19	19
Tax calculated by using official tax rate	(1,508,226)	(1,954,696)
Income excluded from the tax base and other reductions in the tax base	**1,663,965**	**1,635,478**
Expenses not recognised in the tax base and other increases in the tax base	**(1,250,563)**	**(1,459,912)**
Use of tax allowance in the current year	**361,844**	**826,892**
Changes in deferred taxes in the income statement	**-**	**(480,007)**
Increase of deductible temporary differences	(274,456)	17,535
Decrease of tax loss carry forwards	-	(93,571)
Decrease of tax credits carry forwards	-	(403,972)
Profit or loss after taxation	**(1,007,436)**	**(1,432,245)**
Effective tax rate (in %)	**12,69**	**13,92**

Under the Slovene tax legislation, it is possible that the tax authority in certain cases levies tax on the Company's operating activities by using an approach that differs from the one used by the Company. In 2019, the Tax Administration of the Republic of Slovenia did not conduct any corporate tax inspections. Therefore, a possibility exists that a tax inspection will take place at a later date and it may result in additional tax charges being imposed. However, the management believes that the corporate income tax return encompasses all expenses and income in accordance with the provisions of the law and that no further obligations will be imposed in the event of a tax inspection.

As a rule, the tax base calculated for corporate income tax is higher than profit before tax posted in the income statement as a result of the portion of non-deductible expenses, representing permanent differences.

The ratio between the tax expense (including deferred tax) and the determined financial result before tax for 2019 is 12.69% (in 2018 the effective tax rate was 13.92 %).

According to local tax legislation in Slovenia, the applicable tax rate in 2019 was 19% (the same as in 2018).

10.28 DEFERRED TAXES

Deferred taxes are the result of calculating current and future tax effects, i.e. the future recovery (settlement) of the book value of assets (liabilities) recognized in the balance sheet of the Company and the transactions and other business events during the relevant period, offset and recognized in the consolidated financial statements of the Company in the case of the same tax authority.

Recognised deferred tax amounts

(in EUR)	31 Dec 2019	31 Dec 2018
Deferred tax assets	**2,422,669**	**3,495,828**
– receivables for deferred tax to be recovered	2,422,669	3,495,828
Deferred tax liabilities	**402,178**	**(0)**
– liabilities for deferred taxes pending payment	402,178	(0)

Deferred tax receivables

Compared to the previous year-end, in 2019 deferred tax receivables went down by EUR 1,073,159 (or 31%), mainly due to release of deferred tax receivables arising from tax credits.

Overview of bases for deferred tax receivables

(in EUR)	Base 2019	Reinsurance 2019	Base 2018	Reinsurance 2018
Due to impairment/value adjustments of receivables for premiums, for recourse receivables and for other current receivables	10,346,577	1,965,850	10,032,670	1,906,207
Due to impairment/value adjustments of financial investments	(0)	(0)	6,151,352	1,168,757
Due to impairment/value adjustments of provisions, provisions for relief and depreciation above the statutory rate	2,404,311	456,819	2,215,074	420,864
Total	**12,750,888**	**2,422,669**	**18,399,096**	**3,495,828**

Overview of bases for deferred tax liabilities

(in EUR)	Base 2019	Deferred tax liability 2019	Base 2018	Deferred tax liability 2018
Due to reversal of impairment of financial investments	2,116,726	402,178	(0)	(0)
Total	**2,116,726**	**402,178**	**(0)**	**(0)**

Deferred taxes taken to equity in a given year

(in EUR)	31 Dec 2019	31 Dec 2018
Available-for-sale financial assets	(1,200,756)	38,404
Total	**(1,200,756)**	**38,404**

Movements in deferred taxes

(in EUR)	Total
New balance as at 1 Jan 2018	**3,843,604**
Increases due to acquisition of companies	93,571
Debited/credited to income statement	(480,008)
Debited/credited to equity	38,404
Exchange rate differences	257
Net balance of assets and liabilities as at 31 Dec 2018	**3,495,828**
-	-
New balance as at 1 Jan 2019	**3,495,828**
Debited/credited to income statement	(274,456)
Debited/credited to equity	(1,200,756)
Exchange rate differences	(124)
Net balance of assets and liabilities as at 31 Dec 2019	**2,020,491**

Movements in deferred tax liabilities

(in EUR)	Impairment reversal to fair value	Other	Total
Balance as at 1 Jan 2018	171,034	-	171,034
Debited/credited to equity	(75,471)	-	(75,471)
Total deferred tax liability before set off at 31 Dec 2018	**95,563**	**-**	**95,563**
Set off of deferred tax	(95,564)	-	(95,564)
Total deferred tax liability before set off at 31 Dec 2018	**(0)**	**-**	**(0)**
Balance as at 1 Jan 2019	**(0)**	**-**	**(0)**
Debited/credited to equity	1,254,500	-	1,254,500
Total deferred tax liability before set off at 31 Dec 2019	**1,254,500**	**-**	**1,254,500**
Set off of deferred tax	(852,322)	-	(852,322)
Total deferred tax liability before set off at 31 Dec 2019	**402,178**	**-**	**402,178**

Deferred tax receivables by calculation basis

(in EUR)	Receivables from direct insurance contracts	Non-current and current financial investments	Other non-current receivables from insurance contracts	Reserves for jubilee and termination benefits at retirement	Amortised above mandatory rate for computer software	Other current receivables	Untaxed reliefs	Total
Balance as at 1 Jan 2018	**1,365,652**	**1,108,376**	**372,064**	**386,994**	**328**	**377,252**	**403,972**	**4,014,637**
Increases due to acquisition of companies	-	-	-	-	-	**93,571**	-	**93,571**
Debited/credited to income statement	(57,728)	192,764	25,035	33,869	(287)	(269,689)	(403,972)	(480,008)
Debited/credited to equity	-	(37,067)	-	-	-	-	-	(37,067)
Exchange rate differences	9	247	-	1	0	-	-	257
Total deferred tax asset before set off at 31 Dec 2018	**1,307,933**	**1,264,320**	**397,099**	**420,864**	**41**	**201,135**	**0**	**3,591,391**
Set off of deferred tax	-	(95,564)	-	-	-	-	-	(95,564)
Total deferred tax asset before set off at 31 Dec 2018	**1,307,933**	**1,168,757**	**397,099**	**420,864**	**41**	**201,135**	**0**	**3,495,828**
Balance as at 1 Jan 2019	**1,307,933**	**1,168,757**	**397,099**	**420,864**	**41**	**201,135**	**-**	**3,495,828**
Debited/credited to income statement	48,407	(274,514)	(38,498)	35,958	2	49,751	-	**(178,893)**
Debited/credited to equity	-	(41,820)	-	-	-	-	-	**(41,820)**
Exchange rate differences	(20)	(101)	-	(3)	(0)	-	-	**(124)**
Total deferred tax asset before set off at 31 Dec 2019	**1,356,320**	**852,322**	**358,600**	**456,819**	**43**	**250,886**	**-**	**3,274,990**
Set off of deferred tax	-	(852,322)	-	-	-	-	-	(852,322)
Total deferred tax asset before set off at 31 Dec 2019	**1,356,320**	**-**	**358,600**	**456,819**	**43**	**250,886**	**-**	**2,422,668**

10.29 NET EARNINGS (LOSS) PER SHARE

The net earnings per share that refers to the holders of ordinary shares is calculated by dividing the net profit (loss) for the year attributable to the holders of ordinary shares (numerator) with the weighted average number of ordinary outstanding shares for the reporting period.

Earnings (loss) per share

(in EUR)	2019	2018
Net profit or loss for the financial year	6,930,593	8,855,628
Weighted average number of ordinary shares outstanding	10,304,407	10,304,407
Basic and adjusted net earnings / loss per share (in euros)	**0.67**	**0.86**

All shares issued by the parent company are ordinary registered shares; therefore, the diluted net earnings per share are equal to the basic net earnings per share.

Movements in shares

(in EUR)	2019	2018
As at 1 Jan	10,304,407	10,304,407
As at 31 Dec	**10,304,407**	**10,304,407**

10.30 ISSUES, REDEMPTIONS AND PAYOUTS OF SECURITIES AND DIVIDENDS

In 2019, Adriatic Slovenica did not issue any subordinated bonds and did not purchase or pay any equity securities.

Dividend per share

(in EUR)	2019	2018
Amount of dividends (in euros)	8,140,482.00	10,304,407.00
Dividend per share (in euros)	0.79	1.00

Dividends are formed from the accumulated profit determined by the Company after the financial year ended and are paid in the foreseen amount after the General Meeting of Shareholders adopted such a resolution.

On 24 April 2019, the General Meeting of Shareholders of Adriatic Slovenica adopted a resolution (referring to 2018), to allocate EUR 8,140,481.53 for dividend payments to the shareholders. The dividend was paid in full.

10.31 ADDITIONAL EXPLANATIONS TO THE CASH FLOW STATEMENT

The indirect method is used in preparation of the cash flow statement. In the reconciliation of cash flows from operations, the indirect method enables adjustments of profit / loss due to effects of transactions of non-monetary nature and items of revenues and expenses related to cash flows from investment activities and financing. Within the cash flows from financing, the expenses for dividend payments equal the dividend payments disclosed in the statement of changes in equity because the dividends were paid in full.

11. RELATED PARTY TRANSACTIONS

In this section, the Adriatic Slovenica discloses transactions with related legal entities, the shareholders, the subsidiaries and associates, the management of Adriatic Slovenica and the senior management of the controlling companies.

The rules on related party transactions are laid down in the Company's internal policy on ensuring data, preparation of reports and storage of this data. For mutual services between related parties, transfer prices are used, which are charged at the same rates as for unrelated parties. To determine the prices, the Company uses the comparable uncontrolled price method, where the comparable market prices are defined by means of internal or external comparable uncontrolled price method.

In 2019, the related party transactions included:

- insurance contract operations – taking out insurance, claims settlement and payments of commissions for concluded insurance contracts;
- hiring out of business premises and parking spaces;
- purchases and sales of investment properties;
- purchases and sales of securities;
- financial services (loans).

In 2019, there were no significant transactions between related parties carried out under unusual market conditions and likely to affect the presentation of the financial position of the Company. In the reporting year, Adriatic Slovenica received adequate payments and reimbursements in all transactions in 2019 made with the parent company KD Group d.d. (parent company until 13 February 2019) and those transactions were carried out at arm's length. There were no significant transactions between the parent company Generali CEE Holding b. v., The Netherlands and the Company in 2019. All transactions with subsidiaries were executed as transactions between knowledgeable, willing parties in an arm's length transaction.

11.1 RELATED PARTIES

Shareholders of AS d. d.

With a 100% equity stake, Generali CEE Holding B. V., established in Amsterdam, is the sole shareholder and direct owner of Adriatic Slovenica d. d.

Subsidiaries, indirect subsidiaries and associates of AS d. d.

Company	Address	Equity stake	Tax rate	VAT identification no.	Activity	Reporting period
Subsidiary						
SLOVENIA						
PROSPERA družba za izterjavo d. o. o.	Ljubljanska cesta 3, 6000 Koper	100%	19%	SI34037616	Other financial service activities, except insurance and pension funding, n.e.c.	Calendar year
VIZ zavarovalno zastopništvo d. o. o.	Ljubljanska cesta 3 a, 6000 Koper	100%	19%	SI87410206	Activities of insurance agents and brokers	Calendar year
ZDRAVJE AS zdravstvene storitve d. o. o.	Ljubljanska cesta 3 a, 6000 Koper	100%	19%	SI22745866	Specialist outpatient health care service	Calendar year
Generali Investments, d.o.o. Ljubljana	Dunajska cesta 63, 1000 Ljubljana	100%	19%	SI56687036	Activity of custody funds and other funds and similar financial entities	Calendar year
AGENT Zavarovalniško zastopanje d.o.o.	Cankarjev drevored 4, 6310 Izola - Isola	100%	19%	20359187	Activities of insurance agents and brokers	Calendar year
Indirect subsidiary						
SLOVENIJA						
Generali Investments GP 1, družba za investicije, d.o.o.	Dunajska cesta 63, 1000 Ljubljana	100%	19%	32924925	Activity	Calendar year
Generali Investments GP 2, družba za investicije, d.o.o.	Dunajska cesta 63, 1000 Ljubljana	100%	19%	86585614	Activity	Calendar year
Generali Investments GP 2 d.o.o., kapitalske naložbe, CP k.d.	Dunajska cesta 63, 1000 Ljubljana	54.79%	19%	44629338	Activity of holding companies	Calendar year
CROATIA						
Generali Investments, d.o.o. Zagreb	Ljudevita Gaja 28, 10000 Zagreb	97%	18%	61865183767	Activities of investment fund management	Calendar year
MACEDONIA						
Generali investments, d. o. o. Skopje	Ul. Makedonija 13b (bul. Partizanski odredi br. 14A/1-2), 1000 Skopje	94.60%	10.00%	40300080318520	Activities of investment fund management	Calendar year
Associate						
SLOVENIA						
Nama trgovsko podjetje d.d., Slovenija	Tomšičeva ulica 1, 1000 Ljubljana	48.51%	19%	SI22348174	Retail sale of food and non-food consumer	Calendar year
MEDIFIT d. o. o., Slovenija	Tržaška cesta 116, 1000 Ljubljana	33.09%	19%	SI 12848999	Activities related with information technology and computer	Calendar year
IDORU inteligentni analitični sistemi d. o. o.	Celovška cesta 206, 1000 Ljubljana	25.00%	19%	SI 69662517	Activities related with information technology and computer	Calendar year

Other associates of AS d. d.

Assicurazioni Generali S. p. A, established in Trieste, and other associates are companies which are associated with the Company through manageme t and supervisory bodies, i.e. Management and Supervisory Board members.

11.2 RELATED PARTY TRANSACTIONS

Sale of goods and services

(in EUR)	2019	2018
Shareholder of Adriatic Slovenica d.d.	175,252	355,939
Subsidiaries of Adriatic Slovenica d.d.	815,459	1,183,015
Associate of Adriatic Slovenica d.d.	12,176	5,234
Other associated/affiliated companies of Adriatic Slovenica d. d.	169,757	974,619
Total	1,172,643	2,518,806

In 2019, the Company did not sell any receivables to Prospera d. o. o. subsidiary.

Purchase of goods and services

(in EUR)	2019	2018
Shareholder of Adriatic Slovenica d.d.	32,940	256,303
Subsidiaries of Adriatic Slovenica d.d.	3,192,631	3,070,189
Associate of Adriatic Slovenica d.d.	79,694	-
Other associated/affiliated companies of Adriatic Slovenica d. d.	2,978,969	1,307,378
Total	6,284,234	4,633,869

Receivables of Adriatic Slovenica d.d. from related parties

(in EUR)	31 Dec 2019	31 Dec 2018
Shareholder of Adriatic Slovenica d.d.	-	12,436
Subsidiaries of Adriatic Slovenica d.d.	23,884	86,224
Other associated/affiliated companies of Adriatic Slovenica d. d.	17,363	52,101
Total	41,248	150,761

Liabilities of Adriatic Slovenica d.d. from related parties

(in EUR)	31 Dec 2019	31 Dec 2018
Shareholder of Adriatic Slovenica d.d.	-	19,754
Subsidiaries of Adriatic Slovenica d.d.	282,327	94,241
Associate of Adriatic Slovenica d.d.	2,000	2,000
Other associated/affiliated companies of Adriatic Slovenica d. d.	57,672	104,861
Total	342,000	220,856

Purchase of investment properties from related parties

In 2019, the Company did not purchase from or sell any investment properties to its related parties.

Purchase of securities from related parties

(in EUR)	2019	2018
Subsidiaries of Adriatic Slovenica d.d.	70,000	209,375
Associate of Adriatic Slovenica d.d.	176,674	133,561
Total	246,674	342,936

In 2019, the Company increased its investment into the subsidiary VIZ d. o. o. for the amount of EUR 70,000, and into the associate MEDIFIT d. o. o. for the amount of EUR 120,340. In 2019, the Company purchased a further 10% share in the company IDORU inteligentni analitični sistemi d. o. o.; thus holding a 25% share (equal to EUR 51,125) the Company classified it among the associates.

Sale of securities to related parties

(in EUR)	2019	2018
Associate of Adriatic Slovenica d.d.	(5,209)	(5,209)
Total	(5,209)	(5,209)

Bonds issued by the shareholder of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**14,662,033**	**16,293,424**
Bonds sold in the Group	(14,662,033)	(1,634,458)
Interest charged	-	865,396
Interest received	-	(913,661)
Valuation/measurement	-	51,331
At the end of the reporting period	**-**	**14,662,033**

Shares of the shareholder of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**537,372**	**537,372**
Shares sold to third parties	(537,372)	-
At the end of the reporting period	-	537,372

Shares of subsidiaries of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**34,991,942**	**39,110,803**
Spin-off assets	-	(3,378,236)
Shares purchased from the issuer	70,000	130,000
Purchased shares in the group	-	79,375
Repayment of capital	(900,000)	(950,000)
Dividends paid	1,556,327	1,502,443
Dividends received	(1,556,327)	(1,502,443)
At the end of the reporting period	**34,161,942**	**34,991,942**

Shares of associates of Adriatic Slovenica d.d.

(in EUR)	2019	2018
At the beginning of year	**11,834,253**	**11,705,901**
Shares purchased from the issuer	176,125	128,352
Shares purchased from third parties	549	5,209
Shares sold to third parties	(5,209)	(5,209)
Dividends paid	50,895	78,656
Dividends received	(50,895)	(78,656)
At the end of the reporting period	**12,005,718**	**11,834,253**

Shares and shareholdings of other related parties of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**780,935**	**1,597,793**
Bonds sold to third parties	(780,935)	-
Maturing bonds	-	(777,143)
Interest charged	-	31,118
Interest received	-	(31,118)
Valuation/measurement	-	(39,715)
At the end of the reporting period	**-**	**780,935**

Loans received and loans given

In 2019, the Company did not grant loans to or receive loans from subsidiaries, associates and related parties. The loans given over the years were mostly repaid in 2019.

Loans given to the shareholder of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**23,135,998**	**15,235,718**
Approved loans	-	9,700,000
Repaid loans	(23,135,998)	(1,800,000)
Interest accrued	-	806,732
Interest reduction	-	(806,452)
At the end of year	**-**	**23,135,998**
Paid interest	**-**	**802,813**

Loans given to other related parties of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**2,499,907**	**7,600,185**
Repaid loans	(2,499,907)	(5,100,000)
Interest accrued	-	181,245
Interest reduction	-	(181,523)
At the end of year	**-**	**2,499,907**
Paid interest	-	191,002

Loans given to subsidiaries of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**130,000**	**130,005**
Approved loans	-	50,000
Repaid loans	(30,000)	(50,000)
Interest accrued	1,029	1,145
Interest reduction	(1,029)	(1,150)
At the end of year	**100,000**	**130,000**
Paid interest	958	1,116

Loans received from other related parties of Adriatic Slovenica d. d.

(in EUR)	2019	2018
At the beginning of year	**-**	**1,618**
Repaid loans	-	(1,350)
Interest accrued	-	0
Interest reduction	-	(269)
At the end of year	**-**	**(0)**

* Note: Loans received from other related parties include interest movements.

In 2019, the Company did not enter into any transactions with banks which would be considered related parties.

11.3 SHAREHOLDERS

As at 31 December 2019, with a 100% equity stake, Generali CEE Holding B. V. established in Amsterdam is the sole shareholder of Adriatic Slovenica.

Until 13 February 2019, with a 100% equity stake, KD Group d.d. was the sole shareholder of Adriatic Slovenica. Business cooperation with KD Group d.d. was concluded and is outlined in the subsections below (Section 11).

11.4 MANAGEMENT

The management consists of the members of the Management Board and the Supervisory Board and the employees on individual employment agreements.

Transactions with senior management of Adriatic Slovenica d. d.

The income received by the members of the Management and Supervisory Boards of Adriatic Slovenica for the performance of their duties in the 2019 financial year.

Adriatic Slovenica made the following payments for 2019 to the members of the Management Board

in EUR	Office	Gross salary	Variable part of remuneration	Holiday allowance	Reimbursements of costs*	Insurance premiums	Commissions, bonuses and other fringe benefits	Remuneration for work in subsidiaries
Gregor Pilgram	President of the Management Board (from 30. 9. 2019)	-	-	-	-	-	-	-
Gabrijel Škof	President of the Management Board (to 30. 9. 2019)	134,100	-	1,752	1,030	1,852	3,534	-
Matija Šenk	Member of the Management Board	120,000	-	1,752	1,430	2,089	5,143	330
Jure Kvaternik	Member of the Management Board (to 31. 7. 2019)	85,538	-	1,051	1,097	1,464	24,350	700

* Including travel expenses using own vehicle and daily allowance at home and abroad.

Income of employees on individual employment agreements

The Company paid out to the employees working on the basis of the collective agreement, but who are not subject to the tariff section of the collective agreement, remuneration totalling EUR 5,827,671 for 2019 of which EUR 4,840,286 were paid for gross salaries and EUR 987,385 for other remuneration (annual holiday allowance, bonuses, reimbursement of costs, including travel expenses using own vehicle, daily allowances, insurance premiums, termination benefits, long-service benefits and other benefits).

Adriatic Slovenica made the following payments for 2019 to the members of the Supervisory Board

in EUR	Office	Gross salary	Variable part of remuneration	Holiday allowance	Reimbursements of costs*	Fees for attending board sessions	Insurance premiums	Commissions, bonuses and other fringe benefits	Remuneration for work in subsidiaries
Gregor Pilgram	Member from 13. 2. 2019, Chairman from 20. 3. 2019 to 30. 9	-	-	-	-	-	-	-	-
Aljoša Tomaž	Chairman to 13. 2. 2019	-	-	-	-	4,952	-	-	-
Aleksander Sekavčnik	Member	-	-	-	-	4,398	-	-	-
Tomaž Butina	Member	-	-	-	-	4,332	-	-	375
Luciano Cirinà	Member from 13. 2. 2019, from 20. 3. 2019 deputy Chairman and from 1. 9. 2019 Chairman	-	-	-	-	-	-	-	-
Miroslav Bašta	Member od 13. 2. 2019	-	-	-	-	-	-	-	-
Miroslav Singer	Member od 13. 2. 2019 in od 1. 9. 2019 deputy Chairman	-	-	-	-	-	-	-	-
Matjaž Pavlin	Member, representative of employees	34,550	-	1,752	2,826	20,561	1,288	877	-
Borut Šuštaršič	Member, representative of employees	30,404	-	1,752	2,133	21,015	1,157	877	-

Adriatic Slovenica made the following payments for 2019 to the members of the Supervisory Board

in EUR	Fees for attending meetings
Matjaž Pavlin	900
Tomaž Butina	396
Beáta Petrušová	
Vera Dolinar	1.127

As at the 2019 year-end, the Company carries the following current operating receivables and liabilities;

- EUR 63 of receivables and no liabilities from the members of the Management Board. The receivables arise from the insurance business (premiums due) and from rents of parking spaces,

- EUR 186 of receivables and no liabilities from the members of the Supervisory Board and the Audit Committee. The receivables mainly arise from the insurance business (premiums due) ,
- EUR 9,564 of receivables and EUR 206 of liabilities from the employees employed on the basis of the contract to which the tariff section of the collective agreement does not apply. The bulk of receivables in the amount of EUR 8,179 arises from the insurance business (premium due), while the rest arises from rents for parking spaces. The total sum of liabilities arises from travel expense reimbursement.

The receivables arising from premiums are non-matured receivables. The receivables arising from rents for parking places are the receivables for the rents in December and were settled by deducting the relevant amounts from the payroll in January 2020.

In 2019, the Company and its subsidiary did not grant to or receive any loans or advances from the members of the Management Board, the members of the Supervisory Board or the employees employed on the basis of the contract to which the tariff section of the collective agreement does not apply. Furthermore, the management did not participate in any scheme offering share options and no significant transactions were made without entering them in the accounting records of the Company.

The Company carries receivables in the amount of EUR 2,882 and EUR 3 liabilities related to members of management or supervision bodies of subsidiaries and associates. The receivables arise from insurance premiums.

Transactions with the immediate family members of the members of Management and Supervision Boards and the Audit Committee

In 2019, insurance transactions were made between the Company and the immediate family members of Management Board, Supervisory Board and Audit Committee members, the immediate family members paying to the insurance company the premium for the taken out insurance as shown below:

- the immediate family members of members of the Management Board paid the aggregate amount of EUR 213 of insurance premiums,
- the immediate family members of members of the Supervisory Board paid the aggregate amount of EUR 2,451 of insurance premiums.
- the immediate family members of members of the Audit Committee paid the aggregate amount of EUR 1,907 of insurance premiums.

The insurance premiums paid by the immediate family members of Adriatic Slovenica were paid on the basis of insurance contracts taken out under normal market conditions or according to the tariffs with usual discounts for unrelated parties.

In 2019, based on the concluded insurance policies, the Company paid EUR 2,103 for claims to the immediate family members of members of the Supervisory Board, whilst to the immediate family members of members of the Audit Committee and members of the Management Board no claims were paid in 2019.

Transactions with senior management of controlling companies of the Adriatic Slovenica d. d.

The senior management of the controlling companies of Adriatic Slovenica comprises all members of the Management Board who manage and control the parent company of Generali CEE Holding b. v., The Netherlands and, at the highest level, the parent company Assicurazioni Generali S. p. A, established in Trieste.

In 2019, the Company did not receive any payments from or made any payments to the senior management. As at 31 December 2019, there were no outstanding liabilities to the management board members of controlling entities by the Company.

12. CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables and liabilities include potential receivables and liabilities held in off-balance sheet items.

Contingent receivables and liabilities

(in EUR)	2019	2018
Outstanding recourse receivables	4,869,249	5,175,260
Received pledged guarantees	3,705,800	27,181,998
Receivables for pension insurance premiums	-	195,898
Other receivables	280,098	280,334
Contingent RECEIVABLES	**8,855,147**	**32,833,490**
Liabilities - disputes and litigations (labour and insurance)	335,671	303,053
Liability for guaranteed return	519	66,482
Other liabilities	6,204	4,628
Contingent LIABILITIES	**342,395**	**374,162**
Records under swap contracts	-	50,000,000
Total contingent receivables and liabilities	**9,197,541**	**83,207,652**

As at 31 December 2019, the balance of contingent receivables is lower by EUR 23,978,344 than in the previous year mostly due to the expiration of pledged guarantees of EUR 23,476,198 (guarantees arising from guarantees against a mortgage, guarantees with pledged shares in the company and with pledged securities) the company held as collateral of given loans. Furthermore, all other contingent receivables decreased compared to the previous year-end.

Contingent liabilities of the Company decreased by EUR 31,767 compared to the end of the previous year. The reduction of liabilities was mainly due to lower liabilities for guaranteed return. Despite the overall decrease, the balance of contingent liabilities increased in the reporting period due new contingent liabilities related to one commercial dispute and one employment dispute. To a lesser extent, other potential liabilities related to the credits owed to pension fund savers under the pension plan financing contract also increased.

Other

In 2019, the Company terminated the Interest Rate Swap, which caused the decrease of the off-balance records by EUR 50,000,000. The contract was concluded in the first half of 2017 with a view to hedge the variable part of the interest rate of the issued bond Adris Float 05/24/26 in the amount of EUR 50,000,000.

The Company has contingent liabilities pursuant to (until 2021) the valid guarantee arising from the concluded umbrella agreement on the transfer of the portfolio, between the assignor AS neživotno osiguranje a. d. o., Belgrade, and the acquirer of the portfolio, the subsidiary of Pozavarovalnica Sava. The potential exposure of the Company is valued at 0 because during the validity period of the guarantee the claim, which exceeded the formed provisions and for which the guarantee was expressly given, was withdrawn.

As at 31 December 2019 the Company had no tenants with conditional rent.

Important litigations in progress

- Actions for damages have been initiated against commercial banks (NLB, DUTB, Abanka), to which the Bank of Slovenia pronounced extraordinary measures to terminate the qualified liabilities of banks, in connection with the extraordinary measures imposed on the NLB d. d., Abanka d. d., Factor bank d. d., Probanka d. d. and Banka Celje d. d. on 17 December 2013. On the basis of the Bank of Slovenia's decisions on extraordinary measures in five Slovenian banks (NLB, NKBM, Abanka, Factor banka, Probanka) in 2013 and in one bank (Banka Celje) in 2014, debt instruments held by the insurance company in total nominal value of EUR 14,634,800 euros and 123,416 shares of Probanka d. d., 2,085 NLB shares d. d., 5 shares of the Bank of Celje d. d. and 45 shares of Gorenjska banka d. d. were erased. The Company immediately initiated all procedures to protect its rights in relation to the erased financial investments. In October 2016, the Constitutional Court decided that part of the Banking Act, on the basis of which decisions on extraordinary measures were issued, was in contravention of the

Constitution in so far as it was not possible for the holder of eligible liabilities to have adequate judicial protection. The Constitutional Court ordered the legislator to remedy the unconstitutionality and, until the remedy of the unconstitutionality, all proceedings that are pending in this respect have been interrupted with the limitation period beginning six months after the entry into force of the law which will remedy the unconstitutionality. . In all initiated proceedings, the court decided that the proceedings should be interrupted until the court's decision in the compensation procedure against the Bank of Slovenia according to the law, which will replace the procedure referred to in Article 350.a of the Banking Act. Accordingly, the insurance Company has pending lawsuits against

- NLB d. d., District Court of Ljubljana, reference number VIII Pg 3069/2016, disputed amount EUR 2,919,375.00
- DUTB d. d., District Court of Ljubljana, reference number. VIII Pg 3063/2016, disputed amount. 12,109,212.66 EUR
- Abanka d. d., District Court of Ljubljana, reference number VIII Pg 3060/2016, disputed amount 1,062,959.92 EUR
- Abanka d. d., District Court of Ljubljana, reference number VIII Pg 2617/2016, disputed amount. 2,590,000.00 EUR.

- The insurance company has filed an action for damages against the Bank of Slovenia (District Court of Ljubljana, Ref. No. VIII Pg 1765/2016) due to the early termination of deposits as per the decisions of the Bank of Slovenia, the disputed amount EUR 235,266.02.

13. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred after the date of the consolidated balance sheet and before date of approval of the financial statements that should be disclosed in the consolidated financial statements and could affect the financial statements and tax liabilities for 2019.

Events after the balance sheet date, important for business operations in 2020

On 3 January 2020, the company Adriatic Slovenica d.d. merged with Generali zavarovalnica d.d.. The company Generali zavarovalnica d.d., as the transferee company, in accordance with the laws, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations. On the same date Adriatic Slovenica ceased to exist and was deleted from the Court Register.

On 12 March 2020, Slovenia declared an epidemic under Article 7 of the Communicable Diseases Act due to an increase in the number of cases of Coronavirus infection and Covid-19 disease in the country. At the same time, in accordance with the recommendations issued by the National Institute of Public Health (NIJZ) and the Government of the Republic of Slovenia, the Insurance Company adopted the recommended safeguard measures to ensure a safe working environment, safety of the employees, the policyholders and other clients. The basis for the declaration of the epidemic was the expert opinion of the National Institute of Public Health (NIJZ). By declaring the epidemic, Slovenia followed the declaration of a pandemic by the World Health Organization, declared the day before. The negative effects of the epidemic on the business of the Insurance Company cannot yet be assessed.

AUDITED

CONSOLIDATED FINANCIAL STATEMENT FOR 2019

The Adriatic Slovenica Group

VSEBINA

1. STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board of Generali zavarovalnica d.d., legal successor of Adriatic Slovenica d.d. is responsible for the preparation of the Consolidated Annual Report for the financial year ended 31 December 2019. In accordance with its responsibility, it confirms that the consolidated financial statements of the Group and the notes thereto were prepared on a going-concern basis and that they comply with the applicable legislation and with the International Financial Reporting Standards as adopted by the European Union. The Management Board confirms that appropriate accounting policies were consistently applied in the preparation of consolidated financial statements and that the use of accounting judgements and estimates affecting the reported amounts of assets and liabilities and disclosures are based on the principle of prudence and good management. Furthermore, the Management Board confirms that the consolidated financial statements present a true and fair view of the financial position and performance results of the Group for 2019.

The Management Board is also responsible for proper management of accounting, for taking appropriate measures to protect the assets of the Group as well as other assets and for preventing and detecting fraud and other irregularities or illegal acts.

The tax authorities may at any time inspect the Company's books of account and tax returns and other records within five years after the fiscal year in which tax returns should have been filed, which may result in additional tax liabilities, default interest and penalties arising from corporate tax or other taxes and duties. The Management Board is not aware of any circumstances, which may give rise to any material liabilities arising from these taxes and would have a significant impact on the figures presented in the annual report or on the future financial position of the Group.

Ljubljana, 23. March 2020

Management Board of the parent company:

Vanja Hrovat,
President of the Management Board

Katarina Guzej
Member of the Management Board

Mitja Feri,
Member of the Management Board

2. AUDITOR'S OPINION

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Generali zavarovalnica d.d.

Opinion

We have audited the consolidated financial statements of Group Adriatic Slovenica ("Group Adriatic Slovenica" or "the Group"), which comprise the consolidated statement of financial position sheet as at 31 December 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the 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 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

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

We used actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex and/or requiring significant judgement in the setting of assumptions, particularly long-tail business in non-life operations and LAT cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim reserves calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Group's modelling approach in the areas considered higher risk because of complexity and/or magnitude. We also assessed the Group's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. We assessed the experience analyses performed by the Group in their assumption setting processes. Our assessments included evaluation, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied. We compared applicable industry information considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and the compliance of the models with International Financial Reporting Standards as adopted by the European Union. Furthermore, we performed audit procedures to evaluate if the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's LAT which is a test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the LAT included assessment of the projected cash flows and of the assumptions adopted in the context of both the Group and industry experience and specific product features.

We assessed the adequacy of the disclosures included in notes 5.15 Insurance technical provisions, 6.6. Insurance technical provisions estimates, 6.7 Future life payments estimates and 10.14 Insurance technical provisions of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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Information technology (IT) systems and controls over financial reporting

A significant part of the Group's financial reporting process and revenue recognition is heavily reliant on IT systems with automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist, and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort was in this area. Furthermore the complexity of IT systems and nature of application controls requires special expertise to be involved in the audit. We therefore consider this as a key audit matter.

We focused our audit on those IT systems and controls that are significant for the Group's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists in our audit procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.

Other information

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

Our opinion on the 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 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 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 consolidated financial statements is, in all material respects, consistent with the 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 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.

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

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

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

The audit committee and the supervisory board are responsible for overseeing the Group's financial reporting process. The supervisory board is responsible to approve the audited annual report.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 Group to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Appointment and Approval of Auditor

We were appointed as auditors of the Group at the general meeting of shareholders on 21 November 2018, the president of the supervisory board has signed the audit agreement on 17 December 2018. The agreement was signed for the period of three years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for two years. Janez Uranič and Simon Podvinski are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Group, which we issued on 20 March 2020.

Non-audit Services

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

In addition to statutory audit services and services disclosed in the Annual Report, no other services which were provided by us to the Group.

Ljubljana, 23 March 2020

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

Simon Podvinski
Certified auditor

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Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED BALANCE SHEET

Consolidated balance sheet as at 31 December 2019

(in EUR)	Note	31 Dec 2019	31 Dec 2018
Assets		810,026,362	732,509,219
Intangible assets	10.1	32,096,103	32,253,011
Property, plant and equipment	10.2	31,646,738	30,854,065
Deferred tax assets	10.29	3,171,696	4,251,013
Investment properties	10.3	9,039,104	23,756,686
Financial investments in subsidiaries and associates	10.4	12,363,218	12,062,454
Financial investments	10.5	316,826,134	278,033,208
In loans and deposits		9,040,600	42,997,985
In held-to-maturity financial assets		11,809,059	29,628,993
In available-for-sale financial assets		290,136,821	195,804,735
In financial assets measured at fair value		5,839,653	9,601,494
Unit-linked investments of policyholders	10.6	311,499,120	274,127,785
Amounts of technical provisions ceded to reinsurers	10.7	17,047,869	14,903,527
Assets from investment contracts	10.8	18,686,486	11,912,847
Receivables	10.9	29,983,500	22,886,569
Receivables from direct insurance business		23,953,316	16,667,722
Receivables from reinsurance and coinsurance		1,647,106	1,169,661
Income tax receivables		318,617	34,304
Other receivables		4,064,461	5,014,882
Other assets	10.10	6,193,049	5,756,209
Cash and cash equivalents	10.11	21,473,347	21,711,844
Equity and liabilities		810,026,362	732,509,219
Equity	10.12	99,987,747	96,217,906
Majority equity interest		99,938,004	96,112,020
Share capital		42,999,530	42,999,530
Capital reserves		4,211,782	4,211,782
Reserve from profit		9,223,936	9,223,936
Translation differences		10,884	12,714
Reserve due to fair value measurement (Revaluation surplus)		5,825,192	548,654
Retained net earnings		30,667,971	29,970,220
Net profit or loss for the financial year		6,998,709	9,145,183
Minority equity interest		49,742	105,886
Subordinated liabilities	10.13	49,676,681	49,581,823
Technical provisions	10.14	297,220,853	276,383,360
Unearned premiums		51,460,933	50,006,208
Mathematical provisions		114,757,300	110,293,625
Outstanding claims provisions		124,095,205	115,569,565
Other technical provisions		6,907,415	513,962
Insurance technical provisions for unit-linked insurance	10.15	310,690,347	271,970,492
Other provisions	10.17	5,753,385	4,984,103
Deferred tax liabilities	10.28	435,158	-
Liabilities from investment contracts	10.16	18,686,486	11,912,847
Other financial liabilities	10.18	1,479,127	524,591
Operating liabilities	10.19	11,124,580	7,157,302
Liabilities from direct insurance contracts		9,303,380	3,898,988
Liabilities from reinsurance and coinsurance contracts		1,786,409	2,246,026
Income tax liabilities		34,792	1,012,287
Other liabilities	10.20	14,971,998	13,776,794

The accounting policies and notes set out on pages from 237 to 361 are an integral part of the consolidated financial statements.

3.2 CONSOLIDATED INCOME STATEMENT

Consolidated income statement for the period from 1 January 2019 to 31 December 2019

(in EUR)	Note	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
NET PREMIUM INCOME	10.21	**297,629,639**	**289,196,804**
Gross written premiums		309,713,362	300,446,201
Premiums ceded to reinsurers and coinsurers		(10,609,241)	(10,255,255)
Change in unearned premiums		(1,474,482)	(994,142)
REVENUES FROM INVESTMENTS IN ASSOCIATES, of which	10.21	**253,044**	**58,211**
- profit from capital investments from associates and joint ventures, calculated using the equity method		253,044	58,211
INCOME FROM INVESTMENTS	10.21	**52,363,072**	**11,892,771**
OTHER INCOME FROM INSURANCE OPERATIONS, of which	10.21	**841,895**	**1,861,666**
- fee and commission income		841,895	1,861,666
OTHER INCOME	10.21	**17,219,932**	**16,785,867**
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	10.22	**(222,021,680)**	**(217,605,490)**
Gross amounts of claims and benefits paid		(220,452,871)	(220,397,268)
Reinsurers'/coinsurers' shares		4,792,723	5,093,869
Change in claims provisions		(6,361,532)	(2,302,092)
CHANGE IN OTHER TECHNICAL PROVISIONS	10.14	**(3,915,633)**	**(2,736,245)**
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	10.15	**(38,719,865)**	**29,072,788**
CHANGES IN LIABILITIES ARISING FROM INVESTMENT CONTRACTS		**-**	**-**
EXPENSES FOR BONUSES AND DISCOUNTS		**(312,016)**	**(54,420)**
OPERATING EXPENSES, of which	10.23	**(81,147,178)**	**(76,656,482)**
- acquisition costs		(23,882,137)	(22,368,643)
EXPENSES FROM INVESTMENTS IN ASSOCIATES, of which	10.21	**(116,467)**	**(74,782)**
-loss from capital investments in associates and joint ventures, calculated using the equity method		(116,467)	(71,295)
EXPENSES INVESTMENTS, of which	10.21	**(3,053,656)**	**(25,462,541)**
- impairment losses of financial assets not measured at fair value through profit or loss		-	(1,046,626)
OTHER INSURANCE EXPENSES	10.24	**(2,448,216)**	**(2,603,665)**
OTHER EXPENSES	10.25	**(8,202,572)**	**(12,556,074)**
PROFIT/(LOSS) BEFORE TAX		**8,370,299**	**11,118,408**
CORPORATE INCOME TAX	10.27	**(1,354,220)**	**(1,932,275)**
NET PROFIT FOR THE REPORTING PERIOD		**7,016,079**	**9,186,133**
MINORITY INTEREST		**17,370**	**41,005**
INTEREST OF PARENT COMPANY		**6,998,709**	**9,145,128**

The accounting policies and notes set out on pages from 237 to 361 are an integral part of the consolidated financial statements.

3.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated statement of other comprehensive income for the period from 1 January 2019 to 31 December 2019

(in EUR)	Note	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		7,016,079	9,186,133
OTHER COMPREHENSIVE INCOME AFTER TAXATION	10.12	5,037,228	(193,869)
Items not to be allocated to profit or loss in subsequent periods		(237,404)	(17,292)
Actuarial net gain/loss for pension programmes		(237,404)	(17,292)
Items that may be allocated to profit or loss in subsequent periods	10.12	5,274,632	(176,577)
Net gain/loss from re-measurement of available-for-sale financial assets		6,461,838	(223,256)
Gain/loss, recognised in revaluation surplus		8,518,556	(918,271)
Transfer of gain/loss from revaluation surplus to income statement		(2,056,718)	695,015
Associated net gain/loss related to capital investments in associates , calculated using the equity method		43,496	-
Tax on items that may be allocated to profit or loss in subsequent periods		(1,227,749)	42,419
Gain/loss from translation of financial statements of foreign operations		(2,953)	4,260
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAXATION		12,053,308	8,992,264
- ATTRIBUTABLE TO MINORITY INTEREST		17,294	41,005
- ATTRIBUTABLE TO CONTROLLING COMPANY		12,036,013	8,951,259

The accounting policies and notes set out on pages from 237 to 361 are an integral part of the consolidated financial statements.

3.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity for the period from 1 January 2019 to 31 December 2019

in EUR	I. Share capital	II. Capital reserve	III. Reserves from profit: Legal abd statutory	III. Reserves from profit: Credit risk	III. Reserves from profit: Catastrophic loss reserves	III. Reserves from profit: Other reserves	IV. Revaluation surplus	V. Retained earnings	VI. Net profit/loss		IX. Total equity attributable to the controlling company		TOTAL EQUITY
Total amount at the end of previous financial year	42,999,530	4,211,782	1,519,600	-	-	7,704,336	548,654	29,970,220	9,145,183	12,714	96,112,020	105,886	96,217,906
OPENING BALANCE IN THE FINANCIAL PERIOD	42,999,530	4,211,782	1,519,600	-	-	7,704,336	548,654	29,970,220	9,145,183	12,714	96,112,020	105,886	96,217,906
Comprehensive income net of tax	-	-	-	-	-	-	5,276,538	(237,404)	6,998,709	(1,830)	12,036,013	17,294	12,053,308
Net profit/loss for the year	-	-	-	-	-	-	-	-	6,998,709	-	6,998,709	17,370	7,016,079
Other comprehensive income	-	-	-	-	-	-	5,276,538	(237,404)	-	(1,830)	5,037,304	(76)	5,037,228
Allocation of net profit/loss for the preceeding year to retained profit/loss	-	-	-	-	-	-	-	9,145,183	(9,145,183)	-	-	-	-
Payment (accounting) of dividends	-	-	-	-	-	-	-	(8,140,482)	-	-	(8,140,482)	(20,275)	(8,160,757)
Spremebe deležev v lastniškem kapitalu odvisnih podjetij	-	-	-	-	-	-	-	16,460	-	-	16,460	(53,163)	(36,703)
Other	-	-	-	-	-	-	-	(86,008)	-	-	(86,008)	-	(86,008)
CLOSING BALANCE AS AT 31 DECEMBER	42,999,530	4,211,782	1,519,600	-	-	7,704,336	5,825,192	30,667,971	6,998,709	10,884	99,938,004	49,742	99,987,747

The accounting policies and notes set out on page 328 are an integral part of the consolidated statement of changes in equity

Consolidated statement of changes in equity for the period from 1 January 2018 to 31 December 2018

in EUR	I. Share capital	II. Capital reserve	III. Reserves from profit: Legal abd statutory	III. Reserves from profit: Credit risk	III. Reserves from profit: Catastrophic loss reserves	III. Reserves from profit: Other reserves	IV. Revaluation surplus	V. Retained earnings	VI. Net profit/loss		IX. Total equity attributable to the controlling company		TOTAL EQUITY
Total amount at the end of previous financial year	42,999,530	4,211,782	1,519,600	-	-	7,704,336	728,676	29,940,979	10,633,199	10,475	97,748,578	211,299	97,959,877
OPENING BALANCE IN THE FINANCIAL PERIOD	42,999,530	4,211,782	1,519,600	-	-	7,704,336	728,676	29,940,979	10,633,199	10,475	97,748,578	211,299	97,959,877
Comprehensive income net of tax	-	-	-	-	-	-	(180,021)	(17,292)	9,145,183	2,866	8,950,736	41,583	8,992,319
Net profit/loss for the year	-	-	-	-	-	-	-	-	9,145,183	-	9,145,183	41,005	9,186,188
Other comprehensive income	-	-	-	-	-	-	(180,021)	(17,292)		2,866	(194,447)	578	(193,869)
Allocation of net profit/loss for the preceeding year to retained profit/loss	-	-	-	-	-	-	-	10,633,199	(10,633,199)	-	-	-	-
Payment (accounting) of dividends	-	-	-	-	-	-	-	(10,304,407)	-	-	(10,304,407)	(60,982)	(10,365,389)
Spremebe deležev v lastniškem kapitalu odvisnih podjetij	-	-	-	-	-	-	-	(207,410)	-	(628)	(208,038)	(86,014)	(294,052)
Other	-	-	-	-	-	-	-	(74,849)	-	-	(74,849)		(74,849)
CLOSING BALANCE AS AT 31 DECEMBER	42,999,530	4,211,782	1,519,600	-	-	7,704,336	548,654	29,970,220	9,145,183	12,714	96,112,020	105,886	96,217,906

The accounting policies and notes set out on page 328 are an integral part of the consolidated statement of changes in equity

The Group records separately net profit or loss carried forward and net profit or loss for its life, non-life and health insurance business. In accordance with the provisions laid down in the Slovenian Companies Act, the insurance company uses the current profit to cover attributable loss carried forward separately for its life, non-life and health insurance business.

3.5 CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows for the period from 1 January 2019 to 31 December 2019

(in EUR)	Note	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Cash flows from operating activities		**33,977,197**	**23,772,096**
Items from the income statement		**29,959,531**	**23,458,257**
Net premiums written in the reporting period		299,104,121	290,190,946
Income from investments (other than financial income)		15,878,887	14,586,830
Other income from ordinary activities (other than income arising from revaluation and decrease in provisions) and financial income from operating receivables		13,407,330	15,763,728
Net claims and benefits paid in the reporting period		(215,660,148)	(215,303,399)
Net operating costs, other than depreciation costs and change in deferred acquisition costs		(76,369,719)	(72,348,392)
Investment charges (excluding depreciation and financial expenses)		(2,014,008)	(3,845,290)
Other operating costs excluding depreciation (other than for revaluation and without increase in provisions)		(4,039,885)	(5,086,136)
Corporate income tax and other taxes not included in operating costs		(347,047)	(500,030)
Changes in net current assets (receivables for insurance, other receivables, other assets and deferred tax assets and liabilities) of balance sheet items		**4,017,666**	**313,838**
Opening less closing balance of operating receivables from direct insurance business		(7,936,803)	975,804
Opening less closing balance of receivables from reinsurance		(684,866)	1,016,743
Opening less closing balance of other receivables from (re)insurance contracts		1,420,883	122,697
Opening less closing balance of other receivables and assets		4,530,762	(1,289,022)
Opening less closing balance of deferred tax assets		280,738	480,058
Opening less closing balance of inventories		0	10,669
Closing less opening balance of debts/liabilities from direct insurance business		5,404,408	(1,326,747)
Closing less opening balance of debts/liabilities from reinsurance		(459,618)	83,754
Closing less opening balance of other operating debts/liabilities		860,972	(1,482,122)
Closing less opening liabilities (other than unearned premiums)		594,956	1,738,413
Closing less opening deferred tax liabilities		6,233	(16,409)
Net cash from operating activities		**33,977,197**	**23,772,096**
Cash flows from investing activities		**(21,947,151)**	**(7,832,756)**
Cash receipts from investing activities		**120,084,055**	**152,338,831**
Cash inflows from interest received from investing activities		4,376,241	6,159,276
Cash inflows from dividends and participations in profit of others		1,417,459	1,587,543
Cash inflows from disposal of property, plant and equipment		983,671	24,873
Cash inflows from disposal of financial investments		113,306,684	144,567,139
Cash disbursements from investing activities		**(142,031,206)**	**(160,171,587)**
Cash disbursements to acquire intangible assets		(2,247,960)	(5,097,617)
Cash disbursements to acquire property, plant and equipment, financed from:		(2,617,751)	(2,298,472)
Cash disbursements to acquire financial investments		(137,165,495)	(152,775,498)
Net cash from investing activities		(21,947,151)	(7,832,756)
Cash receipts from financing activities		**(12,266,966)**	**(14,341,390)**
Cash inflows from financing activities		**94,858**	**56,945**
Cash inflows from long-term loans and issued bonds		94,858	56,676
Cash inflows from short-term loans		-	269
Cash outflows from financing activities		**(12,361,824)**	**(14,398,334)**
Cash outflows for interest paid		(4,038,606)	(4,032,677)
Cash outflows for payments of long-term financial liabilities		(182,736)	-
Cash outflows for payments of short-term financial liabilities		-	(269)
Cash outflows to pay out dividends and other participations in profit		(8,140,482)	(10,365,389)
Net cash from/(used in) financing activities		**(12,266,966)**	**(14,341,390)**
Closing balance of cash and cash equivalents	**10.11**	**21,473,347**	**21,711,844**
Cash flow for the reporting period		**(236,920)**	**1,597,950**
Exchange rate differences		(1,578)	2,706
Opening balance of cash and cash equivalents	**10.11**	**21,711,851**	**20,111,188**

The accounting policies and notes set out on pages from 237 to 361 are an integral part of the consolidated financial statements.

3.6 CONSOLIDATED STATEMENT OF ACCUMULATED PROFIT

Consolidated statement of accumulated profit for 2019

(in EUR)	Note	Total 1. 1. - 31. 12. 2019	Total 1. 1. - 31. 12. 2018
Net profit/(loss) for the financial year		**6,998,709**	**9,145,183**
Net profit carried forward (+) / net loss carried forward (-)	**10.12**	**30,667,971**	**29,970,220**
- result for the current year under effective standards		30,651,510	30,177,631
-decrease for the acquisition/sales of the subsidiary		16,460	(207,410)
Balance-sheet profit allocated by the Annual General Meeting as follows:		**37,666,680**	**39,115,404**
− to the shareholder		-	8,140,482

The accounting policies and notes set out on pages from 237 to 361 are an integral part of the consolidated financial statements.

4. INTRODUCTION OF THE AS GROUP AND BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The controlling entity in Adriatic Slovenica Group is Adriatic Slovenica d.d., a public limited company with registered office in Koper, Ljubljanska cesta 3a, Slovenia. The Company is entered in the Companies Register kept by the Court Register of the Koper District Court, entry number 1/015555/00. Adriatic Slovenica d.d. (hereinafter: the controlling company or the parent company of the Group), together with the subsidiaries PROSPERA d.o.o., VIZ d.o.o., ZDRAVJE AS d. o. o., Agent d.o.o., Generali Investments d. o. o. Ljubljana (ex KD Skladi d. o. o.) and five indirect subsidiaries Generali Investments d. o. o. Zagreb, Croatia (ex KD Locusta Fondovi d. o. o., Croatia), Generali Investments, a. d. Skopje (ex KD Fondovi AD Skopje) Generali Investments GP 1, Generali Investments GP 2 and Generali Investments CP d. o. o. k. d., forms the Adriatic Slovenica Group (hereinafter: the Group or the Adriatic Slovenica Group).

Management and governance bodies of the Group

Management and governance bodies of the parent company in 2019:

Gregor Pilgram, President of the Management Board (from 1 October 2019)
Gabrijel Škof, President of the Management Board (resigned on 1 October 2019)
Matija Šenk, Member of the Management Board
Jure Kvaternik, Member of the Management Board (resigned on 31 July 2019)

Supervisory bodies of the Group

Supervisory Board of the parent company in 2019:

Aljoša Tomaž, Chairman (resigned on 13 February 2019)
Aleksander Sekavčnik, Deputy Chairman (resigned on 13 February 2019)
Tomaž Butina, Member (resigned on 13 February 2019)
Gregor Pilgram, appointed as Member from 18 February 2019 to 18 February 2024, Chairman from 20 March 2019 to 31 August 2019
Luciano Cirinà, appointed as Member from 18 February 2019 to 18 February 2024, Chairman since 1 September 2019
Miroslav Bašta, appointed as Member from 18 February 2019 to 18 February 2024
Miroslav Singer, appointed as Member from 18 February 2019 to 18 February 2024, Deputy Chairman since 1 September 2019
Matjaž Pavlin, Member, employee representative
Borut Šuštaršič, Member, employee representative

With the deletion of Adriatic Slovenica d. d., the management bodies also ceased, and as of 3 January 2020 the merged company is headed by a two-member Management Board comprising Vanja Hrovat, President of the Management Board and Mitja Feri, Member of the Management Board, and is overseen by the Supervisory Board composed of Gregor Pilgram, Chairman, Carlo Schiavetti, Deputy Chairman, Stefano Culos, Member and Suzana Meglič, Member.

On 3 March 2020, after obtaining the license from the Insurance Supervision Agency to act as Member of the Management Board, Katarina Guzej became Member of the Management Board of Generali zavarovalnica.

Audit Committee of the insurance company Adriatic Slovenica d.d. in 2019:

Matjaž Pavlin, Chairman – Member of the SB (resigned on 15 July 2019)
Tomaž Butina, Deputy Chairman (resigned on 13 February 2019)
Beáta Petrušová, Member (independent expert, since 8 April 2019, for an unlimited period), Chairman since 30 September 2019
Vera Dolinar, Member (independent expert, since 12 December 2016, for an unlimited period)

Committee for the regular monitoring of the implementation of the Strategy and achievement of the target business model was dismissed on 8 April 2019

Aljoša Tomaž, Chairman – Member of the SB (until 8 April 2019)
Aleksander Sekavčnik, Deputy Chairman – Member of the SB (until 8 April 2019)

Carlo Palmieri - Member – Independent Expert (until 8 April 2019)

Access to consolidated annual reports and financial statements

In the sections below, notes to the consolidated financial statements of Adriatic Slovenica Group are presented. The consolidated financial statements and consolidated annual report are available at the registered head offices of Generali zavarovalnica d. d. (ex Adriatic Slovenica d. d.) and on its web site.

As of 13 February 2019, the Group operates directly within the Central and Eastern European Holding, which is controlled by Generali CEE Holding B.V., having its registered office in Amsterdam, the Netherlands, De Entree 91, 11014 BH Amsterdam, where the Consolidated Annual Report can be obtained for the said Holding, which represents the narrowest circle within the Group to which the Group is dependent.

