Report on solvency and financial condition of NOVIS Poisťovňa a.s.

Prepared as of December 31, 2018

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Introduction

The Solvency II regime imposes an obligation on insurance companies to disclose a Report on Solvency and financial condition (hereinafter referred to as a „Report“) on an annual basis.

NOVIS Insurance Company Inc. (hereinafter referred to as the „Insurance company“, „NOVIS“ or the „Company“) has prepared the report in question on the basis of Annex XX of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (hereinafter referred to as a „delegated regulation“). The description of individual points included in the Report is governed by the respective Articles of the Delegated Regulation.

The Report contains a description of the business and the performance of the undertaking, a description of the system of governance, the risk profile, the valuation for solvency purposes and a description of the capital management.

In the report in question, quantitative information is presented, which is in conformity with the quantitative statements (hereinafter referred to as “QRTs”) with a reference date at the end of 2018, which is simultaneously a financial year (a reporting period of the Company) for the purposes of this report.

Figures provided in the main text are expressed in thousands of Euro, unless otherwise stated. QRTs included in the part ANNEXES are expressed in Euro units.

SUMMARY

The Insurance company strictly applies a business strategy, which aims at offering in principle one uniform product in all markets that is parameterized and adapted in order to be in line with local legislation. However, the product is placed on the respective market only if the parameters and modifications of the product ensure profitability of concluded insurance contracts and the product will remain on the particular market after local rules have been changed only if further adaptation of the product would not result in a conclusion of loss-making insurance contracts.

After the Insurance company enters a particular market, it continues to test the profitability of the product by calculating the present value of expected cash-flows for all new insurance contracts at the end of each calendar quarter.

Consistent application of the above-mentioned business strategy in conjunction with a long-term growth of the portfolio results in a consistent improvement of the solvency ratio, and simultaneously defines the main competitive advantage of the Insurance company – the ability of fast and inexpensive international expansion, which has NOVIS continued with in the previous year. At the end of 2018, the Insurance company had the authorization to offer its products within the territory of Slovakia, Hungary, Czechia, Germany, Austria, Poland, Italy, Finland, Sweden, Lithuania and Iceland. Regarding the new business premium, Italy, Iceland and Hungary were the three most important markets in 2018.

In order to ensure the best possible position when securing the financing of business expansion, the Board of Directors of the Company has exercised the authorization granted by the General Meeting and, at the beginning of October 2018, initiated an increase of the registered capital through contributions in cash. At the end of 2018, shares worth a total of EUR 1,309,500 were subscribed and paid up.

An essential prerequisite for a portfolio growth is the ability of the Insurance Company to finance intermediaries' commissions. In 2018, NOVIS has continued to use financing from a reinsurance consortium, which has dedicated a capacity of EUR 35 million for this underwriting year. Approximately EUR 25 million have been used up. The financing by the consortium has been successfully extended for the year of 2019, however, with an increased total capacity of EUR 45 million.

Until the end of 2018, the reinsurance company SCOR Global Life was the leader of the consortium. As of 1.1.2019, the new leader of the consortium is Hannover Re (S&P: AA-), the fourth largest reinsurance company in the world, which, after several months of detailed analysis of the business model and balance sheet of the Insurance Company, has even doubled its participation compared to the underwriting year of 2018 and, currently, is participating in the total capacity for the year of 2019 by 30%.

Starting in 2019, the consortium has been expanded to include Swiss Re (S&P: AA-), the world's second largest reinsurance company. After an intensive assessment of the Insurance Company's business, which has been expected considering the conservative character of Swiss Re and carried out in the second half of 2018, the financing capacity has been increased by EUR 5 million for the year of 2019. With the arrival of Swiss Re, the Insurance Company has gained access to worldwide insurance know-how and top-class services in the area of medical underwriting and development of new products.
Arch Re (S&P: A+), Partner Re (S&P: A+), Vig Re (S&P: A+) and Mapfre Re (S&P: A) continue their cooperation and have agreed to participate in the financing also in 2019.

A prerequisite for further growth of the Company, while complying with the new regulation, is an insurance software, which fully corresponds to the characteristics of the product, does not limit the Company's' entry into new markets and allows for a flexible incorporation of changes resulting from new legislation or, in other words, resulting from business decisions of NOVIS. The Company has successfully finalized the development of core modules of its own insurance software NovIns and, at the end of 2018, started with a testing processes. During the first quarter of 2019, NovIns has been launched in all countries.

During the period considered, the Insurance Company's activity was influenced by several legislative changes at European level, particularly by Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPS) as amended by related legislation, Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution as amended by related legislation or Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) as amended by related legislation.

As a result of the actions taken by the Hungarian National Bank in early July 2018, the Company has suspended the sale of certain products and simultaneously, in the autumn 2018, placed a new product "Sensum" on the Hungarian market. Moreover, the Italian product has undergone few changes as well and its new version was introduced to the market at the end of September 2018. Drawing upon experiences from Hungary and Italy, NOVIS had taken steps towards revision of products offered in Austria and Germany at the end of September 2018 and simultaneously stopped the sale of old products offered in these markets.

In September 2018, the NBS had adopted a decision, which has imposed a requirement on the Company to adjust the assumptions underlying the calculation of technical provisions to the changed risk profile of the Insurance Company. NOVIS has used these new assumptions together with changes in modelling the contract boundaries for the calculation of the Company's own funds eligible to cover the capital requirement, the so-called Solvency ratio (SII ratio), which caused a decrease of the SII ratio as compared to the value reported at the end of 2017.

At the end of 2018, the SCR ratio has amounted to 122%, while the own funds eligible for the Minimum Capital Requirement (MCR ratio) were in the amount of 487%.

A. Activity and performance

1. Activity

Business name, legal form, scope of business, management and supervisory bodies of the Insurance Company

Business name:	NOVIS Poisťovňa a.s.
Registered office:	Námestie Ľudovíta Štúra 2 Bratislava 811 02
Company ID No.:	47 251 301
TIN:	2023885314
LEI:	097900BFE40000025925
Date of incorporation[1]:	11.10.2013
Legal form:	Joint-stock company
Scope of business (activities):	undertaking of insurance activity pursuant to Annex No. 1 to Act on Insurance – Classification of insurance lines according to insurance types: Part B – life insurance lines 1. Insurance a) assurance on survival to a stipulated age only, assurance on death only, assurance on survival to a stipulated age or on earlier death, life assurance with return of premiums, assurance linked to capitalisation contracts, b) annuities, c) supplementary insurance underwritten in addition to life insurance, in particular insurance against personal injury, including incapacity for employment, insurance against death resulting from an accident, and insurance disability resulting from an accident or sickness. 3. Insurance stipulated in points 1(a) and 1(b) linked to investment funds.
Countries of operation:	Slovakia *Czech Republic* - through branch NOVIS Poisťovňa a.s., odštěpný závod *Hungary* - under the freedom to provide services without establishing a branch *Germany* - through branch NOVIS Poisťovňa a.s. Niederlassung Deutschland *Austria* - through branch NOVIS Versicherungs-AG Niederlassung Österreich *Poland* - under the freedom to provide services without establishing a branch *Finland* - under the freedom to provide services without establishing a branch *Sweden* - under the freedom to provide services without establishing a branch *Italy* - under the freedom to provide services without establishing a branch *Iceland* - under the freedom to provide services without establishing a branch *Lithuania* - under the freedom to provide services without establishing a branch

[1] Business Register of the Slovak Republic

Statutory body:	Board of Directors Siegfried Fatzi – Chairman Ing. Slavomír Habánik – Vice-Chairman Ing. David Hlubocký – Member Rainer Norbert Alt – Member Supervisory Board Thomas Polak- Chairman Ing. JUDr. Eva Gallová Mgr. Kristína Kupková Ing. Oto Lanc , MBA Ing. Karel Zvolský Deborah Sturman Mag. Slobodan Ristic Ing. Stanislav Kamenár KR Freimut Dobretsberger
Acting on behalf of the Company:	The Chairman of the Board of Directors and the Vice-Chairman of the Board of Directors shall act and sign jointly on behalf of the Company. Signing on behalf of the Company shall be effected in such a way that the Chairman of the Board of Directors and the Vice-Chairman of the Board of Directors shall attach his/her manual signature to the printed or written business name of the Company and to his/her name and surname.

Name and contact details of the supervisory authority responsible for the financial supervision of the Insurance Company

Name of the supervisory authority:	National Bank of Slovakia (NBS) Securities market, insurance and pension funds supervision department
Head office:	Imricha Karvaša 1 Bratislava 813 25
Company ID No.:	30 844 789

Name and contact details of the external auditor of the Insurance Company

Business name:	Mazars Slovensko, s.r.o.
Registered office:	Europeum Business Centre, Suché Mýto 1 Bratislava 811 03
Company ID No.:	35 793 813

Description of persons having a qualifying holding in the Insurance Company

By the end of 2018, the Insurance Company has no shareholder with a qualifying holding.

Significant business activities or other events that have occurred during the reporting period and that had a substantial impact on the Insurance Company

In 2018, the Insurance Company’s business was most influenced by the following:

Firstly, the continued expansion into foreign markets. In addition to business activities in Slovakia, Hungary, Czech Republic, Germany, Austria, Poland, Finland and Italy, operations in Iceland have commenced. Moreover, the Insurance Company is preparing to enter markets in Sweden and Lithuania.

Secondly, the cooperation with the reinsurance consortium has been deepened through an increase of the financing capacity to EUR 35 million for the underwriting year of 2018. During the year in question, the leader of the consortium was SCOR Global Life. As a result of the negotiations taking place in the second half of 2018, the consortium was enlarged by a new member – Swiss Re with effect from 1.1.2019, Hannover Re has replaced SCOR Global Life as a new leader of the consortium as of 1.1.2019 and the financing capacity for the underwriting year of 2019 was increased to EUR 45 million.

2. Underwriting performance

In 2018, the Company has recorded written and paid premium in the amount of EUR 39,5 million, which represents an increase by 57% in comparison to the year of 2017. As was the case previous year, in terms of the volume of gross premium received, Hungary, Italy and Slovakia were among the most significant markets.

Gross premium

(EUR mil.)	**2018**	**2017**	**Change (in %)**
Slovakia	4,5	3,1	44%
Hungary	18,7	13,5	39%
Czech Republic	2,6	2,4	9%
Germany	2,4	1,7	42%
Austria	0,2	0,1	56%
Poland	0,2	0,1	110%
Italy	7,1	3,3	117%
Iceland	2,8	-	-
Finland	1,1	1,0	5%
Total	**39,5**	**25,1**	**57%**

In 2018, the Company had repeatedly experienced a significant increase in the number of insurance contracts compared to last year. The detailed composition of the portfolio can be found in the following table:

Portfolio Size - number of insurance contracts

(count)	**2018**	**2017**	**Change (in %)**
Slovakia	7 555	6 314	20%
Hungary	7 080	5 611	26%
Czech Republic	3 763	3 908	-4%
Germany	744	426	75%
Austria	112	72	56%
Poland	242	112	116%
Italy	4 270	1 141	274%
Iceland	3 159	-	-
Finland	4 739	3 547	34%
Total	**31 664**	**21 131**	**50%**

In 2018, the Company has commenced a sale of insurance contracts in a new country – Iceland. The Company has underwritten 14 129 new insurance contracts in 2018, which represents an increase in the number of newly underwritten insurance contracts by 44% compared to 2017.

