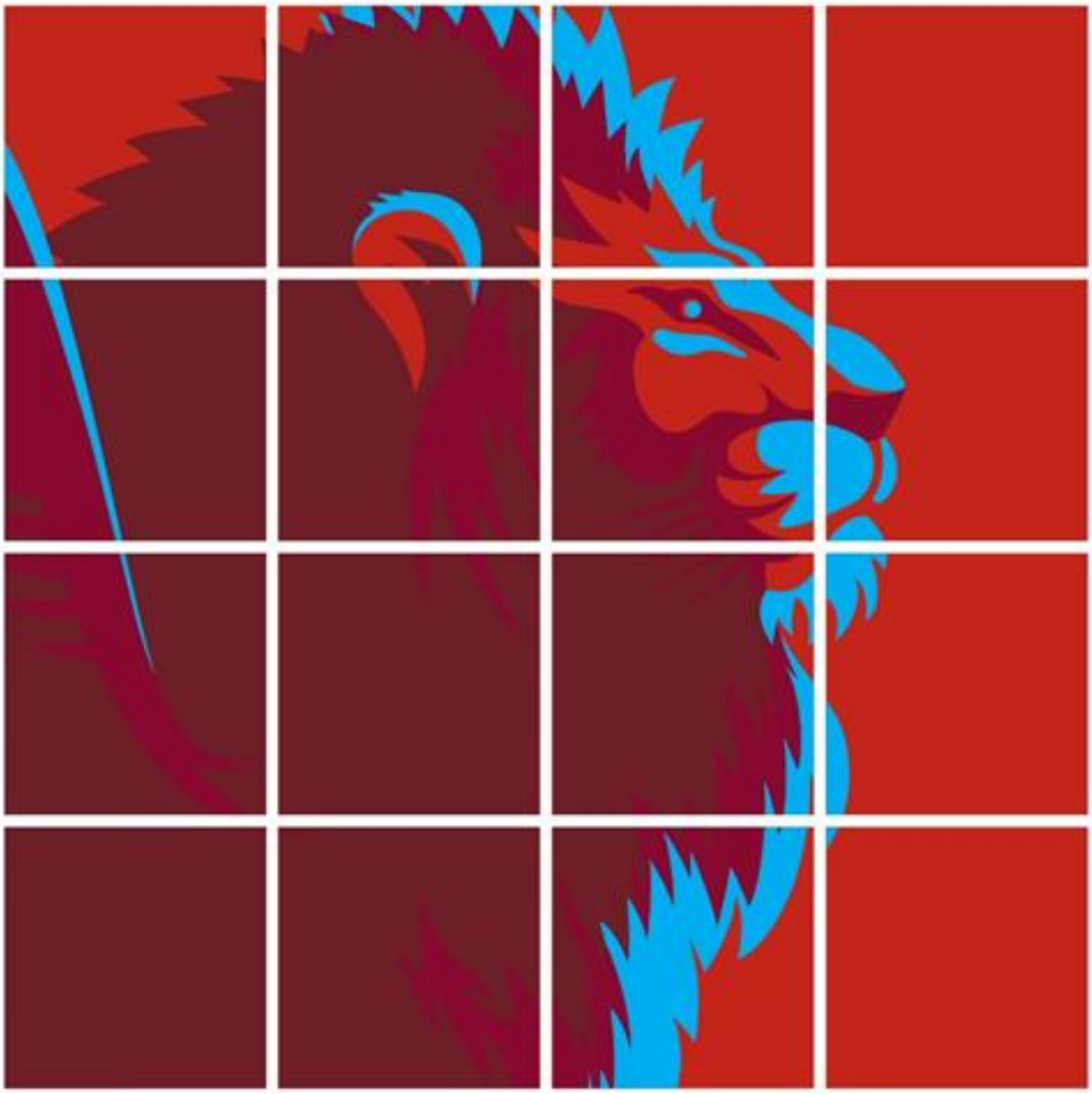

Skupina GENERALI

SOLVENCY AND FINANCIAL CONDITION REPORT FOR 2019

Adriatic Slovenica d. d.

BOARD MEMBERS:

Chairman of the Management Board:	Vanja Hrovat
Member of the Management Board:	Mitja Feri
Member of the Management Board:	Katarina Guzej

INTRODUCTION

Company Adriatic Slovenica d.d. prepares Solvency and Financial Condition Report (SFCR) in accordance with Directive 2009/138 / EC[1] (hereinafter also the Directive) and the Commission Delegation (EU) 2019/981[2] (hereinafter also the Delegated Regulation) and related guidelines.

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in Annex XX of the Delegated Regulation (EU) 35/2015. The subjects addressed are based on article 51 to 56 of the Solvency II Directive and Article 292 to 298 of the Delegated Acts. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRTs).

All amounts in this report are presented in thousand euros, unless stated otherwise.

Adriatic Slovenica d. d. (hereinafter also: AS) and the AS Group companies were part of the group KG Group until 13 February 2019. After the completed sales procedure and the transfer of shares, Generali CEE Holding, B.V. became the sole shareholder on 13 February 2019, and Adriatic Slovenica and the AS Group companies became part of the Generali Group.

Based on the merger agreement and permits issued by the competent regulators, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. on 3 January 2020. Pursuant to the law, Generali zavarovalnica d. d., as the acquiring company, became the universal legal successor of Adriatic Slovenica and acquired all of AS's rights and obligations, whilst Adriatic Slovenica as a legal entity was deleted from the court register.

The relevant annual report and the consolidated annual report were prepared and adopted by the acquiring company, Generali zavarovalnica d. d.; it refers solely to the operations of Adriatic Slovenica in 2019.

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[1] DIRECTIVE 2009/138 / EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast)

[2] This relates to the amended Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 20119/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). The amended Commission Delegated Regulation (EU) 2019/981 was adopted on 8 March 2019 and it is valid 20 days after publishing, except points 50, 59, 61, 66 and 74 of Article 1, which are effective as of 1 January 2020.

SUMMARY

Adriatic Slovenica (hereinafter referred to as “AS” or “Company”) is one of the three major insurance companies on the Slovenian market. The Solvency and Financial Position Report is comprised of five sets, such as set forth by the Commission Delegated Regulation. It will be published on the Insurance Company’s website.

A Business and performance

The report in question was prepared and adopted by the acquiring company Generali zavarovalnica d.d. and refers exclusively to the operations of Adriatica Slovenica in 2019.

The Insurance Company ended 2019 with a net profit of EUR 6.9 million and achieved a 7.1 percent return on equity. The positive business result was achieved in all three segments, of which property insurance accounted for 65%, health for 20%, and life insurance for 15% of the gross profit. The Insurance Company posted a total of EUR 310 million of gross insurance premium (excluding pension fund inflows). Last year, a digital sales channel WIZ grew by 40% - sales of all key product groups Wiz Avto, WIZ Health, WIZ Abroad were on the rise. Croatia's subsidiary also recorded a high, 27% growth in operations last year. The latter has already collected close to EUR 6 million in premiums, of which 52% with non-life insurance and 48% with life insurance. In doing so, the branch realized the majority of car insurance sales through the digital sales route.

Alongside the improved solvency ratio, the Insurance Company’s operational safety, security and effectiveness were confirmed by the credit rating A high (formerly BBB+, both from Fitch Ratings).

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 technical 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 technical 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.

B System of governance

The corporate governance system is governed by rules that set out in a transparent and comprehensible manner:

- the organisational structure of the Company with precisely defined, transparent and consistent internal relationships connected to 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 management and management bodies of the company and all employees are familiar with and comply with the legislation, the rules of the profession and the internal normative regulation, taking into account their competences, powers, and responsibilities or area of work.

The Insurance Company has a two-tier management system. It is run by the Management Board and the Supervisory Board. The Supervisory Board has established its Audit Committee and the Committee for the regular monitoring of strategy implementation and target business model achievement.

The Insurance Company has the following committees established in the context of its risk management system:

- the Assets and Liabilities Management Committee (ALCO);
- the Risk Management Committee;
- the Investment Committee;
- the Provisions Committee.

The Insurance Company has set up the following governance key functions: the risk management function, the compliance function, the actuarial function, and the internal audit function, all operating in accordance with the policies and powers determined by the law and the internal regulatory framework of the company. All key function holders are appointed by the Management Board with the consent of the Supervisory Board and by observing statutory conditions and standards of competence and suitability. The Insurance Company has appointed the following key function holders:

- the risk management function holder;
- the actuarial function holder for property insurance;
- the actuarial function holder for life insurance;
- the compliance function holder;
- the internal audit function holder.

Each key function operates and reports to the management and supervisory bodies in compliance with its rules and powers.

The risk management process is implemented in accordance with the three lines of risk defence system 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 the day-to-day operational management of the risks arising from the process or being a result of processes. 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 of risks arising from their processes.

The second line of defence, consisting of the Risk Management Committee, the Risk Management Team and the risk management key function, together with the key actuarial and compliance functions, is responsible for reviewing and coordinating the first line of defence, developing risk policies, strategies, tolerances and limits, and preparing and presenting reports to the Assets and Liabilities Management Committee, the Management Board and the Supervisory Board of the Company. The third line of defence, which includes the internal audit and other assurance providers, is responsible for providing independent process effectiveness and risk management practice assessments, and timely and impartial risk management recommendations and assurances.

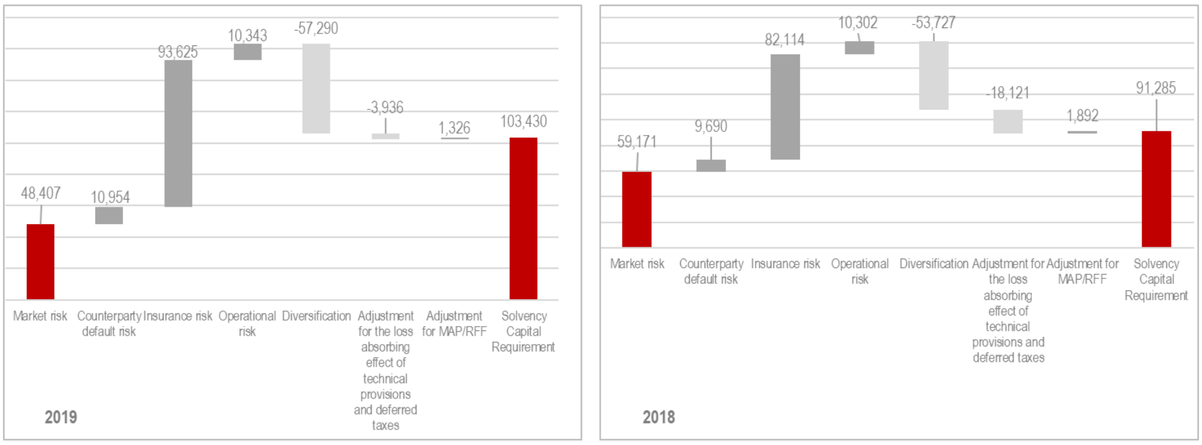
The Company's organisational structure is divided into processes, which are implemented by permanent and flexible process teams. The Company's business processes are broken down into corporative affairs, sales and development, operational implementation, and risks and finance. The processes are performed at the headquarters, in business units (from 1 January 2019 in three regions) and in the Zagreb Branch, which adapts the processes to the parent company. Within the Company, the business processes are precisely defined, and for each process (up to the minimum level – a partial process), a process owner is appointed, who also acts as the manager of the risks arising from that process or being a direct consequence thereof. The heads of individual teams are primarily responsible for the organisation and implementation of their processes.

C Risk profile

The Insurance Company applies a comprehensive risk management approach, combining strategies, processes, people, technology and know-how with a view to assess and manage the risks to which the Insurance Company is exposed. From this perspective, the Insurance Company defines risk management as a series of actions performed so as to reduce exposure to potential loss. The Company's risk management function is implemented by the permanent Risk Management Team.

By nature of its business, the Insurance Company is exposed to underwriting risks, as it concludes insurance contracts based on which it assumes risk from its policyholders. As any other financial organisation, the Company is also exposed to many financial risks such as market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk. In addition to being exposed to underwriting and financial risks, insurance companies are also exposed to operational risks.

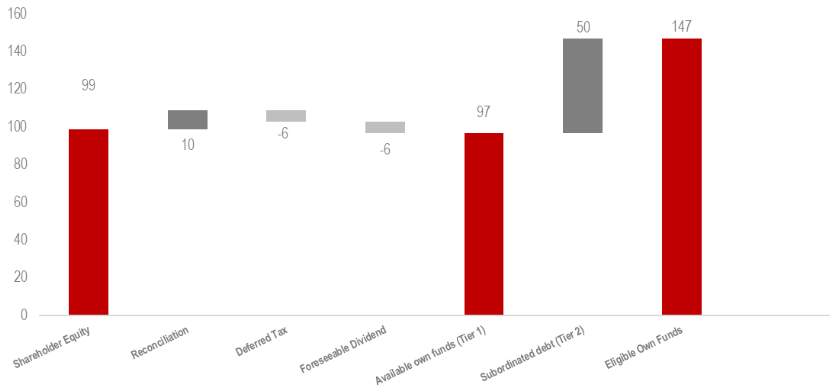
Figure below shows capital solvency requirement by individual modules for 2019 and 2018 (in 000 EUR):



D Valuation for Solvency purposes

Point D presents and explains how the Insurance Company values assets and liabilities in accordance with Solvency II. The Insurance Company values assets and liabilities using the risk-free interest rate curve published by EIOPA. It does not apply adjustments to this curve. Based on IFRS according Balance Sheet, balance sheet items have been reclassified and revalued as required by Solvency II.

Figure below shows the connection between book-entry capital and eligible own funds under Solvency II (eligible own funds) for 2019 (in millions of euros):



E Capital management

Capital management is an ongoing process of decision-making and maintaining a sufficient capital level and quality in the Company. A properly implemented process also ensures capital risk management. The Company should plan such a level and structure of capital that will prepare it to any changes in the conditions, both in relation to the applicable regulations and its financial position. In doing so, the Company has to take into account both the legal requirements and the internal requirements set by the Company itself.

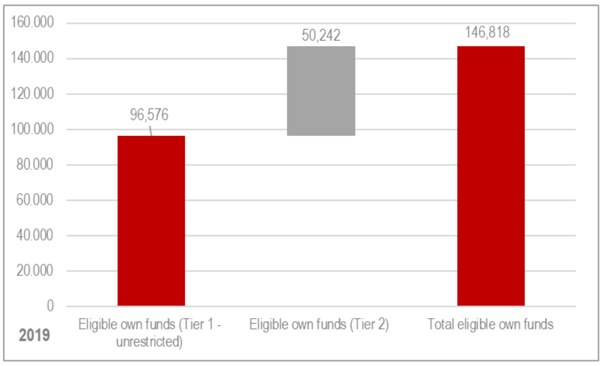
The planning of capital management ensures that the Company will meet the capital requirements also in the future. The capital and capital risk management process is an integral part of strategic and long-term plans, the annual plans and the planning of capital investments, where the planned total activity of the Company is adjusted to the planned available capital or, in the case of projected volume of activities, the level, type and source of additional capital are estimated.

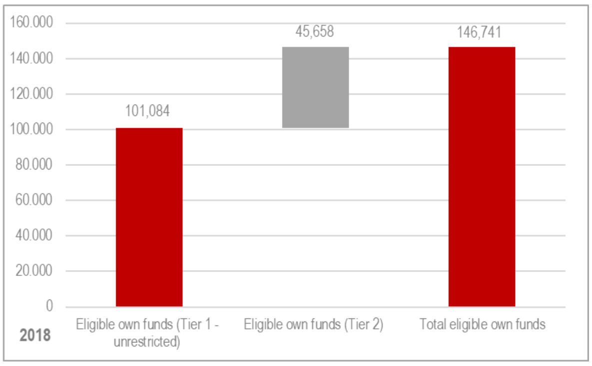
The Company calculates capital requirements using the standard formula, as set out in the Commission Delegated Regulation.

Solvency capital ratio

in €	31 Dec 2019	31 Dec 2018
Market value of assets	739,188,765	685,610,586
Technical provisions and other liabilities	636,375,132	576,556,944
Subordinated debt	50,242,066	45,657,819
Eligible own funds	**153,055,699**	**154,711,461**
Dividend	**6,218,801**	**7,970,065**
Eligible own funds after dividend	**146,836,898**	**146,741,396**
Solvency Capital Requirement (SCR)	**103,429,777**	**91,315,638**
"Eligible own funds surplus	43,407,121	55,425,758
Solvency ratio	**141.97%**	**160.70%**

Eligible own funds (v 000 EUR)





Compared to 2018, eligible own funds increased by EUR 96 thousand.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

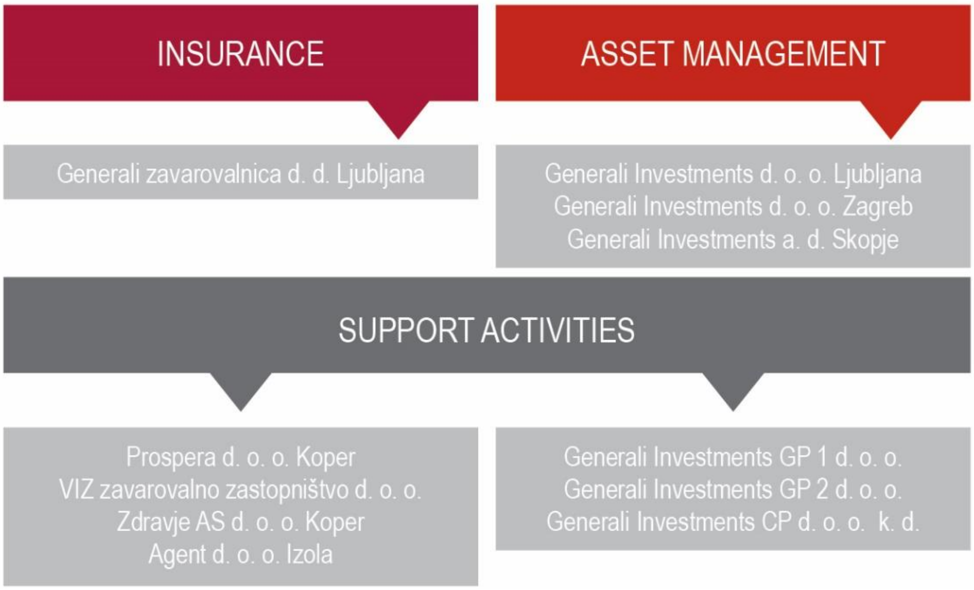
A.1.1. INFORMATION ON THE COMPANY

Adriatic Slovenica d. d. (hereinafter also: AS) and the AS Group companies were part of the group KG Group until 13 February 2019. After the completed sales procedure and the transfer of shares, Generali CEE Holding, B.V. became the sole shareholder on 13 February 2019, and Adriatic Slovenica and the AS Group companies became part of the Generali Group.

Based on the merger agreement and permits issued by the competent regulators, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. on 3 January 2020. Pursuant to the law, Generali zavarovalnica d. d., as the acquiring company, became the universal legal successor of Adriatic Slovenica and acquired all of AS's rights and obligations, whilst Adriatic Slovenica as a legal entity was deleted from the court register.

GENERALI zavarovalnica d.d., Kržičeva ulica 3, 1000 Ljubljana, is organized as a public limited company and operates directly within the Holding of Central and Eastern European Countries, controlled by Generali CEE Holding B.V. headquartered in Amsterdam, Netherlands De Entree 91.1101 BH Amsterdam, where it is possible to obtain a consolidated annual report for the said holding company, which represents the narrowest circle in the group to which the insurance company is dependent.

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.

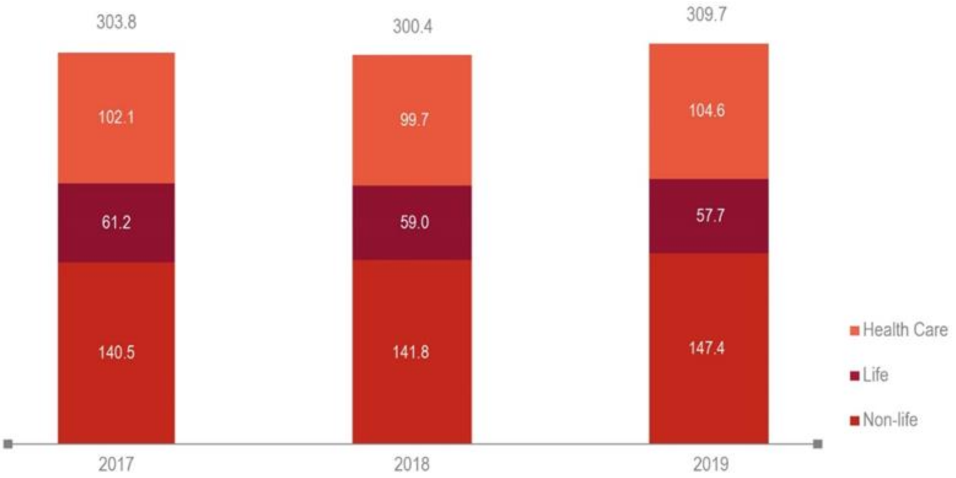
Support is provided by the following small companies of the AS Group operating in Slovenia: VIZ d. o. o., Prospera, družba za izterjavo d. o. o., Zdravje AS d. o. o. and Agent d. o. o. Two subsidiaries currently operate outside Slovenia. The subsidiaries of the company Generali Investments abroad are 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.

General information

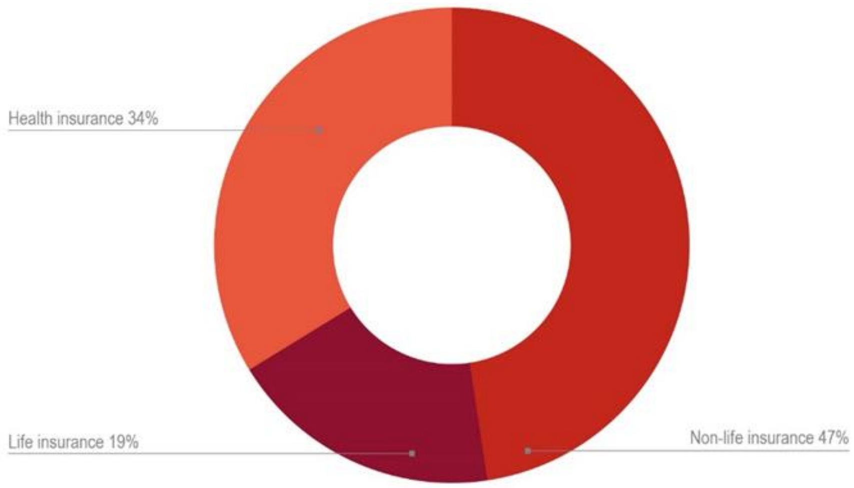
AS d.d.