The Consolidated Annual Report is produced for the widest range of related companies within the Group by the controlling company Assicurazioni Generali S. p. A, having its registered office in Trieste, Piazza Duca degli Abruzzi 2 where the Consolidated Annual Report can be obtained for the entire Generali Group. The company Assicurazioni Generali S.p.A. controls the company Generali CEE Holding B. V.

Number of employees as at the 2019 year-end

Data on the number of employees by the level of professional qualification in 2019 - Adriatic Slovenica Group

Number of employees per day	Qualification level					
	I- IV	I- IV	I- IV	I- IV	I- IV	I- IV
1 Jan 2019	36.0	405.0	170.0	525.0	42.0	1,178.0
31 Dec 2019	38.0	379.0	159.0	503.0	42.0	1,121.0
2019 average	**38.1**	**398.4**	**164.9**	**515.2**	**42.4**	**1,159.1**

Note: The number of employees at the end of the year under review and the number of employees as at the first day of the next year are not equal since some employees are employed in the Group until 31 December and some are employed starting on 1 January. The number of employees in the above table is provided with regard to proportion of employment in a particular company in order to avoid duplication of employees on the level of the whole Group.

Some employees of the controlling company Adriatic Slovenica are partially employed at Prospera d.o.o. subsidiary, therefore, the number of employees of the Group in the insurance company is calculated considering the proportion of employment in individual companies. At the end of 2019, the number of employees of Adriatic Slovenica, taking into consideration these proportion, is 982.88 and is different from the number of employees per person, which was 1,001 employees at the end of 2019. In the same way, the number of employees of Prospera d.o.o. is different – considering the proportion of employment in an individual company, the number of employees is 7.9, while the number of employees per person is 28 as at 31 December 2019.

Data on the number of employees by the level of professional qualification in 2019 – controlling company

Number of employees as at	Qualification level					
	I- IV	I- IV	I- IV	I- IV	I- IV	I- IV
1 Jan 2019	30.0	344.0	138.0	443.0	29.0	984.0
31 Dec 2019	29.0	325.0	131.0	425.0	30.0	940.0
1 Jan 2019 AS Branch	3.0	33.0	13.0	18.0	-	67.0
31 Dec 2019 AS Branch	3.0	30.0	11.0	17.0	-	61.0
2019 average	**33.1**	**372.3**	**146.5**	**452.6**	**29.9**	**1,034.4**

Data on the number of employees by the level of professional qualification in 2019 – subsidiaries

Number of employees per day	Qualification level					
	I- IV	I- IV	I- IV	I- IV	I- IV	I- IV
1 Jan 2019	3	28	19	64	13	127
31 Dec 2019	6	24	17	61	12	120
2019 average	**5,0**	**26,1**	**18,4**	**62,7**	**12,5**	**124,7**

4.1 CONSOLIDATION

For 2019, the Adriatic Slovenica Group prepared consolidated financial statements and included in the consolidation the following entities: PROSPERA d.o.o., VIZ d.o.o., ZDRAVJE AS d. o. o., Agent d. o. o. and Generali Investments d. o. o. Ljubljana (ex KD Skladi d. o. o.) and four indirect subsidiaries Generali Investments d. o. o. Zagreb, Croatia (ex KD Locusta Fondovi d. o. o., Croatia), Generali Investments, a. d. Skopje (ex KD Fondovi AD Skopje), Generali Investments GP 1, Generali Investments GP 2 and Generali Investments CP d. o. o. k. d.

In 2018, the company Permanens d. o. o. was in liquidation until 30 September 2018, after which the winding up procedure was completed and the company was formally deleted from the Company Register in Zagreb on 15 January 2019.

All the companies within the Group are fully consolidated since the day when controlling rights are acquired and removed from full consolidation immediately after the Group loses its control over them. Accounting policies of the companies are aligned with the policies of the Group and where there are exceptions to this rule, the financial statements are adequately adjusted to comply with the accounting policies of the parent company.

Minority stakes are presented in the consolidated balance sheet under shareholders' equity, separated from the capital of the controlling company. In the consolidated income statement, the financial result of the period under review, related to the minority stake, is presented separately from the financial result of the controlling company. Similarly, in the consolidated statement of comprehensive income, the comprehensive income of the period, related to the minority stake, is presented separately from the comprehensive income of the controlling company. In the consolidated statement of changes in equity, the disclosures of minority stake equity owners are presented separately as well. All the companies present their balance sheets as at the same date.

Subsidiaries and indirect subsidiaries of Adriatic Slovenica Group

Company	Address	Equity stake	Tax rate	VAT identification no.	Activity	Reporting period
Subsidiary						
SLOVENIA						
PROSPERA družba za izterjavo d. o. o.	Ljubljanska cesta 3, 6000 Koper	100%	19%	SI34037616	Other financial service activities, except insurance and pension funding, n.e.c.	Calendar year
VIZ zavarovalno zastopništvo d. o. o.	Ljubljanska cesta 3 a, 6000 Koper	100%	19%	SI87410206	Activities of insurance agents and brokers	Calendar year
ZDRAVJE AS zdravstvene storitve d. o. o.	Ljubljanska cesta 3 a, 6000 Koper	100%	19%	SI22745866	Specialist outpatient health care service	Calendar year
Generali Investments, d.o.o. Ljubljana	Dunajska cesta 63, 1000 Ljubljana	100%	19%	SI56687036	Activity of custody funds and other funds and similar financial entities	Calendar year
AGENT Zavarovalniško zastopanje d.o.o.	Cankarjev drevored 4, 6310 Izola - Isola	100%	19%	20359187	Activities of insurance agents and brokers	Calendar year
Indirect subsidiary						
SLOVENIJA						
Generali Investments GP 1, družba za investicije, d.o.o.	Dunajska cesta 63, 1000 Ljubljana	100%	19%	32924925	Activity	Calendar year
Generali Investments GP 2, družba za investicije, d.o.o.	Dunajska cesta 63, 1000 Ljubljana	100%	19%	86585614	Activity	Calendar year
Generali Investments GP 2 d.o.o., kapitalske naložbe, CP k.d.	Dunajska cesta 63, 1000 Ljubljana	54.79%	19%	44629338	Activity of holding companies	Calendar year
CROATIA						
Generali Investments, d.o.o. Zagreb	Ljudevita Gaja 28, 10000 Zagreb	97%	18%	61865183767	Activities of investment fund management	Calendar year
MACEDONIA						
Generali investments, d. o. o. Skopje	Ul. Makedonija 13b (bul. Partizanski odredi br. 14A/1-2), 1000 Skopje	94.60%	10.00%	40300080318520	Activities of investment fund management	Calendar year

Changes of equity stakes in subsidiaries and indirect subsidiaries

Direct subsidiary	Equity stake (%) 31.12..2019	Voting rights (%) 31.12.2018	Change (in %)	Note
PROSPERA družba za izterjavo d.o.o.	100.00	100.00	-	
VIZ zavarovalno zastopništvo d.o.o.	100.00	100.00	-	
ZDRAVJE AS zdravstvene storitve d. o. o.	100.00	100.00	-	
Generali Investments, družba za upravljanje, d. o. o. Ljubljana	100.00	100.00	-	
AGENT Zavarovalniško zastopanje d. o. o.	100.00	100.00	-	
Indirect subsidiary **				
Generali Investments a.d. Zagreb	96.72	90.00	6.72	
Generali Investments d.o.o. Skopje	94.60	94.60	-	
Generali Investments GP 1, družba za investicije, d. o. o.	100.00	-	-	Entered the Group - establishment
Generali Investments GP 2, družba za investicije, d. o. o.	100.00	-	-	Entered the Group - establishment
Generali Investments CP d. o. o. k. d.	54.79	-	-	Co-establishment

* The share of voting rights is equal to equity stake.
** With regard to indirect subsidiaries, the equity stake held by the subsidiary Generali Investments, d. o. o. Ljubljana, is shown.
***The company is not included in the consolidated financial statement of the AS Group.

Presentation of equity stakes in subsidiaries of the parent company Adriatic Slovenica

Subsidiary	Equity stake (%)		Voting rights (%)		Caring amount of equity in (EUR)	
	31/ 12/ 2019	31/ 12/ 2018	31/ 12/ 2019	31/ 12/ 2018	31/ 12/ 2019	31/ 12/ 2018
PROSPERA družba za izterjavo d.o.o.	100	100	100	100	2,920,934	3,820,934
VIZ zavarovalno zastopništvo d.o.o.	100	100	100	100	560,000	560,000
ZDRAVJE AS d. o. o	100	100	100	100	720,000	650,000
Generali Investments, družba za upravljanje, d.o.o. Ljubljan	100	100	100	100	29,326,008	29,326,008
AGENT Zavarovalniško zastopanje d. o. o.	100	100	100	100	635,000	635,000
Indirect subsidiary						
Generali Investments a. d. Zagreb	97	90	97	90	2,142,000	2,294,293
Generali Investments d. o. o. Skopje	95	95	95	95	450,000	450,000
Generali Investments GP 1, družba za investicije, d. o. o.	100	0	100	-	7,500	-
Generali Investments GP 2, družba za investicije, d. o. o.	100	0	100	-	7,500	-
Generali Investments CP d. o. o. k. d.	55	-	55	-	20,000	-

Changes in relationships of the parent company Adriatic Slovenica with subsidiaries

Changes in equity shares

Prospera d. o. o.

In 2019, the parent company Adriatic Slovenica d. d., as the sole shareholder of Prospera d. o. o., received from the subsidiary EUR 900,000 in capital payment. On the basis of the finding that the volume of capital is too large in relation to the activity and needs of the company, Prospera d. o. o. carried out the decapitalization of EUR 900.000 and reduced capital reserves for this amount.

ZDRAVJE AS zdravstvene storitve d. o. o.

In 2019, the parent company Adriatic Slovenica increased its investment in the subsidiary ZDRAVJE AS d. o. o. for the amount of EUR 70,000 by paying additional funds to increase the share capital. The share capital of ZDRAVJE AS d. o. o. thus increased to EUR 720,000.

Generali Investments družba za upravljanje, d. o. o. Ljubljana

In 2019, the subsidiary Generali Investments, Slovenia increased its share in the subsidiary (indirect subsidiary to AS d.d. Generali Investments, d. o. o. za upravljanje investicijskim fondovima by 6.72%.

Received dividends

In 2019, the parent company Adriatic Slovenica received dividends in the amount of EUR 1,556,327 from its subsidiaries.

The AS Group – acquisitions and disposals

Acquisitions

IDORU inteligentni analitični sistemi d. o. o. (Intelligent analytical Systems Ltd.)

In March 2019, the parent company AS acquired an additional 10.00% share in IDORU inteligentni analitični sistemi d. o. o. The company's core business is related to information technology and computer services. IDORU inteligentni analitični sistemi d. o. o. operates in Ljubljana. As of 31.12. 2019 the parent company AS owns and controls voting rights of IDORU inteligentni analitični sistemi d. o. o. with a share of 25.00% therefore the latter is classified as an associate.

About the company

Registered company name: IDORU inteligentni analitični sistemi d. o. o.
Head office and address: Celovška cesta 206, Ljubljana, 1000 Ljubljana
Company registration number: 8068640000
VAT identification number: SI 69662517
Share capital: EUR 7.500,00 and is fully paid up.
The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

Establishment of the companies Generali Investments GP 1 d. o. o. and Generali Investments GP 2 d. o. o.

In May 2019, the subsidiary Generali Investments d.o.o. Ljubljana founded two new companies, Generali Investments GP 1 d. o. o. and Generali Investments GP 2 d. o. o. The core business of both companies is the provision of financial services. Generali Investments d. o. o. is among the largest subsidiaries of the parent company AS which, when the two new companies were established, became their indirect parent company.

About the company Generali Investments GP 1 d. o. o.

Registered company name: Generali Investments GP 1, družba za investicije, d. o. o.
Abbreviated company name: Generali Investments GP 1 d. o. o.
Head office and address: Dunajska cesta 63, Ljubljana, 1000 Ljubljana
Company registration number: 8436304000
VAT identification number: 32924925
Share capital: EUR 7.500,00 and is fully paid up.
The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

About the company Generali Investments GP 2 d. o. o.

Registered company name: Generali Investments GP 2, družba za investicije, d. o. o.
Abbreviated company name: Generali Investments GP 2 d. o. o.
Head office and address: Dunajska cesta 63, Ljubljana, 1000 Ljubljana
Company registration number: 8435685000
VAT identification number: 86585614
Share capital: EUR 7.500,00 and is fully paid up.

The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

Generali Investments GP 2 d. o. o., kapitalske naložbe, CP k. d.

In 2019, the subsidiary Generali Investments d.o.o. Ljubljana co-founded the company Generali Investments CP d. o. o. k. d. with its stake in the new company being EUR 20,000, representing a 54.79% share in the company at 2019 year-end. The newly established company was not included in the consolidated financial statements under the full consolidation method.

About the company Generali Investments GP 2 d. o. o., kapitalske naložbe, CP k. d.

Registered company name: Generali Investments GP 2 d. o. o., kapitalske naložbe, CP k. d.
Abbreviated company name: Generali Investments CP d. o. o. k. d.
Head office and address: Dunajska cesta 63, Ljubljana, 1000 Ljubljana
Company registration number: 8537135000
VAT identification number: 44629338
Share capital / company member shareholding: EUR 36.500.00.
The reporting period is equal to the calendar year.
Corporate tax rate is 19%.

4.2 BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements and the consolidated annual report (management report and accounting report) prepared by the Adriatic Slovenica Group for the financial year 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Commission Regulation and in accordance with the provisions of the national legislation, the Slovene Companies Act (ZGD-1) and its amendments and the Insurance Act (ZZavar-1). Furthermore, the consolidated financial statements and annual report have been prepared in compliance with the national implementation regulation, the Decision on Annual Reports and Quarterly Financial Statements of Insurance Undertakings issued by the Insurance Supervision Agency (Official Gazette of the Republic of Slovenia No. 1/16).

The reporting period of the Group and of all companies in the Group is equal to the calendar year.

The preparation of consolidated financial statements in line with the IFRS requires a certain degree of accounting judgement. It also requires judgements passed by the Management Board when accepting the accounting policies of the Group. This area, which demands a high level of judgement and complexity, where the assumptions and estimations are an important part of the consolidated financial statements, is disclosed in Section 5 and individual sections on risk management.

The consolidated annual report of the Adriatic Slovenica Group can be obtained at the head office of the company Generali zavarovalnica d. d. and can be accessed at its website.

4.2.1 Statement on compliance

In the current financial year, the Group has observed all new and revised standards and interpretations issued by the International Accounting Standards Board - IASB and its competent committee (International Financial Reporting Interpretations Committee - IFRIC of the IASB) effective for the periods commencing 1 January 2016 as adopted by the European Union (hereinafter: the EU).

The abbreviations used in the text have the following meaning:

IFRS – International Financial Reporting Standards,
IAS – International Accounting Standards,

IFRIC –Interpretations to the International Financial Reporting Standards issued by the competent committee of the Board for IFRS, and
SIC - standards interpretations issued by the Standards Interpretations Committee.

IFRS 16: Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires from the lessees to recognise most of the leases in financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.
Upon transition to IFRS 16, the Group recognized additional EUR 1,788,375 of assets and EUR 1,788,375 of liabilities for leases. Upon transition to IFRS 16, the Company applied the simplified transition method, which makes the effect of the transition to Company equity equal to zero. The implementation of the standard is presented in more detail below (see Section 4.4. Change in accounting policies).

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

The amendments address concerns arising from implementing IFRS 9 Financial instruments before implementing the new standard that is being developed and deals with insurance contracts and will replace IFRS 4. The amendments allow insurance companies to introduce two solutions in the calculation of insurance contracts: a temporary exemption from applying IFRS 9 and the application of an overlay approach that permits the companies that are issuer of contracts which belong within the scope of IFRS 4, to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets.

The Management assessed the impact of the amendments on the financial statements and adopted the possibility of temporary exemption from the application of IFRS 9, as permitted by the amendments to IFRS 4 Insurance Contracts to insurance companies. Due to the possibility of temporarily postponing the application of IFRS 9, insurance companies are allowed to continue applying IAS 39 for periods beginning before 1 January 2022. The Management decided to apply the temporary exemption from the application of IFRS 9 because the main activity of the Group is connected with insurance. The Group assessed whether it is qualified for the temporary exemption as at 31 December 2015 and found that liabilities arising from insurance contracts within the scope of IFRS 4 represented 97.64%. Since 31 December 2015 until the beginning of the application of the standard on 1 January 2018 and until the reporting date on 31 December 2019, there has been no change in the activity of the Group which would have an impact on the possibility of temporarily suspending the application of IFRS 9.

Overview of liabilities arising from insurance contracts under IFRS 4

Liability type	Value as at 31.12.2015	% of total liabilities
Liabilities arising from contracts that are dealt with in accordance with IFRS 4	531.360.864	93,54%
Liabilities from non-derivative investment contracts measured at fair value through profit or loss	(0)	0,00%
Liabilities for derivatives used to mitigate risks arising from contracts within the scope of IFRS 4, investment contracts measured at fair value through profit or loss and from the assets backing liabilities.	-	0,00%
Relevant tax liabilities	1.540.738	0,27%
Relevant other liabilities including employee long-service benefits	21.451.598	3,78%
Total	**554.353.199**	**97,59%**

Below are disclosures that allow users of the Group's financial statements to compare with companies applying IFRS 9.

The table below presents an analysis of the fair value of classes of financial assets as at the end of the reporting period, as well as the corresponding change in fair value during the reporting period. The financial assets are divided into two categories: Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading and any other financial assets.

Overview of the fair value and its changes in 2019

in EUR	SPPI financial assets			Other financial assets		
	Fair value as on 1.1.2019	Fair value as on 31.12.2019	Fair value change	Fair value as on 1.1.2019	Fair value as on 31.12.2019	Fair value change
Debt securities	193,935,918	261,441,608	67,505,690	8,562,737	4,584,589	(3,978,148)
Equity securities	-	1,490,783	1,490,783	37,967,553	44,442,713	6,475,160
Derivatives	-	-	-	(429,961)	-	429,961
Loans and deposits	34,741,625	7,090,694	(27,650,931)	-	-	-
Financial receivables	8,523,057	2,050,120	(6,472,936)	-	-	-
Cash and cash equivalents	21,711,850	21,458,340	(253,509)	-	-	-
Total	258,912,449	293,531,545	34,619,096	46,100,329	49,027,302	2,926,973

The following table shows the carrying amount of the SPPI assets by credit risk rating grades. The carrying amount is measured in accordance with IAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

Exposure to credit risk of the SPPI assets

Carrying amount	AAA	AA/A	BBB	BB/B	Unrated	Total 31.12.2019
Debt securities	10,426,238	120,118,593	96,315,409	17,425,919	12,981,292	257,267,450
Loans and deposits	-	-	1,228	-	7,089,465	7,090,694
Financial receivables	-	8,994	425,938	650,000	1,691,404	2,776,336
Cash and cash equivalents	-	6,048	6,013,102	5,989,125	9,450,067	21,458,340
Total	10,426,238	120,133,634	102,755,678	24,065,043	31,212,228	288,592,821

The following table provides information on the fair value and carrying amount for those SPPI assets which the Group has determined do not have a low credit risk. The carrying amount is measured in accordance with IAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

Financial assets which do not have a low credit risk as on 31.12.2019

in EUR	Fair value as on 31.12.2019	Carrying amount as on 31.12.2019
Debt securities	30,407,210	30,407,210
Loans and deposits	7,089,465	7,089,465
Financial receivables	2,379,425	2,379,425
Cash and cash equivalents	15,439,191	15,439,191
Total	55,315,292	55,315,292

IFRS 9: Prepayment features with negative compensation (Amendment)

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendment does not have a material impact on the financial statements of the Group.

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

The Amendments relate to whether the measurement, in particular impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. The amendment does not have a material impact on the financial statements of the Group.

IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The amendment does not have a material impact on the financial statements of the Group, as it does not operate in a complex multinational tax environment.

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

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The amendment does not have a material impact on the financial statements of the Group.

The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The Management has assessed that none of the amendments, when initially applied, will have a material impact on the financial statements of the Group.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 - Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

B) Standards which are not yet effective and have not been adopted early by the Company

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. Management has assessed the effect of the standard on the financial statements of the Company and expects that the new Standard, when initially applied, will not have a material impact on the financial statements of the Company. This effect however cannot be estimated reliably at this time.

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Group.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Group.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of ‘material’ (Amendments)"

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity’. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Group.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Group.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed that the amendments, when initially applied, will not have a material impact on the financial statements of the Group.

4.2.2 Consolidation bases and policies

Subsidiaries

The consolidated financial statements consist of financial statements of the controlling company (parent company) and its subsidiaries. The full consolidation method is used for all companies since the day when controlling rights are acquired by the Group and removed from full consolidation immediately after the Group loses its control over them. Upon its losing of control, the Group must:

- derecognise the assets (including goodwill) and liabilities of the subsidiary;
- derecognise the carrying value of all non-controlling stakes;
- derecognise the total amount of exchange rate differences, recognised in equity;
- recognise the fair value of received compensation;
- recognise the fair value of all other investments;
- recognise all surpluses or deficits in the income statement;
- adequately reallocate the stake of the parent company in the items that were recognised in the statement of other comprehensive income beforehand to income statement or retained earnings.

The financial statements of the companies within the Group are prepared for the same reporting period and using the same accounting policies. In the preparation of the consolidated financial statements, all transactions, balances, unrealised gains or losses from internal operations within the Group and dividends among related companies have been eliminated.

Associates

Associates, in which the Group has an important influence, but does not control their financial or business policies, are included in the consolidated financial statements by applying the equity method (see Sections 5.4 and 10.4 for more details.

4.2.3 Balances and transactions in foreign currencies

In the financial statements of individual companies, all transactions and calculations of items of assets and liabilities in foreign currencies are translated into the functional currency using the reference rate applicable at the date of the transaction. Positive and negative exchange rate differences which arise from settlement of such transactions and from translation of monetary assets and liabilities, denominated in a foreign currency, are recognised in the income statement. If the business transaction is recognised directly in equity, also the exchange rate differences from revaluation are recognised in equity.

In the consolidated balance sheet, all equity items, except for the net profit or loss for the current period, are disclosed in the value, at which they were recognised in the first consolidation or subsequent recognition in equity. The difference between equity, disclosed in this way, and the equity based on the final exchange rate, is recognised in a separate equity item: equity translation adjustment or consolidation equity adjustment.

Monetary items in foreign currencies are translated using the reference rates of the European Central Bank (ECB) (for currencies, for which the ECB does not publish reference rates), applicable at year-end.

Non-monetary items that are measured at purchase price in a foreign currency are translated using the exchange rate applicable at the date of transaction, while non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate applicable at the date when the fair value was determined.

In the context of changes in the fair value of monetary securities denominated in foreign currency classified as available for sale, translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security are accounted for separately. Translation differences related to changes in the amortised cost are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets or liabilities, measured at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets or liabilities, classified as available for sale, are included in the revaluation surplus, together with the effect of fair value measurement in other comprehensive income.

Subsidiaries

Financial statements of subsidiaries, none of which is present in a hyperinflation business environment and their functional currency is different from the presentation currency used by the Group, are translated in this currency in the following way:

- assets and liabilities are translated using the reference rate of the ECB or the exchange rate list of the Bank of Slovenia as at the date of the consolidated balance sheet,
- revenues and expenses are translated using the average annual reference rate or the Bank of Slovenia rate,
- all the translation differences generated are recognised as a separate part of equity (translation differences).

In the consolidated financial statements, translation differences arising from investments in subsidiaries abroad are recognised directly in other comprehensive income. Upon disposal of such investment, the translation differences are recognised in the income statement together with the profit or loss arising from the disposal.

4.3 INSURANCE AND FINANCIAL CONTRACTS

The Group concludes contracts, under which it accepts insurance or financial risk or both types of risk from the policyholder, which is why it classifies its products under insurance and financial contracts. Insurance contracts include contracts with a significant insurance risk. They may also include financial risk, whereas financial contracts do not include underwriting risk.

A material underwriting risk is defined as the possibility of having to pay significant additional benefits on the occurrence of a loss event. A significant additional benefit is defined as the difference between the benefits payable on the occurrence of a loss event and the benefits payable if the loss event did not occur. The significance of additional benefits is assessed by comparing the maximum difference between the economic value of the payment in the case of occurrence of loss event and the payment in the remaining cases. As a general guideline, the Group defines 10% as the benchmark for assessment of significance of insurance risk if the additional benefits payable in the case of occurrence of a loss event amount to at least 10% of benefits payable in other events.

Part of insurance contracts held by the Group as at 31 December 2019 in its portfolio includes the option of discretionary participation in the positive result (hereinafter: DPF). Participation in the positive result is defined in the general terms and conditions for life insurance and in specific Rules. Obligations arising from DPF are fully recognised within mathematical provisions.

According to IFRS 4, the discretionary participation is a contractual right to additional benefits supplementary to guaranteed benefits, namely:

- benefits which are likely to represent a significant share of the total contract benefits;
- benefits whose amount or time frame is specified by the insurer; and

- benefits which are contractually based on:
  - the success of a given category of contracts or certain types of contracts;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
  - the profit of the company, long-term business fund or other entity that issues the contract.

Insurance contracts

The insurance contracts issued by the Group can be classified according to their characteristics into four main groups:
- non-life insurance contracts,
- health insurance contracts,
- life insurance contracts and
- unit-linked life insurance contracts where investment risk is assumed by the policyholders.

Non-life insurance contracts

This class includes accident insurance, insurance of land motor vehicles, fire and other damage to property insurance, liability insurance, financial loss insurance, goods in transit (transport) insurance, credit and suretyship insurance, assistance insurance, as well as insurance of legal expenses and litigations costs. This mainly involves short-term insurance contracts, with the exception of credit insurance.

In all of the above contracts, premiums are written when the policyholder's obligation for payment occurs. Revenues contain all costs in addition to premiums, including the agency fee, except taxes. The part of the premiums from in-force insurance contracts, which refers to unexpired insurance coverage on the balance sheet date, is presented as unearned premium reserve and represents a liability of the Group. Written premiums less changes in unearned premium reserves are recognised as income.

The amounts of claims (expenses) are recognised when claims incurred as the estimated amount of liability. Claims that have not been finally settled, i.e. paid by the balance-sheet date, are recognised as claims provisions. The benefits paid, decreased by enforced subrogations and increased by the amount of change in claims provisions, are recognised as costs/expenses.

Health insurance contracts

The Company provides three out of four types of voluntary health insurance in accordance with the provisions laid down in the Health Care and Health Insurance Act (hereinafter: the ZZVZZ), specifically complementary health insurance, additional health insurance and parallel health insurance.

The Company issues long-term insurance contracts based on monthly or annual premiums.

Premiums, benefits paid, revenues and expenses are calculated and recognised in accounting records in the same manner as for non-life insurance contracts.

Insurance companies offering complementary health insurance are included in equalisation schemes under the Health Care and Health Insurance Act (the ZZVZZ), which equalizes the differences in the medical costs between different structures of the insured of individual insurance companies with regard to age and gender. The insurance company is a payer under the equalisation scheme and recognises these expenses as expenses for claims and benefits paid.

Life insurance contracts

Long-duration life insurance contracts include in particular: mixed life insurance which offers coverage in the event of maturity and in the event of death during the term of the insurance contract, mixed life insurance with extended coverage for critical illnesses, life insurance for the event of death (either lifelong or for a specified period of time or decreasing term), life insurance in the event of death due to cancer and lifelong annuity insurance. Some types of life insurance can be concluded with additional accident insurance, additional critical illness insurance and other additional insurance. In this group the Group also accounts for voluntary supplementary pension insurance under the PN-A01 pension scheme and deferred temporary annuity contracts.

Premiums, claims, revenues and expenses are calculated and recognised in accounting records in the same manner as for non-life insurance contracts.

A mathematical provision is calculated for these contracts. It is recognised in the amount of the present value of estimated future liabilities based on active insurance contracts, decreased by the present value of the estimated future premiums payments. These liabilities are determined using assumptions on mortality, surrenders, costs and revenues from investments as they are recognised in the products' premium calculations, or more prudent assumptions are used to provide for the possibility of unfavourable deviation from expectations (safety margin). Changes in mathematical provisions are recognised as an expense of the Group.

Unit-linked life insurance contracts where policyholders bear the investment risk

Long-term unit-linked life insurance where policyholders bear the investment risk combine savings in mutual funds, investment funds or internal long-term business funds selected by the insured, and life insurance in case of the insured person's death with the guaranteed payment of the insurance sum.

Premiums are recognised as revenue when paid. Initiation (front-end) and administrative expenses are deducted from the paid premiums. Depending on the insurance product, the insured is charged a monthly management fee, risk premiums for the event of death and in some products also the premium for additional accident insurance. In some products, the risk premium is calculated from tables and in others as a % of the premium paid.

Liabilities arising from long-term insurance contracts where policyholders bear the investment risk include liabilities incurred by the Group towards its policyholders in accordance with individual insurance contracts and products.

The amount of liabilities includes the changes in asset unit value that are reduced by management fees and risk premiums. In addition, liabilities are increased by premiums and reduced by costs. In the case of surrender, the liabilities are reduced and the surrender value equals the Group's liabilities, reduced by surrender fee in the event of surrender or upon termination of insurance.

In individual life insurance contracts in which the policyholders bear the investment risk, total liabilities as at the balance sheet date equal the sum of unit values as at the balance sheet date and not yet converted net premiums paid. Depending on the insurance product, the liabilities are increased for any advance payments.

It is assumed that in each period risk premiums charged based on expected population mortality, are sufficient to cover death claims in excess of the unit values on individual personal accounts of insured. Additional liabilities are therefore not recognised in terms of these claims, except for individual products in which the risk premium is calculated in a different way.

An insurance contract where the policyholder bears the investment risk is a contract with the built-in link between the contractual payments and the units of internal or external investment fund chosen by the insured. This built-in link is consistent with the definition of an insurance contract and therefore not unbundled from the main insurance contract.

Reinsurance contracts

The contracts concluded between the Group and the reinsurers that entitle the Company to reimbursement of damages arising from one or more insurance contracts issued by the Group, and meeting the criteria of definition of insurance contracts, are classified as reinsurance contracts.

Financial contracts

Financial contracts are contracts that carry financial risk without a material insurance risk.

Under financial contracts, the Group includes voluntary supplementary pension insurance concluded under the Pokojninsko varčevanje AS – individualno (Pension savings AS – individual) and Pokojninsko varčevanje AS – kolektivno (pension savings AS – collective) pension schemes.

The AS Group is managing assets from voluntary supplementary pension insurance in the separate funds Pokojninsko varčevanje AS in accordance with the lifecycle investment policy. The funds Pokojninsko varčevanje AS, which were formed based on the legislation of the Republic of Slovenia regulating additional pension insurance (SVPI), provides significant financial optimization of saving for supplementary pension as well as tax benefits to both employees and employers.

The Pokojninsko varčevanje AS (Pension savings) funds consists of:

- the Pokojninsko varčevanje AS Drzni up to 50 fund,
- the Pokojninsko varčevanje AS Umirjeni between 50 and 60 fund,
- the Pokojninsko varčevanje AS Zajamčeni above 60 fund.

The investment policy of each fund is designed specifically for the target age group of policyholders and in accordance with the investment goals for the age group, at which individual funds are aimed. In the Pokojninsko varčevanje AS Zajamčeni above 60, the fund manager assures a return of 60% of average annual interest rate on government securities, which is taking into account the legal basis prescribed by the finance minister for calculation of the minimum return.

4.4 CHANGES IN ACCOUNTING POLICIES

With effect from 1 January 2019, the new International Financial Reporting Standard IFRS 16 Leases became effective and the insurer was required to make a mandatory change in accounting policies. The simplified transition method was applied in the implementation of this standard, which makes the transition effect of the transition to Group equity equal to zero. The Group did not restate the comparative information for the balance sheet as at 31 December 2018. Upon transition to IFRS 16, additional EUR 1,788,375 of the right to use the lease asset were recognized in the amount of the recognized amount of the lease liability in the amount of the present value of future payments. The right-of-use assets and lease liabilities are recognized as separate items in the balance sheet.

Adoption of IFRS 16 and effect on the balance sheet at transition date 1 January 2019

in EUR	1. 1. 2019	Change under MSRP 16	31. 12. 2018
Assets			
Property, plant and equipment	**30,854,065**	**1,788,375**	**30,854,065**
Lease assets	1,788,375	1,788,375	-
Total assets	**32,642,440**	**1,788,375**	**30,854,065**
Equity and liabilities			
Long-term financial liabilities	**1,788,375**	**1,788,375**	-
Long-term lease liabilities	1,788,375	1,788,375	-
Short-term financial liabilities	**94,630**	**-**	**94,630**
Short-term, lease liabilities	94,630	-	94,630
Total liabilities	**1,883,005**	**1,788,375**	**94,630**
Total equity and liabilities	**1,883,005**	**1,788,375**	**94,630**

A discount rate of 2.31% was applied at the date of transition to calculate lease liabilities. The discount rate did not change until the end of 2019. The rights to use lease assets are depreciated on a straight-line basis throughout the lease term. Depreciation and amortization costs are recognized in operating expenses while interest expenses are recognized as financial expenses. All lease contracts are cancellable and refer to the lease of business premises and parking lots. For the calculation of long-term lease liabilities, the five-year period was taken into consideration in accordance with the Group's policies.

Short-term leases (with a term of less than 12 months) and low-value leases (the cost of assets is less than $ 5,000) were excluded from the calculation of rights to lease and lease liabilities. Such leases are disclosed in the same manner as in the previous year, that is, as operating expenses.

The table below outlines additional lease disclosures until end of 2019.

Leases included in the balance sheet

in EUR	31.12.2019
Assets	
Right to use real estate (land and buildings)	1,342,475
Right to use vehicles	80,653
Right to use equipment	-
Right to use other assets	-
Right to use lease assets	**1,423,128**
Liabilities	
Short-term lease liabilities with a term of less than 1 year	96,056
Long-term lease liabilities with a term between 1 and 5 years	1,382,400
Long-term lease liabilities with a term of more than 5 years	-
Total lease liabilities	**1,478,457**

As at 31 December 2019, the rights to use lease assets amounted to EUR 1,423,128. In 2019, the depreciation of these assets amounted to EUR 371,077. Financial expenses for lease interest were recogni.

Leases included in the income statement

in EUR	1. 1. 2019 - 31. 12. 2019
Profit of loss - Leases	
Lease income	**781,712**
Sublease income	**3,200**
Operating expenses	**131,078**
Short-term lease expense and low-value lease expense	131,078
Depreciation of the right of use	**(371,077)**
Right to use real estate (land and buildings)	(350,047)
Right to use vehicles	(21,030)
Right to use equipment	-
Right to use other assets	-
Other expenses	**(37,071)**
Financial expenses for lease interests	(37,071)
Profit or loss recognized in financing	**507,842**

The group, as a lessor, primarily has operating leases. Lease assets are predominantly investment property, to a lesser extent leases relate to the lease of fixed assets and leased premises (sublease contracts). Lease contracts are mostly cancellable. Lessees do not have the option to purchase property upon completion of the lease.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used for the preparation of the consolidated financial statements are presented in the text below. These accounting policies have been followed consistently in the preparation of the consolidated financial statements for the financial year 2019.

5.1 INTANGIBLE ASSETS

The Group values intangible assets at the cost value, i.e. intangible assets are carried at cost less amortisation and any accumulated impairment losses.

The annual amortisation rates are determined according to the useful life of an individual intangible asset. The Group charges amortisation calculated on a straight-line basis over the estimated useful life of the assets. The amortisation of intangible assets is calculated individually by applying the following amortisation rates:

Amortisation rates and useful lives of intangible assets:

Name of intangible asset by amortisation groups	Annual rate of amortisation 2019	Useful life in 2019 in years
Investments in third party intangible assets	20%	5
Other material rights	10%	10
Computer software	20%	5
Other intangible assets	10%	10

The expected useful lives of intangible assets is the period in which it is possible to expect economic benefits from the asset. The useful lives are determined by the Group according to the duration of contractual or other rights. Based on this, the useful life cannot be longer from the period in which the Group may use the asset; however, it may be shorter. Intangible assets may have a non-defined useful life if, based on an analysis of all relevant factors, it is determined that there is no foreseeable limit to the period in which it is expected that the asset will generate net cash inflows for the Group.

The impairment test is performed for all significant intangible assets for which carrying amount exceeds their recoverable amount. An impairment test is performed for all assets whose individual purchase price exceeds EUR 50,000. The determined impairment loss (the asset's carrying amount that exceeds its recoverable amount) is recognised in the income statement as loss due to impairment.

Among other intangible assets, the Group presents assets of a non-defined useful life, namely a list of investors. On the date of financial statements, the Group checks if the asset is impaired by comparing its carrying amount with its recoverable amount.

The Group derecognises intangible assets when it does not expect to gain any future economic benefits from their use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised as a difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement as revaluation income or revaluation expense.

Goodwill

Goodwill can be generated from acquisition of subsidiary. Upon the acquisition of the investment in the subsidiary, the difference between the fair value of the associated net assets and the fair value of consideration or payment paid by the acquirer is identified. In the case the given consideration exceeds the fair value of the associated net assets of the subsidiary, goodwill is generated. Goodwill is therefore the calculated surplus of payment made by the acquirer expecting future benefits from assets that cannot be defined or recognised separately.

The goodwill that arises from the acquisition of subsidiaries is recognised as an intangible asset and purchase price less the potential losses due to impairment. However, goodwill that is generated from acquisition of associates is recognised in the value of investments in associates.

Goodwill is measured in the currency of the acquired entity that is as at the day of the acquisition translated into the reporting currency of the acquirer.

Impairment test of goodwill is performed annually and potential impairments are recognised in the income statement. Derecognition of goodwill impairment is not permitted. Gains or losses from the sale of subsidiaries also include the amount of goodwill related to the sold subsidiary.

5.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are classified according to their nature as property (property held for own use) and equipment, which are further divided in subcategories on the basis of their purpose. An item of property, plant and equipment is recognised at the time of its acquisition. At initial recognition, an item of property, plant and equipment that qualifies for recognition as an asset is stated at cost, which means at purchase price less accumulated depreciation and accumulated impairment losses. The cost of an item includes its purchase price and all costs directly attributable to bringing the asset to condition necessary for it to be capable of operating. As part of property, plant and equipment the costs incurred to replace parts of property, plant and equipment that help prolong the useful life of the asset are accounted for as well as the costs which increase future economic benefits from its use compared to previously anticipated benefits (modernisation costs, enhancement costs, costs increasing the capability of the fixed asset).

In the event of changed circumstances, which affect the estimated useful life of an item of property, plant and equipment, the effects of such changes in the useful life are recognised in the income statement.

The annual depreciation rates are determined according to the useful life of an individual item of property, plant and equipment. The applied useful life is the management's best estimate based on the expected physical usage and technical and economical ageing of an individual asset. Depreciation is calculated and charged on a straight-line basis over an asset’s estimated useful life. Calculating and charging depreciation starts when assets are available for use.

Depreciation rates and useful lives of property, plant and equipment:

Property, plant and equipment by depreciation groups	Annual rate of depreciation 2019	Useful life in 2019 in years
Buildings	1.3 -1.8 %	56-77
Motor vehicles	12.5-15.5 %	6-8
Computer equipment	33.3 %-50%	2-3
Office equipment	10 -25 %	4-10
Other equipment (furniture, fittings & fixtures)	10 -25 %	4-10

Property (buildings) used by the Group for the performance of its own activities are part of the whole – a cash-generating unit, i.e. the Insurance Company, which generates cash inflows by performing its principal activities. The Group has defined three cash-generating units - non-life insurance, health insurance and life insurance. The recoverable amount is generally the amount that is larger than the value in use or fair value decreased by costs of sale.

The management believes that in normal (expected) business conditions, the carrying amount of property intended for the performance of activities is at least equal to the recoverable amount of property. Operating conditions deviate from normal, if in the past three years the cash-generating unit has reached a negative profit, which in each case exceeds the amount of the insurance company's significance and there are no prospects for improving its business in the coming years.

The management assesses the values of these properties in the case the business circumstances significantly change or deviate from normal (expected) business conditions (an individual cash-generating unit has been operating for the last three years) or when the properties intended for own use are reclassified into investment properties.

In such cases, recoverable amount is determined based on property appraisals by external certified appraisers. The appraisals are prepared using the same methodology as used by the Insurance Company for measurement of recoverable amounts of investment property. If the recoverable amount of properties is lower than their carrying amount, such properties are impaired and the Group recognizes this difference in the income statement as an impairment loss and is considered an operating expense.

5.3 INVESTMENT PROPERTIES

Investment properties (land and buildings) are assets held by the Group with the purpose to earn cash flow from rent, increase the value or both. If a property is classified as an investment property, the Management Board takes into account the purpose of the property.

Investment properties (land and buildings) are measured initially at their cost, including transaction costs and any directly attributable expenditure. Subsequently, they are measured at cost less any accumulated depreciation and any accumulated impairment losses. The straight-line method is used to calculate depreciation.

Depreciation rates and useful lives of investment properties

Investment properties	Annual rate of depreciation 2019	Useful life in 2019 in years
Buildings	1.3 -1.8%	56-77

At least once per year, the Management Board performs an impairment test of investment properties, namely using accredited independent appraisers qualified to perform valuation of property. For new property, its purchase price is considered as fair value.

The Management Board performs an impairment test for investment properties, for which the carrying amount exceeds 5% of the materiality in terms of financial statements as a whole. The Group defines the materiality in terms of financial statements as a whole at 3% of the equity, as recorded in the balance sheet.

In of the performance of the impairment test for investment properties, the return of each property and market profitability is taken into account. If the actual return of an individual property exceeds the required return of property, the property does not show signs of impairment. Otherwise, the recoverable amount is determined for the property, using the following property valuation methods (also defined in valuation methods in the section on fair value):

- the income approach: this approach is based on the principle of present value of future returns – rent and similar revenues arising from the management of the property (value in use),
- the market approach: this approach determines the indicator value of the real property based on transactions for the same or very similar property. This approach is especially useful for real properties that are sold in large numbers on the secondary market (fair value).

The Group performs impairment of an investment property to the value of recoverable amount if the recoverable amount of the property is lower than the carrying amount, under the same conditions that apply for properties classified as property, plant and equipment.

Property, which the Group intends to sell in near future and whose carrying amount will be settled mainly through sale rather than further use, are classified under non-current assets held for sale.

Gains or losses arising from derecognition or disposal of investment property are recognised in the income statement through financial income or expenses.

Rental/lease income from investment property is charged on the basis of issued contracts. Rental income, which refers to the investment property, is stated in the financial statements among other revenues.

5.4 INVESTMENTS IN ASSOCIATES

In the consolidated financial statements, investments in associates are accounted for by applying the equity method, according to which, they are first recognised at purchase price and then increased or decreased by the associated part of profit or loss of the associate. The acquired dividends lower the purchase price of the financial investment in the associate. The stake of the Group in the profit or loss of the associates is recognised in the income statement of the Group and its share in the revaluation surplus is recognised in other comprehensive income.

5.5 FINANCIAL INVESTMENTS

Financial investments are an integral part of the financial instruments of the Group, and they are financial assets held by the Group for the purpose of using them to cover future liabilities arising from insurance and financial contracts and any losses associated with risk arising from insurance contracts.

Types of financial assets

After initial recognition depending on the purpose for which the investment was acquired, financial assets as classified as:
- loans, deposits and receivables,
- held-to-maturity financial assets,
- available-for-sale financial assets,
- financial assets measured at fair value through profit or loss.

Loans, deposits and financial receivables

Loans, deposits and financial receivables are financial assets with fixed or determinable payment amounts and dates that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in the income statement.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost and after initial measurement, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method.

The fair value of the long-term securities from this group of financial assets may be temporarily lower than their carrying amount for a period of time without resulting in an impairment loss on the investment, except in the case there is a risk of change in the financial position of the issuer.
The interest calculated using the effective interest rate method is recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either classified as available-for-sale (AFS) and are not classified in any of the other categories.

Financial assets are initially recognised at fair value or at transaction cost, for which fair value cannot be measured, namely by performing an impairment test (if a security is not quoted in an active market), including all transaction costs. The interest on debt securities related to the available-for-sale financial assets is calculated using the effective interest rate method and recognised through profit or loss. Financial assets designated as available-for-sale are recognised on the transaction date.

Changes in the fair value of securities classified as available-for-sale are recognised in relation to the contents of the occurrence of changes in fair value. The exchange differences on debt securities are recognized in the income statement, and other changes (e.g. change in market rate) are recognized directly in other comprehensive income. For equity securities, all changes in fair value are recognized in other comprehensive income. In the sale or impairment of available for-sale securities, the cumulative adjustment in other comprehensive income is removed and the effects are reported in the income statement.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are divided into two subcategories: the “held for trading” (TRA) subcategory and the “upon initial recognition” (FVD) subcategory:

- in the “held for trading” subcategory, the Company classifies all (short-term) financial assets that were acquired for trading or for which there is evidence of recent short-term profit and all derivatives that are not financial guarantee contracts. This subcategory also includes derivatives used by the Company to hedge against risks since the Company does not use special rules for accounting treatment of hedging;
- in the “upon initial recognition” subcategory, the Company classifies financial assets tied to long-term unit-linked insurance contracts and financial assets for the purpose of eliminating or significantly reducing inconsistencies in measurement or recognition (“accounting mismatch”), which would otherwise arise from the measurement of assets or liabilities or from the recognition of gains and losses on various bases.

Financial assets classified as assets measured at fair value through profit or loss also include financial investments in mutual funds and open investment firms with variable share capital, related to long-term insurance contracts bound to units of investment funds. Among the financial assets at fair value through profit or loss, the Group also allocates the policy loans from unit-linked insurance, represented by financial instruments recorded as units and valued using the value of units of funds of related policies.

Financial assets measured at fair value are recognised initially at fair value, and costs of acquisition are recognised in the income statement. Gains or losses arising from changes in the fair value of these financial assets are included in the income statement during the period in which they occur.

Fair Value

Financial assets measured at fair value through profit or loss at initial recognition and available-for-sale financial assets are carried at fair value. Loans, deposits, receivables and held-to-maturity financial assets are stated at amortised cost using the method of future cash flow value discounting using effective interest rates, reduced by impairments.

Fair value is reported if it is reliably measurable. It depends on available market data which enable the Company to evaluate fair value. For listed financial asset instruments (equity and debt securities) which have a price on an active securities market, fair value is determined as the product of the units of financial assets and the quoted market price or the final rate as at the date of the balance sheet. The Group selects the appropriate rate depending on the type of financial investment and depending on the organised securities market, on which the financial investment is quoted.

In fair value assessment of **equity securities**, the Group continuously assesses the market activity, where the final rate of the last day of trading with the security must not be older than one month and the exchange rate used must be based on adequate liquidity, or the turnover on the trading date (regular transactions without batches) must amount to at least 20% of total value of the security position (market value of the last valuation), or at least EUR 50,000 in absolute terms. The smallest of the values is taken into account as a criterion.

In the assessment of fair value of **debt securities** traded on the regulated securities market, the Group sets an exchange rate based on the closing price published on the stock exchange on the balance sheet date. If there is no information about the closing price on the balance sheet date for an individual debt security, the closing price from the last day, on which the debt security was traded will be used, but this closing price may not be older than one month. The final price used must be based on adequate liquidity, where the total volume of concluded transactions on this day must be at least EUR 500,000. If published prices on the active market do not meet the activity criteria, fair value is calculated based on the bid rate published on the balance sheet rate in the Bloomberg system from BVAL (Bloomberg Valuation Service) or based on the internal model for the calculation of fair value of the debt security. Fair value is determined monthly using internal models, namely for corporate debt securities based on the internal model for fair value calculation of the corporate debt security and for government debt securities based on the internal model for fair value calculation of the government debt security.

The methods of evaluation and important parameters for individual types of financial assets are presented in the table below, where the application of different methods is also classified with regard to the fair value hierarchy.

Allocation in the fair value hierarchy

In order to improve compliance and comparability of fair value measurement and related disclosures, financial assets are allocated into three levels of fair value hierarchy. The allocation to a particular level is based on inputs to valuation methods used for fair value measurement. In the fair value hierarchy, the types with highest priority are unadjusted, quoted prices in active markets for identical assets or liabilities (Level 1 inputs), and the ones with the lowest priority are unobservable inputs (Level 3 inputs).

The Group follows the following inputs in value estimation techniques:

- Level 1: determined by inputs that present the quoted prices (unadjusted) in an active market for identical assets or liabilities, to which the Company has access on the date of the measurement. They ensure the most reliable proof of fair value and must be used without adjustments for fair value measurement.
- Level 2: determined by inputs that are not quoted prices from Level 1, but could be indirectly or directly observed for an asset or liability. If an asset or liability has a determined (contractual) maturity, the input must be observable during the whole validity period of the asset or liability. Level 2 inputs include: quoted prices for identical or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are not quoted prices observable for an asset or liability, and inputs, approved on the market.
- Level 3: determined by unobservable inputs that include an insignificant market component, if it exists at all, for the asset or liability on the day of measurement. The goal of fair value measurement remains the same, namely the output price on the day of measurement from the viewpoint of a participant in the market who owns an asset or has a liability. Therefore, unobservable inputs must reflect the assumptions that would be used by the participants in the market for the estimation of the value of an asset or liability, including the risk assumptions.

Financial assets, for which there is no active market and the fair value of which cannot be measured reliably, are valued by the Group at cost and the need for impairment is determined individually. These financial assets are allocated by the Group into Level 3 in the fair value hierarchy.

Techniques of value estimation and inputs for allocation to Level 2 and Level 3 of the fair value hierarchy

Type of financial investment	Method of estimation	Important parameters	Applied parameter value	Fair value hierarchy
INTERNAL / EXTERNAL APPRAISERS				
Debt securities	**Internal model**			
Debt securities - state	Calculation of required profitability	Weighted average of profitability of two liquid state securities of the same country, with shorter and longer maturity		Level 2
		Weight 1: number of days between maturity date of observed security maturity date of the securities for which fair value note		
Debt securities – companies and financial institutions	Calculation of sum of required profitability for	State bonds of comparable maturity	od -0,561% do 0,863%	Level 2
		Credit risk for risky industries (CDS), considering the comparable maturity and investment class rate	od 0,29% do 6,86%	
		illiquidity	od 0 do 0,15 %	
Equity securities	**Internal model**			
	Method of comparable companies on stock exchange	Market indexes: P/E, P/B, P/S, P/EBITDA, F/FCF, based on stock quotations and / or prices of comparable companies and selected financial categories of the company under assessment		Level 3
Investment properties	**Authorised external appraisers**			Level 3
	Market method	Analysis of actual real estate market transactions	od 65 % do 112 %	
	Revenue method (direct capitalisation method)	Present value of future expected gains		
		Capitalisation rate (gains and repayment)	od 7,72 % do 8,32 %	
		Discount rate	1.05%	
		Allowance for lack of marketability (illiquidity)		
Capital investments in associates	**Authorised external appraisers**			Level 3
	Net asset value method	Change in prices of real estate		
	Discounting of cash flows	g (growth rate in period of constant growth)		
		net margin (constant growth period)		
		discount rate	14.9%	
		discount for lack of marketability		

Type of financial investment	Method of estimation	Important parameters	Fair value hierarchy
EXTERNAL APPRAISERS (market organiser)			
Debt securities - compound	stochastic model, network model HW1f and HW2f	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, volatility of interest rates, correlation matrix, share index volatility	Level 2
Equity securities - compound	stochastic model	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, share index volatility	Level 2
BLOOMBERG BVAL			
Debt securities			
Debt securities - state	Cash flow discounting	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, indicative quotations, BVAL rate estimate of 6 - 10	Level 2
		curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, indicative quotations, BVAL rate estimate of 1 - 5	Level 3
Debt securities – companies and financial institutions	Cash flow discounting	curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, engendered, actual quotes, indicative quotations, BVAL rate estimate of 6 - 10	Level 2
		curve of EUR SWAP interest rates, credit adjustments of the issuer, credit adjustments of comparable issuers, engendered, actual quotes, indicative quotations, BVAL rate estimate of 1 - 5	Level 3

Impairment of financial assets

Assets carried at amortised cost

At each balance sheet date, it is assessed whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of financial assets, and that loss event (events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the holder of the asset about the following events:

- significant financial difficulty of the issuer or borrower,
- a breach of contract, such as a default on the payment of interest or principal,
- loan rescheduling under more favourable conditions due to the inability to service the debt,
- bankruptcy of the debtor or financial reorganisation;
- disappearance of an active market for such financial assets due to financial difficulties.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity financial assets carried at amortised cost, the amount of the loss incurred due to impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in the income statement as revaluation financial expense. If a loan or held-to-maturity investment has a variable interest rate, the current effective interest rate determined in the contract is used for discounting cash flows and measuring any impairment loss. Impairment may also be measured on the basis of an instrument's fair value using an observable market price.

To the extent that a loan is uncollectible, it is written off against the related provisions for loan impairment. Loans are considered uncollectible once all necessary collection procedures have been carried out and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the expenses for loan impairment, recognised in the income statement.

Where at later periods impairment losses for debt securities are decreased and the decrease can be related objectively to an event occurring after the impairment was recognised in the income statement (e.g. improved credit rating of the borrower), such impairment losses are reversed by adjusting the income statement items where the amount of the reversal is recognised.

Assets measured at fair value

The Group checks at each balance sheet date for any objective evidence of impairment of financial investments or groups of financial investments classified as available-for-sale, for which it is assessed whether the decline in fair value is significant or prolonged and, consequently, whether the assets are overvalued. In the assessment of a long-lasting decrease in fair value below the original cost of equity securities, the period taken into account is no more than 12 months from the day when the fair value of capital instruments fell below the original cost for the first time and remained below it for the entire period of 12 months, whereas for the assessment of a significant decrease in fair value the insurance company's management considers at least a 30% decrease in fair value compared to the acquired value. An impairment of debt securities is made in case of financial difficulties of the issuer, in case of contract breach and failure to fulfil payment obligation, debt reprogramming or possibility of bankruptcy.

If there are signs of impairment in held-for-sale financial assets, the cumulative loss measured on the basis of the difference between the estimated costs and the current fair value, less impairment losses of the asset previously recognised in the income statement, are recognised, and the expense is also recognised in the income statement.

Reversal of impairment

If in a subsequent period, the amount of an impairment loss decreases and provided that the decrease can be related objectively to an event occurring after the impairment was recognised, the entity reverses the previously recognised impairment loss by stating a new amount in the value adjustment account. The reversal does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been. The amount of the reversal of impairment for losses is recognised in the income statement, provided it refers to debt securities. For equity securities carried as available-for-sale financial assets, the reversal of impairment through the income statement is not allowed. In such cases, reversal of impairment is done through other comprehensive income.

5.6 UNIT-LINKED INSURANCE CONTRACT INVESTMENTS

Unit-linked assets are disclosed separately, measured at fair value and classified as financial assets at fair value through profit or loss upon initial recognition. Additionally, policy-based loans backed by unit-linked insurance contracts are classified as financial assets at fair value through profit or loss. The latter are treated as financial instruments, accounted for as units and measured at net asset value per unit of insurance policy funds used to back the loans.

The value of the units of financial instruments used as investments of the fund backing unit-linked insurance is calculated as at the balance sheet date by multiplying the number of units of individual financial instruments with their active market price as at that day. Financial investments for unit-linked insurance contracts are revalued on a monthly basis.