New business – number of insurance contracts

(count)	2018	2017	Change (in %)
Slovakia	1 872	2 429	-23%
Hungary	1 522	1 269	20%
Czech Republic	456	1 026	-56%
Germany	406	226	80%
Austria	51	68	-25%
Poland	129	112	15%
Italy	3 158	1 141	177%
Iceland	3 159	-	-
Finland	3 376	3 547	-5%
Total	**14 129**	**9 818**	**44%**

In terms of average annual contractually agreed premium, Italy ranks first also in 2018, however, the newly opened market, Iceland, has reached almost the same amount of average annual premium.

Average annual contractually agreed premium

(EUR)	2018	2017	Change (in %)
Slovakia	482	479	1%
Hungary	1 652	1 701	-3%
Czech Republic	618	599	3%
Germany	1 547	1 618	-4%
Austria	1 899	1 250	52%
Poland	987	1 220	-19%
Italy	2 065	2 344	-12%
Iceland	2 035	-	-
Finland	229	291	-21%
Total	**1 282**	**1 052**	**22%**

The portfolio of the Company shows quite a low average age, which has changed only marginally as compared to the year of 2017. The average age in Hungary is slightly higher in comparison to other countries since the product is offered as a pension product in this country.

Average age (years)	2018	2017
Slovakia	33	34
Hungary	46	47
Czech Republic	35	35
Germany	32	36
Austria	39	36
Poland	35	38
Italy	35	37
Iceland	44	-
Total	**38**	**39**

The following table summarizes information about the underwriting performance of the Insurance Company and its division into significant groups of business activity:

Underwriting performance according to groups of business activity

(EUR mil.)	Income protection insurance	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Premiums written						
Gross	1,3	1,1	9,5	26,6	0,9	39,5
Reinsurers' share	0,7	0,5	4,7	13,1	0,4	19,4
Net	0,7	0,6	4,8	13,5	0,5	20,1
Claims incurred						
Gross	1,9	0,3	0,0	0,0	0,2	2,4
Reinsurers' share	0,1	0,0	0,0	0,0	0,1	0,2
Net	1,8	0,3	0,0	0,0	0,2	2,2
Changes in other technical provisions						
Gross	6,4	-9,4	-32,2	13,8	-11,8	-33,2
Reinsurers' share	0,0	0,0	0,0	0,0	0,0	0,0
Net	6,4	-9,4	-32,2	13,8	-11,8	-33,2
Expenses incurred	1,4	1,1	9,6	26,9	0,9	39,9
Other expenses						0,0
Total expenses						39,9
Total						11,2

The Company's underwriting performance has reached EUR 11,2 million.

Income, expenses and profit information prepared in accordance with International Financial Reporting Standards (IFRS) for the annual reporting period ending on 31 December 2018 are provided in the following table:

*

Statement of comprehensive income

(EUR mil.)	2018*	2017	Change (in %)
Gross premium	39,45	25,1	57%
Total income	112,8	51,1	
Total expenses	102,8	44,7	
Profit before tax	10,0	6,5	
Profit after tax	5,1	2,8	

*unaudited results as of 31.12.2018

The increase in income for 2018 has been mainly caused by an increase in the written premium paid.

3. Investment performance

Within the scope of its business activities, the Insurance Company enables its clients to invest in internal funds of the Insurance Company ("insurance funds"). Clients may invest their premium payments in the guaranteed insurance fund and non-guaranteed insurance funds, while the allocation ratio of premiums into the insurance funds is determined by the client.

The underlying assets of the guaranteed insurance fund were Slovak, Hungarian, Czech and Polish government bonds. The annual expected rate of return of the guaranteed insurance fund for the respective calendar year is announced and published at the end of the previous calendar year.

A rate of return in non-guaranteed insurance funds is influenced by the evolution of value of ETFs, gold, financial instruments linked with the real estate sector, underlying assets intended for qualified investors as well as value of companies. The Insurance Company pursues a strategy of simple composition of the underlying assets in individual insurance funds, meaning that one insurance fund consists of one to four underlying assets. In 2018, the Company had invested in the following securities:

Fixed Income Securities

The Company holds the underlying assets in currencies of the markets where it operates – specifically in Euro, Hungarian Forint, Czech Koruna and Polish Zloty. The fixed income securities represent government and corporate bonds and cover liabilities for guaranteed insurance fund. In managing the credit risk, management considers positive current account of the respective country and in the case the government bonds that are denominated in Euro, also the maximum yield spread over German Bunds of not more than 100 basis points. NOVIS currently holds government bonds of Slovakia, Hungary, the Czech Republic and Poland.

in thousands of EUR	SK4120011420	SK4120007543	HU0000403001	CZ0001001796	PL0000109492
Name	SLOVAKIA (229) 1.625% 21/1/2031 EUR	SLOVAKIA (216) 4.35% 14/10/2025 EUR	HUNGARY 3.25% 22/10/2031 HUF	CZECH REPUBLIC 4.2% 4/12/2036 CZK	POLAND 2,25% 25.04.2022 PLN
Issue date	1/21/2016	10/14/2010	4/22/2015	12/4/2006	6/28/2017

Maturity date	1/31/2031	10/14/2025	10/22/2031	12/4/2036	4/25/2022
Rating*	A+	A+	BB+	AA-	BBB+
Average purchase price in % of the nominal value	105.80	0.0	103.80	147.50	98.43
Total Carrying Value:	**2 829**	**313**	**6 539**	**440**	**40**
of which – market value	128	313	748	132	0
of which – amortized cost	2 701	0	5 791	308	40
Nominal value	2 660	237	6 535	323	39
Total market value	2 834	313	6 400	406	40

*Standard & Poor's up-to-date rating

Measurement Categories of Fixed Income Securities

As the business of NOVIS is driven by constant growth of its insurance portfolio, it is also expected that the volume of the underlying assets that cover the guaranteed insurance fund will constantly increase. The purchasing of new assets will vary depending on the growth of the portfolio. Therefore, since 2016, the Company has decided to classify the underlying assets that cover the guaranteed insurance fund as carried at amortized cost. Since it is not allowed to reclassify the assets that were previously designated as at fair value through profit or loss at initial recognition, only newly purchased government bonds (effectively from 1 October 2016) are classified as carried at amortized cost.

in thousands of EUR	**31.12.2018**	**31.12.2017**
Fair Value	1 342	1 430
Amortized Cost	8 840	4 682
Total Carrying Value	**10 182**	**6 112**
Total Fair Value	**8 673**	**6 188**

Assets invested for Unit-linked insurance provisions

Policyholders of the Company can choose from seven non-guaranteed insurance funds in addition to the guaranteed insurance fund. These are:

- NOVIS ETF Shares Insurance Fund invests in listed ETF shares (Exchange Traded Funds) to keep the administrative costs of the fund low and to give the customers an opportunity to participate in the equity market.
- NOVIS GOLD Insurance Fund invests in gold related securities or in physical gold.
- NOVIS Entrepreneurial Insurance Fund invests in private and venture equity, mostly in tradable funds that are specializing in impact investment.
- NOVIS Mortgage Insurance Fund focuses on investment in real estate and securities or any other financial instruments that are secured by real estate assets (e.g. bank bonds that are additionally secured by underlying real estate assets), in other words, their value stems from the value of real estate or the value of companies financing real estate.
- NOVIS Family Office Insurance Fund gives customers a chance to invest in funds that are ordinary accessible only to qualified investors.
- NOVIS World Brands Insurance Fund invests to the fund called Wealth Fund, which is primarily focused on shares of companies having the high value of their brand and also having the potential to enhance the value of their brand.
- NOVIS Digital Assets Insurance Fund invests in alternative investment funds, in other words, in ETFs focused on arbitrage trading and on the provision of computing capacity.
- NOVIS Co-Branded Insurance Funds are exclusively designed for customers of specific distribution partners. These insurance funds are currently offered to customers of Hungarian distribution company "Quantis Consulting Zrt".

The investment strategy and asset classes are defined in the statute of each NOVIS Insurance Fund. All assets in this class are designated at fair value through profit or loss in order to eliminate accounting mismatch with unit-linked insurance provisions.

NOVIS ETF Shares Insurance Fund

in thousands of EUR	**31.12.2018**	**31.12.2017**
iShare MSCI WORLD (USD) ETF	2 443	1 028
iShare MSCI EM - ACC (EUR)	229	200
Total Carrying Value	**2 672**	**1 228**

NOVIS GOLD Insurance Fund

in thousands of EUR	**31.12.2018**	**31.12.2017**
SPDR Gold Trust USD	1 071	379
Total Carrying Value	**1 071**	**379**

NOVIS Entrepreneurial Insurance Fund

in thousands of EUR	31.12.2018	31.12.2017
iShares Euro High Yield Corporate Bond UCITS ETF (EUR)	9	8
iShares Listed Private Equity UCITS ETF USD	1 158	492
responsAbility Micro and SME Finance Fund II	97	23
Total Carrying Value	**1 264**	**523**

NOVIS Mortgage Insurance Fund

in thousands of EUR	31.12.2018	31.12.2017
Bonds HB REAVIS 2020	21	17
iShares Euro Covered Bond UCITS ETF	799	344
Total Carrying Value	**820**	**361**

NOVIS Family Office Insurance Fund

in thousands of EUR	31.12.2018	31.12.2017
BP Family Office Brand	1 961	719
Total Carrying Value	**1 961**	**719**

- NOVIS World Brands Insurance Fund

in thousands of EUR	31.12.2018	31.12.2017
Wealth Fund World Class Brands Vermögensfreunde Cap	271	719
H2Conservative Vermögensfreunde	143	719
H2Progressive Vermögensfreunde	133	719
Total Carrying Value	**271**	**719**

- NOVIS Digital Assets Insurance Fund

in thousands of EUR	31.12.2018	31.12.2017
ELJOVI Multi-Strategy Fund	2 874	522
FIRST TRUST CLOUD COMPUTING FUND	419	0
GLOBAL X FUTURE ANALYTCS TE FUND	238	0
ETFMG PRIMR CYBER SECURITY E FUND	383	0
Total Carrying Value	**2 874**	**522**

- NOVIS Co-Branded Insurance Funds

in thousands of EUR	31.12.2018	31.12.2017
NOVIS Globális Fejlett Piaci Részvény Eszközalap	2 018	1 538
NOVIS Global Income Fund Eszközalap	2 433	1 438
NOVIS Globális Fejlődő Piaci Részvény Eszközalap	2 428	1 103
NOVIS Abszolút hozamú Eszközalap	2 041	1 499
NOVIS Vegyes Eszközalap	1 830	1 273
NOVIS Rövid futamidejű Magyar Kötvény Eszközalap	1 305	1 041
NOVIS Globális Kötvény Eszközalap	1 317	465
NOVIS Latin-Amerika Részvény Eszözalap	178	102
NOVIS Ázsia Fejődő Piaci Részvény Eszközalap	204	82
Total Carrying Value	**13 755**	**8 541**