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)

Gross written premium for the perod 2017 - 2019 (in EUR million)



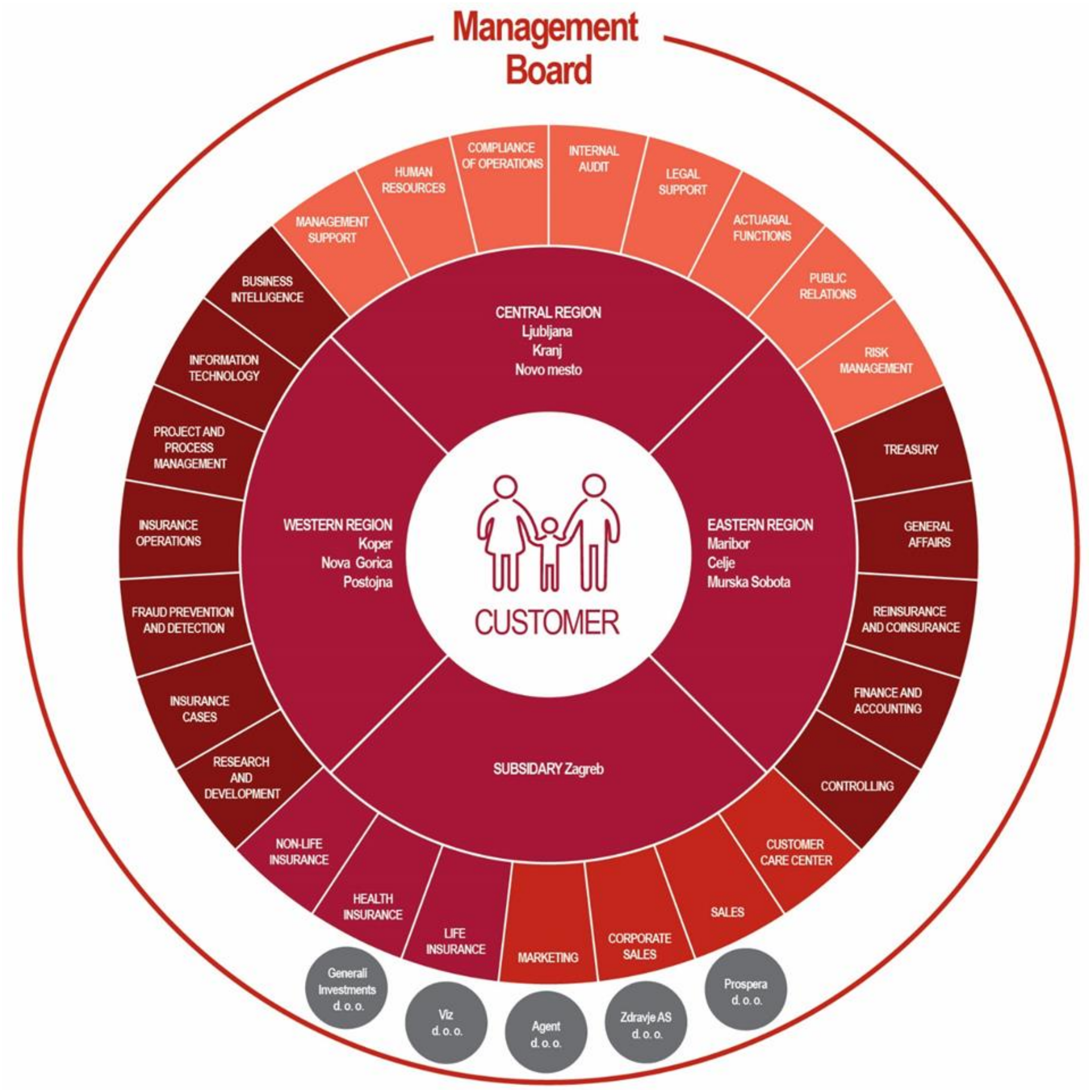
The structure of written premium by insurance class in 2019



Number of employees (on 31 December 2019)

1.001

Organisational scheme



Key business figures

	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%	-2.0%
	31.12.2019	31.12.2017
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 high (Fitch Ratings)	BBB+stable (Fitch Ratings)

A.1.2. SUPERVISORY BOARD

Insurance Supervision Agency	
Abbreviated company name	AZN
Address	Trg republike 3, 1000 Ljubljana
Phone	+386 1 25 28 600
E-mail	agencija@a-zn.si
Website	www.a-zn.si
Company registration number	1332856
VAT identification number	SI 18962343

A.1.3. EXTERNAL AUDIT

Ernst & Young d.o.o.	
Abbreviated company name	ERNST & YOUNG d.o.o.
Address	Dunajska cesta 111, 1000 Ljubljana
Phone	+386 1 58 31 700
E-mail	info@si.ey.com
Website	http://www.ey.com/si
Company registration number	5716888000
VAT identification number	SI 71225978

A.1.4. 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 %**

*As at the reporting date, the share capital of the Company amounted to EUR 42,999,529.80.

As at 31 December 2019, the share capital of the Company amounted to EUR 42,999,529.80.

A.1.5. MAYOR BUSINESS EVENTS OF THE AS COMPANY 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 Repko 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.

A.1.6. SIGNIFICANT LINES OD BUSINESS AND GEOGRAPHICAL AREAS

Reporting by segments

The core activity of Adriatic Slovenica is insurance business, which provides services in the non-life, life and health insurance segments, therefore these business segments are further divided into insurance segments 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 segments not only to 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 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.

Geographical segments

In Croatia, Adriatic Slovenica established a branch office, which was entered in the Companies Register of the Court of Zagreb under no. Tt-156430/2 on 20 March 2015 as Podružnica Zagreb za osiguranje (Zagreb Branch) with the company registration number 080962574. The Zagreb Branch is registered to perform insurance activities in the non-life and life insurance segments. The branch's registered address is Draškovićeva 10, Zagreb. Its Director is Neven Tišma.

A.2. UNDERWRITING PERFORMANCE

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 supplementary health insurance.

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 segments are identical to the accounting policies of the Company.

Income statement:

	2019				2018				
in EUR thousand	Non-life	Life	Health care	Total	Non-life	Life	Health care	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-linkec	**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**

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

Net premium revenue

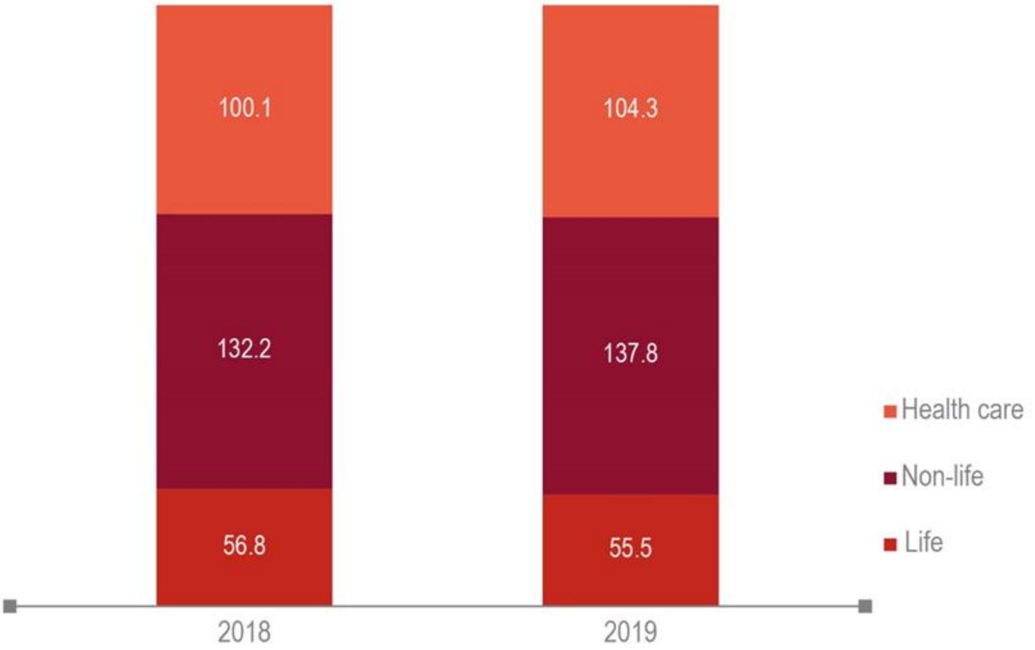
In the reported period, total gross written premium amounted to EUR 309.7 million or 3.1% more than in the comparable period a year before. In non-life insurance, growth was observed for all insurance classes, with the exception of ship/boat liability insurance, transportation (goods in transit) insurance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

In life insurance, the commercially attractive insurance classes were the risk (riziko) insurance, additional insurance and investment 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 value of 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 and non-reported damages. 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 major fire, 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 marine loss insurance.

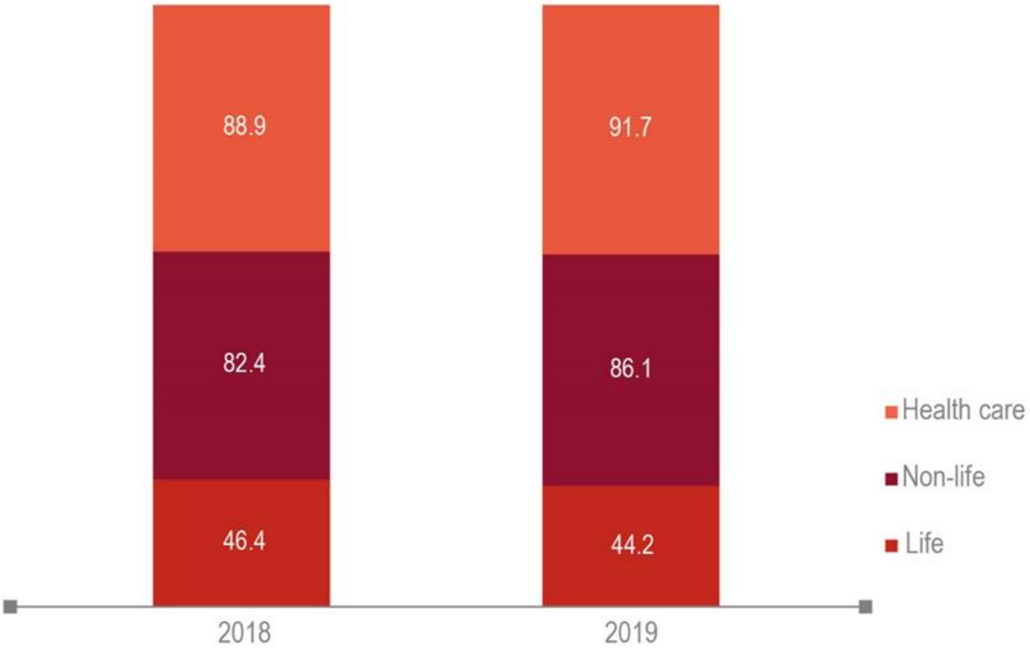
In the life insurance segment, the year was marked by the consequences of a lower volume of maturities. The higher net claims incurred in the area of health insurance in 2019, compared to 2018, are mainly the result of the medical inflation, i.e. higher prices for healthcare services.

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.

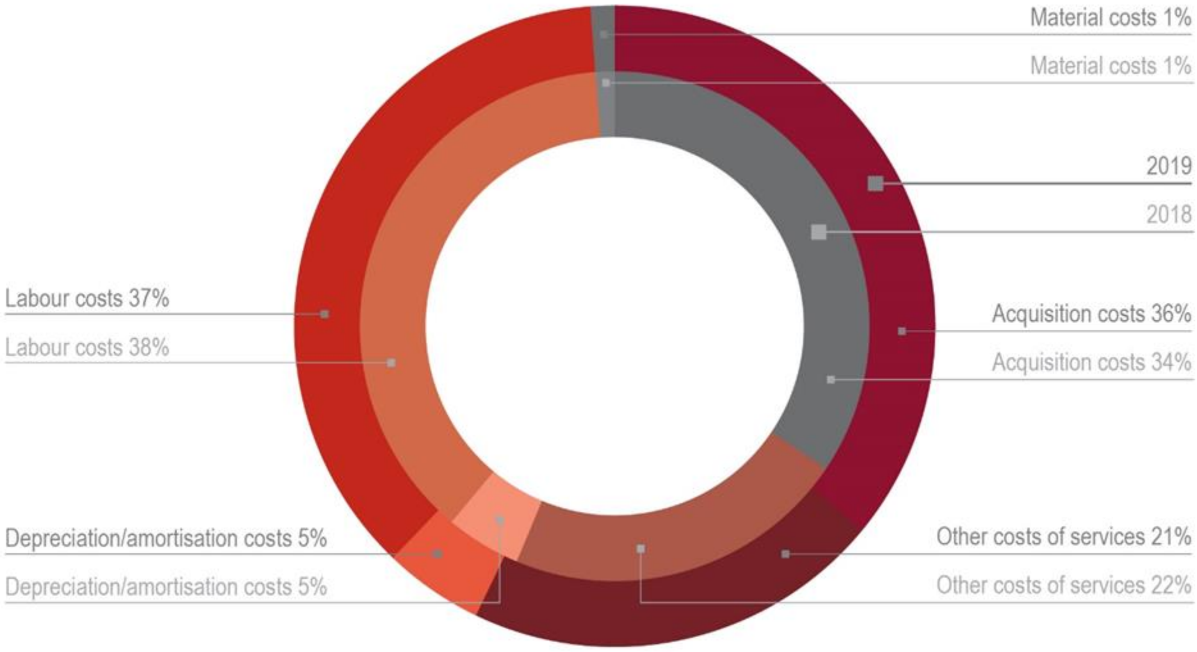
The structure of net claims incurred by business segments in the 2019 and 2018 period (in EUR million):



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 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 investments 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 investments of policyholders. 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 investment-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 result arising from the insurance-technical part of non-life insurance due to a worsened combined ratio.

Financial result ratios for the 2019 and 2018:

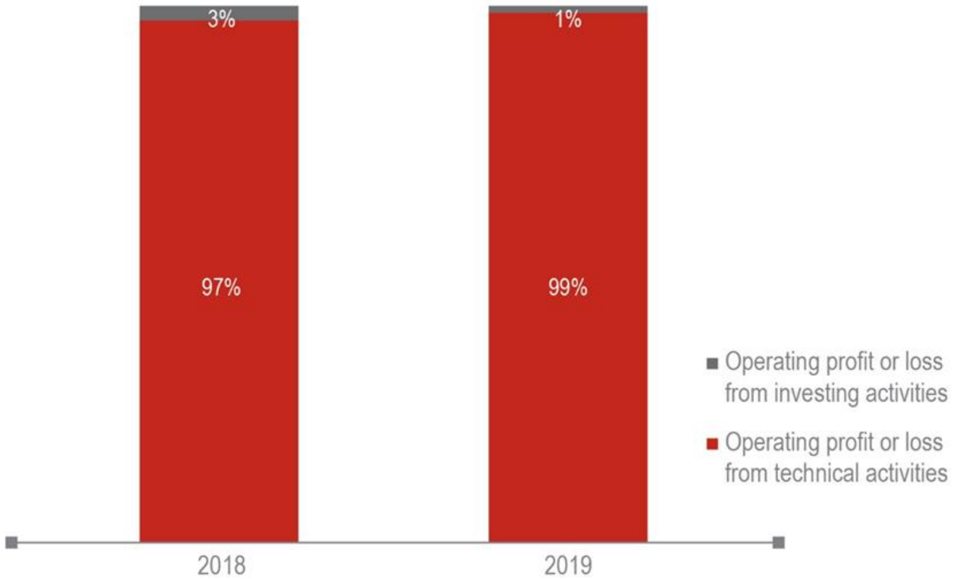
	2019		2018	
	Non-life	Health care	Non-life	Health care
Net expense ratio	33,1%	10,3%	30,7%	10,0%
Net loss result	62,5%	87,9%	62,3%	88,7%
Expense ratio	34,0%	10,7%	32,0%	10,1%
Combined ratio	96,5%	98,6%	94,3%	98,8%

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 technical 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 technical 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:



Data for solvency purposes

The table below shows the values for gross written and co-insurance premiums, gross claims paid and costs incurred in terms of major insurance type for solvency purposes in 2019 and 2018. The other values by insurance type are presented in the Appendix in form S.05.01.02.

Premium written

in 000 EUR	31 Dec 2019	31 Dec 2018
Medical expense insurance	104,568	99,529
Income protection insurance	16,936	25,921
Motor vehicle liability insurance	40,137	39,455
Other motor insurance	38,732	36,232
Fire and other damage to property insurance	31,328	30,049
Other segments of non-life insurance	19,166	17,707
Non-life insurance	**250,867**	**248,893**
Insurance with profit participation	4,962	9,132
Index-linked and unit-linked insurance	41,043	37,952
Other life insurance	16,720	5,690
Health insurance	439	1,861
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	0	0
Life insurance	**63,163**	**54,635**

Claims incurred

in 000 EUR	31 Dec 2019	31 Dec 2018
Medical expense insurance	89,029	86,468
Income protection insurance	8,395	9,699
Motor vehicle liability insurance	24,078	22,426
Other motor insurance	24,712	24,688
Fire and other damage to property insurance	20,912	13,759
Other segments of non-life insurance	8,611	10,016
Non-life insurance	**175,737**	**167,056**
Insurance with profit participation	9,351	10,038
Index-linked and unit-linked insurance	32,267	32,979
Other life insurance	4,065	977
Health insurance	67	551
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	0	2,326
Life insurance	**45,750**	**46,871**

Expenses incured

in 000 EUR	31 Dec 2019	31 Dec 2018
Medical expense insurance	11,454	10,701
Income protection insurance	5,923	10,039
Motor vehicle liability insurance	12,874	11,812
Other motor insurance	11,755	10,151
Fire and other damage to property insurance	14,334	13,409
Other segments of non-life insurance	7,179	7,080
Non-life insurance	**65,520**	**63,191**
Insurance with profit participation	830	2,310
Index-linked and unit-linked insurance	7,006	7,949
Other life insurance	6,651	2,803
Health insurance	87	170
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	0	0
Life insurance	**14,574**	**13,233**

In 2019, the Insurance Company posted a total of EUR 314.0 million in gross insurance and co-insurance premiums. In relation to non-life insurance the written premium stood at EUR 250.9 million, whilst in the field of life insurance, it amounted to EUR 63.2 million. 79.9% is accounted for by non-life insurance including health insurance, of which insurance covering costs for treatment represent 41.7%. In 2019, life insurance's share stood at 20.1%, the largest in share in terms of index-linked or unit-linked insurance.

According to the table above (data from Appendix 2 - QRT S.05.02), the premium presented in the profit and loss statement differs by EUR 4.3 million pursuant to voluntary pension insurance premium inflows being recognised as investment assets and in the Solvency Reporting Form the inflows are included in the Form.

Gross expenses for claims (liquidated claim amounts adjusted by gross claim provision change excluding liquidation costs) in 2019 amounted to EUR 221.5 million, of which EUR 175.7 million or 79.3% were accounted for in the context of non-life insurance, which includes health insurance and additional insurance linked to life insurance products. In terms of life insurance, EUR 45.8 million in gross claim expenses was incurred, representing 20.7%.

In 2019, costs incurred amounted to EUR 78.1 million. In the field of non-life insurance, which includes health insurance and additional accident insurance linked to life insurance products, EUR 63.5 million or 81.3% was accounted for, and in the field of life insurance, EUR 14.6 million or 18.7% of total costs, were incurred.

Performance by geographical structure

The income statement of the Zagreb Branch in 2019 is presented below.

Income statement for the period from 1 January 2019 to 31 December 2019 for Adriatic Slovenica d.d., the Zagreb Branch:

in 000 EUR	2019	2018
NET PREMIUM INCOME	**5,286**	**4,186**
Gross written premiums	5,978	4,657
Premiums ceded to reinsurers and co-insurers	-99	-50
Change in unearned premiums	-593	-422
INCOME FROM INVESTMENTS	**1,634**	**450**
OTHER INCOME FROM INSURANCE OPERATIONS, of which	**858**	**894**
- fee and commission income	858	894
OTHER INCOME	**91**	**69**
NET EXPENSES FOR CLAIMS AND BENEFITS PAID	**-2,454**	**-1,396**
- Gross amounts of claims and benefits paid	-2,130	-1,264
- Change in claims provisions	-323	-132
CHANGE IN OTHER TECHNICAL PROVISIONS	**-44**	**-51**
CHANGE IN TECHNICAL PROVISIONS FOR THE BENEFIT OF UNIT-LINKED INSURANCE POLICYHOLDERS	**-2,138**	**-719**
EXPENSES FOR BONUSES AND DISCOUNTS	**-2**	**-1**
OPERATING EXPENSES, of which	**-2,624**	**-2,230**
- acquisition costs	-1,402	-1,066
INVESTMENT EXPENSES	**-**	**-496**
OTHER INSURANCE EXPENSES	**-1,017**	**-997**
OTHER EXPENSES	**-55**	**-274**
PROFIT/(LOSS) BEFORE TAX	**-463**	**-566**
CORPORATE INCOME TAX	**38**	**154**
NET PROFIT FOR THE REPORTING PERIOD	**-426**	**-412**

The Insurance Company does not complete the S.05.02. form by geographical areas, as more than 90% of its operations is performed in Slovenia.

A.3. INVESTMENT PERFORMANCE

A.3.1. FINANCIAL REVENUE AND EXPENSES FROM INVESTMENTS

in 000 EUR	2019	2018
Income from financial investments measured at FVTPL	**43,209**	**2,098**
Held for sale	64	43
Interest and net exchange differences	39	43
Net sales income	25	-
Revaluation income	43,146	2,055
At initial recognition	61	68
Dividends	58	704
Interest and net exchange differences	4,265	1,283
Net sales income	38,762	-
Revaluation income	**882**	**1,729**
Income from financial investments held to maturity (HTM)	882	1,682
Interest and net exchange differences	-	47
Sales income	**6,399**	**4,900**
Income from financial investments available-for-sale (AFS)	1,283	1,415
Dividends	2,668	2,299
Interest and net exchange differences	2,444	1,186
Sales income	3	-
Income from loans and receivables	**1,492**	**3,007**
Interest	604	1,510
Net exchange differences	173	303
Other income	716	1,195
INCOME FROM INVESTMENTS	**51,983**	**11,734**
Income from investments – associated companies	51	79
Income from investments - subsidiaries	1,556	1,502
INCOME FROM INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	**1,607**	**1,581**
Expenses for financial investments measured at FVTPL	**-8**	**-22,459**
Held for sale	-8	-47
Net sales expenses	-1	-
Revaluation expenses	-7	-47
At initial recognition	-	-22,413
Revaluation expenses	-	-22,413
Expenses for financial investment held to maturity (HTM)	**-2**	**-**
Revaluation expenses	-2	-
Expenses for financial investments available-for-sale (AFS)	**-387**	**-1,881**
Realised losses	-387	-834
Impairment	-	-1,047
Expenses - derivatives	**-2,656**	**-1,123**
EXPENSES FOR INVESTMENTS	**-3,054**	**-25,463**
Net financial result - investments measured at FVTPL	**43,201**	**-20,361**
Net financial result - investments held to maturity (HTM)	**880**	**1,729**
Net financial result - available-for-sale investments (AFS)	**6,012**	**3,019**
Net financial result - derivatives	**-2,656**	**-1,123**
Net financial result from loans and receivables	**1,492**	**3,007**
Net financial result - investments in subsidiaries and associates	**1,607**	**1,581**
NET FINANCIAL RESULT	**50,536**	**-12,147**

Financial revenue and expenses also include net financial revenue/expenses for unit-linked insurance. In 2019, the net financial result of these investments was positive and stood at EUR 43,201 thousand. 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 in 2019 represented a provision higher by EUR 38,891 thousand and it contributed to the decrease in the final result in the same amount.

On-balance-sheet values for Insurance Company's investments for financial statement purposes and for solvency purposes

Values for investments	Values for financial statement purposes		Values for solvency purposes	
in 000 EUR	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Investments (less unit-linked insurance assets))	**351,105**	**320,244**	**327.573**	**302,988**
Investment property	11,697	26,065	12,196	26,417
Investments in subsidiaries	46,168	46,855	18,328	23,817
Shares	20,989	25,339	20,989	25,339
Shares quoted on regulated market	5,892	8,952	5,892	8,952
Other shares	15,096	16,387	15,096	16,387
Bonds	248,938	197,145	252,747	202,575
Government and government institution bonds	185,474	143,894	188,683	147,347
Corporate bonds	61,014	53,250	61,615	48,513
Structured securities	2,449	0	2,449	6,715
UCITS	22,630	18,975	22,630	18,975
Derivatives	0	0	0	0
Deposits other than cash equivalents	684	5,865	684	5,866

A.3.2. INFORMATION ABOUT PROFIT AND LOSSES IN EQUITY

Balance of equity

in 000 EUR	31 Dec 2019	31 Dec 2018
Share capital	**43,000**	**43,000**
Capital reserves	**4,212**	**4,212**
Reserves from profit	**9,224**	**9,224**
Legal reserves	1,520	1,520
Other reserves from profit	7,704	7,704
Other reserves from profit	7,704	7,704
Reserve due to fair value measurement (Revaluation surplus)	**5,348**	**229**
Retained net profit	**30,043**	**29,656**
Net profit for the financial year	**6,930**	**8,856**
TOTAL	**98,757**	**95,176**

Share capital

As at 31 December 2019, the subscribed and fully paid in share capital of the parent company amounted to EUR 43,000 thousand. 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.

Accumulated profit distribution

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 thousand was used for dividend payments. The rest of accumulated profits in the amount of EUR 30,371 thousand remained unallocated and was transferred to the accumulated profits for 2019. Dividends were paid in full.

Ownership structure

As at 31 December 2019, the parent company Generali CEE Holding B.V., headquartered in Amsterdam, had a 100% equity stake (10,304,407 shares) in the Insurance Company. In 2019, the ownership structure has changed. Until 13 February 2019 100% owner was KD group d. d.

Profit distribution and covering for loss

Adriatic Slovenica ended 2019 with a profit before tax totalling EUR 7,938 thousand and a net profit for the year amounting to EUR 6,931 thousand. 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 Company can decide on covering the loss for the year. The Management Board of the Company 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 used the profit from previous years to cover for the current year’s loss, namely for

- partial covering for the current year’s loss in unit-linked life insurance in the amount of EUR 8 thousand and other health insurance in the amount of EUR 907 thousand,
- covering the entire loss for the current year in life insurance in the amount of EUR 4,040 thousand, covering for losses of individual funds under the limited pension fund in in the amount of EUR 13 thousand and pension insurance in the amount of EUR 55.

The management used the current year profit to cover the loss of unit-linked investment insurance from previous years, in the amount of EUR 11 thousand.

Balance sheet profit

After covering the losses from the previous and the reporting year, by using the profit from previous and current years, the final balance of net profit for the year was EUR 6,931 thousand. Together with the unallocated profit brought forward from previous years amounting to EUR 30,043 thousand, the balance sheet profit as at 31 December 2019 to be distributed at the General Meeting of Shareholders amounted to EUR 36,974 thousand.

Other changes

Other changes in 2019 include foreign exchange in the profit/loss carried forward of the Zagreb Branch in the amount of EUR 91 thousand.