5.7 ASSETS FROM FINANCIAL CONTRACTS

Assets from financial contracts are recorded separately, because the Group uses the returns arising from such assets to cover obligations from financial contracts and losses due to financial risks, but not losses arising from insurance risk from insurance operations. Financial investments and cash assets are recorded under assets from financial contracts. The Group recognizes and values financial investments of assets from financial contracts in the same way as other financial investments (see Section 6.5).

5.8 REINSURERS' SHARE OF INSURANCE TECHNICAL PROVISIONS

The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long-term receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts.

The amounts of these reinsurance assets are determined based on estimated losses or reinsurance loss reserves under the reinsurance contracts, taking into account the shares in unearned premiums.

Reinsurance assets are derecognised when the rights from reinsurance contracts expire or are transferred to a third party.

5.9 RECEIVABLES

Recognition of receivables

At initial recognition, receivables are recognised at historical cost on the basis of the issued insurance policy or when policyholders are charged insurance premiums. Reinsurance/co-insurance and other receivables are recognised based on an invoice or other authentic document (e.g. reinsurance settlement). Upon initial recognition, these receivables are recognised at initial value, which is later on reduced for impairment due to adjustments of receivables.

The Group can **recourse** a policyholder, i.e. debtor in the amount of the indemnity payment in accordance with the provisions of insurance contracts, when the indemnification, i.e. benefit is calculated, for which it has obtained adequate legal basis for the first payment. In case the indemnity amount in an individual case exceeds EUR 30,000, it is recognised – the subrogation receivable toward the policyholder or debtor in the balance sheet evidence does not exceed the estimated indemnity amount. The subrogation receivable is in such cases estimated individually, taking into account individual adjustments of subrogation receivables. In forming subrogation receivables for car insurance, the insurance company can (based on Article 7 of ZOZP and Article 3 of the General terms) exercise the right of refund of indemnity paid, including late payment interest and expenses in the maximum amount of EUR 12,000, except if the damage is done intentionally and the Group claims the refund of the total amount.

Before the subrogation receivable is exercised, the unexercised subrogation claims are kept as off-balance sheet items and no impairment is formed. The only exception is subrogation claims under credit insurance that become exercised immediately after inception. Paid subrogation claims are recognised as decrease of claims paid.

Impairment of receivables

At each reporting date (at least on a quarterly basis), the Group reviews whether the estimate of a receivable's fair value or recoverable value is adequate, or it prepares an estimate of the recoverable amount on the basis of the actual realised cash flows over the last observed time period for an individual class of receivables. Where it is not to be expected that claims will be fully settled, the Group has set up indicators for impairment (uncollectability) of receivables, which trigger the calculation of the impairment charge decreasing the financial result of the Group.

Based on the estimated fair value, i.e. recoverable (collectible) amount of a receivable, adequate adjustments of receivables are made on an individual or collective basis.

The fair value, i.e. the recoverable (collectible) amount of receivables is assessed and adequate impairment of an individual receivable is formed if the aggregate carrying amount of all past-due premium payments of a particular insured person, i.e. policyholder, on the valuation date amounts to EUR 50,000 or more.

Any other receivable may be impaired on individual basis that would otherwise be subject to revaluation in the framework of collective value adjustment.

Receivables for which impairment is not assessed individually are classified in groups having similar characteristics of credit risk. These groups are divided into receivables from individuals and legal entities, where in receivables from individuals, the groups differ based on type of payment.

For each group, the value adjustment for individual receivable is determined depending on its maturity and actual (un)realised percentage of payments in the past period for a particular group.

In the case of receivables due from policyholders in the **life insurance** segment, the Group abides by the provisions laid down in the Code of Obligations and general terms and conditions of life insurance contracts. When a policyholder defaults under the contractually determined payment schedule for three instalments, the need to write-down the past-due instalments is recognised. The past-due amounts are impaired in the whole amount (100%), since the probability that payments will never be made or that such insurance coverage will be capitalised is high. Accordingly, adjustments of receivables are reversed.

As regards receivables for **unit-linked life insurance** contracts, no impairment is recognised since revenues are recognised when premiums are paid.

Value adjustments of **subrogation** receivables are made collectively. The impairment represent a proportion of actual non-payments in the preceding financial period. Due to a higher default risk, impairments are made individually per subrogation claim above EUR 30,000. After the end of the financial year, the percentage of value adjustment per receivable may be reassessed only if their average recovery rate is substantially changed. The accrued and unpaid interest from transactions with recourse, disclosed in accounts receivable, are impaired at the same percentage as the subrogation receivables. Receivables from the subrogation procedure costs more than 30 days overdue are impaired at the same percentage as the subrogation receivables. For assessment and impairment purposes, factoring claims are treated as subrogation receivables.

5.10 OTHER ASSETS

Amongst other assets, the Group accounts for inventories, deferred acquisition costs and short-term deferred costs (expenses) and accrued revenues for the cases where the payment of the rendered services refers to a later period.

Deferred acquisition costs

Unearned premiums in the entire amount are recognised in amounts as they arise from the maturity structure of the insurance contracts as at the balance sheet date. The portion of already realised expenses under acquisition costs in relation to the calculated amounts that relate to reporting periods after the balance sheet date are recognised in the full amount as a special item of deferred expenses under the asset items in the balance sheet. Deferred acquisition costs are presented on the basis of the calculated share of gross costs for underwriting fees and commissions in gross insurance premiums and gross unearned insurance premiums for every individual insurance class.

5.11 CASH AND CASH EQUIVALENTS

Cash and balances held on the accounts with banks and other financial institutions are treated separately for monetary assets denominated in local currency and separately for monetary assets denominated in foreign currencies, which have to be broken down into monetary assets available immediately and those placed as deposits redeemable at notice (demand deposits). Cash of the Group consists solely of cash, while cash equivalents include demand deposits serving to ensure short-term liquidity and short-term deposits placed with maturity up to 3 months.

Revaluation of monetary assets is performed only for the monetary assets denominated in foreign currencies, if after initial recognition the exchange rate of the foreign currency against the euro is changed. The foreign exchange difference is recognised as an ordinary financial expense or financial revenue.

5.12 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets and liabilities are offset in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, namely to realise the asset and settle the liability simultaneously.

Receivables and liabilities arising from internal relationships (between individual funds or general ledgers) are separately presented in financial statements. At the end of the reporting period, the receivables and liabilities among individual funds are offset and the balance is presented as receivables or liabilities, which are offset, i.e. balanced, in the cumulative balance sheet.

5.13 EQUITY

The Group discloses the share capital and other capital components separately by insurance group. The baseline split ratio is established to ensure capital adequacy of insurance groups. In doing so, the Group separately establishes the minimum equity required for performing insurance business in the non-life insurance segment and separately for the life insurance segment. Given the equity shares of subsidiaries, the Group equity is divided into equity of majority shareholders – equity of the parent Group – and equity of minority shareholders – equity of non-controlling owners.

Share capital

Share capital is defined with the amounts invested by the owners and with amounts that have been generated through operations and that belong to the owners. Share capital is the nominal value of the called-up and fully paid ordinary no-par value shares denominated in euros.

Capital reserves

Capital reserves (capital surplus) carry the share premium - paid up surplus capital and the amount generated by the elimination of the general capital revaluation adjustment. Capital reserves can be used in accordance with the Companies Act, which strictly defines the terms of capital reserves usage for covering net loss of the period, net loss carried forward or increase of equity using assets of the Group.

Reserves from profit

Reserves from profit are divided to contingency reserves, legal and statutory reserves, treasury shares reserve and other reserves from profit. The insurance company forms reserves from profit pursuant to provisions of the Slovenian Companies Act (ZGD-1), legislation governing insurance for establishing reserves and on the basis of the decision adopted by the Management Board and endorsed by the Supervisory Board according to the needs for achieving and preserving the adequate level of capital adequacy (other reserves from retained earnings).

In item other reserves from profit, reserves for catastrophic losses and equalisation provisions were formed in accordance with the Insurance Act (ZZavar). In accordance with IFRS, such provisions were disclosed as a separate item under reserves from profit in the Group equity. With the ZZavar-1 amendment and the implementation of the new Solvency II regime such reserves are no longer formed. The Group transferred the reserves for catastrophic losses and equalisation provisions to retained earnings.

Furthermore, within the framework of other reserves, formed in line with the previously applicable laws, the Group recognises half of the profits generated before the end of 2013 by complementary health insurance, as determined in accordance with the Health Care and Health Insurance Act (ZZVZZ-H) and the decision passed by the Insurance Supervision Agency (Decision on detailed instructions for accounting and disclosure of accounting events relating to the implementation of equalisation scheme for complementary health insurance).

Revaluation surplus

Revaluation surplus is recognised on the basis of the revaluation of assets performed in the course of the year in a particular reporting period. The Group recognises under the revaluation surplus the revaluation adjustment in relation to movement in and valuation of available-for-sale final assets at fair value.

5.14 SUBORDINATED LIABILITIES

Under subordinate liabilities, the Group discloses liabilities arising from the issuance of subordinated bonds. Subordinated bonds are debt securities where in the event of insolvency or capital inadequacy of the issuer, the holder is entitled to payment contained in this security only after all liabilities of the issuer against unsubordinated creditors are settled. In financial statements, subordinated debt is measured at amortized cost.

5.15 INSURANCE TECHNICAL PROVISIONS

The Group must establish appropriate insurance technical provisions for liabilities arising from its business. The purpose of technical provisions is to cover future liabilities arising under insurance and any losses arising from risks, which arise out of insurance contracts. Insurance technical provisions are established in accordance with the Insurance Act (ZZavar), the Decision on detailed rules and minimum standards to be applied in the calculation of insurance technical provisions, and the Rules on the formation of insurance technical provisions.

The Group recognises as liabilities gross technical provisions and insurance technical provisions for the received co-insurance. The liabilities reinsured and co-insured are reported under the assets of the Group.

Unearned premiums

Unearned premiums are formed in the amount of the portion of the written premiums, which refers to the insurance cover for the insurance period after the end of the reporting period for which the provision is calculated.

Unearned premiums are calculated for each individual insurance policy, which had valid coverage at the end of the reporting period. They are also calculated for policies, which become valid after the date of the transfer if a premium was charged before the date of the transfer. In the deferral of charged premium, three different procedures are followed depending on whether the sum insured is equally distributed across the term of the policy or if it is increasing or decreasing:

- equally distributed sum insured - majority of insurance classes;
- increasing sum insured - for building and construction insurance (other damage to property insurance);
- decreasing sum insured - credit insurance.

Mathematical provisions

Life insurance contracts

Mathematical provisions are established in the amount of the present value of estimated future obligations of the Company arising from issued insurance contracts, less the estimated present value of future premiums to be paid on the basis of those insurance contracts. As a rule, the prospective net Zillmer method is used. The Zillmer amount for an individual contract does not exceed 3.5% of the sum insured. Liabilities for every contract are greater than or equal to zero. The Company also establishes a mathematical provision for long-term products, to which probability tables and calculations as for life insurance are applied.

For mixed life insurance contracts and life insurance contracts against the risk of death, the future liabilities reflect the payment of agreed sum insured with allocated surpluses in the event of maturity or payment of agreed sum insured with added surpluses in the event of death.

Mathematical provisions for annuity contracts for a limited time are calculated using a prospective net Zillmer method. They are recognised in the amount of the current value of estimated future payments of agreed annuities (with allocated surpluses), including expenses for annuity payment less the estimated present value of future premiums to be paid on the basis of those insurance contracts.

Mathematical provisions for pension insurance of the ring-fenced fund of collective additional pension insurance for PN-A01 are calculated as a product of the value per unit of the long-term business fund and the number of units held as at the day of calculation. The guaranteed liability to policyholders is therefore covered. An additional provision is formed for surplus returns over the guaranteed return (for the allocation of regular and final bonuses). Revaluation reserve of available-for-sale financial assets of long-term business fund of supplementary pension insurance is also recognised in mathematical provisions. Provisions arising from guaranteed premium factors for the calculation of additional old-age pension are formed in the amount of current value of future benefits, which the policyholders can decide to accept upon exercising the right to receive additional old-age pension. These provisions are recognised within the framework of mathematical provision for life insurance long-term business fund.

In annuity insurance (whole life annuity, whole life annuity with guaranteed payments until the insured person is 78 years old, or guaranteed payment for the period of 10 years) future liabilities of the Company are payments of the agreed annuities, including attributed surpluses and annuity payment costs.

Future liabilities of the policyholder are future premiums agreed in the contract.

Once a year (at the end of the year), the amount of profit attributable to the holders of participating policies (the DPF portion) is determined. Mathematical provisions are increased by the amount attributed to eligible policyholders.

The surplus attributed to an individual mixed life insurance policy is considered to represent a one-off premium for the remaining insurance period and it is calculated in an additional sum insured (additional annuity in annuity insurance), which is guaranteed. An additional sum insured is paid out in the event of death or endowment. For some insurance products, prompt payment of allocated surplus is possible, while for some insurance products the surplus is allocated to the policy as additional assets in the policyholder's account.

Unit-linked life insurance contracts

Mathematical provision from unit-linked life insurance represents the value of assets held on the insured person's policy. The total value of mathematical provisions is the sum of units of an individual fund multiplied by the asset value per unit of the fund. The aggregate provision is increased by the amount of the paid premium, which is allocated to the purchase of units of the fund (there is a time delay between the payment of the premium and purchase order and the actual transfer of the purchased units to the insured's personal account). Depending on the insurance product, provisions are increased by any advance payments.

Claims provisions

Claims provisions are established in the amount of the estimated liabilities which the Group is obliged to pay on the basis of insurance contracts, where an insurance event occurs before the end of the reporting period, and regardless whether the insurance event has already been reported, including all costs incurred to the Group on the basis of these contracts.

No discounting of the claims provisions is applied, except for claims and benefits paid from liability insurance, which are paid out as annuities.

The calculation of claims provisions is divided into several parts based on the nature of the claim file:

- for claims reported but not settled by the end of the accounting period, an individual account of all relevant claim files is taken and the value of expected payments is estimated:
- for claims incurred but not reported by the end of the accounting period (hereinafter IBNR claims – claims incurred but not reported), the estimated ultimate cost of payments is calculated on the basis of statistical information on similar cases in the past;
- the calculation of IBNR claims was carried out on the basis of insurance classes using different methods: the modified statistical method, the triangle method (the Chain Ladder Method) based on paid or based on incurred claims, and special method for liability insurance annuities. When the method is selected, the characteristics of the insurance class are considered in terms of whether the insurance cases are long-tailed or short-tailed.

The statistical method depends on the monitoring of reported claims in the past. The number of IBNR claims is calculated on the level of individual insurance class as a product of the estimated number of IBNR claims and the estimated value of IBNR claims. The estimated number of IBNR claims is calculated by multiplying the number of reported claims in preceding year and the average coefficient of incurred and reported claims according to all incurred and reported claims in the last three years. The estimated value of IBNR claims is calculated as the average value of IBNR claims in the preceding year or as the average value of claims paid in the preceding year, if the number of claims was relatively small.

The Chain Ladder Method is based on paid or incurred claims with monthly or annual development factors, depending on the characteristics of the incidence of loss and claim settlement procedures. The claims are arranged in a triangle where the rows represent the accident year, and the columns represent the number of years from the time the claims incurred to and the time the claim was paid or incurred. It is assumed that the pattern of claims in the future will be similar to the pattern from the past years. The prediction of ultimate claims is based on the calculation of average annual development factors which are smoothened into a decreasing pattern.

The special method for liability insurance annuities is based on assessment of the number and amount of subsequently reported annuity claims, as well as on the assessment of the increased liability for already reported annuity cases.

The claim provision is decreased by estimated expected subrogations.

The provisions for claim settlement costs are included in the gross provisions for claims.

Other insurance technical provisions

Provisions for bonuses, discounts and cancellations

Provisions for bonuses are formed in the amount of the estimated amount of the expected bonus for those policies, where the policyholder is entitled to bonus reimbursements. Liabilities are calculated on the basis of the bonus reimbursement rule, which is specified in the insurance contract.

The provision for cancellation is formed in the amount of estimated reimbursement to policyholders in the event of premature cancellation of a contract/policy, taking into account unearned premium reserves of individual contracts.

Other insurance technical provisions

The Group presents provisions for unexpired risk among other insurance technical provisions.

Provisions for unexpired risk are established to cover claims and expenses associated with active insurance contracts which will incur after the accounting period and are not covered under unearned premium provision. Provisions for unexpired risks are calculated at the level of line of business. The criterion for their formation is the negative result (loss) of a line of business in the current period and the opinion that the negative result of a line of business is a result of the premium which was set too low. The provisions for unexpired risk are also formed in other special cases when the Group is aware of the accepted liabilities for which it does not have any unearned premiums formed.

5.16 INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS

Provisions for credit risk and concentration risk arising from underlying assets are established for unit-linked life insurance products, where insurance is tied to securities with guaranteed maturity benefit. The provisions are created for the products for which the Group bears the credit risk associated with the issuer of the security and the concentration risk. They are formed for the risk of unbundling of securities components or illiquidity of the issuer of the security to which the guarantee is bound.

5.17 LIABILITIES FROM FINANCIAL CONTRACTS

Under liabilities from financial contracts, the Group classifies obligations of the Pokojninsko varčevanje AS funds. These are formed for voluntary supplemental pension insurance concluded using the Pokojninsko varčevanje AS – individualno and Pokojninsko varčevanje AS – kolektivno pension schemes. They are calculated based on the collected net premium from policyholders by savings account and fund by multiplying the number of asset units in the fund with the value of an asset unit in the fund on the valuation date. Net premium of policyholders (savers) is gross written premium less entry costs.

In relation to the liabilities from financial contracts in the fund with a guaranteed return (Pokojninsko varčevanje AS guaranteed above 60), the guaranteed asset value is also calculated – the number of guaranteed asset units multiplied with the value of the guaranteed asset unit on the valuation date. The guaranteed return under the adopted pension scheme for the Pokojninsko varčevanje AS guaranteed above 60 provides guaranteed return of 60% of the average annual interest rate on government securities, taking into account the legal basis prescribed by the finance minister to calculate the minimum guaranteed return and is verified on the valuation date.

If asset value in an individual savings account is lower than the guaranteed asset value, the Group will form impairments (or reservations) due to the lack of guaranteed return.

5.18 OTHER PROVISIONS

Other provisions are formed for present obligations arising from past events to be settled for the period that has not been determined with certainty and whose value cannot be reliably assessed.
Accrued and deferred items include accrued expenses and deferred revenues that are generated on the basis of straight-line charges to operations or profit and loss as well as inventories with expected costs that still have not been incurred. Costs are accrued and included in annual consolidated financial statements in estimated amounts; in interim consolidated financial statements, they are spread over shorter accounting periods based on the time factor.

Employee benefits

Employee benefits include provisions for the unused part of annual leave, provisions for long-service benefits and provisions for termination benefits at retirement and are presented as a separate item under other provisions and accruals (the long-term portion as long-term provisions and the short-term portion within item accrued expenses).

Post-employment and other long-term employee benefits

The items referring to post-employment and other long-term employee benefits include:

- termination benefits at retirement and
- long-service benefits,

for which provisions for long service benefits and termination benefits at retirement are formed. Provisions are recognised in accordance with the Projected Unit Credit Method (PUCM) in accordance with the IAS 19 (the method for calculating benefits in proportion to the work performed), and the calculation takes into account mortality, employee retention, future increase in salaries, expected inflation rate and expected return on investments. In the balance sheet, liabilities are recognised as net present value of all post-employment liabilities. The future cash flows are discounted by applying the market rate for investment-grade bonds on the balance-sheet date. The discount rate assumption is based on the ECB curve (including all EU countries), by taking into account the average rate according to the expected duration of liabilities arising from termination benefits at retirement and long service benefits. The adequacy of the applied actuarial assumptions is reviewed periodically.

For the purpose of forming provisions for long-service benefits, the amount of one to two average gross salaries (depends on the long service) in the Company is taken into account. Long service benefit liability upon reaching the threshold of 10, 20 or 30 years of service of an employee is recognised pro rata with the years of service with the employer.

As a basis for establishing termination benefits at retirement, the amount of three or two gross salaries (set out in an individual employment contract/collective agreement) is taken into account (of the employee or the average salary in the Republic of Slovenia in case it is higher). The liability for termination benefit at retirement is recognised through the entire period of service of the employee.

The liabilities for provisions for termination benefits and long service benefits are recognised on the basis of obligations, which arise from the concluded employment contracts and effective labour legislation, also include taxes and contributions of the employer.

Termination benefits upon retirement and long service benefits are recognised as operating costs (labour costs) in the income statement when they are paid. The same goes for the recognition of changes in these provisions due to repayments or new formations. Revaluation of provisions for benefits upon retirement, arising from an increase or decrease of the present value of liabilities due to changes in actuarial assumptions and adjustments arising from experience are recognised as actuarial gains or losses within other comprehensive income.

5.19 OPERATING LIABILITIES

Operating liabilities are initially carried at historical cost that arises from appropriate documents. Later on, they are increased in accordance with the documents and decreased on the same basis or based on the payments made.

Amongst operating liabilities, liabilities arising from direct insurance contracts, reinsurance and co-insurance coverage liabilities, and current tax liabilities are recognised. The liabilities for the payment of premiums on the basis of reinsurance contracts are recognised as reinsurance liabilities and are accounted for as expenses at maturity.

5.20 OTHER LIABILITIES

Other liabilities include the determined short-term accrued and deferred items that comprise short-term employee benefits, short-term accrued expenses and short-term deferred revenues, liabilities for the payout of dividends and other operating liabilities, such as current liabilities to employees, bonds/securities, liabilities for consumer loans, received advances and other similar items.

Short-term employee benefits

Liabilities for short-term employee benefits are accounted for in nominal value and presented as labour costs in the income statement. Short-term employee benefits represent salaries, holiday pay, etc.

Short-term accrued expenses

Short-term accrued expenses are set up with the intention to spread disbursements over the income statement, even though these expenses have not been incurred. Considering past developments in operations, the management can estimate the expenses that will incur for the period concerned, even though they did not yet receive appropriate documents. Based on this estimate, the amount is taken into account in the financial statement. When the business event occurs, accrued expenses are decreased and the difference between accrued and actual expenses is recognised through profit or loss. Apart from that, expenses for unused annual leave are carried under short-term accrued expenses.

5.21 REVENUES AND EXPENSES

Revenues include fair value of received compensation or receivables for the sale of services under the normal operating conditions of the Group. All categories of revenues and expenses for non-life, health and life insurance are presented separately. Revenues from insurance services (gross written premiums) are carried at invoiced amounts excluding tax on insurance contracts (DPZP), refunds, discounts and rebates. An exception to this is revenues from unit-linked insurance services that are accounted as paid realisation. Other revenues are accounted for a net value excluding value-added tax.

Revenues from insurance premiums

Net revenues from insurance premiums are calculated as gross written premium increased by the premium received under co-insurance and decreased by the premium ceded to co-insurance and reinsurance and decreased by the change in net unearned premium reserves. The basis for recognising gross insurance premiums are invoiced premiums.

When non-life and health insurance contracts are terminated, the calculated revenues from premiums are decreased by the proportional part of the unexpired period for which the insurance premium has been calculated. In the accounting books, gross insurance premiums and reinsurance and/or co-insurance share are recorded separately.

Revenues from insurance premiums are monitored separately by insurance group and lines of business.

Revenues and expenses from investments

Revenues and expenses from investments include revenues arising from interest, realised gains/losses from the disposal of investments, dividends, gains and losses from foreign exchange differences, and revenues and expenses from the reversal of impairment or impairment of financial assets.

Revenues and expenses for interest on investments are recognised through profit or loss upon their occurrence and are calculated in accordance with the effective interest rate method, except for financial assets measured at fair value through profit or loss, in which case, they are calculated using the nominal interest method.

In the consolidated balance sheet, the interest on all debt securities is posted together with financial investments.

Profit (loss) arising from disposal of investments is recognised in the income statement among realised financial revenues and expenses. As regards available-for-sale financial assets, recognised at amortised cost, profit or loss is recognised in the income statement when it is realised, when such assets are revalued due to impairments or when previously recognised impairment for these assets is reversed.

Gains and losses from exchange difference calculated for assets in foreign currencies. They are translated at the balance sheet date by applying the reference exchange rate of the European Central Bank published by the Bank of Slovenia. Relevant exchange rates published by the Bank of Slovenia on a monthly basis for business entities can also be used for foreign currency translation.

Dividend income on a capital instrument is recognised in the income statement when the right to receive payment is established.

Impairments and reversal of impairment of financial investments

Losses due to impairment are recognised and assets are revalued if there is objective evidence of impairment due to an event occurring after the initial recognition of the assets and that event has an impact on the estimated future cash flows from the financial asset.

If during the period after a loss on debt securities has been recognised, the amount of impairment loss is decreased and if this decrease can be objectively related to an event that took place after the impairment was recognised, the previously recognised loss on debt securities due to impairment in the income statement reversal of impairment is carried out.

Other insurance revenues

Fee and commission revenue for insurance and financial contract management are recognised as other insurance revenues.

Revenue from **fees and commissions from insurance contracts** is mostly revenue from reinsurance fees and commissions.

Revenue from **fees and commissions from financial contracts** is mostly revenue from entry/exit fees (for entry and exit costs) and fees for management of financial contracts. In accordance with the pension scheme of the voluntary pension insurance, the Group or the parent company as the fund manager is entitled to the charged entry fee, which means that the gross written premium is reduced by the entry costs. For asset management within the funds, net premium is therefore used. The Group calculates the net asset value of individual funds on a monthly basis and charges a management fee, which belongs to the fund manager and reduces the asset value of the fund. Upon termination of saving account or exit (surrender), the Group is entitled to the surrender fee, reducing the surrender value of the saver by the exit fee.

Other revenues

Under other revenues, other net insurance revenues (management of insurance contracts, sale of green cards, insurance services for foreign insurance companies, etc.), revaluation operating revenues and fee and commission revenue from fund management, assets and sale of securities are carried. Furthermore, other revenues include revenues from rentals of the Group's investment properties charged on the basis of the concluded leasehold contracts and other operating revenues such as the recovered amount of previously written-off debt, received fines and damages, and other similar items.

Net claims incurred

Net claims incurred are direct expenses arising from the insurance business. They are carried separately by line of business.

Net claims incurred are composed of gross calculated claims that include direct and indirect claims handling costs and are increased in the income statement by claims from received co-insurance and decreased by the claims ceded to co-insurance and reinsurance and increased by the change in net claims provisions.

Net claims incurred arising from health insurance contracts also include revenues or expenses from equalisation schemes.

Operating expenses

Gross operating expenses are recognised as historical costs by natural and functional groups in the income statement. Claims handling costs are an integral part of expenses for claims paid, while acquisition costs and other operating costs are presented separately. In the disclosures, total operating expenses are presented by natural and functional groups.

Deferred acquisition costs

Acquisition costs are recognised in the income statement when they are incurred. Since these costs refer to the period when contracts are active, they are accrued in the portion that relates to the period after the reporting date. The Group defers expenses for the acquisition of non-life insurance contracts.

Under life insurance contracts with discretionary participation feature, acquisition costs are deferred on the basis of the Zillmer adjustment method when mathematical provisions are calculated.

Other insurance expenses

Other insurance expenses include expenses such as expenses for preventive activity, contributions for settling claims for damage made by uninsured and unidentified vehicles, and other net insurance expenses.

Other expenses

Expenses from investment properties, revaluation operating expenses, and other operating and financial expenses not arising from investments are carried under other expenses.

5.22 TAXES AND DEFERRED TAXES

Tax expense includes current tax and deferred tax; the tax expense is recognised either in the income statement or in the statement of other comprehensive income, when the taxes refer to revenues or expenses, which are recognised in the statement of other comprehensive income (in equity), i.e. when tax liabilities are recognised as tax assets from prior periods.

Tax assessment

In the Republic of Slovenia, the tax rate applied in the calculation of corporate income tax for 2019 was 19%, in accordance with Slovene local tax legislation.

In the countries outside the Republic of Slovenia, tax is calculated using tax rates determined by local legislation. In Macedonia, the income tax in 2019 was calculated using 10% tax rate, and in Croatia, it was calculated using 18% tax rate applicable in 2019.

The parent insurance company has established a subsidiary in the Republic of Croatia, generating an operating result abroad. Slovenia and Croatia signed an international bilateral agreement on avoiding double taxation, based on which, the taxation of profit generated by the subsidiary is made in the country where the head office of the company is situated, in line with the treaty on avoidance of double taxation. The taxable profits, generated abroad by the parent insurance company, are first subject to taxation in the country of the subsidiary, that is the Republic of Croatia, using the effective tax rate (18% in 2019), and then reported in the tax report of the parent company in Slovenia, where the previously paid tax abroad is deducted, but only up to the level of tax rate effective in Slovenia (19% in 2019).

Deferred taxes

Deferred taxes are effects of the differences between the carrying amount of the posted items in the balance sheet and their tax value, calculated in accordance with the liability method under the balance sheet for all temporary differences. Deferred taxes are accounted for as deferred tax assets or as deferred tax liabilities.

Deferred tax assets and deferred tax liabilities have been established for the financial year under review and for the past financial years to the extent that it is probable that future taxable profit will be available and tax will be paid to the tax authorities (recovered from the tax authorities), by applying the tax rates (and tax regulations) effective as at the balance sheet date. Any deductible temporary differences are recognised, if it is to be expected that disposable taxable income will be posted against which the temporary differences can be utilised. Any deductible temporary differences are recognised by the prescribed tax rate for the year when disposable taxable profit is expected.

Deductible temporary differences are expenses not recognised for tax purposes that arise primarily from provisions set up for employee benefits, calculated depreciation that exceeds the amount of the calculated depreciation at the rates recognised for tax purposes, and revaluation adjustments as a consequence of temporary impairment of receivables and financial investments in the statement of other comprehensive income.

6. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The Group uses estimates and assumptions, which affect the reporting of assets and liabilities in the subsequent financial year. The estimates and considerations are constantly checked and are based on past experience and other factors, which appear relevant in the given circumstances, including expected future events.

6.1 IMPAIRMENTS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are impaired when the management finds that there is objective evidence of a significant or prolonged decline in the fair value of such assets below their cost value. Determining what is a significant and prolonged requires consideration. In the course of this consideration, the Group checks, among other factors: the normal volatility of the stock price and how long stocks prices have been declining, the financial position of the issuer, performance of the industry and the sector, changes in technology and in cash flows from operations and financing, and changes in an active market for such a financial asset due to any financial problems of the issuer.
In its accounting policies, the Group takes as a criterion of significance that influences the recognition of the relevant portion of impairment of equity securities in the income statement a decline in the fair value below their cost value of 30% or 12 months sustained significant decline in fair value.

On the basis of an expert opinion, it was established that there was no need for impairment among investments in the group of available-for-sale financial assets

6.2 FAIR VALUE MEASUREMENT OF DEBT SECURITIES

On the day of assessment, the Group measures the fair value of debt securities which have a price on an active market by determining the main market price based on the stock exchange value, taking into account the market activity criteria assessment. If the published stock exchange values on the active market do not comply with the market activity criterion, an internal model is used to calculate the market value (see Section 5.5 Fair Value for more details).

The Insurance Company measures the fair value of debt securities (marketable bonds) traded on the OTC market according to Bloomberg BID spreads using the Bloomberg Valuation Service (BVAL). This is the next generation of prices for determining the fair value of investments available in Bloomberg, representing the price which is calculated on the basis of directly and indirectly observed market inputs. Moreover, BVAL rates are equipped with quality assessment on a scale from 1 to 10, where 10 means the highest possible quality of data.

6.3 MEASUREMENT OF INVESTMENT PROPERTY RECOVERABLE VALUE

Due to potential impairments, the fair value of investment properties is checked at least once a year by independent certified appraisers qualified to perform property valuation. The management also assesses impairment signs for investment properties whose value exceeds 5% of the carrying amount, which is considered material based on financial statements as a whole.

6.4 IMPAIRMENT TEST OF GOODWILL

In line with its accounting policies, the Group performs an impairment test once a year. If impairment signs are found during the test, goodwill impairment is reported in the income statement.

As at the 2019 year-end, the Group performed an impairment test of goodwill adequacy (see Section 10.1) and found that no impairments are necessary

6.5 IMPAIRMENT LOSSES ON RECEIVABLES

In determining whether losses from impairment of receivables should be recognised in the profit and loss statement, the management decides whether there are indications of any decrease of future cash flows of a group of receivables. Such indicators can involve changes in the repayment of receivables or economic circumstances which can be linked to a potential halt in the repayment of loans or receivables. The management uses estimates, determined based on past losses.

In 2019, the Group applied the same methodology for assessment of appropriateness of fair value calculation (see Policies, Section 5.9.) and calculates impairment adjustments of receivables as in previous years.

6.6 ESTIMATIONS OF INSURANCE TECHNICAL PROVISIONS

Non-life and health insurance contracts

Claims reported but not settled

Provisions for claims outstanding are based on the estimated ultimate cost of claims incurred but not settled, separately for each claim. The material/tangible damages are assessed by claim adjusters employed in the Group companies, while the nonmaterial damages and claims incurred in court proceedings are assessed by lawyers (attorney-at-law) of the Company. The assessments are made based on experience by taking into account the expected future trends (inflation, service price inflation, changes in court practice ...). Within the item claim provisions, the provisions for claims arising from liability insurance contracts were also formed; they are paid out as annuities, namely in the amount of the capitalised value of the annuity by taking into account a 1.75% interest rate

Claims incurred but not reported (hereinafter: IBNR)

The majority of provisions for IBNR liabilities are calculated by applying the triangle method on claims paid. It combines features of the chain-ladder method using run-off triangles of paid or recognized losses and the Bornhueter-Ferguson technique.

The claims are arranged in a triangle where the rows represent the year of loss event occurrence, while the columns represent the number of years lapsed between the year in which the loss event occurred and the year in which claims are paid or recognised. Large claims are taken into account in the triangle only up to the amount of the large claim, which is determined for each line of business. If the triangle shows that the development has not been completed, the development factor is also determined. The prediction of ultimate claims is based on the calculation of the average annual development factors.

During the last year in which claims were incurred, the prediction of the ultimate claims cost is verified by calculating the expected future ultimate claim costs through the estimated result of the line of business and the premium earned. For the calculation of the IBNR provision for those years, the higher of the two amounts is taken into account.

Estimations of individual claims are regularly reviewed and adjusted if needed due to new information. IBNR provisions are determined by the Group based on analysis of past loss events, using different mathematical and statistical methods. The Group assumes that claims development in the future will be realised similarly as in the past, and takes into account the perceived trends and variances. Within the calculations of provisions for claims, also assessments of success of future subrogation and level of future claims settlement costs are made. The adequacy of applied assumptions and assessments is periodically reviewed and new conclusions are used in the future valuations.

Due to an increase in the portfolio of life insurance in the event of death, the Group started forming IBNR for the risk in the event of death.

Loss development – non-life insurance

The triangle depicts how the Group changed its assessment of ultimate liabilities for claims in non-life insurance. The amounts in the triangle include claims reserved, as recognised by the insurance company in individual years.

Loss development in non-life insurance

in EUR					Accident/loss year						
Cumulative claim payment	befor 2010	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
At the end of loss year	-	106,123,654	103,900,951	109,732,984	90,848,539	92,148,616	87,557,888	88,231,654	89,291,142	85,496,766	93,105,078
1 year after loss year	-	98,882,126	92,331,285	104,142,780	87,477,430	85,239,212	81,956,952	86,186,241	88,301,425	83,006,172	-
2 years after loss year	-	96,330,471	90,568,304	96,570,014	85,740,792	83,397,478	80,211,635	84,303,381	87,122,500	-	-
3 years after loss year	-	95,301,074	89,085,735	94,028,156	83,827,339	81,579,315	78,688,971	82,697,486	-	-	-
4 years after loss year	-	93,622,460	86,234,853	94,315,327	84,162,769	81,058,863	78,549,847	-	-	-	-
5 years after loss year	-	93,138,216	87,113,178	93,416,625	83,619,271	81,868,822	-	-	-	-	-
6 years after loss year	-	92,620,067	86,819,320	93,888,987	83,598,621	-	-	-	-	-	-
7 years after loss year	-	92,363,891	87,042,657	93,606,627	-	-	-	-	-	-	-
8 years after loss year	-	92,484,515	87,204,374	-	-	-	-	-	-	-	-
9 years after loss year	-	92,438,731	-	-	-	-	-	-	-	-	-
Cumulative loss estimate	-	92,438,731	87,204,374	93,606,627	83,598,621	81,868,822	78,549,847	82,697,486	87,122,500	83,006,172	93,105,078
Total losses paid until 31 Dec. 20'	-	90,597,866	83,941,193	91,573,107	81,738,081	78,891,374	75,065,246	77,321,602	78,189,633	69,303,274	50,368,554
Claim provisionss - balance 31	16,378,216	1,840,865	3,263,181	2,033,520	1,860,540	2,977,448	3,484,601	5,375,884	8,932,867	13,702,898	42,736,525

Provisions for outstanding claims in non-life insurance (excluding health insurance), as recognised in the balance sheet

	Listing + IBNR	Provisions for valuation costs	Total
Provisions as at 31.12.2018	96,601,594	6,658,043	103,259,637
Provisions as at 31.12.2019	102,586,544	7,188,867	109,775,411

Life insurance contracts

The main assumptions used by the Group are the following:

- future mortality (in the past, the insurance contracts portfolio of the insurance company was too small to be used for own experience; hence mortality estimates are based on statistical tables and specifically: for whole life insurance and endowment insurance, the Group uses the Slovenian mortality tables from the year 1992 and 2007, while for annuity insurance German tables from the year 1987 and 1994 are used),
- interest rate in the 1.5% to 4% bracket,
- the acquisition costs up to the maximum amount required by regulation.

The assumptions used for the purpose of determining the adequacy of the provisions formed for life insurance contracts and the findings are described in more detail in the section on the liability adequacy test (Section 7.2.1).

In 2019, the Group did not modify the assumptions used for the calculation of liabilities arising from life insurance contracts.

6.7 ESTIMATES OF FUTURE PAYMENTS UNDER LIFE INSURANCE CONTRACTS

The principal estimates and assumptions used for the calculation of liabilities arising from the issued life insurance contracts refer to expected mortality, lapse rate, return on investment, administrative expenses and future premiums. These assumptions are determined when concluding a contract and are used to calculate liabilities in the course of the insurance period. New assessments are prepared at each reporting period for the purpose of establishing whether previously determined liabilities are adequate. If it is decided that the liabilities are adequate, the assumptions are not changed. If liabilities are not adequate, the assumptions are modified so as to reflect expectations in accordance with the best estimate. A more detailed description of assumptions and the way in which they are determined can be found in the section about the liability adequacy test and in the section on insurance risk.

6.8 EMPLOYEE BENEFITS

Employee benefits are recognised in the consolidated financial statements on the basis of estimates of future liabilities that will derive from:

- payments of long-service benefits to the employees who will fulfil in the future the statutory/legal conditions;
- termination benefits for the employees who will fulfil in the future the conditions for retirement and who will be employed in the Company on that day.

Future liabilities are calculated on the basis of the actuarial calculation assumptions as a discounted value of future cash flows, while taking into account certain assumptions.

Main assumptions included in the calculation of provisions for termination and long-service benefits:

- discount rate,
- expected salary growth in the insurance company, including the expected salary increase due to promotion,
- expected mortality expressed based on Slovenian tables 2007,
- the future turnover is determined by taking into account the age of the employees, and specifically for the age group between 20 and 30 years of age, for the age group between 30 and 40 years of age and for the employees aged 40 or more.

7. RISK MANAGEMENT

The Group is already by the nature of its business exposed to insurance risk, since its activity is underwriting insurance contracts with which it assumes risk from its policyholders. As all other financial organisations, the Group is also exposed to various financial risks such as liquidity, credit and market risk (interest rate, currency and price risk). In addition to exposure to insurance and financial risks, the Group is also exposed to operational risks.

The purpose of risk management is to ensure stable and long-term operations and decrease exposure to individual risks. Risk management is a continuous cyclical process that can be broken down into three stages. In the first stage, potential risks are identified. In the second stage, individual risks are modelled and measured. On the basis of the risk identification and measurement, the Group's management adopts adequate measures to mitigate or control these risks (the third stage). In addition, a continuous monitoring system has been established to assess the effectiveness of the applied measures, to monitor the remaining risks and to early identify potential new risks. The leverage at management's disposal is various and depends on the level of exposure and the type of risk.

In order to be efficient, the risk management system follows the strategy and risk management policy approved by the Group's management. The aim of efficient risk management is not to avoid risks by any means, but rather to accept consciously the adequate risks and to execute appropriate measures to either limit these risks or, if they are realised, limit the economic damage. The Group accepts risks, knowing that businesses with higher level of risk usually bears higher return. The optimum balance between risk and return is crucial for ensuring adequate safety of policyholders and at the same time expanding the value of the Group.

In addition to setting the guidelines regarding the ratio between risks, returns and capital, and the guidelines for the implementation of business policies and strategies for individual areas in the Group, the management is responsible for the promotion of transparent and clear decisions and processes, which represent important building blocks of the risk awareness culture in the Group. With constant optimisation and expansion of the risk management function, the Group remains prepared for all the risks in its future business operations.

7.1 CAPITAL ADEQUACY REQUIREMENTS AND CAPITAL MANAGEMENT

One of the Group's most important missions, which is also required by law, is ensuring an adequate capital level (capital adequacy) in line with the volume and types of insurance business and the risks it is exposed to in the course of its operations.

In the framework of its capital management policy, the Group pursues the goal of maintaining a certain surplus of available capital above the required level (pursuant to applicable legislation), which not only ensures protection against unpredictable adverse events but also guarantees continued operation and coverage for potential losses from current operations, while maintaining adequate return on capital. Ensuring a suitable surplus of capital above the required level represents—apart from profitability of operations— one of the two most significant accepted risk appetites. In addition to ensuring capital adequacy, the Group determines risk appetites also for profitability of operations.

Disclosure of capital adequacy in accordance with the Solvency II Directive and the new Insurance Act (ZZavar-1) became binding for the parent company Adriatic Slovenica as of the beginning of 2016. Adriatic Slovenica is the only insurance company in the Group. On Day 1 when the new regime came into effect in Slovenia, it recorded a surplus of available capital above the required level (SCR). The capital under the Solvency II regime differs from the carrying amount as it is calculated as the difference between the fair value of assets and liabilities, while all balance sheet items, which have not been measured in this way so far need to be revalued at fair value for the purposes of Solvency II. A major difference is seen especially in technical provisions, which are considered as the best estimate increased by risk margin in accordance with the Solvency II principles.

In April 2019, the parent company published the Solvency and Financial Condition Report for 2018. The report was also reviewed by an independent external auditor, and it is evident from the report that at the 2018 year-end the parent company had a surplus of own assets above the required capital. The parent company confirms that as at 30 September 2019, the day of the last assessment and report to the regulator on capital adequacy in line with Solvency II, it achieved capital adequacy showing capital surplus above the required SCR level and the accepted risk appetite.

The parent insurance company performs the own risk and solvency assessment (ORSA) as an additional verification of capital surplus adequacy, bringing a new perspective on the assessment of the Company's capital adequacy by comparing the own assessment of the company's risk profile with the assumptions used in the calculation of regulatory capital requirements to check if the regulatory SCR calculation method (standard formula) covers the entire risk profile of the Company correctly. As part of own assessment, the impact of planned activities in terms of their effect on the Company's capital adequacy in its future operations was also tested.

The management and supervisory bodies of the parent company need to be aware of and clearly understand the implications of strategic decisions for the above-mentioned capital aspects of the Company, as well as consider whether these implications are desired, feasible or if the Company can even afford them, considering the amount and quality of own funds. Therefore, in line with the applicable policies, all major strategic decisions that could affect the capital requirements and the company's available capital are examined in terms of their impact on the insurance company's capital adequacy.

According to the results of the own risk and solvency assessment, the capital adequacy of the parent company exceeds risk appetite. The risk appetite was defined at 120% also in comparison with the own assessment of capital requirements over the entire business planning period. According to projections from the own assessment, the parent company’s capital adequacy is expected to continue to grow up to 2022, while after the merger with Generali zavarovalnica in 2020, the capital adequacy of the merged insurance company will reach even higher levels. According to the own risk and solvency assessment, the tested negative shocks and scenarios would not jeopardize the capital adequacy.

7.2 TYPES OF RISKS

7.2.1 Insurance risks

Insurance risks are all possible risks which the Group faces during its principal activity - acceptance of risk from a policyholder. Given the nature of insurance contracts, insurance risk is random and unpredictable. It can be realised at any stage of the company's principal activity, be it the formation of insurance product (the product is improperly designed), the formation of price (the amount of premium is insufficient to cover contractual obligations and compensation of losses) or underwriting risk (wrong decision about risk acceptance, non-compliance with the price list and terms of insurance, signing insurance contracts based on false data, improper reinsurance for particular risks, improper assessment of probable maximum loss (PML), insurance for concentrated risks (e.g. geographic concentration), insufficient employee qualifications for risk assessment). When accepting risks for insurance, the following risks can occur as well: the risk of insufficient technical provisions, claim risk (the risk that the reported number or amount of claims will exceed the expected values and that the retention will be too high due to improper reinsurance security, especially in case of catastrophic events), the risk of change in policyholder behaviour (which reflects especially in the number of insurance fraud attempts) and, last but not least, the risk of changes in the economic environment, which can lead to a lower number of policies signed due to a lower purchasing capacity and a higher number of contract surrenders and of claims enforced.

The Group manages insurance risks primarily through effective implementation of internal controls, internal auditing, through forming adequate technical provisions to cover future liabilities from already issued insurance contracts and through appropriate reinsurance. Much attention is devoted to the development of new products to ensure that already in the process of product development; the relevant statistics are carefully observed, confirming the appropriateness of the considered assumptions. After the implementation of a product, the Group constantly monitors the underwriting results by line of business, analyses any deterioration and corrects premium rates or terms of insurance, if necessary. The other area, critical for the realisation of insurance risks, is the underwriting process. The company controls this risk by means of instructions on the underwriting process, stricter criteria and procedures for underwriting, especially for high sums insured and comprehensive coverage. Specialised departments in charge of high risks (in the field of non-life insurance) monitor the development of particular insurance contracts and may deny renewal of contracts or re-assess the underwritten risk. Reinsurance is an important means of insurance risk management and will be described in further detail in the following text.

Concentration of insurance risk

Concentration of insurance risk is the exposure of the insurance portfolio to loss events over a certain territory, which may result in mass damage of insured buildings as part of the same event.

The concentration of insurance risk is managed by means of various types of reinsurance per risk, per event and in annual aggregate, and all these types are complementary.

The table below presents possible concentration of insurance risk, and specifically the Group's exposure to large policyholders and beneficiaries.

Insurance risk concentration arising from the largest policyholders as at 31 December 2019

(in EUR	Aggregate premium – 10 largest policyholders	As share of insurance group aggregate premium	Aggregate premium – 100 largest policyholders	As share of insurance group aggregate premium
Life insurance	53,851	1.15%	427,867	9.12%
Unit-linked insurance	775,299	2.26%	2,655,888	7.73%
Health insurance	435,579	0.42%	894,837	0.86%
Non-life insurance	10,128,023	6.93%	21,500,416	14.72%
Total	**11,392,752**	**3.93%**	**25,479,008**	**8.80%**

Insurance risk concentration arising from the largest policyholders as at 31 December 2018

(in EUR)	Aggregate premium – 10 largest policyholders	As share of insurance group aggregate premium	Aggregate premium – 100 largest policyholders	As share of insurance group aggregate premium
Life insurance	70,162	0.31%	197,798	0.88%
Unit-linked insurance	1,079,433	2.95%	3,365,606	9.20%
Health insurance	454,271	0.46%	879,897	0.88%
Non-life insurance	10,446,218	7.41%	21,331,741	15.14%
Total	**12,050,083**	**3.97%**	**25,775,042**	**8.50%**

In the light of the fact that the share of the top 10 and top 100 largest insurers in proportion to the entire portfolio is relatively small, a conclusion can be drawn that the concentration of large insurers does not present high risk.

Non-life insurance contracts

As regards non-life insurance, the Group is exposed to various types of risk associated with the sectors of the economy in which policyholders engage in business activities.

The concentration of individual risks is determined by analysing the insurance portfolio. For this purpose, a detailed examination of the exposure to the following risks by number, area and amount of insurance is produced:

- earthquake,
- storm,
- flood.

The analyses show that, according to its structure, the portfolio of Adriatic Slovenica is most exposed to the above risks. These are managed by proportional reinsurance protection above the maximum own shares in the form of reinsurance of individual events, as well as a greater number of such events in the form of reinsurance coverage of annual claims aggregate.

In order to ensure an adequate level of reinsurance coverage, the results of internationally recognized modelling of the exceptional events offered by the reinsurance broker are used.

The level and form of the reinsurance programme has so far proved to be adequate. Over the past two years, reinsurance protection was activated in case of a major event and in case of coverage of the annual aggregate of claims.

Life insurance

The table below shows the concentration of insurance risk arising from life insurance contracts, and specifically the aggregate underwritten sum insured slotted into five categories according to the amount of the sum insured under a separate insurance contract.

Aggregate underwritten sum insured under all contracts

(in EUR)	Net of reinsurance 2019	With reinsurance 2019	Net of reinsurance 2018	With reinsurance 2018
0–9,999 euros	272,975,782	252,902,228	283,999,762	263,648,436
10,000–29,999 euros	838,404,406	735,440,516	848,233,681	742,821,756
30,000–59,999 euros	980,775,623	665,034,737	967,927,165	660,515,035
60,000–99,999 euros	714,866,726	311,948,666	666,008,034	296,563,093
Over 100,000 euros	409,517,287	115,193,752	363,816,169	105,732,286
Total	**3,216,539,825**	**2,080,519,899**	**3,129,984,810**	**2,069,280,605**

For annuity insurance, the risk concentration is presented with total annual annuities classified into five categories, depending on the amount of the annual annuity per individual insured. Annual annuity is considered to be the amount, which the insured would receive if the payments under the contract were due.

Structure of annually paid annuities

in EUR	TOTAL ANNUAL ANNUITY PAYMENTS IN 2019		TOTAL ANNUAL ANNUITY PAYMENTS IN 2018	
Annual annuity payments to the insured person as at 31 December	amount	%	amount	%
EUR 0–999	319,220	11.22%	387,499	12.57%
EUR 1,000–1,999	784,918	27.58%	843,419	27.35%
EUR 2,000–2,999	532,611	18.71%	553,421	17.95%
EUR 3,000–3,999	390,508	13.72%	412,114	13.37%
Over EUR 4,000	819,025	28.78%	886,883	28.76%
Total	**2,846,282**	**100%**	**3,083,335**	**100%**

In 2019, concentrations of insurance risk with respect to the annuity business remained at the same level compared to the previous year. As in 2018, concentration of insurance risk was again the highest in the over EUR 4,000 annuity payment bracket.

Liability adequacy test for insurance contracts

The Group carries out a liability adequacy test (LAT-test) with the aim to determine whether its provisions set up at the balance sheet date are sufficient to cover its liabilities. The test is carried out by calculating the best estimate of provisions such as the current value of all cash flows arising from the in-force insurance contracts. The calculation for the test is made by using the current estimates of future cash flows. At the balance sheet date, this calculation is compared with the technical provisions formed.

If the liability adequacy test shows a deficiency in the carrying amount of liabilities, the Group recognises such deficiency as increased liability in the income statement.

The liability adequacy test is carried out separately for the life and non-life business.

Life insurance

For the purpose of establishing whether provisions for life insurance are adequate, on 31 December 2019 the Group applied the methodology applied by the new owner, the Generali Group. In addition to the components used in the previous period, several additional components were considered in the application of the Liability Asset Test (LAT): MVM – Market Value Margin, UGL – Unrealised Gains and Losses and DPL – Deferred Policyholder Liabilities.

For the purpose of establishing whether provisions for life insurance are adequate, the Group combines lines of insurance business in homogenous insurance groups, and specifically:

- life insurance;
- unit-linked life insurance contracts;
- voluntary supplementary pension insurance

The expected cash flows are generated under:

- premiums (life insurance and additional accident cover);
- claims paid (death, endowment, annuities, surrender, accident claims);
- expenses (other payments of fees and commissions, administrative costs, claim handling costs);
- any other expected cash flows arising from insurance contracts:

With regard to individual cash flows, the following assumptions have been taken into account:

- provisions in individual insurance policies (amount of the premium, the schedule of premium payments, the sum insured for death and maturity, amount of annuities);
- technical bases of the relevant products (mortality/morbidity tables, interest rate, costs of front-end fees, other administrative expenses),
- assumptions (mortality rates, lapse rates, future inflation, claims paid under accident policies).

The cash flows for individual years are discounted on the last day of the accounting period.

Economic and operating assumptions

Risk discount rate

For the purpose of calculating the present value of the expected future cash flows, the discount rate used is presented by the curve in the graph "AAA-rated euro area central government bonds" as of 2 January 2019.

Inflation

The assessment of expected expenses takes into account the expected inflation rate for the first two years in line with the autumn forecast of UMAR (Institute of Macroeconomic Analysis and Development) and at the rate of 1.8% for all following years.

Costs/expenses

The costs of contract administration, claims handling, and asset management have been included in the calculation based on the Group's experience from the past years. The estimated future costs are divided into fixed costs that increase depending on the forecasted inflation, and variable costs. Specific features of individual insurance products are taken into consideration when dividing the costs.

Mortality rates

The estimations of mortality rates are based on analyses of the insurance company's own life insurance portfolio. However, for annuity insurance, the Slovene population's mortality ratio has been considered, namely the Slovenian annuity tables 2010.

Lapse rates

The relevant lapse rates are based on the analysis of surrenders and other early cancellations of own portfolio in the past years, divided according to insurance categories and insurance duration. The assumptions are revised and adjusted annually.

Claims arising from additional (extra) accident coverage

These claims are estimated on the basis of historical claims ratio from such insurance contracts in the portfolio in the past years.

Results of the life insurance liability adequacy test for the financial year 2019

The liability adequacy test (LAT) results of 31 December 2019, showed no deficiencies in any group of life insurance.

Non-life insurance and health insurance

The Group has tested the adequacy of the provisioning for unearned premiums for non-life insurance and health insurance contracts. The provisions for losses and provisions for bonuses, discounts and cancellations are calculated on the basis of current estimates; hence, it is deemed that the provisions for these liabilities have been made in the adequate amount.

The liability adequacy test is thus limited to the unexpired portion of active (unexpired) contracts. It is performed by examining the difference between the expected amount of claims for losses and the expenses attributable to the unexpired portion of policies still in force at the balance sheet date and the amount of the formed provision for unearned premiums.

In its forecasting of expected claims, the Group in 2019 applied the claims ratio of final claims occurred in 2018, and in the forecasting of expenses, the cost ratio of administrative expenses was applied.

Under the classes of insurance where inadequate amount of unearned premium provisions in relation to the expected loss events, has been determined, the insurance company forms additional provisions for unexpired risks and recognises them in the financial statements as liabilities within the item other technical provisions.

Results of the non-life insurance liability adequacy test for the financial year 2019

The LAT as of 31 December 2019 showed no deficits on any of non-life insurance classes.

Sensitivity analysis

The Company performs the sensitivity analysis to measure the changes in performance indicators (parameters) set out below on its profit or loss as at the last day of the financial year.