Risk related to asset allocation

Changes in the value of assets invested within the non-guaranteed insurance funds are fully attributed to the respective customer insurance accounts, thus the policyholder carries the investment result in full. The Company places the assets in line with the statutes of the various insurance funds and the current investment policy based on considering both the return potential and the risks.
A significant risk mitigation (from the policyholder's point of view) is achieved by the diversification effect achieved by choosing all insurance funds of the Company.
The positive effect of the diversification shown through potential development of the insurance fund during financial crisis:

Product	Name of the Insurance Fund	Expected development during a financial crisis	Percentage representation in the portfolio	
			2018	**2017**
NOVIS Standard Product	Guaranteed Growth IF	Guaranteed up	33%	41%
	ETF Shares IF	Down	16%	18%
	Gold IF	Probably up	7%	7%
	Entrepreneurial IF	Probably down	7%	8%
	Mortgage IF	Up or down	4%	4%
	Family Office IF	Probably up	15%	13%
	World Brands IF	Down	4%	1%
	Digital Assets IF	Probably down	14%	7%
	Balanced IF	Probably down	0%	0.5%
	Performance Oriented IF	Probably down	0%	0.5%
Co-Branded Product	Guaranteed Growth IF	Guaranteed up	26%	26%
	Co-Branded IF	Probably down	74%	74%

Investment income

In thousands of EUR	**2018**	**2017**
Revaluation and proceeds from the sale of financial assets	-787	421
Accrued interest	212	155
Other investment income	-262	38
Total	**-837**	**615**

By the end of 2018, the Company has not reported any investments in securitisation according to Article 293, section 3, paragraphs a), b) and c) of the Delegated Regulation.

Investment income and projection of investment income

The Company offers its clients two investment options – in two types of internal funds of the Insurance Company: i) providing a guarantee of pre-defined appreciation in the respective year, and ii) non-guaranteed insurance funds, which means that the effects of appreciation, or depreciation, are fully borne by the policyholder. The underlying assets of the guaranteed fund consist exclusively of government bonds issued by the countries in whose markets the Insurance Company operates. Regarding the bonds denominated in Euro, these are government bonds of Slovakia. Any difference between the yield of the underlying assets of NOVIS Guaranteed Growth Fund and the stated appreciation of the NOVIS Guaranteed Growth Fund for the respective calendar year is considered a share in profits and is fully borne by the Insurance Company.

The performance of individual non-guaranteed insurance funds and their underlying assets during 2018 is provided in the following table:

Name of the non-guaranteed Insurance fund	(+/-) appreciation of a non-guaranteed insurance fund in 2018
NOVIS ETF Shares Insurance Fund	-6.63%
NOVIS GOLD Insurance Fund	3.24%
NOVIS Entrepreneurial Insurance Fund	-8.48%
NOVIS Mortgage Insurance Fund	0.05%
NOVIS Family Office Insurance Fund	4.27%
NOVIS World Brands Insurance Fund	-12.37%
NOVIS Digital Assets Insurance Fund	39.06%
NOVIS Ázsia Fejlődő Piaci Részvény Eszközalap	-5.85%
NOVIS Latin-Amerika Részvény Eszközalap	-4.10%
NOVIS Vegyes Eszközalap	-5.16%
NOVIS Global Income Fund Eszközalap	-3.98%
NOVIS Abszolút hozamú Eszközalap	1.64%
NOVIS Globális Fejlődő Piaci Részvény Eszközalap	-3.10%
NOVIS Globális Fejlett Piaci Részvény Eszközalap	-2.32%
NOVIS Globális Kötvény Eszközalap	9.35%
NOVIS Rövid futamidejű Magyar Kötvény Eszközalap	-0.48%

Company is projecting the asset side of the SII Balance Sheet with zero return gained on the underlying assets of the Guaranteed Growth Insurance Fund and non-guaranteed insurance funds. The change of the volume of government bonds and unit-linked assets is depending on the projected collected insurance premium in the respective year (development of the volume of financial assets is shown in the table below).

Projection of the value of underlying assets of the Guaranteed Growth Insurance Fund and non-guaranteed insurance funds of the Insurance Company			
in thousands of EUR	2019	2020	2021
Fixed Income Assets – government bonds	21,986	32,526	50,795
Assets invested for Unit-linked	56,887	86,040	136,723

4. Performance in other areas of activity

The Company does not engage in any other activity.

5. Other information

No other relevant information concerning the activity and performance of the Insurance Company is known.

B. System of governance

1. General information about the system of governance

The organizational structure of the Company is approved by the Board of Directors together with the Organizational manual, which describes the internal organisation and management of the Company.

The Board of Directors is the administrative and management body of the Company, which, as a statutory body of the Company, shall manage its operations in accordance with the generally binding regulations. The Boards of Directors shall take decisions concerning any matter of the Company, unless such matters are reserved to the authority of the General Meeting or to the Supervisory Board by the Commercial Code or the Articles of Association. The Board of Directors has 4 members.

Roles and responsibilities of the Board of Directors include managing the Company, ensuring due keeping of the Company's accounting records, submitting the Annual Report to the General Meeting and publishing the Annual Report, ensuring the convocation of the General Meeting as well as the Extraordinary General Meeting, approving the financial business plan, approving the rules for the creation and use of funds and reserves, submitting the information to the Supervisory Board, proposing the approval or removal of an auditor reviewing the Company's financial statements based on the recommendation of the Supervisory Board, as well as performing other activities resulting from the generally binding regulations or from the resolutions of the General Meeting.

The Supervisory Board is the controlling body of the Company. The Board supervises the activities of the Board of Directors as well as business activities of the Company. Moreover, the Supervisory Board advises the Board of Directors regarding the appointment of an auditor who would audit the Company's financial statements. The Supervisory Board has nine members. In addition to the above-mentioned, the Supervisory Board performs the duties of the Company's Audit Committee.
The Company has not established any other committee or commission.

<u>Significant changes of the corporate governance system that have occurred over the reporting period</u>

During the period considered, few changes have occurred, namely the number of members of the Board of Director was reduced, the Chairman of the Board of Directors was re-elected to serve another term as a Chairman, the resignation of one of the members of the Board of Directors was noted and a new Chairman of the Supervisory Board was appointed. Furthermore, there has been a change in the acting on behalf of the Company and a change of the person holding a key function – Actuary. No other significant changes in the corporate governance system have occurred during the reporting period.

<u>Remuneration policy</u>

The Remuneration system of the Company is governed by an internal directive "Remuneration of employees".

Employee remuneration consists of a fixed and variable component.
The basic salary represents the fixed component of employee remuneration. The amount of the basic salary is agreed with the employee in the employment contract and depends on the qualitative difficulty, responsibility and complexity of the performance of the function of the employee. The amount of basic salary also corresponds to individual abilities of a particular employee, assessing in particular the education achieved, work experience, availability on the labour market and language skills.

Variable component is a non-claimable part of employee remuneration and can have the following forms:

- performance bonus,
- share of economic results,
- remuneration for fulfilling specified criteria,
- an extraordinary reward.

The remuneration of the members of the Supervisory Board is decided by the General Meeting of the Company. By the end of 2018, no remuneration was provided to the members of the Company's Supervisory Board for the performance of the function of a Supervisory Board Member.

When remunerating persons holding key functions, members of the Board of Directors or the management of the company, the following principles apply:
(a) the remuneration of the members of the Board of Directors is governed by a contract of the performance of the function of the member of the Board of Directors, which determines the possible fixed component of the remuneration and which is approved by the General Assembly of the Company. The variable component of the employee's remuneration, which is also a member of the Board of Directors, is subject to approval by the Board of Directors.
(b) the fixed and variable component of the wage must be balanced so that the fixed component represents a sufficiently high and substantial proportion of the total remuneration, thereby avoiding the motivation of the employee by a predominantly variable component. The company thus applies a flexible and transparent remuneration policy, including the option of not paying any variable salary components, (c) if the variable remuneration component is linked to performance, the individual performance of the employee must be considered as well as the overall result of the company and, where appropriate, the outcome of the relevant organizational unit; market
(d) the payment of the part of the variable component of the remuneration - the performance bonus, the share of economic results, contains a deferred part which considers the nature and time horizon of the company's activity, the period of deferment being at least three years and this period must be related to the nature of the activity and risks of the executer of activity;
(e) when assessing the performance of an individual, account must be taken of both financial and non-financial, quantitative and qualitative criteria,
(f) when deciding to grant a variable component, account must be taken of the financial situation of the company, in particular the solvency capital requirement ratio.

The Company does not provide contributions to supplementary pension insurance for employees; members of the administrative or supervisory body and holders of key functions retire according to the valid legislation of the Slovak Republic.

Information about the key functions

In accordance with the applicable legislation, the Company had set up the following four key functions: Risk Manager function, Internal Audit function, Compliance function and Actuarial function. Every employee holding a key function is obliged to perform that function in an objective, honest and independent way. The heads of Compliance, Internal Audit, Risk Management and Actuarial department simultaneously hold key functions in the respective area. Each department is organizationally assigned to a division directly managed by one of the members of the Board of Directors, with the exception of the Internal Audit Department, which reports directly to the Board of Directors of the Insurance Company.

Internal Audit function

Internal audit is an objective assurance and consulting activity, independent of the operations and business processes of the Insurance Company, which is aimed at the improvement of work processes and procedures and the enhancement of the effectiveness of risk management as well as other governance mechanisms of the Insurance Company. Internal audit is one of the fundamental control processes of the Insurance Company. It is an independent department that is accountable to the Board of Directors of the Insurance Company. The head of the Internal Audit Department, the key function holder, is responsible for the performance of the departments's activities. The Supervisory Board manages the Internal Audit Department and is authorized to request the department to conduct an inspection. The Internal Audit Department is obliged to inform the Supervisory Board and the National bank of Slovakia, without an undue delay, about the violation of obligations of the Insurance Company determined by the generally binding regulations and about the fact, which may affect the proper conduct of the insurance activity of the Company. The internal audit function shall submit an annual plan of the activities of the Internal Audit department for the following calendar year as well as the report on the results of its activities for the previous calendar year to the meeting of the Board of Directors and the Supervisory Board for their approval. Moreover, the department shall participate in risk detection, improvement of work processes, activities and procedures aimed at the enhancement of process efficiency and risk management and in proposing measures to remedy the identified deficiencies in the control mechanisms of the internal control system of the Insurance Company.