Profit reserve formation

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 thousand and the reversal of the general equity revaluation adjustment in the amount of EUR 2,488 thousand.

Own shares

In 2019, neither the Insurance Company nor any third party on behalf of the Insurance Company accepted any new own shares for pledge, and as at 31 December 2019, neither the Insurance Company nor any third party on behalf of the Insurance Company had any own shares accepted for pledge.

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.

in 000 EUR	31 Dec 2019	31 Dec 2018
Specific revaluation of equity	5,348	229
from reinforcement/impairment of available-for-sale financial assets	6,603	283
from adjustment for deferred taxes	-1,255	-54
Total revaluation surplus	**5,348**	**229**

Movements in revaluation surplus from available-for-sale financial assets with profit

in 000 EUR	2019	2018
Balance as at 1 Jan	**229**	**393**
Profits (losses) recognised in revaluation surplus	6,785	-727
Net change due to revaluation	8,376	-897
Change in deferred taxes due to revaluation	**-1,592**	**170**
Transfer of profits (losses) from revaluation surplus to profit or loss	**-1,666**	**563**
Change in revaluation surplus transferred on disposal to profit or loss	-2,057	-352
Change in deferred taxes on realisation of revaluation surplus	391	67
Transfer of negative revaluation surplus to profit or loss on impairment	-	1,047
The change deferred taxes from impairments through profit or loss	-	-199
Balance as at 31 Dec	**5,348**	**229**

A.4. PERFORMANCE OF OTHER ACTIVITIES

Other insurance revenue and expenses

Other insurance revenue

in 000 EUR	2019	2018
Revenue from insurance contracts	**797**	1,830
Revenues from reinsurance fees/commissions and from shares in positive technical result	607	1,666
Revenues from front-end/entry costs for insurance contracts	35	2
Other fee income for management of insurance contracts	155	162
Revenue from investment contracts	**45**	32
Revenue from investments contracts for administration (entry fees)	-	28
Other fee income for management of investment contracts	45	4
Total fee and commission revenue	**842**	1,862

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 a lower reinsurance commission on motor quota reinsurance in 2012 – 2014 as a result of the different release of claims provision in years 2018 and 2019 and thus different movements in the loss result on the said reiunsurance 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.

Other insurance expenses

in 000 EUR	2019	2018
Expenses for preventive activities	916	889
Contribution for covering losses caused by uninsured and unknown vehicles	-52	-201
Other net insurance expenses	1,584	1,916
Skupaj	**2,448**	**2,604**

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. Adriatic Slovenica pays fire fees in an amount depending on the market share and premium written from fire insurance. In 2019, these expenses are on the same level as last year.

The contribution for covering damage on uninsured and unidentified vehicles is a "special fee" that the insurance company pays to the SZZ, depending on the market share of motor vehicle liability insurance. In 2018, the Insurance Company's payments to SZZ exceeded the share that was subsequently determined, thereby it received a credit note in 2019.

In terms of value, other net insurance expenses are the largest part of other insurance expenses and EUR 332 thousand lower compared to the previous year on account of lower write-offs of receivables.

They are mainly generated by significant events, such as:

- write-offs of the recourse receivables, receivables from premiums and write-off of other receivables in the amount of EUR 779 thousand (2018: EUR 972 thousand)
- expenses of supervisory bodies in the amount of EUR 464 thousand (2018: EUR 469 thousand),
- insurance expenses for health assistance in the amount of EUR 39 thousand (2018: EUR 26 thousand) and

- other net insurance expenses.

Annually, the Company reviews the recoverability of older and overdue receivables and decides about write-offs of receivables, the recoverability of which had been proven 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 based on a conclusion of the Management Board and checks performed by the inventory commission.

Other revenues and expenses

Other revenue

in 000 EUR	2019	2018
Other net insurance revenues	1,453	1,414
Revaluation operating revenues	465	1,369
Revenue from business combinations (negative goodwill)	-	11
Other financial and other revenues	4,509	2,662
Total	6,427	5,456

Other net revenue from insurance operations is shown in a separate table below.

Other net insurance revenue

in 000 EUR	2019	2018
Revenue for management of insurance contracts	28	22
Revenue from insurance services provided to foreign insurance companies	563	467
Revenue from rent on parking lot and cars	39	138
Revenue from Green Card sales	412	414
Revenue from other services	411	373
Skupaj	1,453	1,414

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 203 thousand, from the write-off of liabilities from previous years in the amount of EUR 36 thousand and revenue from the sales of fixed assets in the amount of EUR 227 thousand.

As at the end of 2019, such revenue was by EUR 904 thousand lower because of lower revenue from the reversal of impairment of the financial receivables (lower for EUR 997 thousand) and premium receivables (lower for EUR 322 thousand). Despite lower total revaluation revenues, in 2019 revenues increased due to the elimination of impairments of recourse receivables by EUR 203 thousand.

Drugi finančni in ostali prihodki

Compared to the previous year, other financial and other revenue increased by EUR 1,847 thousand, primarily due to higer other financial revenue (2019: EUR 2,807 thousand; 2018: 37 thousand), arising mainly from revaluation of loans given to Fondpolica policyholders due to changes in rates on valuation.

The predominant revenue in the structure of other financial and other revenue is rental revenue from investment property, amounting to EUR 934 thousand (2018: EUR 1,809 thousand) and are EUR 876 thousand or 48.4% lower than last year (the sale of larger investment property).

Other expenses

in 000 EUR	2019	2018
Revaluation operating expenses	**742**	370
Expenses for investment properties	**715**	1,585
Depreciation of investment properties	207	336
Impairment - investment properties	-	79
Other expenses for investment properties	508	1,171
Depreciation of property, plant and equipment not intended for insurance activities	**28**	176
Other operating expenses	**1,023**	2,948
Finance expenses	**5,017**	6,424
Total	**7,525**	**11,502**

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 higher by EUR 372 thousand mainly due to higher expenses from impairment of receivables (these expenses were EUR 371 thousand higher).

Compared to the year before, investment property expenses were down by EUR 870 thousand, mainly due to depreciation of investment properties (they decreased by EUR 129 thousand due to the sale of investment property in early 2019) and due to decrease of the other expenses by EUR 662 thousand.

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 000 EUR	2019	2018
Payments for charity and cultural purposes	115	141
Benefits not depending on operating profit or loss	174	143
Financial penalties and compensations	0	738
Operating expenses	697	745
The rest of other operating expenses	37	1,181
Total	**1,023**	**2,948**

Compared to the previous year, other operating expenses went down by EUR 1,925 thousand, mainly due to the rest of other operating expenses, which were EUR 1,144 thousand lower. In the previous year, the write-off of receivables arising from unsettled rents (in the amount of EUR 967 thousand) had an impact on high operating expenses. In 2019, lower other expenses from penalties and compensation also contributed to the decrease of other operating expenses. In 2018 the company paid the remainder of the claim to Sava Reinsurance Company d.d. in the amount of EUR 720 thousand.

A large portion of expenses is accounted for by operating expenses, comprising mainly of administrative and court fees and membership fees for the Slovene Chamber of Commerce and associations.

A.5. OTHER INFORMATION

All material information relating to the performance of its core business is disclosed in sections A.1. to A.4.

B. SYSTEM OF GOVERNANCE

The corporate governance statement refers to the period from 1 January 2019 to 31 December 2019.

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1. CORPORATE GOVERNANCE

Adriatic Slovenica d. d. is a public limited company established in Slovenia in line with the applicable laws. It has a two-tier governance system, with a segregation of powers and responsibilities to the General Meeting of Shareholders, the Supervisory Board and the Management Board. The Supervisory Board appointed the Audit Committee and the Committee for the regular monitoring of strategy implementation and the target business model achievement.

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. The General Meeting of Shareholders may also be convened in other circumstances set out by law or 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.

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.

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

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.

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.

Committees of the Company

In the context of the risk management system, the Insurance Company has established the following committees, acting within the scope of their respective powers set out in the internal normative regulation of the Company (the rules of procedure of individual committees):

Assets and Liabilities Management Committee (ALCO)

The Assets and Liabilities Management Committee (ALCO) has the following powers:

- monitoring the Company's financial results (performance) and volumes of operation (discussing and endorsing regular business reports, ordering extraordinary reports), analysing the realisation of performance according to the plan, and adopting all related measures;
- managing capital (related to the SCR assessment);
- discussing the price policy (at every session);
- being informed on liquidity, debt management;
- monitoring relations with banks (loans, deposits, payment transactions);
- being informed on tactical or strategic investment allocation;
- monitoring and managing profitability of the product portfolio;
- monitoring risk management reports, imposing measures (e.g. the preparation of risk analyses);
- determining the policy in the field of reinsurance protection, and monitoring reinsurance protection;
- deciding on other issues relating to the financial performance of the Company and Group;
- approving risk appetite, confirming strategic investment allocation considering the nature of liabilities by maturity, liquidity and return; confirming risk budget proposals; discussing and approving risk rate limits set by the Risk Management Team;
- testing various scenarios and implementing simulations;
- monitoring ALM Team's reports and approving the limit of the permitted deviation between the duration of assets and liabilities;
- informing the key functions of the Company (risk management, monitoring the compliance of performance, actuarial function and internal audit) in case new risks are identified in the performance of the Company or individual risks are increased.

Risk Management Committee

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 Committee has the following powers and responsibilities:

- identifying and monitoring material risks, existing and potential, in order to achieve the strategic and business goals of the Company;
- defining the risk management process and methodology at Company level;
- defining risk monitoring and measurement reports;
- preparing risk management rules;
- reviewing and assessing the effectiveness of the risk management process;

- determining the fundamental principles related to data quality assessment, monitoring and reporting;
- ensuring effective provision of information in the data quality assurance system (escalation of issues and identifying and giving recommendations);
- identifying process changes and needs for process changes due to risk management and monitoring the related implementing measures;
- giving recommendations to the Company management regarding the measures that the Committee believes are necessary for effective risk management;
- reporting to the Company management on the status of material risks in the Company and on the effectiveness of risk management processes;
- other risk management related tasks imposed on the Committee by the Company management.

Investment Committee

The Investment Committee has been established with a view to implement the strategic and tactical investment activities in the Company. The Investment Committee has the following powers and responsibilities:

- adopting strategic monthly allocations to investment grades for individual investment portfolios of the Company;
- taking note of the report on the situation in capital markets, including the most important macroeconomic indicators and forecasts;
- discussing monthly stock management reports;
- discussing monthly real estate management reports and taking note of the situation on the real estate market;
- taking note of monthly investment reports;
- taking note of the monthly reports prepared by the Risk Management Team in the field of investment and solvency;
- approving General Terms and Conditions of Financing;
- taking note of the investment limit system and monthly report on the implementation of the investment limit system prepared by the Risk Management Team;
- adopting extraordinary reports on exceptional events on capital markets immediately after they occur.

Technical Provisions Committee

The Provisions Committee has been established with an aim to ensure a unified determination of the appropriate level of technical provisions, monitor the movement and projections of the amount of Company's liabilities arising from concluded insurance contracts and providing expert opinions and proposals to the Company management relating to the management of changes in provisions from adopted liabilities in order to ensure effective management of the Company. The Provisions Committee has the following powers and responsibilities:

- approving changes of the relevant provision formation rulebook such as proposed by the actuarial function, and submitting them to Company management for adoption;
- approving the methodology and its amendments for determining cash flow projections relating to the assumed liabilities;
- approving the methodology and its amendments for calculating the level of insurance technical provisions (IFRS and BE);
- monitoring the changes in provisions relating to the assumed liabilities and their impact on the balance sheet of the Company;

- monitoring the changes in the amount of provisions relating to liabilities and the reasons behind them and adopting or proposing appropriate measures for their management to the competent bodies;
- giving recommendations to the Company management about the measures which the Committee believes are necessary for effective monitoring and management of the Company's liabilities;
- other tasks relating to the management of provisions, such as imposed on the Committee by the Company management.

The Committee analyses and reports to the Management Board, as well as advises and gives guidelines in the field of:

- monitoring the Company's liabilities relating to concluded insurance contracts,
- managing the Company's liabilities relating to concluded insurance contracts.

Transfer of responsibilities, the governance and reporting hierarchy

The internal organisation of the Company is set up in accordance with the needs of the business processes and the requirements of efficiency, competitiveness and profitability by promoting not only the most effective implementation of business processes and maximum possible performance of the Company as a whole but also the ability of employees to realise the adopted development strategy and the goals set.

Within the Company, the business processes are precisely defined, and for each process (up to the minimum level – a partial process) a process owner is appointed, who also acts as the manager of the risks arising from that process or being a direct consequence thereof. The heads of individual teams are primarily responsible for the organisation and implementation of their process (Organisational scheme). In order to implement the Company's business process activities, permanent teams were set up in the Company as organisational units. These teams are organised as:

- permanent teams carrying out various process activities in the headquarters;
- regions implementing the core sales process in individual geographical areas. Each region may include micro-local regional centres (these may also be called business units, representative offices or offices);
- foreign markets performing various processes outside of Slovenia regardless of their legal form (e.g. branch office). Adriatic Slovenica established a branch in the Republic of Croatia.

In individually specified cases when the Management Board does not represent the Company itself (i.e. at least two Management Board members), the Management Board divides the authorisations to represent the Company externally, i.e. in the conclusion of transactions in the name and on behalf of the Company, into general authorisations depending on the employee function and individual authorisations depending on an individual transaction or transaction type.

The Management Board grants employees a general authorisation when the implementation of a business process requires frequent conclusion of legal transactions with consistent content, provided for in the Company's business policy and financial plan. The authorisation is intended for the executive employees in the Company (usually individual Management Board members, executive directors, directors, technical directors, managers and technical managers, with joint representation being provided for). The Management Board may grant an individual authorisation to employees for the conclusion of legal transactions when the authorisation concerns an individual transaction or when for the conclusion of legal transactions, an individual employee is provided for but does not have the authorisation in accordance with the previous article. This authorisation is intended for frequent conclusion of legal transactions with consistent content. The Management Board may also grant an individual authorisation to employees in order to perform other tasks (composition of notarial deeds, representation at general meetings of company members/shareholders, representation of the Company before creditor committees, representation in floor owner assemblies and before state authorities) when Management Board members are unable to attend or perform such tasks.

B.1.2. STRUCTURE OF MANAGEMENT, GOVERNANCE AND SUPERVISORY BODIES

The governance and management bodies of Adriatica Slovenica are the Management Board and the Supervisory Board. The latter has an audit committee and a committee for regular monitoring of the implementation of the strategy and achievement of the target business model.The Management Board in 2019

The Management Board of Adriatic Slovenica manages the Company for the benefit of the Company, independently and at its own responsibility. The Management Board acts in compliance with the applicable laws, the Articles of Association and the binding resolutions of the Company's governance bodies. The Management Board also represents the Company. Coordination and management of work in individual areas is governed by the Rules of Procedure of the Management Board.

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.

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.

Supervisory Board in 2019

With the deletion of Adriatic Slovenica d. d. from the Court Register, the management bodies also ceased, and as of January 3, 2020, the merged company is headed by a two-member board of directors, Vanja Hrovat, chairman, Mitja Feri, board member, and is overseen by a 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.

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.

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

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.

B.1.3. KEY FUNCTION OF GOVERNANCE SYSTEM IN COMPANY

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.

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.

B.1.4. REMUNERATION POLICY

The Remuneration Policy of the Company promotes reliable and effective risk management and does not encourage risk-taking that exceeds the limits of risk tolerance in the Company. It is based on the Company’s business strategy, vision and objectives, risk management strategy, performance and long-term interests.

The Remuneration Policy regulates all employee remuneration and remuneration for the members of the Supervisory Board and Supervisory Board Committees.

Remuneration consists of fixed remuneration and variable remuneration for performance, which is appropriately formed given the remuneration levels in competing companies. Remuneration may not be the highest in the market but it should be competitive so as to contribute to providing and improving the Company's business opportunities and competitiveness.

Remuneration in the Company is divided into the following categories by beneficiary:

- remuneration of employees who concluded an employment agreement with a basic salary according to the tariff part of the collective agreement (CAAS);
- remuneration of executive and highly qualified employees;
- remuneration of the Management Board members;
- remuneration of the members of the Supervisory Board and Supervisory Board Committees.

Remuneration of employees in accordance with the collective agreement

The basic employee salaries are set out in the CAAS, which regulates the fixed and the variable part of the salary as well as the ratio between the fixed and the variable part of the salary. The criteria, assessment methods and the method for allocating a performance-related part of salary are set out in the Rules on Salaries and Special Bonuses and in the CAAS, while work performance for employed agents is regulated separately. Work performance for each employee is assessed four times per year for the previous quarter according to the following criteria: amount of work, quality of work, work attitude, attitude to clients and colleagues, management (for management positions). For agents, work performance is additionally assessed according to expected work results. Based on good performance, the Company may decide to pay out a part of the salary based on performance. The amount of the performance bonus is fully linked to the financial year and is assessed in the context of the performance assessment and the business plan realisation for each financial year. The Management Board determines the total amount of these payments for each financial year in a decision. These payments may not exceed one third of the paid fixed part of the salary in each financial year. Each year, a year-end bonus is paid out to employees with basic salaries determined with the CAAS. Severance pay is paid out to employees upon ordinary termination of the employment agreement for business reasons, reasons of incapacity or disability reasons. Severance pay for termination for business reasons is determined in the CAAS. For all other reasons, the Employment Relationship Act is directly applicable.

Remuneration of executive and highly qualified employees

All elements of salary (the basic salary and the annual performance bonus) are defined in individual employment agreements and with the annual decision of the Management Board on remuneration of work- and business-related performance. The basic salaries of executive and highly qualified employees are determined by the Management Board, while bonuses are governed by the CAAS and the Rules on Salaries and Special Bonuses. The variable part of remuneration can be paid out for work-related (short-term) and business-related (long-term) performance and is always paid out in cash. Variable remuneration for short-term performance is paid out as a part of the salary for work-related performance. It is paid out semi-annually depending on the employee performance assessment in a given period, established by their supervisors. Work performance assessment is based on the personal assessment of the employee and on meeting the personal objectives set for the employee every six months in accordance with the Company's business objectives. After the first six months, up to 40% of the maximum annual variable remuneration may be paid out (60% after the next six months). This amount may not exceed the amount of two gross basic salaries of the employee according to the employment agreement. Variable remuneration for long-term performance may also be paid out to the employee. It is a part of the salary for business-related performance determined by the Management Board in cooperation with the supervisor at the end of each financial year and depends on:

- meeting the department (or branch) objectives;
- meeting the company objectives (operating results);
- personal assessment by the superior.

The part of salary for business-related performance may not exceed the paid fixed salary amount in the financial year. For those employees that can significantly affect the Company's business results with their authorisations (executive directors, branch directors, Management Board of the Zagreb Branch, key function holders and technical directors responsible for sales and treasury), payment of 50% of salary for business-related performance is delayed for three years. After this period, the delayed payment is paid out to the employee only if there were no negative consequences for the Company in the interim period arising from operations in the year for which the variable remuneration was calculated. In determining the remuneration for the internal audit key function holder, the Management Board is required to obtain the approval of the Supervisory Board. Variable remuneration of the internal audit key function holder is bound to the implementation of the Internal Audit Team's annual plan, which was previously approved by the Supervisory Board. Employees are not entitled to the year-end bonus or the variable part of remuneration received by the employees under the CAAS. Severance pay is paid out upon ordinary termination of the employment agreement for business reasons, reasons of incapacity or disability reasons. Severance pay in the event of termination for business reasons is determined in the employment agreement in the amount of no more than three salaries or no more than six salaries, depending on the complexity of the position. When severance pay is not specifically defined, the CAAS or the Employment Relationship Act is used. In the event of other reasons for termination, the Employment Relationship Act is directly applicable.

Remuneration of the Management Board members

The basic salary for the Management Board members is set at an amount that allows the Company to obtain top experts motivated to work responsibly and proactively, while at the same time preventing unduly large payments depending on the Company's performance, requirements and financial situation. The basic salary as fixed remuneration to which a Management Board member is entitled due to the realization of obligations under their agreement, accepted responsibility and loyalty to the Company is set at a gross monthly amount. Allowances (e.g. for seniority) and benefits (e.g. vehicle for business and personal use) are governed by individual employment agreements. The allocation of variable remuneration depends on predetermined performance criteria that promote the achievement of the Company's objectives and is always paid out in cash. Variable remuneration may be paid out for short-term and long-term performance. Variable remuneration for long-term performance is determined in a decision of the Supervisory Board at the end of each financial year, taking into account the financial plan and the criteria for determining variable remuneration as defined in the Remuneration Policy. Payment of the part of variable remuneration that exceeds the threshold set in the Remuneration Policy is delayed for three years. At the end of that period, Management Board members are not entitled to the payment of the delayed payment in the event of:

- negative consequences for the Company arising from operations in the year for which variable remuneration was calculated, which is established by the Supervisory Board;
- ordinary termination of employment by a Management Board member;
- dismissal of a Management Board member due to culpable reasons, due to reasons of incapacity because of a license withdrawal by the regulator, or due to inadequacy or unsuitability.

When the employment agreement also provides for remuneration of short-term performance, variable remuneration for short-term performance may not exceed 30% of the paid fixed part of the salary in the financial year. The Management Board members receive severance pay only in the following cases: early termination of their term of office, non-extension of their term of office due to economic and business reasons, for reasons of incapacity with the exception of inadequacy, unsuitability or license withdrawal by the competent regulator, or disability reasons. Severance pay in the event of dismissal of a Management Board member not resulting from a violation of their responsibilities or other obligations is set at the amount of no more than six salaries. Severance pay in the event of non-extension of the term of office is set at the amount of six salaries. In the event of dismissal of a Management Board member due to their fault, they are not entitled to severance pay.

Remuneration of members of the Supervisory Board and Committees

Remuneration of members of the Supervisory Board and Supervisory Board Committees is determined by the General Meeting of Shareholders. In accordance with the Company's business strategy, the risk management strategy, long-term interests and performance, remuneration of the Supervisory Board members is in the form of fixed monthly payments in reasonable, small amounts, while the Audit Committee members and Committee for the regular monitoring of strategy implementation and the target business model achievement receive an attendance fee for attending the meetings. Remuneration of the members of the Supervisory Board and Supervisory Board Committees does not depend on the Company's operating results.

B.1.5. REMUNERATION OF THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE IN 2018

Adriatic Slovenica made the following payments for 2019 to the members of the Management Board

in 000 EUR	Office	Gross salary	Variable part of remuneration	Holiday allowance	Reimbursement of costs*	Insurance premium	Commissin, bonuses and other fringe benefits	Remuneration for work in subsidiaries
Gregor Pilgram	Chairman of the Management Board (from 30 Sep 2019)	-	-	-	-	-	-	-
Gabrijel Škof	Chairman of the Management Board (to 30 Sep 2019)	134	-	2	1	2	4	-
Matija Šenk	Member of the Management Board	120	-	2	1	2	5	0
Jure Kvaternik	Member of the Management Board (to 31 Jul 2019)	86	-	1	1	1	24	1

* Including travel expenses using own vehicle and daily allowance at home and abroad

Adriatic Slovenica made the following payments for 2019 to the members of the Supervisory Board

in 000 EUR	Office	Gross salary	Variable part of remuneration	Holiday allowance	Reimbursement of costs*	Fees for attending board session	Insurance premiums	Commissin, bonuses and other fringe benefits	Remuneration for work in subsidiaries
Gregor Pilgram	Member from 13 Feb 2019, chairman from 20 Mar 2019 to 30 Sep 2019	-	-	-	-	-	-	-	-
Aljoša Tomaž	Chairman to 13 Feb 2019	-	-	-	-	5	-	-	-
Aleksander Sekavčnik	Deputy Chairman to 13 Feb 2019	-	-	-	-	4	-	-	-
Tomaž Butina	Member to 13 Feb 2019	-	-	-	-	4	-	-	0
Luciano Cirinà	Member to 13 Feb 2019, deputy chairman from 20 March 2019, president from 1 Sep 2019	-	-	-	-	-	-	-	-
Miroslav Bašta	Member from 13 Feb 2019	-	-	-	-	-	-	-	-
Miroslav Singer	Member from 13 Feb 2019, deputy chairman from 1 Sep 2019	-	-	-	-	-	-	-	-
Matjaž pavlin	Member, representative oof employees	35	-	2	3	21	1	1	-
Borut Šuštaršič	Member, representative oof employees	30	-	2	2	21	1	1	-

* Including travel expenses using own vehicle and daily allowance at home and abroad

Adriatic Slovenica made the following payments to the members of the Audit Committee in 2019

in 000 EUR	Fees for attending Board sessions
Matjaž Pavlin	1
Tomaž Butina	0
Beáta Petrušová	
Vera Dolinar	1

Income of employees on individual employment agreements

The Company paid EUR 5,828 thousand to the employees working on the basis of the collective agreement, but who are not subject to the tariff section of the collective agreement in 2019, of which EUR 4,840 thousand were paid for gross salaries and EUR 987 thousand for other remuneration (annual holiday allowance, bonuses, reimbursement of costs, including travel expenses using own vehicle, daily allowances, insurance premiums, termination benefits, jubilee benefits and other benefits).