Sensitivity test – parameters

Sensitivity factor	Description of sensitivity factor applied
Interest rate (for insurance contracts)	Impact of a change in interest rates by a ±1%
Costs/Expenses	Impact on increase/reduction in all expenses, other than acquisition expenses by ±5%
Mortality – life insurance	Impact of an increase in mortality rates by 5%
Mortality - annuity insurance	Impact of a reduction in mortality rates by 5%
Loss ratio in relation to premium	Impact of an increase in loss ratios by 5%

Individual calculations presented in the tables below have been made so as to take into account the modification to a particular sensitivity factor while other assumptions are left unchanged.

Impact on net profit before tax generated by the Group

(in EUR) Factor	31 Dec 2019	31 Dec 2018
Costs/expenses +5 %	3,608,737	(3,427,267)
Costs/expenses -5 %	(3,608,737)	3,427,267
Interest rates +1 %	14,358,840	11,709,652
Interest rates -1 %	(17,675,964)	(14,647,531)
Assurance mortality +5 %	293,938	175,776
Annuitant mortality -5 %	(312,913)	(196,510)
Loss ratio +5 %	(14,881,482)	(14,459,931)
Loss ratio -5 %	14,881,482	14,459,931

The Group is prudent in its risk management operations. The role of reinsurance is important in the process as an additional risk-hedging tool that contributes to a more secure insurance risk management policy.

7.2.2 Insurance risk management through reinsurance protection

Purpose and objectives of reinsurance protection

Insurance risks are managed through reinsurance protection programme, ensuring solvency and liquidity of operations, stability of operating results and financial soundness. During the conclusion of reinsurance contracts, we collaborate with reinsurers with the highest credit ratings.

The type, form, scope and structure of the reinsurance programme is planned on the basis of the amount of the maximum retention of the parent company Adriatic Slovenica and the volume, homogeneity, quality and types of the insurance portfolio, considering the characteristics and specifics of individual line of business. In this context, the parent company focuses on the establishment and provision of the optimum reinsurance protection both against individual large losses and against aggregated exposure of the Group's portfolio of insurance business to natural forces – either by individual insurance event, as well as by annual aggregate.

Reinsurance contracts provide the insurance company with automatic reinsurance coverage for the majority of the risks assumed up to the agreed limit and under the agreed conditions, and in some cases even coverage against possible errors in risk assessment.

For exceptional risks, which exceed the limits of contractual reinsurance protection, the Group ensures facultative reinsurance protection. The program of the planned reinsurance is composed of traditional proportional and non-proportional forms of reinsurance protection.

Within the operational risk management, the Group integrated the control mechanisms in the information system that prevent concluding insurance contract with sum insured that exceed reinsurance contract limits without prior approval of the Reinsurance Team, that the facultative reinsurance treaty has been provided or that the facultative reinsurance treaty is not needed.

Analysis of the Company's portfolio from the aspect of reinsurance risk

Earthquake risk presents the highest concentration of the parent company's insurance risk. The reinsurance protection for catastrophic perils is therefore formed considering the millennial return period, based on the results from modelling our exposure to earthquake risk as per the AIR model, which is performed by our reinsurance intermediary. The earthquake exposure is managed by proportional reinsurance, supplemented by non-proportional reinsurance after the event and reinsurance coverage of annual claims aggregate.

The catastrophic perils reinsurance protection also covers the perils of floods, storm, hail and other natural disasters.

Health insurance presents a very dispersed risk, therefore, for the existing extent of insurance coverage, the equalisation is performed within the Company.

The life insurance portfolio is homogenous, with a small portion of risks exceeding the insurance company's maximum retention; hence it is covered with a proportional, and in the event of mass losses, with an additional (extra) non-proportional contractual reinsurance protection.

The structure of the reinsurance program changed slightly in 2018, as the earthquake risk was included in the contract for catastrophic risks and, accordingly, increased the cover limit. Other reinsurance contracts maintained the unchanged structure and content, as in previous years they responded adequately to loss events exceeding retention, calculated for lines of business.

Reinsurance concentration in the financial year 2019

Type of reinsurance in EUR	Reinsurance premium	Structure of reinsurance premium	Reinsurance policy fees	Written reinsurance claims/losses	Change in unearned premiums for reinsurance	Change in outstanding claims provisions for reinsurance	Impact of reinsurance result on profit
Motor QS	-	0.00%	(134,541)	298,614	-	(231,330)	(67,257)
Quota share reinsurance of earthquake risk	(3,914)	0.04%	1,096	-	(23)	-	(2,841)
Non-life Gross Risk XL reinsurance	(1,544,199)	14.66%	-	2,671,514	-	3,555,464	4,682,779
Engineering Risk XL reinsurance	(170,626)	1.62%	-	4,046	-	(50,000)	(216,580)
Non-life Cat XL reinsurance	(2,296,931)	21.80%	-	65,273	-	(200,821)	(2,432,479)
Non-life, i.e. annual aggregate Cat XL losses	(1,252,295)	11.89%	-	391,619	-	(340,762)	(1,201,438)
XL reinsurance motor vehicle liability insurance and green cards	(900,705)	8.55%	-	644,326	-	(676,332)	(932,711)
XL reinsurance of comprehensive automobile insurance (casco)	(37,927)	0.36%	-	-	-	-	(37,927)
Other non-life reinsurance	**(2,152,419)**	**20.43%**	**264,550**	**420,897**	**(18,259)**	**(50,033)**	**(1,535,264)**
Health reinsurance	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**
Life reinsurance	**(2,177,574)**	**20.67%**	**698,374**	**346,309**	**(19,835)**	**133,288**	**(1,019,438)**
Total reinsurance in the financial year	**(10,536,590)**	**100%**	**829,479**	**4,842,598**	**(38,117)**	**2,139,473**	**(2,763,157)**
Co-insurance provided	**(72,651)**	**0**	**13,856**	**50,323**	**18,350**	**24,635**	**34,513**
Co-insurance received	**227,238**	**0**	**(33,479)**	**(23,499)**	**19,454**	**38,660**	**228,373**
Reinsurance received	**1,148,514**	**0**	**(202,419)**	**(76,699)**	**(14,360)**	**(511,705)**	**343,332**
Total Re(co)insurance	**(9,233,489)**	**0**	**607,437**	**4,792,723**	**(14,674)**	**1,691,064**	**(2,156,939)**

Reinsurance concentration in the financial year 2018

Type of reinsurance in EUR	Reinsurance premium	Structure of reinsurance premium	Reinsurance policy fees	Written reinsurance claims/losses	Change in unearned premiums for reinsurance	Change in outstanding claims provisions for reinsurance	Impact of reinsurance result on profit
Motor QS	-	0.00%	916,981	408,017	-	(1,217,891)	107,107
Quota share reinsurance of earthquake risk	(186,779)	1.83%	52,298	-	(342,387)	(178)	(477,046)
Non-life Gross Risk XL reinsurance	(1,251,360)	12.26%	-	-	-	-	(1,251,360)
Engineering Risk XL reinsurance	(260,136)	2.55%	-	413,051	-	7,008	159,923
Non-life Cat XL reinsurance	(2,332,987)	22.85%	-	-	-	(16,230)	(2,349,217)
Non-life, i.e. annual aggregate Cat XL losses	(1,057,644)	10.36%	-	2,884,710	-	(1,919,939)	(92,873)
XL reinsurance motor vehicle liability insurance and green cards	(794,425)	7.78%	-	563,381	-	872,874	641,830
XL reinsurance of comprehensive automobile insurance (casco)	(46,150)	0.45%	-	155,000	-	(130,000)	(21,150)
Other non-life reinsurance	**(2,149,906)**	**21.06%**	**246,828**	**505,514**	**(38,928)**	**169,777**	**(1,266,715)**
Health reinsurance	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**
Life reinsurance	**(2,131,328)**	**20.87%**	**582,109**	**681,661**	**1,867**	**(30,552)**	**(896,243)**
Total reinsurance in the financial year	**(10,210,715)**	**100.00%**	**1,798,217**	**5,611,334**	**(379,448)**	**(2,265,131)**	**(5,445,744)**
Co-insurance provided	**(44,540)**	**0**	**11,653**	**73,714**	**(134,490)**	**(21,593)**	**(115,256)**
Co-insurance received	**207,055**	**0**	**(38,265)**	**(7,650)**	**(4,593)**	**121,781**	**278,329**
Reinsurance received	**667,884**	**0**	**(105,325)**	**(583,529)**	**19,309**	**(13,270)**	**(14,931)**
Total Re(co)insurance	**(9,380,316)**	**0**	**1,666,280**	**5,093,869**	**(499,222)**	**(2,178,213)**	**(5,297,603)**

The above table shows the reinsurance concentration for all contracts.

In 2019, the reinsurance and coinsurance premiums of EUR 10,609,241 was totalled or 3.5% more compared to the previous year. The increase in the reinsurance premium is mainly due to the increased fire damage in 2019 and the loss events over the past years. In 2018, a total of EUR 916,981 were charged from reinsurance of the car insurance quota in the years 2012 - 2014, which was the result of the release of claims provisions and thus of improving of the loss ratio. In 2019, due to an increase in the provision for one of the claims from 2014, the result deteriorated, which resulted in a fee of EUR -134,541 arising from the car insurance quota in 2012-2014. In 2018, a total of EUR 829,479 reinsurance fees were charged, which is 53.9% less than in 2018. In 2019, the reinsurers' share in claims totalled EUR 4,842,598, of which EUR 2,671,514 came from reinsurance of a large fire loss occurred in 2019, which also had the largest positive impact on the total reinsurance result in 2019 of EUR 5,842,398. Within the scope of reinsurance received, in 2019, premiums of EUR 1,148,514 were received, which is 72.0% more than in 2018. As the loss event was comparable to 2018, the total reinsurance received was higher by EUR 358,263 than in 2018. In other reinsurance programmes, there was no significant loss event in 2019 and the results in these programmes were lower than in 2018.

7.2.3 Financial risks

The Group is exposed to financial risks through its asset and liability management, reinsurance assets and liabilities arising from its insurance and financial contracts. The key financial risks that the Company faces is that the future changes in market and other financial conditions will affect the value of the Company's financial assets, meaning that the financial liabilities of counterparties will not be covered. This could potentially lead to a situation when the inflows from financial investments will not be sufficient to cover the outflows, arising from insurance and financial contracts.

In line with analyses of situations in financial markets, risk assessment and stress testing with regard to the changed circumstances in the financial market as well as by taking into consideration the general investment strategy of the Company, the Risk Management Team proposes limits for risk measures, exposures to individual investment grades, issuers and their rating as well as individual markets. They are addressed by the Risk Management Committee and then approved by the Assets and Liabilities Management Committee.

Strategic and tactical implementation of the investment activity is performed by the Investment Committee. Its competences and responsibilities as well as all other provisions relating to its operation are laid down in the Rules on the Performance of Investment Activity. The Treasury Team is responsible for operational implementation of the investment activity.

When designing individual investment policies, the Group takes into consideration the characteristics of obligations and the assumed risk appetite. The Group actively manages and controls all risks to which it is exposed with its assets and liabilities by constantly monitoring cash flows and ensuring that it always has enough liquid assets at its disposal to settle its liabilities, by investing its assets in a manner which ensures long-term returns high enough to exceed the amount of returns on insurance liabilities, by matching the terms of financial assets against financial liabilities, and by ensuring adequacy of financial assets.

The most important components of financial risks, including market risks, are:

- liquidity risk,
- credit risk,
- risk of change in prices of equity securities,
- interest risk,
- currency risk.

In the disclosures related to the presentation of financial risk management, the assets and liabilities arising from unit-risk life insurance contracts are not included since the financial risks are entirely assumed by the policyholders. In 2019, these assets totalled EUR 319,552,644 (2018: EUR 278,425,381), out of which, EUR 311,499,120 (2018: EUR 274,127,785) of assets from the balance sheet are related to the category of assets of policyholders who bear investment risk, and EUR 8,053,524 (2018: EUR 4,297,596) to other balance sheet categories of funds, where policyholders bear investment risk. These other assets are derived from unit-linked insurance transactions, but as at 31 December, these were from policyholders who take over the investment risk and do not bear the financial risk, therefore they are not included in the disclosures related to the risks that the Company presents below. Other balance sheet items are specifically presented in the following table.

in EUR	2019	2018
Cash at bank	3,514,511	2,748,830
Financial receivables	1,069,494	1,156,951
Receivables from direct insurance operations	3,469,363	366,181
Deferred tax assets	145	145
Amounts of technical provisions ceded to reinsurers	-	25,485
Other assets	11	4
Total	8,053,524	4,297,596

The following tables show how the Company manages and controls financial risks. All the risks are monitored by the Company at the level of individual fund, while the analysis of assets and liabilities (ALM – asset liability management) is for financial risk management is presented at the insurance contract level.

The first table presents the balance of all assets and liabilities by individual items and how the amount of particular financial assets and all assets aggregated by individual insurance and financial contract matches the amount of liabilities. The tables containing the results of the asset and liability analysis for financial risk management for 2019 and 2018 show that the sum of assets and liabilities is not equal to the sum of individual amounts by insurance class, since in the category financial receivables, other operating receivables, other assets and liabilities offsets were made also at the aggregate level.

Analysis of assets and liabilities for financial risk management as at 31 December 2019

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Financial contracts – pension savings	Other assets and liabilities	Total
ASSETS						
Financial assets at fair value through profit or loss	**924,830**	**(0)**	**3,659,759**	**5,959,247**	**-**	**10,543,835**
- listed	(0)	-	2,756,839	409,487	-	3,166,326
Government bonds	924,830	(0)	902,920	5,259,863	-	7,087,613
Held-to-maturity financial assets	**0**	**0**	**11,809,059**	**-**	**-**	**11,809,059**
- listed	0	0	944,695	-	-	944,695
Government bonds	0	-	10,864,363	-	-	10,864,363
Available-for-sale financial assets	**131,955,160**	**10,153,948**	**101,026,213**	**-**	**2,323,071**	**245,458,392**
- listed	38,422,917	(0)	9,940,123	-	2,323,071	50,686,112
- non-listed	11,874,100	-	3,865,288	-	-	15,739,388
Government bonds	81,658,143	10,153,948	87,220,802	-	-	179,032,892
Total debt financial instruments	**132,879,990**	**10,153,948**	**116,495,030**	**5,959,247**	**2,323,071**	**267,811,286**
Financial assets at fair value through profit or loss	0	-	911,983	11,823,190	343,081	13,078,254
- listed	0	-	911,983	11,823,190	343,081	13,078,254
Available-for-sale financial assets	22,258,624	670,697	20,258,327	-	1,490,781	44,678,429
- listed	8,488,098	(0)	19,603,175	-	1,470,781	29,562,055
- non-listed	13,770,526	670,697	655,152	-	20,000	15,116,375
Total equity financial instruments	**22,258,624**	**670,697**	**21,170,310**	**11,823,190**	**1,833,862**	**57,756,684**
Loans, deposits and financial receivables	2,045,082	3,102,029	2,774,336	8,371	49,659	7,979,477
Investments in subsidiaries and associates	8,566,333	3,282,164	514,721	-	-	12,363,218
Total financial investments	**165,750,029**	**17,208,837**	**140,954,398**	**17,790,807**	**4,206,592**	**345,910,664**
Amount (technical provisions) transferred to reinsurers	16,679,169	-	368,700	-	-	17,047,869
Receivables from insurance business and other operating receivables	31,871,455	11,740,596	32,288,275	-	928,286	29,685,688
Cash and cash equivalents	9,538,490	1,885,283	5,251,914	895,679	1,283,150	18,854,515
Other assets	49,571,048	463,423	2,767,448	-	26,194,018	78,974,982
Total assets	**273,410,192**	**31,298,139**	**181,630,734**	**18,686,486**	**32,612,047**	**490,473,718**
Liabilities from insurance contracts	**155,094,284**	**13,738,323**	**-**	**-**		**168,832,607**
- non-current liabilities	55,783,475	-	-	-		55,783,475
- current liabilities	99,310,809	13,738,323	-	-		113,049,132
Liabilities from insurance contracts with DPF	**-**	**-**	**120,708,884**	**-**	**-**	**120,708,884**
- non-current liabilities	-	-	110,347,999	-		110,347,999
- current liabilities	-	-	10,360,885	-		**10,360,885**
Liabilities from investment contracts	-	-	-	**18,647,836**	-	**18,647,836**
- non-current liabilities	-	-	-	18,647,836	-	18,647,836
Equity capital	**67,709,838**	**9,562,175**	**16,916,587**	**(26)**	**6,137,048**	**100,325,621**
Bonds issued (Subordinated liabilities)	**22,851,273**	**-**	**26,825,408**	**-**	**-**	**49,676,681**
Other liabilities	**27,754,796**	**7,997,643**	**17,179,855**	**38,675**	**26,474,999**	**32,282,087**
- non-current liabilities	9,606,356	97,279	11,732,504	-	210,404	13,483,720
- current liabilities	18,148,440	7,900,363	5,447,351	38,675	26,264,596	18,798,366
Total liabilities	**273,410,191**	**31,298,140**	**181,630,734**	**18,686,486**	**32,612,047**	**490,473,718**

This table should be read together with the note in Section 7.2.3. Paragraph 6.

Analysis of assets and liabilities for financial risk management as at 31 December 2018

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Financial contracts – pension savings	Other assets and liabilities	Total
ASSETS						
Financial assets at fair value through profit or loss	**3,447,189**	**(0)**	**5,115,548**	**1,968,733**	**-**	**10,531,469**
- listed	2,514,899	(0)	4,490,980	390,251	-	7,396,129
Government bonds	932,290	(0)	624,568	1,578,482	-	3,135,340
Held-to-maturity financial assets	**9,135,039**	**302,325**	**20,191,629**	**-**	**-**	**29,628,993**
- listed	9,135,039	302,325	8,788,476	-	-	18,225,841
Government bonds	0	-	11,403,153	-	-	11,403,153
Available-for-sale financial assets	**66,344,630**	**8,215,244**	**81,835,083**	**589,227**	**2,480,982**	**159,465,166**
- listed	20,553,510	(0)	7,323,844	-	2,480,982	30,358,336
- non-listed	3,891,193	-	-	-	-	3,891,193
Government bonds	41,899,927	8,215,244	74,511,239	589,227	-	125,215,637
Total debt financial instruments	**78,926,858**	**8,517,569**	**107,142,260**	**2,557,960**	**2,480,982**	**199,625,629**
Financial assets at fair value through profit or loss	0	-	831,280	6,380,143	207,477	7,418,901
- listed	0	-	831,280	6,380,143	207,477	7,418,901
Available-for-sale financial assets	22,654,325	670,697	12,255,894	1,550,550	1,347,881	38,479,346
- listed	7,564,367	(0)	11,600,742	1,550,550	1,347,881	22,063,539
- non-listed	15,089,958	670,697	655,152	-	-	16,415,807
Total equity financial instruments	**22,654,325**	**670,697**	**13,087,174**	**7,930,693**	**1,555,358**	**45,898,247**
Loans, deposits and financial receivables	30,333,876	2,912,564	8,539,406	4,104	55,189	41,845,138
Investments in subsidiaries and associates	8,355,173	3,203,395	503,885	-	-	12,062,454
Total financial investments	**140,270,232**	**15,304,225**	**129,272,724**	**10,492,757**	**4,091,529**	**299,431,467**
Amount (technical provisions) transferred to reinsurers	14,648,280	-	229,762	-	-	14,878,042
Receivables from insurance business and other operating receivables	32,157,320	7,084,309	33,256,790	-	426,461	26,771,256
Cash and cash equivalents	9,833,525	2,643,164	4,409,508	1,420,090	2,076,817	20,383,105
Other assets	62,750,341	426,724	3,553,811	-	25,910,047	92,619,968
Total assets	**259,659,698**	**25,458,422**	**170,722,596**	**11,912,847**	**32,504,854**	**454,083,837**
Liabilities from insurance contracts	**147,303,369**	**12,149,250**	**-**	**-**		**159,452,619**
- non-current liabilities	55,116,835	77,873	-	-		55,194,708
- current liabilities	92,186,534	12,071,378	-	-		104,257,911
Liabilities from insurance contracts with DPF	**-**	**-**	**115,485,096**	**-**	**-**	**115,485,096**
- non-current liabilities	-	-	102,684,123	-		102,684,123
- current liabilities	-	-	12,800,973	-		**12,800,973**
Liabilities from investment contracts	-	-	-	**11,886,157**	-	**11,886,157**
- non-current liabilities	-	-	-	11,886,157	-	11,886,157
Equity capital	**65,801,343**	**9,138,536**	**16,401,691**	**(13)**	**4,532,981**	**95,874,537**
Bonds issued (Subordinated liabilities)	**22,807,639**	**-**	**26,774,185**	**-**	**-**	**49,581,823**
Other liabilities	**23,747,348**	**4,170,637**	**12,061,625**	**26,703**	**27,971,874**	**21,803,605**
- non-current liabilities	6,540,926	14,710	5,586,706	-	160,367	5,305,680
- current liabilities	17,206,422	4,155,927	6,474,919	26,703	27,811,507	16,497,925
Total liabilities	**259,659,698**	**25,458,423**	**170,722,596**	**11,912,847**	**32,504,854**	**454,083,838**

This table should be read together with the note in Section 7.2.3., Paragraph 6.

In the tables showing the Classification of assets by maturity into non-current and current assets for 2019 and for 2018, the sum of assets and liabilities is not equal to the sum of individual amounts of insurance groups (funds), since the receivables and liabilities have been offset between the funds at the aggregate level.

Classification of assets by maturity into non-current and current assets as at 31 December 2019

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Financial contracts – pension savings	Other assets and liabilities	Total
Non-current assets						
Debt securities	**131,955,160**	**10,153,948**	**115,971,235**	**4,162,726**	**-**	**262,243,069**
At fair value through profit or loss	-	-	3,135,963	4,162,726	-	7,298,690
- listed	-	-	3,135,963	4,162,726	-	7,298,690
Available for sale	131,955,160	10,153,948	101,026,213	-	-	243,135,321
- listed	120,081,060	10,153,948	97,160,925	-	-	227,395,933
- non-listed	11,874,100	-	3,865,288	-	-	15,739,388
Held to maturity	0	0	11,809,059	-	-	11,809,059
- listed	0	0	11,809,059	-	-	11,809,059
Equity securities	**22,258,624**	**670,697**	**20,258,327**	**11,823,190**	**20,000**	**55,030,838**
At fair value through profit or loss	**-**	**-**	**(0)**	**11,823,190**	**(0)**	**11,823,190**
- listed	**-**	**-**	**(0)**	**11,823,190**	**(0)**	**11,823,190**
Available for sale	22,258,624	670,697	20,258,327	-	20,000	43,207,648
- listed	8,488,098	(0)	19,603,175	-	-	28,091,273
- non-listed	13,770,526	670,697	655,152	-	20,000	15,116,375
Investments in subsidiary and associates	8,566,333	3,282,164	514,721	-	-	12,363,218
Loans, deposits and financial receivables	620,146	0	564,447	-	49,659	1,234,252
Total financial investments	**163,400,263**	**14,106,809**	**137,308,730**	**15,985,916**	**69,659**	**330,871,377**
Amount (technical provisions), transferred to reinsurers	7,889,310	-	-	-	-	7,889,310
Receivables from insurance business and other operating receivables	10,499,253	556,779	209,195	-	99,576	3,201,981
Cash and cash equivalents		-	-	-		
Other assets	37,567,689	338,038	284,293	-	25,781,967	63,971,987
Total assets	**219,356,515**	**15,001,626**	**137,802,218**	**15,985,916**	**25,951,203**	**405,934,655**
Current assets						
Debt securities	**924,830**	**(0)**	**523,796**	**1,796,520**	**2,323,071**	**5,568,217**
At fair value through profit or loss	924,830	(0)	523,796	1,796,520	-	3,245,146
- listed	924,830	(0)	523,796	1,506,624	-	2,955,249
- non-listed	0	-	-	289,897	-	289,897
Available for sale	-	-	-	-	2,323,071	2,323,071
- listed	-	-	-	-	2,323,071	2,323,071
Equity securities	**0**	**-**	**911,983**		**1,813,862**	**2,725,846**
At fair value through profit or loss	0	-	911,983		343,081	1,255,064
- listed	0	-	911,983		343,081	1,255,064
Available for sale	-	-	-	-	1,470,781	1,470,781
- listed	-	-	-		1,470,781	1,470,781
Loans, deposits and financial receivables	1,424,936	3,102,029	2,209,889	8,371	-	6,745,225
Total financial investments	**2,349,766**	**3,102,029**	**3,645,668**	**1,804,891**	**4,136,933**	**15,039,287**
Amount (technical provisions), transferred to reinsurers	8,789,859	-	368,700	-	-	9,158,559
Receivables from insurance business and other operating receivables	21,372,202	11,183,817	32,079,080		828,710	26,483,707
Cash and cash equivalents	9,538,490	1,885,283	5,251,914	895,679	1,283,150	18,854,515
Other assets	12,003,360	125,386	2,483,155	-	412,051	15,002,995
Total assets	**54,053,678**	**16,296,514**	**43,828,516**	**2,700,570**	**6,660,844**	**84,539,063**

This table should be read together with the note in Section 7.2.3., Paragraph 6.

As at the 2019 year-end, the non-current assets prevailed with an 83% share, and current assets accounting for 17% of total assets.

Classification of assets by maturity into non-current and current assets as at 31 December 2018

(in EUR)	Non-life insurance contracts, excluding health insurance	Health insurance contracts	Life insurance contracts	Financial contracts – pension savings	Other assets and liabilities	Total
Non-current assets						
Debt securities	**77,994,569**	**8,517,569**	**106,544,203**	**1,865,006**	**-**	**194,921,347**
At fair value through profit or loss	2,514,899	-	4,517,491	1,275,779	-	8,308,169
- listed	2,514,899	-	4,517,491	1,275,779	-	8,308,169
Available for sale	66,344,630	8,215,244	81,835,083	589,227	-	156,984,184
- listed	62,453,437	8,215,244	81,835,083	589,227	-	153,092,991
- non-listed	3,891,193	-	-	-	-	3,891,193
Held to maturity	9,135,040	302,325	20,191,629	-	-	29,628,994
- listed	9,135,040	302,325	20,191,629	-	-	29,628,994
Equity securities	**22,654,325**	**670,697**	**12,255,894**	**7,930,693**	**0**	**43,511,608**
Available for sale	22,654,325	670,697	12,255,894	1,550,550	-	37,131,465
- listed	7,564,367	(0)	11,600,742	1,550,550	-	20,715,658
- non-listed	15,089,958	670,697	655,152	-	-	16,415,807
Investments in subsidiary and associates	8,355,173	3,203,395	503,885	-	-	12,062,454
Loans, deposits and financial receivables	317,185	2,499,908	559,240	-	55,189	3,431,521
Total financial investments	**109,321,251**	**14,891,569**	**119,863,222**	**9,795,699**	**55,189**	**253,926,929**
Amount (technical provisions), transferred to reinsurers	8,501,443	-	0	-	-	8,501,443
Receivables from insurance business and other operating receivables	10,310,107	531,196	274,638	-	163,119	4,282,032
Other assets	37,079,822	291,667	419,706	-	25,459,858	63,251,053
Total assets	**165,212,623**	**15,714,432**	**120,557,566**	**9,795,699**	**25,678,166**	**329,961,457**
Current assets						
Debt securities	**932,290**	**(0)**	**598,056**	**692,954**	**2,480,982**	**4,704,282**
At fair value through profit or loss	932,290	(0)	598,056	692,954	-	2,223,300
- listed	932,290	(0)	598,056	692,954	-	2,223,300
Available for sale	-	-	-	-	2,480,982	2,480,982
- listed	-	-	-	-	2,480,982	2,480,982
Equity securities	**0**	**-**	**831,280**		**1,555,358**	**2,386,639**
At fair value through profit or loss	0	-	831,280		207,477	1,038,758
- listed	0	-	831,280		207,477	1,038,758
Available for sale	-	-	-	-	1,347,881	1,347,881
- listed	-	-	-		1,347,881	1,347,881
Loans, deposits and financial receivables	30,016,691	412,656	7,980,166	4,104	0	38,413,617
Total financial investments	**30,948,981**	**412,656**	**9,409,503**	**697,058**	**4,036,340**	**45,504,538**
Amount (technical provisions), transferred to reinsurers	6,146,837	-	229,762	-	-	6,376,599
Receivables from insurance business and other operating receivables	21,847,213	6,553,113	32,982,152		263,342	22,489,224
Cash and cash equivalents	9,833,525	2,643,164	4,409,508	1,420,090	2,076,817	20,383,105
Other assets	25,670,520	135,058	3,134,105	-	450,189	29,368,915
Total assets	**94,447,076**	**9,743,991**	**50,165,030**	**2,117,148**	**6,826,689**	**124,122,380**

This table should be read together with the note in Section 7.2.3., Paragraph 6.

As at the 2018 year-end, the non-current assets prevailed with a 73% share, and current assets amounts to 27% of total assets.

Liquidity risk

Liquidity risk is the risk of liquidity-related difficulty and inability of the Group to fulfil current obligations from in-force insurance contracts and other current operating liabilities of the Group, due to mismatch between maturity of assets and liabilities. Liquidity risk also includes the risk of the Group suffering losses of liquid assets due to settlement of unexpected or unexpectedly high liabilities.

The Group mitigates its exposure to liquidity risk by maintaining a suitable structure and adequate diversification of investments, planning future cash flows to cover future foreseeable liabilities and providing an adequate volume of high liquidity investments in order to cover future contingencies.

The disclosure also includes unit-linked liabilities.

Overview of maturity of assets in 2019 – undiscounted cash flows

(in EUR)	Carrying amount	No maturity date	Up to 1 year	1-5 years	5-10 years	10-15 years	Over 15 years	Total 2019
Debt financial instruments	**261,852,040**	**-**	**30,036,411**	**104,513,081**	**95,398,105**	**17,745,430**	**27,926,568**	**275,619,594**
Financial assets at fair value through income statement	4,584,589	-	543,025	3,167,800	540,125	1,500	521,100	4,773,550
Financial assets held to maturity	11,809,059	-	1,293,121	5,948,212	5,622,766	1,768,280	2,039,310	16,671,689
Financial assets available for sale	245,458,392	-	28,200,264	95,397,069	89,235,214	15,975,650	25,366,158	254,174,355
Equity financial instruments	**45,933,494**	**45,590,413**	**-**	**343,081**	**-**	**-**	**-**	**45,933,494**
Financial assets at fair value through income statement	1,255,064	911,983	-	343,081	-	-	-	1,255,064
Financial assets available for sale	44,678,430	44,678,430	-	-	-	-	-	44,678,430
Derivatives	**9,040,600**	**-**	**5,433,392**	**1,132,487**	**252,361**	**262,093**	**2,352,094**	**9,432,427**
Assets of policyholders who bear investment risk	**311,499,120**	**232,733,241**	**2,476,918**	**29,417,800**	**36,519,181**	**2,637,297**	**7,731,359**	**311,515,797**
Assets from investment contracts	**18,686,486**	**12,718,869**	**115,284**	**2,918,550**	**2,128,563**	**514,125**	**324,775**	**18,720,165**
Investment properties	**647,011,741**	**291,042,523**	**38,062,005**	**138,324,998**	**134,298,210**	**21,158,945**	**38,334,796**	**661,221,477**
Total financial investments	17,047,869	-	9,285,525	5,866,744	1,535,166	357,490	3,088	17,048,013
Receivables from insurance business and other receivables	33,155,196	112,490	33,012,275	30,430	-	-	-	33,155,196
Operating and other receivables	21,473,347	15,605,289	5,868,058	-	-	-	-	21,473,347
TOTAL ASSETS	**718,688,152**	**306,760,302**	**86,227,863**	**144,222,173**	**135,833,376**	**21,516,435**	**38,337,884**	**732,898,032**
Bonds issued (Subordinated liabilities)	49,676,681	-	3,954,500	15,837,000	55,915,500	-	-	75,707,000
Non-life and health insurance	168,832,608	-	114,457,477	41,008,667	10,573,852	2,605,293	187,319	168,832,608
Unit-linked life insurance	312,282,555	-	15,722,135	60,388,704	68,758,507	54,106,932	113,306,277	312,282,555
Life insurance	120,708,891	-	6,379,463	13,976,807	23,136,841	20,175,704	60,900,499	124,569,313
Investment contracts	18,647,838	-	392,057	1,425,150	3,310,636	3,658,241	9,861,753	18,647,838
Other liabilities	1,479,127	-	96,727	1,382,400	-	-	-	1,479,127
TOTAL LIABILITIES	**671,627,700**	**-**	**141,002,359**	**134,018,728**	**161,695,337**	**80,546,170**	**184,255,847**	**701,518,441**

Overview of maturity of assets in 2018 – undiscounted cash flows

(in EUR)	Carrying amount	No maturity date	Up to 1 year	1-5 years	5-10 years	10-15 years	Over 15 years	Total
Debt financial instruments	**197,067,669**	**-**	**23,902,543**	**91,689,569**	**55,038,562**	**16,181,796**	**34,409,928**	**221,222,398**
Financial assets at fair value through income statement	8,562,737	-	670,821	5,225,875	2,685,575	1,500	521,400	9,105,171
Financial assets held to maturity	29,628,993	-	4,737,893	21,715,487	6,891,018	2,186,796	2,089,800	37,620,993
Financial assets available for sale	158,875,938	-	18,493,829	64,748,207	45,461,970	13,993,500	31,798,728	174,496,234
Equity financial instruments	**37,967,554**	**37,760,077**	**-**	**207,477**	**-**	**-**	**-**	**37,967,554**
Financial assets at fair value through income statement	1,038,757	831,280	-	207,477	-	-	-	1,038,757
Financial assets available for sale	36,928,797	36,928,797	-	-	-	-	-	36,928,797
Derivatives	**42,997,985**	**-**	**38,590,217**	**2,819,605**	**775,170**	**203,142**	**1,889,113**	**44,277,247**
Assets of policyholders who bear investment risk	**274,127,785**	**205,929,558**	**1,955,222**	**24,443,691**	**31,498,575**	**4,203,006**	**6,142,579**	**274,172,631**
Assets from investment contracts	**11,912,847**	**8,877,254**	**507,419**	**902,000**	**1,435,500**	**1,000**	**200,600**	**11,923,773**
Investment properties	**564,073,841**	**252,566,890**	**64,955,401**	**120,062,342**	**88,747,807**	**20,588,945**	**42,642,220**	**589,563,604**
Total financial investments	14,903,527	-	6,514,812	6,239,708	1,633,609	511,719	3,681	14,903,528
Receivables from insurance business and other receivables	27,137,581	134,480	26,975,138	27,964	-	-	-	27,137,581
Operating and other receivables	21,711,844	21,005,201	706,644	-	-	-	-	21,711,844
TOTAL ASSETS	**627,826,794**	**273,706,571**	**99,151,994**	**126,330,013**	**90,381,416**	**21,100,663**	**42,645,901**	**653,316,558**
Bonds issued (Subordinated liabilities)	49,581,823	-	3,944,000	15,815,000	59,892,000	-	79,651,000	159,302,000
Non-life and health insurance	159,452,619	-	103,923,869	39,576,394	11,140,272	4,224,073	588,011	159,452,619
Unit-linked life insurance	273,416,137	-	12,413,328	56,019,388	57,243,045	47,513,666	100,226,710	273,416,137
Life insurance	115,485,096	-	5,106,964	11,208,426	23,036,646	20,656,854	62,602,537	122,611,427
Investment contracts	11,886,159	-	127,421	698,528	1,954,090	2,350,561	6,755,558	11,886,159
Other liabilities	524,591	-	406,416	335,687	(918,949)	-	(222,727)	(399,573)
TOTAL LIABILITIES	**610,346,425**	**-**	**125,921,999**	**123,653,423**	**152,347,104**	**74,745,154**	**249,601,089**	**726,268,769**

Credit risk

Credit risk is a potential loss of the Group in case of failure by the third party/debtor to fulfil the contractual obligations. The segments most exposed to credit risk are: financial investments, loans and receivables, receivables from insurance contracts and reinsurance assets.

The Group manages its exposure to credit risk mainly by constant monitoring of credit rating of issuers of financial instruments and ensuring adequate dispersal of investments between investments involving a degree of risk and no-risk investments. The Group monitors credit risk associated with receivables from insurance transactions and reinsurance assets on the basis of assessing the collectability of individual receivables whereby, when a debtor's insolvency is determined, the Group reduces receivables by the calculated adjustment. Credit rating procedures are based on obtaining and checking of publicly accessible information on the current financial position of the issuers of financial instruments and their future liquidity.

In reinsurance, as with respect to financial assets, the credit risk management procedures involve checking the reinsurer's credit rating. In accordance with the strategy for credit risk management, liabilities covered by reinsurance arrangements are reinsured by investment-grade reinsurers.

Maximum exposure to credit risk by financial asset class as at 31 December 2019[1]

(in EUR)	AAA-A	BBB-B	CCC-C	Not rated	Total 2019
Financial assets at fair value through profit or loss	**3,646,694**	**731,503**	**-**	**206,392**	**4,584,589**
Debt securities	3,646,694	731,503	-	206,392	4,584,589
Held-to-maturity financial assets	**9,372,057**	**2,437,002**	**-**	**-**	**11,809,059**
Debt securities	9,372,057	2,437,002	-	-	11,809,059
Available- for-sale financial assets	**120,090,487**	**110,063,542**	**-**	**15,304,363**	**245,458,392**
Debt securities	120,090,487	110,063,542	-	15,304,363	245,458,392
Loans, deposits and financial receivables	**8,994**	**517,672**	**-**	**7,444,440**	**7,971,106**
Assets from investment contracts	**2,536,250**	**3,216,604**	**-**	**206,392**	**5,959,247**
Debt securities	2,536,250	3,216,604	-	206,392	5,959,247
Total financial investments	**135,654,482**	**116,966,324**	**-**	**23,161,586**	**275,782,392**
Receivables from insurance business and other receivables	1,546,137	24,612	-	15,477,119	17,047,869
Reinsurers' share of technical provisions	16,744,454	27,833	-	275,582	17,047,870
Cash and cash equivalents	2,348	9,922,529	-	8,929,638	18,854,515
Total assets exposed to credit risk	**153,947,421**	**126,941,299**	**-**	**47,843,925**	**328,732,646**

Investments in debt securities which remained non-rated in 2019 comprise important Slovene state-owned or private companies which issued these securities. Given loans, deposits and financial receivables without a credit rating accounted for 93% of all loans, deposits and financial receivables. The maximum exposure to individual issuers without a rating relating to given loans is represented by loans to the funds Generali investments GP 1 d. o. o. & Generali Growth Equity Fund specialni investicijski sklad k. d., accounting for 48.8% of all given loans without a rating. All given loans are adequately collateralized. A share of 43% of given loans without a rating are collateralized with redemption value of insurance policies, 7% with property and 50% with other forms of security.

[1] This table should be read together with the note in Section 7.2.3, paragraph 6. In the tables Maximum exposure to credit risk by financial asset class for the observed years, the sum of assets and liabilities is not equal to the sum of individual amounts by insurance class, since in the category of other receivables and liabilities set-offs among funds were performed only at the level of the aggregate sum.

Maximum exposure to credit risk by category of financial assets as at 31 December 2018[2]

(in EUR)	AAA-A	BBB-B	CCC-C	Not rated	Total 2018
Financial assets at fair value through profit or loss	**3,515,218**	**5,047,520**	**-**	**0**	**8,562,737**
Debt securities	3,515,218	5,047,520	-	0	8,562,737
Held-to-maturity financial assets	**9,789,834**	**17,326,702**	**-**	**2,512,457**	**29,628,993**
Debt securities	9,789,834	17,326,702	-	2,512,457	29,628,993
Available- for-sale financial assets	**71,660,601**	**73,964,874**	**-**	**13,250,464**	**158,875,938**
Debt securities	71,660,601	73,964,874	-	13,250,464	158,875,938
Loans, deposits and financial receivables	**16,317**	**23,665,150**	**-**	**18,159,568**	**41,841,034**
Assets from investment contracts	**1,768,455**	**789,505**	**-**	**-**	**2,557,960**
Debt securities	1,768,455	789,505	-	-	2,557,960
Total financial investments	**86,750,424**	**120,793,750**	**-**	**33,922,489**	**241,466,663**
Receivables from insurance business and other receivables	976,838	22,632	-	13,878,571	14,878,042
Reinsurers' share of technical provisions	14,664,191	-	-	213,853	14,878,043
Cash and cash equivalents	2,358	10,377,028	-	10,003,719	20,383,105
Total assets exposed to credit risk	**102,393,811**	**131,193,410**	**-**	**58,018,632**	**291,605,853**

Bond investments portfolio without credit rating in 2018 relates to debt securities of important Slovene state-owned or private companies which issued these securities. Given loans, deposits and financial receivables without a credit rating accounted for 44% of all given loans, deposits and financial receivables. The maximum exposure to individual issuers without rating relating to given loans is represented by a loans to SRC Sistemske integracije d. o. o., accounting for 45% of all given loans without a rating. A share of 45% of given loans without a rating are collateralized by with equity shares in companies, 38% with redemption value of insurance policies, 8% with property and 9% with other forms of security.

With the aim of seeking higher returns adjusted for risk, the Group increased its exposure to the Republic of Slovenia in 2019. With regard to the country of the issuer, the insurance company is mainly exposed to government bonds of EU members. The government bonds of the Republic of Slovenia, Spain, Portugal, France, Italy, Croatia and Romania account for a total of 24% of all investments.

[2] This table should be read together with the note in Section 7.2.3, Paragraph 6. In the tables Maximum exposure to credit risk by financial asset class for the observed years, the sum of assets and liabilities is not equal to the sum of individual amounts by insurance class, since in the category of other receivables and liabilities set-offs among funds were performed only at the level of the aggregate sum.

Credit risk: Past-due and not past-due financial instruments as at 31 December 2019

In EUR	Neither past due nor impaired	Total past due and not impaired: Up to 30 days	From 31 to 90 days	From 91 to 270 days	Over 270 days	Total past-due date and not impaired	Total past due and impaired: Gross value	Value adjustment – individual impairment	Value adjustment – group impairment	Net value	Total past due date and impaired	Total
Financial investments (debt securities)	261,852,040	-	-	-	-	-	-	-	-	-	-	261,852,040
Assets from financial contracts	5,959,247	-	-	-	-	-	-	-	-	-	-	5,959,247
Loans and financial receivables	7,236,950	-	-	-	-	-	-	-	-	-	-	7,236,950
Amount (technical provisions) ceded to reinsurers	17,047,870	-	-	-	-	-	-	-	-	-	-	17,047,870
Receivables from Insurance contracts and other receivables	16,427,720	112,773	968,673	1	153,002	1,234,448	43,942,131	(22,109,156)	(9,809,456)	12,023,519	12,023,519	29,685,688
Insurance receivables	14,439,509	283	968,673	1	-	968,957	25,020,050	(7,702,073)	(7,431,487)	9,886,490	9,886,490	25,294,955
Recourse receivables	26,276	-	-	-	-	-	17,271,294	(13,644,184)	(1,723,359)	1,903,751	1,903,751	1,930,027
Other receivables	1,961,936	112,490	-	-	153,002	265,492	1,650,787	(762,899)	(654,610)	233,278	233,278	2,460,705
Total	308,523,826	112,773	968,673	1	153,002	1,234,448	43,942,131	(22,109,156)	(9,809,456)	12,023,519	12,023,519	321,781,793

This table should be read together with the note in Section 7.2.3., Paragraph 6.

Credit risk: Past-due and not past-due financial instruments as at 31 December 2018

In EUR	Neither past due nor impaired	Total past due and not impaired: Up to 30 days	From 31 to 90 days	From 91 to 270 days	Over 270 days	Total past-due date and not impaired	Total past due and impaired: Gross value	Value adjustment – individual impairment	Value adjustment – group impairment	Net value	Total past due date and impaired	Total
Financial investments (debt securities)	197,067,669	-	-	-	-	-	-	-	-	-	-	197,067,669
Assets from financial contracts	2,557,960	-	-	-	-	-	-	-	-	-	-	2,557,960
Loans and financial receivables	35,755,646	60,880	-	-	19	60,899	243,503	(125,219)	(13,736)	104,549	104,549	35,921,093
Amount (technical provisions) ceded to reinsure	14,878,042	-	-	-	-	-	-	-	-	-	-	14,878,042
Receivables from Insurance contracts and other receivables	6,927,581	589,045	77,858	154,775	57,458	879,136	51,999,669	(30,233,138)	(2,801,992)	18,964,539	18,964,539	26,771,256
Insurance receivables	2,277,870	327,807	65,918	40,077	7,357	441,159	31,404,318	(12,868,309)	(2,490,019)	16,045,990	16,045,990	18,765,020
Recourse receivables	-	1,535	-	-	-	1,535	19,015,514	(16,028,278)	(234,227)	2,753,010	2,753,010	2,754,544
Other receivables	4,649,711	259,704	11,941	114,697	50,101	436,442	1,579,837	(1,336,551)	(77,747)	165,539	165,539	5,251,692
Total	257,186,898	649,925	77,858	154,775	57,476	940,034	52,243,172	(30,358,357)	(2,815,728)	19,069,088	19,069,088	277,196,020

This table should be read together with the note in Section 7.2.3., Paragraph 6.

Currency risk

Currency (foreign exchange) risk is the risk that the exchange rate between the domestic currency in which investments are measured and the currency in which the value of individual investments is denominated will fluctuate and, consequently, negatively affect the value of investments.

Exposure to currency risk in 2019

	EUR	HRK	Impairment reversal to fair value	Total 2019
ASSETS				
Financial assets measured at fair value through profit or loss	5,018,861	477,712	343,081	5,839,653
Equity securities	434,271	477,712	343,081	1,255,064
Debt securities	4,584,589	-	-	4,584,589
Held-to-maturity financial assets	11,809,059	-	-	11,809,059
Debt securities	11,809,059	-	-	11,809,059
Available-for-sale financial assets	278,137,456	1,802,127	10,197,239	290,136,822
Equity securities	39,847,830	-	4,830,600	44,678,430
Debt securities	238,289,626	1,802,127	5,366,638	245,458,392
Loans, deposits and financial receivables	7,758,493	116,742	95,871	7,971,106
Assets from investment contracts	15,134,098	-	3,552,388	18,686,486
Total financial investment	317,857,966	2,396,581	14,188,579	334,443,126
Receivables from insurance business and other receivables	22,815,353	6,840,060	30,275	29,685,688
Amount (technical provisions) transferred to reinsurers	17,042,597	0	5,273	17,047,870
Cash and cash equivalents	16,675,723	1,065,933	217,180	17,958,836
Total assets exposed to currency risk	374,391,639	10,302,574	14,441,307	399,135,520
Bonds issued	49,676,681	-	-	49,676,681
Liabilities arising from insurance contracts	286,584,508	2,956,981	-	289,541,489
Liabilities from investment contracts	18,647,836	-	-	18,647,836
Other liabilities	1,430,377	-	-	1,430,377
Total liabilities exposed to currency risk	356,339,403	2,956,981	-	359,296,384

This table should be read together with the note in Section 7.2.3., Paragraph 6.

Exposure to currency risk in 2018

	EUR	HRK	Other	Total 2019
ASSETS				
Financial assets measured at fair value through profit or loss	8,973,881	420,136	207,477	9,601,494
Equity securities	411,144	420,136	207,477	1,038,757
Debt securities	8,562,737	-	-	8,562,737
Held-to-maturity financial assets	29,628,993	-	-	29,628,993
Debt securities	29,628,993	-	-	29,628,993
Available-for-sale financial assets	185,293,908	1,763,991	8,746,837	195,804,735
Equity securities	31,687,977	-	5,240,820	36,928,797
Debt securities	153,605,931	1,763,991	3,506,016	158,875,938
Loans, deposits and financial receivables	41,619,391	137,237	84,406	41,841,034
Assets from investment contracts	10,794,343	-	1,118,504	11,912,847
Total financial investment	276,310,516	2,321,364	10,157,224	288,789,104
Receivables from insurance business and other receivables	26,749,582	-	21,674	26,771,256
Amount (technical provisions) transferred to reinsurers	14,872,770	0	5,273	14,878,043
Cash and cash equivalents	17,935,666	2,442,974	4,465	20,383,105
Total assets exposed to currency risk	335,868,534	4,764,338	10,188,636	350,821,508
Bonds issued	49,581,823	-	-	49,581,823
Liabilities arising from insurance contracts	272,922,205	2,015,509	-	274,937,715
Liabilities from investment contracts	11,886,157	-	-	11,886,157
Other liabilities	475,841	-	-	475,841
Total liabilities exposed to currency risk	334,866,027	2,015,509	-	336,881,537

This table should be read together with the note in Section 7.2.3., Paragraph 6.

The Group is subject to changes in foreign exchange rates, mostly with its business operations in Macedonia and Croatia, while the currency exposure of the Group within the Republic of Slovenia is relatively low since Slovenia is a member of the Economic and Monetary Union (EMU) and uses the euro, which is the currency of the Eurozone.

The Group is avoiding exposure to currency risk by not forming investments with fixed returns (bonds, bank deposits, certificates of deposit, loans) in foreign currencies. Other currencies that the Group is exposed to are mainly Croatian kuna (HRK) and Macedonian denar (MKD).

For its investments in shares quoted in foreign currency, the Group selected shares of companies that are strongly connected business-wise with the Eurozone, therefore, it can be expected that the profit of these companies, denominated in foreign currency, will increase in case of a drop of the foreign currency exchange rate compared to euro. Moreover, the Group invests assets from long-term business funds in mutual funds which invest mostly in securities denominated in domestic currency, or in those, for which it can be expected not to be exposed to an extent too large to the foreign currency exchange rate risk.

The Group measures currency risk by means of currency mismatch share – the share of investments that are invested in a currency different from the currency in which liabilities are denominated.

Risk of changes in prices of equity securities

This risk is defined as the risk of fluctuation in the price of equity investments which would affect the expected return of financial assets or their value, recognised in the investment portfolio of the Group. To mitigate this risk, the Group maintains a sector and geographic spread of investments, does not cross the allowed limitations of exposure towards individual issuers and invests its assets in investments with an appropriate ratio between risk and profitability.

The Group measures the risk of changes in prices of equity securities by means of analysis of sensitivity to changes in share prices. This risk affects equity securities, share mutual funds and mixed mutual funds (corresponding part). The results are presented within the market risks sensitivity analysis.

Interest rate risk

Interest rate risk is the risk that a change in interest rates on the market will affect the value of assets and liabilities that are sensitive to interest rate fluctuations.

It is reflected in the following: a change in market value of debt securities, except when they are classified as held-to-maturity investments, or the risk associated with the ability to reinvest financial assets at maturity under at least identical conditions with those for financial assets past due. The change in interest rates can also affect the fair value of liabilities that are prone to this risk.

With the aim to manage its exposure to interest rate risk, the Group applies the following procedures:

- for liabilities with determinable future cash flows, it employs immunisation procedures, which allow it to balance the average duration of investments with the average duration of liabilities;
- balancing interest rates on assets and on liabilities;
- ensuring a suitable structure of investments in terms of profitability and duration.

Interest rate risk is measured by means of sensitivity analysis, namely by changes in value of investments in debt financial instruments and value of provisions when interest rates change. The effect of changes in interest rates is presented within the following market risks sensitivity analysis.

Classification of financial assets and liabilities on the basis of fixed and variable interest rates [3]

	Fixed interest rate		Variable interest rate		Total	
in euros	2019	2018	2019	2018	2019	2018
ASSETS						
Debt securities	210,636,010	147,734,080	51,216,030	49,333,589	261,852,040	197,067,669
Loans and deposits	6,956,811	31,990,060	33,881	2,545,916	6,990,692	34,535,976
Cash and cash equivalents	17,958,836	18,963,014	-	-	17,958,836	18,963,014
Assets from financial contracts	4,205,608	10,447,095	2,657,688	1,465,752	6,863,296	11,912,847
Total	**239,757,266**	**209,134,249**	**53,907,598**	**53,345,256**	**293,664,864**	**262,479,506**
LIABILITIES						
Debt securities	-	-	-	429,961	-	429,961
Debt securities	49,676,681	49,525,147	-	-	49,676,681	49,525,147
Total	**49,676,681**	**49,525,147**	**-**	**429,961**	**49,676,681**	**49,955,108**

This table should be read together with the note in Section 7.2.3., Paragraph 6.

Risk of guaranteed return

2019 has been marked by heightened political uncertainty, mainly shaped by trade disputes and forecasts, and the introduction of trade restrictions, uncertainty and complications around Brexit, as well as fears of a cooling down of the global economy. With the slowdown of macroeconomic data and the alternately warm-cold trade relations between the US and China, capital markets were driven primarily by central bank policies. The expansionary monetary policy of major central banks couples with investor optimism in reaching trade agreements are factors which have positively impacted capital markets' returns. Annual exchange rates have risen in virtually all types of securities.

In an environment of expansionary monetary policy and higher volatility, the Group managed the risk of failed achievement of the guaranteed return by selectively allocating investments in government and corporate securities and shares, which give optimal returns adjusted for risk. In 2019, the Fund achieved a return of 2.88 %, which is as many as 12% more than the guaranteed return of 3%.

The Group ensured prudent management of portfolios to achieve optimum return in relation risk. In line with the existing portfolio structure, assets were invested primarily in European government bonds and, in life insurance, in European shares with a high dividend policy.

With respect to the guarantee fund with a guaranteed return under the PN-A01 pension scheme, the Group did not change the portfolio structure. There were no premium inflows into the fund as it was closed for new payments in May 2016. In 2019, the fund achieved a return of 7.98%, which is by 738 percentage points more than the guaranteed return of 0.60%. The guarantee fund "Zajamčeni od 60" (Guaranteed over 60) started operating in February 2016, when it started to build and to set up the portfolio. Following the diversification policies, investments are made primarily in bond mutual funds and ETFs, as well as corporate and government bonds. In 2019, the fund achieved a return of 6.12%, which is more than the guaranteed return by 552 percentage points.

[3] Including receivables of the unit-linked guarantee fund.

Actual exposure to risk of guaranteed return

Pension insurance scheme/plan	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
LIFE INSURANCE	-	-
Traditional life insurance	-	-
Average return on investment for the period	2.88%	2.04%
Average guaranteed return	3.00%	3.10%
Difference in interest rates	-0.12%	-1.06%
PENSION INSURANCE		
Pension saving AS Zajamčeni od 60		
Average return on investment for the period	6.12%	-1.76%
Required (guaranteed) return	0.60%	0.72%
Difference in interest rates	5.52%	-2.48%
Pension insurance PN-A01		
Average return on investment for the period	7.98%	0.58%
Required (guaranteed) return	0.60%	0.72%
Difference in interest rates	7.38%	-0.14%

Market risk sensitivity analysis

Factors

The methods and assumptions used in the preparation of the sensitivity analysis for the types of market risks to which the Group is exposed, are presented in the table below.

Sensitivity factor	Description of the sensitivity factor
Interest rates	The effect of a ±50 bp (basic points) change in market interest rates (i.e. the effect on profit and on equity if the market interest rate changes by 50 bp).
Changes in prices of equity securities	The effect on changes of market prices of equity securities is reflected in the ±15% changes of share prices, prices of ID-shares, prices of structured securities and prices of mutual funds as at 31 December 2019.