Compliance function

The compliance function is part of the internal control system, forming the second line of defence. The head of the Compliance Department, the key function holder, has the task of advising the Board of Directors or the Supervisory Board on the compliance with the generally binding regulations pertaining to insurance and consumer protection, assessing the possible impact of any changes in the generally binding regulations on the Company's activities, identifying and assessing the risk of non-compliance with the generally binding legislation. The activity of the Compliance Department is regulated by an internal regulation. The compliance function shall annually submit to the Board of Directors a report on its activities, which is based on an annual activity plan approved by the Board of Directors. Furthermore, it is obliged to immediately inform the Board of Directors of the Insurance Company about any material findings. The Compliance Department's competency is to communicate and request information from all employees of the Insurance Company in order to ensure the proper performance of the department's functions.

Actuarial function

The actuarial function is held by the head of the Actuarial Department. It is an independent function, which forms the second line of defence. Its responsibilities include the coordination of calculation and validation of technical provisions, informing the Board of Directors about the reliability and adequacy of the calculation of the technical provisions, assessment of the overall underwriting concept, assessment of the adequacy of reinsurance programs, assessment of the adequacy, quality and accuracy of the data used to calculate the technical provisions, comparison of the best estimate of technical provisions with reality and provision of assistance in ensuring the implementation of an effective risk management system. The actuarial function shall annually submit a written report on its activities to the Board of Directors and inform the Board of Directors about any identified deficiencies without an undue delay.

Risk Management function

The risk management function is responsible for informing the Board of Directors about the most significant identified risks, advising the Board of Directors on issues of risk management, submitting detailed reports on risk exposures to the Board of Directors, implementing and enforcing of an effective risk management system and for the coordination of the ORSA process. Moreover, it serves as a contact persons for reporting adverse events. The risk management function is an independent function, which forms the second line of defence. It is obliged to immediately inform the Board of Directors of the Insurance Company about any material findings arising from its activities. It closely cooperates with the actuarial function, the compliance function and the persons managing the Insurance Company.

Information about significant transactions

Significant transactions *in thousands of EUR*	**2018**	**2017**
Cash contribution to registered capital from BoD members	**0**	**0**
Cash contribution to registered capital from SB memebrs	399	0
Services provided by related party to the Company	176	144
Salaries and remuneration of the BoD members	344	361
Salaries and remuneration of the SB members	89	70
Social security contributions for BoD members	95	89
Social security contributions for SB members	34	26

2. Requirements for professional competence

The Insurance Company lays down the following requirements for professional competence for individual groups of persons assessed:

1. **Members of the Board of Directors of the Company, Head of Branches of the Company, the Procurator (if appointed)**

1.1 Individual professional competence:

- each member of the Board of Directors, the Head of the Branch of the Insurance Company, the Procurator (if appointed) must have completed university education and at least three years of experience on financial market or completed full secondary education or other professional education abroad and at least six years of experience in the financial market, from which three years on a managerial position,
- procurator (if appointed) will not perform activities related to the key function. If the appointed procurator already held a position in the Insurance Company, which requires an assessment of professional competence or credibility within the meaning of the internal policy, a reassessment of professional competence and credibility is not required if the person fulfils conditions set out in the previous paragraph.

1.2 Collective professional competence:

- all members of the Board of Directors must have expertise, at least, in the five following areas:

  a. insurance market and other financial markets,
  b. business strategy and business model,
  c. governance and management system,
  d. financial and actuarial analysis,

e. regulation of insurance and financial services.

- at least one member of the Board of Directors must have at least five years of experience in the field of insurance.

2. Managers, who manage the individual divisions of the Insurance Company

University education completed (at least first degree) and three years of managerial experience or full secondary education and at least five years of managerial experience.

3. Key functions and employees in their direct management and other persons performing activities of specific importance to the Insurance Company

Persons responsible for key functions:

– **Internal audit** – completed university education (at least second degree) of natural sciences, humanities, economics, technical or law specialization and minimum 3 years of experience in the field of insurance, of which at least 1 year in the position of auditor,

– **Actuary** – completed university education (at least second degree) or completed foreign vocational education preferably in the field of actuarial science, mathematics, statistics, insurance and/or financial mathematics, regression analysis or related field and minimum 3 years of experience in actuarial field,

– Risk Manager – completed university education (at least second degree) of natural sciences, economics or technology and at least 3 years of experience in the field of risk management in insurance,

– Compliance manager – completed university education (at least second degree) of natural sciences, humanities, economics, technical or law specialization and at least 2 years of experience in financial law.

Persons performing activities of specific importance to the Insurance Company, if the Board of Directors of the Insurance Company decides, must have completed university education (at least second degree) of natural sciences, economics, humanities, technical or legal specialization and at least 3 years of experience in the area of financial market concerning the position.

Employees in direct management of those responsible for key function, ensuring the tasks and outputs of a key function, must have completed higher education (at least the first degree) of the same specialization as that assigned to the key function under which they work.

The above-mentioned requirements are specified in the Company's internal regulation prepared in accordance with the Act No. 39/2015 on insurance and amending certain laws (hereinafter referred to as "Act on Insurance").

The requirements for trustworthiness of a natural person are set out in Article 24 of the Act on Insurance.

Simultaneously, when assessing the requirements for professional competence and trustworthiness, the nature, complexity and the scope of the Insurance Company's activities are taken into account, as well as the job position of the particular person.

The Company ensures that all persons assessed meet the following requirements throughout the performance of their functions:

- an adequate professional competence, including knowledge and experience, which enables reliable and cautious management and performance of their functions;
- trustworthiness.

The Company conducts an individual and regular assessment, an assessment of the professional competence and trustworthiness, in accordance with the procedure set out in the relevant internal regulation of the Company. This assessment is carried out by the head of the HR Department in a close cooperation with the head of the Compliance Department. The professional competence and trustworthiness of a candidate applying for a key function or a management position or a head of a branch is assessed before the candidate starts working in the Company. The appointment of such a candidate is subject to approval of the Board of Directors. The verification of professional competence and trustworthiness is based on the publicly available information and information provided by the candidate, including the information provided in the declaration of honour. Any changes to the persons who manage the Insurance Company (management of the Company), heads of branches or persons holding key functions, shall be notified to the National Bank of Slovakia by the Company.

In accordance with the Articles of Association of the Company, the General Meeting of the Company elects and removes the members of the Board of Directors, taking into consideration all materials collected by the head of the Compliance Department that prove the suitability and expertise of the candidates.

3. Risk management system, including the own risk assessment

Risk management system

The purpose of the risk management system is an effective management of the risks, to which the Company is or could be exposed in the future. Proper risk management shall be carried out with regard to the nature, extent and complexity of the risks. The risk management is in line with the risk strategy of the Company consisting of the following processes and procedures:

a. **Risk identification**
The objective of this process is to identify significant risks. The process is performed through cooperation of individual employees, the risk owners. When identifying risks, the Company is assessing whether the risk is measurable or non-measureable and measures aimed at the management and elimination of risks are implemented. The risk identification process is recorded in a risk catalogue, in which the risks are defined, measures for the management of identified risk are proposed and risk owners are assigned to the individual risks.

b. **Measuring the risks**
The Company uses the standard formula approach in order to calculate the amount of required solvency capital for risks, to which the Company is exposed. The standard formula approach is described in the Solvency II Delegated Regulation and defines individual stress scenarios with a confidence level of 99,5% over a one-year period. The amount of required capital determined by the method in question represents the capital requirement. For risks that are not measurable

or the Company does not have a suitable model for their quantification, the Company implements measures aimed at managing and eliminating these risks.

c. **Monitoring and managing the risks**
The aim of the risk management is the performance of the Company's activities in accordance with the risk strategy, which defines the risk appetite, the level of risk that the Company is prepared to accept. The risk appetite is defined at the Board of Directors level. Subsequently, it is transformed to appropriate levels of risk tolerance and risk limits for individual risks, so it is understandable for the managerial employees of the Company. The said setting allows for the monitoring and risk management to be conducted at the Board of Directors and management level.

d. **Risk control**
The control mechanism consists of an assessment of risks having regard to the risk appetite and different levels of risk tolerance and risk limits. The frequency of risk controls depends on the risk category and data availability.

<u>Risk management</u>

The Company focuses on managing risks in accordance with the risk strategy of the Company that aims to:

- mitigate risks to which the Company is exposed,
- prevent harming clients' interests and
- protect the financial stability of the Company.

In order to fulfil its objectives, the Company has integrated risk management into its organizational structure, which clearly defines the roles and responsibilities. The organizational structure of the Company defines roles and responsibilities increasing the effectiveness of risk management and ensuring the flow of information.

Risk management of the Company is coordinated by the risk management function on the basis of the requirements defined in the Solvency II Directive and in the Solvency II Delegated Regulation. The risk management function is a key function, which organizationally falls directly under the division of the Chief Executive Officer of the Company. The function has the following roles and responsibilities:

- encouraging and promoting effective and efficient risk management system,
- supporting the development of a risk culture,
- coordination of the process of Own Risk and Solvency Assessment (ORSA)
- submission of the ORSA report to the Board of Directors,
- informing the management of the Company about the results of the ORSA process,
- monitoring and evaluation of the risk profile of the Company,
- informing the management of the Company about the risk profile of the Company and
- participating in decision-making processes.

<u>Own risk and solvency assessment</u>

Own risk and solvency assessment (hereinafter referred to as "ORSA") is an integral part of the risk management system. The aim of the ORSA procedures and processes is to assess the capital adequacy, i.e. the sufficiency of capital to cover the risks associated with insurance activities. The Company also conducts an assessment of the current risk profile as well as a forward-looking assessment of the risk profile. ORSA process is designed to encompass any significant risk the Company is exposed to. In terms of risk assessment, the Company distinguishes between the risks that are included in the calculation of the capital requirement and those that are not included in the capital requirement calculation. The Company applies the standard formula approach in order to quantify the risks included in the capital requirement. For the purpose of quantification of changes in the capital adequacy, the Company conducts stress testing and reverse stress testing. The process ensures the determination of the risk appetite and levels of tolerance and limits for individual risks. The results of the assessment serve as an effective tool in formulating a business strategy, managing and decision-making by the Board of Directors and the Company's management.

The success of ORSA processes depends upon the following procedures:

- formulation of a business plan and business strategy for the following period by the Board of Directors,
- adoption of decisions by the Board of Directors and the Company's management that are in accordance with the risk appetite and business strategy of the Company,
- cooperation of the actuarial function – supporting the management through an adequate calculation of technical provisions, regular re-evaluation of assumptions, compliance with data quality requirements and maintenance of the current actuarial model,
- cooperation of the compliance function – informing about regulatory changes, compliance checks and ensuring an effective internal control system,
- cooperation of the internal audit function – setting up and implementation of an internal audit plan supporting corporate governance,
- early identification, reporting and monitoring of risks by risk owners,
- compliance with internal regulations.

The ORSA process is conducted at least once a year, resulting in an ORSA report. Following the approval of the ORSA report by the Board of Directors of the Company, it is submitted to the supervisory authority. Once the report is approved by the Board of Directors of the Company and submitted to the supervisory authority, the risk management function shall inform the management of the Company about the results of ORSA. The Company is required to conduct an ORSA without any delay following any significant change in the risk profile of the Company.