B.1.6. RELATED PARTY TRANSACTIONS

Shareholders of AS d. d.

With a 100% equity stake, Generali CEE Holding B. V., headquartered in Amsterdam, is the sole shareholder 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, družba za upravljanje, 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						
SLOVENIA						
Generali Investments GP 1, družba za investicije, d.o.o.	Dunajska cesta 63, 1000 Ljubljana	100%	19%	SI32924925	Activities of head offices	Calendar year
Generali Investments GP 2, družba za investicije, d.o.o.	Dunajska cesta 63, 1000 Ljubljana	100%	19%	SI86585614	Activities of head offices	Calendar year
Generali Investments GP 2 d.o.o., kapitalske naložbe, CP k.d.	Dunajska cesta 63, 1000 Ljubljana	54,79%	19%	SI44629338	Activities of holding companies	Calendar year
CROATIA						
Generali Investments, d.o.o. Zagreb	Ljudevita Gaja 28, 10000 Zagreb	90%	18%	61865183767	Activities of investment fund management	Calendar year
MACEDONIA						
Generali Investments, a.d. Skopje	Ul. Makedonija 13b (bul. Partizanski odredi br. 14A/1-2), 1000 Skopje	94,60%	10%	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 products	Calendar year
MEDIFIT d. o. o., Slovenija	Dunajska cesta 63, 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%	SI69662517	Oth.IT and comp.ser.activities	Calendar year

Other associates of AS d. d.

Assicurazioni Generali S. p. A, headquartered in Trieste, Italy, and other associates are the companies which are associated with the Group through management and supervisory bodies, i.e. Management and Supervisory Board members.

Related parties transactions

Sale of goods and services

in 000 EUR	2019	2018
Shareholders of Adriatic Slovenica d.d	175	356
Subsidiaries of Adriatic Slovenica d.d	816	1,183
Associate of Adriatic Slovenica d.d.	12	5
Other associated/affiliated companies of Adriatic Slovenica d. d.	170	975
Total	**1,173**	**2,519**

In 2018, the Company did not sell any receivables to Prospera d. o. o..

Purchase of goods and services

in 000 EUR	2019	2018
Shareholders of Adriatic Slovenica d.d	33	256
Subsidiaries of Adriatic Slovenica d.d	3,193	3,070
Associate of Adriatic Slovenica d.d.	80	-
Other associated/affiliated companies of Adriatic Slovenica d. d.	2,979	1,307
Total	**6,284**	**4,634**

Receivables of Adriatic Slovenica d.d. from related parties

in 000 EUR	31. 12. 2019	31. 12. 2018
Shareholders of Adriatic Slovenica d.d	-	12
Subsidiaries of Adriatic Slovenica d.d	24	86
Other associated/affiliated companies of Adriatic Slovenica d. d.	17	52
Total	**41**	**151**

Liabilities of Adriatic Slovenica d.d. to related parties

in 000 EUR	31. 12. 2019	31. 12. 2018
Shareholders of Adriatic Slovenica d.d	-	20
Subsidiaries of Adriatic Slovenica d.d	282	94
Associate of Adriatic Slovenica d.d.	2	2
Other associated/affiliated companies of Adriatic Slovenica d. d.	58	105
Total	342	221

Purchase of investment properties from related parties

In 2019, the Company did not purchase or sell any investment properties to its related parties.

Purchase of securities from related parties

in 000 EUR	2019	2018
Subsidiaries of Adriatic Slovenica d.d	70	209
Associate of Adriatic Slovenica d.d.	177	134
Total	247	343

In 2019, the Insurance Company increased its investment in the subsidiary ZDRAVJE AS d. o. o. in the amount of EUR 70 thousand, and in the associate MEDIFIT d. o. o. in the amount of EUR 120 thousand. Adriatic Slovenica d.d. in 2019 purchased a share in the company IDORU inteligentni analitični sistemi d. o. o., in such amount (10%) that it manages the company with a 25% share (in the amount of EUR 51 thousand) and categorises it as an associate.

Securities sold to related parties

In 000 EUR	2019	2018
Associate of Adriatic Slovenica d.d.	-5	-5
Total	-5	-5

Bonds issued by the shareholder of Adriatic Slovenica d. d.

in 000 EUR	2019	2018
At the beginning of year	**14,662**	**16,293**
Bonds sold in the Group	-14,662	-1,634
Interest charged	-	865
Interest received	-	-914
Valuation/measurement	-	51
At the end of the reporting period	**-**	**14,662**

Shares of the shareholder of Adriatic Slovenica d. d.

in 000 EUR	2019	2018
At the beginning of year	**537**	**537**
Shares sold to third party	-537	-
At the end of year	-	537

Shares of subsidiaries of Adriatic Slovenica d. d.

in 000 EUR	2019	2018
At the beginning of year	**34,992**	**39,111**
Spin-off assets	-	-3,378
Shares purchased from the issuer	70	130
Purchased shares in the group	-	79
Repayment of capital	-900	-950
Dividends paid	1,556	1,502
Dividends received	-1,556	-1,502
At the end of the reporting period	**34,162**	**34,992**

Shares of the associate of Adriatic Slovenica d.d.

in 000 EUR	2019	2018
At the beginning of year	**11,834**	**11,706**
Shares bought from issuer	176	128
Shares bought from third party	1	5
Shares sold to third party	-5	-5
Dividends paid	51	79
Dividends received	-51	-79
At the end of the reporting period	**12,006**	**11,834**

Shares and shareholdings of other related parties of Adriatic Slovenica d. d.

in 000 EUR	2019	2018
At the beginning of year	**781**	**1,598**
Shares sold to other related parties	-781	-
Shares sold to third party	-	-777
Dividend charged	-	31
Dividend received	-	-31
Valuation/measurement	-	-40
At the end of the reporting period	**-**	**781**

In 2019, the insurance company did not give or receive loans from subsidiaries and other related parties. The loans that have been made over the years have been mostly repaid in 2019.

Loans given to the shareholder of Adriatic Slovenica d. d.

v 000 EUR	2019	2018
At the beginning of year	**23,136**	**15,236**
Approved loans	-	9,700
Repaid loans	-23,136	-1,800
Interest accrued	-	807
Interest reduction	-	-806
At the end of year	**-**	**23,136**
Paid interest	**-**	**803**

Loans given to other related parties of Adriatic Slovenica d. d.

v 000 EUR	2019	2018
At the beginning of year	**2,500**	**7,600**
Repaid loans	-2,500	-5,100
Interest accrued	-	181
Interest reduction	-	-182
At the end of the year	**-**	**2,500**
Paid interest	-	191

Loans given to subsidiaries of Adriatic Slovenica d. d.

in 000 EUR	2019	2018
At the beginning of year	**130**	**130**
Approved loans	-	50
Returned loans	-30	-50
Interest accrued	1	1
Interest reduction	-1	-1
At the end of year	**100**	**130**
Paid interest	1	1

Loans received from other related parties of Adriatic Slovenica d. d.

in 000 EUR	2019	2018
At the beginning of year	**-**	**2**
Approved loans	-	-1
Repaid loans	-	0
Interest accrued	-	0
Interest reduction	-	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.

Receivables and liabilities of the Management and Supervisory Board members and employees under management contracts

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 arise from the insurance business (premiums due),
- EUR 10 thousand 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 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, Adriatic Slovenica 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.

Adriatic Slovenica d. d. carries receivables in the amount of EUR 2,882 and EUR 3 of liabilities to members of management or supervision bodies of the associate. The receivables arise mainly 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 231 of insurance premiums,
- the immediate family members of members of the Supervisory Board paid the aggregate amount of EUR 2 thousand of insurance premiums,

- the immediate family members of members of the Audit Committee paid the aggregate amount of EUR 2 thousand 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 insurance company paid EUR 2 thousand 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.

Transactions with senior management of controlling companies of the Adriatic Slovenica d. d.

The senior management of the controlling companies comprises all members of the Management Board who manage and control the parent company Generali CEE Holding b. v., the Netherlands, and, at the highest level, the controlling company Assicurazioni Generali S. p. A, headquartered in Trieste.

The insurance company did not receive payments from key management in 2019 and paid nothing to key management. At the end of 2019, the insurance company had no outstanding receivables or liabilities to key management.

B.2. FIT & PROPER REQUIREMENS

The fit and proper requirements mean professional qualification and personal suitability of the Supervisory Board members, the Audit Committee members, the Management Board members and the key function holders (hereinafter: management personnel) for performing the functions in the Company. The professional qualification requirements (whether a person is fit) relate to formal qualifications, knowledge and experience, while suitability requirements (whether a person is proper) relate to the character, behaviour and business practice of each member of management personnel.

For management personnel, special fit and proper requirements apply due to the responsibility they have in management and supervision of the Company. The required knowledge, skills and experience of each individual person related to collective requirements for the composition of management and supervisory bodies ensure that these persons take competent decisions in Company management based on good understanding and knowledge of the operations, risks and governance structure of the Company.

The Supervisory Board is in charge of assessing the fit and proper criteria for each member of the Supervisory Board, the Audit Committee and the Management Board in accordance with the Fit and Proper Policy for Management Personnel. In the assessment of own fit and proper requirements, each Supervisory Board member must entirely exclude themselves from the procedure and may not be present during the assessment. In the assessment procedure, an interview may be performed with them in order to clarify certain circumstances. The Management Board is in charge of assessing the capacities and eligibility of key function holders and the management of the Zagreb Branch in accordance with the policy. The compliance function holder provides support in the assessment of fit and proper requirements for management personnel in accordance with the Policy, with support of the HR Team, the Management Support Team and the Legal Support Team. These teams also keep the documentation resulting from the implementation of the Policy or for the purpose of implementing the Policy.

The fit and proper requirements in the Company are specifically determined for:

- the members of the Supervisory Board and the Audit Committee of the Supervisory Board;
- the Management Board members;
- the key function holders:
- the management of Zagreb Branch.

For performing the functions of a Supervisory Board member in an insurance company in the Republic of Slovenia, the Supervisory Board members must meet the conditions required by the applicable regulations. With the composition of the Supervisory Board members, an appropriate diversity of qualifications, knowledge and experience needs to be provided for in order to adequately supervise the Company.

For performing the functions of an Audit Committee member in an insurance company in the Republic of Slovenia, the Audit Committee members must meet the conditions required by the applicable regulations.

For performing the functions of a Management Board member and member of Zagreb Branch in an insurance company in the Republic of Slovenia, the Management Board members must meet the conditions required by the applicable regulations and the criteria set forth in the post classification of the Company. With the composition of the Management Board members, an appropriate diversity of qualifications, knowledge and experience needs to be provided in order to adequately manage the Company.

For performing the functions of a key function holder in an insurance company in the Republic of Slovenia, the key function holders must meet the conditions required by the applicable regulations and the criteria set forth for individual positions in the post classification of the Company.

The assessment of skills mostly includes a review of the CV, prior employments, certificates on the acquired level of education, certificates of acquired licenses and professional titles, and references in order to determine whether the management personnel possesses all required knowledge and experience. The assessment of suitability mostly includes a review of extracts obtained from the criminal record, the record of defaulters and other official records demonstrating personal integrity of individuals, certificates of cancellation, withdrawal or cancelation of registration, licenses or membership in a professional association, licenses or dismissal from functions in order to determine if an individual is suitable to perform a certain function.

Before submitting a proposal to the General Meeting of Shareholders for appointment of a Supervisory Board member, the Supervisory Board must obtain the required information from the candidate together with supporting documents. If the Supervisory Board so decides, it may require that the candidate perform an interview in order to clarify certain circumstances. The Supervisory Board only submits a proposal to the General Meeting of Shareholders for appointment of Supervisory Board members for those persons for whom the obtained information clearly indicates that they meet the conditions for appointment to the function. The Supervisory Board performs an assessment of the fit and proper requirements for the Supervisory Board member – employee representative immediately after appointment by the Works Council. The Supervisory Board member – employee representative must submit the information together with the supporting documents to the Chairman of the Supervisory Board within 30 days of appointment. If the Supervisory Board deems that the member does not meet the fit and proper requirements, it notifies the Works Council thereof.

Before adopting a decision on the appointment of an Audit Committee member, the Supervisory Board must obtain the required information from the candidate together with supporting documents. If the Supervisory Board so decides, it may require that the candidate perform an interview in order to clarify certain circumstances. The Supervisory Board only appoints an Audit Committee member if the obtained information for this person clearly indicates that they meet the conditions for appointment to the function.

Before adopting a decision on the appointment of a Management Board member, the Supervisory Board must obtain the required information from the candidate together with supporting documents. If the Supervisory Board so decides, it may require that the candidate perform an interview in order to clarify certain circumstances. The Supervisory Board only appoints a Management Board member if the obtained information for this person clearly indicates that they meet the conditions for appointment to the function.

Before adopting a decision on appointment of a branch management member, the Management Board must obtain the information from the candidate such as determined in the questionnaire, which is attached to this policy as an appendix, together with supporting documents. If the Management Board so decides, it may require that the candidate perform an interview in order to clarify certain circumstances. The Management Board only appoints a branch management member if the obtained information for this person clearly indicates that they meet the conditions for appointment to the function.

Before issuing authorisation for performing a key function, the Management Board must obtain the required information from the candidate together with supporting documents. If the Management Board so decides, it may require that the candidate perform an interview in order to clarify certain circumstances. The Management Board only appoints a person for performing a key function if the obtained information for them clearly indicates that they meet the conditions for performing the function.

The members of the Supervisory Board, the Audit Committee of the Supervisory Board and the Management Board and the key function holders must immediately submit a written notification on any changes in the information and circumstances that were the basis for the fit and proper assessment to:

- the Chairman of the Supervisory Board if the change is related to a member of the Supervisory Board, the Audit Committee or the Management Board, or to the Vice Chairman of the Supervisory Board if the change is related to the Chairman of the Supervisory Board;
- the Management Board member in charge of human resource management if the change is related to a member of Zagreb Branch or to a key function holder.

The recipient of the notification immediately forwards the notification to the compliance function holder. Given the content of the notification, the recipient of the notification decides if the Supervisory Board or the Management Board needs to reassess the fit and proper requirements for the person for whom the information and circumstances have changed. If as part of regular annual interviews, the competent Management Board member assesses that for a key function holder a reassessment of the fit and proper requirements needs to be performed, they shall inform the Management Board member in charge of human resource management who then decides if the Management Board needs to reassess the fit and proper requirements. The Chairman of the Supervisory Board (Vice Chairman of the Supervisory Board if the circumstances relate to the Chairman of the Supervisory Board) or the Management Board member in charge of human resource management is also responsible for deciding whether the Supervisory Board or the Management Board needs to reassess the fit and proper requirements for the person for whom it had otherwise learned that the information and circumstances, which were the basis for assessing the fit and proper requirements, have changed.

B.3. RISK MANAGEMENT SYSTEM WITH OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. 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:

Risk Management Key Function

The risk management function is one of the four key functions in the Company. It is placed within the risk management system or the second pillar (line of defence) of an effective risk management system. The risk management key function holder is the Head of the Risk Management Team.

In the appointment and granting of authorisations to the risk management function holder, the Management Board takes into account the legal conditions and fit and proper standards.

The risk management key function holder is a member of the following committees:

- the Risk Management Committee;
- the Investment Committee;
- the Technical Provisions Committee;
- the Assets and Liabilities Management Committee.

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 tasks of the risk management key function include:

- comprehensive coordination and supervision of activities related to risk management;
- measurement and assessment of the comprehensive risk profile of the Company, including early detection of potential future risks;
- reporting to the Management Board on the risks defined as material.

The risk management function is responsible for drawing up appropriate guidelines for the development of strategies and processes aimed to identify, measure, monitor, manage and report about the risks in the Company.

It is also responsible for calculating the capital requirements and capital adequacy of the Company, the creation and management of the risk profile, taking into account mutual impact of different risk categories, and identification and systemic integration of future risks.

Apart from that, the risk management key function is in charge of implementing the own risk and solvency assessment process and of reporting the results to the Management Board. The key function is co-responsible for the development of the Risk Management Strategy and the preparation of all information needed by the Management Board and the relevant committees to make the necessary decisions (e.g. with respect to the risk appetite).

Within the scope of its responsibilities, the key risk management function also provides additional assessments on the appropriateness of external ratings, which are used in the calculation of insurance technical provisions and the solvency capital requirement.

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

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.

Risks are classified in greater detail in accordance with the risk register, which is an integral part of the Company's Risk Catalogue.

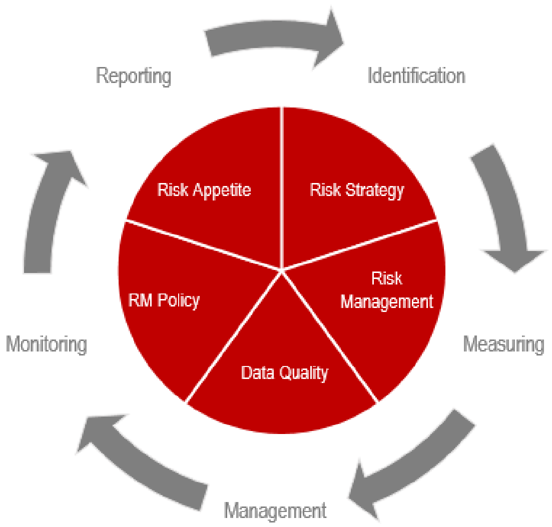
Risk Management Process

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, Adriatic Slovenica 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 main 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.

Risk management process



The risk monitoring system ensures that the Company has adequate internal controls and that the employees correctly understand and implement all the relevant procedures. Once all the key risks are identified, assessed, managed and controlled, independent assurances are obtained that these activities are carried out as expected and that the results of the controls are correct. Assurances are given by the Internal Audit Team.

All the teams included in the first line of risks defence are obliged to regularly (quarterly) report to the Risk Management Team on the management of risks arising from or being a direct result of the processes owned by the teams. Reporting is performed in the form of an updated catalogue of risks (quarterly self-assessment) and the results of certain calculated key risk indicators. Furthermore, these teams are obliged to quarterly report to the Compliance Team on the operation and results of controls carried out on the processes. The risk management key function holder is obligated to report about the findings of the risk management process to the management and supervisory bodies of the Company and to the other key function holders.

Information on Risk management strategies, objectives, procedures and reporting

Adriatic Slovenica adopted the main risk management strategy. Like all the other activities in the Company, it is based on the business strategy and the capital management strategy of the Company. After the strategy was created, the above-described supervisory mechanisms were 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.

Risk management begins by developing a strategy, as is the case with all the other activities related to the operations of the Company. After the strategy was created, the supervisory mechanisms were 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 departments/teams of the Company.

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

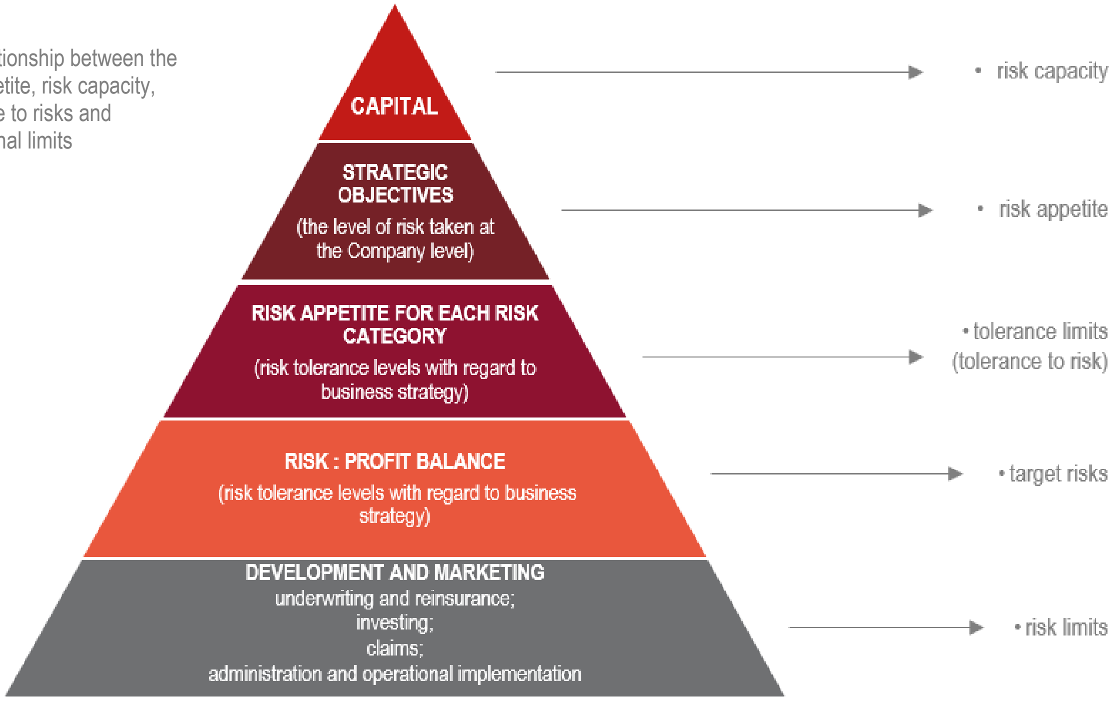
The basic concept of the risk management strategy is the risk appetite, including tolerances to most material risks, which is defined in line with the business strategy and the capital management strategy (risk capacity).

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 eligible own funds. 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 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.
The relationship between the risk appetite, risk capacity, tolerance to risks and operational limits is graphically presented in Figure below.

The relationship between the risk appetite, risk capacity, tolerance to risks and operational limits

The relationship between the risk appetite, risk capacity, tolerance to risks and operational limits



In the context of the planning process of future operations, the risk appetite of the Company is taken into account in addition to the business goals. Before being adopted, the business plan is tested in terms of compliance with the capital adequacy requirements under the Solvency II Directive.

B.3.2. DESCRIPTION OF THE OWN RISK AND SOLVENCY ASSESSMENT PROCESS

For the ORSA implementation, Adriatic Slovenica introduced a special procedure adapted not only to its organisational structure and risk management system but also to the nature, scope and complexity of the risks which the Company encounters in the course of its business. The ORSA is implemented in line with the principle of proportionality. The latter refers to the selected assessment methods, process complexity and the frequency of assessment. As the ORSA is a very important tool for the management and supervisory bodies of the Company, they are actively involved in the ORSA implementation process, i.e. they are the owners of the process itself (the top-down approach). Active involvement primarily means guiding the implementation of the ORSA and a critical consideration of the applied assumptions and results. The ORSA provides a comprehensive and integrated overview of the risks to which the Company is exposed to the management and supervisory bodies and helps them understand what these risks mean in terms of capital requirements or the need for implementing (additional) measures to mitigate or transfer these risks. Based on the ORSA results, the management and supervisory bodies approve the short-term and long-term business strategies or request that the relevant measures be implemented should the ORSA indicate the realisation of one of the risks that might threaten the target capital adequacy of the Company.

The Risk Management Team, which is also the owner of the ORSA process, is in charge of the operational coordination of the ORSA implementation. The Risk Management Team is responsible for all the steps in the process, i.e. from the planning of the ORSA, definition and execution of stress scenarios, implementation of a comprehensive risk profile assessment to forecasting future capital requirements and drawing up reports on the ORSA implementation.

As the process owner, the Risk Management Team is authorised to include any other teams in the ORSA process, when reasonable and necessary. Other teams may be involved in all steps of the ORSA process; their inclusion is typically foreseen and approved in each stage of planning the ORSA implementation. Due to their specific roles in the ORSA process, the Actuarial Team, the Treasury Team, the Finance and Accounting Team and the Controlling Team are included in addition to the Risk Management Team.

According to the Policy, the ORSA process comprises the following five steps:

1. the definition of the risks to which the Company is exposed to and own assessment of capital requirements;
2. the capital adequacy projection based on the effective strategy or business plan;
3. the definition of stress scenarios and/or sensitivity analyses;
4. the proposition of possible risk management measures and own fund management;
5. the preparation of the ORSA report.

In the first step, it is necessary to identify all the risks to which the Company is or may be exposed in the future, or all the risks that may impede the achievement of strategic goals of the Company. The catalogue of risks is used as the risk identification and inventory tool. To be taken into account by the ORSA, twenty most important risks are usually defined after each inventory of risks, valued on the residual basis (after the implemented risk management measures). Additionally, an insight in the most important risks from the top management perspective is gained through discussions with Management Board Members. Material risks are all the risks which have a material impact on the operations of the Company or which occur with high probability. The risks are identified on the basis of information obtained from all process or risk owners. In this phase, potential deviations from the results of the capital adequacy calculated in accordance with the standard formula are identified. Using potential identified deviations, own solvency requirements are then estimated (own assessment of capital requirements).

In the second step, the baseline capital adequacy scenario under Solvency II (standard formula) is first projected for the observation period based on the medium-term business plan of the Company. Then, capital adequacy is projected on the basis of own assessment of capital requirements.