Sensitivity analyses

Analysis of sensitivity to change in the interest rate

(in EUR)	Effect on profit	Effect on equity
31. December 2018		
Interest rate change of +50 bp	(302,001)	(7,602,178)
Interest rate change of -50 bp	197,031	5,147,787
31. December 2019		
Interest rate change of +50 bp	(386,175)	(10,272,162)
Interest rate change of -50 bp	195,991	7,183,638

Analysis of sensitivity to change in foreign currency rates

The majority of investments made by the Group is denominated in euros since its liabilities which arise out of insurance contracts are also euro-denominated. The Insurance Act (ZZavar) stipulates that the Group must match its investments of the long-term fund (assets covering mathematical provisions) with long-term guarantees against its liabilities arising under insurance contracts whose amount depends on the fluctuations in the exchange rates of foreign currencies to at least 80%. Since the liabilities incurred by the Group are denominated in euros, it can be concluded that the majority of its investments have been made in euro-denominated securities; hence its exposure to currency risk is very low.

Analysis of sensitivity to changes in prices of equity securities

(in EUR)	Effect on profit	Effect on equity
31 December 2018		
Change in prices of equities +15%	1,081,713	5,569,720
Change in prices of equities -15%	(1,081,713)	(5,569,720)
31 December 2019		
Change in prices of equities +15%	1,961,738	4,828,358
Change in prices of equities -15%	(1,961,738)	(4,828,358)

Under the sensitivity analysis, the changes in prices of shares refer to prices, obtained with the closing interest rate on the reporting date for the current and the past year.

In the context of the investments of the unit-linked policies, the investments reflect as much as possible the value of units of the mutual investment funds, which arise out of insurance contracts. The changes in values have no material effect on the profit or loss. The change has an impact on the income from investments and at the same time on the changes in the amount of provisions, which means that the changes in the prices of securities have no material impact on the profit or loss.

7.2.4 Operational risk and strategic risk

Operational risk

Operational risk mostly includes the risk of loss as a result of ineffectiveness, failure or errors in the business process implementation, malfunction or non-existence of internal controls, unprofessional, inappropriate or harmful employee behaviour, system or infrastructure malfunction or any other external factors, including amendments to legislation, business interruptions due to natural catastrophes or epidemics, competition, etc.

The key moment for management of operational risks is their identification and assessment, and in the second stage the execution of measures for their minimisation and uninterrupted monitoring of other risks. Risk control, especially that of operational risk, is primarily a responsibility of owners of processes where these risks occur or are related to. The internal control system, internal control reviews and calculations of key risk indicators are used as the primary tool for management of operational risk. The identified and potential future risks are documented in the risk catalogue, which is updated quarterly. The Group adopted the business continuity strategy aimed at a quick recovery of business processes critical for its operations.

Strategic risk

Strategic risks can occur in the early stages of strategy planning, strategy execution, management and strategic decision-making and supervision of the Group. The realisation of these risks can crucially affect the ability of the Group to reach its strategic goals. In order to eliminate these risks, it is of utmost importance that the Company has clearly determined responsibilities and competences, an effective communication and reporting system, and constant monitoring of fulfilment of the set goals. In order to manage the strategic risks as effectively as possible, operating categories of the business plan are designed in line with the Company's accepted risk appetite. Before the final approval, the business plan is being tested in order to find out if the risk appetite and capital adequacy, as required by the Solvency II principles, are reached.

8. MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities is the amount, by which an asset can be exchanged or a debt can be repaid between knowledgeable and willing parties in an orderly transaction. The fair value assessment of financial investments depends on the availability of market data serving as a basis for fair value assessment by the Group. The Group is generally establishing fair value of financial instruments as described in the policies in Section 5.5 for the purpose of fair value measurement of financial assets and their organisation into hierarchy. Assets, operating receivables and operating liabilities which are of short-term nature are not included in the display of assets and liabilities at fair value because it has been confirmed that the carrying value is a very good approximation of fair value.

Financial assets categorised in the fair value hierarchy in 2019

v EUR as at 31 Dec 2019	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss, held for sale	**1,855,382**	**1,855,382**	**929,734**	**925,648**	**-**
Equity securities	343,081	343,081	343,081	-	-
Debt securities	925,648	925,648	-	925,648	-
Investment coupons of mutual funds	586,653	586,653	586,653	-	-
Financial assets measured at fair value through profit or loss, at initial recognition	**3,984,271**	**3,984,271**	**325,330**	**3,351,002**	**307,939**
Debt securities	3,658,941	3,658,941	-	3,351,002	307,939
Investment coupons of mutual funds	325,330	325,330	325,330	-	-
Available-for-sale financial assets	**275,040,447**	**275,040,447**	**33,398,783**	**232,592,489**	**9,049,175**
Equity securities	7,383,216	7,383,216	7,383,216	-	-
Debt securities	245,458,392	245,458,392	3,816,728	232,592,489	9,049,175
Investment coupons of mutual funds	22,198,839	22,198,839	22,198,839	-	-
Unit-linked investments of policyholders	**294,425,163**	**294,425,163**	**232,733,241**	**61,691,922**	**-**
Assets from investment contracts	**17,782,436**	**17,782,436**	**11,823,190**	**5,549,760**	**409,487**
Total financial assets measured at fair value	**593,087,699**	**593,087,699**	**279,210,278**	**304,110,820**	**9,766,601**
Held-to-maturity financial assets	**11,809,059**	**15,983,215**	**32,628**	**15,929,545**	**21,042**
Debt financial instruments	11,809,059	15,983,215	32,628	15,929,545	21,042
Available-for-sale financial assets	**16,415,807**	**16,415,807**	**-**	**-**	**16,415,807**
Equity securities	16,415,807	16,415,807	-	-	16,415,807
Assets from investment contracts	**904,050**	**904,050**	**-**	**-**	**904,050**
Loans and deposits	**6,990,692**	**6,990,692**	**-**	**-**	**6,990,692**
Unit-linked investments of policyholders	**21,657,962**	**21,657,962**	**-**	**-**	**21,657,962**
Financial investments in associates	**12,363,218**	**12,363,218**	**-**	**-**	**12,363,218**
Total financial assets for which the fair value is disclosed	**70,140,787**	**74,314,943**	**32,628**	**15,929,545**	**58,352,770**
TOTAL ASSETS	**663,228,487**	**667,402,643**	**279,242,906**	**320,040,365**	**68,119,371**
Bonds issued (Subordinated liabilities)	49,676,681	49,676,681	-	49,676,681	-
Total liabilities for which the fair value is disclosed	**49,676,681**	**49,676,681**	**-**	**49,676,681**	**-**
TOTAL LIABILITIES	**49,676,681**	**49,676,681**	**-**	**49,676,681**	**-**

Financial assets categorised in the fair value hierarchy in 2018

in EUR as at 31 Dec 2018	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss, held for sale	**1,807,606**	**1,807,606**	**562,724**	**1,244,881**	**-**
Equity securities	207,477	207,477	-	207,477	-
Debt securities	1,037,404	1,037,404	-	1,037,404	-
Investment coupons of mutual funds	562,724	562,724	562,724	-	-
Financial assets measured at fair value through profit or loss, at initial recognition	**7,793,889**	**7,793,889**	**268,556**	**7,234,193**	**291,140**
Debt securities	7,525,333	7,525,333	-	7,234,193	291,140
Investment coupons of mutual funds	268,556	268,556	268,556	-	-
Available-for-sale financial assets	**179,388,928**	**179,388,928**	**24,783,318**	**148,588,919**	**6,016,691**
Equity securities	8,739,752	8,739,752	8,739,752	-	-
Debt securities	158,875,939	158,875,939	4,270,329	148,588,919	6,016,691
Investment coupons of mutual funds	11,773,237	11,773,237	11,773,237	-	-
Unit-linked investments of policyholders	**258,841,768**	**258,841,768**	**205,929,557**	**52,912,211**	**-**
Assets from investment contracts	**10,488,653**	**10,488,653**	**7,930,693**	**2,167,709**	**390,251**
Total financial assets measured at fair value	**458,320,843**	**458,320,842**	**239,474,848**	**212,147,913**	**6,698,082**
Held-to-maturity financial assets	**29,628,993**	**35,059,979**	**409,389**	**34,628,727**	**21,863**
Debt financial instruments	29,628,993	35,059,979	409,389	34,628,727	21,863
Available-for-sale financial assets	**16,415,807**	**16,415,807**	**-**	**-**	**16,415,807**
Equity securities	16,415,807	16,415,807	-	-	16,415,807
Assets from investment contracts	**1,424,194**	**1,424,194**	**-**	**-**	**1,424,194**
Loans and deposits	**34,535,976**	**34,535,976**	**-**	**-**	**34,535,976**
Unit-linked investments of policyholders	**15,286,017**	**15,286,017**	**-**	**-**	**15,286,017**
Financial investments in associates	**12,062,454**	**12,062,454**	**-**	**-**	**12,062,454**
Investment property	**23,756,686**	**24,116,836**	**-**	**-**	**24,116,836**
Land and buildings held for own use	**24,437,344**	**23,460,780**	**-**	**-**	**23,460,780**
Total financial assets for which the fair value is disclosed	**157,547,472**	**162,362,044**	**409,389**	**34,628,727**	**127,323,928**
TOTAL ASSETS	**615,868,314**	**620,682,886**	**239,884,237**	**246,776,640**	**134,022,010**
Derivatives	429,961	429,961	-	429,961	-
Total financial liabilities measured at fair value	**429,961**	**429,961**	**-**	**429,961**	**-**
Bonds issued (Subordinated liabilities)	49,581,823	49,542,150	-	49,542,150	-
Total liabilities for which the fair value is disclosed	**49,581,823**	**49,542,150**	**-**	**49,542,150**	**-**
TOTAL LIABILITIES	**50,011,785**	**49,972,111**	**-**	**49,972,111**	**-**

Level 3 assets and liabilities

Financial assets and liabilities categorised in the fair value hierarchy – Level 3 movement in 2019

(in EUR)	1. 1. 2019	Total profit/loss in profit or loss	Total profit/loss in comprehensive income	Purchase	Sale	Transfers (to) from Level 3	Exchange rate differences	31 Dec 2019
Assets measured at fair value								
Financial assets measured at fair value through profit or loss, at initial recognition	**291,140**	**-**	**16,799**	**-**	**-**	**-**	**-**	**307,939**
Debt securities	291,140	-	16,799	-	-	-	-	307,939
Available-for-sale financial assets	**6,016,691**	**-**	**32,544**	**2,999,940**	**-**	**-**	**-**	**9,049,175**
Debt securities	6,016,691	-	32,544	2,999,940	-	-	-	9,049,175
Assets from investment contracts	**390,251**	**19,236**	**-**	**-**	**-**	**-**	**-**	**409,487**
Total assets	**6,698,082**	**19,236**	**49,343**	**2,999,940**	**-**	**-**	**-**	**9,766,601**

Financial assets and liabilities categorised in the fair value hierarchy – Level 3 movement in 2018

(in EUR)	1 Jan 2018	Total profit/loss in profit or loss	Total profit/loss in comprehensive income	Purchase	Sale	Transfers (to) from Level 3	Exchange rate differences	31 Dec 2019
Assets measured at fair value								
Financial assets measured at fair value through profit or loss, at initial recognition	**301,886**	**-**	**(10,746)**	**-**	**-**	**-**	**-**	**291,140**
Debt securities	301,886	-	(10,746)	-	-	-	-	291,140
Available-for-sale financial assets	**4,254,607**	**-**	**726,803**	**1,082,792**	**(47,511)**	**-**	**-**	**6,016,691**
Debt securities	4,254,607	-	726,803	1,082,792	(47,511)	-	-	6,016,691
Assets from investment contracts	**403,988**	**-**	**(13,737)**	**-**	**-**	**-**	**-**	**390,251**
Total assets	**4,960,481**	**-**	**702,320**	**1,082,792**	**(47,511)**	**-**	**-**	**6,698,082**

In 2019, the Group purchased debt securities, which belong to Level 3, under the following financial instrument groups

- assets available for sale, EUR 2,999,940.

Fair value of the financial assets as at 31 December 2019 amounts to EUR 9,766,601.

Among level 3 movements, only financial assets measured at fair value are shown. The movements and reclassifications into level 3 are not shown for the financial assets whose fair value is measured at cost.

Sensitivity analysis of financial assets classified to Level 3 is shown below.

Sensitivity analysis of non-listed securities

(in EUR)	31 Dec 2019	31 Dec 2018
Value of investments classified to Level 3	9,766,601	6,698,082
Estimated value deviation	-	(66,366)

Level 3 financial assets valuation methods

Valuation of equity is carried out by application of internal valuation models, while the valuation of debt securities is carried out on the basis of the BID rate from the BVAL source (score from 1 to 5).

Assumption/Parameter	Change
Interest rate change	0.5

Reclassification of financial assets between levels

(in EUR)	2019	2018
Reclassification from Level 1 to Level 2	451,316	931,282

Until 31 December 2019, the Group did not reclassify financial asset between groups due to the change in their intended use nor due to the change in capital market conditions. The Group reclassified debt securities from Level 2 to Leve1 because they did not meet the conditions for classification at Level 1 (sufficient liquidity on the stock exchange).

9. REPORTING BY BUSINESS SEGMENT

The Adriatic Slovenica Group monitors its operations by business and geographical segment. Business and geographical segments are part of the Group's operations that are subject to different rates of profitability, opportunities for growth, future prospects and risks. The management periodically reviews the business results by these segments in order to not only take decisions on the basis thereof regarding the resources to be allocated to a particular segment but also to assess the performance of individual segments and the entire Group.

Business segments

A business segment is a distinguishable component of the Group that is engaged in providing a group of related products or services and that is subject to risks and returns that are different from those of the other business segments.

The Group's core activity is insurance business, which provides services in the life, non-life and health insurance segments. These business segments are further divided into insurance segments where similar insurance products are grouped as well as the corresponding support activities, such as insurance agency business, other activities auxiliary to insurance and pension funding and the activities of insurance agents. In addition to insurance business, the Group also provides asset management services.

The business segments of the Group include:

- non-life insurance,
- life insurance,
- health insurance,
- asset management.

The non-life insurance segment includes:

- motor liability insurance,
- land motor vehicle insurance,
- accident insurance,
- fire and natural forces insurance,
- other damage to property insurance,
- general liability insurance,
- credit and suretyship insurance,
- travel medical insurance with emergency assistance abroad (ZZTA),
- other non-life insurance.

The **life insurance** business segment includes traditional life insurance, annuity life insurance, unit-linked life insurance and voluntary pension insurance (voluntary supplementary pension insurance under the previous PN-A01 pension and the new pension schemes which were implemented in 2017, as well as Pokojninsko varčevanje AS (AS Pension Saving)).

The health insurance business segment includes complementary health insurance and other supplementary health insurance. In addition to taking out insurance, this segment includes specialist outpatient health services in connection with supplementary (above-standard) health insurance.

The asset management business segment includes the activity of trust and other funds and similar financial entities which manage investment funds and provide management services for financial instruments. As at 31 December 2019, the following five management companies in the AS Group provided asset management services: Generali Investments, družba za upravljanje, d. o. o., which is one of the leading management companies, and its four subsidiaries – Generali Investments, d.o.o. za upravljanje investicijskim fondovima, KD Generali Investments, d.o.o., and the companies, otherwise without turnover, Generali Investments GP and Generali Investments GP 2.

Assets and liabilities by segment include the assets and liabilities of the Group which can be directly attributed to a particular business segment, as well as those which can be indirectly allocated to a business segment.

The revenue and expenses of a business segment arise from the operations of individual segments and can be directly attributed to a particular business segment; moreover, the relevant portion of revenue and expenses can be reasonably allocated to a business segment.

Geographical segments

A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of the segments operating in other economic environments.

The Group operates in three main geographical segments: in Slovenia, EU Member States and other countries of South-East Europe. The main geographical segment of the Group is Slovenia.

Presentation of operations by business segment

The accounting policies of segments (business and geographical segments) are identical to the accounting policies of the Group.

Business segments

The balance sheet and income statement are presented below by business segments.

Balance sheet of the AS Group as at 31 December 2019

in EUR	Life insurance	Non-life insurance	Health insurance	Asset management	Intersegment eliminations on consolidation	Total
Assets	519,869,864	273,410,193	31,298,140	32,612,047	(47,163,882)	810,026,362
Intangible assets	**55,146**	**6,519,117**	**20,944**	**25,500,896**	**-**	**32,096,103**
Property, plant and equipment	**0**	**31,048,572**	**317,094**	**281,071**	**-**	**31,646,738**
Deferred tax assets	**207,090**	**3,173,948**	**553,579**	**99,576**	**(862,498)**	**3,171,696**
Investment properties	**1,363,948**	**7,675,156**	**(0)**	**-**	**-**	**9,039,104**
Financial investments in subsidiaries and associates	**514,721**	**8,566,333**	**3,282,164**	**-**	**-**	**12,363,218**
Financial investments	**141,509,171**	**157,183,697**	**13,926,674**	**4,206,592**	**-**	**316,826,134**
In loans and deposits	3,843,830	2,045,082	3,102,029	49,659	-	9,040,600
In held-to-maturity financial assets	11,809,059	0	(0)	-	-	11,809,059
In available-for-sale financial assets	121,284,539	154,213,784	10,824,645	3,813,852	-	290,136,821
In financial assets measured at fair value	4,571,742	924,830	(0)	343,081	-	5,839,653
Unit-linked investments of policyholders	**311,499,120**	**-**	**-**	**-**	**-**	**311,499,120**
Amounts of technical provisions ceded to reinsurers	**368,700**	**16,679,169**	**-**	**-**	**-**	**17,047,869**
Assets from investment contracts	**18,686,486**	**-**	**-**	**-**	**-**	**18,686,486**
Receivables	**35,550,693**	**28,697,507**	**11,187,017**	**828,710**	**(46,280,427)**	**29,983,500**
Receivables from direct insurance business	632,982	12,161,757	11,158,578	-	-	23,953,316
Receivables from reinsurance and coinsurance	144,776	1,502,330	-	-	-	1,647,106
Income tax receivables	1,575,115	947,410	567	159,253	(2,363,729)	318,617
Other receivables	33,197,820	14,086,011	27,872	669,456	(43,916,697)	4,064,461
Other assets	**1,348,365**	**4,328,204**	**125,386**	**412,051**	**(20,957)**	**6,193,049**
Cash and cash equivalents	**8,766,424**	**9,538,490**	**1,885,283**	**1,283,150**	**-**	**21,473,347**
Equity and liabilities	519,869,864	273,410,193	31,298,140	32,612,047	(47,163,882)	810,026,362
Equity	**16,578,687**	**67,709,838**	**9,562,175**	**6,137,048**	**-**	**99,987,747**
Majority equity interest	**16,578,687**	**67,709,838**	**9,562,175**	**6,087,305**	**-**	**99,938,004**
Share capital	11,973,787	31,025,743	-	-	-	42,999,530
Capital reserves	1,697,506	2,514,276	-	-	-	4,211,782
Reserve from profit	-	4,348,055	4,875,881	-	-	9,223,936
Translation differences	-	-	-	10,884	-	10,884
Reserve due to fair value measurement (Revaluation surplus)	1,757,662	3,690,734	216,982	159,814	-	5,825,192
Rezerve, nastale zaradi prevrednotenja po pošteni vrednosti	-	-	-	-	-	-
Retained net earnings	(3,446,324)	21,587,526	3,192,726	4,385,054	4,948,988	30,667,971
Net profit or loss for the financial year	4,596,055	4,543,503	1,276,586	1,531,553	(4,948,988)	6,998,709
Minority equity interest	**-**	**-**	**-**	**49,742**	**-**	**49,742**
Subordinated liabilities	**26,825,408**	**22,851,273**	**-**	**-**	**-**	**49,676,681**
Technical provisions	128,388,244	155,094,286	13,738,323	-	-	297,220,853
Unearned premiums	396,904	44,498,816	6,565,212	-	-	51,460,933
Mathematical provisions	114,757,300	(0)	(0)	-	-	114,757,300
Outstanding claims provisions	7,146,895	109,775,412	7,172,898	-	-	124,095,205
Other technical provisions	**6,087,145**	**820,058**	**212**	**-**	**-**	**6,907,415**
Insurance technical provisions for unit-linked insurance	**310,690,347**	**-**	**-**	**-**	**-**	**310,690,347**
Other provisions	**15,325**	**5,640,919**	**-**	**97,140**	**-**	**5,753,385**
Liabilities related to non current assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax liabilities	**410,303**	**796,349**	**47,848**	**43,156**	**(862,498)**	**435,158**
Liabilities from investment contracts	**18,686,486**	**(0)**	**-**	**-**	**-**	**18,686,486**
Other financial liabilities	**106**	**1,278,444**	**94,615**	**105,962**	**-**	**1,479,127**
Operating liabilities	3,014,688	5,014,413	5,453,030	6,178	(2,363,729)	11,124,580
Liabilities from direct insurance contracts	885,283	3,318,104	5,099,992	-	-	9,303,380
Liabilities from reinsurance and coinsurance contracts	613,302	1,173,107	-	-	-	1,786,409
Income tax liabilities	**1,516,103**	**523,203**	**353,038**	**6,178**	**(2,363,729)**	**34,792**
Other liabilities	**15,260,270**	**15,024,670**	**2,402,150**	**26,222,563**	**(43,937,655)**	**14,971,998**

Balance sheet of the AS Group as at 31 December 2018

in EUR	Life insurance	Non-life insurance	Health insurance	Asset management	Intersegment eliminations on consolidation	Total
Assets	461,060,825	259,659,699	25,458,423	32,504,854	(46,174,582)	732,509,219
Intangible assets	**275,729**	**6,637,264**	**32,656**	**25,307,362**	**-**	**32,253,011**
Property, plant and equipment	**(0)**	**30,442,558**	**259,011**	**152,496**	**-**	**30,854,065**
Deferred tax assets	**271,799**	**3,400,071**	**527,996**	**163,119**	**(111,973)**	**4,251,013**
Investment properties	**2,129,121**	**21,597,167**	**30,398**	**-**	**-**	**23,756,686**
Financial investments in subsidiaries and associates	**503,885**	**8,355,173**	**3,203,395**	**-**	**-**	**12,062,454**
Financial investments	**129,925,790**	**131,915,059**	**12,100,830**	**4,091,529**	**-**	**278,033,208**
In loans and deposits	9,696,357	30,333,876	2,912,564	55,189	-	42,997,985
In held-to-maturity financial assets	20,191,629	9,135,039	302,325	-	-	29,628,993
In available-for-sale financial assets	94,090,977	88,998,954	8,885,941	3,828,863	-	195,804,735
In financial assets measured at fair value	5,946,828	3,447,189	(0)	207,477	-	9,601,494
Unit-linked investments of policyholders	**274,127,785**	**-**	**-**	**-**	**-**	**274,127,785**
Amounts of technical provisions ceded to reinsurers	**255,247**	**14,648,280**	**-**	**-**	**-**	**14,903,527**
Assets from financial contracts	**11,912,847**	**-**	**-**	**-**	**-**	**11,912,847**
Receivables	**33,351,317**	**28,757,249**	**6,556,313**	**263,342**	**(46,041,652)**	**22,886,569**
Receivables from direct insurance business	703,003	9,503,974	6,460,745	-	-	16,667,722
Receivables from reinsurance and coinsurance	103,559	1,066,102	-	-	-	1,169,661
Income tax receivables	1,249,279	91,694	59,360	22,093	(1,388,122)	34,304
Other receivables	31,295,475	18,095,479	36,208	241,249	(44,653,530)	5,014,882
Other assets	**1,148,965**	**4,073,353**	**104,660**	**450,189**	**(20,957)**	**5,756,209**
Cash and cash equivalents	**7,158,339**	**9,833,525**	**2,643,164**	**2,076,817**	**-**	**21,711,844**
Equity and liabilities	461,060,825	259,659,699	25,458,423	32,504,854	(46,174,582)	732,509,219
Equity	**16,745,047**	**65,801,343**	**9,138,536**	**4,532,981**	**0**	**96,217,906**
Majority equity interest	**16,745,047**	**65,801,343**	**9,138,536**	**4,427,095**	**-**	**96,112,020**
Share capital	11,973,787	31,025,743	-	-	-	42,999,530
Capital reserves	1,697,506	2,514,276	-	-	-	4,211,782
Reserve from profit	-	4,348,055	4,875,881	-	-	9,223,936
Translation differences	-	-	-	12,714	-	12,714
Reserve due to fair value measurement (Revaluation surplus)	240,071	198,904	63,893	45,787	-	548,654
Retained net earnings	3,584,189	20,789,683	2,812,927	2,516,233	267,188	29,970,220
Net profit or loss for the financial year	(750,506)	6,924,681	1,385,836	1,852,361	(267,188)	9,145,183
Minority equity interest	-	-	-	105,886	-	105,886
Subordinated liabilities	**26,774,185**	**22,807,639**	**-**	**-**	**-**	**49,581,823**
Technical provisions	**116,930,740**	**147,303,370**	**12,149,250**	**-**	**-**	**276,383,360**
Unearned premiums	375,654	43,304,240	6,326,315	-	-	50,006,208
Mathematical provisions	109,990,102	225,650	77,873	-	-	110,293,625
Outstanding claims provisions	6,564,985	103,259,638	5,744,942	-	-	115,569,565
Other technical provisions	0	513,842	120	-	-	513,962
Insurance technical provisions for unit-linked insurance	**271,970,492**	**-**	**-**	**-**	**-**	**271,970,492**
Other provisions	**12,054**	**4,832,691**	**-**	**139,358**	**-**	**4,984,103**
Deferred tax liabilities	**56,758**	**24,096**	**14,710**	**16,409**	**(111,973)**	**-**
Liabilities from financial contracts	**11,912,847**	**(0)**	**-**	**-**	**-**	**11,912,847**
Other financial liabilities	**232,286**	**250,777**	**-**	**41,528**	**-**	**524,591**
Operating liabilities	**2,398,338**	**4,036,424**	**2,061,638**	**49,024**	**(1,388,122)**	**7,157,302**
Liabilities from direct insurance contracts	694,052	1,471,397	1,733,539	-	-	3,898,988
Liabilities from reinsurance and coinsurance contracts	600,021	1,646,005	-	-	-	2,246,026
Income tax liabilities	1,104,264	919,022	328,099	49,024	(1,388,122)	1,012,287
Other liabilities	**14,028,078**	**14,603,360**	**2,094,289**	**27,725,554**	**(44,674,488)**	**13,776,794**

Income statement of the AS Group for the period from 1 January 2019 to 31 December 2019

in EUR	Life insurance	Non-life insurance	Health insurance	Asset management	Intersegment eliminations on consolidation	Total
NET PREMIUM INCOME	**55,496,840**	**137,811,434**	**104,321,365**	**-**	**-**	**297,629,639**
Gross written premiums	57,697,782	147,447,689	104,567,891	-	-	309,713,362
Premiums ceded to reinsurers and coinsurers	(2,177,574)	(8,431,667)	-	-	-	(10,609,241)
Change in unearned premiums	(23,368)	(1,204,588)	(246,526)	-	-	(1,474,482)
REVENUES FROM INVESTMENTS IN ASSOCIATES, of which	**11,154**	**173,144**	**68,747**	**-**	**-**	**253,044**
- dobiček iz naložb v kapital pridruženih in skupaj obvladovanih družb, obračunan z uporabo kapitalske metode	11,154	173,144	68,747	-	-	253,044
INCOME FROM INVESTMENTS	**48,414,967**	**4,013,029**	**271,237**	**10,809**	**(346,971)**	**52,363,072**
OTHER INCOME FROM INSURANCE OPERATIONS, of which	**932,832**	**(90,937)**	**-**	**-**	**-**	**841,895**
- fee and commission income	932,832	(90,937)	-	-	-	841,895
OTHER INCOME	**3,075,579**	**3,746,411**	**579,938**	**10,603,990**	**(785,987)**	**17,219,932**
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	**(44,167,645)**	**(86,117,569)**	**(91,736,466)**	**-**	**-**	**(222,021,680)**
Gross amounts of claims and benefits paid	(44,135,262)	(86,015,619)	(90,301,990)	-	-	(220,452,871)
Reinsurers'/coinsurers' shares	346,309	4,446,414	-	-	-	4,792,723
Change in claims provisions	(378,691)	(4,548,365)	(1,434,476)	-	-	(6,361,532)
CHANGE IN OTHER TECHNICAL PROVISIONS	**(3,921,319)**	**5,687**	**-**	**-**	**-**	**(3,915,633)**
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	**(38,719,865)**	**-**	**-**	**-**	**-**	**(38,719,865)**
EXPENSES FOR BONUSES AND DISCOUNTS	**-**	**(311,924)**	**(92)**	**-**	**-**	**(312,016)**
OPERATING EXPENSES, of which	**(16,284,814)**	**(46,114,768)**	**(11,203,752)**	**(8,661,871)**	**1,118,027**	**(81,147,178)**
- acquisition costs	(5,407,740)	(16,579,118)	(1,895,239)	-	(40)	(23,882,137)
EXPENSES FROM INVESTMENTS IN ASSOCIATES, of which	**-**	**(8,107)**	**(108,360)**	**-**	**-**	**(116,467)**
-loss from capital investments in associates and joint ventures, calculated using the equity method	-	(8,107)	(108,360)	-	-	(116,467)
EXPENSES INVESTMENTS, of which	**(1,598,952)**	**(1,454,656)**	**(45)**	**(4)**	**-**	**(3,053,656)**
OTHER INSURANCE EXPENSES	**(279,662)**	**(1,918,644)**	**(249,910)**	**-**	**-**	**(2,448,216)**
OTHER EXPENSES	**(3,308,461)**	**(4,494,144)**	**(339,196)**	**(75,702)**	**14,931**	**(8,202,572)**
PROFIT/(LOSS) BEFORE TAX	**(349,345)**	**5,238,955**	**1,603,467**	**1,877,222**	**0**	**8,370,299**
CORPORATE INCOME TAX	**(3,600)**	**(695,440)**	**(326,881)**	**(328,298)**	**-**	**(1,354,220)**
NET PROFIT FOR THE REPORTING PERIOD	**(352,945)**	**4,543,515**	**1,276,586**	**1,548,924**	**0**	**7,016,079**
MINORITY INTEREST	**-**	**-**	**-**	**17,370**	**-**	**17,370**
INTEREST OF PARENT COMPANY	**(352,945)**	**4,543,515**	**1,276,586**	**1,531,554**	**-**	**6,998,709**

Statement of comprehensive income of the AS Group for the period from 1 January 2018 to 31 December 2019

v EUR	Življenjska zavarovanja	Premoženjska zavarovanja	Zdravstvena zavarovanja	Upravljanje premoženja	Uskupinjevalne izločitve med segmenti	Skupaj
ČISTI POSLOVNI IZID POSLOVNEGA LETA PO OBDAVČITVI	**(352,945)**	**4,543,515**	**1,276,586**	**1,548,924**	**-**	**7,016,079**
DRUGI VSEOBSEGAJOČI DONOS PO OBDAVČITVI	**1,517,171**	**3,254,846**	**153,089**	**112,121**	**-**	**5,037,228**
Postavke, ki v kasnejših obdobjih ne bodo prerazvrščene v poslovni izid	**(420)**	**(236,983)**	**-**	**-**	**-**	**(237,404)**
Aktuarski čisti dobički/izgube za pokojninske programe	(420)	(236,983)	-	-	-	(237,404)
Postavke, ki bodo v kasnejših obdobjih lahko prerazvrščene v poslovni izid	**1,517,592**	**3,491,830**	**153,089**	**112,121**	**-**	**5,274,632**
Čisti dobički/izgube iz ponovne izmere finančnih sredstev, razpoložljivih za prodajo	1,871,758	4,274,895	174,410	140,774	-	6,461,838
Dobički/izgube, pripoznani v presežku iz prevrednotenja	3,610,546	4,592,825	174,410	140,774	-	8,518,556
Prenos dobičkov/izgub iz presežka iz prevrednotenja v poslovni izid	(1,738,788)	(317,930)	-		-	(2,056,718)
Pripadajoči čisti dobički/izgube v zvezi z naložbami v kapital pridruženih in skupaj obvladovanih družb, obračunanih po kapitalski metodi	1,917	29,762	11,817	-	-	43,496
Davek od postavk, ki bodo v kasnejših obdobjih lahko prerazvrščene v poslovni izid	(355,634)	(812,230)	(33,138)	(26,747)	-	(1,227,749)
Dobiček/izguba iz pretvorbe računovodskih izkazov v tujini	(450)	(597)	-	(1,906)	-	(2,953)
VSEOBSEGAJOČI DONOS POSLOVNEGA LETA PO OBDAVČITVI	**1,164,226**	**7,798,361**	**1,429,675**	**1,661,045**	**-**	**12,053,308**
-KI SE NANAŠA NA MANJŠINSKI DELEŽ	**-**	**-**	**-**	**17,294**	**-**	**17,294**
-KI SE NANAŠA NA LASTNIKE OBVLADUJOČE DRUŽBE	**1,164,226**	**7,798,361**	**1,429,675**	**1,643,751**	**-**	**12,036,013**

Income statement of the AS Group for the period from 1 January 2018 to 31 December 2018

in EUR	Life insurance	Non-life insurance	Health insurance	Asset management	Intersegment eliminations on consolidation	Total
NET PREMIUM INCOME	56,834,535	132,220,880	100,141,389	-	-	289,196,804
Gross written premiums	58,984,490	141,768,135	99,693,576	-	-	300,446,201
Premiums ceded to reinsurers and coinsurers	(2,131,328)	(8,123,928)	-	-	-	(10,255,255)
Change in unearned premiums	(18,628)	(1,423,327)	447,813	-	-	(994,142)
REVENUES FROM INVESTMENTS IN ASSOCIATES, of which	2,566	39,831	15,815	-	-	58,211
- profit from capital investments from associates and joint ventures, calculated using the equity method	2,566	39,831	15,815	-	-	58,211
INCOME FROM INVESTMENTS	6,492,877	5,759,180	433,082	9,195	(801,563)	11,892,771
OTHER INCOME FROM INSURANCE OPERATIONS, of which	777,494	1,084,171	-	-	-	1,861,666
- fee and commission income	777,494	1,084,171	-	-	-	1,861,666
OTHER INCOME	437,667	5,410,557	781,376	10,871,604	(715,337)	16,785,867
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	(46,384,716)	(82,363,417)	(88,857,358)	-	-	(217,605,490)
Gross amounts of claims and benefits paid	(46,998,483)	(84,880,071)	(88,518,714)	-	-	(220,397,268)
Reinsurers'/coinsurers' shares	681,661	4,412,208	-	-	-	5,093,869
Change in claims provisions	(67,894)	(1,895,554)	(338,644)	-	-	(2,302,092)
CHANGE IN OTHER TECHNICAL PROVISIONS	(2,715,531)	(15,563)	(5,152)	-	-	(2,736,245)
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	29,072,788	-	-	-	-	29,072,788
EXPENSES FOR BONUSES AND DISCOUNTS	-	(54,410)	(11)	-	-	(54,420)
OPERATING EXPENSES, of which	(17,016,536)	(42,182,614)	(10,497,798)	(8,475,283)	1,515,749	(76,656,482)
- acquisition costs	(5,385,374)	(15,605,784)	(1,379,091)	-	1,607	(22,368,643)
EXPENSES FROM INVESTMENTS IN ASSOCIATES, of which	(3,487)	-	(71,295)	-	-	(74,782)
-loss from capital investments in associates and joint ventures, calculated using the equity method	-	-	(71,295)	-	-	(71,295)
EXPENSES INVESTMENTS, of which	(23,284,880)	(2,177,661)	-	-	-	(25,462,541)
- impairment losses of financial assets not measured at fair value through profit or loss	(221,576)	(825,051)	-	-	-	(1,046,626)
OTHER INSURANCE EXPENSES	(418,164)	(1,926,079)	(259,422)	-	-	(2,603,665)
OTHER EXPENSES	(4,740,002)	(7,524,166)	(222,226)	(70,831)	1,151	(12,556,074)
PROFIT/(LOSS) BEFORE TAX	(945,389)	8,270,709	1,458,402	2,334,686	0	11,118,408
CORPORATE INCOME TAX	178,526	(1,346,028)	(323,453)	(441,320)	-	(1,932,275)
NET PROFIT FOR THE REPORTING PERIOD	(766,862)	6,924,681	1,134,949	1,893,366	0	9,186,133
MINORITY INTEREST	-	-	-	41,005	-	41,005
INTEREST OF PARENT COMPANY	(766,862)	6,924,681	1,134,949	1,852,361	-	9,145,128

Statement of comprehensive income of the AS Group for the period from 1 January 2018 to 31 December 2018

	Life insurance	Non-life insurance	Health insurance	Asset management	Intersegment eliminations on consolidation	Total
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	(766,862)	6,924,681	1,134,949	1,893,366	-	9,186,133
OTHER COMPREHENSIVE INCOME AFTER TAXATION	447,924	(584,632)	(44,294)	(12,867)	-	(193,869)
Items not to be allocated to profit or loss in subsequent periods	(264)	(17,028)	-	-	-	(17,292)
Actuarial net gain/loss for pension programmes	(264)	(17,028)	-	-	-	(17,292)
Items that may be allocated to profit or loss in subsequent periods	448,188	(567,604)	(44,294)	(12,867)	-	(176,577)
Net gain/loss from re-measurement of available-for-sale financial assets	552,775	(701,227)	(54,684)	(20,120)	-	(223,256)
Gain/loss, recognised in revaluation surplus	414,425	(1,257,893)	(54,684)	(20,120)	-	(918,271)
Transfer of gain/loss from revaluation surplus to income statement	138,350	556,666	-		-	695,015
Tax on items that may be allocated to profit or loss in subsequent periods	(105,027)	133,233	10,390	3,823	-	42,419
Gain/loss from translation of financial statements of foreign operations	440	390	-	3,430	-	4,260
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAXATION	(318,939)	6,340,049	1,090,655	1,880,499	-	8,992,264
- ATTRIBUTABLE TO MINORITY INTEREST	-	-	-	41,005	-	41,005
- ATTRIBUTABLE TO CONTROLLING COMPANY	(318,939)	6,340,049	1,090,655	1,839,494	-	8,951,259

Geographical segments

As at 31 December 2019, the Group operated in Slovenia and the following countries: Croatia and Macedonia.

Sales revenue

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Sales revenue*		
Slovenia	313,582,364	623,900,780
EU	7,049,907	5,862,755
Other countries	321,174	512,371
Total	**320,953,445**	630,275,905

Total assets

(in EUR)	31 Dec 2019	31 Dec 2018
Total assets		
Slovenia	530,367,243	492,017,404
EU	254,045,889	221,990,164
Other countries	25,613,230	18,501,651
Total	**810,026,362**	732,509,219
Associates		
Slovenia	12,363,218	12,062,454
Total	**12,363,218**	12,062,454

Investments

(in EUR)	31 Dec 2019	31 Dec 2018
Capital expenditure analysis		
Slovenia	3,723,965	3,283,169
EU	48,729	73,841
Other countries	1,041	647
Total	**3,773,734**	3,357,657

10. NOTES TO INDIVIDUAL ITEMS OF FINANCIAL STATEMENTS

10.1 INTANGIBLE ASSETS

(in EUR)	Goodwill	Material in rights and licences	Software	ND assets in the process of acquisition	Total
AT COST					
Balance as at 1 Jan 2018	**22,627,809**	**7,200,740**	**25,806,826**	**-**	**55,635,375**
Acquisition of subsidiary	-	-	6,037,786	-	6,037,786
Decreases due to the withdrawal of the subsidiary	-	-	(6,037,786)	-	(6,037,786)
Direct increases - investments	79,375	-	1,545,083	-	1,624,458
Decreases during the year	-	(3,126,306)	-	-	(3,126,306)
Transfers between intangible assets, and property, plant and equipment	-	-	2,521	-	2,521
Other changes	371	1,348	677	-	2,396
Balance as at 31 Dec 2018	**22,707,555**	**4,075,782**	**27,355,107**	**-**	**54,138,444**
New balance as at 1 Jan	**22,707,555**	**4,075,782**	**27,355,107**	**-**	**54,138,444**
Direct increases - investments	-	-	2,071,440	176,520	2,247,960
Other changes	(364)	(1,323)	(888)	-	(2,575)
Balance as at 31 Dec 2019	**22,707,191**	**4,074,459**	**29,425,659**	**176,520**	**56,383,829**
VALUE ADJUSTMENT					
Balance as at 1 Jan 2018	**36,137**	**3,778,215**	**18,897,255**	**-**	**22,711,607**
Increases due to acquisition of companies	-	-	3,469,777	-	3,469,777
Decreases due to the withdrawal of the subsidiary	-	-	(3,469,777)	-	(3,469,777)
Depreciation during the year	-	19,452	2,055,659	-	2,075,111
Decreases during the year	-	(3,126,306)	(0)	-	(3,126,306)
Revaluation owing to impairment of assets	3,580	220,584	-	-	224,164
Other changes	136	162	559	-	857
Balance as at 31 Dec 2018	**39,853**	**892,108**	**20,953,472**	**-**	**21,885,433**
New balance as at 1 Jan	**39,853**	**892,108**	**20,953,472**	**-**	**21,885,433**
Depreciation during the year	-	28,309	2,151,122	-	2,179,431
Decreases during the year	-	-	(0)	-	(0)
Revaluation owing to impairment of assets	3,430	220,584	-	-	224,014
Other changes	(154)	(293)	(706)	-	(1,153)
Balance as at 31 Dec 2019	**43,129**	**1,140,709**	**23,103,888**	**-**	**24,287,726**
BOOK VALUE					
Balance as at 31 Dec 2018	**22,667,702**	**3,183,674**	**6,401,635**	**-**	**32,253,011**
Balance as at 31 Dec 2019	**22,664,062**	**2,933,750**	**6,321,770**	**176,520**	**32,096,103**

The Group has no financial liabilities arising from the purchase of intangible assets, no intangible assets pledged as security, no legal restrictions were put on intangible assets nor were these assets pledged as collateral for debt. The Group does not have any internally generated intangible assets nor does it have any intangible assets acquired by a government grant. All the intangible assets are owned by the Group and free from encumbrances.

Compared to the year before, at 2019 year-end the value of intangible assets fell by EUR 156,908. These assets were lower in 2019 mainly due to depreciation.

Major changes affecting the movement of non-current intangible assets in the direction of increase in 2019 include investments in software improvement for EUR 2,071,440, namely for the purchase and improvement of software.

The intangible assets available to the Group will be finally depreciated by 2033 based on their determined useful lives and the applied depreciation rates. The Group uses the straight-line depreciation method and in 2019 it did not change the depreciation rates. Depreciation of intangible assets is posted in the income statement among operating costs.

The Group discloses material rights and licences among intangible assets. These contain a part of material rights with an indefinite useful life related to the taking over of the management of the Ilirika Umbrella Fund. As at 31 December 2019, the Group carried out an impairment test on the basis of the below assumptions and assessed that impairment was not necessary.

The assumptions for the valuation of the intangible assets used by the internal financial expert in 2019:

- the present value of the expected future free cash flows,
- the estimate was based on an analysis of past operations and future business opportunities,
- return on free cash flows was discounted with the appropriate required rate on return on equity capital
- for the calculation of the required rate of return on equity, the CAPM model was used,
- the CAPM assumptions: a 3.0% normalised return on risk-free investments, a 5.5% premium for capital risk, a 3.67 % premium for investment in small enterprises, a 1.80 % political risk factor, a 0.67 beta excluding debt,
- the required rate of return of equity capital is 12.2 %,
- the planned profitability of individual funds in the explicit forecast period varies between 0.0% and 1.5%,
- growth in net cash flows after the explicit forecast period is 1.5%,
- the estimated cash flows for the 2020-2024 period.

The assumptions for the valuation of the intangible assets used by the internal financial expert in 2018:

- the present value of the expected future free cash flows,
- the estimate was based on an analysis of past operations and future business opportunities,
- return on free cash flows was discounted with the appropriate required rate on return on equity capital
- for the calculation of the required rate of return on equity, the CAPM model was used,
- the CAPM assumptions: a 3.5% normalised return on risk-free investments, a 5.5% premium for capital risk, a 3.67 % premium for investment in small enterprises, a 1.84 % political risk factor, a 0.70 beta excluding debt,
- the required rate of return of equity capital is 12.5 %,
- the discount for the lack of marketability of 5.0 %,
- the planned profitability of individual funds in the explicit forecast period varies between 0.25% and 5.0%,
- growth in net cash flows after the explicit forecast period is 2.0%,
- the estimated cash flows for the 2019-2023 period.

Goodwill

As at 31 December 2019, the Group has goodwill for EUR 22,664,062, with the largest part of goodwill (in the amount of EUR 22,209,093) arising from the investment in the subsidiary Generali Investments, družba za upravljanje, d. o. o. and its subsidiaries. In accordance with the accounting policies, as at the 2019 year-end the Group checked whether the goodwill in the segment of asset management would have to be impaired. In 2019 year-end, a certified business appraiser assessed the change in circumstances and values since the last valuation and ensured that the audits did not show any negative trends in comparison with 2018 and that the value of the equity capital of Generali Investments, družba za upravljanje, d. o. o. was at the level of the previous year.

For this purpose, an analysis of the sensitivity of the recoverable amount regarding the company Generali Investments d.o.o. was provided.

In assessing the market value of the subsidiary Generali Investments d. o. o. the present value of expected cash flows to total capital (indirect method) was applied using the following assumptions

- risk-free rate of return: until 2022; 1.12% %; after 2022; 3.00 %
- WACC: until 2022; 10.11% %; after 2022; 11.99 %
- long-term growth rate (g): 2.5 %
- discount for lack of marketability: 11 %

Sensitivity analysis of subsidiary Generali Investments d. o. o.

Net EBIT% achieved from planned	Equity value in EUR 000
110%	32,835
100%	30,473
90%	28,110

On the basis of the goodwill impairment test carried out, the Group is not required to impair the goodwill related to the subsidiary Generali Investments, družba za upravljanje, d. o. o.; however it would be necessary if one of the scenarios contained in the sensitivity analysis became true.

The assumptions used in 2019 for the valuation of the remaining part of goodwill relating to Generali Investments Ljubljana, performed by the internal financial expert:

- the present value of future free cash flows including indebtedness;
- the valuation method based on market comparisons of similar companies;
- the estimate was based on an analysis of past operations and future business opportunities;
- return on free cash flows was discounted with the appropriate weighted arithmetic average of return rate on debt and equity capital (WACC);
- for the calculation of the required rate of return on equity, the CAPM model was used, which was adapted to the country in which the company operates;
- the CAPM assumptions: a 3.0% normalised return on risk-free investments, a 5.5% premium for capital risk, a 3.67% premium for investment in small enterprises, a 3.39–4.06% political risk factor, a 0.67 beta excluding debt;
- the required rate of return of equity capital varies between 13.7% and 14.4%;
- the required rate of return of debt of 2.5%;
- the planned profitability of individual funds in the explicit forecast period varies between 0,0 % and 1.5%;
- growth in net cash flows after the explicit forecast period of 2.0%;
- the estimated cash flows for the 2020–2024 period.

The assumptions used in 2018 for the valuation of the remaining part of goodwill relating to Generali Investments Ljubljana, performed by the internal financial expert:

- the present value of future free cash flows including indebtedness;
- the valuation method based on market comparisons of similar companies;
- the estimate was based on an analysis of past operations and future business opportunities;
- return on free cash flows was discounted with the appropriate weighted arithmetic average of return rate on debt and equity capital (WACC);
- for the calculation of the required rate of return on equity, the CAPM model was used, which was adapted to the country in which the company operates;
- the CAPM assumptions: a 3.5% normalised return on risk-free investments, a 5.0% premium for capital risk, a 3.67% premium for investment in small enterprises, a 3.46–4.15% political risk factor, a 0.70 beta excluding debt;
- the required rate of return of equity capital varies between 14.1% and 14.8%;
- the required rate of return of debt of 2.6%;
- the discount for the lack of marketability between 10.0 and 20.0%,
- the planned profitability of individual funds in the explicit forecast period varies between -0,25 % and 5.0%;
- growth in net cash flows after the explicit forecast period of 2.0%;
- the estimated cash flows for the 2019–2023 period.

In addition to the goodwill of the company Agent d. o. o. (for which there was no need for impairment at the end of 2019), the Group has a part of goodwill in the net value of EUR 99,940 from the subsidiary Generali investments d. o. o., Croatia referring to the customer list obtained when the ICF Balance Fund was acquired in 2010. The list of clients is intangible asset or right which does not have a certain useful life and is not depreciated. However, its value is checked quarterly in consideration of the number of investors, and then it is assessed whether there are objective signs of impairment. In the event that the recoverable amount exceeds the carrying amount, the goodwill is not impaired. After verifying the value, the need for impairment in the amount of EUR 3,276 was shown.

10.2 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment

(in EUR)	Land and building	Office and other equipment	Property, plant and equipment in process of acquisition	Assets arising from a lease	Investment in foreign tangible fixed assets	Total
AT COST						
Balance as at 1 Jan 2018 adjusted	**29,752,145**	**18,145,247**	**360,354**	**-**	**111,001**	**48,368,747**
Increases due to acquisition of companies	-	489,149	-	-	-	489,149
Decreases due to the withdrawal of the subsidiary	-	(495,949)	-	-	-	- 495,949
Direct increases - investments	47,865	1,162,256	269,759	-	(0)	1,479,880
Direct increases - advance payments	-	-	332,691	-	(0)	332,691
Decreases during the year	-	(1,007,496)	(135,522)	-	-	(1,143,018)
Transfers between intangible assets, investment property, and property, plant and equipment	179,773	309,551	(311,802)	-	-	177,522
Other changes	-	**429**	**-**	**-**	**69**	497
Balance as at 31 Dec 2018 adjusted	**29,979,784**	**18,603,187**	**515,480**	**-**	**111,069**	**49,209,520**
New balance as at 1 Jan	**29,979,784**	**18,603,187**	**515,480**	**-**	**111,069**	**49,209,520**
Change in transition to IFRS 16	-	-	-	1,820,888	-	1,820,888
Direct increases - investments	7,201	1,112,080	17,192	-	0	1,136,474
Direct increases – advance payments	-	-	104,936	-	0	104,936
Activated assets in the process of acquisition	-	-	-	-	-	-
Decreases during the year	-	(2,534,880)	-	(32,513)	-	(2,567,393)
Transfers between intangible assets, investment property, and property, plant and equipment	766,849	97,841	(362,206)	-	-	502,484
Other changes	-	(657)	-	-	(67)	- 725
Balance as at 31 Dec 2019	**30,753,834**	**17,277,571**	**275,402**	**1,788,375**	**111,002**	**50,206,184**
VALUE ADJUSTMENT						
Balance as at 1 Jan 2018 adjusted	**5,200,516**	**12,417,412**	**-**		**30,370**	**17,648,298**
Increases due to acquisition of companies	-	455,796			-	455,796
Decreases due to the withdrawal of the subsidiary	-	(462,596)			-	(462,596)
Depreciation during the year	315,285	1,281,952			11,039	1,608,276
Decreases during the year	0	(921,699)			0	(921,699)
Transfers between intangible assets, investment property, and property, plant and equipment	26,640	270			-	26,910
Other changes	-	410			60	470
Balance as at 31 Dec 2018 adjusted	**5,542,440**	**12,771,545**	**-**		**41,469**	**18,355,455**
New balance as at 1 Jan	**5,542,440**	**12,771,545**	**-**	**-**	**41,469**	**18,355,455**
Depreciation during the year	324,745	1,150,947		365,247	9,926	1,850,865
Decreases during the year	-	(1,766,899)		-	(0)	(1,766,899)
Transfers between intangible assets, investment property, and property, plant and equipment	120,535	-		-	-	120,535
Other changes	-	(443)		-	(66)	- 509
Balance as at 31 Dec 2019	**5,987,720**	**12,155,150**	**-**	**365,247**	**51,330**	**18,559,447**
BOOK VALUE						
Balance as at 31 Dec 2018 adjusted	**24,437,343**	**5,831,642**	**515,480**	**-**	**69,600**	**30,854,065**
Balance as at 31 Dec 2019	**24,766,113**	**5,122,421**	**275,402**	**1,423,128**	**59,672**	**31,646,737**

The Group has no financial liabilities arising from the purchase of property, plant and equipment, no property, plant and equipment pledged as security, no legal restrictions were put on property, plant and equipment nor were these assets pledged as collateral for debt.

With the exception of land and buildings, which have longer useful lives and are expected to be fully depreciated by 2096, it is expected that all other items of property, plant and equipment at the disposal of the Group to be fully depreciated based on the determined useful lives and depreciation rates by the year 2028. The Group uses the straight-line depreciation method and in 2019 it did not change the depreciation rates. Depreciation of property, plant and equipment is posted in the income statement among operating costs.

The balance of property, plant and equipment as at 31 December 2019 compared to the 2018 year-end increased by EUR 792,671, mainly due to investments in the purchase of software, cars and purchase of other equipment.

On the other hand, the value of property, plant and equipment decreased in 2019 as a result of depreciation carried out in the accounting period, disposal, sale and write off of property, plant and equipment. Major disposals in 2019 relate to equipment, means of transport (cars), write-off of computer equipment and sale of other assets of lower value. At the end of the year, the Group wrote off computer equipment and property, plant and equipment that had already been depreciated and were judged to be no longer suitable for use. Profit from the sale of property, plant and equipment amounted to EUR 233,248.

Upon transition to IFRS 16, the Group recognized EUR 1,820,888 of the right to use assets that influenced the increase in property, plant and equipment. The recognition of rights to use assets is presented in more detail in section 4.1.1 - IFRS 16 Leases.

In 2019, the Group assessed whether there were grounds for impairment of the real property needed for the performance of activities in such a way as described in the guidelines given in Sections 5.2 or 5.3. The last appraisal of the recoverable amount of property intended for own use was performed by an external certified appraiser in September 2019.

The recoverable amount was assessed:

- using the method of fair value, decreased by costs of sale, defined based on the market approach, and
- using the method of value in use, defined based on the income approach.

On the basis of the assessment, it was established that as at the 2019 year-end there were no signs indicating that the real property needed for the performance of activities would have to be impaired, since the individual cash-generating unit did not show negative performance in the last three years.

10.3 INVESTMENT PROPERTIES

Movements in investments in land and buildings

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
AT COST VALUE		
Balance as at 1 Jan	**29,149,943**	**29,168,973**
Direct increases - investments	(0)	212,040
Decreases during the year	(16,956,611)	(51,296)
Transfer from/to property, plant and equipment	(502,484)	(179,773)
As at 31 Dec	**11,690,848**	**29,149,943**
VALUE ADJUSTMENT		
Balance as at 1 Jan	5,393,257	5,049,214
Depreciation in the financial year	169,791	304,416
Decreases during the year	(2,790,768)	(12,684)
Impairment of cost	-	78,951
Transfer from/to property, plant and equipment	(120,535)	(26,640)
As at 31 Dec	**2,651,745**	**5,393,257**
BOOK VALUE		
As at 31 Dec	**9,039,103**	**23,756,686**

The Group leases all investment properties or business premises – individual parts of investment properties. All operating leases can be cancelled. Rents are charged at market prices and are re-assessed if necessary. Lease agreements are generally concluded for an indefinite period of time. The last agreement concluded for a fixed period of time will expire in 2020. The lowest rent, which the Group charges is 60 EUR/m² and in 2019, the average rent, was 9.0 EUR/m².

The balance of investment property as at 31 December 2019 decreased by EUR 14,372,812. In February 2019, the Group sold the investment property Maribox located at Loška 13, Maribor in accordance with the Sales Contract for EUR 14,270,000. Upon disposal of the property, a profit of EUR 250,944 was realized, namely EUR 104,157 immediately upon sale and an additional EUR 146,786 at a later point on account of capital cost and current maintenance.