<u>Risks included in the capital requirement calculations</u>

Risks included in the standard formula	Life underwriting risk	Mortality risk		Life-expense risk	Life lapse risk	Life-catastrophe risk
	Health underwriting risk	SLT health insurance risk	NSLT health insurance risk	Health catastrophe risk		
	SLT health insurance underwriting risk		Disability-morbidity risk	Life-expense risk	SLT health lapse risk	
	NSLT health insurance underwriting risk	Health premium and reserve risk	Health lapse risk			
	Market risk	Interest rate risk	Equity risk			Currency risk
	Counterparty default risks	Counterparty default risk				
	Operational risk	Operational risk resulting from the amount of earned premium, reserves and administrative costs	Premium risk	Technical provisions risk		

Risks not included in the capital requirement calculations

Regarding non-quantifiable risks, the Company monitors and manages these risks through measures aimed at their elimination.

Risks not included in the standard formula	Strategic risk	Legal risk	Reputational risk	Liquidity risk	Other risks

4. Internal control system

The internal control system of the Company is based on a "three lines of defence" model.

The first line of defence is performed directly by employees of individual organizational units of the Company as their primary responsibility within the scope of their employment that is determined by internal regulations of the Company and by a job title. The first line of defence is performed regularly depending on the specific activity. The three following principles apply: a) "four eyes" control – significant actions are performed by at least two employees, b) control by the superior – activity of individual employees is monitored and controlled by the head of the relevant organizational unit and c) – substitutability – a substitutability of individual employees is ensured in cases of long-term absence.

The second line of defence of the Company consists of two key functions – the risk management function and the compliance function.

The Company's third line of defence is ensured by an external audit and the internal audit function, which provides an independent assessment and assurance for the Company's Board of Directors. The activities of individual organizational units are regulated by the Company's internal regulations that are binding and communicated to all employees.

Description of how the compliance function is implemented

The head of the compliance department simultaneously holds a key function - the compliance function. The compliance function forms the second line of defence with the internal control system. The Compliance department's activities are governed by an internal regulation, which regulates all areas that the compliance function is engaged in, particularly: advising all organizational units of the Company, communicating regulatory changes that have an impact on the Company's activities, monitoring compliance of the Company's activities with the generally binding regulations as well as its internal regulations in accordance with the approved compliance plan and subsequent submission of an annual report to the Board of Directors of the Company, activities in the field of prevention of legalization of proceeds of criminal activity and terrorist financing, coordination of communication with supervisory authorities, communication with other competent authorities and external legal service providers, handling and investigation of complaints, personal data protection, monitoring the Company's activity in the area of competition law, monitoring of the anti-corruption measures adopted by the Company, and participation in the drafting of internal regulations of the Company. The compliance function is directly accountable to the Board of Directors of the Company.

5. Internal Audit function

Description of how the Company's internal audit function is implemented

Internal audit is a key function within the Insurance Company's internal control system. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Company's operation. It helps the Insurance Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
The Internal Audit department performs its activities in accordance with the Company's Articles of Association, internal regulations and an approved activity plan.
Staff of the Internal Audit department shall have access to the information systems of the Insurance Company as well as to information in written, electronic and oral form to the extent necessary for the proper performance of their duties and for the proper performance of the audit.
The internal audit function shall be carried out with adequate resources and by employees of the Insurance Company who have the required experience, knowledge and competencies so as to perform their work with due professional care. The Internal Audit department manager is a person who fulfils the requirements of local legislation and Solvency II Directive as well as the requirements of the Insurance Company.

The internal audit function shall be responsible for the assessment of adequacy and effectiveness of the internal control system and other elements of the governance system, in particular:

- proposes and implements an annual and medium-term internal audit plan,
- applies a risk-based approach to decision-making,
- submits an internal audit plan and, at least once a year, an internal audit report on the results of the work conducted, which contains the findings and recommendations as well as an information on the implementation of these recommendations, to the Board of Directors and the Supervisory Board,
- participates in risk detection, improvement of work processes, activities and procedures in order to increase the efficiency of processes and risk management.
- proposes measures to remedy the identified deficiencies in the control mechanisms of the internal control system of the Insurance Company,
- verifies the compliance of the Board of Director's decisions adopted on the basis of the recommendations of internal audit,
- may conduct an internal audit, which was not planned, on its own initiative,
- provides assessments and recommendations regarding the internal control system, the increase of the effectiveness of risk management, management and control mechanisms and the corporate governance system of the Insurance Company,
- supervises the process of investigating suspected internal and external fraud and any other illegal activity,
- may inform the Board of Directors about its findings without any restrictions,
- issues an internal audit report, containing information regarding the purpose of the internal audit, control activities, procedures perfromed, findings and recommendations, which is submited to the department under review as well as to the Board of Directors, and
- supervises the implementation of measures taken by the Board of Directors to remedy the identified deficiencies.

During the preparation of internal documents of the Insurance Company (internal regulations, methodological guidelines, internal rules, GTCs, forms, contracts, etc.), the Internal Audit department has been making suggestions and recommendations in order to improve the quality of the internal control system of the Insurance Company and to prevent or mitigate risks.

Employees performing internal audit activities:

- inform the head of the department under review about the nature, purpose and scope of the audit,
- discuss the organizational and technical conditions necessary for the performance of the audit with the head of the department under review,
- ascertain the true state of affairs according to the program and control procedure,
- review, analyse and evaluate their findings, and
- draw up a report on the results of the internal audit.

The results of the audit are discussed with the head of the department under review. In case some objections to the results of the audit are raised, these will be included in the final section of the audit report. The employee conducting the internal audit shall consider the objections raised, if any, in order to decide on their acceptance or, if appropriate, non-acceptance. The audit results report, including the proposed measures and recommendations together with the time period set for addressing the identified deficiencies, is submitted to the Board of Directors by the manager of Internal Audit department. Further explanations regarding the audit findings and risks shall be provided where necessary.

The Manager of Internal Audit Department shall submit a summary report on the results of the activities of the Internal Audit department and the measures taken in the previous calendar year, as well as a plan of activities of the Internal Audit department for the following calendar year and a medium-term plan of activities of the Internal Audit department for the following three years, for the approval at the Board of Director's and the Supervisory Board's meetings. The planning methodology is based on an analysis of risks arising from the strategy and goals of the Company, a risk map, changes in the external environment, experience of managers and auditors, requirements of the Insurance Company's management and internal audit proposals. At the same time, one of the important objectives of the Insurance Company and the Internal Audit department is to conduct an audit in each area of activity, at least once every 3 to 5 years, depending on the risk and the capacity of the Internal Audit department's staff.

<u>Description of how the Company's internal audit function maintains its independence and objectivity from the activities it reviews</u>

The Internal Audit department is an independent department, which is not subordinate to any unit or department of the Insurance Company as it is directly accountable to the Supervisory Board of the Insurance Company. The Internal Audit department is organizationally located under the Board of Directors and the Supervisory Board. The independence of the internal audit function is ensured by the fact that it reports directly to the management of the Insurance Company. It is not part of routine controls; rather it is a "control" over other controls.

Moreover, activities that are not related to the internal audit of the Company and that could affect its independence are not carried out by the Internal Audit department. The objectivity and impartiality of the Internal Audit department is further ensured by the fact that internal auditors are not directly involved in the Insurance Company's operations, decision-making, development or implementation of a risk management strategy and internal control mechanisms. However, internal auditors are not prevented from advising in these areas.

Internal auditors must avoid any conflict of interest. Internal auditors should not accept gifts or favours that may affect their objectivity when auditing individual areas/processes. Internal auditors should not be involved in any activity or relationship that may impair or be presumed to impair their unbiased assessment. Such involvement refers to activities and relationships that may be considered to conflict the Company's interest. Internal auditors should not issue an opinion that may impair or be presumed to impair their professional judgement. Internal auditors shall disclose all material facts and potential risks known to them that, if not disclosed, may distort the reporting of activities under review and thereby adversely affect the development of the Company.

Regarding the independence and objectivity, the Insurance Company applies the following rules in addition to the above-mentioned: the Manager of Internal Audit Department may not have any other managerial responsibilities and the persons performing the internal audit function shall not assume responsibility for any other function.

The internal audit function is permanent and it is not outsourced.

6. Actuarial function

The actuarial function is held by the head of the Actuarial department, that reports directly to the Board of Directors of the Company, and is organizationally located under the Chief Insurance Officer (hereinafter referred to as “CIO“). The main roles and responsibilities of the actuarial function include:
a) coordination of the calculation of technical provisions,
b) ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions,
c) assessment of the sufficiency and quality of the data used in the calculation of technical provisions,
d) comparison of best estimates against experience,
e) informing the Board of Directors of the reliability and adequacy of the calculation of technical provisions,
f) overseeing the calculation of technical provisions in the cases set out in the Act on Insurance,
g) assessment of the overall underwriting policy,
h) assessment of the adequacy of reinsurance arrangements,
i) contribution to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements set out in the Act on Insurance.

7. Outsourcing

In order to comply with the Act on Insurance, the Insurance Company has adopted a written outsourcing policy that lays down the criteria, procedures, conditions, responsibilities, requirements and control mechanisms for outsourcing of critical or important operational functions or activities.

The Company has not outsourced any function or activity during the reporting period.

8. Other information

The Company considers its system of governance to be adequate having regard to the principle of proportionality and materiality.

The Company does not record any other significant information regarding the system of governance.

C. Risk profile

The risk profile of the Company described in the following sections represents quantitative and qualitative information about the Company's risk exposures. For the quantification of risks, the Company uses methods and stress test assumptions in accordance with the Solvency II Directive and the Solvency II Delegated Regulation.

The Company conducts a sensitivity analysis in order to quantify changes in the Solvency Ratio, i.e. changes in eligible own funds covering the Solvency Capital Requirement. The set of assumptions for the purpose of sensitivity analysis is defined by the Board of Directors, management and key functions of the Company. The assumptions selected are those that present the most substantial risk for the Company. When quantifying the impact of changing an assumption on the solvency ratio, the Company tests just one assumption, while the others remain unchanged.

During the reporting period, several methodical changes have occurred, all of which are outlined in the relevant sections of this report. As per the changes mentioned previously, the Company has made methodical adjustments in the calculations of deferred taxes, loss-absorbing capacity of deferred taxes and equity risk. Aforementioned changes have been implemented with the aim of eliminating simplifications and achieving complete fulfilment of methodical requirements, in accordance with the Solvency II Delegated Regulation.

1. Underwriting risks

Life insurance

The underwriting risk refers to the risk of adverse change in the value of insurance liabilities, resulting from inadequate pricing and provisioning assumptions in life insurance. Given assumptions depend on the development of biometric risks, development of average administrative costs per insurance contract and number of voluntary withdrawals from contracts (lapsed insurance policies). Biometric risks cover various risks, including increased mortality risks as well as risks of occurrence of catastrophic events. Regarding the capital requirement, the lapse risk is the most important risk from the Company's point of view as it represents the most significant part of the capital requirement for life underwriting risks.