In the third step, the stress scenarios are defined based on the identified most important risks. The stress scenarios must be defined at least for as many most important risks as necessary to account for all major risk modules of the standard formula for calculating the capital requirements. Ordinarily, the teams which are the owners of the most important risks under the Risk Catalogue participate in the design of scenarios. Apart from the stress scenarios, the Company uses sensitivity analyses or reverse stress scenarios.

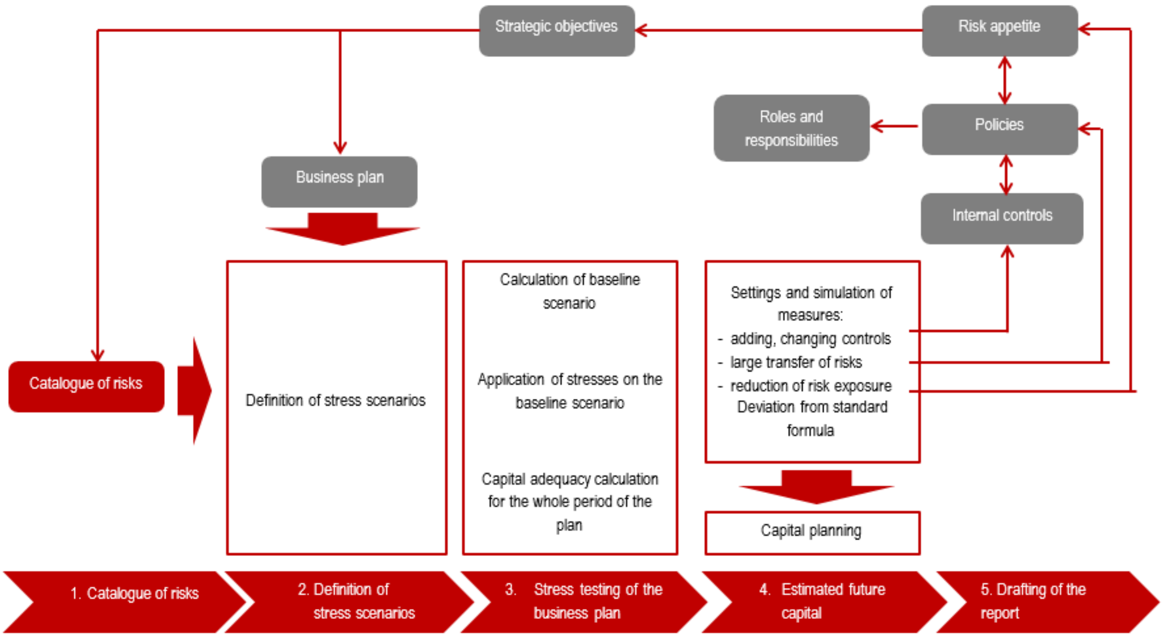
In the fourth step, further capital or risk management measures are proposed, if necessary.

In the last step, the results of all simulations are meaningfully combined in a structured report, adding the necessary comments, clarifications and proposals. The report is submitted to both the Management Board and/or the Supervisory Board for approval and adoption.

For the whole period for which the ORSA is performed, the volume and quality of own funds are taken into account, including any changes in their structure.

The integration of the ORSA process into business planning, the risk profile, the risk appetite, the governance system and the capital requirements is outlined in Figure below.

Integration of ORSA into the operations of Adriatic Slovenica



B.4. INTERNAL CONTROL SYSTEM

The starting point for internal control organisation in the Company is to provide for the most effective operation of internal controls through the organisational structure. There are several organisational units operating in the Company with the control function being the basic function: Controlling Department, Risk Management Department, Compliance function and others, whose function is controlling. Regardless of this fact, internal controls are primarily embedded in individual processes of the Company and recorded at that level. The Company promotes the importance of performing appropriate internal control by ensuring that all employees know their role in the internal control system.

An effective internal control system is primarily intended for:

- identification and measurement of risks to which the Company is or could be exposed in its operations;
- calculating and verifying compliance with the risk management rules in respect of insurance technical provisions, the minimum capital requirement, the solvency capital requirement and investments;
- assessment of consistency of the Company's risks with the risks provided for in the Company's strategies and rules.

Planned tasks

Internal control is based on the following fundamental concepts: a) this is an open-ended process that implemented permanently; b) internal controls are performed by people; manuals and instructions do not provide internal controls by themselves; c) controls are meaningful if they are performed with reason and logic.

Internal control encompasses the activities that provide the following objectives for the Company:

- Reduced likelihood of risk realisation or mitigation of potential negative consequences in case risks are realised, especially operational risks;
- consistency of operations with the Company's policy, instructions, procedures and the applicable legal and other regulations so that the set objectives may be achieved;
- protection of assets, meaning that the Company's operations are protected from loss, fraud and poor management;
- prevention of corruption and abuse of power by maintaining employees' honesty and integrity;
- economical and efficient use of assets in accordance with the set purposes and objectives;
- reliable and comprehensive informing, which means that for decision-making valid and timely information is provided, maintained, communicated and applied.

The control activities are proportionate to the risks arising from the controlled processes. The presence of key internal controls is crucial for business-critical processes.

The tasks performed in the internal control system are carried out at two levels and are detailed below:

- At the highest level, i.e. at the level of the entire company: planning, budgeting, monitoring, analysing, action-taking and sanctioning at the Company level by monitoring the task indicators and risk indicators, with the system of financial monitoring of operations for internal purposes, information processes and through physical and system security.
- At the operational level: operating procedures of internal control that include coordination, checking, programme controls, calculation accuracy, limiting access to assets and documents, comparing performance with budgets, monitoring and the like.

Based on the results of control procedures, measures that prevent or minimise risks are implemented.

Communication of internal control findings and monitoring

The persons responsible for the implementation of internal controls autonomously plan such internal controls. Autonomy includes the freedom to choose the number of implemented checks, their content and a schedule for their implementation. At the request of the Risk Management Team, the persons must be able to defend their decision or prove that the planned number of internal control checks is sufficient for effective management of all risks arising therefrom.

The persons responsible for the implementation of internal controls must report the control findings once every quarter of year. Reporting is performed in the context of Risk Catalogue updates, regardless of whether controls were planned for the reported quarter of year or not. The entire documentation produced in relation to control implementation can be attached to the report. The entire documentation prepared in the context of performed internal controls or internal control checks, which is used as proof of the performed controls (or checks), must be saved for the needs of potential reviews performed by the Internal Audit Team.

Each person responsible for the implementation of internal controls is obliged to perform internal control checks for the internal controls. Every control applied, whether manual or integrated, must be checked (with an internal control check) at least every five years. The controls intended to manage significant risks are checked more frequently. An internal control check must be performed by a person who is not implementing the control subject to such check.

B.5. INTERNAL AUDIT FUNCTION

The internal audit function in the Company is within the competence of the permanent Internal Audit Team (hereinafter: IAT), which is directly subordinated to the Management Board and separated from the other organisational units of the Company, both functionally and organisationally. The head of IAT has direct and unlimited access to the Management Board, the Audit Committee and the Supervisory Board, ensuring independence and impartiality of IAT's operations. The internal audit function represents one of the four key functions in the Company and is the third line of defence system. It operates in accordance with the International Standards for the Professional Practice of Internal Auditing, the Insurance Act (ZZavar-1), other legislation and the IAT's basic document, which is adopted by the Management Board based on the approval of the Supervisory Board.

The IAT performs independent and impartial activities of giving advice and assurances based on the annual work plan adopted by the Management Board based on the approval of the Supervisory Board.

Based on risk assessment, the IAT performs continued and comprehensive control over the Company's operations with the purpose of checking and assessing if the processes for risk management, control procedures and Company management are appropriate and performed in a way that ensures the achievement of the following important objectives of the Company:

- successful and efficient Company operations, including meeting the objectives of business and financial performance and protection of assets against loss;
- reliable, timely and transparent internal and external financial and non-financial reporting;
- compliance with the applicable laws, regulations and internal rules.

The IAT evaluates and gives appropriate recommendations to improve the management procedures for:

- making strategic and implementing decisions;
- monitoring of risk management and controlling;
- the exercise of ethics and values in the Company;
- ensuring effective operation management in the Company and responsibility;
- communication of information on risks and controlling to the relevant functional areas of the Company;
- coordination of activities and communication of information between the supervisory body and external and internal auditors.

The IAT helps the Company to meet the set objectives by promoting a systematic and disciplined approach to evaluation, improving the performance of risk management and control procedures, thus contributing to added value.

The head of IAT reports on the results of the IAT's work directly to the Management Board, the Audit Committee and the Supervisory Board. The head of IAT meets with the Audit Committee without the presence of the Management Board, which further ensures independence and impartiality of the IAT's work.

Independence and impartiality are the two most important characteristics of the IAT's operations, which is why no one in the Company may affect the scope and implementation of internal auditing and reporting. The IAT performs activities that reduce the risks of decreasing the independence and impartiality of auditors. Furthermore, the auditors do not perform any other tasks that could cause a conflict of interests, thereby undermining their impartiality.

B.6. 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 actuarial function is involved in all levels of risk management and it works with the risk management team primarily in the field of Solvency II requirements.

B.7. OUTSOURCING

The Company's Policy for the Outsourcing of Functions (hereinafter: the Policy) defines the principles and rules to be followed when concluding outsourcing agreements for individual functions and services, as well as service provider selection manner and procedure, and continuous monitoring of service providers and the management of outsourcing risks.

The Policy defines:

- the procedure for determining which function or service is key or material;
- the manner of selecting a service provider of appropriate quality as well as the method and frequency of assessment of the services provided and the results;
- the contents to be included in a written agreement concluded with a service provider;
- business contingency plans, including exit strategies for critical or important functions or activities that have been outsourced.

The Company enters into outsourcing agreements for functions or transactions only with reliable and verified service providers, which are selected based on the conditions defined in the Policy.

In accordance with the Policy, the Company ensures that through outsourcing:

- the quality of its governance system does not deteriorate;
- operational risk does not unduly increase;

- the ability of the Insurance Supervision Agency (hereinafter: the Agency) to monitor the compliance of the Company with its obligations is not limited;
- the continuous and adequate services provision to the policyholders is not threatened.

The Policy defines the activities that need to be implemented with regard to the transfer of every service to outsourcing as well as the range of contents that represent the mandatory parts of outsourcing agreement. The Company as the client is entitled to audit the service provider's supervisory environment and to receive periodic reports of the service provider on the progress of performing the service. This allows the Company to continuously monitor the quality of the service provided by a service provider and the provider alike.

Outsourcers contractually undertake to operate in accordance with the law and co-operate with the Insurance Company's supervision agency, that is, the Insurance Supervision Agency, to enable the Insurance Company, its external auditors and the Insurance Supervision Agency access to data relating to outsourcing, and give the Insurance Company and the Insurance Supervision Agency the possibility to exercise outsourcer supervision.

Outsourced functions are overseen and monitored by process managers who are in charge of individual outsourced function.

B.8. OTHER INFORMATION

B.8.1. ADEQUACY ASSESSMENT OF THE GOVERNANCE SYSTEM

The Company's core activities are life and non-life insurance, asset management and management of pension funds, to which its entire organisational structure, the decision-making process and the risk management system are adapted, as set out in the Articles of Association and the Governance System Policy, the aim of which is to define in a transparent and comprehensible manner the following:

- the organisational structure of the Company with precisely defined, transparent and consistent internal relationships in terms of accountability;
- an effective information transfer system proportionate to the nature, scale and complexity of the Company's activities as well as the key governance functions integrated into the organisational structure and decision-making processes of the Company;
- the structure of written rules, processes and procedures relating to risk management, which includes measures to ensure ongoing and continuous operations.

The adequacy of the Governance System Policy is verified at least once a year, and more often if necessary, especially upon any changes to the business strategy of the Company, changes to the risk management strategy of the Company, changes in compliance risk and the changes resulting from the macroeconomic environment in which the Company operates, thereby ensuring that the governance system of the Company is at any given time adequate with respect to the nature, scale and complexity of the risks inherent in the Company's business.

Based on the conducted regular annual review of the governance system policies pursuant to Article 50 of the ZZavar-1, the Company estimated in February 2019 that certain amendments and supplements were necessary for ten governance system policies and implemented them accordingly, whereas it confirmed the adequacy of the remaining nine policies. In this time, the Contract of sale and acquisition of the total issued share capital of Adriatic Slovenica, zavarovalna družba, d. d., concluded on 23 May 2018 between KD Group d.d. and Generali CEE Holding B.V., was satisfied and as a result, Generali CEE Holding, B.V. became the owner of all Company shares in February 2019. In the interim report prepared in August 2019, the Company assessed the adequacy of the governance system rules and at the same time, in the context of integration activities, it defined the establishment of a unified insurance company governance system following the entry of the Company merger with GENERALI zavarovalnica d.d. Ljubljana into the court register as one of the most important points on the merger agenda. In light of the expected integration of the GENERALI Group governance system rules resulting from the merger activities of the Company with GENERALI zavarovalnica d.d. Ljubljana, the Company did not take up additional parallel regular annual reviews of the governance system rules in 2019. Taking into consideration the last regular review and the updates to the governance system policies conducted in February 2019, the findings relating to the adequacy of the governance system rules in the Company and the introduced process of internal regulatory framework compliance with the legislation and other internal regulatory framework documents, the Company assesses that in terms of the transactions it executed and the risks it was exposed to, its governance system in 2019 was adequate.

C. RISK PROFILE

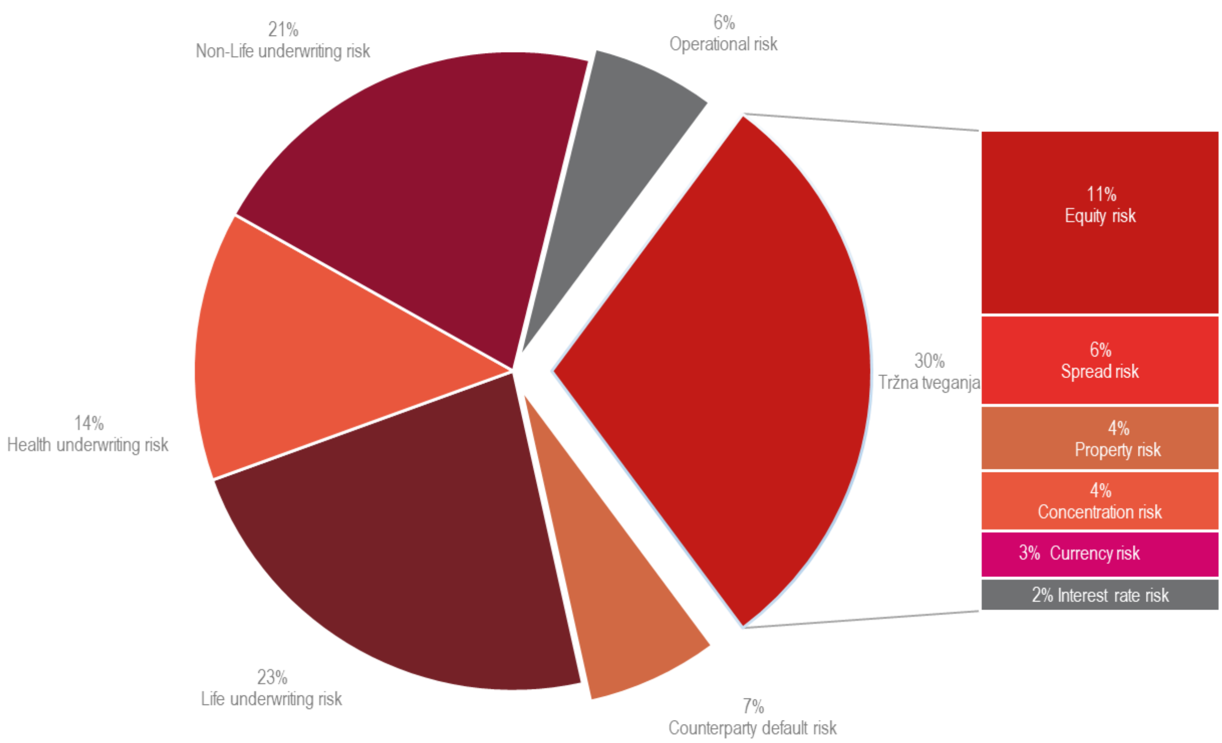
In terms of the nature of its business, the Company is exposed to underwriting risks as it concludes insurance contracts, based on which it assumes the risk from the policyholders. As any other financial institution, the Company is exposed to a variety of financial risks such as market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk. Along the exposure to underwriting and financial risks, insurance companies are also exposed to operating risks.

From 1 January 2016 when the Solvency II Directive has entered into force, Adriatic Slovenica d. d. has been calculating the capital requirement for individual risk modules by using the standard formula, as set out in the Solvency II regulation. The solvency capital requirement is defined as the change in own funds due to pre-determined shocks that occur once every 200 years. The basis for these calculations is balance sheet items valued in accordance with the Solvency II principles.

The Insurance Company calculates the capital requirement using the standard formula for:

- Insurance risks
- Market risks
- Credit risks
- Operational risks

Risks by individual model under the standard formula in % on 31 Dec 2019



In addition to the above, the Insurance Company also monitors liquidity and strategic risks.

C.1. UNDERWRITING RISKS

Underwriting risks comprise all the risks faced by the Company in the performance of its core activity, i.e. assuming the risk from the policyholder upon underwriting. Depending on the nature of insurance contracts, underwriting risks are random and unpredictable, and can materialise at any stage of the performance of the core activity. They can be realised in the very design of an insurance product (risk of inappropriate design), in setting the price of insurance (pricing risk that the amount of insurance premium is not sufficient to cover contractual obligations and claims), and in the underwriting process (mistaken decision to underwrite, failure to observe tariff rates and other terms and conditions, underwriting on the basis of incorrect information, inadequate reinsurance for a particular risk, wrong estimate of probable maximum loss, underwriting concentrated risks (e.g. geographic concentration), and inadequately trained staff for risk assessment). After accepting an underwriting risk, the following risks can also occur: provision risk, claims risk (the risk that claims will be higher than expected in terms of number and/or amount and for an excessive retention due to inadequate reinsurance coverage, especially in cases of catastrophic events), policyholder behaviour risk (particularly reflected in a higher number of attempted insurance frauds), and the risk of economic environment whose changes may lead to fewer insurance contracts taken out due to reduced purchasing power on the one hand and to an increased number of contract cancellations and claims on the other.

The Company manages the abovementioned underwriting risks particularly through effective implementation of internal controls with regard to compliance with the applicable internal rules, through internal audits, by forming appropriate insurance technical provisions to cover potential future obligations stemming from the existing insurance contracts and with adequate reinsurance cover. Much attention is paid to the development of insurance products, where already in the design stage of a new product appropriate statistical data are obtained and carefully checked in order to confirm the adequacy of the assumptions used. After the implementation of new insurance products, loss ratios are carefully monitored by individual insurance class, any deterioration in these ratios is analysed and, if necessary, premium rates or terms of insurance are corrected. Another critical point of realisation of underwriting risks is the assumption of such risks. The Company manages this risk by issuing underwriting guidelines and by adopting tighter underwriting criteria and procedures, especially for large sums insured and extensive covers. The relevant departments in charge of large risks (in non-life insurance) monitor the loss ratio trends by individual insurance contract and may refuse renewal of an insurance contract or re-assess the assumed risk.

An insurable event is:

- a future event;
- uncertain but possible;
- independent of the explicit human will;
- measurable;
- the insurance premium may be calculated on the basis of actuarial and statistical methods;
- the amount of premium is relatively small in comparison to the financial consequences suffered by the policyholder due to the realisation of the risk.

Based on the insurance terms and conditions, the scope (extent and amount) of insurance cover and the assessment and selection, the Company as the primary business entity in the insurance industry sets the scope[3]

[3] At the same time also the definition of an insurance event and the occurrence of the policyholder's obligations

of an assumed underwriting risk, which it manages in the underwriting risk management process within the framework of its own insurance capacity and by transferring the underwriting risk to external equalisation.

Underwriting risk relates to the risk assumed by an insurance company from a policyholder and stems from the obligations of an insurance contract in relation to the perils covered and the processes used in the performance of operations. In relation to the nature of insurance contracts, underwriting risks are random and unpredictable. When concluding an insurance contract, the uncertainty) exists as to whether an insurance event will occur during the term of the contract, when it will occur and how much the insurer will need to pay if it occurs.

in 000 EUR	31 Dec 2019	31 Dec 2018
Life underwriting risk	37,479	26,629
Non-Life underwriting risk	33,822	31,246
Health underwriting risk	22,325	24,239

Capital requirement for health insurance decreased in 2019 owing to the changed standard formula and the transfer of supplementary accident and HSLT products to life insurance products. In 2019, capital requirement for non-life insurance increased particularly because of the changed standard formula for catastrophe risk calculation (two new submodules for the hail and storm capital requirement calculation were added).

In the discussed year, capital requirement for life insurance risk was increased primarily because of the transfer of supplementary accident insurance to life insurance and the Contract Boundary (CB) cancellation for these insurance products as a result of the Generali Group merger and integration process with the purpose to apply a unified insurance portfolio valuation methodology throughout the merged entity.

C.1.1. UNDERWRITING RISK TYPES

Upon the conclusion of an insurance contract, the insurer accepts the risk to pay the beneficiary the agreed contractual amount if an insured event occurs or if the contract expires, whereas the time of the occurrence of an insured event is uncertain.
The types of underwriting risks to which the Company is exposed are as follows:

- mortality risk;
- longevity risk;
- disability-morbidity risk;
- expense risk;
- revision risk;
- lapse risk;
- catastrophe risk;
- premium and reserve risk.

The Company monitors individual underwriting risk types based on its insurance groups, i.e. life, non-life and health insurance, in accordance with the table below:

Monitoring of underwriting risk types by insurance group

Risk type / Insurance segment	Life insurance	Non-life insurance	Health insurance– SLT	Health insurance– NSLT
Mortality risk	✓		✓	
Longevity risk	✓		✓	
Disability-morbidity risk	✓		✓	
Expense risk	✓		✓	
Revision risk	✓		✓	
Lapse risk	✓	✓	✓	✓
Catastrophe risk	✓	✓	✓	✓
Premium and reverse risk		✓		✓

C.2. MARKET RISKS

Market risk is the risk of loss due to the unfavourable movement of variables in financial markets. Market risk exposure is measured in terms of the impact of changes in certain variables such as prices of equity securities and commodities, interest rates, real property prices and currency value.

To manage this risk, the Company's investment policy is designed so as to achieve an appropriate diversification of investments by investment grade, not to exceed the allowed exposure limits to an individual issuer, market, currency, credit rating, duration and the set risk limits, and to invest assets in investments with an appropriate risk and return ratio.

In the field of market risk monitoring, the Insurance Company has determined a limit system defining risk assuming restrictions at the highest level and determined the desired structure of the investment portfolio and maximum acceptable exposure to counterparties. The basic principles for determining the limits arise from identified risks which arise from investment portfolio trading and managing activities.

Market risk exposure indicators are monitored by the Treasury Team on a daily, weekly and monthly basis. Additionally, the Market Risk Team exercises additional control in the form of regular quarterly reports. If market risk appetite or tolerance is exceeded, the Risk Management Team forwards a proposal to the Management Board, which takes actions if necessary.

In addition to the standard formula for monitoring and assessing market risk, the Insurance Company uses its own assessment model as part of ORSA. In the context of ORSA, the Insurance Company conducted stress scenarios and tested sensitivity to extreme market parameter change.

C.2.1. MARKET RISK EXPOSURE

The table below shows the market values for assets exposed to market risk.

Presentation of market value for assets exposed to market risk

in 000 EUR	Values as at 31 Dec 2019	Structure as at 31 Dec 2019	Values as at 31 Dec 2018	Structure as at 31 Dec 2018
Assets	686,713		638,101	
Property, plant & equipment held for own use	27,566	4.01%	27,163	4.26%
Property (other than for own use)	12,196	1.78%	26,417	4.14%
Holdings in related undertakings, including participations	18,328	2.67%	23,817	3.73%
Equities	20,989	3.06%	25,305	3.97%
Bonds	252,747	36.81%	202,575	31.75%
Collective Investments Undertakings	22,630	3.30%	18,975	2.97%
Derivatives	0	0.00%	0	0.00%
Deposits other than cash equivalents	684	0.10%	5,866	0.92%
Assets held for index-linked and unit-linked contracts	305,498	44.49%	261,590	41.00%
Loans and mortgages	6.357	0.93%	28,790	4.51%
Cash and cash equivalents	19,720	2.87%	17,604	2.76%

The Company uses the standard formula in line with Solvency II for the quantitative assessment of market risks. The value of assets applied by the Company to calculate market risks stood at EUR 686.713 thousand as at 31 December 2019. The required solvency capital for the market risk module stood at EUR 48,407 thousand as at 31 December 2019.