In 2019, the management assessed whether there were grounds for impairment of investment property in the way described in the policies given in Section 5.3. The last appraisal of the recoverable amount of investment property was carried out by an external certified appraiser in September 2019. In assessing the recoverable amount, the market approach (the direct sales comparison method) and the income approach (the direct yield capitalisation method) were applied.

In the **direct sales comparison method**, the recoverable amount was assessed based on market data arising from comparable transactions of similar property.

In the **income approach** (the direct yield capitalisation method), the recoverable amount was assessed using the **capitalisation rate** (discount rate) between 7.72% and 8.12% (or 7.72 %, 7.92%, 7.82%, 8.02% and 8.12 %). The following assumptions were applied to calculate the capitalisation rate:

- the real risk-free rate of return – (Rf) (return on 10-year government bond) 0.18 %,
- risk premium (p) (including liquidity premium and investment management premium) 6.20 %, 6.30 %, 6.40 %, 6.50 % and 6.60 %, and
- capital recovery premium (d) 1.34 %.

Based on the valuation, as at the 2019 year-end the Management assessed that no impairing was necessary.

The fair value of investment property as at 31 December 2019 was EUR 12,190,701, and was higher than the carrying amount of EUR 11,692,309.

The Group uses straight-line depreciation for investment property; in 2019 no changes were made to depreciation rates. Depreciation of investment property is recognised in the income statement under other operating expenses as investment property expenses.

The Group has no investment properties pledged as security, no legal restrictions were put on them nor were they pledged as collateral for debt.

Income and expenses from investment properties

(in EUR)	31 Dec 2019	31 Dec 2018
Revenues from investment properties	**1,032,037**	**2,668,428**
Other revenues arising from rents charged on investment properties	781,094	1,648,380
Gains on the disposal of investment properties	250,944	42,490
Revenues from reversal of impairment of receivables	-	977,559
Expenses for investment properties	**(603,217)**	**(1,471,277)**
Depreciation	(169,791)	**(304,416)**
Direct operating expenses for investment properties that generate rental income	(210,789)	(1,084,224)
Direct operating expenses for investment properties that do not generate rental income	(189,605)	(1,314)
Expenses from impairment of receivables from investment properties	(33,032)	(2,372)
Expenses from impairment of investment properties.	-	(78,951)

10.4 FINANCIAL INVESTMENTS IN ASSOCIATES

Associates

Associate	Equity stake (%) 31 Dec 2019	Equity stake (%) 31 Dec 2018	Change (in %)	Note
Nama trgovsko podjetje d.d., Slovenia	48.51	48.51	-	
MEDIFIT d. o. o., Slovenia	33.09	48.00	(15)	Sale of stake
IDORU inteligentni analitični sistemi d. o. o.	25.00	-	25.00	Purchase of stake

* The share of voting rights is equal to equity stake

Investments in associates are recognised in the financial statements using the equity method. For the purpose of financial reporting and potential impairments of investment in the associate Nama d. d., the Group measures the recoverable amount of the investment based on appraisals performed by external appraisers. Assessment of the recoverable amount is made using the net asset value method. The recoverable amount of real property owned by Nama d. d. was assessed on the basis of the market approach and the income approach using the discount rate of 7.4 to 8.5%. In line with the company strategy, the company may also lease and sell its real property, in addition to performing its principal activity.

In 2019, external appraisers assessed the investment in shares of Nama d.d. as at the balance on 30 June 2019. Pursuant to this appraisal, the management assessed that no impairments were required in 2019.

Movements in investments in the associate

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Associates		
As at 1 Jan	**12,062,454**	**12,025,841**
Acquisition	146,376	62,816
Decreases during the year	(5,208)	(5,759)
Interest (dividend) received	(50,774)	(78,656)
Impairments	166,873	58,211
Change in revaluation surplus	43,496	-
As at 31 Dec	**12,363,217**	**12,062,454**

In 2019, the parent company Adriatic Slovenica received EUR 50,895 of dividends from Nama d. d. They were reimbursed in full in the first half of 2019.

Information on property and financial position of the associates

Company name in EUR	Assets		Capital		Revenues		Profit or loss for the year	
Associates	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Nama trgovsko podjetje d.d.	14,505,309	12,457,350	10,149,182	10,165,533	14,024,247	15,932,493	643,999	112,989
IDORU inteligentni analitični sistemi d. o. o.	9,925	-	9,762	-	1,483	-	(32,428)	-
MEDIFIT d. o. o., Slovenija	174,162	152,591	123,560	109,423	166,995	5,314	(235,862)	(148,531)

Note: The information on property and financial position of the associates are taken from financial statements, prepared by these companies.

10.5 FINANCIAL INVESETMENTS

Capital markets ended another remarkable year in terms of returns. Annual exchange rates have risen in virtually all types of securities. With macroeconomic data slowing, capital markets were driven primarily by expansionary central bank policies and optimism in resolving trade disputes, particularly between the US and China. At the end of the year, in the light of optimism and partial agreement between the US and China, US and European stock indices reached new highs. Stock markets in developing countries lagged behind developed markets on average, but most of them still achieved positive returns. The incentive policy of the central banks also had a positive impact on fixed-rate investments and on the assets of the Company where it has the majority of its financial investments.

In the following text, we are presenting the position of investments as at 31 December 2019 per groups and compared to 2018 year-end.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss – at initial recognition

(in EUR)	31 Dec 2019	31 Dec 2018
Equity securities	**325,330**	**268,556**
Listed securities	325,330	268,556
Debt securities	**3,658,941**	**7,525,333**
Listed securities	2,756,839	7,005,879
Government bonds	902,102	519,453
Total	**3,984,271**	**7,793,889**

Financial assets measured at fair value through profit or loss – held for trading

(in EUR)	31 Dec 2019	31 Dec 2018
Equity securities	**929,734**	**770,201**
Listed securities	929,734	770,201
Debt securities	**925,648**	**1,037,404**
Government bonds	925,648	1,037,404
Total	**1,855,382**	**1,807,605**

The total value of financial assets measured at fair value through profit or loss decreased in 2019, mainly due to sales of debt securities.

Available-for-sale financial assets

In 2019, the annual assessment of impairment needs for financial investments allocated to available-for-sale financial assets, especially for the high value non-market securities from the past years valued at cost, was carried out. Based on the expert assessment and internal accounting policies, the Management determined that there was no requirement for impairment of the investments into equity marketable securities and into equity non-marketable securities in 2019.

Available-for-sale financial assets

(in EUR)	31 Dec 2019	31 Dec 2018
Equity securities	**49,095,553**	**42,634,995**
Listed securities	30,478,827	21,659,693
Non-listed securities	18,616,726	20,975,302
Debt securities	**245,580,732**	**158,994,548**
Listed securities	50,808,451	30,476,946
Non-listed securities	15,739,388	3,891,193
Government bonds	179,032,892	124,626,410
Impairment of the value of securities	**(4,539,463)**	**(5,824,808)**
Total	**290,136,821**	**195,804,735**

As at 31 December 2019, available-for-sale assets were higher compared to the year before, mostly because of capital market growth and increased investment of the Company in debt securities.

Held-to-maturity financial assets

Held-to-maturity financial assets

(in EUR)	31 Dec 2019	31 Dec 2018
Debt securities	**11,809,059**	**29,628,993**
Listed securities	944,695	18,225,841
Government bonds	10,864,363	11,403,153
Total	**11,809,059**	**29,628,993**

The balance of debt securities of financial assets held to maturity decreased in 2019, mostly because of early redemptions and maturity of these financial assets.

Effective interest rates (in %) for debt instruments not measured at fair value:

As at 31 Dec	31 Dec 2019	31 Dec 2018
Debt securities		
– held-to-maturity	5,96	5,59

For the fair value of the held-to maturity assets see Section 8, Table: Financial assets by fair value hierarchy.

Loans, deposits and financial receivables

Loans, deposits and financial receivables

(in EUR)	31 Dec 2019	31 Dec 2018
Loans	**6,256,536**	**28,616,035**
Long-term	598,328	3,105,240
Short-term	5,658,207	25,510,794
Deposits placed with banks	**734,156**	**5,919,941**
Long-term	635,924	326,281
Short-term	98,232	5,593,660
Financial receivables	**2,049,908**	**8,462,010**
Total	**9,040,600**	**42,997,985**

Due to loan repayments/pay offs of the loans in 2019, at the end of 2019, the loans decreased by EUR 22,359,499 compared to the previous year. Short-term loans decreased by EUR 2,506,912, while long-term loans decreased by EUR 19,852,587. Deposits placed with banks decreased by EUR 5,185,784, mainly on account of short-term deposits. As at 31 December 2019, the financial receivables amounting to EUR 2,049,908 represent an important part of these advances for securities purchases.

Effective interest rates on loans and deposits

in %	31 Dec 2019	31 Dec 2018
Long-term loans in		
- local currency	0.00%	0.00%
- local currency	3.83%	5.09%
Short-term loans in		
- foreign currency	0.00%	0.00%
- local currency	2.88%	4.10%
Deposits placed with banks		
Short-term deposits	2.08%	0.39%
Long-term deposits	1.01%	2.29%

Financial receivables

(in EUR)	31 Dec 2019	31 Dec 2018
Financial receivables arising from investment properties	51,613	118,482
Other financial receivables	1,998,296	8,343,528
Total	**2,049,908**	**8,462,010**

Movements in financial assets [4]

(in EUR)	Fair value through profit or loss - at initial recognition	Fair value through profit or loss - held for sale	Held to maturity	Available for sale	Loans, deposits and financial receivables	Total
Balance as at 1 Jan 2018	**6,817,780**	**1,793,308**	**31,417,539**	**193,392,255**	**37,136,247**	**270,557,129**
Exchange rate differences	1,321	8,446	2,259	94,342	(290)	106,078
Increase	(2,680,160)	6,539	47,107	58,459,648	115,350,826	171,183,959
Change of fair value (+/-) through profit or loss (market rates)	(1,169,423)	(42,625)	-	-	-	(1,212,048)
Change of fair value (+/-) through revaluation surplus (market rates)	-	-	-	(1,530,602)	-	(1,530,602)
Increase due to interest	536,034	37,487	1,679,462	2,205,309	1,275,209	5,733,500
Decrease	4,288,336	4,452	(3,517,374)	(56,816,217)	(110,764,006)	(166,804,809)
Balance as at 31 Dec 2018	**7,793,889**	**1,807,606**	**29,628,993**	**195,804,735**	**42,997,985**	**278,033,208**
Balance as at 1 Jan 2019	**7,793,889**	**1,807,606**	**29,628,993**	**195,804,735**	**42,997,985**	**278,033,208**
Exchange rate differences	(1,197)	9,643	(491)	(8,223)	114	(155)
Increase	493,678	130,346	1,167,436	135,816,972	255,387,741	392,996,173
Change of fair value (+/-) through profit or loss (market rates)	182,481	22,441	-	-	-	204,922
Change of fair value (+/-) through revaluation surplus (market rates)	-	-	-	13,091,317	-	13,091,317
Increase due to interest	12,691	30,163	882,339	2,677,144	391,482	3,993,819
Decrease	(4,497,271)	(144,816)	(19,869,219)	(57,245,124)	(289,736,721)	(371,493,151)
Balance as at 31 Dec 2019	**3,984,271**	**1,855,383**	**11,809,059**	**290,136,821**	**9,040,600**	**316,826,134**

Movements in loans, deposits and financial receivables mainly relate to the purchase and disposal of overnight framework deposits by means of an actual transaction account. Also, due to these transactions, higher value movements are also reflected in other current financial liabilities (see Section 10.18).

[4] The disclosure of movements in financial assets (excluding unit-linked insurance assets, financial assets from financial contracts and investments in subsidiaries and associates) comprise daily transactions of movements of investment.

10.6 UNIT-LINKED LIFE INSURANCE ASSETS

The movement of the value of unit-linked insurance assets was predominantly tied to the movement of equity investments or equity investment funds. In 2019, this investment classes rewarded investors for taking risks and yielded positive returns in equity markets. We entered 2019 fearing the escalation of trade wars and tightening of central bank monetary policies. Due to the cooling of the economy, the policy of the main central banks has completely changed. The combination of expansive monetary policies and positive signs of subduing key geopolitical tensions have led investors to move to riskier and potentially more profitable investments.

Structure of unit-linked life insurance assets

(in EUR)	31 Dec 2019	31 Dec 2018
Financial assets measured at fair value through profit or loss - at initial recognition	**294,425,163**	**258,841,769**
Equity securities	232,733,242	205,929,558
Listed securities	232,733,242	205,929,558
Debt securities	61,691,922	52,912,211
Listed securities	61,691,922	52,912,211
Loans and deposits with banks	**17,073,957**	**15,286,017**
Loans	17,073,957	15,286,017
Total	**311,499,120**	**274,127,785**

The investments made for the benefit of unit-linked life insurance policyholders amounted to EUR 311,499,120. These are units of mutual funds, market ETFS funds, cover internal funds KD Dirigent, Aktivni naložbeni paket, KD Vrhunski, Aktivni AS and structured securities of issuers DEUTSCHE BANK LONDON and BNP Paribas, in line with the choice of the insurer. Policyholders' assets in products of DEUTSCHE BANK LONDON totalled EUR 681,756 and assets invested in BNP Paribas products totalled EUR 61,010,166. These are invested in structured securities linked to selected indexes. The guarantee of repayment of 100% nominal amount of the principal of the investment in products of DEUTSCHE BANK LONDON is given by Deutsche Bank AG London. The guarantee for BNP Paribas investment products is from 75% to 100% of the nominal amount of the principal. The guarantor for these products is BNP Paribas Paris.

Movements in unit-linked life insurance financial assets

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Balance as at 1 Jan	**274,127,785**	**304,978,131**
Increase	37,257,724	39,449,455
Decrease	(40,291,482)	(45,028,304)
Change of fair value (+/-) through profit or loss (market rates)	38,579,248	(21,824,213)
Deposit placement	5,326,519	4,485,703
Deposit withdrawal	(3,546,899)	(8,099,160)
Accrued interest	71,225	87,000
Exchange rate differences	(25,001)	79,174
Balance as at 31 Dec	**311,499,119**	**274,127,785**

10.7 AMOUNT OF INSURANCE TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS

Reinsurers'/co-insurers' share in insurance technical provisions

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
- from insurance contracts for incurred and reported claims	7,109,220	7,708,879
- from insurance contracts for incurred, but not reported claims	780,091	792,564
Total non-current part	**7,889,310**	**8,501,443**
- unearned premiums	480,263	500,030
- from insurance contracts for incurred and reported claims	8,292,509	5,525,168
- from insurance contracts for incurred, but not reported claims	385,787	376,886
Total current part	**9,158,559**	**6,402,084**
Total	**17,047,869**	**14,903,527**

The reinsurers' share increased by EUR 2,144,341 compared to the end of the previous year, mainly due to fire damage in 2019. As of 31 December 31 2019, it amounted to EUR 3,555,464 and contributed to the increase in the share of insurance contracts for claims incurred and reported. The Group did not record any other major events in 2019, so the share of reinsurers from insurance contracts for incurred and reported claims decreased on other reinsurance contracts as a result of the liquidation of reinsured claims from previous years.

10.8 ASSETS FROM FINANCIAL CONTRACTS

Assets from financial contracts

(in EUR)	31 Dec 2019	31 Dec 2018
Financial investments	17,790,807	10,492,757
Cash and cash equivalents	895,679	1,420,090
Total assets from financial contracts	**18,686,486**	**11,912,847**

The assets from financial contracts at the 2019 year-end predominantly comprise investments in financial assets measured at fair value through profit or loss – at initial recognition.

Assets from financial contracts – financial assets structure

(in EUR)	31 Dec 2019	31 Dec 2018
Financial assets measured at fair value through profit or loss - at initial recognition	**17,782,436**	**8,348,875**
Equity securities	11,823,190	6,380,143
Listed securities	11,823,190	6,380,143
Debt securities	5,959,247	1,968,733
Listed securities	409,487	390,251
Non-listed securities	289,897	-
Government bonds	5,259,863	1,578,482
Available-for-sale financial assets	**-**	**2,139,777**
Equity securities	-	1,550,550
Listed securities	-	1,550,550
Debt securities	-	589,227
Government bonds	-	589,227
Financial receivables	**8,371**	**4,104**
Total financial assets	**17,790,807**	**10,492,757**

Movement of assets from financial contracts

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Balance as at 1 Jan	**10,492,757**	**7,928,201**
Increase (purchase)	8,483,610	5,120,751
Change of fair value (+/-) through profit or loss (market rates)	1,230,230	(445,120)
Change of fair value (+/-) through revaluation surplus (market rates)	(96,419)	(34,324)
Increase due to interest	33,822	16,964
Decrease (sale)	(2,353,193)	(2,129,564)
Exchange rate differences	-	35,849
Balance as at 31 Dec	**17,790,807**	**10,492,757**

10.9 RECEIVABLES

Balance of receivables

(in EUR)	As at 31.12.2019	As at 31.12.2018
Receivables from direct insurance operations	**23,953,316**	**16,667,722**
gross value	38,730,183	31,857,474
value adjustment	(14,776,867)	(15,189,751)
Receivables from reinsurance and coinsurance	**1,647,106**	**1,169,661**
gross value	2,003,824	1,318,957
value adjustment	(356,717)	(149,297)
Income tax receivables	**318,617**	**34,304**
OTHER RECEIVABLES	**4,064,461**	**5,014,882**
Other current receivables from insurance operations	**869,730**	**1,288,639**
gross value	893,314	1,308,000
value adjustment	(23,585)	(19,361)
Recourse receivables	**1,930,028**	**2,754,544**
gross value	17,297,571	19,017,049
value adjustment	(15,367,543)	(16,262,505)
Operating receivables from the state	**200,782**	**221,516**
gross value	200,820	221,516
value adjustment	(38)	-
Operating receivables for advances given	**40,853**	**184,977**
gross value	73,556	199,550
value adjustment	(32,703)	(14,573)
Other current operating receivables	**992,639**	**534,041**
gross value	2,353,925	1,934,529
value adjustment	(1,361,286)	(1,400,488)
Long-term receivables	**30,430**	**31,164**
Total receivables	**29,983,500**	**22,886,569**

Compared to the year before, the balance of receivables as at 31 December 2019 was higher by EUR 7,096,931 (or by 31%).

The receivables were higher mostly due to receivables from direct insurance operations which account for 79.9% of all receivables and relate receivables from policyholders due to contractual insurance premium. The higher balance of these receivables (by EUR 7,285,594) at the end of 2019 was mainly due to the early termination of the financial year and, consequently, the temporary deferral of recording premium payments and claims payments (which could not close the liabilities). At the beginning of the financial year 2020, outstanding receivables from direct insurance operations were closed with premium payments received (these were provisionally recorded among open liabilities from direct insurance operations) while liabilities were closed with claims payments (see also liabilities arising from direct insurance contracts - Section 10.19).

In addition to receivables from direct insurance business, receivables from reinsurance and co-insurance also increased by EUR 477,446 (due to a major fire damage from 2019), as well as income tax receivables and, to a lesser extent, other current operating receivables. The balance of other receivables is lower than in the previous year.

Movements in value adjustments of receivables

(in EUR)	Receivables from insurance operations	Subrogations	Other receivables	Total
Balance as at 1 Jan 2018	**17,067,511**	**18,452,206**	**1,519,116**	**37,038,833**
Changes during the year	(1,709,102)	(2,189,701)	(104,055)	(4,002,858)
Balance as at 31 Dec 2018	**15,358,409**	**16,262,505**	**1,415,061**	**33,035,975**
Balance as at 1 Jan 2019	**15,358,409**	**16,262,505**	**1,415,061**	**33,035,975**
Changes during the year	(201,240)	(894,962)	(21,033)	(1,117,235)
Balance as at 31 Dec 2019	**15,157,169**	**15,367,543**	**1,394,027**	**31,918,740**

10.10 OTHER ASSETS

Other assets – total balance

(in EUR)	31 Dec 2019	31 Dec 2018
Inventories	2	2
Deferred acquisition costs	5,362,067	4,745,332
Deferred expenses and accrued revenues	830,981	1,010,875
Total	6,193,049	5,756,209

10.10.1 Deferred acquisition costs

Movements in deferred acquisition costs

(in EUR)	Long-term deferred acquisition costs	Short-term deferred acquisition costs
Balance as at 1 Jan 2018	140,580	4,510,895
Utilised in 2018	49,820	3,556,639
Formed in 2018	53,216	3,647,099
Balance as at 31 Dec 2018	143,977	4,601,355
Balance as at 1 Jan 2019	143,977	4,601,354
Utilised in 2019	25,063	3,634,084
Formed in 2019	110,233	4,165,649
Balance as at 31 Dec 2019	229,147	5,132,919

10.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

(in EUR)	31 Dec 2019	31 Dec 2018
Cash on hand and cheques received	2,467	960
Balances on accounts	15,008,816	15,455,232
Short-term deposits redeemable on demand	500,016	750,048
Short-term deposits placed (maturity date up to 3 months)	5,670,001	5,300,250
Other cash	292,046	205,355
Total	21,473,347	21,711,844

The effective interest rate in 2019 on call deposits was between 0.0% and 0.001% (2018: from 0.0% and 0.002%).

10.12 EQUITY

Balance of equity

(in EUR)	31 Dec 2019	31 Dec 2018
Share capital	**42,999,530**	**42,999,530**
Capital reserves	**4,211,782**	**4,211,782**
Reserves from profit	**9,223,936**	**9,223,936**
Legal reserves	1,519,600	1,519,600
Other reserves from profit	7,704,336	7,704,336
Other reserves from profit	7,704,336	7,704,336
Translation differences	**10,884**	**12,714**
Reserve due to fair value measurement (Revaluation surplus)	**5,825,192**	**548,654**
Retained net profit	**30,667,971**	**29,970,220**
Net profit for the financial year	**6,998,709**	**9,145,183**
TOTAL	**99,938,004**	**96,112,020**
Minority interest	49,742	105,886

Minority interest

Minority interest is the share capital of minority stakeholders of indirect subsidiaries in the amount of EUR 49,742, of which EUR 26,211 was accounted for by Generali Investments d.o.o., Croatia and EUR 23,531 by Generali investments AD, Macedonia.

Share capital

As at 31 December 2019, the subscribed and fully paid in share capital of the parent company amounted to EUR 42,999,530. The share capital is divided into 10,304,407 ordinary no-par value shares. All shares are registered shares. The share capital did not change in 2018.

Distribution of accumulated profits

Adriatic Slovenica d.d. (the parent company) transfers the net profit for the year to accumulated profits to be used for dividend payments together with the remaining part of the accumulated profits.

At the General Meeting of Shareholders held on 24 April 2019, the direct owner of Adriatic Slovenica and the sole shareholder decided on the distribution of accumulated profits for 2018. A part of the accumulated profits in the amount of EUR 8,140,481.53 was used for dividend payments. The rest of accumulated profits in the amount of EUR 30,371,414 remained unallocated and was transferred to the accumulated profits for 2019. Dividends were paid in full.

Ownership structure

As at 31 December 2019, the controlling company Generali CEE Holding B. V. established in Amsterdam held 10,304,407 shares, i.e. 100% of Adriatic Slovenica. The ownership structure changed in 2019. Until 13 February, the owner of 100% shares was KD Group d. d.

Distribution of accumulated profit and loss coverage

The Adriatic Slovenica Group ended 2019 with a profit before tax totalling EUR 8,370,299 and a net profit for the year amounting to EUR 7,016,079. After the balance sheet date, the management of Adriatic Slovenica d.d. adopted a decision on the use of net profit, determined the accumulated profit and formed a proposal on accumulated profit distribution.

Within its responsibilities, the Management Board of the parent company can decide on covering the loss for the year. The Management Board also decides on the distribution of net profit by life, non-life and health insurance segments, and therefore on covering the loss relating to individual segments.

On 31 December 2019, the Management Board of the parent company used profits from past years to cover the loss for the current year, as follows.

- to partially cover the loss for the current year of unit-linked investment insurance in the amount of EUR 907,064 , and
- to cover the total loss of the current year of life insurance in the amount of EUR 4,040,105, to cover the loss generated by individual funds within the ring-fenced pension fund - payment amounting to EUR 12,671 and pension insurance amounting to EUR 55.

The management used the current year profit of EUR 10,907 to cover the loss from past years of unit-linked life insurance business.

Accumulated profits

After covering the loss from the reporting year by using the profit from the past year, the final balance of net profit for the year was EUR 6,998,709. Together with the unallocated profit brought forward from previous years amounting to EUR 30,667,971, the balance sheet profit as at 31 December 2019 to be distributed at the General Meeting of Shareholders amounted to EUR 37,666,680.

Other changes

Other changes in in 2019 include foreign exchange differences in the profit/loss carried forward of the Zagreb Branch in the amount of EUR 86,008.

Reserves and surplus from profit

The parent company forms reserves from profit in line with the provisions of the Companies Act (ZGD-1) relating to statutory reserves and on the basis of the decision passed by the Management Board, with the approval of the Supervisory Board, regarding the requirements to achieve and maintain the appropriate capital adequacy level in accordance with the Solvency II requirements (other reserves from profit).

After 2019, the parent company did not change or form additional reserves from profit.

Capital reserves

As at 31 December 2019, the capital reserves of the parent company were divided into payments exceeding the minimum amount of issue of shares or the amount of basic capital contribution (paid capital surplus) in the amount of EUR 1,724,217, and the reversal of the general equity revaluation adjustment in the amount of EUR 2,487,565.

Treasury shares

In 2019, neither the Group nor any third party for the account of the companies within the Group accepted any new treasury shares as security. Moreover, as at 31 December 2019 neither the Group nor any third party for the account of the companies within the Group held any treasury shares as security.

Revaluation surplus

Revaluation surplus refers to changes in fair value of available-for-sale financial assets disclosed in other comprehensive income. Within equity, the revaluation surplus is decreased by deferred taxes.

Revaluation surplus

(in EUR)	31 Dec 2019	31 Dec 2018
Specific revaluation of equity	5,825,192	548,654
exchange rate differences in associated companies	317,248	273,752
from reinforcement/impairment of available-for-sale financial assets	6,800,650	340,105
from adjustment for deferred taxes	(1,292,706)	(65,202)
Total revaluation surplus	**5,825,192**	**548,654**

Movements in revaluation surplus from available-for-sale financial assets with profit

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Balance as at 1 Jan	**548,654**	**728,676**
Profits (losses) recognised in revaluation surplus	**6,942,480**	**(742,984)**
Net change due to revaluation	8,517,264	(913,441)
Change in deferred taxes due to revaluation	(1,618,280)	170,457
Change of a surplus arising from the revaluation of associated company	43,496	-
Transfer of profits (losses) from revaluation surplus to profit or loss	**(1,665,941)**	**562,963**
Change in revaluation surplus transferred on disposal to profit or loss	(2,056,718)	(351,611)
Change in deferred taxes on realisation of revaluation surplus	390,777	66,806
Transfer of negative revaluation surplus to profit or loss on impairment	-	1,046,626
The change deferred taxes from impairments through profit or loss	-	(198,859)
Balance as at 31 Dec	**5,825,193**	**548,654**

10.13 SUBORDINATED LIABILITIES

On 24 May 2016, the parent company Adriatic Slovenica in the AS Group issued the subordinated bond Floating Rate Subordinated Notes due in 2026 (abbreviated: ADRIS Float 05/24/2026) at a nominal value of EUR 50,000,000.

The bond has the status of subordinated debt with the following features:

- The release date is 24 May 2016.
- The maturity date of the last coupon and the principal is 24 May 2026.
- The nominal value of the issue is EUR 50,000,000.
- The total bond issue comprises 50,000 lots, the value of one lot is EUR 1,000.
- All bonds were sold in full.
- The interest rate equals the 3-month EURIBOR + 7.800% fixed margin.
- In accordance with the amortisation plan, the payment frequency of interest (coupons) is on a quarterly basis, specifically on 24 February, 24 May, 24 August and 24 November.
- The principal will be paid in full at maturity.

The issued bonds are disclosed at the amortised value. Subordinated liabilities as at 31 December 2019 amounted to EUR 49,676,681. Bonds are recorded among non-life insurance in the amount of EUR 22,851,273 and life insurance in the amount of EUR 26,825,408. By 24 November 2019, the Company paid interest to the creditors in the amount of EUR 3,943,500.

Movements in issued bonds

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
As at 1.1.	**49,581,823**	**49,525,147**
Accrued interest	4,038,358	4,032,676
Repayment interest	(3,943,500)	(3,976,000)
As at 31.12.	**49,676,681**	**49,581,823**

At their issue the bonds were listed on the Irish Stock Exchange. In the case of bankruptcy or liquidation of the Company, the liabilities arising from the issue of these bonds are subordinated to net debt instruments and are only paid to creditors after all non-subordinated debt liabilities arising from insurance contracts and other business relationships are paid. Issued bonds do not contain the holder's rights to recover a collectable receivable before the maturity set by the amortisation plan. The bond cannot be exchanged for other types of securities or be converted into any other liability. The bond can be recalled after five years.

10.14 INSURANCE TECHNICAL PROVISIONS

Insurance technical provisions (liabilities arising from insurance contracts) – gross and net

(in EUR)	Gross + received co-insurance as at 31.12.2019	Reinsurance + ceded co-insurance as at 31.12.2019	Net as at 31.12.2019	Gross + received co-insurance as at 31.12.2018	Reinsurance + ceded co-insurance as at 31.12.2018	Net as at 31.12.2018
Unearned premiums	44,498,817	447,122	44,051,695	43,304,240	447,054	42,857,185
Claims provisions for	109,775,410	16,232,048	93,543,362	103,259,636	14,201,227	89,058,409
- reported claims	57,085,136	15,066,170	42,018,966	54,524,262	13,031,776	41,492,486
- not reported claims	52,690,274	1,165,878	51,524,396	48,735,374	1,169,450	47,565,923
Provisions for bonuses and discounts	820,058	-	820,058	508,156	-	508,156
Mathematical provisions	(0)	-	(0)	225,650	-	225,650
Other insurance technical provisions	(0)	-	(0)	5,687	-	5,687
Total non-life insurance	**155,094,284**	**16,679,170**	**138,415,115**	**147,303,368**	**14,648,281**	**132,655,087**
Unearned premiums	6,565,212	-	6,565,212	6,326,315	-	6,326,315
Claims provisions for	7,172,898	-	7,172,898	5,744,942	-	5,744,942
- reported claims	1,088,369	-	1,088,369	975,411	-	975,411
- not reported claims	6,084,530	-	6,084,530	4,769,531	-	4,769,531
Provisions for bonuses and discounts	212	-	212	120	-	120
Mathematical provisions	-	-	-	77,873	-	77,873
Total health insurance	**13,738,323**	**-**	**13,738,323**	**12,149,250**	**-**	**12,149,250**
Unearned premiums	396,904	33,141	363,763	375,654	52,976	322,678
Claims provisions for	5,554,687	335,559	5,219,128	5,119,340	176,786	4,942,554
- reported claims	1,868,715	335,559	1,533,156	1,779,270	176,786	1,602,484
- not reported claims	3,685,972	-	3,685,972	3,340,070	0	3,340,070
Mathematical provisions	114,757,300	-	114,757,300	109,990,102	-	109,990,102
Other insurance technical provisions	6,087,145	-	6,087,145	0	-	0
The share of revaluation surplus from financial investments classified in the group of available-for-sale financial assets, which share belongs to the policyholders under the traditional life insurance contracts	6,087,124	-	6,087,124	-	-	-
Total life insurance with DPF	**126,796,036**	**368,700**	**126,427,336**	**115,485,096**	**229,762**	**115,255,334**
Total liabilities arising from insurance contracts	**295,628,643**	**17,047,870**	**278,580,774**	**274,937,714**	**14,878,043**	**260,059,671**

The disclosure of insurance technical provisions does not include claims provisions for unit-linked life insurance in the amount of EUR 1,592,208 (2018: EUR 1,445,645). These claims provisions are included separately in disclosures of insurance technical provisions for unit-linked life insurance in the next section (see Section 10.15).

The share of revaluation surplus from financial investments classified in the group of financial investments classified in the group of available-for-sale financial assets, which share belongs to the policyholders under the traditional life insurance contracts with the right to participate in the profit

The share of revaluation surplus from financial investments classified as available-for-sale financial assets and which belongs to policyholders under traditional life insurance contracts represents 75% of unrealized gains and losses on financial assets valued as available-for-sale and is included in other technical provisions in the amount of EUR 6,087,124.

The item is an accounting category and is not attributed to traditional life insurance contracts and subsequently included in mathematical provisions under policies until the gains and losses on available-for-sale investments are actually realized through the current income statement. The Company provides coverage of insurance technical provisions from traditional life insurance with appropriate investments without considering this item.

A recognized positive surplus from the revaluation of available-for-sale investments through the statement of other comprehensive income in equity is disclosed in Section 10.12. and the statement of comprehensive income in Section 3.3.

Movements in insurance technical provisions

(in EUR)	Gross 1. 1. - 31. 12. 2019	Reinsurance 1. 1. - 31. 12. 2019	Net 1. 1. - 31. 12. 2019	Gross 1. 1. - 31. 12. 2018	Reinsurance 1. 1. - 31. 12. 2018	Net 1. 1. - 31. 12. 2018
Movements in unearned premium						
Balance as at 1 Jan	**50,006,208**	**500,030**	**49,506,178**	**49,526,004**	**1,013,968**	**48,512,036**
Increase in liabilities	51,033,481	480,262	50,553,219	49,507,638	500,030	49,007,608
Decrease in liabilities	49,578,757	500,030	49,078,727	49,027,433	1,013,968	48,013,465
Balance as at 31 Dec	**51,460,933**	**480,262**	**50,980,670**	**50,006,208**	**500,030**	**49,506,178**
Movements in mathematical provisions						
Balance as at 1 Jan	110,293,625	-	110,293,625	107,590,283	-	107,590,283
Increase in the period	**15,871,682**	**-**	**15,871,682**	**15,307,262**	**-**	**15,307,262**
Decrease in the period	11,595,001	-	11,595,001	12,533,753	-	12,533,753
Change of current-year DPF part	186,993	-	186,993	(70,167)	-	(70,167)
Balance as at 31 Dec	**114,757,300**	**-**	**114,757,300**	**110,293,625**	**-**	**110,293,625**
Movements in claims outstanding						
Reported claims	**57,278,944**	**13,208,563**	**44,070,381**	**58,299,362**	**14,718,687**	**43,580,675**
Not reported claims	**56,844,976**	**1,169,451**	**55,675,525**	**55,918,323**	**1,971,536**	**53,946,787**
Balance as at 1 Jan	**114,123,919**	**14,378,013**	**99,745,906**	**114,217,685**	**16,690,223**	**97,527,462**
Decrease in provisions due to payments	39,028,231	1,746,378	37,281,854	41,403,779	4,411,035	36,992,744
Change in provisions from preceding years +/-	(5,739,023)	27,654	(5,766,677)	(4,975,853)	1,559,224	(6,535,078)
Increase in provisions in the current year	53,146,331	3,908,318	49,238,013	46,285,866	539,601	45,746,265
Reported claims	**60,042,221**	**15,401,729**	**44,640,492**	**57,278,943**	**13,208,563**	**44,070,381**
Not reported claims	**62,460,775**	**1,165,878**	**61,294,897**	**56,844,976**	**1,169,450**	**55,675,525**
Balance as at 31 Dec	**122,502,996**	**16,567,607**	**105,935,389**	**114,123,919**	**14,378,013**	**99,745,906**
Movements in other insurance technical provisions						
Balance as at 1 Jan	**513,962**	**-**	**513,962**	**529,843**	**-**	**529,843**
Increase in the period	820,291	-	820,291	513,962	-	513,962
Decrease in the period	513,962	-	513,962	529,843	-	529,843
Balance as at 31 Dec	**820,291**	**-**	**820,291**	**513,962**	**-**	**513,962**
Deferred liabilities to policyholders						
Change in the relative share of the fair value of available-for-sale investments	6,087,124	-	6,087,124	-	-	-
Balance as at 31 Dec	**6,087,124**	**-**	**6,087,124**	**-**	**-**	**-**

10.15 INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE

Insurance technical provisions for unit-linked life insurance

(in EUR)	Gross + received co-insurance as at 31.12.2019	Reinsurance + ceded co-insurance as at 31.12.2019	Net as at 31.12.2019	Gross + received co-insurance as at 31.12.2018	Reinsurance + ceded co-insurance as at 31.12.2018	Net as at 31.12.2018
Claims provisions	1,592,208	-	1,592,208	1,445,645	25,485	1,420,159
- reported claims	1,592,208	-	1,592,208	1,445,645	25,485	1,420,159
Provisions for unit-linked life insurance policyholders	310,690,347	-	310,690,347	271,970,492	-	271,970,492
Total unit-linked life insurance	**312,282,555**	**-**	**312,282,555**	**273,416,137**	**25,485**	**273,390,652**

Movements in insurance technical provisions for unit-linked life insurance

(in EUR)	Gross 1. 1. - 31. 12. 2019	Reinsurance 1. 1. - 31. 12. 2019	Net 1. 1. - 31. 12. 2019	Gross 1. 1. - 31. 12. 2018	Reinsurance 1. 1. - 31. 12. 2018	Net 1. 1. - 31. 12. 2018
Movements in claims outstanding						
Reported claims	**1,445,645**	**25,485**	**1,420,159**	**1,336,512**	**-**	**1,336,512**
Balance as at 1 Jan	**1,445,645**	**25,485**	**1,420,159**	**1,336,512**	**-**	**1,336,512**
Decreased provisions due to payments	515,626	-	515,626	689,715	-	689,715
Change in provisions from preceding years +/-	(2,891)	(25,485)	22,594	(6,558)	-	(6,558)
Increase in provisions in the current year	665,080	-	665,080	805,406	25,485	779,921
Reported claims	**1,592,208**	**-**	**1,592,208**	**1,445,645**	**25,485**	**1,420,159**
Balance as at 31 Dec	**1,592,208**	**-**	**1,592,208**	**1,445,645**	**25,485**	**1,420,159**
Movements in provisions for unit-linked life insurance policyholders						
Balance as at 1 Jan	**271,970,492**	**-**	**271,970,492**	**301,043,281**	**-**	**301,043,281**
Increase in the period	73,581,197	-	73,581,197	13,605,602	-	13,605,602
Decrease in the period	34,861,343	-	34,861,343	42,678,390	-	42,678,390
Balance as at 31 Dec	**310,690,347**	**-**	**310,690,347**	**271,970,492**	**-**	**271,970,492**

10.16 LIABILITIES ARISING FROM FINANCIAL CONTRACTS

Liabilities arising from financial contracts

(in EUR)	31 Dec 2019	31 Dec 2018
Liabilities to pension savers (policyholders)	18,647,836	11,886,157
Liabilities from financial contracts for payments	17,124,451	12,097,380
Liabilities from financial contracts for fund return	1,523,386	(211,223)
Other liabilities	38,650	26,690
Total liabilities from financial contracts	**18,686,486**	**11,912,847**

As at 31 December 2019, savers' payments amounted to EUR 17,124,451 and represented the net premium (gross premium payments reduced by the entry charges). These costs/expenses charged to the saver's account represent other insurance revenues from fees and commissions for the manager of guarantee funds for AS pension insurance. In 2019, EUR 34,521 (last year: EUR 29,274) of entry charges were charged.

The gain that increases the liability is calculated from net gain (capital gains and losses), which was generated with asset management and reduced by management costs. Short-term operating liabilities are recorded under other liabilities.

Movements in financial contracts liabilities

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
As at 1 January	11,886,157	8,865,381
Increase in the period	**7,900,533**	**3,856,506**
for payments	6,131,258	3,856,506
for achieved return	1,769,275	-
Decrease in the period	**1,138,853**	**835,730**
for payouts (surrender)	1,104,188	282,325
for achieved return	34,666	553,405
As at 31 December	18,647,836	11,886,157

Annual gain of savers for which the liability of the Group increases varied in 2019 depending on the type of AS pension savings, as follows:

- (17.48 %) for the guarantee fund Pokojninsko varčevanje AS Drzni do 50 (pension fund),
- (10.56 %) for the guarantee fund Pokojninsko varčevanje AS Umirjeni med 50 do 60 (pension fund),
- (6.12 %) achieved (0.60% guaranteed) for the guarantee fund Pokojninsko varčevanje AS Zajamčeni od 60 (pension fund).

Each month, at the end of the accounting period, the parent company calculates the guaranteed value of assets and compares it with the guaranteed return of 60% of the average annual interest rate on government securities. As at the end of 2019, the guaranteed return was 0.60%. Since the guaranteed return was not achieved in 2019, the Company (as a pension insurance manager) formed long-term liabilities of EUR 519 charged to own fund life insurance assets, in line with the Pension and Disability Insurance Act (ZPIZ-2).

10.17 OTHER PROVISIONS

10.17.1 Other provisions

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Provisions for termination benefits	5,527,186	4,926,818
Provisions for long-service benefits	226,198	57,284
Total	5,753,385	4,984,103

10.17.2 Provisions for employee benefits

Provisions for employee benefits

(in EUR)	31 Dec 2019	31 Dec 2018
Provisions for employee benefits	2,071,204	1,752,015
Other non-current provisions	3,455,983	3,174,804
Total	5,527,186	4,926,819

Movements in provisions for employee benefits

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
As at 1.1.	**4,926,818**	**4,563,778**
Increase in current period	388,355	392,092
Decrease due to paid provisions for termination and long-service benefits	(313,631)	(394,511)
Actuarial gains and losses	525,644	365,460
Adjustments arising from past experience	(83,158)	292,424
Effect of change of assumptions	608,802	73,036

As at 31 December	5,527,186	4,926,818

Movements in provisions for unused vacation and long-service benefits are entirely recognised in the income statement under operating costs. The same goes for changes in provisions for retirement benefits, except for actuarial gains or losses recognised in other comprehensive income.

The main assumptions applied in the calculation of provisions for termination and long-service benefits:

- the discount rate: the risk free interest rate curve ECB (European Central Bank) Euro area yield curve: AAA-rated euro area central government bonds dated 29.11.2019 is used to calculate the present value of the future cash flows (31 December 2018 the ECB dated 30.11.2018 was applied)
- the expected increase in salaries in the Company, including the expected increase in salaries due to promotions of 4.0% (31 December 2018: 3.6%),
- the expected mortality is determined based on Slovene mortality tables from 2007 (the same as at 31 December 2018),
- future fluctuation is determined based on the age of employees: 18% for the age group from 20 to 30 years, 8% for the age group of 30 to 40 years and 5% for 40 years of age and above (as at 31 December 2018 18% for the age group from 20 to 30 years, 10% for the age group of 30 to 40 years and 5% for 40 years of age and above).

The provision amounts in 2019 include taxes and contributions. The effect of changes in assumptions amounted to EUR 608,802.

Analysis of sensitivity to changes in parameters

Parameters	Parameter changes	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Discount rate	discount curve move by +0,25%	(114,555)	(114,505)
	discount curve move by -0,25%	118,932	118,877
Salary increase	change in annual salary increase by +0,5%	235,892	235,766
	change in annual salary increase by -0,5%	(221,330)	(221,224)
Mortality	permanent increase in mortality by +20%	(45,140)	(45,135)
	permanent increase in mortality by -20%	45,890	45,885
Early termination of employment	expense curve move by +20%	(479,836)	(479,727)

10.17.3 Other long-term provisions

Movements in other long-term provisions

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
As at 1.1.	**57,285**	**61,484**
Increase in current period (formation)	200,000	5,022
Decrease	(31,086)	(9,222)
As at 31.12.	**226,199**	**57,285**

10.18 OTHER FINANCIAL LIABILITIES

Movements in loans and other current financial liabilities

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Balance as at 1 Jan	**524,592**	**429,198**
Increase	261,844,012	402,737,356
Decrease	(260,889,476)	(402,641,962)
Balance as at 31 Dec	**1,479,128**	**524,592**

10.19 OPERATING LIABILITIES

The Group has no secured liabilities.

Operating liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Liabilities arising from direct insurance contracts	9,303,380	3,898,988
Liabilities arising from reinsurance and co-insurance	1,786,409	2,246,026
Tax liability	34,792	1,012,287
Total	**11,124,580**	**7,157,302**

Compared to 2018, the operating liabilities increased by EUR 3,967,278 or by 55%, as a result of higher liabilities arising from direct insurance contracts (by EUR 5,404,391). Just as early termination in 2019 had an effect on the increase in receivables from direct insurance operations, the temporary delay in recording claims payments and premium payments (disabling the closure receivables) also caused a higher balance of direct insurance liabilities. The balance of these liabilities decreased immediately at the beginning of the financial year 2020, when liabilities for claims were closed by payments and when the unallocated premium was distributed so that receivables from direct insurance operations could be properly closed (see also receivables from direct insurance operations - Section 10.9).

For the financial year 2019, the Group accounted current tax liabilities at a 19% tax rate.

10.20 OTHER LIABILITIES

Other liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Other operating (trade) liabilities	7,540,606	9,049,078
Accrued costs/expenses and deferred revenues	7,431,392	4,727,716
Total	**14,971,998**	**13,776,794**

10.20.1 Other operating liabilities

Other operating liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Long-term operating liabilities	**9,619**	**75,581**
Long-term securities	4,600	4,600
Other long-term operating liabilities	5,019	70,981
Current operating liabilities	**7,530,987**	**8,973,497**
Current operating liabilities to suppliers	984,009	2,339,237
Current operating liabilities to employees	2,811,284	2,758,770
Other current liabilities from insurance operations	2,595,881	2,932,148
Current operating liabilities to the state (except for income tax)	528,374	508,967
Current liabilities for received advances	3,287	3,377
Other current operating liabilities	608,151	430,998
Total	**7,540,606**	**9,049,078**

As at the 2019 year-end, other operating liabilities decreased by EUR 1,508,472 (17 %) compared to the previous year. The decrease is mainly due to a decrease in short-term operating liabilities to suppliers by EUR 1,355,228, mainly due to accrued costs due to earlier termination of the year (see Section 10.19.2.).

Current operating liabilities to employees arising from labour costs predominate in the structure of other operating liabilities together with other current operating liabilities from insurance operations with a 34% share, which is by EUR 336,267 lower than in the previous year. These short-term liabilities mainly refer to:

- the liabilities to the Slovene Insurance Association for contributions for coverage of claims for damage on unknown and uninsured vehicles and vessels (in the amount of EUR 578,389; last year EUR 743,414),
- the liabilities for sales tax on insurance operations (in the amount of EUR 917,681; last year EUR 945,883),

- liabilities to other insurance companies from equalisation scheme for complementary health insurance (in the amount of EUR 0; last year EUR 474,274),
- fire tax liability (in the amount of EUR 121,138; last year EUR 110,953), and predominantly to
- liabilities for the repayment of reinsurance commissions advances. These liabilities amount to EUR 898,279, last year EUR 594,571.

Compared to the previous year, there was an increase in liabilities especially for the reinsurance commissions advances with maturity in future years. These liabilities are based on the respective claims ratio in relation to the expected total claims. In the period from 1 January 2019 to 31 December 2019, the loss ratio of reinsurance (for which the liability for the advance was established in 2018) worsened and the liability for the reinsurance commissions advances increased. Other liabilities are lower than in the previous year, in particular due to liabilities to other insurance companies from equalisation scheme, which needed no settling in 2019.

The long-term operating liabilities of the Group include the long-term liability in the amount of EUR 519 formed in line with the Pension and Disability Insurance Act (ZPIZ-2) in favour of life-cycle pension insurance policyholders. These long-term liabilities may become due and payable also after the five-year period (see Section 10.16). Other long-term liabilities become due and payable sooner than in five years.

10.20.2 Accrued costs and deferred revenue

Accrued costs and deferred revenue

(in EUR)	31 Dec 2019	31 Dec 2018
Accrued expenses - operating	3,348,265	1,214,387
Accrued expenses - for unused annual holidays	1,624,334	1,472,567
Accrued expenses – acquisition costs and unexpired commissions	939,047	650,821
Accrued expenses from equalisation scheme for supplementary health insurance	561,426	539,033
Other deferred and accrued items	958,321	850,909
Total	7,431,393	4,727,716

Compared to the previous year, the balance of accrued costs at the end of 2019 was higher by EUR 2,703,676, especially as a consequence of higher accrued operating expenses (these were higher by EUR 2,133,878). At the 2019 year-end, due to the early termination of the year, the insurance company estimated and calculated the operating costs which were certainly to be incurred and which related to the 2019 financial year.

10.21 REVENUE

10.21.1 Premium revenue from insurance contract

Net premium revenue from insurance contracts in 2019

(in EUR)	Written gross insurance premiums	Reinsurers'/ coinsurers' share in written premiums	Change in gross unearned premiums	Change in unearned premiums for reinsurance and coinsurance share	Net revenues from insurance premiums
Motor vehicle liability insurance	40,137,168	(956,110)	(232,744)	-	38,948,314
Land motor vehicle insurance	38,731,904	(1,685,309)	(493,211)	-	36,553,384
Accident insurance	16,936,335	(97,666)	45,733	(74)	16,884,327
Fire and natural forces insurance	18,136,336	(3,175,927)	(78,125)	7,019	14,889,304
Other damage to property insurance	14,030,191	(1,135,347)	(156,969)	3,582	12,741,456
General liability insurance	10,318,795	(797,939)	(142,057)	(48,297)	9,330,502
Credit insurance	(1,495)	-	71,119	-	69,624
Other non-life insurance, excluding health insurance	9,158,456	(583,369)	(218,544)	37,981	8,394,523
Insurance contracts for non-life insurance, excluding health insurance	**147,447,689**	**(8,431,667)**	**(1,204,798)**	**210**	**137,811,434**
Health insurance contracts	**104,567,891**	**-**	**(246,526)**	**-**	**104,321,365**
Life insurance	23,338,988	(2,172,982)	(3,390)	(19,978)	21,142,494
Unit-linked insurance contracts	34,358,794	(4,592)	-	-	34,354,202
Life insurance contracts	**57,697,782**	**(2,177,574)**	**(3,390)**	**(19,978)**	**55,496,840**
Total	**309,713,362**	**(10,609,241)**	**(1,454,714)**	**(19,768)**	**297,629,639**

Net premium revenue from insurance contracts in 2018

(in EUR)	Written gross insurance premiums	Reinsurers'/ coinsurers' share in written premiums	Change in gross unearned premiums	Change in unearned premiums for reinsurance and coinsurance share	Net revenues from insurance premiums
Motor vehicle liability insurance	39,454,707	(852,001)	23,493	(6,508)	38,619,691
Land motor vehicle insurance	36,231,684	(1,531,518)	(756,373)	-	33,943,793
Accident insurance	17,657,512	(115,063)	(117,959)	(162,320)	17,262,169
Fire and natural forces insurance	17,471,466	(3,049,742)	(273,101)	(276,142)	13,872,481
Other damage to property insurance	13,101,761	(1,176,517)	(117,445)	(71,506)	11,736,292
General liability insurance	9,213,747	(773,184)	(109,135)	(2,939)	8,328,489
Credit insurance	(2,965)	-	157,711	-	154,746
Other non-life insurance, excluding health insurance	8,640,224	(625,902)	285,286	3,610	8,303,218
Insurance contracts for non-life insurance, excluding health insurance	**141,768,135**	**(8,123,928)**	**(907,523)**	**(515,804)**	**132,220,880**
Health insurance contracts	**99,693,576**	**-**	**447,813**	**-**	**100,141,389**
Life insurance	22,402,748	(2,128,446)	(20,495)	1,867	20,255,674
Unit-linked insurance contracts	36,581,743	(2,882)	-	-	36,578,861
Life insurance contracts	**58,984,490**	**(2,131,328)**	**(20,495)**	**1,867**	**56,834,535**
Total	**300,446,201**	**(10,255,255)**	**(480,205)**	**(513,938)**	**289,196,804**

10.21.2 Financial revenue and expenses from investments and investments in associates

Financial revenue and expenses from investments

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Income from financial investments measured at FVTPL	**43,214,450**	**2,102,096**
Held for sale	68,743	47,167
Interest and net exchange differences	38,852	43,283
Revaluation income	29,891	3,884
At initial recognition	43,145,708	2,054,929
Dividends	60,999	68,079
Interest and net exchange differences	57,716	703,527
Net sales income	4,265,262	1,283,322
Revaluation income	38,761,730	-
Income from financial investments held to maturity (HTM)	**881,848**	**1,728,803**
Interest and net exchange differences	881,848	1,681,721
Sales income	0	47,082
Income from financial investments available-for-sale (AFS)	**6,400,448**	**4,899,992**
Dividends	1,283,356	1,414,569
Interest and net exchange differences	2,668,921	2,299,651
Sales income	2,444,787	1,185,772
Reversal of impairment	3,384	-
Income - derivatives	**0**	**0**
Income from loans and receivables	**1,866,326**	**3,161,881**
Interests	1,320,623	2,463,364
Net exchange differences	175,690	304,067
Other income	370,012	394,450
INCOME FROM INVESTMENTS	**52,363,072**	**11,892,771**
Income from investments - associates	253,044	58,211
INCOME FROM INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	**253,044**	**58,211**
Expenses for financial investments measured at FVTPL	**(7,933)**	**(22,459,124)**
Held for sale	(7,933)	(46,509)
Net sales expenses	(483)	-
Revaluation expenses	(7,450)	(46,509)
At initial recognition	-	(22,412,615)
Revaluation expenses	-	(22,412,615)
Expenses for financial investments held to maturity (HTM)	**(2,144)**	**-**
Realised losses	(2,144)	-
Expenses for financial investments available-for-sale (AFS)	**(387,297)**	**(1,880,778)**
Realised losses	(387,297)	(834,152)
Impairment	-	(1,046,626)
Expenses - derivatives	**(2,656,282)**	**(1,122,639)**
EXPENSES FOR INVESTMENTS	**(3,053,656)**	**(25,462,541)**
Expenses for investments - associates	(116,467)	(71,295)
Expenses for investments - subsidiaries	-	(3,487)
EXPENSES FOR INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	**(116,467)**	**(74,782)**
Net financial result - investments measured at FVTPL	**43,206,517**	**(20,357,028)**
Net financial result - investments held to maturity (HTM)	**879,704**	**1,728,803**
Net financial result - available-for-sale investments (AFS)	**6,013,151**	**3,019,214**
Net financial result - derivatives	**(2,656,282)**	**(1,122,639)**
Net financial result from loans and receivables	**1,866,326**	**3,161,881**
Net financial result - investments in subsidiaries and associates	**136,577**	**(16,571)**
NET FINANCIAL RESULT FROM INVESTMENTS	**49,445,993**	**(13,586,340)**

Financial revenue and expenses also include net financial revenue/expenses for unit-linked insurance. In 2019, the net financial result of these investments was EUR 42,983,539. In the same period, the insurance technical provisions for these funds increased; it is therefore important to take into account the insurance technical provisions which contribute to a realistic display of results of profit or loss in funds for unit-linked life insurance. The change in these insurance technical provisions (See Section 10.15) in 2019 increased the provision by EUR 38,891,903 and thus the final result for the same amount.

Net gains/losses on held-for-trading financial assets

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Unrealised profits	61,375	30,033
Realised losses	(483)	-
Unrealised losses	(38,934)	(72,657)
Total	**21,958**	**(42,625)**

Net gains/losses on financial assets at initial recognition through profit or loss

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Realised profits	5,100,302	2,839,229
Unrealised profits	38,977,614	174,303
Realised losses	(835,040)	(1,555,906)
Unrealised losses	(215,885)	(22,586,918)
Total	**43,026,992**	**(21,129,293)**

In the total amount of net gains/losses on financial assets at initial recognition through profit or loss pertaining to unit-linked life insurance, the gain amounted to EUR 42,832,757 (2018: loss of EUR 20,540,889).