Capital requirement	December 2018	December 2017	December 2018 vs. December 2017 [%]	December 2018 vs. December 2017 [EUR]
Life underwriting risk module	**28 936 818**	**16 834 195**	**72%**	**12 102 623**
Mortality risk sub-module	3 417 754	1 903 457	80%	1 514 297
Longevity risk sub-module	0	0	0%	0
Disability-morbidity risk sub-module	0	0	0%	0
Life-expense risk sub-module	2 317 123	1 119 485	107%	1 197 638
Revision risk sub-module	0	0	0%	0
Lapse risk sub-module	27 248 911	16 007 016	70%	11 241 895
Life-catastrophe risk sub-module	624 401	335 428	86%	288 973
Diversification	4 671 371	2 531 191	85%	2 140 180

in EUR

Health insurance

In relation to the health underwriting risks, the Company divides these risks into the following risk sub-modules: the NSLT health insurance underwriting sub-module, the SLT health insurance underwriting risk sub-module and the health catastrophe risk sub-module.

Capital requirement	December 2018	December 2017	December 2018 vs. December 2017 [%]	December 2018 vs. December 2017 [EUR]
Health underwriting risk module	**7 779 824**	**5 807 389**	**34%**	**1 972 435**
NSLT health insurance underwriting risk sub-module	1 649 145	2 528 053	-35%	-878 908
SLT health insurance underwriting risk sub-module	6 735 948	4 040 289	67%	2 695 659
Health catastrophe risk sub-module	295 127	226 917	30%	68210,40035
Diversification	900 396	987 869	-9%	-87 473

in EUR

SLT health insurance

The SLT health insurance underwriting risks refer to the level of uncertainty of pricing and provisioning assumptions. Within the SLT health insurance, the Company differentiates between risks associated with disability-morbidity, critical illnesses and operations.

In order to calculate premiums and technical provisions for health insurance, the Company uses the same actuarial methods as in life insurance.

Out of the SLT health underwriting risks, the lapse risk sub-module is the most significant. The change in the risk profile is caused by the reclassification of risks of the life underwriting risk module and the SLT health underwriting risk sub-module.

Capital requirement	December 2018	December 2017	December 2018 vs. December 2017 [%]	December 2018 vs. December 2017 [EUR]
SLT health underwriting risk sub-module	**6 735 948**	**4 040 289**	**67%**	**2 695 659**
Health mortality risk sub-module	0	0	0%	0
Health longevity risk sub-module	0	0	0%	0
Health disability-morbidity risk sub-module	2 828 101	2 729 023	4%	99 078
Health expense risk sub-module	789 975	673 607	17%	116 368
Revision risk sub-module	0	0	0%	0
SLT health lapse risk sub-module	5 493 363	2 251 201	144%	3 242 162
Diversification	2 375 490	1 613 542	47%	761 948

in EUR

NSLT health insurance

Within the scope of its activities, the Company offers an insurance coverage for accidents and accidental death. As with the life underwriting risks and the SLT health insurance underwriting risks, the Company is exposed to the NSLT health insurance underwriting risks. These risks depend on the determination of pricing and provisioning assumptions for accidents and accidental death, but also on the choice of method for the calculation of technical provisions, the period running from the occurrence of an insured event until the insurer has been notified of such an event, as well as the period running from the date of notification until the claim is closed.

In order to calculate premiums and technical provisions, the Company uses different actuarial methods as those used in life insurance.

The NSLT health premium and reserve risk sub-module represents the largest share of the capital requirement for the NSLT health insurance.

Capital requirement	December 2018	December 2017	December 2018 vs. December 2017 [%]	December 2018 vs. December 2017 [EUR]
NSLT health underwriting risk sub-module	**1 649 145**	**2 528 053**	**-35%**	**-878 908**
NSLT health premium and reserve risk sub-module	1 186 680	1 448 466	-18%	-261 786
NSLT health lapse risk sub-module	1 145 194	2 071 954	-45%	-926 760
Diversification	682 729	992 368	-31%	-309 639

in EUR

Health catastrophe risk

When using the standard formula for calculations, the Company takes into account the degree of uncertainty regarding the occurrence of extreme and exceptional events within the scope of the health catastrophe risk.

In relation to the concentration of risks associated with life insurance, SLT health insurance and NSLT health insurance, the increased level of risks concerns mainly the Slovak Republic and the Czech Republic. In the countries in question, the Company records the highest concentration of insurance coverage provided by the insurance contracts.

Mitigation of underwriting risks

In order to mitigate risks, the Company has entered into a reinsurance agreement with a consortium of reinsurance companies. The purpose of the reinsurance agreement is to transfer some of the Company’s risks to other parties, thereby ensuring risk diversification. In relation to the risk of death, the participation of the reinsurer in the payment of insurance claims is based on a “quota share” arrangement (the reinsurer assumes a fixed percentage of each and every claim), while in cases of injury and critical illnesses, with the exception of operations and daily allowance, the Company uses a “surplus share” arrangement. The reinsurance agreement is reviewed and updated on an annual basis so as to correspond with the risk profile of the Company.

Furthermore, the Company also mitigates the underwriting risks by consistently setting its risk coverage fees in such a way that the insurance claims are expected to reach an amount representing 50% of the risk fees across all markets in the long run. The Company is aware of the fact that there can be significant differences among markets in relation to risk coverages, risk fees and time periods when the expected goal is reached.

The elimination of risks is enhanced by the geographical diversification of insurance activity, defined by the number of countries in which the Company operates, as well as by the use of database and know-how of the Company's reinsurer, SCOR Global Life, in the assessment of biometric risks in relevant markets.

For the purpose of reducing the lapse risk, the Company assesses each potential distribution partner in respect of the quality of its advisory services before the commencement of business partnership. Moreover, the geographical diversification of the Company's activities and significant differences in lapse rates in individual markets are also contributing to the elimination of lapse risk.

2. Market risks

Interest rate risk

Interest rate risk is the chance that an adverse development of interest rates will affect the value of assets and liabilities. The Company is exposed to interest rate risks in respect to its holding of government bonds covering liabilities related to the Guaranteed Insurance Fund.

The Company eliminates the negative impact of the development of interest rates by establishing limits for investing in the Guaranteed Insurance Fund, as well as by setting the guaranteed appreciation only for a period of one calendar year. However, at year-end, the interest rate risk constitutes the most significant risk among market risks and, for this reason, the Company manages this risk also by Key Risk Indicators (KRI), whereby the compliance with the limits is monitored.

Equity risk

Equity risk is defined as a risk resulting from investing in shares. The Company does not directly hold any shares as of December 31, 2018, however, it invests in shares via index Exchange Traded Funds (ETFs), in other words, investment funds, and it does so on behalf of insured persons.

The value of office inventory is included in the equity risk sub-module of the market risk module according to the Solvency II Delegated Regulation. This approach can be used in case the respective asset cannot be included in any other module of the standard formula.

The Insurance Company recognizes its investment in a daughter company Novis Tech a.s. as part of the equity risk related strategic investments.

The quantification of the equity risk sub-module for 2018, as shown below, represent the decrease of own funds of the Company caused by the decrease of the equities value as stipulated in the Solvency II Delegated Regulation.

Currency risk

Currency risk refers to the potential risk of loss from fluctuating foreign exchange rates. The Company is exposed to currency risks in respect to its assets and liabilities denominated in foreign currencies.

3. Credit risk

Credit risk presents the possibility that the debtor (counterparty) will fail to meet its obligations in a timely manner.

Credit risk of the Company can be split into four categories:

- Banks - due to the increased risk arising from the participation of bank creditors in bearing the losses (so-called "Bail-in", introduced by the new EU Directive 2014/59/EU, which is in force since the beginning of 2016), the Company launched a process of diversifying its bank deposits among a steadily increasing number of banks in various countries.

- Government bonds – it is set by the Company's risk management policy that he Company is not investing in government bonds of countries having a substantial current account deficit (NOVIS has invested in government bonds of Slovakia, Hungary, Czech Republic and Poland by the end of 2018). This approach is based on an observation that countries that have positive or at least balanced current accounts did not declare bankruptcy during peacetime.

- Corporate bonds – do not represent a direct risk for the Company, as these bonds are held as underlying assets for non-guaranteed insurance funds, thus any change in value will affect the performance of the respective fund, but not the profit or the equity of the Company.

- Claims towards distribution partners – past due receivables from distribution partners are actively enforced by legal means, unless there is a realistic prospect that the open claim will be compensated by further commissions for new insurance contracts.

The Company invests its assets in accordance with the statutes of insurance funds and the "prudent person principle".

Capital requirement	December 2018	December 2017	December 2018 vs. December 2017 [%]	December 2018 vs. December 2017 [EUR]
Market risk module	**25 436 141**	**12 316 173**	**107%**	13 119 968
Interest rate risk sub-module	23 326 150	5 606 208	316%	17 719 942
Equity risk sub-module	2 099 806	402 548	422%	1 697 259
Property risk sub-module	0	0	0%	0
Spread risk sub-module	0	0	0%	0
Market risk concentrations sub-module	0	0	0%	0

Currency risk sub-module	5 428 405	9 559 143	-43%	-4 130 738
Diversification	5 418 221	3 251 726	67%	2 166 495

in EUR

4. Liquidity risk

The Company is exposed to liquidity requirements arising from potential insurance claims and obligations to other entities. Liquidity risk is the risk that cash may not be available at a reasonable cost in order to settle obligations when they fall due.

In terms of business expansion, the Company is also exposed to the liquidity risk resulting from business growth and the need to finance intermediaries‘ commissions. As a tool for mitigating the liquidity risk, the Company uses a reinsurance scheme, so-called financing reinsurance, which provides the Company with sufficient resources to finance its new business, while the amount of reinsurance premium, through which the financing is repaid, is fully in line with the development of the portfolio.

Expected profits included in future premiums (hereinafter referred to as “EPIFP”) are quantified as future premiums less expected claims, administration costs, commissions and liability towards reinsurer (loss carried forward) attributed to the respective contract. As of 31.12.2018, the amount of EPIFP in life insurance is EUR 20,05 thousand and EUR 1,06 thousand in non-life insurance.

In order to eliminate the liquidity risk, the level of liquidity is monitored constantly and any unexpected need for liquid funds is reported directly to the CFO in advance.

5. Operational risk

Operational risk refers to the risk of loss arising from inadequate internal processes, controls or systems, as well as from external events, which could prevent the performance of ordinary business activities.

Having regard to the continued business expansion, the Company has identified a risk associated with the ever-expanding data processing and reporting requirements. Consequently, it is essential for the Company to focus on process automation in order to reduce the time required for the collection of data and reporting itself, as well as to enhance the analysis and control of inputs and outputs.

The Company is naturally confronted with numerous minor operational risks. Many of them are mitigated by the internal rules of the Company.