In comparison to 2018, increase was recorded in 2019 in the following market risk submodules: the interest risk submodule (bond portfolio increase), the currency risk submodule (structural increase of foreign currency denominated bonds), and the spread risk submodule (structural increase of corporate bonds share); while the capital requirement decreased in other submodules, especially in the concentration risk and real estate price change risk submodules. In the latter two risk submodules, the capital requirement decreased as a result of the eliminated exposure to KD Group. The sales commitment between the KD Group and Generali holding was to eliminate just over EUR 53 million in investments from AS investment portfolio (repayment of loans and bonds and sale of shares and real estate in Maribor) at the end of the sales transaction. As compared to 2018, the equity securities price change risk stayed virtually the same in 2019.

The table below shows the amounts of the capital requirement by market risk submodules. Each market risk submodule is further described in detail.

Market risk – capital requirement

in 000 EUR	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Equity risk	25,541	25,226	31,086	22,266
Interest rate risk	4,563	3,625	3,812	2,802
Currency risk	6,520	5,078	3,923	1,030
Spread risk	12,499	10,679	12,727	11,162
Property risk	9,037	12,018	11,722	12,936
Concentration risk	8,277	35,716	36,487	43,600
Diversification	-18,030	-33,172	-34,608	-32,135
Total	**48,407**	**59,171**	**65,147**	**61,660**

In subsections the following market risk are represented:

- equity risk,
- interest rate risk,
- currency risk,
- spread risk,
- property risk,
- concentration risk.

C.2.2. EQUITY RISK

Equity risk is the risk that the prices of equity securities will fluctuate and thus affect their value in the investment portfolio of the Company.

Equity risk depends on total exposure to price changes of equity securities in which the Company, both directly and indirectly, invests by applying the look-through approach to assets of mutual funds.

The capital requirement for equity risk is determined on the basis of the impact on the available capital due to an instantaneous decrease in the value of equity securities. It is taken into account in relation to both assets and liabilities. Type 1 equity securities comprise equity securities listed in regulated markets in the countries which are members of the European Economic Area (EEA) or the Organisation for Economic Cooperation and Development (OECD), while type 2 equity securities comprise equity securities listed in stock exchanges in countries which are not members of the EEA or the OECD, equity securities which are not listed, commodities and other alternative investments. Equity investments of a strategic nature are treated separately.

Capital requirements for individual types of equity securities are equal to an instantaneous decrease in the value of equity securities:

- an instantaneous decrease equal to the sum of 39% and the symmetric adjustment as at the calculation date for type 1 equity securities;
- an instantaneous decrease equal to the sum of 49% and the symmetric adjustment as at the calculation date for type 2 equity securities;
- an instantaneous decrease equal to 22% for strategic investments.

C.2.3. INTEREST RATE RISK

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets and liabilities.

It may be reflected as a change in the market value of investments in debt securities or as a risk associated with the ability to reinvest financial assets upon maturity of investments under at least the same conditions as those for past due financial assets as well as in relation to interest-sensitive liabilities.

For interest risk management, the Company applies the following procedures:

- in the case of pre-determinable cash flows, immunisation procedures are applied to equalise the average duration of assets with the average duration of liabilities;
- matching of lending and deposit interest rates;
- provision of an adequate asset structure in terms of return and duration.

The capital requirement for interest rate risk is calculated based on the sensitivity of the value of assets and liabilities to changes in the term structure of interest rates. Interest rate risk represents the highest loss resulting from interest rate curve down/up shock in accordance with the prescribed standard formula methodology. In relation to mutual funds, the Company applied the look-through approach for the purpose of calculating this risk.

The interest rate risk is measured through the sensitivity analysis of investments in debt securities and insurance technical provisions in relation to the change in interest rates.

C.2.4. CURRENCY RISK

Currency risk is the risk that due to changes in foreign currencies the value of assets will decrease or that the value of liabilities will increase.

The capital requirement for currency risk is determined based on the impact on the available capital due to an instantaneous change in value of foreign currencies of 25 %. It is taken into account in relation to both assets and liabilities. Investments in type 1 equity securities and type 2 equity securities which are listed in stock exchanges are assumed to be sensitive to the currency of its listing. Type 2 equity securities which are not listed are assumed to be sensitive to the currency of the country in which the issuer has its main operations. Real property is assumed to be sensitive to the currency of the country in which it is located.

The Company is subject to the changes in exchange rates that affect its financial position and cash flows. The Company's currency risk is considered to be relatively low due to the fact that the Republic of Slovenia joined the EMU and due to the introduction of the euro.

C.2.5. SPREAD RISK

Spread risk arises from a potential reduction in the credit rating of an issuer due to changes in their financial situation and performance, which may cause a significant change in the prices of financial instruments issued by the issuer and/or which may affect their liquidity.

In relation to investments in foreign debt instruments and deposits with foreign credit institutions, credit risk is identified and measured based on credit ratings assigned by recognised rating agencies as well as own analyses and risk assessments of individual investments. In relation to investments in instruments of domestic issuers or banks and in relation to investments in target funds, a credit risk assessment is made based on own analysis and risk assessment, if available, as well as assessments of rating agencies.

The basis for credit rating risk management is always own risk assessment based on the available information about issuers/banks. When purchasing debt financial instruments of foreign issuers and concluding deposit contracts with foreign credit institutions, a minimum acceptable issuer or bank credit rating published by credit rating agencies is set. When concluding deposit contracts with domestic banks, banks in the EU Member States or prime foreign banks, as a general rule it is sufficient that such credit institutions were issued an authorisation of their supervisory authorities for the performance of banking services.

The capital requirement for spread risk on bonds, deposits and loans is equal to the loss in the basic own funds due to a decrease in the value of each bond, deposit or loan that would result from taking into account the risk factor which depends on the duration and credit rating of the issuer as set out in the standard formula.

C.2.6. PROPERTY RISK

Market risk resulting from changes in real property market prices relates to individual investments in real property and total exposure of investments in real property arising from investment objectives. It reflects the sensitivity of the value of assets, liabilities and financial instruments to changes in the value or volatility of real property market prices.

The starting point for market risk measurement is to calculate the permissible shares of the value of both individual real property and total real property in total assets of the Company. Exposure to an individual real property is determined by performing a market test of the value of an individual real property.

Market risk of investments in real property is determined and measured on the basis of the values of the following indicators:

- derogation from the structure of investments in real properties from the target structure.

The capital requirement for property risk is calculated based on the impact on the available capital due to the loss in basic own funds that would result from a decrease of 25% in the value of real property.

C.2.7. CONCENTRATION RISK

Concentration risk arises from excessive exposure to individual issuers. For this purpose, exposures to issuers which belong to the same group are treated as a single name exposure. Similarly, real properties which are located in the same building are considered as a single real property.

The exposure to the issuer is measured as the sum of exposure to a specific party or group of parties from all types of financial instruments in the Company's assets.

In order to manage concentration risk, prior to the acquisition of individual assets it is necessary to recognise in advance the group of issuers which are considered as a single name exposure as well as assess the risks arising therefrom and maintain them at a prudent level.

The Company manages the risk with ongoing monitoring of a single name exposure and by limiting the increase in this exposure through the limit system. The risk of excessive exposure to individual issuers is proactively managed by the Company with measures to reduce total exposure.

The capital requirement for concentration risk is calculated in accordance with the standard formula.

C.3. COUNTERPARTY DEFAULT RISK

Counterparty default risk (CDR) represents a potential loss of the Company in the event that a third party or a debtor fails to fulfil their obligation. Counterparty default risk of the Company's portfolio affects the assets of reinsurers, cash at bank and receivables. The assets included in spread risk are not included in credit risk and vice versa.

The Company's exposure to CDR is most often managed by regularly monitoring the credit rating of reinsurers and banks as well as by ensuring adequate dispersal of these assets. The Company monitors CDR arising from receivables from insurance operations and reinsurance assets by assessing the collectability of individual receivables. The credit rating verification procedures are based on obtaining and reviewing publicly accessible data on the current financial situation of the issuer of financial instruments and their future solvency.

CDR management procedures in reinsurance relate to verifying the reinsurer's credit rating, as in the case of investing financial assets. In accordance with the credit risk management strategy, reinsurance-related liabilities are reinsured by prime reinsurer.

In the solvency capital calculation under the standard formula, the counterparty default risk refers to the following exposures:

- Operating receivables arise from delays in the repayment of receivables, which arise in the Company in the field of receivables from direct insurance transactions and subrogation receivables;
- Reinsured/Co-insured part of the best estimate of provisions: the risk that a reinsurer or co-insurer will not be able to repay its liabilities;
- Cash and cash equivalents.

Pursuant to Solvency II, there are two types of exposures:

- type 1 exposures: exposures which in principle have a credit rating (reinsurance, cash at bank, deposits with ceding undertakings, commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid, legally binding commitments which the undertaking has provided or arranged and which may create payment obligations). These exposures are not diversified;
- type 2 exposures: exposures which usually do not have a credit rating (receivables from intermediaries, policyholder debtors, mortgage loans). As a rule, these exposures are diversified.

The overall capital requirement for CDR is the sum of the capital requirement for type 1 exposures and type 2 exposures with a 75% correlation.

Counterparty default risk – capital requirement

In 000 EUR	31 Dec 2019	31 Dec 2018
Type 1	7,332	6,246
Type 2	4,323	4,080
Diversification	- 701	-637
Total	**10,954**	**9,690**

Capital requirement for credit risk increased for type 1 exposure in 2018, as a result of increased cash and cash equivalents

The Company manages default risk relating to receivables from direct insurance transactions and subrogation receivables by actively collecting them.

In assuming credit risks relating to reinsurance, the Insurance Company actively manages credit risks by prudently reviewing the eligibility of business partners for reinsurance and regularly monitoring their eligibility (credit rating, diversification). The Insurance Company co-operates with the major global reinsurers whose credit rating is at least A -.

The Company manages credit risk relating to cash by diversifying it to various banks and by applying its limit system that determines the maximum exposure for this type of investments at a certain bank.

C.4. LIQUIDITY RISK

Liquidity risk is the risk of loss in the event that the Company is not able to settle all matured liabilities in due time or in the event that as a consequence of its inability to provide sufficient funding, the Company is forced to provide the required funding at costs significantly above the average costs.

Furthermore, 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. Liquidity risk is strongly connected to other risks in the Company, such as underwriting risk, market risk, credit risk and operational risk.

Liquidity risk in relation to investments occurs when monetary assets for the payment of a large amount of claims or other contractual obligations may only be ensured by selling investments at an unfavourable price, thereby significantly reducing the return on investment. Due to payments received, payouts and the volume of additional liquid assets, liquidity risk changes on a daily basis.

As a rule, liquidity risk of an investment is limited by setting the cap of the value of an investment in an individual financial instrument, taking into account its average daily turnover within a specified period and by setting the highest share of the assets which may be accounted for by such instruments in individual funds, whereas in relation to debt instruments by setting the size of the issue.

The liquid risk management system and its objectives are laid down in the Liquidity Risk Management Policy. Target liquidity is determined with the Company's risk appetite, which is determined in the Company's risk management strategy at the Company level. The fundamental objective of the Liquidity Risk Management Policy is that the Company manages assets in the way that it is able to fulfil its matured liability at any given moment.

Liquidity risk management procedures include qualitative and quantitative risk measurement assessments. Sufficient volume of liquid assets is established through regular calculations of balances and flows of available liquid assets and the planned needs for liquidity or excesses of liquidity. These arise from assessments of premium payment inflows, anticipated values of payment estimates based on received compensation payment claims, deposit and debt financial instrument maturity deadline, expected revenue inflow and the executed or anticipated transactions with financial instruments.

Liquidity risk measurement includes at least:

- comprehensive cash flow planning and monitoring;
- monitoring changes in balance sheet items that affect the liquidity position;
- monitoring the maturity of balance sheet assets and liabilities;
- monitoring liquidity ratios by individual investment portfolios;
- adopting a suitable liquidity policy in light of the given situation.

At the daily operational level, the Company manages liquidity by accurately planning cash inflows and outflows. Short-term liquidity plans are prepared on a monthly basis at the level of insurance types. For this purpose, the Insurance Company plans all realistically expected cash inflows and outflows on a daily and monthly level.

At the same time, the Insurance Company ensures long-term liquidity by preparing a plan of cash flows by insurance types for the financial year as part of the business plan.

The Company manages liquidity risk by:

- providing sufficient liquid assets for the settlement of past due liabilities;
- monitoring and planning the appropriate structure of financial assets in relation to liabilities;
- calculating the liquidity indicators by individual investment portfolios;
- planning and monitoring cash flows;
- increasing liquid assets.

When in stringent conditions and crisis, the Company can obtain increased liquidity by raising additional loans, increasing capital and selling assets that it would not sell under normal conditions.

Keeping investments liquid in order to ensure liquidity usually represents a relative loss of earnings compared to other investment options, therefore finding the optimal proportion between liquidity and return on assets is one of the fundamental liquidity management criteria.

The ALCO and the Investment Committee co-operate in the liquidity assurance process in line with their powers and rules. The Liquidity Committee is in charge of assuring Company liquidity; it regularly checks daily and weekly cash inflow and outflow, and short-term, and if necessary, long-term liquidity plans. The work of the Liquidity Committee is regulated by the Liquidity Committee Work Instruction.

C.4.1. EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

The amount of the expected profits included in future premiums (EPIFP) equals the difference between the best estimate for premium provisions calculated in the context of solvency purpose valuation, and the best estimate for premium provisions where we assume that the premiums relating to the existing insurance contracts which are expected to be received in the future are not received for various reasons regardless of policyholder's legal and contractual rights to cancel a policy, which does not include that an insured event has occurred. For the latter, we calculate a 100% cancellation rate and consider all policies as being capitalised.

EPIFP is calculated separately for each homogenous group of risks, meaning that the loss-generating policies can be equalised with the profit-generating policies within a homogenous group.

C.5. OPERATIONAL RISK

Operational risk is the risk of loss arising from ineffectiveness, malfunction or error in business processes, or failure or non-existence of internal controls. Furthermore, operational risk may arise from unprofessional, inadequate or harmful conduct of employees, failure of systems and infrastructure, or from external events, including as the result of changes in legislation, business disruption caused by natural disasters and epidemics, competition, etc.

The primary cause of risk is the key criterion in operational risk identification and classification. According to the definition, operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company uses, especially for operational risks, its Catalogue of Risk as a self-assessment and risk inventory tool. Risk managers record all existing and potential risk in the Catalogue of Risk. Various properties are recorded for individual risk, and they are categorised as follows:

- Risk categorisation and management;
- Possible causes and consequences of risks;
- Risk measurement and assessment;
- Risk management measures;
- Existing controls and indicators; and
- Reporting.

Each section includes several properties for describing individual risk. As a risk management tool, the Catalogue of Risk is utilised in the risk measurement, monitoring and reporting phases.

Operational risk is measured utilising either key risk indicators, or the self-assessment procedure (the Catalogue of Risk).

The identification of the fundamental cause of a risky event serves as assistance when deciding on appropriate risk equalisation measures. Depending on the cause of risk, these can be changes in process, system, control and management approach. Find below some of the most frequent causes of risk:

- Non-existence of internal procedures and rule books;
- Insufficient sharing of roles and responsibilities;
- Insufficient process management;
- Inappropriate internal control;
- Information processing errors; and
- External events.

The Insurance Company calculates capital requirement for operational risks based on the Solvency II standard formula at least every six months.

SCR operational risk – capital requirement

Operational risks calculated using the standard formula stayed virtually unchanged in 2019.

in 000 EUR	31 Dec 2019	31 Dec 2018
SCR operational risk	10,343	10,302

C.6. OTHER MATERIAL RISKS

C.6.1. NON-FINANCIAL RISKS

Other important non-financial risks of the Insurance Company are primarily strategic risks.

Strategic risk is the risk of loss due to adverse business decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment (including legal and regulatory risks).

In risk code table, Company considers the following risk groups as strategic risks:

- the risk of inadequate strategy and business decisions,

- the risk of inappropriate implementation of decisions,
- the risk of lack of responsiveness to changes in the business environment;
- the risk of inadequate human resource policy,
- the risk of premium loss (policy cancellations and withdrawal of sales channels due to the business policy).

By nature, strategic risks are very versatile and difficult to measure and as such it is difficult to evaluate them quantitatively. Risks are also not included in the Solvency II standard formula. The Insurance Company assesses strategic risks qualitatively, yet at the same time endeavouring to assess both the likelihood of realisation and the potential financial impact of the possible risk realisation in the Catalogue of Risk for each identified strategic risk. ed druga pomembna nefinančna tveganja zavarovalnica uvršča predvsem strateška tveganja.

C.7. OTHER INFORMATION

C.7.1. "PRUDENT PERSON" PRINCIPLE

The Company fulfils its liabilities relating to investments of its total assets in accordance with the "prudent person" principle, such as defined in Article 132 of Directive 2009/138/EC.

As stated in the effective Underwriting Risk Management Policy, the Company selects investments by taking into consideration insurance transaction types and the nature of liabilities arising therefrom so as to ensure safety, profitability and marketability of investments, and suitable maturity, versatility and dispersion of investments. The investments intended to cover future insurance liabilities in respect of which the Company is obliged to form technical provisions must be selected in the best interest of policyholders and beneficiaries.

When managing investments in individual funds, the Company sets target returns considering the nature of the liabilities covered by fund investments. The Company must be able to ensure a stable long-term return to policyholders whenever such expectations are justified. The Investment Committee of the Company monitors return on fund investments on a monthly basis, the investment policy suitability annually, and in the event an exceptional situation or any change on the market occurs, it monitors it immediately when detected.

The Policy also sets forth the methods and procedures to manage investment risks by risk types and investment classes, the implementation of underwriting risk management actions, and the provisions regarding the limits of the permitted risk by risk categories in accordance with the general risk appetite of the Company. ružba svoje obveznosti glede vlaganja vseh svojih sredstev izpolnjuje v skladu z načelom »preudarne osebe«, kot ga definira 132. člen Direktive 2009/138/ES.

C.7.2. ABSORPCIJSKA KAPACITETA ODLOŽENIH DAVKOV

In the SCR calculation, the Company applies the absorbing capacity of deferred taxes, which stood at EUR -3.936 as at 2019 year-end; the total SCR decreased by this amount. The amount of the applied absorbing capacity is limited by the amount of the Market Value Balance Sheet's (MVBS) net deferred tax liabilities.

D. VALUATION FOR SOLVENCY PURPOSES

Pursuant to Directive 2009/38/EC (hereinafter: the Directive), Commission Delegated Regulation (EU) 2015/35 (hereinafter: the Delegated Regulation) and EIOPA guidelines, insurance undertakings are required to recognise and value assets and liabilities, excluding insurance technical provisions, in accordance with the International Financial Reporting Standards (hereinafter: IFRS) provided that the said standards include valuation methods that comply with Article 75 of the Directive. Articles 10 through 16 of the Delegated Regulation clearly set out the cases in which valuation methods do not comply with the valuation approach referred to in Article 75 of the Directive, and it is therefore necessary to use other valuation principles and adjustments instead of IFRS.

The Insurance Company values assets and liabilities using the risk-free interest rate curve published by EIOPA. It does not apply adjustments to this curve.

Based on the IFRS according Balance Sheet, balance sheet items have been reclassified and revalued as required by Solvency II, the chapter describing the execution of such reclassifications and revaluations for items where values differ from values valued in accordance with IFRS. For other items, values according to IFRS comply with Solvency II valuation principles.

In 000 EUR	MSRP		Solvency II
Assets	31 Dec 2019	Revaluation	31 Dec 2018
Goodwill	**0,000**		**0,000**
Deferred acquisition costs	**5,362**	-5,362	**0,000**
Intangible assets	**6,169**	-6,169	**0,000**
Deferred tax assets	**3,275**	-3,275	**0,000**
Property, plant & equipment held for own use	**28,366**	-0,800	**27,566**
Investments (other than assets held for index-linked and unit-linked contracts)	**351,105**	-23,532	**327,573**
Property (other than for own use)	11,697	0,498	12,196
Holdings in related undertakings, including participations	46,168	-27,840	18,328
Equities	20,989	0,000	20,989
Equities - listed	5,892	0,000	5,892
Equities - unlisted	15,096	0,000	15,096
Bonds	248,938	3,809	252,747
Government Bonds	185,474	3,209	188,683
Corporate Bonds	61,014	0,600	61,615
Structured notes	2,449	0,000	2,449
Collateralised securities		0,000	
Collective Investments Undertakings	22,630	0,000	22,630
Derivatives	0,000	0,000	0,000
Deposits other than cash equivalents	0,684	0,000	0,684
Assets held for index-linked and unit-linked contracts	**322,572**	-17,074	**305,498**
Loans and mortgages	**6,357**	0,000	**6,357**
Loans on policies	2,714	0,000	2,714
Loans and mortgages to individuals		0,000	
Other loans and mortgages	3,643	0,000	3,643
Reinsurance recoverables	**17,048**	-13,626	**3,422**
Non-life and health similar to non-life	16,679	-3,025	13,654
Non-life excluding health	16,633	-2,980	13,653
Health similar to non-life	0,046	-0,045	0,001
Life and health similar to life, excluding health and index-linked and unit-linked	0,369	-10,601	-10,232
Health similar to life	0,000	-0,195	-0,195
Life excluding health and index-linked and unit-linked	0,369	-10,149	-9,780
Life index-linked and unit-linked	0,000	-0,257	-0,257
Deposits to cedants		0,000	
Insurance and intermediaries receivables	**23,681**	0,000	**23,681**
Reinsurance receivables	**1,837**	0,000	**1,837**
Receivables (trade, not insurance)	**3,308**	0,000	**3,308**
Cash and cash equivalents	**19,720**	-0,000	**19,720**
Any other assets, not elsewhere shown	**28,313**	-8,085	**20,228**
Total assets	**817,112**	**-77,923**	**739,189**
Liabilities			
Technical provisions – non-life	**158,173**	-22,567	**135,606**
Technical provisions – non-life (excluding health)	129,867	-17,869	111,999
Technical provisions calculated as a whole	129,867	-129,107	0,760
Best Estimate		104,696	104,696
Risk margin		6,543	6,543
Technical provisions - health (similar to non-life)	28,306	-4,699	23,607
Technical provisions calculated as a whole	28,306	-28,246	0,060
Best Estimate		22,957	22,957
Risk margin		0,590	0,590
Technical provisions - life (excluding index-linked and unit-linked)	**126,092**	-28,875	**97,217**
Technical provisions - health (similar to life)	0,018	0,300	0,318
Technical provisions calculated as a whole	0,018	-0,018	0,000
Best Estimate		0,315	0,315
Risk margin		0,003	0,003
Technical provisions – life (excluding health and index-linked and unit-linked)	126,074	-29,175	96,899
Technical provisions calculated as a whole	126,074	-126,074	
Best Estimate		86,426	86,426
Risk margin		10,473	10,473
Technical provisions – index-linked and unit-linked	**342,332**	-26,030	**316,302**
Technical provisions calculated as a whole	342,332	-342,332	
Risk margin		306,232	306,232
Other technical provisions		10,070	10,070
Contingent liabilities		0,336	**0,336**
Provisions other than technical provisions	**0,000**	0,000	**0,000**
Deferred tax liabilities	**1,254**	2,681	**3,936**
Derivatives	**0,000**	0,000	**0,000**
Debts owed to credit institutions	**0,000**	0,000	**0,000**
Financial liabilities other than debts owed to credit institutions	**1,257**	0,000	**1,257**
Insurance & intermediaries payables	**9,371**	0,000	**9,371**
Reinsurance payables	**1,786**	0,000	**1,786**
Payables (trade, not insurance)	**12,020**	0,000	**12,020**
Subordinated liabilities	**49,677**	0,565	**50,242**
Subordinated liabilities in Basic Own Funds	49,677	0,565	50,242
Any other liabilities, not elsewhere shown	**16,388**	-8,085	**8,303**
Total liabilities	**718,350**	**-81,975**	**636,375**
Excess of assets over liabilities	**98,762**	**4,052**	**102,814**

D.1. INFORMATION ON VALUATION OF ASSETS

D.1.1. DESCRIPTION OF VALUATION BASES, METHODS AND MAIN ASSUMPTIONS

When measuring or valuing individual balance sheet items for the purpose of calculating Solvency II capital requirements, the Company takes into account the fact that the items or the values of individual balance sheet items under Solvency II are equal to the accounting items determined in accordance with IFRS, except where specifically provided otherwise as follows:

Goodwill is valued at 0 in accordance with Solvency II. The total amount of goodwill is treated as revaluation.

Deferred acquisition costs are valued at 0 in accordance with Solvency II. The total amount of deferred acquisition costs is treated as revaluation.

Intangible assets are valued at 0, as the Insurance Company has no intangible assets that can be sold separately and the Company can demonstrate that there are quoted market prices in active markets for same or similar assets.

Deferred tax assets and/or liabilities

Additional deferred taxes (assets and/or liabilities) arising as a result of different assets/liabilities valuation according to IFRS are calculated by firstly eliminating goodwill, deferred acquisition costs and strategic participations from the Balance Sheet under Solvency II, after which, depending on the upward/downward revaluation of individual items in relation to the balance sheet under IFRS, additional deferred tax assets or liabilities are calculated, which are added to deferred tax asset and liability values under IFRS. As aforementioned, financial investment in subsidiaries and associated companies is not taken into account if it is considered a strategic investments; in such cases, revaluation differences are treated as constant differences and do not fulfil the condition of being temporary differences and henceforth a basis of the calculation of deferred taxes from this item. The current effective tax rate is 19%.