Impairment of securities of available-for-sale financial assets

(in EUR)	31 Dec 2019	31 Dec 2018
Equity securities	-	1,046,627
Total	**-**	**1,046,627**

In 2019, there was no permanent impairment of investments within the “available-for-sale financial assets”. In the previous year permanent impairment was made within the “available-for-sale financial assets” for the amount of EUR 1,046,627, of which EUR 1,003,711 in relation to equity securities and EUR 42,916 in relation to mutual funds.

Within the “held-to-maturity financial assets”, there were no permanent impairments of investments made in 2019.

10.21.3 Other insurance revenue

Revenue from management commission and other insurance revenue

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Revenue from insurance contracts	**796,812**	**1,829,722**
Revenues from reinsurance fees/commissions and from shares in positive technical result	607,437	1,666,280
Revenues from front-end/entry costs for insurance contracts	34,521	29,274
Other fee income for management of insurance contracts	154,854	134,168
Revenue from investment contracts	**45,083**	**31,944**
Other fee income for management of investment contracts	45,083	31,944
Total fee and commission revenue	**841,895**	**1,861,666**

Other insurance revenue consists mainly of revenue from reinsurance commissions from participation in the positive technical result from individual reinsurance contracts. Revenue from reinsurance contracts decreased in 2019 due to due to lower reinsurance fees/commissions for motor quota reinsurance in the years 2012 - 2014 as a result of different release of claims provisions in 2018 and 2019 and thus different movements in the loss result on this reinsurance contract.

The second portion of other insurance revenue includes fees for concluding and managing financial contracts arising from Pokojninsko varčevanje AS (pension saving) in line with the investment policy of the life cycle.

10.21.4 Other revenue

Other revenue

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Net revenue from sales of goods and services	**1,104,249**	**1,267,916**
Revenue from the sale of services	1,104,249	1,267,916
Other net insurance revenues	**1,196,986**	**1,170,594**
Revaluation operating revenues	**500,768**	**1,380,074**
Reversal of provisions	**-**	**14,795**
Other financial and other revenues	**4,363,343**	**2,539,029**
Other operating revenues	**87,025**	**19,465**
Other commission revenue	**9,967,560**	**10,393,995**
Fund management fee and commission revenue	9,823,081	10,387,564
Revenues from asset management	144,479	6,431
Total	**17,219,932**	**16,785,867**

Compared to the previous year, other revenue were higher by EUR 434,064, mainly due to other financial and other revenue, presented below. Other net revenue from insurance operations is also shown in a separate table below.

Other net insurance revenue

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Revenue for management of insurance contracts	28,370	21,627
Revenue from insurance services provided to foreign insurance companies	563,336	466,858
Revenue from rent on parking lot and cars	39,186	137,941
Revenue from Green Card sales	411,546	413,876
Revenue from other services	154,549	130,292
Total	**1,196,986**	**1,170,594**

Revaluation operating revenue

Revaluation operating revenue mostly originate from the reversal of impairment of receivables (of premium receivables, subrogation receivables, other receivables and financial receivables) in the amount of EUR 202,632, revenue from the sales of property, plant and equipment in the amount of EUR 233,248 and the write-off of liabilities from previous years in the amount of EUR 35,688.

Compared to the previous year, the revenue decreased by EUR 879,306 in total, due in particular to lower revenue from the reversal of impairments of financial receivables (down by EUR 977,559) and the reversal of impaired premium receivables (down by EUR 321,767). Despite lower total revaluation revenue, in 2019 revenue increased owing to the reversal of impairments of subrogation receivables by EUR 202,632.

Other financial and other revenue

Compared to the previous year, other financial and other revenue increased by EUR 1,824,314, which was mainly due to higher other financial revenue (this year: EUR 2,770,081; last year: EUR 37,247), arising mainly from revaluation of loans given to Fondpolica policyholders due to changes in market quotations.

In the group of other financial revenue, the predominant is revenue from the lease of investment property amounting to EUR 781,094 (in 2018: EUR 1,648,380) and which are lower compared to the same period last year by EUR 867,286 or by 52.6% due to the sale of a large investment property.

10.22 NET CLAIMS INCURRED

Net claims incurred in 2019

(in EUR)	Gross claims settled	Revenues from recourse receivables	Share of reinsurance/ coinsurance in claims/ benefits paid	Change in gross outstanding claims provisions	Change in outstanding claims provisions for reinsurance/ coinsurance share	Expenses from equalisation scheme	Net expenses for claims/ benefits paid
Motor vehicle liability insurance	27,001,027	(831,707)	(902,950)	(189,637)	885,118	-	25,961,851
Land motor vehicles insurance	25,880,504	(391,287)	(113,176)	397,178	136,695	-	25,909,913
Accident insurance	8,115,009	(9,039)	(94,969)	743,810	(160)	-	8,754,651
Fire and natural disasters Insurance	10,147,821	(32,553)	(3,024,657)	3,908,259	(3,221,659)	-	7,777,211
Other damage to property insurance	7,591,155	(23,775)	(412,525)	477,880	312,531	-	7,945,267
General liability insurance	3,213,912	(1,413)	(8,980)	613,853	(124,743)	-	3,692,630
Credit insurance	50,448	(48,446)	-	(2,264)	-	-	(262)
Other non-life insurance, excluding health insurance operations	5,313,871	140,288	10,646	630,108	(18,603)	-	6,076,310
Non-life insurance contracts, excluding health insurance contracts	**87,313,747**	**(1,197,930)**	**(4,546,612)**	**6,579,186**	**(2,030,821)**	**-**	**86,117,569**
Health insurance contracts	**88,088,673**	**(42,752)**	**-**	**1,434,475**	**-**	**2,256,070**	**91,736,466**
Life insurance	12,872,824	-	(346,309)	365,415	(158,773)	-	12,733,158
Unit-linked insurance contracts	30,841,817	-	-	146,564	25,485	-	31,013,866
Additional pension insurance	420,621	-	-	-	-	-	420,621
Insurance contracts and investment life insurance contracts	**44,135,262**	**-**	**(346,309)**	**511,979**	**(133,288)**	**-**	**44,167,645**
Total	**219,537,682**	**(1,240,683)**	**(4,892,921)**	**8,525,640**	**(2,164,109)**	**2,256,070**	**222,021,679**

Net claims incurred in 2018

(in EUR)	Gross claims settled	Revenues from recourse receivables	Share of reinsurance/ coinsurance in claims/ benefits paid	Change in gross outstanding claims provisions	Change in outstanding claims provisions for reinsurance/ coinsurance share	Expenses from equalisation scheme	Net expenses for claims/ benefits paid
Motor vehicle liability insurance	27,463,540	(682,102)	(930,878)	(1,205,209)	175,428	-	24,820,781
Land motor vehicles insurance	27,000,126	(655,541)	(761,875)	(794,267)	638,360	-	25,426,804
Accident insurance	7,996,142	-	(147,523)	(73,438)	94,799	-	7,869,980
Fire and natural disasters Insurance	8,329,279	(19,581)	(2,141,289)	(1,058,971)	1,456,504	-	6,565,941
Other damage to property insurance	7,940,216	(51,675)	(437,220)	(244,293)	32,045	-	7,239,074
General liability insurance	2,984,673	(34,363)	(18,249)	2,074,904	(138,321)	-	4,868,646
Credit insurance	46,398	(56,634)	-	(3,014)	-	-	(13,250)
Other non-life insurance, excluding health insurance operations	5,583,700	(372,931)	(566,352)	943,668	(2,644)	-	5,585,441
Non-life insurance contracts, excluding health insurance contracts	**87,344,075**	**(1,872,826)**	**(5,003,387)**	**(360,619)**	**2,256,172**	**-**	**82,363,417**
Health insurance contracts	**86,641,769**	**(54,950)**	**-**	**338,644**	**-**	**1,931,894**	**88,857,358**
Life insurance	13,546,430	-	(681,661)	(71,791)	56,037	-	12,849,015
Unit-linked insurance contracts	32,817,567	-	-	109,133	(25,485)	-	32,901,215
Additional pension insurance	634,486	-	-	-	-	-	634,486
Insurance contracts and investment life insurance contracts	**46,998,483**	**-**	**(681,661)**	**37,342**	**30,552**	**-**	**46,384,716**
Total	**220,984,328**	**(1,927,775)**	**(5,685,048)**	**15,366**	**2,286,725**	**1,931,894**	**217,605,489**

Net claims incurred classified into expenses for the current year and expenses for previous years

(in EUR)	Gross 1. 1. - 31. 12. 2019	Reinsurance 1. 1. - 31. 12. 2019	Net 1. 1. - 31. 12. 2019	Gross 1. 1. - 31. 12. 2018	Reinsurance 1. 1. - 31. 12. 2018	Net 1. 1. - 31. 12. 2018
Expenses for claims and benefits paid for current year	**233,752,631**	**7,054,861**	**226,697,770**	**225,039,847**	**1,839,099**	**223,200,748**
Claims and benefits paid	177,685,151	3,146,543	174,538,607	176,016,681	1,274,013	174,742,668
Change in outstanding claim provisions	53,811,411	3,908,318	49,903,093	47,091,272	565,086	46,526,186
Expenses from equalisation scheme	2,256,070	-	2,256,070	1,931,894	-	1,931,894
Expenses for claims and benefits paid for previous years	**(4,673,922)**	**2,169**	**(4,676,091)**	**(4,036,034)**	**1,559,224**	**(5,595,258)**
Claims and benefits paid	40,611,848	1,746,378	38,865,470	43,039,872	4,411,035	38,628,836
Change in outstanding claim provisions	(45,285,770)	(1,744,209)	(43,541,562)	(47,075,905)	(2,851,811)	(44,224,094)
Total	**229,078,709**	**7,057,030**	**222,021,679**	**221,003,814**	**3,398,323**	**217,605,490**

10.23 COSTS

10.23.1 Costs by natural group

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Operating costs for material	1,146,775	1,038,653
Acquisition costs	23,882,137	22,368,643
Operating costs for services	22,415,600	20,820,828
Depreciation/amortisation	4,011,432	3,511,439
Labour costs	**36,642,065**	**35,628,747**
Payroll – wages and salaries	25,402,794	25,261,316
Social security costs	2,085,388	2,087,946
Pension insurance costs	2,520,597	2,488,720
Other labour cost	5,494,139	4,938,194
Provisions for termination benefits and long-service benefits	1,139,147	852,571
Total	**88,098,009**	**83,368,310**

Compared to the previous year, the operating costs are higher by EUR 4,729,700 (or by 5.7%). This increase in costs is present in all groups of costs, in particular the acquisition costs (higher by EUR 1,513,494) and labour costs (higher by EUR 1,594,773). The acquisition costs increased in 2019 due to various factors such as higher premiums paid and higher commission due to an improved loss ratio (at the level of individual agencies and agents).

The increase in depreciation/amortisation costs by EUR 499,994 (or 14.2%) in 2019 was primarily driven by the introduction of the new accounting standard IFRS 16 Leases, which defines leases differentially, i.e. long-term leases are defined as long-term depreciable assets. With the implementation of the new standard, the cost of depreciation in 2019 increased by EUR 371,077. Leases are presented in more detail in Section 4.4.

10.23.2 Costs by functional group

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Costs related to acquisition of insurance and investment contracts	23,882,137	21,401,862
Costs related to financial asset management	1,362,508	1,510,621
Costs related to PPE management	499,887	473,760
Other costs for management fees	8,344,041	8,515,021
Costs of sale	22,237,957	21,452,421
Other costs/expenses	24,820,648	23,302,798
Total costs/expenses by functional groups	**81,147,178**	**76,656,482**

The costs by functional groups differ from costs by natural groups due to claim handling costs, accounted for by the Group among gross claims incurred. In 2019, these costs totalled EUR 6,950,831 (2018: EUR 6,711,828). Together with the transfer of a part of other expenses relating to direct claims handling costs in the amount of EUR 30,527 (2018: EUR 32,650), there were EUR 6,981,358 transferred to gross claims incurred (2017: EUR 6,744,478).

10.23.3 Labour costs of own agents

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Labour costs	9,217,920	8,447,937
Wages and salaries	7,155,455	6,502,212
Social security costs	415,890	391,945
Pension insurance costs	600,108	593,422
Other labour cost	1,046,466	960,358
Costs of services provided by private individuals	160,603	189,995
Total	**9,378,523**	**8,637,932**

10.23.4 Auditor's remuneration

The audit of the annual consolidated financial statements of parent company Adriatic Slovenica and of the subsidiary Generali Investments d. o. o. for 2019 was performed by the audit firm Ernst & Young d. o. o., as also in 2018. The audit of the Zagreb Branch, Croatia, was performed by the audit firm Antares revizija d.o.o., as also in 2018. The audit of the indirect subsidiary Generali Investments d.o.o., Croatia was performed by the audit firm Ernst & Young d. o. o Zagreb (as also in 2018) and the audit of the subsidiary Generali investments AD, Macedonia by the audit firm BEND Revizija in konsalting d.o.o., Tetovo (in 2018 the audit was performed by the audit firm B & LJ audit company, Skopje).

Fees paid for auditor's services

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Statutory audit of the annual report	363,065	101,955
Other audit services	133,302	67,867
Other non-audit services	-	164,244
Total fees for independent auditor's services	**496,368**	**334,067**

10.24 OTHER INSURANCE EXPENSES

Other insurance expenses

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Expenses for preventive activities	916,098	888,688
Contribution for covering losses caused by uninsured and unknown vehicles	(52,374)	(201,400)
Other net insurance expenses	1,584,492	1,916,377
Total	**2,448,216**	**2,603,665**

The expenses for preventive activities relate to expenses for payment of fire fees. Insurance companies that offer non-life insurance must charge and pay fire fees to the Slovenian Insurance Association (SZZ) as stipulated by the association's rules. The parent company Adriatic Slovenica pays the fire fees in the amount depending on the market share and premium written from fire insurance. In 2019, these expenses were on the same level as the previous year.

The contribution for covering losses caused by uninsured and unknown vehicles is a "special fee" that the parent company pays to the Slovenian Insurance Association, depending on the market share of motor vehicle liability insurance. In 2018, the parent company paid to the Slovenian Insurance Association more than its subsequently determined share, which is why in 2019 the parent company was entitled to a credit, which was lower than in the years 2018/2017 by EUR 149,026.

Other net insurance expenses form the largest part of other insurance expenses and are lower by EUR 331,885 compared to the previous year, mainly due to lower write-off of receivables.

Other net insurance expenses mainly include the following expenses:

- subrogation receivables write-offs, receivables write-offs from insurance premiums and write-offs of other receivables in the amount of EUR 778,929 (last year EUR 972,264),
- expenses of supervisory bodies in the amount of EUR 463,540 (last year EUR 468,33) in
- insurance expenses for car assistance in the amount of EUR 39,366 (last year EUR 25,499) in
- other net insurance expenses.

The Group reviews the recoverability of older and overdue receivables on an annual basis and decides about write-offs of receivables, the recoverability of which had been examined several times and there is solid proof (inability to repay, bankruptcy, personal bankruptcy…) that these receivables would not be repaid in the future. Write-offs are made based on the list of the inventory commission and the conclusion of the Management Board.

10.25 OTHER EXPENSES

Other expenses

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Revaluation operating expenses	**1,314,354**	**1,268,813**
Expenses for investment properties	**570,185**	**1,467,591**
Depreciation of investment properties	169,791	304,416
Impairment - investment properties	-	78,951
Other expenses for investment properties	400,394	1,084,224
Depreciation of property, plant and equipment not intended for insurance activities	**28,127**	**175,527**
Other operating expenses	**1,244,145**	**3,199,496**
Finance expenses	**5,045,762**	**6,444,647**
Total	**8,202,572**	**12,556,074**

Revaluation operating expenses were mostly generated by revaluation and impairment of receivables (from premiums, subrogations, other receivables and financial receivables) and expenses for impairment of intangible assets (long-term accrued expenses). Compared to the year before, these expenses were up by EUR 45,541 mainly due to higher expenses for impairment of receivables (expenses higher by EUR 480,572).

Compared to the year before, investment property expenses were down by EUR 1,044,806, mainly due to lower depreciation expenses (these are lower by EUR 282,026 due to the sale of a property investment in early 2019) and other expenses (lower by EUR 683,830).

Other expenses for investment properties include all management, maintenance and material costs incurred during the year with respect to investment property.

Other operating expenses are presented in the table below.

Other operating expenses

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Payments for charity and cultural purposes	139,336	172,452
Benefits not depending on operating profit or loss	363,421	342,223
Financial penalties and compensations	375	739,110
Operating expenses	703,340	763,885
The rest of other operating expenses	37,673	1,181,826
Total	**1,244,145**	**3,199,496**

Compared to the previous year, other operating expenses went down by EUR 1,955,352, mainly due to the lower rest of other operating expenses (lower by EUR 1,144,153). In the previous year, write-off of receivables from outstanding rents (in the amount of EUR 967,181) caused higher other operating expenses. In 2019, other expenses for penalties and compensations contributed to the decrease in other operating expenses. Namely, last year, the Group paid the remaining part of the claim to Pozavarovalnica Sava d. d. in the amount of EUR 720,313.

In this group of expenses, a large portion are operating expenses which consist mainly of administrative and court fees, as well as membership fees to the Chamber of Commerce and various association.

Financial Expenses

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Finance expenses for interest - issued bonds	4,038,358	4,032,676
Finance costs - interest	52,512	15,735
Other financial expenses	954,891	2,396,236
Finance expenses arising from other financial liabilities	841	1,249,104
Finance expenses arising from other financial liabilities	169	593
Finance expenses arising from operating liabilities	953,881	1,146,538
Total	**5,045,762**	**6,444,647**

Financial expenses are lower by EUR 1,398,885 compared to the previous year, owing to lower finance expenses from other financial liabilities. These expenses are generated mostly by revaluation of loans given to policyholders of Fondpolica due to due to changes in market quotations at revaluation. At the end of 2019, other financial revenue from the revaluation of these loans was primarily recognized (see Section 10.20.4).

Among financial expenses, 80% are interest expenses, which are regularly paid by the insurance company to creditors of the subordinated debt. In 2019, there were EUR 4,038,358 of accrued interests generated under this heading (last year EUR 4,032,676).

A large portion of financial expenses is represented by other financial expenses arising from operating liabilities, generated mostly by other investment expenses, such as purchasing commissions (amounting to EUR 463,483, last year EUR 452,516), other interest expenses (amounting to EUR 444,822, last year EUR 434,153) and negative foreign exchange differences from abroad (amounting to EUR 19,894, last year EUR 228,574).

10.26 REINSURANCE RESULT

Reinsurance result for non-life insurance in 2019

Insurance class in EUR	Reinsurance premiums	Reinsurance claims	Changes in unearned reinsurance premiums	Changes in reinsurance claims	Reinsurance commissions	Net reinsurance result
Accident insurance	(97,666)	94,969	(217)	160	(2,435)	(5,189)
Land motor vehicle insurance	(1,685,309)	113,176	-	(136,695)	(29,442)	(1,738,270)
Aircraft insurance	(5,636)	-	3,304	-	221	(2,111)
Marine loss insurance	(42,544)	-	-	-	-	(42,544)
Transportation (goods in transit) insurance	(177,776)	78,866	-	(255)	8,758	(90,408)
Fire and natural disaster insurance	(2,998,006)	3,006,478	25,646	3,253,255	84,038	3,371,410
Other damage to property insurance	(1,117,484)	412,525	3,505	(303,436)	28,905	(975,986)
Motor vehicle liability insurance (MTPL)	(956,110)	902,950	-	(885,118)	(33,206)	(971,484)
Aircraft liability insurance	(15,627)	-	6,118	-	1,324	(8,185)
Ship/boat liability insurance	(45,502)	-	-	(786)	-	(46,287)
General liability insurance	(767,064)	3,668	(47,387)	123,126	39,327	(648,330)
Suretyship insurance	(148,983)	(90,782)	9,798	(5,273)	66,657	(168,583)
Miscellaneous financial loss insurance	(75,541)	685	1,541	24,503	6,875	(41,937)
Legal expenses insurance	(4,113)	410	-	-	(128)	(3,832)
Insurance of assistance	(67,066)	166	17,215	-	14,585	(35,101)
Total non-life insurance	**(8,204,429)**	**4,523,113**	**19,521**	**2,069,481**	**185,477**	**(1,406,837)**

Reinsurance result for non-life insurance in 2018

Insurance class in EUR	Reinsurance premiums	Reinsurance claims	Changes in unearned reinsurance premiums	Changes in reinsurance claims	Reinsurance commissions	Net reinsurance result
Accident insurance	(489,073)	142,710	163,020	(95,113)	122,805	(155,651)
Land motor vehicle insurance	(1,431,842)	190,757	457	316,232	341,595	(582,801)
Marine loss insurance	(42,430)	-	-	(57,063)	-	(99,493)
Transportation (goods in transit) insurance	(223,190)	64,321	-	594	15,201	(143,074)
Fire and natural disaster insurance	(3,630,776)	871,118	15,333	1,288,437	572,020	(883,868)
Other damage to property insurance	(1,451,336)	626,287	19,936	31,009	50,533	(723,572)
Motor vehicle liability insurance (MTPL)	(779,737)	1,260,097	1,233	(1,417,369)	363,654	(572,123)
Aircraft liability insurance	(4,625)	-	(843)	-	729	(4,739)
Ship/boat liability insurance	(46,594)	-	(3,494)	(138,622)	-	(188,710)
General liability insurance	(1,203,022)	50,574	154,648	(2,359)	74,882	(925,278)
Suretyship insurance	(130,502)	24,317	15,045	(86)	43,944	(47,282)
Miscellaneous financial loss insurance	(124,592)	(13,360)	123	48,133	20,411	(69,285)
Legal expenses insurance	(6,934)	-	-	-	1,760	(5,174)
Insurance of assistance	-	(10,809)	-	-	23,146	12,337
Total non-life insurance	**(9,564,655)**	**3,206,012**	**365,457**	**(26,207)**	**1,630,681**	**(4,388,712)**

10.27 CORPORATE INCOME TAX

Taxes

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Corporate income tax charge	(1,067,373)	(1,468,369)
Deferred tax income/(expense)	(286,847)	(463,906)
Total	**(1,354,220)**	**(1,932,275)**

Adjustment between the actual and the calculated tax expense by applying the effective tax rate

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Profit or loss before taxation	**8,370,299**	**11,118,408**
Tax calculated by using official tax rate	(1,847,765)	(2,454,617)
Income excluded from the tax base and other reductions in the tax base	**1,757,127**	**1,950,331**
Expenses not recognised in the tax base and other increases in the tax base	**(1,420,392)**	**(1,792,421)**
Use of tax allowance in the current year	**450,033**	**839,625**
Effect of utilisation of tax loss	**9,711**	**7,125**
Current year tax losses	**(16,087)**	**(20,057)**
Effect of changes related to the adoption of new accounting methods, changes accounting policies and error corrections.	**-**	**1,645**
Changes in deferred taxes in the income statement	**(286,847)**	**(463,906)**
Increase of deductible temporary differences	(275,851)	19,154
Decrease of deductible temporary differences	51,152	28,314
Decrease of tax loss carry forwards	-	(93,571)
Increase of tax credits carry forwards	(62,149)	7,212
Decrease of tax credits carry forwards	-	(425,015)
Profit or loss after taxation	**(1,354,220)**	**(1,932,275)**
Effective tax rate (in %)	**16.18**	**17.38**

As a rule, the tax base calculated for corporate income tax is higher than profit before tax posted in the income statement as a result of the portion of non-deductible expenses, representing permanent differences. The ratio between the tax expense (including accrued tax) and the determined financial result before tax for 2019 is 16.18% (2018: the effective tax rate was 17.38%).

According to local tax legislation in Slovenia, the applicable tax rate in 2019 was 19% (as in 2018). The tax rate applicable to the subsidiaries in Croatia was 18% (as in 2018), as prescribed by the local legislation in Croatia, and in the subsidiary in Macedonia the base was calculated at a 10% tax rate (same as in 2018).

10.28 DEFERRED TAXES

Deferred taxes are the result of calculating current and future tax effects, i.e. the future recovery (settlement) of the book value of assets (liabilities) recognized in the balance sheet of the Group and the transactions and other business events during the relevant period, offset and recognized in the financial statements of the Group in the case of the same tax authority.

Recognised deferred tax amounts

(in EUR)	31 Dec 2019	31 Dec 2018
Deferred tax assets	**3,171,696**	**4,251,013**
– receivables for deferred tax to be recovered	3,171,696	4,251,013
Deferred tax liabilities	**435,158**	**-**
– liabilities for deferred taxes pending payment	435,158	-

Overview of bases for deferred tax receivables

(in EUR)	Base 1. 1. - 31. 12. 2019	Reinsurance 1. 1. - 31. 12. 2019	Base 1. 1. - 31. 12. 2018	Reinsurance 1. 1. - 31. 12. 2018
Due to impairment/value adjustments of receivables for premiums, for recourse receivables and for other current receivables	13,798,803	2,621,772	13,268,715	2,521,056
Due to impairment/value adjustments of financial investments	-	-	6,064,988	1,152,348
Due to impairment/value adjustments of provisions, provisions for relief and depreciation above the statutory rate	2,458,981	467,206	2,277,598	432,744
Unused tax losses and tax credits	435,353	82,717	762,452	144,866
Total	**16,693,137**	**3,171,696**	**22,373,753**	**4,251,013**

Deferred tax receivables

Compared to the year before, in 2019 deferred tax receivables went down by EUR 1,079,317 (or by 13%), mainly due to release of deferred tax receivables arising from tax credits.

Overview of bases for deferred tax liabilities

(in EUR)	Base 1. 1. - 31. 12. 2019	Deferred tax liability 1. 1. - 31. 12. 2019	Base 1. 1. - 31. 12. 2018	Deferred tax liability 1. 1. - 31. 12. 2018
Due to reversal of impairment of financial investments	2,290,305	435,158	-	-
Total	**2,290,305**	**435,158**	**-**	**-**

Deferred taxes taken to equity in a given year

(in EUR)	31 Dec 2019	31 Dec 2018
Available-for-sale financial assets	(1,227,504)	42,227
Total	**(1,227,504)**	**42,227**

Movements in deferred taxes

(in EUR)	Total
New balance as at 1 Jan 2018	**4,672,435**
Acquisition of subsidiary	93,571
Decreases due to the withdrawal of the subsidiary	(93,571)
Debited/credited to income statement	(463,906)
Debited/credited to equity	42,227
Exchange rate differences	257
Net balance of assets and liabilities as at 31 Dec 2018	**4,251,013**
New balance as at 1 Jan 2019	**4,251,013**
Debited/credited to income statement	(286,847)
Debited/credited to equity	(1,227,504)
Exchange rate differences	(124)
Net balance of assets and liabilities as at 31 Dec 2019	**2,736,539**

Movements in deferred tax liabilities

(in EUR)	Impairment reversal to fair value	Other	Total
New balance as at 1 Jan 2018	191,266	-	191,266
Debited/credited to equity	(79,294)	-	(79,294)
Total deferred tax liability before set off at 31 Dec 2018	**111,972**	**-**	**111,972**
Set off of deferred tax	(111,973)	-	(111,973)
Total deferred tax liability before set off at 31 Dec 2018	**(0)**	**-**	**(0)**
New balance as at 1 Jan 2019	**(0)**	**-**	**(0)**
Debited/credited to equity	1,281,247	-	1,281,247
Total deferred tax liability before set off at 31 Dec 2019	**1,281,247**	**-**	**1,281,247**
Set off of deferred tax	(846,089)	-	(846,089)
Total deferred tax liability before set off at 31 Dec 2019	**435,158**	**-**	**435,158**

Deferred tax assets by calculation basis

(in EUR)	Receivables from direct insurance contracts	Non-current and current financial investments	Other non-current receivables from insurance contracts	Reserves for jubilee and termination benefits at retirement	Amortised above mandatory rate for computer software	Other current receivables	Untaxed reliefs	Total
Balance as at 1 Jan 2018	**1,950,465**	**1,105,454**	**372,064**	**384,709**	**328**	**636,795**	**413,886**	**4,863,701**
Increases due to acquisition of companies	-	-	-	-	-	93,571	-	93,571
Decreases due to the withdrawal of the subsidiary	-	-	-	-	-	(93,571)	-	(93,571)
Debited/credited to income statement	(26,865)	171,720	25,035	32,939	(287)	(262,476)	(403,972)	(463,906)
Debited/credited to equity	-	(37,067)	-	-	-	-	-	(37,067)
Exchange rate differences	9	247	-	1	0	-	-	257
Total deferred tax asset before set off at 31 Dec 2018	**1,923,609**	**1,240,355**	**397,099**	**417,649**	**41**	**374,319**	**9,915**	**4,362,986**
Set off of deferred tax	-	(111,973)	-	-	-	-	-	(111,973)
Total deferred tax asset before set off at 31 Dec 2018	**1,923,609**	**1,128,382**	**397,099**	**417,649**	**41**	**374,319**	**9,915**	**4,251,013**
Balance as at 1 Jan 2019	**1,923,609**	**1,128,382**	**397,099**	**417,649**	**41**	**374,319**	**9,915**	**4,251,013**
Debited/credited to income statement	99,658	(274,514)	(38,498)	34,466	2	(12,397)	-	(191,283)
Debited/credited to equity	-	(41,820)	-	-	-	-	-	(41,820)
Exchange rate differences	(20)	(101)	-	(3)	(0)	-	-	(124)
Total deferred tax asset before set off at 31 Dec 2019	**2,023,247**	**811,947**	**358,600**	**452,112**	**43**	**361,922**	**9,915**	**4,017,785**
Set off of deferred tax	-	(846,089)	-	-	-	-	-	(846,089)
Total deferred tax asset before set off at 31 Dec 2019	**2,023,247**	**(34,142)**	**358,600**	**452,112**	**43**	**361,922**	**9,915**	**3,171,696**

10.29 NET EARNINGS (LOSS) PER SHARE

The basic net earnings per share that refers to the holders of ordinary shares and is calculated by dividing the net profit (loss) for the year attributable to the holders of ordinary shares (numerator) with the weighted average number of ordinary outstanding shares for the reporting period.

Earnings (loss) per share

(in EUR)	31 Dec 2019	31 Dec 2018
Net profit or loss for the financial year	6,998,709	9,145,128
Weighted average number of ordinary shares outstanding	10,304,407	10,304,407
Basic and adjusted net earnings / loss per share (in euros)	**0.68**	**0.89**

All shares issued by the parent company are ordinary registered shares; therefore, the diluted net earnings per share are equal to the basic net earnings per share.

Movements in shares

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
As at 1 Jan	10,304,407	10,304,407
As at 31 Dec	**10,304,407**	**10,304,407**

10.30 ISSUES, REDEMPTIONS AND PAYOUTS OF SECURITIES AND DIVIDENDS

In 2019, the Adriatic Slovenica Group did not issue any subordinated bonds and did not purchase or pay any equity securities.

Dividend per share

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Amount of dividends (in euros)	8,140,482.00	10,304,407.00
Dividend per share (in euros)	0.79	1.00

Dividends are formed from the accumulated profit determined by the insurance company after the financial year ended and are paid in the foreseen amount after the General Meeting of Shareholders adopted such a resolution.

On 24 April 2019, the General Meeting of Shareholders of the parent company adopted a resolution (referring to 2018), to allocate EUR 8,140,481.53 for dividend payments to the shareholders. The dividend was paid in full.

10.31 ADDITIONAL EXPLANATIONS TO THE CASH FLOW STATEMENT

The consolidated cash flow statement is composed of sums of all cash flows of companies within the Group and adjusted with consideration to cash flows among the companies within the Group. The same methodology of cash flow preparation as for the parent company has been applied.

11. RELATED PARTY TRANSACTIONS

In this section, the Group discloses transactions with related legal entities, the owner of the controlling entity, to associates and the senior management of companies within the Group.

The rules on related party transactions are laid down in the Group's internal policy on ensuring data, preparation of reports and storage of this data. For mutual services between related parties, transfer prices are used, which are charged at the same rates as for unrelated parties. To determine the prices, the Group uses the comparable uncontrolled price method, where the comparable market prices are defined by means of internal or external comparable uncontrolled price method.

In 2019, the related party transactions included:

- insurance contract operations – taking out insurance, claims settlement and payments of commissions for concluded insurance contracts;
- hiring out of business premises and parking spaces;
- purchases and sales of investment properties;
- purchases and sales of securities;
- financial services (loans).

In 2019, there were no significant transactions between related parties carried out under unusual market conditions and likely to affect the presentation of the financial position of the Group. In the reporting year, the Group received adequate payments and reimbursements in all transactions in 2019 made with the parent company KD Group d.d. (parent company until 13 February 2019) and those transactions were carried out at arm's length. There were no significant transactions between the parent company Generali CEE Holding b. v., The Netherlands and the Adriatic Slovenica Group in 2019.

11.1 RELATED PARTIES

The related parties of Adriatic Slovenica Group as at 31 December 2019 are listed below:

Generali CEE Holding b. v., The Netherlands - direct owners of the parent company within Adriatic Slovenica Group
Associate NAMA d. d., Ljubljana,
Associate MEDIFIT d. o. o., Ljubljana,
Associate IDORU d. o. o., Ljubljana,

Other related parties of Adriatic Slovenica Group:

Other related parties are the companies which are associated with the Group through management and supervisory bodies, i.e. Management and Supervisory Board members.

Associate

NAMA d. d., Ljubljana

Company name: NAMA d. d.
Head office: Tomšičeva ulica 1, 1000 LJUBLJANA
Company registration number: 5024811
VAT identification number: SI22348174
No. of employees as at 31 December 2019: 115
Company objects: The principal activity of Nama is retail trade services of food and non-food products.
As at 31 December 2019, Adriatic Slovenica d.d. had a 48.51% equity stake in the associate.
The reporting period of the financial statements is equal to the calendar period ended 31 December 2019.
The tax rate applied in the calculation of the corporate income tax was 19%.
The Group did not receive from or give any loans to the associate Nama in 2019.
In its consolidated financial statements, the Group accounts for Nama d.d. Ljubljana using the equity method.

MEDIFIT d. o. o., Ljubljana

Registered company name: MEDIFIT, druge z informacijsko tehnologijo in računalniškimi storitvami povezane dejavnosti, d. o. o.
Abbreviated company name: MEDIFIT d. o. o.
Head office and address: Dunajska cesta 63, Ljubljana, 1000 Ljubljana
Company registration number: 8150982000
VAT identification number: SI 12848999
No. of employees as at 31 December 2019: 6
Share capital: EUR 31,250.00 fully paid in.
Company objects: The principal activity of the company MEDIFIT d. o. o. is information technology and computer services. As at 31 December 2019, Adriatic Slovenica d.d. had a 33.09% equity stake in the associate.
The reporting period of the financial statements is equal to the calendar year.
The tax rate applied in the calculation of the corporate income tax was 19%.
The Group did not receive from or give any loans to the associate MEDIFIT d. o. o. in 2019.
In its consolidated financial statements, the Group accounts for MEDIFIT d. o. o. Ljubljana using the equity method.

IDORU inteligentni analitični sistemi d. o. o.

Registered company name: IDORU inteligentni analitični sistemi d. o. o.
Head office and address: Celovška cesta 206, Ljubljana, 1000 Ljubljana
Company registration number: 8068640000
VAT identification number: SI 69662517
No. of employees as at 31 December 2019: 0.
Share capital: EUR 7,500.00 fully paid in.
The reporting period of the financial statements is equal to the calendar year.
The tax rate applied in the calculation of the corporate income tax was 19%.
The Group did not receive from or give any loans to the associate IDORU d. o. o.
In its consolidated financial statements, the Group accounts for IDORU d. o. o. using the equity method.

Shareholders

With a 100% equity stake, Generali CEE Holding b. v., The Netherlands is the sole shareholder of the parent company of the Adriatic Slovenica Group.

Sale of goods and services

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Shareholder of Adriatic Slovenica d.d	175,252	355,939
Associate of Adriatic Slovenica d.d.	12,176	5,234
Other associated/affiliated companies of Adriatic Slovenica d. d.	169,757	974,619
Total	**357,185**	**1,335,791**

Purchase of goods and services

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Shareholder of Adriatic Slovenica d.d	32,940	256,303
Associate of Adriatic Slovenica d.d.	79,694	-
Other associated/affiliated companies of Adriatic Slovenica d. d.	2,978,969	1,307,378
Total	**3,091,603**	**1,563,680**

Receivables of the Group from related parties

(in EUR)	31 Dec 2019	31 Dec 2018
Shareholder of Adriatic Slovenica d.d	-	12,436
Other associated/affiliated companies of Adriatic Slovenica d. d.	17,363	52,101
Total	17,363	64,536

Liabilities of the Group to related parties

(in EUR)	31 Dec 2019	31 Dec 2018
Shareholder of Adriatic Slovenica d.d	-	19,754
Associate of Adriatic Slovenica d.d.	2,000	2,000
Other associated/affiliated companies of Adriatic Slovenica d. d.	57,672	104,861
Total	59,672	126,615

Purchase of investment properties from related parties

In 2019, the Group did not purchase or sell any investment properties to its related parties.

Bonds issued by the shareholder of the parent company

(in EUR)	31 Dec 2019	31 Dec 2018
Associate of Adriatic Slovenica d.d	176,674	133,561
Total	176,674	133,561

In 2019, the Group increased its investment into the associate MEDIFIT d. o. o. for the amount of EUR 120,340. In 2019, the Group purchased a further 10% share in the company IDORU inteligentni analitični sistemi d. o. o.; thus holding a 25% share (equal to EUR 51,125) the company, classified it among the associates.

Sale of securities to related parties

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
Associate of Adriatic Slovenica d.d.	(5,209)	(5,209)
Total	(5,209)	(5,209)

Bonds issued by the shareholder of the parent company

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
At the beginning of year	**14,662,033**	**16,293,424**
Bonds sold in the Group	(14,662,033)	(1,634,458)
Interest charged	-	865,396
Interest received	-	(913,661)
Valuation/measurement	-	51,331
At the end of the reporting period	**-**	**14,662,033**

Shares of the shareholder of the parent company

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
At the beginning of year	**537,372**	**537,372**
Shares sold to third parties	(537,372)	-
At the end of the reporting period	**-**	**537,372**

Shares and shareholdings of other related parties

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
At the beginning of year	**780,935**	**1,597,793**
Shares sold to other related companies	(780,935)	-
Shares sold to third parties	-	(777,143)
Dividends paid	-	31,118
Dividends received	-	(31,118)
Valuation/measurement	-	(39,715)
At the end of the reporting period	**-**	**780,935**

Loans received and loans given

Loans given to the shareholder of the parent company

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
At the beginning of year	**20,628,527**	**13,100,124**
Approved loans	-	9,700,000
Repaid loans	(20,628,527)	(2,170,546)
Interest accrued	-	808,629
Interest reduction	-	(809,679)
At the end of year	**-**	**20,628,527**
Paid interest	**-**	**799,586**

Loans given to other related parties

(in EUR)	1. 1. - 31. 12. 2019	1. 1. - 31. 12. 2018
At the beginning of year	**2,499,907**	**7,600,185**
Repaid loans	(2,499,907)	(5,100,000)
Interest accrued	-	181,245
Interest reduction	-	(181,523)
At the end of year	**-**	**2,499,907**
Paid interest	-	191,002

In 2019, the Group did not grant loans to or receive loans from associates and related parties. The loans given over the past years were mostly repaid in 2019.

Remuneration of members of management and supervision bodies and employees on individual employment agreements – all companies of the Adriatic Slovenica Group in 2019

Remuneration type in EUR	Remuneration of management board members	Remuneration of the Audit Committee members	Remuneration of supervisory board members	Remuneration of audit commission members
Salary	758,547	-	64,953	5,267,118
Bonuses and other remuneration	72,230	-	12,664	1,054,676
Meeting attendance fees	-	2,423	59,263	-
Total	**830,777**	**2,423**	**136,880**	**6,321,794**

Payments are presented in gross amounts and were disbursed to the members of management and/or supervision bodies and employees on individual employment agreements (or on employment agreements, for which the tariff section of the collective agreement does not apply) in 2019 for the period in which they had the function of management and/or supervision in the parent company Adriatic Slovenica d.d. and in subsidiaries PROSPERA, družba za izterjavo d. o. o.,VIZ zavarovalno zastopništvo d. o. o, ZDRAVJE AS zdravstvene storitve d. o. o., AGENT Zavarovalno zastopništvo d. o. o, , Generali Investments, d. o. o. and its four indirect subsidiaries Generali Investments, d. o. o. za upravljanje investicijskim fondovima, Croatia, Generali investments, d. o. o., Skopje, Generali Investments GP 1 and Generali Investments GP 2.

Transactions with senior management of the parent company within Adriatic Slovenica Group

Remuneration given to the employees with individual employment agreements and income of the Audit Committee of the parent company are included in the table above, within the remuneration of all companies within the Group. Other remuneration, also included in the table above for the purpose of reporting on Group level, are presented in greater detail in the table below.

Payments to the members of the management bodies in 2019

in EUR	Office	Gross salary	Variable part of remuneration	Holiday allowance	Reimbursements of costs*	Insurance premiums	Commissions, bonuses and other fringe benefits	Remuneration for work in subsidiaries
Gregor Pilgram	President of the Management Board (from 30. 9. 2019)	-	-	-	-	-	-	-
Gabrijel Škof	President of the Management Board (to 30. 9. 2019)	134,100	-	1,752	1,030	1,852	3,534	-
Matija Šenk	Member of the Management Board	120,000	-	1,752	1,430	2,089	5,143	330
Jure Kvaternik	Member of the Management Board (to 31. 7. 2019)	85,538	-	1,051	1,097	1,464	24,350	700

* Including travel expenses using own vehicle and daily allowance at home and abroad.

Payments to the members of the supervision bodies in 2019

v EUR	Funkcija	Bruto plača	Variabilni del prejemkov	Regres za letni dopust	Povračila stroškov*	Sejnine	Zavarovalne premije	Provizije, bonitete in druga dodatna plačila	Prejemki za opravljanje nalog v odvisnih družbah
Gregor Pilgram	Član od 13. 2. 2019, predsednik od 20. 3. 2019 do 30. 9. 2019	-	-	-	-	-	-	-	-
Aljoša Tomaž	Predsednik do 13. 2. 2019	-	-	-	-	4,952	-	-	-
Aleksander Sekavčnik	Namestnik predsednika do 13. 2. 2019	-	-	-	-	4,398	-	-	-
Tomaž Butina	Član do 13. 2. 2019	-	-	-	-	4,332	-	-	375
Luciano Cirinà	Član od 13. 2. 2019, od 20. 3. 2019 namestnik predsednika in od 1. 9. 2019 predsednik	-	-	-	-	-	-	-	-
Miroslav Bašta	Član od 13. 2. 2019	-	-	-	-	-	-	-	-
Miroslav Singer	Član od 13. 2. 2019 in od 1. 9. 2019 namestnik predsednika	-	-	-	-	-	-	-	-
Matjaž Pavlin	Član, predstavnik zaposlenih	34,550		1,752	2,826	20,561	1,288	877	-
Borut Šuštaršič	Član, predstavnik zaposlenih	30,404		1,752	2,133	21,015	1,157	877	-

As at the 2019 year-end, the Group carries the following current operating receivables and liabilities related to the management of the parent company within the Group:

- EUR 63 of receivables and no liabilities from the members of the Management Board. The receivables arise from the insurance business (premiums due) and from rents of parking spaces,
- EUR 186 of receivables and no liabilities from the members of the Supervisory Board and the Audit Committee. The receivables mainly arise from the insurance business (premiums due) ,
- EUR 9,564 of receivables and EUR 206 of liabilities from the employees employed on the basis of the contract to which the tariff section of the collective agreement does not apply. The bulk of receivables in the amount of EUR 8,179 arises from the insurance business (premium due), while the rest arises from rents for parking spaces. The total sum of liabilities arises from travel expense reimbursement.

The above receivables arising from premiums are non-matured receivables. The receivables arising from rents for parking places are the receivables for the rents in December and were settled by deducting the relevant amounts from the payroll in January 2020.

The parent company carries receivables from insurance premiums in the amount of EUR 445 and EUR 0 liabilities related to members of management or supervision bodies of the associate.

In 2019, the Group did not grant to or receive any loans or advances from the members of the Management Board, the members of the Supervisory Board or the employees employed on the basis of the contract to which the tariff section of the collective agreement does not apply. Furthermore, the management did not participate in any scheme offering share options and no significant transactions were made without entering them in the accounting records of the Group.

Transactions with the immediate family members of members of management and supervision bodies

In 2019, insurance transactions were made between the parent company within the Group and the immediate family members of Management Board, Supervisory Board and Audit Committee members, the immediate family members paying to the insurance company the premium for the taken out insurance as shown below:

- the immediate family members of members of the Management Board paid the aggregate amount of EUR 213 of insurance premiums,
- the immediate family members of members of the Supervisory Board paid the aggregate amount of EUR 2,451 of insurance premiums,
- the immediate family members of members of the Audit Committee paid the aggregate amount of EUR 1,907 of insurance premiums.

The insurance premiums paid by the immediate family members of the insurance company Adriatic Slovenica were paid on the basis of insurance contracts taken out under normal market conditions or according to the tariffs with usual discounts for unrelated parties.

In 2019, based on the concluded insurance policies, the Group paid EUR 2,103 for claims to the immediate family members of members of the Supervisory Board, whilst to the immediate family members of members of the Audit Committee and members of the Management Board no claims were paid in 2019.

Transactions with senior management of controlling companies of the parent company within Adriatic Slovenica Group

The senior management of the controlling companies of Adriatic Slovenica comprises all members of the Management Board who manage and control the parent company of Generali CEE Holding b. v., The Netherlands and, at the highest level, the controlling company Assicurazioni Generali S. p. A, established in Trieste.

In 2019, the Group did not receive any payments from or made any payments to the senior management. As at 31 December 2019, there were no outstanding receivables from or liabilities to the senior management.

12. CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables and liabilities include potential receivables and liabilities held in off-balance sheet items.

Contingent receivables and liabilities

(in EUR)	31 Dec 2019	31 Dec 2018
Outstanding recourse receivables	4,869,249	5,175,260
Received pledged guarantees	3,575,800	27,051,998
Receivables for pension insurance premiums	-	195,898
Other receivables	280,098	280,334
Contingent RECEIVABLES	**8,725,147**	**32,703,490**
Liabilities - disputes and litigations (labour and insurance)	335,671	303,053
Liability for guaranteed return	519	66,482
Liabilities arising from futures contracts	36,373	179,573
Commitments under investment agreements on private equity fund	380,000	-
Other liabilities	6,204	4,628
Contingent LIABILITIES	**758,768**	**553,735**
Records under swap contracts	-	50,000,000
Total contingent receivables and liabilities	**9,483,914**	**83,257,226**

As at 31 December 2019, the balance of contingent receivables is lower by EUR 23,978,344 than in the previous year mostly due to the expiration of pledged guarantees of EUR 23,476,198 (guarantees arising from guarantees against a mortgage, guarantees with pledged shares in the company and with pledged securities) the company held as collateral of given loans. Furthermore, all other contingent receivables decreased compared to the previous year-end.

Contingent liabilities of the insurance company increased by EUR 205,032 compared to the end of the previous year. The increase of liabilities was mainly due new liabilities related to one commercial dispute and one employment dispute. New outstanding commitments to make a contribution to the fund, Generali Growth SIS d. o. o. k. d. and, to a lesser extent, other contingent liabilities related to the credits owed to pension fund savers under the pension plan financing contract also increased.

Through its subsidiary company Generali Investments, d. o. o., Slovenia, the Group and the remaining owners of Generali Investments, d. o. o. za upravljanje investicijskim fondovima, Croatia, have an optional contract for the purchase of a 10% stake in KD Locusta Fondovi d. o. o. in 2019.

Other

In 2019, the Interest Rate Swap was terminated, which caused the decrease of the off-balance records by EUR 50,000,000. The contract was concluded in the first half of 2017 with a view to hedge the variable part of the interest rate of the issued bond Adris Float 05/24/26 in the amount of EUR 50,000,000.

The parent company Adriatic Slovenica has contingent liabilities pursuant to (until 2021) the valid guarantee arising from the concluded umbrella agreement on the transfer of the portfolio, between the assignor AS neživotno osiguranje a. d. o., Belgrade, and the acquirer of the portfolio, the subsidiary of Pozavarovalnica Sava. The potential exposure of the Company is valued at 0 because during the validity period of the guarantee the claim, which exceeded the formed provisions and for which the guarantee was expressly given, was withdrawn.

As at 31 December 2019 the Group had no tenants with conditional rent.

Important litigations in progress

- Actions for damages have been initiated against commercial banks (NLB, DUTB, Abanka), to which the Bank of Slovenia pronounced extraordinary measures to terminate the qualified liabilities of banks, in connection with the extraordinary measures imposed on the NLB d. d., Abanka d. d., Factor bank d. d., Probanka d. d. and Banka Celje d. d. on 17 December 2013. On the basis of the Bank of Slovenia's decisions on extraordinary measures in five Slovenian banks (NLB, NKBM, Abanka, Factor banka, Probanka) in 2013 and in one bank (Banka Celje) in 2014, debt instruments held by the insurance company in total nominal value of EUR 14,634,800 euros and 123,416 shares of Probanka d. d., 2,085 NLB shares d. d., 5 shares of the Bank of Celje d. d. and 45 shares of Gorenjska banka d. d. were erased. The Company immediately initiated all procedures to protect its rights in relation to the erased financial investments. In October 2016, the Constitutional Court decided that part of the Banking Act, on the basis of which decisions on extraordinary measures were issued, was in contravention of the Constitution in so far as it was not possible for the holder of eligible liabilities to have adequate judicial protection. The Constitutional Court ordered the legislator to remedy the unconstitutionality and, until the remedy of the unconstitutionality, all proceedings that are pending in this respect have been interrupted with the limitation period beginning six months after the entry into force of the law which will remedy the unconstitutionality. . In all initiated proceedings, the court decided that the proceedings should be interrupted until the court's decision in the compensation procedure against the Bank of Slovenia according to the law, which will replace the procedure referred to in Article 350.a of the Banking Act. Accordingly, the insurance Company has pending lawsuits against
    - NLB d. d., District Court of Ljubljana, reference number VIII Pg 3069/2016, disputed amount EUR 2,919,375.00
    - DUTB d. d., District Court of Ljubljana, reference number. VIII Pg 3063/2016, disputed amount. 12,109,212.66 EUR
    - Abanka d. d., District Court of Ljubljana, reference number VIII Pg 3060/2016, disputed amount 1,062,959.92 EUR
    - Abanka d. d., District Court of Ljubljana, reference number VIII Pg 2617/2016, disputed amount. 2,590,000.00 EUR.
- The insurance company has filed an action for damages against the Bank of Slovenia (District Court of Ljubljana, Ref. No. VIII Pg 1765/2016) due to the early termination of deposits as per the decisions of the Bank of Slovenia, the disputed amount EUR 235,266.02.

13. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred after the date of the consolidated balance sheet and before date of approval of the consolidated financial statements that should be disclosed in the consolidated financial statements and could affect the consolidated financial statements and tax liabilities for 2019.

Events after the balance sheet date, important for business operations in 2020

On 3 January 2020, the company Adriatic Slovenica d.d. merged with Generali zavarovalnica d.d.. The company Generali zavarovalnica d.d., as the transferee company, in accordance with the laws, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations. On the same date Adriatic Slovenica ceased to exist and was deleted from the Court Register.

On 12 March 2020, Slovenia declared an epidemic under Article 7 of the Communicable Diseases Act due to an increase in the number of cases of coronavirus infection and Covid-19 disease in the country. At the same time, in accordance with the recommendations issued by the National Institute of Public Health (NIJZ) and the Government of the Republic of Slovenia, the Insurance Company adopted the recommended safeguard measures to ensure a safe working environment, safety of the employees, the policyholders and other clients. The basis for the declaration of the epidemic was the expert opinion of the National Institute of Public Health (NIJZ). By declaring the epidemic, Slovenia followed the declaration of a pandemic by the World Health Organization, declared the day before. The goodwill acquired upon the acquisition of the subsidiary Generali Investments d. o. o. Ljubljana is recognised among intangible assets. Due to the current situation and a major fall in stock exchange quotations, a potential impact on the value of goodwill in the balance sheet as well as on the value of subsidiaries can be expected. Valuation will be carried out by the Group at the end of the year. The negative effects of the epidemic cannot be estimated at this time.

APPENDIX TO THE AUDITED ANNUAL REPORT

of Adriatic Slovenica d. d. for

2019

For the purposes of the Insurance Supervision Agency, the Appendices have been prepared in compliance with the Decision on Annual Reports and Quarterly Financial Statements of Insurance Undertakings.

CONTENTS

Appendices to the Annual Report 2019 of Adriatic Slovenica d. d. include:

- The selected accounting and financial indicators prepared in compliance with the Decision on Annual Reports and Quarterly Financial Statements of Insurance Undertakings and the prescribed methodology laid down in Appendix 3 to the said Decision;
- Presentation of assets and liabilities for each fund managed separately, in line with the schemes set out in Appendix 2;

Income statement for each fund managed separately, in line with the schemes set out in Appendix 2.

In 2019, two classes of insurance were renamed:

- Capital redemption insurance was renamed in 2019 into the Pension Fund Management category under the Pension and Disability Insurance Act (ZPIZ-2) - Savings - Article 26(9).
- Life insurance was divided in 2019 into life insurance and Pension Annuities - Article 348 of Pension and Disability Insurance Act (ZPIZ-2)

Due to the comparability of data with the year 2018, for the purpose of calculating indicators, these two types of insurance are reported in the same way as in 2018.