The Company has identified one significant operational risk: the possibility that its IT system will not be able to keep pace with its international business development and related requirements. In order to eliminate this risk, the Company has continued with the development of its insurance software “NovIns”, which fully corresponds to the features of the Company’s insurance product, in the course of 2018. Despite its gradual implementation, the development of “NovIns” continues also in 2019 with a particular focus on achieving the highest levels of data security and data quality.

The capital requirement calculated according to the standard formula is provided in the following table:

Capital requirement	December 2018	December 2017	December 2018 vs. December 2017 [%]	December 2018 vs. December 2017 [EUR]
Capital requirement	41 835 057	25 430 269	**65%**	**16 404 787**
Operational risks	1 799 153	1 780 881	1%	18 273

in EUR

6. Other significant risks

Strategic risk

Strategic risk is the risk to which the Company is exposed in regard to the feasibility of its business expectations and the fulfilment of business plans. The risk is determined by the success of the business activities in individual countries in which the Company operates, as well as in countries into which the Company would like to expand.

The Company faces another potential risk, that being the possibility that part of its insurance contrasts will not be profitable. For this reason, the following approach is applied when entering new markets:

Intelligence phase: when approaching a new market, the Company tries to find out whether the conditions in a potential new market will enable the Company to fine-tune its product to make it attractive both for its potential clients, as well as for distribution partners, while remaining profitable.

In case the Intelligence phase does not bring a satisfactory result, meaning that the product would not be sufficiently attractive to clients and distribution partners while maintaining its profitability, the Company does not enter the new market. It can be seen that the Company is pursuing a purely opportunistic expansionary strategy and, therefore, there is no market (country) that the Company would enter without being convinced that its insurance activity in this country will be profitable.
Once the Company has entered a particular market, it continues to test the profitability of the product using the calculation of the Present value of Expected Cash Flow (hereinafter referred to as “PVECF”), as well as the calculation of capital requirement based on selected SII stress scenarios, for all new insurance contracts. In case of negative PVECF of the new contracts, the Company would adjust the product’s features and/or the conditions for distribution partners so as to regain profitability of the product. Should this prove impossible, the Company would leave the market in question.

Another tool for elimination of the strategic risk is a continuous improvement of services provided to clients, enhancement of product features in order to make it more attractive to both the client and the intermediary, as well as enabling investments in assets, which are usually not made accessible by the Company’s competitors in the relevant markets.

Regulatory risk

Regulatory risk refers to the impact of regulatory changes, which hampers the Company’s position within the competitive environment. This risk is easily identified; however, the Company does not currently have a model for its quantification. Despite the fact that the Company mitigates this risk by sufficient diversification of markets in which it operates, the new regulations, such KID, IDD, PRIIPs and GDPR, impose a burden on the Company, especially in relation to the capacity of staff and increased costs of specific legal services.

Nevertheless, the new regulations also provide certain opportunities for NOVIS, as it is able to respond to the new requirements more flexibly than its competitors, which is an advantage of selling one uniform type of product.

As the insurance sector is highly regulated, the Company is more vulnerable to the risk of non-compliance. To meet the legal requirements, the Company cooperates in each country with a local law firm specializing in the field of insurance so as to achieve an optimal combination of adapting its insurance product to local requirements and, at the same time, preserving the product's uniqueness.

The simultaneous activity of NOVIS in various European countries provides its employees, key functions and the management of the Company with an opportunity to expand their knowledge and gain experience that could not be acquired within the insurance company operating only in one country.

Reputational risk

Reputational risk means the risk of loss caused by a damage to the reputation of the Company on the financial and/or insurance market. The Company is aware of the existence of reputational risk due to the sale of insurance contracts exclusively by external distribution networks. This sales strategy carries the risk of mis-selling and other risk which may lead to an increase in the lapse rate. The Company does not currently have a model for quantification of reputational risk, however, in order to mitigate the risk in question, it has implemented a process of assessing the quality of external distribution partners, which is carried out before the cooperation between the Company and the distribution partner is commenced.

7. Other information

The Company conducts a sensitivity analysis in order to quantify changes in the Solvency Ratio. The sensitivity analysis consists in changing one parameter, while other parameters remain unchanged. The selection of parameters is based on the degree of uncertainty that could adversely affect the achievement of business objectives and, at the same time, undermine the Company's risk strategy.

In order to perform a sensitivity analysis by the end of 2018, the Company has defined the following parameters:

1. risk of long-term application of the actual guaranteed return in the Guaranteed Growth Insurance Fund – the current level of appreciation in the guaranteed insurance fund is taken into account for each year of projection,
2. risk of an increase in administrative unit costs per insurance contract – a 15% increase in unit costs per contract for each year of projection,
3. lapse risk – a 15% increase in the lapse rate for each year of projection.

In the table below, the Company provides the results of the sensitivity analysis in comparison with the reported results at the end of 2018 (December 2018). The result of the testing in question is a decrease of the solvency ratio, which is caused by lower reconciliation reserve that forms part of the Company's own funds (OF). For this reason, the value of own funds is decreasing at a higher pace than the capital requirement (SCR). The risk of long-term application of the actual guaranteed return in the Guaranteed Growth Insurance Fund had the most significant impact.

Stress scenarios	***December 2018***	***December 2018*** *Long-term application of the guaranteed return*	***December 2018*** *Increase in administrative unit costs by 15%*	***December 2018*** *Increase in lapse rates by 15%*
OF	50 884 076	44 518 728	46 915 554	43 427 422
SCR	41 835 057	41 847 791	42 453 376	38 903 887
SII ratio	**122%**	**106%**	**111%**	**112%**

in EUR

Stress scenarios	***December 2018***	***December 2018*** *Long-term application of the guaranteed return*	***December 2018*** *Increase in administrative unit costs by 15%*	***December 2018*** *Increase in lapse rates by 15%*
OF	50 884 076	44 518 728	46 915 554	43 427 422
MCR	10 458 764	10 461 948	10 613 344	9 725 972
MCR ratio	**487%**	**426%**	**442%**	**447%**

in EUR

The Company has no exposure arising from off-balance sheet positions. The Company has listed all significant risks related to the Company's risk profile in the above chapters.

D. Valuation for solvency purposes

Pursuant to the internal regulation of the Insurance Company's CEO, all variables required for the calculation of Solvency Capital Requirement ratio (SCR ratio) are determined on the basis of *"Standard formula calculator documentation*" and "*Quarterly reporting documentation*" provided by Tools4F, which are fully derived from the Directive 2009/138/ES 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 (hereinafter referred to as the "Solvency II Directive") and the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (hereinafter referred to as the "Delegated Regulation"). Therefore, all the items provided below and their calculations correspond to the definitions set out in the Delegated Regulation.

1. Assets

The differences in the valuation of assets as compared to the statements prepared in accordance with the IFRS are as follows: in the SII Economic Balance Sheet, intangible assets are valued at zero, insurance policies are valued at zero as their value is reflected in the negative best estimate liability (BEL), specific government bonds, classified in the IFRS statements as HTM (Held-to-maturity), are valued exclusively at market value – the corresponding difference amounted to EUR 167 thousand as of 31.12.2018 (the IFRS value of government bonds – EUR 10,181 thousand and the SII value – EUR 10,014 thousand).

For the purpose of preparing the SII Balance Sheet, all securities are valued solely at market value. During 2018, market values for the last working day of valuation were provided by Tatra Banka, NHB Bank or by a particular fund manager (CAIAC Fund management AG, APEX Fund Services).

2. Technical provisions

Technical provisions for Solvency II purposes correspond to the best estimate of the Company's liabilities (BEL), which is determined as the present value of expected future cash flows for individual insurance contracts, whereas the future cash flows are weighted by probabilities and discounted to the present value by using discount factors derived from EIOPA Risk Free Rate Curve published by EIOPA for individual (European) currencies.

The Company determines the assumptions for the calculation of technical provisions considering the portfolio development to date. Given that the Company does not have a long-term time series data yet, it applies so-called "expert judgement" (e.g. for lapse rates for the later years of the projection) when determining certain assumptions, which is based on a historical data provided by external distributions partners.

The development of administrative unit costs is based on the assumption of an increase in total administrative costs linked to the administration of growing portfolios in existing markets. However, in markets where the Insurance Company has been granted an authorization to pursue insurance activities (either through a branch or under the freedom to provide services) less than 5 years ago, the principle of administrative costs reduction (reflecting the growth of portfolio of insurance contracts in the respective market) is applied. The future development of the portfolio is projected solely on the basis of the actual development of the Insurance Company's portfolio over the past 12 months.

The evolution of the behaviour of policyholders regarding voluntary withdrawals from contracts (so-called cancellation) in individual markets is based on the assumption of different cancellation rates in respective countries (often very different), which are based either on the previous experience of the Insurance Company itself or on the information provided by relevant distribution partners, and are also a reflection of the products' features and local specifics stemming mainly from the regulation in the area of financial intermediation and advisory services.

When calculating technical provisions for Solvency II purposes as of 31.12.2019, the Company has adjusted the best estimate assumptions (BEL) as compared to the end of 2017, the most important of which are:

- adjustment of the loss ratio for all insurance coverages on the basis of actual portfolio data as of 31.12.2018,
- adjustment of the average administrative costs per insurance contract for each market separately, whereas in the markets where the Insurance Company has been granted an authorization to pursue insurance activities less than 5 years ago, the principle of administrative costs reduction is applied, taking into account the impact of inflation over the entire BEL calulcation period,
- adjustment of the lapse rate assumptions for each market separately in accordance with the previous experience of the Insurance Company itself or the information provided by relevant distribution partners.

As in the previous year, the risk margin for Solvency II purposes was calculated at the end of 2018 in accordance with the Delegated Regulation and the “Cost of capital” principle.

The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

The Company does not apply the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

The Company does not apply a transitional adjustment to the risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC.

The Company does not apply a transitional deduction referred to in Article 308d of Directive 2009/138/EC.

3. Other liabilities

In 2018, the Insurance Company has been using a reinsurance scheme in cooperation with a consortium of six reinsurance companies: SCOR, Hannover Re, Partner Re, VIG Re, Mapfre Re and Arch Re. The reinsurance agreement is based on a continuous financing of commissions for the distribution partners through commissions paid by the reinsurer in exchange for a share of the Company's acquisition costs and risk coverage fees deducted from the insurance accounts of policyholders in accordance with the general terms and conditions.

The amount of the acquisition cost is deducted from the insurance account during the first five years of the insurance contract. This amount corresponds roughly to the commission received from the reinsurer, as well as to the amount of the upfront commission paid to the distribution partner.

The Company, together with the reinsurer, keeps a record of reinsurance commissions, as well as of all components of the insurance premium to which the reinsurer is entitled and the reinsurer's share of the insurance claims. All of these figures determine the reinsurance balance, the amount of which corresponds to the contingent liability towards the reinsurer, so-called Loss Carried Forward (LCF).