Property, plant and equipment for own use (real property for own use and equipment) and investment property

In a balance sheet valued according to IFRS, property, plant and equipment for own use is valued as the sum of the cost and direct asset acquisition costs less the accrued depreciation and accrued impairment loss. In a balance sheet valued according to Solvency II, the Insurance Company valued such assets at the fair value.

When valuing investment property and other properties, the Company applies alternative valuation methods that need to be in accordance with Article 10(7) of the Delegated Regulation that provides the most representative estimate of the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. In accordance with Article 10(6) of that regulation, these methods should be based on current prices in an active market for real properties, on recent prices of similar real properties on less active markets and on discounted cash flow projections, supported by the terms of any existing lease contracts and external evidence such as current market rents for similar properties. The Insurance Company assesses the fair value on an annual basis.
When valuing equipment, simplified alternative valuation methods are used for individual groups of property, plant and equipment as follows: motor vehicles, furniture, office equipment, computer equipment, and works of art.

Investments

Property, plant and equipment not held for own use

The methodology is the same as that described in the previous point – property, plant and equipment held for own use (real property for own use and equipment) and investment property.

Investments in subsidiaries and associates

In the Company's financial statements, investments in subsidiaries and associates are stated at cost. For solvency purposes, they can be valued using: the default valuation method, the adjusted equity method, adjusted prices from active markets for similar assets, or alternative valuation methods.

The Insurance Company applies the adjusted equity method to evaluate the investments in Generali Investments d.d. and Nama d.d., and alternative valuation methods for other investments in subsidiaries and associates.

Subsidiarities and associates	Valuation method	Equity stake	MSRP value in EUR	SII value in EUR
Generali Investments, družba za upravljanje, d.o.o.	Adjusted equity method	100,0%	29.326.008	7.985.269
Agent d.o.o.	Alternative valuation methods		635.000	635.000
Prospera d.o.o.	Alternative valuation methods		2.920.934	2.920.934
VIZ d.o.o.	Alternative valuation methods		560.000	560.000
Zdravje AS d.o.o.	Alternative valuation methods		720.000	720.000
Nama Trgovsko Podjetje d.d. Ljubljana	Adjusted equity method	48,5%	11.705.901	5.206.748
IDORU Inteligentni Analitični Sistemi d.o.o.	Alternative valuation methods		51.125	51.125
Medifit d.o.o.	Alternative valuation methods		248.692	248.692

Equity

When valuing according to IFRS, shares can be classified in the available-for-sale (AFS) group or as fair value through profit or loss (FVPL).

In accordance with Solvency II, the value of quoted shares, which means that shares are traded on the stock market, is calculated based on the last published price on the stock market, which represents fair value.

For unquoted shares, that is, shares not traded on the stock market, valuation methods are applied in the following sequence:

- Last transaction utilisation between knowledgeable willing parties, if available;
- Net issuer asset book value on the last day of the accounting period;
- Comparison with present fair value of other issuer same instrument type with similar material properties;
- Valuation based on discounted cash flows or recoverable amounts; and
- Valuation at cost for an individual financial asset.

The fair value of unquoted shares is calculated using the internal model based on the discounted cash flow method or based on the method of comparable listed companies.

Bonds

In accordance with IFRS, government and corporate bonds are valued according to the category they are classified into. On the valuation date, book values of bonds are calculated as follows:

- FVLP (fair value through profit or loss): book value = market value = market price on valuation date * number of lots * nominal lot value + accrued interest at the coupon interest rate;
- HTM (held to maturity): book value = amortised cost = cost + accrued interest at the effective interest rate;
- AFS (available for sale): book value = market value = market price on valuation date * number of lots * nominal lot value + accrued interest at the coupon interest rate.

For the needs of valuation in accordance with Solvency II, the difference in valuation is recognised for held to maturity investments which the Company values at fair value in accordance with the determined valuation hierarchy.

Loans and deposits:

Under IFRS, loans and deposits are valued at amortised cost, taking into account the assessments of impairment needs at an individual level; the value determined in this manner is considered appropriate for the valuation needs under Solvency II.

Assets held for index-linked and unit-linked contracts

Assets held in possession for index-linked and unit-linked contracts are valued at the market value. Differences between the value of such assets in Solvency II and IFRS according Balance Sheets occur due to elimination of policy loans on the assets side with the purpose of making an adjustment with the best estimate for the liabilities for such loans, which is valued to zero.

Amounts recoverable from reinsurance

The best estimate of insurance technical provisions transferred to reinsurers is calculated as the present value of cash flows relating to insurance. The calculation of the reinsurers' share is prepared by reinsurance contract and reinsurer. It is discounted under the assumption that cash flows for reinsurance claims are proportionate to the expected cash flows for gross claims. Furthermore, a decrease in the reinsurers' share of provisions is taken into account because of the expected default of reinsurers.

Other asset items

For other items on the assets side of the Balance Sheet (insurance receivables and receivables due from brokers, reinsurance receivables, receivables (trade, not insurance), cash and cash equivalents are valued in line with IFRS for the needs of valuation in accordance with Solvency II.

D.1.2. EXPLANATION OF THE DIFFERENCES BETWEEN ASSETS FOR SOLVENCY PURPOSES AND ASSETS FOR FINANCIAL STATEMENT PURPOSES

The differences resulting from the valuation of assets for solvency purposes and for financial statement purposes in accordance with IFRS have been recorded in relation to the following items:

- held-to-maturity assets (bonds) are assets disclosed at amortised cost using the effective interest method in the financial statements under IFRS. For solvency purposes, these assets are valued at fair value. As at 31 December 2019, the fair value of financial assets carried at amortised cost for solvency purposes exceeded the assets' carrying amount (the amortised cost) used for the purpose of financial statements by EUR 3,809 thousand;

- investments in subsidiaries due to the use of the adjusted equity methods in the amount of EUR 27,840 thousand;
- property, plant and equipment in amount of EUR 800 thousand;
- property (other than for own use) in amount of EUR 498 thousand;
- index-linked or unit-linked assets in the amount of EUR 17,074 thousand due to elimination of policy loans;
- amounts recoverable from reinsurance in the amount of EUR 13,626 thousand;
- deferred taxes in the amount of EUR 3,275 thousand due to revaluation of assets and liabilities in accordance with Solvency II,
- any other assets. not elsewhere shown in the amount of EUR 8,085 thousand, as a result of mutual compensation between life and non-life insurance segments.

D.2. INFORMATION ON THE VALUATION OF INSURANCE TECHNICAL PROVISIONS

D.2.1. DESCRIPTION OF VALUATION BASES, METHODS AND MAIN ASSUMPTIONS

The items of insurance technical liabilities are valued in a different manner, as set out in IFRS.

Non-life insurance and health insurance business pursued on a non-similar basis to life insurance (NSLT health insurance).

The property and casualty (P&C) Technical Provisions (TP), both related to:

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

are calculated as the sum of the Discounted Best Estimate of Liabilities (BEL) and the Risk Margin (RM)

TP = BEL + RM.

The Discounted Best Estimate of Liabilities (BEL) is calculated applying the methods and assumptions that are briefly described below, separately for Claims and Premiums Reserve.

The approach to derive the Best Estimate of Liabilities for Claims Reserve depends on the possibility to apply the actuarial methods.

The actuarial methods used for projecting the experienced history of claims are the ones implemented in the ResQ tool (a tool applied by the Group to calculate reserves) and described in the Group methodology paper. The following methods are available:

Link Ratio Method on Paid (or Development Factor Model) based on the analysis of the cumulative payments along the years. This method is based on the hypothesis that the settlement process is stable across the origin periods.

Link Ratio Method on Incurred technically works as the previous one but is based on incurred developments, that is, the sum of cumulative paid and outstanding amounts.
Bornhuetter-Ferguson Method on Paid or Incurred combines the projected ultimate assessment of claims (obtained for example by means of a Development Factor Method) with an a priori value, using a weighted credibility approach.

Average Cost per Claim Method on Paid combines the projection of the paid claims obtained for example by means of one of the methods listed above and the projection of the number of claims.

In order to confirm the results, the analysis is done using more than one of the methods listed above.

For the contracts with already written premiums, the Best Estimate for the Premiums Reserve is defined as the sum of the following two components: the claims related component and the administration expenses related component.

For the following contracts:
- those that are valid on the valuation date, but the coverage has not started yet,
- un-incepted contracts (instalments included), and
- multi-year contracts,

the UBEL of the premium reserves is defined as the sum of:
- cash inflows arising from future premiums;
- cash outflows for future claims;
- cash outflows for claims settlement expenses in respect of claims occurring after the valuation date, as well as administration expenses arising from in-force policies and acquisition costs insofar related to a transaction effective as at the valuation date.

The net claims reserves and the net premiums reserves are adjusted by taking into consideration the counterparty default risk.

The Discounted Best Estimate of Liabilities for Claims Reserve and Premiums Reserve is derived by discounting the expected future cash flows from claims/premiums reserve by the risk-free interest rate curve.

The Risk Margin is added to the Best Estimate of Liabilities to arrive at a market value of the liabilities. It captures the economic value of the “non-hedgeable” risks (as reserving, pricing, catastrophe, lapse, counterparty default, and operational risks) in order to ensure that the value of technical provisions is equivalent to the amount that an insurance company would be expected to require to take over and meet the insurance obligations. The Risk Margin is calculated with a Cost of Capital approach at line of business level, taking into account the diversification benefits between risk types and lines of business.

Life insurance and health insurance business pursued on a similar basis to life insurance (SLT health insurance)

Provisions are calculated based on the data of the Company at the level of lines of business (as defined in Annex I to the Delegated Regulation). The best estimate and the risk margin are calculated separately.

The best estimate is equal to the present value of expected future cash flows. The cash flow projection takes account of all the cash inflows and outflows under an insurance contract, which are required to settle the obligations to policyholders, the insured persons and other beneficiaries from insurance contracts; however, amounts recoverable from reinsurance contracts and special purpose vehicles are not taken into account.

When calculating the present value of expected future cash flows, an appropriate risk-free interest rate curve published by EIOPA is used for discounting, excluding any matching adjustment or volatility adjustment.

The risk margin is calculated separately for non-life insurance and life insurance activities. The risk margin, which is calculated for the whole portfolio of an individual activity, is allocated to the lines of business within the activity so that the allocation adequately reflects the contributions of the lines of business to the solvency capital requirement of the Company.

During the Generali Group merger and integration process conducted in 2019, the Insurance Company transferred the processing of supplementary accident insurance to the group of life insurance products, abolishing the contract margin for technical provision calculation pursuant to Solvency II for these insurance products, and transferred the processing of H_SLT products to the group of life insurance products in the IFRS environment.

D.2.2. DESCRIPTION OF THE DEGREE OF UNCERTAINTY RELATING TO THE AMOUNT OF INSURANCE TECHNICAL PROVISIONS

The Company identifies two sources of uncertainty relating to the amount of insurance technical provisions, specifically process risk and model (calculation) risk of insurance technical provisions.

The Company reduces the uncertainty relating to these risks, thereby ensuring adequate reliability of the calculated insurance technical provisions as described below.

Process risk relates to data quality and processing as well as to the consistency of calculation procedures of insurance technical provisions. In order to reduce process risk in the calculation of insurance technical provisions, an appropriate control system was established at key points.

Process risk relating to the calculation of insurance technical provisions is monitored by the actuarial function in cooperation with the risk management and internal audit functions.

Model risk relates to the adequacy of the methods and assumptions used in the calculation of insurance technical provisions. The actuarial function annually checks the adequacy of the methods and assumptions used, thereby not only reducing the degree of uncertainty associated with the amount of insurance technical provisions but also ensuring adequate management of this risk.

D.2.3. EXPLANATION OF THE DIFFERENCES BETWEEN TECHNICAL PROVISIONS FOR SOLVENCY PURPOSES AND FOR FINANCIAL STATEMENT PURPOSES

Non-life insurance and NSLT health insurance

For Solvency II purposes, the provisions are calculated as the sum of the best estimate and the risk margin. Technical provisions for solvency purposes are discounted.

The premium provision replaces unearned premium, the provision for bonuses, discounts and cancellations, and the provision for unexpired risks. The claims provision is calculated as the mean value of cash flows (excluding additional security).

The selection of the assumptions for the calculation of provisions under Solvency II is based on realistic best estimates (excluding additional security). Moreover, the risk margin is calculated, which is not included in the calculation of provisions in accordance with IFRS.

Life insurance and SLT health insurance

For Solvency II purposes, the provisions are calculated as the sum of the best estimate and the risk margin.

The best estimate for unit-linked life insurance and voluntary supplemental pension insurance takes into account the present value of expected future profits from these insurance contracts, in addition to the value of funds in investment accounts. In the calculation of present value of future expected profits, the risk-free interest rate curve is used for discounting, while the assumptions are based on realistic best estimates.
The best estimate for other life insurance (including annuities stemming from motor vehicle liability insurance) and SLT health insurance is equal to the present value of expected future cash flows, where the risk-free interest rate curve is used for discounting, while the assumptions are based on realistic best estimates, excluding additional security. In the financial statements, annuities stemming from motor vehicle liability insurance are included in claims provisions.

Negative provisions are not nullified for solvency purposes. The risk margin, which is part of the provision for solvency II purposes, is not taken into account in the provisions in the financial statements.

Differences between the financial statements and valuation for solvency purposes:

- Technical provisions for non-life insurance are lower by EUR 22,567 thousand;
- Technical provisions for life insurance excluding index-linked or unit-linked insurance are lower by EUR 28,875 thousand compared to the financial statements;
- Technical provisions for index-linked or unit-linked life insurance are lower by EUR 26,030 thousand compared to the provisions in the financial statements.

D.2.4. INFORMATION ON THE VALUATION OF OTHER LIABILITIES

Other liabilities include financial liabilities, liabilities from direct insurance transactions, operating liabilities, subordinated liabilities, and other liabilities.

For Solvency II purposes, all other liabilities are valued the same as for financial statement purposes, except the subordinated liabilities, whose valuation is described below.

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 49,677 thousand. Bonds are recorded among non-life insurance in the amount of EUR 22,851 thousand and life insurance in the amount of EUR 26,826 thousand. In 2019, the Company paid interest to the creditors in the amount of EUR 3,944 thousand.

Movements in issued bonds

In 000 EUR	2019	2018
As at 1 Jan	**49,582**	**49,525**
Accrued interest	4,038	4,038
Repayment interest	-3,944	-3,976
As at 31 Dec	**49,677**	**49,582**

At their issue the bonds were listed on the Irish Stock Exchange. In the case of bankruptcy or liquidation of the parent 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. Bonds may be recalled after five years.

For valuation according to Solvency II, fair value of subordinated liabilities is determined using a time structure of the basic risk-free interest rate, equalling the current value of future cash flow needed for settling conditional liabilities during its duration.

Deferred taxes

Deferred taxes are changed in light of the revaluation of balance sheet items for Solvency II purposes. Deferred tax assets and liabilities fully refer to the same tax administration, which is why the Company discloses these in their offset amount. At 2019 year-end, the revalued net deferred tax liabilities stood at EUR 3,936 thousand, down EUR 5,956 thousand compared to the IFRS value.

Solvency II regulatory framework stated that in the Market Value Balance Sheet (MVBS) deferred tax assets, representing the amounts of income taxes recoverable in future periods, shall be recognised in respect of:

- deductible temporary differences;
- the carry-forward of unutilised tax losses, and;
- the carry-forward of unutilised tax credits;

and determined on the basis of the difference between the values ascribed to assets and liabilities (recognised and values in accordance with Articles 75 to 86 of L1-Dir) and the values ascribed to assets and liabilities as recognised and valued for tax purposes.

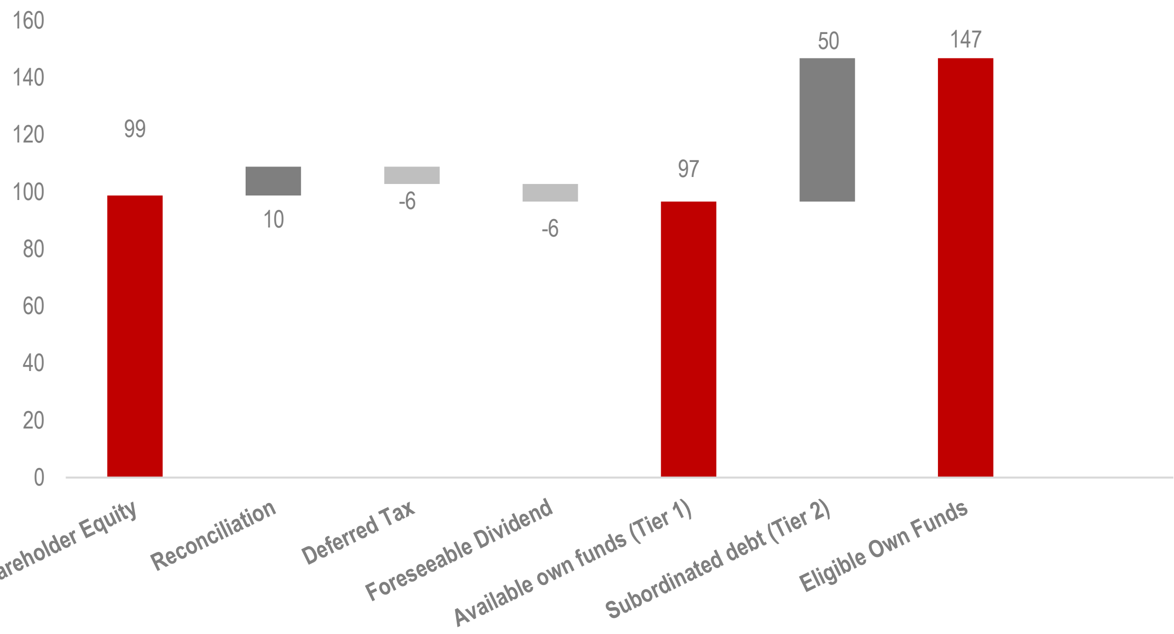
Undertakings ascribe a positive value to deferred tax assets when it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unutilised tax losses or the carry-forward of unutilised tax credits.

While deferred tax liabilities can be recognised in the balance sheet without further justification, the recognition of deferred tax assets is subject to a recoverability test, which aims at showing that sufficient profits will be available in the future to absorb the tax credit, since deferred tax assets can only be recognised "to the extent that it is probable that future taxable profit will be available against which deferred tax assets cab be utilized". When implementing shocks, it needs to be checked whether they result in deferred tax assets (= initial deferred taxes + adjustment) and a recoverability test needs to be implemented. In order to test such recoverability, it is necessary not only to take into account any sources of future profits, including the ones which are not already recognised in the balance sheet, but also "any legal or regulatory requirements on the time limits relating to the carry-forward of unutilised tax losses or unutilised tax credits".

D.2.5. THE BRIDGE FROM EQUITY CAPITAL TO CAPITAL UNDER SOLVENCY II (ELIGIBLE OWN FUNDS)

The changes described above are the basis for presenting the link between equity capital and own funds under Solvency II (Tier 1). In accordance with the Delegated Regulation, total eligible own funds capital also includes subordinated debt (Tier 2).

The bridge from shareholders equity to available own funds under Solvency II (in millions of euros)



D.3. ALTERNATIVE VALUATION METHODS

In the period of reporting for Solvency II purposes, the Insurance Company did not use any alternative valuation methods that were not explained in the previous points of this report.

D.4. OTHER INFORMATION

D.4.1. RING-FENCED FUNDS (RFF)

The Insurance Company calculated capital adequacy in accordance with the Solvency II Directive based on the assumption that it has three ring-fenced funds, that is two pension ring-fenced funds (Guaranteed fund PNA-01 – pension insurance, and Group of AS pension savings funds) and one supplemental pension insurance ring-fenced fund during the annuity payment period (in accordance with ZPIZ-2), whereby the latter is still non-material.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

Capital management goals

Capital management is an ongoing process of decision-making and maintaining a sufficient capital level and quality in the Company. A properly implemented process also ensures capital risk management. The Company should plan such a level and structure of capital that will prepare it to any changes in the conditions, both in relation to the applicable regulations and its financial position. In doing so, the Company has to take into account both the legal requirements and the internal requirements set by the Company itself.

Capital management procedures include planning, monitoring, taking action and reporting.

The planning of capital management ensures that the Company will meet the capital requirements also in the future. The capital and capital risk management process is an integral part of strategic and long-term plans, the annual plans and the planning of capital investments, where the planned total activity of the Company is adjusted to the planned available capital or, in the case of projected volume of activities, the level, type and source of additional capital are estimated. The medium-term capital management plan is an integral part of the Company's medium-term business strategy, which is adopted by the Management Board and approved by the Supervisory Board and includes the following:

- the planned capital increase;
- the data on maturity, including contractual maturity and all options for repayment or purchase, of own funds of the Company;
- projections from ORSA reports;
- the impact assessment of the increase, purchase or repayment of own funds or the impact of other changes in their value on restrictions relating to provision of capital;
- the impact assessment of the dividend policy.

The monitoring of capital management ensures compliance with all the applicable regulatory and legal requirements, monitoring of key risk indicators and recalculation of individual indicators when making business decisions that could have a significant impact on the capital adequacy of the Company. Taking action ensures the achievement of the set capital management goals and, in the event of failure to achieve the regulatory capital, compliance with the foreseen legal requirements. Capital management measures are connected to individual capital components, the structure of on-balance-sheet and off-balance-sheet items, subordinated debt and other commitments imposed on the Company, the investment structure, risk transfer measures, especially in relation to reinsurance risk, and the volume and structure of the Company's insurance business.

Potential measures include:

- capital maintenance, which ensures that all the contractual, statutory and legal commitments of individual capital items are executed and met in due time;
- capital increase;
- limitation of investments in intangible assets;

- non-payment of profit or restrictions on payments of other capital components (mandatory in the case of compliance with the applicable legal requirements);
- reduction of risk exposure.

All items of the capital, subordinated liabilities, off-balance-sheet assets and any other legal commitments imposed on the Company are classified into the items of basic and ancillary own funds, i.e. Tier 1, Tier 2 or Tier 3.

Upon each issue of new capital instruments of the Company, subordinated liabilities or received off-balance-sheet assets, the Finance and Accounting Team notifies the head of the Risk Management Team about the accounting recognition of these items, who then decides whether these items are eligible to be classified into own funds of the Company. In the event that they are eligible, they are further classified into the items of basic and ancillary own funds, i.e. Tier 1, Tier 2 or Tier 3.

In examining the capital position of the Company, the Risk Management Team takes into account all policies or statements relating to the dividends of ordinary shares. For this purpose, the Risk Management Team particularly monitors the past dividend payments and the dividend payments planned in business plans and other documents. All persons in the Company who produce any document with the planned future dividend payments are required to submit such a document to the risk management function holder immediately after the document is prepared. All persons who make any statements regarding the dividend policy of the Company or the expected future dividend payments in public are required to inform the head of the Risk Management Team thereof.

Basic own funds by tier

In accordance with the Directive and the Commission Delegated Regulation, all basic own funds are classified into Tier 1 and Tier 2.

Tier 1 is composed of the paid-up share capital and reconciliation reserve. Tier 2 consists of basic own funds in the form of subordinated liabilities. The Company has no Tier 3 own funds.

Eligible own funds		in 000 EUR
	31 Dec 2019	31 Dec 2018
Eligible own funds (Tier 1 - unrestricted)	96,595	101,084
Ordinary Share capital	47,211	43,000
Reconciliation reserve	49,365	58,084
Eligible own funds (Tier 2 - unrestricted)	50,242	45,658
Eligible own funds	**146,837**	**146,741**

Reconciliation reserves		in 000 EUR
	31 Dec 2019	31 Dec 2018
Excess of assets over liabilities	102,814	109,054
Foreseeable dividends, distributions and charges	-6,219	-7,970
Other basic own fund items	-47,211	-43,000
Reconciliation reserves	**49,384**	**58,084**

E.2. SOLVENCY CAPITAL REQUIREMENT (SCR)

in EUR	31 Dec 2019	31 Dec 2018
Solvency Capital Requirement (SCR)	**103,429,777**	**91,315,638**
Adjustment due to RFF/MAP nSCR aggregation	1,326,240	1,892,193
Adjustment for the loss absorbing effect of technical provisions and deferred taxes	-3,935,817	-18,121,178
Operational risk	10,342,828	10,302,498
Basis Solvency Capital Requirement (bSCR)	**95,696,526**	**97,242,125**
Diversified risk	**95,696,526**	**97,242,125**
Diversification effects	-57,290,192	-53,732,662
Sum of risk components	**152,986,718**	**150,974,787**
Market risk	48,407,471	59,170,663
Counterparty default risk	10,953,920	9,690,090
Life underwriting risk	37,478,990	26,628,671
Health underwriting risk	22,324,761	24,239,485
Non-life underwriting risk	33,821,575	31,245,878

As at 31 December 2019, in accordance with the methodology of the standard formula, Adriatic Slovenica recorded the total solvency capital requirement of EUR 103,430 thousand.