1. SELECTED ACCOUNTING AND FINANCIAL INDICATORS

Growth of gross written premium	Gross written premium in current year in euros	Gross written premium in previous year in euros	Year 2019 index	Gross written premium in current year in euros	Gross written premium in previous year in euros	Year 2018 index
1	2	3	4=2/3*100	5	6	7=5/6*100
Results by class of insurance:						
1. Accident insurance	16.936.335	17.657.512	96	17.657.512	17.009.496	104
2. Health insurance (without complementary health insurance)	4.271.723	3.828.003	112	3.828.003	3.336.705	115
3. Land vehicle insurance	38.731.904	36.231.684	107	36.231.684	34.350.324	105
5. Aircraft insurance	12.462	4.782	261	4.782	3.524	136
6. Ship insurance	491.716	509.768	96	509.768	501.861	102
7. Goods in transit insurance	1.401.679	1.583.322	89	1.583.322	1.528.487	104
8. Fire and natural forces insurance	18.136.336	17.471.466	104	17.471.466	17.141.211	102
9. Other damage to property insurance	14.030.191	13.101.761	107	13.101.761	12.949.196	101
10. Vehicle liability insurance	40.137.168	39.454.707	102	39.454.707	39.501.418	100
11. Aircraft or other flying machine liability insurance	17.359	6.912	251	6.912	5.717	121
12. Liability for ship insurance	525.894	535.847	98	535.847	645.596	83
13. General liability insurance	10.318.795	9.213.747	112	9.213.747	9.171.451	100
14. Credit insurance shall be insurance covering:	(1.495)	(2.965)	50	(2.965)	(2.653)	112
15. Suretyship insurance	215.352	200.526	107	200.526	183.462	109
16. Miscellaneous financial loss insurance	1.070.136	902.455	119	902.455	839.069	108
17. Legal expenses insurance	100.293	107.922	93	107.922	102.253	106
18. Tourist assistance	5.323.817	4.788.690	111	4.788.690	6.562.998	73
Non-life insurance contracts	**151.719.664**	**145.596.138**	**104**	**145.596.138**	**143.830.115**	**101**
19. Life assurance	23.338.987	22.402.748	104	22.402.748	22.044.449	102
21. Life assurance linked to units of investment fund or to units of funds	34.358.794	36.581.743	94	36.581.743	39.121.599	94
23. Capital redemption insurance	5.465.251	3.749.084	146	3.749.084	4.050.660	93
Life insurance contracts	**63.163.031**	**62.733.574**	**101**	**62.733.574**	**65.216.708**	**96**
Complementary health insurance	**100.295.915**	**95.865.573**	**105**	**95.865.573**	**98.792.686**	**97**
Total	**315.178.611**	**304.195.285**	**104**	**304.195.285**	**307.839.510**	**99**

Net written premiums as % of gross written premiums	Net written premiums in euros	Gross written premiums in euros	Year 2019 in %	Net written premiums in euros	Gross written premiums in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Results by class of insurance:						
1. Accident insurance	16.838.668	16.936.335	**99**	17.542.448	17.657.512	**99**
2. Health insurance (without complementary health insurance)	4.271.723	4.271.723	**100**	3.828.003	3.828.003	**100**
3. Land vehicle insurance	37.046.594	38.731.904	**96**	34.700.166	36.231.684	**96**
5. Aircraft insurance	6.826	12.462	**55**	4.782	4.782	**100**
6. Ship insurance	449.171	491.716	**91**	466.007	509.768	**91**
7. Goods in transit insurance	1.223.904	1.401.679	**87**	1.369.162	1.583.322	**86**
8. Fire and natural forces insurance	14.960.410	18.136.336	**82**	14.421.723	17.471.466	**83**
9. Other damage to property insurance	12.894.844	14.030.191	**92**	11.925.244	13.101.761	**91**
10. Vehicle liability insurance	39.181.058	40.137.168	**98**	38.602.706	39.454.707	**98**
11. Aircraft or other flying machine liability insurance	1.732	17.359	**10**	1.498	6.912	**22**
12. Liability for ship insurance	480.392	525.894	**91**	489.845	535.847	**91**
13. General liability insurance	9.520.856	10.318.795	**92**	8.440.563	9.213.747	**92**
14. Credit insurance shall be insurance covering:	(1.495)	(1.495)	**100**	(2.965)	(2.965)	**-**
15. Suretyship insurance	66.369	215.352	**31**	65.785	200.526	**33**
16. Miscellaneous financial loss insurance	994.134	1.070.136	**93**	730.215	902.455	**81**
17. Legal expenses insurance	96.059	100.293	**96**	98.339	107.922	**91**
18. Tourist assistance	5.256.750	5.323.817	**99**	4.788.690	4.788.690	**100**
Non-life insurance contracts	**143.287.997**	**151.719.664**	**94**	**137.472.210**	**145.596.138**	**94**
19. Life assurance	21.166.005	23.338.987	**91**	20.274.302	22.402.748	**90**
21. Life assurance linked to units of investment fund or to units of funds	34.354.202	34.358.794	**100**	36.578.861	36.581.743	**100**
23. Capital redemption insurance	5.465.251	5.465.251	**100**	3.749.084	3.749.084	**100**
Life insurance contracts	**60.985.457**	**63.163.031**	**97**	**60.602.247**	**62.733.574**	**97**
Complementary health insurance	**100.295.915**	**100.295.915**	**100**	**95.865.573**	**95.865.573**	**100**
Total	**304.569.370**	**315.178.611**	**97**	**293.940.030**	**304.195.285**	**97**

Movement in gross claims and benefits paid	Gross claims and benefits paid in current year in euros	Gross claims and benefits paid in previous year in euros	Year 2019 in %	Gross claims and benefits paid in current year in euros	Gross claims and benefits paid in previous year in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Results by class of insurance:						
1. Accident insurance	7.651.253	7.527.340	**102**	7.527.340	7.500.731	**100**
2. Health insurance (without complementary health insurance)	2.277.120	2.636.917	**86**	2.636.917	2.706.328	**97**
3. Land vehicle insurance	24.314.661	25.481.808	**95**	25.481.808	25.611.538	**99**
5. Aircraft insurance	15.360	-	**-**	-	-	**-**
6. Ship insurance	121.290	249.799	**49**	249.799	244.988	**102**
7. Goods in transit insurance	927.055	1.092.116	**85**	1.092.116	789.622	**138**
8. Fire and natural forces insurance	9.580.727	7.780.720	**123**	7.780.720	7.213.266	**108**
9. Other damage to property insurance	6.935.432	7.307.347	**95**	7.307.347	7.224.797	**101**
10. Vehicle liability insurance	25.454.351	25.957.280	**98**	25.957.280	25.373.954	**102**
11. Aircraft or other flying machine liability insurance	-	-	**-**	-	-	**-**
12. Liability for ship insurance	85.589	51.295	**167**	51.295	43.684	**117**
13. General liability insurance	2.953.961	2.730.211	**108**	2.730.211	3.132.225	**87**
14. Credit insurance shall be insurance covering:	50.448	45.823	**110**	45.823	98.657	**46**
15. Suretyship insurance	-	156.454	**-**	156.454	46.739	**335**
16. Miscellaneous financial loss insurance	415.451	812.355	**51**	812.355	367.205	**221**
17. Legal expenses insurance	1.392	414	**337**	414	-	**-**
18. Tourist assistance	2.891.982	2.419.834	**120**	2.419.834	2.921.716	**83**
Non-life insurance contracts	**83.676.070**	**84.249.714**	**99**	**84.249.714**	**83.275.450**	**101**
19. Life assurance	12.300.067	13.281.118	**93**	13.281.118	15.523.015	**86**
21. Life assurance linked to units of investment fund or to units of funds	30.841.817	32.556.658	**95**	32.556.658	33.581.474	**97**
23. Capital redemption insurance	872.931	882.760	**99**	882.760	856.325	**103**
Life insurance contracts	**44.014.816**	**46.720.536**	**94**	**46.720.536**	**49.960.814**	**94**
Complementary health insurance	**85.317.749**	**83.524.513**	**102**	**83.524.513**	**84.273.720**	**99**
Total	**213.008.635**	**214.494.762**	**99**	**214.494.762**	**217.509.984**	**99**

Claims ratio	Gross claims and benefits paid in euros	Gross written premiums in euros	Year 2019 coefficient	Gross claims and benefits paid in euros	Gross written premiums in euros	Year 2018 coefficient
1	2	3	4=2/3	5	6	7=5/6
Results by class of insurance:						
1. Accident insurance	7.651.253	16.936.335	**45,18**	7.527.340	17.657.512	**42,63**
2. Health insurance (without complementary health insurance)	2.277.120	4.271.723	**53,31**	2.636.917	3.828.003	**68,88**
3. Land vehicle insurance	24.314.661	38.731.904	**62,78**	25.481.808	36.231.684	**70,33**
5. Aircraft insurance	15.360	12.462	**123,25**	-	4.782	**0,00**
6. Ship insurance	121.290	491.716	**24,67**	249.799	509.768	**49,00**
7. Goods in transit insurance	927.055	1.401.679	**66,14**	1.092.116	1.583.322	**68,98**
8. Fire and natural forces insurance	9.580.727	18.136.336	**52,83**	7.780.720	17.471.466	**44,53**
9. Other damage to property insurance	6.935.432	14.030.191	**49,43**	7.307.347	13.101.761	**55,77**
10. Vehicle liability insurance	25.454.351	40.137.168	**63,42**	25.957.280	39.454.707	**65,79**
11. Aircraft or other flying machine liability insurance	-	17.359	**0,00**	-	6.912	**0,00**
12. Liability for ship insurance	85.589	525.894	**16,27**	51.295	535.847	**9,57**
13. General liability insurance	2.953.961	10.318.795	**28,63**	2.730.211	9.213.747	**29,63**
14. Credit insurance shall be insurance covering:	50.448	(1.495)	**-**	45.823	(2.965)	**-**
15. Suretyship insurance	-	215.352	**0,00**	156.454	200.526	**78,02**
16. Miscellaneous financial loss insurance	415.451	1.070.136	**38,82**	812.355	902.455	**90,02**
17. Legal expenses insurance	1.392	100.293	**1,39**	414	107.922	**0,38**
18. Tourist assistance	2.891.982	5.323.817	**54,32**	2.419.834	4.788.690	**50,53**
Non-life insurance contracts	**83.676.070**	**151.719.664**	**55**	**84.249.714**	**145.596.138**	**58**
19. Life assurance	12.300.067	23.338.987	**52,70**	13.281.118	22.402.748	**59,28**
21. Life assurance linked to units of investment fund or to units of funds	30.841.817	34.358.794	**89,76**	32.556.658	36.581.743	**89,00**
23. Capital redemption insurance	872.931	5.465.251	**15,97**	882.760	3.749.084	**23,55**
Life insurance contracts	**44.014.816**	**63.163.031**	**69,68**	**46.720.536**	**62.733.574**	**74,47**
Complementary health insurance	**85.317.749**	**100.295.915**	**85,07**	**83.524.513**	**95.865.573**	**87,13**
Total	**213.008.635**	**315.178.611**	**67,58**	**214.494.762**	**304.195.285**	**70,51**

Operating expenses as % of gross written premiums	Operating expenses in euros	Gross written premiums in euros	Year 2019 in %	Operating expenses in euros	Gross written premiums in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Results by class of insurance:						
1. Accident insurance	5.467.520	16.936.335	**32**	5.101.898	17.657.512	**29**
2. Health insurance (without complementary health insurance)	1.667.543	4.271.723	**39**	1.413.481	3.828.003	**37**
3. Land vehicle insurance	10.189.340	38.731.904	**26**	8.632.402	36.231.684	**24**
5. Aircraft insurance	278	12.462	**2**	12.554	4.782	**263**
6. Ship insurance	170.393	491.716	**35**	220.928	509.768	**43**
7. Goods in transit insurance	413.924	1.401.679	**30**	411.505	1.583.322	**26**
8. Fire and natural forces insurance	7.500.649	18.136.336	**41**	7.075.516	17.471.466	**40**
9. Other damage to property insurance	5.610.420	14.030.191	**40**	5.151.944	13.101.761	**39**
10. Vehicle liability insurance	11.327.784	40.137.168	**28**	10.305.418	39.454.707	**26**
11. Aircraft or other flying machine liability insurance	309	17.359	**2**	9.466	6.912	**137**
12. Liability for ship insurance	178.199	525.894	**34**	211.657	535.847	**39**
13. General liability insurance	3.170.224	10.318.795	**31**	2.926.473	9.213.747	**32**
14. Credit insurance shall be insurance covering:	13.793	(1.495)	**-**	23.996	(2.965)	**-**
15. Suretyship insurance	48.380	215.352	**22**	80.877	200.526	**40**
16. Miscellaneous financial loss insurance	298.237	1.070.136	**28**	288.588	902.455	**32**
17. Legal expenses insurance	54.194	100.293	**54**	50.973	107.922	**47**
18. Tourist assistance	1.715.244	5.323.817	**32**	1.786.093	4.788.690	**37**
Non-life insurance contracts	**47.826.431**	**151.719.664**	**32**	**43.703.770**	**145.596.138**	**30**
19. Life assurance	8.254.001	23.338.987	**35**	8.587.626	22.402.748	**38**
21. Life assurance linked to units of investment fund or to units of funds	7.439.375	34.358.794	**22**	7.688.038	36.581.743	**21**
23. Capital redemption insurance	727.169	5.465.251	**13**	892.018	3.749.084	**24**
Life insurance contracts	**16.420.545**	**63.163.031**	**26**	**17.167.682**	**62.733.574**	**27**
Complementary health insurance	**9.292.925**	**100.295.915**	**9**	**8.807.178**	**95.865.573**	**9**
Total	**73.539.901**	**315.178.611**	**23**	**69.678.629**	**304.195.285**	**23**

Acquisition costs as % of gross written premiums	Insurance acquisition costs in euros	Gross written premiums in euros	Year 2019 in %	Insurance acquisition costs in euros	Gross written premiums in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Results by class of insurance:						
1. Accident insurance	1.896.662	16.936.335	11	1.724.434	17.657.512	10
2. Health insurance (without complementary health insurance)	217.574	4.271.723	5	144.632	3.828.003	4
3. Land vehicle insurance	3.563.185	38.731.904	9	3.214.011	36.231.684	9
5. Aircraft insurance	109	12.462	1	65	4.782	1
6. Ship insurance	75.517	491.716	15	75.742	509.768	15
7. Goods in transit insurance	137.383	1.401.679	10	124.450	1.583.322	8
8. Fire and natural forces insurance	4.280.667	18.136.336	24	3.845.938	17.471.466	22
9. Other damage to property insurance	2.993.298	14.030.191	21	2.591.326	13.101.761	20
10. Vehicle liability insurance	3.957.676	40.137.168	10	3.540.986	39.454.707	9
11. Aircraft or other flying machine liability insurance	354	17.359	2	383	6.912	6
12. Liability for ship insurance	79.872	525.894	15	80.584	535.847	15
13. General liability insurance	1.485.647	10.318.795	14	1.291.232	9.213.747	14
14. Credit insurance shall be insurance covering:	(2)	(1.495)	0	-	(2.965)	0
15. Suretyship insurance	3.614	215.352	2	1.647	200.526	1
16. Miscellaneous financial loss insurance	114.842	1.070.136	11	90.936	902.455	10
17. Legal expenses insurance	10.665	100.293	11	10.277	107.922	10
18. Tourist assistance	586.158	5.323.817	11	459.149	4.788.690	10
Non-life insurance contracts	**19.403.222**	**151.719.664**	13	**17.195.792**	**145.596.138**	12
19. Life assurance	3.554.861	23.338.987	0	3.333.264	22.402.748	0
21. Life assurance linked to units of investment fund or to units of funds	2.020.818	34.358.794	6	1.970.558	36.581.743	5
23. Capital redemption insurance	30.757	5.465.251	1	23.286	3.749.084	1
Life insurance contracts	**5.606.435**	**63.163.031**	9	**5.327.108**	**62.733.574**	8
Complementary health insurance	**1.711.190**	**100.295.915**	0	**1.239.875**	**95.865.573**	0
Total	**26.720.847**	**315.178.611**	8	**23.762.775**	**304.195.285**	8

Net claims ratio	Net claims paid + change in claims provisions in euros	Net earned premiums in euros	Year 2019 coefficient	Net claims paid + change in claims provisions in euros	Net earned premiums in euros	Year 2018 coefficient
1	2	3	4=2/3	5	6	7=5/6
Results by class of insurance:						
1. Accident insurance	8.259.201	16.894.410	**49**	7.401.178	17.262.169	**43**
2. Health insurance (without complementary health insurance)	2.302.318	4.264.243	**54**	2.673.254	3.847.786	**69**
3. Land vehicle insurance	24.344.070	36.553.384	**67**	23.908.485	33.943.793	**70**
5. Aircraft insurance	13.237	6.014	**220**	(256)	4.205	**-**
6. Ship insurance	128.677	455.484	**28**	135.319	465.975	**29**
7. Goods in transit insurance	1.016.147	1.234.525	**82**	1.107.818	1.353.400	**82**
8. Fire and natural forces insurance	7.210.116	14.889.304	**48**	6.017.383	13.872.481	**43**
9. Other damage to property insurance	7.289.543	12.741.456	**57**	6.606.206	11.736.292	**56**
10. Vehicle liability insurance	24.415.174	38.948.314	**63**	23.314.521	38.619.691	**60**
11. Aircraft or other flying machine liability insurance	-	1.388	**0**	-	1.367	**0**
12. Liability for ship insurance	102.487	482.754	**21**	102.851	508.367	**20**
13. General liability insurance	3.432.679	9.330.502	**37**	4.614.184	8.328.489	**55**
14. Credit insurance shall be insurance covering:	(262)	69.624	**-**	(13.825)	154.746	**-**
15. Suretyship insurance	92.210	58.559	**157**	(68.498)	66.109	**-**
16. Miscellaneous financial loss insurance	860.259	1.001.898	**86**	454.453	698.233	**65**
17. Legal expenses insurance	3.582	97.537	**4**	(24.651)	97.770	**-**
18. Tourist assistance	3.003.960	5.056.760	**59**	3.076.971	5.107.793	**60**
Non-life insurance contracts	**82.473.397**	**142.086.154**	58	**79.305.393**	**136.068.666**	58
19. Life assurance	12.198.614	21.124.783	**58**	12.583.703	20.255.674	**62**
21. Life assurance linked to units of investment fund or to units	31.013.866	34.354.202	**90**	32.640.306	36.578.861	**89**
23. Capital redemption insurance	872.931	5.465.251	**16**	882.760	3.749.084	**24**
Life insurance contracts	**44.085.412**	**60.944.236**	72	**46.106.768**	**60.583.619**	76
Complementary health insurance	86.677.755	100.064.499	87	83.771.870	96.293.603	87
Total	**213.236.564**	**303.094.888**	**70**	**209.184.031**	**292.945.888**	**71**

Combined claims ratio	Net claims paid + change in claims provisions + operating expenses v EUR	Net earned premiums v EUR	Year 2019 koeficient	(Gross claims incurred + operating expenses) v EUR	Net earned premiums v EUR	Year 2018 koeficient
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	174.625.479	242.150.653	**72**	214.504.039	232.362.269	**92**

Expense ratio	Operating expenses in euros	Net earned premiums in euros	Year 2019 in %	Operating expenses in euros	Net earned premiums in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Life insurance contracts	16.420.545	60.944.236	**27**	17.167.682	60.583.619	**28**

Undewriting profitability ratio	(Life insurance claims paid + change in technical provisions) in euros	Written net premium for life insurance in euros	Year 2019 in %	(Life insurance claims paid + change in technical provisions) in euros	Written net premium for life insurance in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Life insurance contracts	93.514.099	60.985.457	**153**	23.418.378	60.602.247	**39**

Investment return as % of average investments	Investment income in euros	(Balance of investments as at beginning of year + balance of investments as at year-end)/2 in euros	Year 2019 in %	Investment income in euros	(Balance of investments as at beginning of year + balance of investments as at year-end)/2 in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Investments from Non-life insurance	6,684,082	150,595,747	**4.4**	1,235,307	130,402,741	**0.9**
Life insurance investments	14,615,625	150,539,200	**9.7**	2,780,487	137,581,262	**2.0**
Unit-linked life insurance investments	45,264,971	297,058,345	**15.2**	(21,424,452)	293,549,047	**-7.3**
Complementary health insurance investments	385,296	10,047,198	**3.8**	402,547	9,171,229	**4.4**
Investments from other lines of business, for which mathematical provision is formed	8,180	1,293,279	**0.6**	8,921	878,763	**1.0**
Investments which are not financedfrom technical provisonos	2,403,922	76,944,059	**3.1**	3,787,861	92,050,319	**4.1**
Total insurance	**69,362,076**	**686,477,829**	**10.1**	**(13,209,329)**	**663,633,361**	**-2.0**

Claim provsions, net of reinsurance as % of earned premium	Net provisions for claims outstanding in euros	Net earned premiums in euros	Year 2019 in %	Net provisions for claims outstanding in euros	Net earned premiums in euros	Year 2018 in %
1	2	3	4=2/3*100	5	6	7=5/6*100
Results by class of insurance:						
1. Accident insurance	10.554.662	16.894.410	**62**	9.842.705	17.262.169	**57**
2. Health insurance (without complementary health insurance)	495.188	4.264.243	**12**	427.237	3.847.786	**11**
3. Land vehicle insurance	8.042.463	36.553.384	**22**	7.508.590	33.943.793	**22**
5. Aircraft insurance	3.207	6.014	**53**	5.330	4.205	**127**
6. Ship insurance	160.179	455.484	**35**	148.408	465.975	**32**
7. Goods in transit insurance	527.957	1.234.525	**43**	526.298	1.353.400	**39**
8. Fire and natural forces insurance	4.937.501	14.889.304	**33**	4.250.902	13.872.481	**31**
9. Other damage to property insurance	4.652.970	12.741.456	**37**	3.862.559	11.736.292	**33**
10. Vehicle liability insurance	43.936.730	38.948.314	**113**	43.241.249	38.619.691	**112**
11. Aircraft or other flying machine liability insurance	-	1.388	**0**	-	1.367	**0**
12. Liability for ship insurance	254.177	482.754	**53**	237.280	508.367	**47**
13. General liability insurance	18.423.043	9.330.502	**197**	17.933.933	8.328.489	**215**
14. Credit insurance shall be insurance covering:	-	69.624	**0**	2.264	154.746	**1**
15. Suretyship insurance	-	58.559	**0**	1.351	66.109	**2**
16. Miscellaneous financial loss insurance	669.915	1.001.898	**67**	224.421	698.233	**32**
17. Legal expenses insurance	4.468	97.537	**5**	1.140	97.770	**1**
18. Tourist assistance	1.407.809	5.056.760	**28**	1.271.980	5.107.793	**25**
Non-life insurance contracts, excluding health insurance	**94.070.269**	**142.086.154**	**66**	**89.485.647**	**136.068.666**	**66**
19. Life assurance	5.187.409	21.124.783	**25**	4.942.554	20.255.674	**24**
21. Life assurance linked to units of investment fund or to units of funds	1.592.208	34.354.202	**5**	1.420.159	36.578.861	**4**
23. Capital redemption insurance	-	5.465.251	**0**	-	3.749.084	**0**
Life insurance contracts	**6.779.618**	**60.944.236**	**11**	**6.362.713**	**60.583.619**	**11**
Complementary health insurance	**6.677.711**	**100.064.499**	**7**	**5.317.705**	**96.293.603**	**6**
Total	**107.527.597**	**303.094.888**	**35**	**101.166.065**	**292.945.888**	**35**

Gross profit, or loss, of the current year as % of net written premiums	Gross profit or loss, of the current year in euros	Net written premiums in euros	Year 2019 in %	Gross profit, or loss, of the current year in euros	Net written premiums in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts (without complementary health insurance)	5,174,809	143,247,280	4	7,859,882	137,472,210	6
Life insurance contracts	1,041,736	60,985,457	2	459,855	60,602,247	1
Complementary health insurance	1,721,485	100,336,632	2	1,968,137	95,865,573	2
Total	**7,938,029**	**304,569,370**	**3**	**10,287,873**	**293,940,030**	**3**

Gross profit or loss, of the current year as % of average capital	Gross profit or loss, of the current year in euros	(Capital at beginning of year + capital at end of year)/2 in euros	Year 2019 in %	Gross profit or loss, of the current year in euros	(Capital at beginning of year + capital at end of year)/2 in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	6,896,293	76,798,249	9	9,828,019	76,070,677	13
Life insurance contracts	1,041,736	20,168,535	5	459,855	19,963,425	2
Total	**7,938,029**	**96,966,784**	**8**	**10,287,873**	**96,034,102**	**11**

Gross profit or loss, of the current year as % of average assets	Gross profit, or loss, of the current year in euros	(Assets at beginning of year + assets at end of year)/2 in euros	Year 2019 in %	Gross profit or loss, of the current year in euros	(Assets at beginning of year + assets at end of year)/2 in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	6,896,293	294,125,767	2	9,828,019	285,366,170	3
Life insurance contracts	1,041,736	493,971,995	0	459,855	475,904,821	0
Total	**7,938,029**	**768,551,746**	**1**	**10,287,873**	**743,926,897**	**1**

Gross profit or loss, of the current year per share	Gross profit in euros	Number of shares	Year 2019 in euros	Gross profit in euros	Number of shares	Year 2018 in euros
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	6,896,293	10,304,407	0.7	9,828,019	10,304,407	1.0
Life insurance contracts	1,041,736	10,304,407	0.1	459,855	10,304,407	0.0
Total	**7,938,029**	**10,304,407**	**0.8**	**10,287,873**	**10,304,407**	**1.0**

Receivables from reinsurance and reinsurance share on technical provisions as % of equity	The insurer's capital in euros	Receivables from reinsurance and technical provisions attributable to reinsurers in euros	Year 2019 in %	The insurer's capital in euros	Receivables from reinsurance and technical provisions attributable to reinsurers in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	16,760,342	77,977,373	21	14,689,081	75,619,126	19
Life insurance contracts	368,700	20,779,937	2	219,033	19,557,133	1
Total	**17,129,041**	**98,757,309**	**17**	**14,908,115**	**95,176,259**	**16**

Gross written premium, net of reinsurance as % of average capital and technical provisions	Gross written premium, net of reinsurance in euros	Average capital + average balance of technical provisions in euros	Year 2019 in %	Gross written premium, net of reinsurance in euros	Average capital + average balance of technical provisions in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	243,583,913	225,277,136	**108**	233,337,783	219,232,591	**106**
Life insurance contracts	60,985,457	449,113,470	**14**	60,602,247	432,172,150	**14**
Total	**304,569,370**	**674,390,607**	**45**	**293,940,030**	**651,404,740**	**45**

Average balance of technical provision, net of reinsurance as % of net revenues from insurance premiums	Average balance of technical provision, net of reinsurance in euros	Net revenues from insurance contracts in euros	Year 2019 in %	Average balance of technical provision, net of reinsurance in euros	Net revenues from insurance contracts in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	148,478,887	242,150,653	**61**	143,161,913	232,362,269	**62**
Life insurance contracts	428,944,935	60,911,238	**704**	412,208,725	60,583,619	**680**
Total	**577,423,822**	**303,061,891**	**191**	**555,370,638**	**292,945,888**	**190**

Equity as % of total equity and liabilities	Equity in euros	Total equity and liabilities in euros	Year 2019 in %	Equity in euros	Total equity and liabilities in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	77,977,373	303,843,833	**26**	75,619,126	284,407,701	**27**
Life insurance contracts	20,779,937	524,071,097	**4**	19,557,133	463,872,894	**4**
Total	**98,757,309**	**807,176,359**	**12**	**95,176,259**	**729,927,132**	**13**

Technical provisions, net of reinsurance as % of total equity and liabilities	Technical provisions, net of reinsurance in euros	Total equity and liabilities in euros	Year 2019 in %	Technical provisions, net of reinsurance in euros	Total equity and liabilities in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Non-life insurance contracts	152,153,437	303,843,833	**50**	144,804,337	284,407,701	**51**
Life insurance contracts	457,357,728	524,071,097	**87**	400,532,143	463,872,894	**86**
Total	**609,511,165**	**807,176,359**	**76**	**545,336,479**	**729,927,132**	**75**

Net provisions (mathematical provisions) as % of net technical provisions	Net provisions (mathematical reserves) in euros	Net technical provisions in euros	Year 2019 in %	Net provisions (mathematical reserves) in euros	Net technical provisions in euros	Year 2018 in %
1	2	3	4=2/3	5	6	7=5/6
Life insurance contracts	457,357,728	609,511,165	**75**	400,532,143	545,336,479	**73**

Gross written premium as % of number of full-time employees	Gross written premiums in euros	Number of full-time employees	Year 2019 in euros	Gross written premiums in euros	Number of full-time employees	Year 2018 in euros
1	2	3	4=2/3	5	6	7=5/6
Aggregate insurance business - total	315,178,611	1,001	**314,864**	304,195,285	1,057	**287,791**

2. FUNDS SEPARATELY MANAGED BY ADRIATIC SLOVENICA

Adriatic Slovenica manages a register of non-life and life insurance, however the funds from the life insurance register are managed separately as follows:

- the life insurance fund,
- the unit-linked life insurance fund,
- internal unit-linked life insurance funds,
- internal and ring-fenced (guarantee) funds.

The names of the funds managed separately and the registration numbers of individual registered funds are presented below, in compliance with the Decision on Annual Reports and Quarterly Financial Statements of Insurance Undertakings issued by the Insurance Supervision Agency (Official Gazette of the Republic of Slovenia No. 1/16).

The name and registration number of individual funds managed separately

Life insurance register	Registration number
Life insurance fund	
Unit-linked life insurance fund	
Unit-linked life insurance fund – NT	5063361024
Unit-linked life insurance fund – FOND POLICA	5063361028
Unit-linked life insurance internal funds	
Aktivni naložbeni paket internal fund	5063361031
Dirigent internal fund	5063361029
KD Vrhunski internal fund	5063361030
Aktivni AS internal fund	5063361037
Guarantee funds	
Group of AS pension saving guarantee funds	
AS pension saving guarantee fund – DRZNI DO 50	5063361034
AS pension saving guarantee fund – UMIRJENI MED 50 IN 60	5063361035
AS pension saving guarantee fund – ZAJAMČENI OD 60	5063361036
Zajamčeni PNA-01 guarantee fund – pension insurance	5063361021
Guarantee fund backing additional pension insurance during the annuity payout period	5063361027
Covering fund for supplementary pension insurance during annuity payout under Pension and Disability Act (ZPIZ-2)	5063361038

* Guarantee funds in the Guarantee Fund Pension Saving AS Group and Guarantee Fund PNA-01 are at the same Ring-Fenced Fund Pension Insurance Pokojninsko during saving.

Assets and liabilities and the income statement of individual funds or groups of funds are presented in the form as laid down in the Decision on Annual Reports and Quarterly Financial Statements of Insurance Undertakings, Appendix 2.

2.1 UNIT-LINKED FUNDS

Assets and liabilities of unit-linked funds

(in EUR)	Unit-linked life insurance 31 Dec. 2019	Unit-linked life insurance – FOND POLICA 31 Dec. 2019	Unit-linked life insurance 31 Dec. 2018	Unit-linked life insurance – FOND POLICA 31 Dec. 2018
ASSETS	**22,137,817**	**231,632,172**	**20,729,198**	**200,457,620**
A. Investment property and financial investments	**21,445,101**	**226,486,588**	**20,238,822**	**198,624,931**
III. Other financial investments	21,445,101	226,486,588	20,238,822	198,624,931
3. Investment funds	21,445,101	226,486,588	20,238,822	198,624,931
B. Receivables	**55,257**	**3,941,126**	**160,972**	**1,234,698**
I. Receivables from insurance business	46,307	197,367	45,979	190,475
1. Receivables from policyholders	45,914	197,367	45,569	190,475
3. Other receivables from direct insurance operations	393	-	409	-
II. Other receivables	8,950	3,743,759	114,993	1,044,223
C. Other assets	637,459	1,204,448	329,404	597,987
I. Cash and cash equivalents	637,459	1,204,447	329,404	597,987
II. Other assets	-	0	-	0
D. Short-term deferred expenses and accrued revenues	**-**	**11**	**-**	**4**
2. Short-term deferred acquisition costs	-	11	-	4
LIABILITIES	**21,754,421**	**232,458,219**	**20,405,919**	**200,417,536**
A. Revaluation surplus	**-**	**(0)**	**-**	**(0)**
B. Gross insurance technical provisions	**231,627**	**913,535**	**116,041**	**991,360**
III. Gross claims provisions	231,627	913,535	116,041	991,360
C. Gross insurance technical provisions for unit-linked life insurance contracts	**21,410,359**	**224,740,069**	**20,164,465**	**195,707,058**
E. Other liabilities	**67,674**	**6,650,398**	**76,951**	**3,551,984**
I. Liabilities from insurance business	346	1,358,498	1,236	1,192,499
1. Liabilities to policyholders	-	10	1,072	32
3. Other liabilities from insurance business	346	1,358,488	164	1,192,467
II. Liabilities from co-insurance and reinsurance business	-	(0)	-	-
III. Other liabilities	67,328	5,291,901	75,715	2,359,485
F. Accrued expenses and deferred revenues	**44,762**	**154,216**	**48,462**	**167,135**

Income statement of unit-linked funds

(in EUR)	Unit-linked life insurance 2019	Unit-linked life insurance – FOND POLICA 2019	Unit-linked life insurance 2018	Unit-linked life insurance – FOND POLICA 2018
I. Gross written premium	**1,391,851**	**20,832,288**	**1,549,733**	**21,614,332**
II. Investment revenue	**3,120,233**	**46,279,992**	**2,249,852**	**26,073,450**
1. Revenues from dividends and shares	**-**	**-**	**-**	**-**
2. Revenue from other investments	**3,120,233**	**46,279,992**	**2,249,852**	**26,073,450**
2.1. Revenue from land and buildings	-	-	-	-
2.2. Interest revenue	14,500	7,698	14,500	85,506
2.3. Other investment revenue	3,105,733	46,272,292	2,235,352	25,987,944
2.3.1. Revaluation financial revenues	3,105,733	46,227,600	2,235,352	25,857,005
2.3.2. Other financial revenues	0	44,693	0	130,940
3. Value re-adjustments on investments	**-**	**-**	**-**	**-**
4. Gains on the realisation on investments	**-**	**-**	**-**	**-**
III. Expenses from payments of sum insured or surrender value	**(2,747,279)**	**(20,431,763)**	**(2,647,695)**	**(21,986,826)**
1. Ordinary termination (maturity)	**(1,830,669)**	**(4,848,538)**	**(1,563,591)**	**(7,785,716)**
2. Extraordinary termination	**(916,610)**	**(15,583,225)**	**(1,084,105)**	**(14,201,010)**
2.1 Withdrawal from contract	(891,095)	(15,162,164)	(1,015,265)	(13,760,325)
2.2 Cancellation of contract	-	(106,637)	-	(41,159)
2.3 Death of policyholder	(25,515)	(314,424)	(68,840)	(399,526)
V. Change in other insurance technical provisions, net of reinsurance (+/–)	**(1,361,480)**	**(28,955,197)**	**3,171,595**	**21,083,021**
1. Change in mathematical provisions (+/–)	**(1,245,894)**	**(29,033,022)**	**3,108,624**	**21,043,018**
2. Change in other insurance technical provisions, net of reinsurance (+/–)	**(115,585)**	**77,824**	**62,971**	**40,003**
VI. Expenses and commissions	**(197,747)**	**(4,750,931)**	**(216,301)**	**(5,079,200)**
1. Entry fees	**(295)**	**(1,361,211)**	**(341)**	**(1,547,403)**
2. Exit fees	**(10,884)**	**(208,231)**	**(13,796)**	**(231,234)**
3. Management fees	**(186,567)**	**(3,181,490)**	**(202,164)**	**(3,300,563)**
VII. Investment expenses	**(131,382)**	**(13,996,291)**	**(4,102,654)**	**(41,401,993)**
1. Depreciation of assets not used in operations	**-**	**-**	**-**	**-**
2. Expenses arising from asset management, interest expenses and other financial expenses	**-**	**(19,199)**	**-**	**(100,224)**
3. Financial expenses from revaluation	**(131,382)**	**(13,977,092)**	**(4,102,654)**	**(41,301,770)**
4. Losses on the realisation of investments	**-**	**-**	**-**	**-**
VIII. Profit/loss of unit linked fund (I + II - III + IV + V - VI - VII)	**74,196**	**(1,021,902)**	**4,529**	**302,884**

2.2 INTERNAL UNIT-LINKED FUNDS

Assets and liabilities of internal unit-linked funds

(in EUR)	Internal unit-linked fund – DIRIGENT 31 Dec. 2019	Internal unit-linked fund – AKTIVNI NALOŽBENI PAKET 31 Dec. 2019	Internal unit-linked fund – VRHUNSKI 31 Dec. 2019	Internal unit-linked fund - Aktivni AS 31.12.2019	Internal unit-linked fund – DIRIGENT 31 Dec. 2018	Internal unit-linked fund – AKTIVNI NALOŽBENI PAKET 31 Dec. 2018	Internal unit-linked fund – VRHUNSKI 31 Dec. 2018	Internal unit-linked fund- Aktivni AS 31.12.2018
ASSETS								
III. Financial assets	**3,856,291**	**26,410,358**	**9,319,689**	**15,351,148**	**6,330,211**	**22,848,676**	**7,552,404**	**11,015,349**
1. Financial assets at fair value through profit or loss	3,856,291	26,410,358	9,319,689	15,351,148	6,330,211	22,848,676	7,552,404	11,015,349
IV. Receivables	**-**	**150,000**	**-**	**-**	**977**	**-**	**261**	**-**
4. Other receivables	-	150,000	-	-	977	-	261	-
V. Cash and cash equivalents	**62,847**	**75,443**	**120,373**	**133,959**	**127,440**	**(148,237)**	**434,415**	**49,191**
VII. TOTAL ASSETS	**3,919,138**	**26,635,801**	**9,440,063**	**15,485,107**	**6,458,828**	**22,700,438**	**7,987,080**	**11,064,540**
LIABILITIES								
I. Operating liabilities	**33,614**	**196,129**	**60,972**	**63,520**	**5,759**	**10,636**	**10,135**	**5,079**
3. Liabilities to custodian	10,461	12,682	26,477	7,050	5,759	10,636	10,135	5,079
4. Other operating liabilities	23,153	183,447	34,494	56,470	-	-	-	-
III. Liabilities to policyholders from insurance contracts	**2,649,479**	**22,699,213**	**7,651,212**	**13,632,185**	**7,097,680**	**24,721,432**	**8,700,701**	**11,748,337**
1. Nominal value of premiums paid	(980,948)	21,297,763	5,856,003	14,087,991	2,822,441	21,288,351	6,181,736	11,515,268
3. Net profit/loss brought forward from previous years	3,630,428	1,401,451	1,795,209	(455,806)	4,275,239	3,433,081	2,518,965	233,070
IV. Undistributed net profit/loss for the financial year	**1,236,045**	**3,740,458**	**1,727,879**	**1,789,403**	**(644,811)**	**(2,031,630)**	**(723,755)**	**(688,876)**
V. TOTAL LIABILITIES	**3,919,138**	**26,635,801**	**9,440,063**	**15,485,107**	**6,458,628**	**22,700,438**	**7,987,080**	**11,064,540**
-	-	-	-	-	-	-	-	-
NET ASSETS OF THE INTERNAL FUND = ASSETS-OPERATING LIABILITIES-FINANCIAL LIABILITIES	**3,885,524**	**26,439,671**	**9,379,091**	**15,421,587**	**6,452,869**	**22,689,802**	**7,976,945**	**11,059,461**

The Insurance Company Adriatic Slovenica d. d. does not have any internal funds assets invested in deposits and financial instruments whose issuer is the custodian of internal funds or a person associated with the Insurance Company or with the managers of these internal funds.

Income statement of internal unit-linked funds

(in EUR)	Internal unit-linked fund – DIRIGENT 2019	Internal unit-linked fund – AKTIVNI NALOŽBENI PAKET 2019	Internal unit-linked fund – VRHUNSKI 2019	Internal unit-linked fundT - Aktivni AS 2019	Internal unit-linked fund – DIRIGENT 2018	Internal unit-linked fund – AKTIVNI NALOŽBENI PAKET 2018	Internal unit-linked fund – VRHUNSKI 2018	Internal unit-linked fund AS 2018
A. Income statement for the internal fund	-	-	-	-	-	-	-	-
I. Financial revenues	1,874,058	4,070,373	1,887,447	1,886,816	763,111	681,033	228,460	78,218
1. Revenues from dividends and shares	20,767	-	40,233	-	36,049	-	32,030	-
2. Interest revenue	1	-	3	-	-	-	-	-
3. Realised gains on financial investments	1,110,885	996,366	20,122	33,261	675,074	707,682	3,351	83,057
4. Net reveniue from financial investments, measured at fair value through profit and loss	726,845	3,074,007	1,813,550	1,853,554	17,971	(26,649)	50,896	(4,838)
5. Other financial revenue	15,561	-	13,540	-	34,016	0	142,183	(0)
III. Other revenue	-	0	-	1	2	-	-	1
IV. Financial expenses	568,995	179,568	16,692	2,004	1,309,579	2,567,386	810,788	710,290
2. Realised loss on financial investments	82,315	100,607	-	9,441	13,166	40,425	41,741	76,493
3. Net expenses arising from a change in the fair value of financial investment recognised at fair value through profit or loss	477,544	78,960	-	10,563	1,292,632	2,526,962	662,797	633,797
4. Other financial expenses	9,135	0	16,692	0	3,781	(0)	106,250	0
VI. Management and operating expenses	69,018	150,347	142,876	77,409	98,346	145,277	141,427	56,805
1. Expenses relating to custodian	69,018	150,347	142,876	77,409	98,346	145,277	141,427	56,805
VII. Net profit/loss for the period	1,236,045	3,740,458	1,727,879	1,789,403	(644,811)	(2,031,630)	(723,755)	(688,876)
(in EUR)	**2019**	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**	**2018**
1. Opening balance of (units) assets	6,452,869	22,689,802	7,976,945	11,059,461	10,753,233	24,502,146	8,922,905	6,893,790
2. Assets (units) paid in	-	2,597,500	-	3,707,000	-	2,666,500	-	5,071,000
3. Assets (units) paid out	3,803,390	2,588,089	325,733	1,134,277	3,655,553	2,447,214	222,203	216,453
4. Net profit or loss of the internal fund	1,236,045	3,740,458	1,727,879	1,789,403	(644,811)	(2,031,630)	(723,756)	(688,876)
6. Closing balance of (units) assets	3,885,524	26,439,671	9,379,091	15,421,587	6,452,869	22,689,802	7,976,945	11,059,461
(in EUR)	**2019**	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**	**2018**
1. Opening number of units in circulation	452,054	2,130,299	679,501	1,089,577	686,864	2,112,101	696,946	638,459
2. Number of units paid in	-	222,514	-	329,290	-	231,947	-	471,918
3. Number of units paid out	228,855	219,745	24,215	102,565	234,810	213,750	17,445	20,800
4. Closing number of units in circulation	223,199	2,133,068	655,286	1,316,302	452,054	2,130,299	679,501	1,089,577

2.3 RING-FENCED PENSION INSURANCE GUARANTEE FUND – SAVING

Assets and liabilities of ring-fenced lifecycle pension insurance funds – Pokojninsko varčevanje AS

(in EUR)	AS – DRZNI 31 Dec. 2019	AS – UMIRJENI 31 Dec. 2019	AS – ZAJAMČENI 31 Dec. 2019	Lifecycle group	AS – DRZNI 31 Dec. 2018	AS – UMIRJENI 31 Dec. 2018	AS – ZAJAMČENI 31 Dec. 2018	Lifecycle group
-	9,083,219	5,989,928	3,611,698	18,684,846	5,759,627	3,472,002	2,747,242	11,978,871
Financial investments	**8,687,837**	**5,741,809**	**3,352,791**	**17,782,436**	5,146,070	3,088,967	2,253,616	10,488,653
measured at fair value through other comprehensive income, of which:	-	-	-	-	844,471	800,750	494,556	2,139,777
– debt securities	-	-	-	-	353,536	235,691	-	589,227
– equity securities	-	-	-	-	490,935	565,059	494,556	1,550,550
measured at fair value through the income statement, of which:	8,687,837	5,741,809	3,352,791	17,782,436	4,301,599	2,288,216	1,759,060	8,348,875
– debt securities	1,308,291	2,136,341	2,514,615	5,959,247	214,533	409,658	1,344,541	1,968,733
– equity securities	7,379,546	3,605,468	838,176	11,823,190	4,087,066	1,878,558	414,519	6,380,143
Receivables	**309,217**	**184,665**	**75,161**	**569,043**	256,987	157,072	63,117	477,175
Other receivables	309,217	184,665	75,161	569,043	256,987	157,072	63,117	477,175
Cash and cash equivalents	**86,165**	**63,454**	**183,227**	**332,846**	356,570	225,963	364,028	946,562
Off-balance-sheet assets	**-**	**-**	**519**	**519**	-	-	66,482	66,482
Other off-balance-sheet assets	-	-	519	519	-	-	66,482	66,482
LIABILITIES	9,083,234	5,989,954	3,611,683	18,684,871	5,759,631	3,472,010	2,747,244	11,978,885
Insurance technical provisions	**9,067,516**	**5,978,071**	**3,602,249**	**18,647,836**	5,748,440	3,463,821	2,673,896	11,886,157
Mathematical provisions for attributed return on assets covering mathematical provisions	971,978	402,950	148,458	-	(120,184)	(58,575)	(32,465)	-
Technical provisions where the assets covering mathematical provisions are split to units (VEP)	8,095,539	5,575,121	3,453,791	-	5,868,624	3,522,396	2,706,361	-
Operating liabilities	**10,838**	**7,003**	**4,034**	**21,875**	7,291	4,290	2,967	14,547
Liabilities arising from the purchase of securities and other financial instruments	-	-	481	481	-	-	-	-
Liabilities to the managing company of the assets covering mathematical provisions	7,305	4,832	2,939	15,076	6,752	3,917	2,176	12,845
Liabilities arising from redemption value to the members of the assets covering mathematical provisions	-	1,509	-	1,509	-	-	421	421
Other operating liabilities	3,533	662	614	4,809	539	372	370	1,281
Other liabilities	**4,880**	**4,880**	**4,880**	**14,640**	3,900	3,900	3,900	11,699
Off-balance-sheet liabilities	**-**	**-**	**519**	**519**	-	-	66,482	66,482
Other off-balance-sheet liabilities	-	-	519	519	-	-	66,482	66,482

Income statement of ring-fenced lifecycle pension insurance funds – Pokojninsko varčevanje AS

(in EUR)	AS – DRZNI 2018	AS – UMIRJENI 2018	AS – ZAJAMČENI 2018	Lifecycle group	AS – DRZNI 2017	AS – UMIRJENI 2017	AS – ZAJAMČENI 2017	Lifecycle group
Financial revenue	**1,853,283**	**806,880**	**348,368**	**3,008,531**	**745,897**	**257,477**	**94,702**	**1,098,075**
Revenue from dividends and shares	63,702	28,741	-	92,443	43,939	16,127	-	60,066
Interest revenue	32,983	28,363	32,837	94,184	26,093	11,066	13,329	50,489
Gains on disposals of financial investments	207,706	104,661	38,461	350,827	103,991	40,472	9,681	154,144
Net reveniue from financial investments, measured at fair value through profit and loss	1,548,828	645,091	277,070	2,470,989	571,668	189,606	71,674	832,948
Other financial revenue	65	22	0	87	206	206	17	429
Financial expenses	**(583,231)**	**(253,263)**	**(106,427)**	**(942,921)**	**(1,038,615)**	**(330,122)**	**(100,703)**	**(1,469,440)**
Interest expenses	(306)	(204)	-	(510)	(324)	(216)	(1)	(540)
Losses on disposal of financial investments	(36,936)	(19,319)	-	(56,255)	(144,409)	(38,541)	(7,628)	(190,578)
Net expenses arising from a change in the fair value of financial investment recognised at fair value through profit or loss	(545,969)	(233,737)	(106,427)	(886,133)	(893,864)	(291,129)	(93,074)	(1,278,068)
Other financial expenses	(20)	(2)	-	(22)	(18)	(237)	-	(255)
Result of investing activities	**1,270,053**	**553,617**	**241,940**	**2,065,610**	**(292,718)**	**(72,646)**	**(6,001)**	**(371,365)**
Other revenue	**0**	**0**	**-**	**0**	**-**	**0**	**-**	**0**
Expenses relating to the management and operation of the guarantee fund	**(90,561)**	**(63,406)**	**(45,962)**	**(199,929)**	**(65,924)**	**(40,993)**	**(32,509)**	**(139,427)**
Management fees	(72,331)	(48,294)	(32,826)	(153,451)	(50,461)	(29,602)	(23,653)	(103,716)
Expenses relating to custodian bank	(9,435)	(7,114)	(5,506)	(22,055)	(8,116)	(5,701)	(4,264)	(18,082)
Expenses relating to auditing	(7,613)	(7,613)	(7,613)	(22,839)	(4,566)	(4,566)	(4,566)	(13,697)
Expenses relating to mediation in the purchase and sale of securities	(1,063)	(333)	-	(1,395)	(2,682)	(1,076)	(8)	(3,766)
Other expenses charged directly to guarantee funds in accordance with management rules	(120)	(53)	(17)	-	(99)	(49)	(17)	-
Net profit available to policyholders	1,179,492	490,211	195,978	1,865,681	(358,642)	(113,639)	(38,510)	(510,791)

Pension insurance in the context of lifecycle pension insurance guarantee funds, which have been available since 1 February 2016, is underwritten under the new pension insurance schemes Pokojninsko varčevanje AS – individualno (AS pension saving – individual) and Pokojninsko varčevanje AS – kolektivno (AS pension saving – group). The new payments (as of 1 February 2016) will be invested in the new guarantee funds (lifecycle funds) in relation to the age of policyholders and the level of risks they are prepared to take. The payments into the previous guarantee fund (PNA01) will no longer be possible in accordance with the Management Rules. The assets from this fund will only be intended for payouts or transfers to lifecycle funds. The sale of these products has begun in 2016, therefore no year for comparison is available.

Assets and liabilities of the PNA01 ring-fenced pension insurance fund

(in EUR)	31 Dec 2019	31 Dec 2018
ASSETS	11,377,640	10,950,975
Financial investments	**11,072,603**	**10,830,685**
measured at amortised cost, of which:	2,122,660	2,214,184
– debt securities	2,122,660	2,214,184
measured at fair value through other comprehensive income, of which:	7,739,902	7,805,908
– debt securities	7,258,668	7,345,943
– equity securities	481,233	459,965
measured at fair value through the income statement, of which:	1,210,041	810,594
– debt securities	1,210,041	810,594
Receivables	**29,369**	**34,710**
Other receivables	29,369	34,710
Cash and cash equivalents	**275,668**	**85,579**
LIABILITIES	11,377,482	10,950,761
Insurance technical provisions	**11,363,188**	**10,937,095**
Mathematical provisions for payable net premiums	8,678,696	9,019,909
Mathematical provisions for attributed return on assets covering mathematical provisions	2,684,492	1,917,186
Operating liabilities	**10,878**	**9,767**
Liabilities to the managing company of the assets covering mathematical provisions	9,469	9,114
Other operating liabilities	1,408	653
Other liabilities	**3,416**	**3,900**

Income statement of the PNA01 ring-fenced pension insurance guarantee fund

(in EUR)	2019	2018
Financial revenue	**508,205**	368,953
Interest revenue	324,865	338,973
Gains on disposals of financial investments	32,283	-
Revaluation financial revenue arising from a change in the fair value of a financial asset through profit and loss	151,057	29,538
Other financial revenue	0	442
Revenue from payment of management company due to failing to achieve guaranteed return	(58,403)	(61,587)
Expenses from payment of surrender values	-	(1)
Losses on disposal of financial investments	-	(13,760)
Net expenses arising from a change in the fair value of financial investment recognised at fair value through profit or loss	(58,403)	(47,825)
Other financial expenses	-	(0)
Result of investing activities	**449,801**	307,366
Other revenue	**1**	0
Expenses relating to the management and operation of the guarantee fund	**(127,712)**	(126,481)
Management fees	(113,311)	(112,069)
Expenses relating to custodian bank	(10,443)	(9,846)
Expenses relating to auditing	(3,957)	(4,566)
Expenses relating to mediation in the purchase and sale of securities	(0)	(0)
Other expenses	**(0)**	-
Net profit available to policyholders	322,090	180,886

2.4 RING-FENCED PENSION INSURANCE FUND – DURING THE ANNUITY PAYOUT PERIO

Assets and liabilities of the ring-fenced pension insurance fund during the annuity payout period

(in EUR)	31 Dec 2019	31 Dec 2018
ASSETS	**549,565**	**559,942**
A. Investment property and financial investments	464,966	548,555
I. Investment property	-	22,545
III. Other financial investments	464,966	526,010
2. Debt securities and other securities with fixed return	464,966	526,010
B. Receivables	**2,028**	**3,550**
II. Other receivables	2,028	3,550
C. Other assets	**82,571**	**7,837**
I. Cash and cash equivalents	82,571	7,837
-	-	-
LIABILITIES	494,832	490,954
A. Fair value reserve	**27,781**	**(8,458)**
B. Gross insurance technical provisions	**453,375**	**470,681**
II. Gross mathematical provisions	453,375	470,681
E. Other liabilities	**13,676**	**28,732**
I. Liabilities from direct insurance operations	2,950	2,950
1. Liabilities to policyholders	2,950	2,950
III. Other liabilities	10,725	25,781

Income statement of the ring-fenced pension insurance fund during the annuity payout period

(in EUR)	2019	2018
I. Transfer of funds from the pension scheme of additional pension insurance	**-**	**16,450**
1. this legal entity	-	16,450
II. Investment revenue	**15,385**	**22,943**
1.1. Revenue from dividends and shares in subsidiaries	15,385	22,943
1.2. Revenues from dividends and shares in associated companies	728	4,367
1.3. Revenues from dividends and shares in other companies	14,657	18,574
2. Revenue from other investments	0	(0)
2.3. Other investment revenue	(41,753)	(41,693)
2.3.1. Revaluation financial revenues	(41,753)	(41,693)
3. Value re-adjustments on investments	17,305	943
4. Gains on the realisation on investments	17,305	943
1. Claims paid	(896)	(966)
1. Change in mathematical provisions (+/–)	(896)	(966)
VI. Investment expenses	(715)	(5,920)
1. Depreciation of assets not used in operations	**(83)**	**(501)**
2. Expenses arising from asset management, interest expenses and other financial expenses	(149)	(623)
3. Revaluation operating expenses	(483)	(4,796)
VII. Profit/loss of guarantee fund (I. + II. - III. + IV. - V. - VI.)	**(10,674)**	**(8,242)**
VII.a. Profit/loss of guarantee fund (I. + II. - III. + IV. - Va. - VI.)	**(9,778)**	**(7,277)**

Assets and liabilities of the ring-fenced covering fund for supplementary pension insurance during annuity payout under Pension and Disability Act (ZPIZ-2)

(in EUR)	31 Dec 2019	31 Dec 2018
ASSETS	**470,858**	**285,799**
A. Investment property and financial investments	165,536	156,041
III. Other financial investments	165,536	156,041
2. Debt securities and other securities with fixed return	165,536	156,041
B. Receivables	**3,902**	**406**
II. Other receivables	3,902	406
C. Other assets	**301,420**	**129,353**
I. Cash and cash equivalents	301,420	129,353
LIABILITIES	**470,858**	**287,383**
A. Revaluation surplus	**8,354**	**444**
B. Gross insurance technical provisions	**460,545**	**286,835**
I. Gross provisions for unearned premium	-	58,690
II. Gross mathematical provisions	460,545	228,144
E. Other liabilities	**1,960**	**104**
III. Other liabilities	1,960	104

Statement of the ring-fenced covering fund for supplementary pension insurance during annuity payout under Pension and Disability Act (ZPIZ-2)

(in EUR)	2019	2018
I. Transfer of funds from the pension scheme of additional pension insurance	**273,054**	**160,664**
1. this legal entity	273,054	160,664
II. Investment revenue	**1,544**	**1,237**
2. Revenue from other investments	1,544	1,237
2.2. Interest revenue	1,544	1,237
III. Claims expenses	**(37,226)**	**(12,099)**
1. Claims paid	(37,226)	(12,099)
IV. Change in other net insurance technical provisions (+/–)	**(232,400)**	**(144,140)**
1. Change in mathematical provisions (+/–)	(232,400)	(144,140)
V. Expenses included in policies	**(9,940)**	**(7,618)**
1. Entry fees	(8,516)	(7,131)
3. Costs of claims settlement	(1,424)	(486)
VII. Profit/loss of guarantee fund (I. + II. - III. + IV. - V. - VI.)	**(4,969)**	**(1,956)**
VII.a. Profit/loss of pension fund (I. + II. - III. + IV. - Va. - VI.)	**4,971**	**5,662**