In 000 EUR	31 Dec 2019		31 Dec 2018	
	Non-life activities	Life activities	Non-life activities	Life activities
Notional linear MCR	24,358	8,301	25,669	8,206
Notional SCR excluding add-on (annual or latest calculation)	79,299	24,131	69,196	22,120
Notional MCR cap	35,684	10,859	31,138	9,954
Notional MCR floor	19,825	6,033	17,299	5,530
Notional Combined MCR	27,278	8,301	25,669	8,206
Absolute floor of the notional MCR	3,700	3,700	3,700	3,700
Notional MCR	27,278	8,301	25,669	8,206

The Company's minimum capital requirement (MCR) stood at EUR 35,579 thousand, of which non-life activities accounted for EUR 27,279 thousand and life activities for EUR 8,301 thousand.

Valued for solvency purposes (in accordance with Solvency II Directive), the Company's total assets stood at EUR 739,189 thousand and total liabilities at EUR 685,611 thousand as at 31 December 2019. Surplus of assets over liabilities amounted to EUR 102,814 thousand. A subordinated bond in the amount of EUR 50,242 thousand is added to Tier 1 available own funds. The subordinated bond value included in eligible own funds is lower than its on-balance-sheet fair value. Pursuant to Article 72 of Commission Delegated Regulation, Tier 2 own funds (which include the subordinated bond in terms of its properties) can be added to eligible own funds only in the amount of 50% of SCR. As the capital requirement increased compared to the previous year to the value of EUR 103,430 thousand, as of 31 December 2019, the fair value of the subordinated bond is added to its own funds as a whole.

As at 31 December 2019, total eligible own funds after deducted dividend in the amount of EUR 6,219 thousand stood at EUR 146,837 thousand resulting in solvency ratio of 141.97%.

in €	31 Dec 2019	31 Dec 2018
Market value of assets	739,188,765	685,610,586
Technical provisions and other liabilities	636,375,132	576,556,944
Subordinated debt	50,242,066	45,657,819
Eligible own funds	**153,055,699**	**154,711,461**
Dividend	**6,218,801**	**7,970,065**
Eligible own funds after dividend	**146,836,898**	**146,741,396**
Solvency Capital Requirement (SCR)	**103,429,777**	**91,315,638**
"Eligible own funds surplus	43,407,121	55,425,758
Solvency ratio	**141.97%**	**160.70%**

Use of simplified calculations

In the calculation of its capital requirements, the Company took into account only the simplification referred to in Article 107 of the Commission Delegated Regulation, which relates to the effects of reinsurance arrangements on risk mitigation. Other simplifications provided for in the Delegated Regulation were not used.

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

The Company does not apply the duration-based model in the equity securities submodule.

E.4. THE DIFFERENCE BETWEEN THE STANDARD FORMULA AND ANY OTHER INTERNAL MODEL USED

To calculate the solvency capital requirement, the Company applies the standard formula and not the internal model or undertaking specific parameters or simplifications.

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

As at 31 December 2019, the Company was in compliance with the legislation as its capital ratio was above 100%. Furthermore, the Company has a high level of excess of eligible own sources above minimum capital requirement.

E.6. OTHER INFORMATION

The Company has already disclosed all of the important information relating to capital management in the previous points of this chapter.

E.6.1. SENSITIVITY ANALYSIS

	Basis (31.12.2019)	Yield curve +50bps	Yield curve -50bps	Equity +25%	Equity -25%	Spread +0,5%	BTP spread +1%	UFR-0.15%
Market risk	**48.407**	**48.350**	**48.470**	**53.939**	**42.956**	**48.076**	**48.411**	**48.410**
Interest rate risk	4.563	4.470	4.665	4.563	4.563	4.232	4.567	4.567
Equity risk	25.541	25.541	25.541	31.375	19.708	25.541	25.541	25.541
Property risk	9.037	9.037	9.037	9.037	9.037	9.037	9.037	9.037
Spread risk	12.499	12.499	12.499	12.499	12.499	12.098	12.503	12.499
Concentration risk	8.277	8.277	8.277	8.277	8.277	8.277	8.277	8.277
Currency risk	6.520	6.520	6.520	6.520	6.520	6.520	6.520	6.520
Market risk diversification	-18.030	-17.994	-18.069	-18.332	-17.647	-17.629	-18.034	-18.031
Counterparty default risk	**10.954**	**10.954**	**10.954**	**10.954**	**10.954**	**10.954**	**10.954**	**10.954**
Life underwriting risk	**37.479**	**37.479**	**37.479**	**37.479**	**37.479**	**37.479**	**37.479**	**37.479**
Health underwriting risk	**22.325**	**22.325**	**22.325**	**22.325**	**22.325**	**22.325**	**22.325**	**22.325**
Non-life underwriting risk	**33.822**	**33.822**	**33.822**	**33.822**	**33.822**	**33.822**	**33.822**	**33.822**
Sum of risk components	**152.987**	**152.930**	**153.049**	**158.518**	**147.535**	**152.655**	**152.990**	**152.989**
Diversification effects	-57.290	-57.828	-56.579	-61.832	-52.688	-56.414	-56.790	-57.177
Diversified risk	**95.697**	**95.102**	**96.470**	**96.686**	**94.847**	**96.241**	**96.200**	**95.812**
Operational risk	10.343	10.343	10.343	10.343	10.343	10.343	10.343	10.343
Adjustment for the loss absorbing effect of technical pr	-3.936	-3.664	-4.294	-2.255	-5.593	-4.335	-4.187	-3.992
Adjustment due to RFF/MAP nSCR aggregation	1.326	1.326	1.326	1.326	1.326	1.326	1.326	1.326
Solvency Capital Requirement (SCR)	103.430	103.107	103.845	106.101	100.924	103.576	103.683	103.488
Eligible Own Funds	**146.837**	**147.973**	**145.332**	**154.004**	**139.772**	**145.136**	**145.767**	**146.595**
Solvency Ratio	**141,97%**	**143,51%**	**139,95%**	**145,15%**	**138,49%**	**140,13%**	**140,59%**	**141,65%**

Changes in the value of a subordinated bond, resulting from fluctuations in financial markets, have already been assessed within the impact on eligible own funds in the table above (E.6.1.).

E.6.2. EVENTS AFTER THE REPORTING PERIOD

Based on the merger agreement and permits issued by the competent regulators, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. on 3 January 2020. Pursuant to the law, Generali zavarovalnica d. d., as the acquiring company, became the universal legal successor of Adriatic Slovenica and acquired all of AS's rights and obligations, whilst Adriatic Slovenica as a legal entity was deleted from the court register.

On March 12, 2020, Slovenia declared an epidemic in the country following Article 7 of the Contagenous Diseases Act due to an increase in cases of coronavirus infections and covid-19 disease. At the same time, the insurance company, under the recommendations of the NIJZ and the Government of the Republic of Slovenia, adopted recommended safeguard measures to protect employees, policyholders and other clients. The epidemic has been declared on the basis of the opinion of the National Institute of Public Health (NIJZ). The declaration of the epidemic follows the declaration of a pandemic by the World Health Organisation. The effects of the epidemic on the business of the insurance company cannot yet be assessed.

F. APPENDICES – QRTs

Appendix 1: QRT S.02.01.02 – Balance sheet

		SII Solvency amount
Assets		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	27.565.989
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	327.573.006
Property (other than for own use)	R0080	12.195.675
Holdings in related undertakings, including participations	R0090	18.327.768
Equities	R0100	20.988.810
Equities - listed	R0110	5.892.434
Equities - unlisted	R0120	15.096.375
Bonds	R0130	252.746.666
Government Bonds	R0140	188.682.849
Corporate Bonds	R0150	61.614.917
Structured notes	R0160	2.448.900
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	22.629.589
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	684.499
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	305.497.766
Loans and mortgages	R0230	6.356.534
Loans on policies	R0240	2.713.517
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	3.643.017
Reinsurance recoverables from:	R0270	3.421.897
Non-life and health similar to non-life	R0280	13.653.875
Non-life excluding health	R0290	13.652.683
Health similar to non-life	R0300	1.192
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	- 10.231.978
Health similar to life	R0320	- 195.101
Life excluding health and index-linked and unit-linked	R0330	- 9.779.998
Life index-linked and unit-linked	R0340	- 256.879
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	23.680.661
Reinsurance receivables	R0370	1.837.485
Receivables (trade, not insurance)	R0380	3.307.535
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	19.719.732
Any other assets, not elsewhere shown	R0420	20.228.159
Total assets	R0500	739.188.765

Liabilities		
Technical provisions – non-life	R0510	135.606.341
Technical provisions – non-life (excluding health)	R0520	111.998.878
Technical provisions calculated as a whole	R0530	760.067
Best Estimate	R0540	104.695.674
Risk margin	R0550	6.543.137
Technical provisions - health (similar to non-life)	R0560	23.607.463
Technical provisions calculated as a whole	R0570	60.203
Best Estimate	R0580	22.956.932
Risk margin	R0590	590.328
Technical provisions - life (excluding index-linked and unit-linked)	R0600	97.216.665
Technical provisions - health (similar to life)	R0610	317.678
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	314.814
Risk margin	R0640	2.864
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	96.898.987
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	86.426.399
Risk margin	R0680	10.472.588
Technical provisions – index-linked and unit-linked	R0690	316.302.150
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	306.232.194
Risk margin	R0720	10.069.956
Contingent liabilities	R0740	335.671
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	3.935.817
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	1.256.746
Insurance & intermediaries payables	R0820	9.370.649
Reinsurance payables	R0830	1.786.390
Payables (trade, not insurance)	R0840	12.019.959
Subordinated liabilities	R0850	50.242.066
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	50.242.066
Any other liabilities, not elsewhere shown	R0880	8.302.678
Total liabilities	R0900	636.375.132
Excess of assets over liabilities	R1000	102.813.634

Appendix 2: QRT S.05.01.02 – Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	104.567.639	16.936.335	-	40.137.168	38.731.904	2.449.110	31.327.524	10.233.799	213.858	100.293	5.323.817	845.621					250.867.066
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	839.003	84.997	-	-	-	224.515					1.148.514
Gross - Non-proportional reinsurance accepted	R0130													-	-	-	-	-
Reinsurers' share	R0140	-	97.662	-	956.110	1.685.309	287.085	4.311.273	797.939	148.983	4.234	67.066	76.002	-	-	-	-	8.431.663
Net	R0200	104.567.639	16.838.673	-	39.181.058	37.046.594	2.162.026	27.855.254	9.520.856	64.875	96.059	5.256.750	994.134	-	-	-	-	243.583.917
Premiums earned																		
Gross - Direct Business	R0210	104.321.113	16.982.067	-	39.904.424	38.238.693	2.457.827	31.073.881	10.090.831	267.368	101.770	5.106.612	851.845					249.396.431
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	839.003	84.997	-	-	-	224.515					1.148.514
Gross - Non-proportional reinsurance accepted	R0230													-	-	-	-	-
Reinsurers' share	R0240	-	97.736	-	956.110	1.685.309	277.663	4.282.123	845.326	139.185	4.234	49.852	74.460	-	-	-	-	8.411.998
Net	R0300	104.321.113	16.884.331	-	38.948.314	36.553.384	2.180.164	27.630.760	9.330.502	128.183	97.537	5.056.760	1.001.899	-	-	-	-	242.132.946
Claims incurred																		
Gross - Direct Business	R0310	89.029.345	8.394.799	-	24.078.180	24.711.839	1.142.257	20.912.489	3.508.976	41.559	4.720	3.027.812	885.448					175.737.423
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	34.200	30.499	12.000	-	-	-	-					76.699
Gross - Non-proportional reinsurance accepted	R0330													-	-	-	-	-
Reinsurers' share	R0340	-	95.129	-	17.832	- 23.518	77.825	6.387.001	132.106	- 96.055	419	166	25.188	-	-	-	-	6.616.093
Net	R0400	89.029.345	8.299.670	-	24.060.347	24.735.357	1.098.633	14.555.987	3.388.870	137.614	4.301	3.027.646	860.259	-	-	-	-	169.198.029
Changes in other technical provisions																		
Gross - Direct Business	R0410	- 92	- 32.524	-	- 24.860	- 51.920	- 19.399	- 160.860	- 7.154	- 84	- 6	- 6.337	- 3.095					- 306.329
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	R0430													-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0500	- 92	- 32.524	-	- 24.860	- 51.920	- 19.399	- 160.860	- 7.154	- 84	- 6	- 6.337	- 3.095	-	-	-	-	- 306.329
Expenses incurred	R0550	11.454.272	5.923.103	0	12.874.461	11.755.183	940.980	14.333.887	3.430.175	64.281	54.194	2.379.995	309.253					63.519.783
Other expenses	R1200																	
Total expenses	R1300																	63.519.783

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	438.855	4.961.517	41.042.527	16.720.134	-	-	-	-	63.163.033
Reinsurers' share	R1420	1.691	23.003	69.543	2.083.342	-	-	-	-	2.177.578
Net	R1500	437.164	4.938.515	40.972.984	14.636.792	-	-	-	-	60.985.455
Premiums earned										
Gross	R1510	441.800	5.029.873	41.042.527	16.645.299	-	-	-	-	63.159.500
Reinsurers' share	R1520	1.691	21.385	69.543	2.104.937	-	-	-	-	2.197.556
Net	R1600	440.109	5.008.489	40.972.984	14.540.362	-	-	-	-	60.961.944
Claims incurred										
Gross	R1610	67.084	8.118.904	32.266.983	4.064.617	-	1.232.019	-	-	45.749.608
Reinsurers' share	R1620	-	-	24.225	455.372	-	-	-	-	479.596
Net	R1700	67.084	8.118.904	32.242.759	3.609.246	-	1.232.019	-	-	45.270.011
Changes in other technical provisions										
Gross	R1710	- 69.575	- 2.986.042	- 45.321.639	- 1.122.027	-	-	-	-	- 49.499.283
Reinsurers' share	R1720	-	-	-	-	-	-	-	-	-
Net	R1800	- 69.575	- 2.986.042	- 45.321.639	- 1.122.027	-	-	-	-	- 49.499.283
Expenses incurred	R1900	87.284	829.535	7.006.343	6.650.962					14.574.124
Other expenses	R2500									
Total expenses	R2600									14.574.124

Appendix 3: QRT S.12.01.02 – Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Technical provisions calculated as a whole	R0010	-	-			-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-	-			-			-
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	127.894.777		276.545.751	29.686.443		- 55.393.251	-	13.924.873
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	- 83.229		- 256.879	-		- 9.696.768	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	127.978.007		276.802.630	29.686.443		- 45.696.482	-	13.924.873
Risk Margin	R0100	5.202.186	10.069.956			4.187.718			1.082.684
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	-	-			-			-
Best estimate	R0120	-			-		-	-	-
Risk margin	R0130	-	-			-			-
Technical provisions - total	**R0200**	**133.096.964**	**316.302.150**			**- 51.205.533**			**15.007.556**

		Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			stemming from non-life insurance contracts and relating to health insurance	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
					Contracts without options and guarantees	Contracts with options or guarantees			
		C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-	-	-			-	-	-
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030	-	392.658.594		314.814	-	-	-	314.814
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-10.036.877		-195.101	-	-	-	-195.101
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	402.695.470		509.915	-	-	-	509.915
Risk Margin	R0100	-	20.542.544	2.864			-	-	2.864
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110	-	-	-			-	-	-
Best estimate	R0120	-	-		-	-	-	-	-
Risk margin	R0130	-	-	-			-	-	-
Technical provisions - total	**R0200**	**-**	**413.201.138**	**317.678**			**-**	**-**	**317.678**

Appendix 4: QRT S.17.01.02 – Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060	6.311.331	1.531.894	-	10.859.857	8.965.171	109.089	9.189.251	111.944	133.561	4.965	1.037.880	137.995
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-33.133	-	-480.073	-834.764	-125.341	1.337.629	-291.402	-105.497	-865	-2.800	-13.043
Net Best Estimate of Premium Provisions	R0150	6.311.331	1.565.027	-	11.339.930	9.799.935	234.430	7.872.125	403.346	239.059	5.830	1.040.680	151.042
Claims provisions													
Gross	R0160	6.830.104	8.343.806	-	39.689.849	7.667.244	1.223.183	13.896.426	10.738.186	148	4.605	959.577	726.810
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	34.612	-	9.773.411	64.326	218.552	4.089.221	173.268	-	8	-	71.263
Net Best Estimate of Claims Provisions	R0250	6.830.104	8.309.481	-	30.097.784	7.603.124	1.006.976	9.822.602	10.565.817	148	4.597	959.577	656.057
Total Best estimate - gross	R0260	13.141.435	9.875.700	-	50.549.706	16.632.415	1.332.272	23.085.677	10.850.130	133.709	9.570	1.997.456	864.805
Total Best estimate - net	R0270	13.141.435	9.874.508	-	41.437.714	17.403.059	1.241.406	17.694.727	10.969.163	239.207	10.427	2.000.256	807.099
Risk margin	R0280	257.216	333.113	-	4.485.847	401.335	164.184	764.507	625.982	18.846	1.136	54.737	26.561
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions - total													
Technical provisions - total	R0320	13.398.651	10.208.812	-	55.035.554	17.033.750	1.496.455	23.850.184	11.476.113	152.556	10.706	2.052.193	891.366
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	1.192	-	9.111.992	-770.644	90.866	5.390.950	-119.033	-105.497	-857	-2.800	57.706
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	13.398.651	10.207.621	-	45.923.562	17.804.394	1.405.589	18.459.234	11.595.145	258.053	11.564	2.054.993	833.660

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	-	-	-	-	38.392.939
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	-	- 549.289
Net Best Estimate of Premium Provisions	R0150	-	-	-	-	38.962.734
Claims provisions						
Gross	R0160	-	-	-	-	90.079.937
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	-	14.424.659
Net Best Estimate of Claims Provisions	R0250	-	-	-	-	75.856.267
Total Best estimate - gross	R0260	-	-	-	-	128.472.876
Total Best estimate - net	R0270	-	-	-	-	114.819.001
Risk margin	R0280	-	-	-	-	7.133.465
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-
Technical provisions - total						
Technical provisions - total	R0320	-	-	-	-	135.606.341
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	-	-	-	13.653.875
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	-	-	-	121.952.466

Appendix 5: QRT S.19.01.21 – Non-life Insurance Claims Information

Accident year / Underwriting year	Z0010	1

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											843.193
N-9	R0160	132.496.666	28.336.260	4.210.203	1.929.418	1.143.966	590.481	502.124	510.908	292.690	103.549	
N-8	R0170	130.535.421	26.087.908	3.715.903	2.255.853	924.120	838.791	498.552	340.161	280.134		
N-7	R0180	140.818.592	28.853.555	3.818.389	1.599.359	1.321.710	352.256	502.181	223.755			
N-6	R0190	137.466.194	25.024.786	4.027.785	2.590.489	1.516.869	777.219	428.201				
N-5	R0200	130.536.323	27.372.542	3.909.956	1.697.273	655.126	776.363					
N-4	R0210	128.739.056	24.783.004	3.331.065	1.743.027	791.872						
N-3	R0220	132.058.807	25.042.187	4.754.699	2.076.234							
N-2	R0230	132.570.472	28.003.949	3.986.604								
N-1	R0240	129.156.628	26.459.863									
N	R0250	132.514.789										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	843.193	545.938.259
	R0160	103.549	170.116.263
	R0170	280.134	165.476.843
	R0180	223.755	177.489.797
	R0190	428.201	171.831.543
	R0200	776.363	164.947.583
	R0210	791.872	159.388.024
	R0220	2.076.234	163.931.927
	R0230	3.986.604	164.561.026
	R0240	26.459.863	155.616.491
	R0250	132.514.789	132.514.789
Total	R0260	168.484.559	2.171.812.545

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											5.589.054
N-9	R0160	-	-	-	-	-	-	2.809.115	2.221.702	1.966.190	2.101.713	
N-8	R0170	-	-	-	-	-	3.897.320	3.662.218	3.163.196	2.939.574		
N-7	R0180	-	-	-	-	3.819.430	2.956.229	2.566.246	1.920.735			
N-6	R0190	-	-	-	4.138.386	2.870.850	1.965.488	1.703.968				
N-5	R0200	-	-	6.638.175	4.436.664	3.205.904	2.538.578					
N-4	R0210	-	11.857.013	7.180.093	4.949.239	3.636.302						
N-3	R0220	42.384.970	14.314.959	8.638.472	6.135.323							
N-2	R0230	42.958.397	13.449.407	8.737.444								
N-1	R0240	42.267.120	12.698.866									
N	R0250	44.260.332										

		Year end (discounted data)
		C0360
	R0100	5.351.680
	R0160	2.011.668
	R0170	2.817.073
	R0180	1.839.605
	R0190	1.665.071
	R0200	2.458.219
	R0210	3.495.767
	R0220	5.903.037
	R0230	8.449.173
	R0240	12.419.148
	R0250	43.669.497
Total	R0260	90.079.937

Appendix 6: QRT S.23.01.01 – Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	42.999.530	42.999.530		-	
Share premium account related to ordinary share capital	R0030	4.211.782	4.211.782		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-				
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	49.383.521	49.383.521			
Subordinated liabilities	R0140	50.242.066		-	50.242.066	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	146.836.898	96.594.833	-	50.242.066	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	146.836.898	96.594.833	-	50.242.066	-
Total available own funds to meet the MCR	R0510	146.836.898	96.594.833	-	50.242.066	
Total eligible own funds to meet the SCR	R0540	146.836.898	96.594.833	-	50.242.066	-
Total eligible own funds to meet the MCR	R0550	103.710.610	96.594.833	-	7.115.777	
SCR	R0580	103.429.777				
MCR	R0600	35.578.884				
Ratio of Eligible own funds to SCR	R0620	141,97%				
Ratio of Eligible own funds to MCR	R0640	291,49%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	102.813.634
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	6.218.801
Other basic own fund items	R0730	47.211.312
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	49.383.521
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	64.343.997
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	3.625.411
Total Expected profits included in future premiums (EPIFP)	R0790	67.969.408

Appendix 7: QRT S.25.01.21 – Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	48.407.471		-
Counterparty default risk	R0020	10.953.920		
Life underwriting risk	R0030	37.478.990	-	-
Health underwriting risk	R0040	22.324.761	-	-
Non-life underwriting risk	R0050	33.821.575	-	-
Diversification	R0060	- 57.290.192		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	**R0100**	**95.696.526**		

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	1.326.240
Operational risk	R0130	10.342.828
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	- 3.935.817
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	**R0200**	103.429.777
Capital add-on already set	R0210	-
Solvency capital requirement	**R0220**	103.429.777
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	99.686.286
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	3.743.491
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Appendix 8: QRT S.28.02.01 – Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	27.253.640	0

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	13.141.435	104.567.639	-	-
Income protection insurance and proportional reinsurance	R0030	9.874.508	16.838.668	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	41.437.714	39.181.058	-	-
Other motor insurance and proportional reinsurance	R0060	17.403.059	37.046.594	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	1.241.406	2.162.026	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	17.694.727	27.855.254	-	-
General liability insurance and proportional reinsurance	R0090	10.969.163	9.520.856	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	239.207	64.875	-	-
Legal expenses insurance and proportional reinsurance	R0110	10.427	96.059	-	-
Assistance and proportional reinsurance	R0120	2.000.256	5.256.750	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	807.099	994.134	-	-
Non-proportional health reinsurance	R0140	-	-	-	-
Non-proportional casualty reinsurance	R0150	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-	-	-
Non-proportional property reinsurance	R0170	-	-	-	-

		Non-life activities	Life activities
		MCR(L,NL) Result	MCR(L,L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	24.358	8.300.893

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	-		141.902.879	
Obligations with profit participation - future discretionary benefits	R0220	-		-	
Index-linked and unit-linked insurance obligations	R0230	-		306.489.073	
Other life (re)insurance and health (re)insurance obligations	R0240	509.915		-	
Total capital at risk for all life (re)insurance obligations	R0250		19.500.085		1.292.946.825

Overall MCR calculation

		C0130
Linear MCR	R0300	35.578.892
SCR	R0310	103.429.777
MCR cap	R0320	46.543.399
MCR floor	R0330	25.857.444
Combined MCR	R0340	35.578.892
Absolute floor of the MCR	R0350	7.400.000
		C0130
Minimum Capital Requirement	R0400	35.578.892

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	27.277.999	8.300.893
Notional SCR excluding add-on (annual or latest calculation)	R0510	79.298.629	24.131.148
Notional MCR cap	R0520	35.684.383	10.859.017
Notional MCR floor	R0530	19.824.657	6.032.787
Notional Combined MCR	R0540	27.277.999	8.300.893
Absolute floor of the notional MCR	R0550	3.700.000	3.700.000
Notional MCR	R0560	27.277.999	8.300.893