The LCF is a contingent liability because its repayment does not occur according to a predefined scheme (e.g. annuity), but depends solely on the future premium payments and biometric development of the Company's portfolio. For the purpose of preparing the Solvency II Balance Sheet, the liability towards reinsurer consist of i) a reinsurance part calculated as time value, and ii) a financing part (corresponding to the volume of LCF). At the end of 2018, the IFRS value of the liability towards the reinsurer amounted to EUR 43,992 thousand and the SII value amounted to EUR 46,864 thousand.

Deferred tax liability represents the corporate tax related to income in future years and, as of the end of 2018, this liability is driven purely by the change of value of insurance contracts of the Company.

For the purpose of preparing the SII balance sheet, the Insurance Company recognizes a deferred tax liability, which does not correspond to the deferred tax liability reported in the IFRS balance sheet, but is calculated separately from the items of the SII balance sheet. As of 31.12.2018, its IFRS value amounted to EUR 22,903 thousand and its SII value amounted to EUR 16,306 thousand.

4. Alternative valuation methods

The Company does not apply alternative valuation methods.

5. Other information

The Company does not possess any other relevant information regarding the valuation of assets and liabilities of the Insurance Company for solvency purposes.

E. Capital management

The purpose of the management of the Company's capital is to ensure a sufficient amount of the Company's own funds eligible for covering the solvency capital requirement and the minimum capital requirement.

A thorough application of the above-mentioned business strategy consisting of selling one uniform product, which is parametrized and adapted to local legislation, while meeting the necessary condition of maintaining profitability, is, in case of a long-term growth of the portfolio, reflected in a consistent increase of the Company's own funds through an increase of the reconciliation reserve that exceeds the increase of the capital requirement.

The Solvency ratio (see the table below „SII ratio") has decreased to 122% at the end of 2018 as compared to the previous year. The decrease has been caused mainly by the change of the best estimate assumptions and change of contract boundaries modelling.

Solvency II ratio	**December 2018**	**December 2017**	***December 2018 vs. December 2017 [%]***	***December 2018 vs. December 2017 [EUR]***
Own funds	50 884 076	33 541 103	*52%*	*17 342 973*
Solvency Capital Requirement	41 835 057	25 430 269	*65%*	*16 404 787*
SII ratio	**122%**	**132%**	*-10pp*	

in EUR

Minimum Capital Requirement ratio	**December 2018**	**December 2017**	***December 2018 vs. December 2017 [%]***	***December 2018 vs. December 2017 [EUR]***
Own funds	50 884 076	33 541 103	*52%*	*17 342 973*
Minimum Capital Requirement	10 458 764	6 357 567	*65%*	*4 101 197*
MCR ratio	**487%**	**528%**	*-41pp*	

in EUR

1. Own funds

In order to determine and classify its own funds, the Insurance Company is governed by the Solvency II Directive and in the Solvency II Delegated Regulation. This Insurance Company's own funds consist of basic own funds only, in other words, the funds that possess the characteristics laid down in Article 93 of the Solvency II Directive and are, therefore, classified in Tier 1. Tier 1 represents the highest quality own funds. The Insurance Company assesses the quality of own funds in the following way:

Tier 1 – unrestricted – includes items such as the reconciliation reserve (revaluation reserve), paid-up share capital and share premium account related to the paid-up capital. The availability of reconciliation reserve to absorb losses is correlated to the revaluation of assets, technical provisions and other items in the SII Economic Balance Sheet, the amount of which affects the amount of own funds of the

Company. The paid-up share capital and share premium account are available to the Insurance Company for the purpose of absorbing loses as well as in the case of winding-up of the Company.

The Insurance Company records two subordinated loans; one in the amount of EUR 200 000 maturing in 2020 and a second subordinated loan of EUR 100 000 maturing in 2019. As both loans do fulfil the criteria for loss absorbing capacity of subordinated liabilities, the Insurance Company classifies them as **Tier 1 – restricted**.

The Company did not pay out any dividends in 2018.

The quantitative difference in the revaluation at the end of 2018 is shown in the table below. The reconciliation reserve constitutes the most significant item for the Company at the end of 2018, as well as at the end of 2017.

December 2018

in EUR	**IFRS**	**SII**	**Reconciliation IFRS and SII**
Excess of assets over liabilities	**30 055 678**	**51 461 676**	**21 405 999**
Intangible assets	1 005 395	0	-1 005 395
Investment	11 816 568	11 650 606	-165 961
Investments in Unit-Linked funds	26 096 207	26 096 221	14
Insurance contracts	94 262 628	0	-94 262 628
DAC (Deferred acquisition costs)	303 404	0	-303 404
Change in the value of assets			**-95 737 374**
Technical provisions – NSLT health insurance	0	2 675 824	2 675 824
Technical provisions – SLT health insurance	0	-15 601 386	-15 601 386
Technical provisions – life insurance	0	-81 338 306	-81 338 306
Technical provisions – unit-linked life insurance	43 895 318	24 743 170	-19 152 148
Reinsurance payables	48 375 252	51 246 112	2 870 860
Insurance and intermediaries' payables	9 058 631	9 058 631	0
Deferred tax liabilities	22 903 964	16 305 747	-6 598 217
Change in the value of liabilities			**-117 143 372**

December 2017

in EUR	**IFRS**	**SII**	**Reconciliation IFRS and SII**
Excess of assets over liabilities	**22 121 274**	**34 054 703**	**11 933 430**
Intangible assets	2 326 054	0	-2 326 054
Investments	7 757 836	7 831 502	73 666
Investments in Unit-Linked funds	15 070 737	15 070 751	14,17
Insurance contracts	49 940 881	0	-49 940 880,83
DAC (Deferred acquisition costs)	668 160	0	-668 160
Change in the value of assets			**-52 861 414**

Technical provisions – NSLT health insurance	0	-3 645 596	-3 645 596
Technical provisions – SLT health insurance	0	-7 187 627	-7 187 627
Technical provisions – life insurance	0	-43 377 867	-43 377 867
Technical provisions – unit-linked life insurance	20 370 447	12 273 156	-8 097 291
Reinsurance payables	20 914 679	24 289 614	3374934,95
Insurance and intermediaries' payables	2 799 760	2 799 760	0
Deferred tax liabilities	12 134 666	6 273 267	-5 861 399
Change in the value of liabilities			**-64 794 844**

The own funds of the Company have increased to EUR 50.88 million (by EUR 17.3 million) at the end 2018. The reconciliation reserve constitutes the most significant share of the Company's own funds. The increase of the reconciliation reserve is a result of increased new production of insurance contracts which are characterized by negative best estimate liability.

Own funds	December 2018	December 2017	*December 2018 vs. December 2017 [%]*	*December 2018 vs. December 2017 [EUR]*
Own funds	50 884 076	33 541 103	52%	17 342 973
Reconciliation reserve	41 388 890	26 561 417	56%	14 827 473
Basic own funds	9 195 186	6 679 686	38%	2 515 500
Subordinated liabilities	300 000	300 000	0%	0

in EUR

December 2018

Own funds	TOTAL	Tier 1	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Own funds	50 884 076	50 884 076	50 584 076	300 000	0	0
Reconciliation reserve	41 388 890	41 388 890	41 388 890	0	0	0
Ordinary share capital	7 216 200	7 216 200	7 216 200	0	0	0
Share premium account	1 978 986	1 978 986	1 978 986	0	0	0
Subordinated liabilities	300 000	300 000	0	300 000	0	0

in EUR

December 2017

Own funds	TOTAL	Tier 1	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Own funds	33 541 103	33 541 103	33 241 103	300 000	0	0
Reconciliation reserve	26 561 417	26 561 417	26 561 417	0	0	0
Ordinary share capital	6 377 700	6 377 700	6 377 700	0	0	0

Share premium account	301 986	301 986	301 986	0	0	0
Subordinated liabilities	300 000	300 000	0	300 000	0	0

in EUR

2. Solvency capital requirement and minimum capital requirement

Solvency capital requirement

Solvency Capital Requirement	**December 2018**	**December 2017**	**December 2018 vs. December 2017 [%]**	**December 2018 vs. December 2017 [EUR]**
Capital Requirement	**41 835 057**	**25 430 269**	**65%**	**16 404 787**
Basic Capital Requirement	46 633 802	25 845 084	80%	20 788 718
Operational risks	1 799 153	1 780 881	1%	18 273
Loss-absorbing capacity of deferred taxes	-6 597 899	-2 195 696	200%	-4 402 203

in EUR

Minimum capital requirement

The calculation of the minimum capital requirement shall be carried out in accordance with the Solvency II Delegated Regulation on the basis of the amount of insurance premium for accident cover, accident death cover, technical provisions as a whole and capital at risk driven by total sum insured.

The resulting amount of the Company's minimum capital requirement constitutes 25% of the capital requirement, this being the absolute floor of the minimum capital requirement calculated in accordance with the methodology described in the Solvency II Delegated Regulation.

The minimum capital requirement (hereinafter referred to as „MCR“) amounts to EUR 10.45 million.

Minimum Capital Requirement	**December 2018**	**December 2017**	***December 2018 vs. December 2017 [%]***	***December 2018 vs. December 2017 [EUR]***
MCR	10 458 764	6 357 567	*65%*	*4 101 197*
AMCR	3 700 000	3 700 000	*0%*	*0*
MCRcomb	10 458 764	6 357 567	*65%*	*4 101 197*
MCRfloor	10 458 764	6 357 567	*65%*	*4 101 197*
MCRcap	18 825 776	11 443 621	*65%*	*7 382 154*
MCRlinear	1 356 685	816 236	*66%*	*540 449*
MCRlinear, nl	304 423	18 546	*1541%*	*285 876*

in EUR

The Company's own funds eligible to cover the minimum capital requirement amount to 487% at the end of 2018.

Minimum Capital Requirement ratio	December 2018	December 2017	*December 2018 vs. December 2017 [%]*	*December 2018 vs. December 2017 [EUR]*
Own funds	50 884 076	33 541 103	*52%*	*17 342 973*
Minimum Capital Requirement	10 458 764	6 357 567	*65%*	*4 101 197*
MCR ratio	**487%**	**528%**	*-41pp*	

in EUR

3. Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

The Company has not opted to use the duration-based equity risk sub-module in the calculation of the solvency capital requirement.

4. Differences between the standard formula and any internal model used

The solvency capital requirement of the Company is calculated using the standard formula approach. The Company does not use partial nor internal model.

5. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

There was no breach of the solvency capital requirement, and hence the minimum capital requirement, over the reporting period of 2018.

6. Other information

The Company has quantified the development of Solvency II ratio (SII ratio) for the following three years:

Solvency II ratio	*2018*	*2019*	*2020*	*2021*
Own funds	50 884	81 183	139 328	203 578
Solvency Capital Requirement	41 835	59 090	90 581	124 823
SII ratio	**122%**	**137%**	**154%**	**163%**

in thousands of EUR

Minimum Capital Requirement ratio	*2018*	*2019*	*2020*	*2021*
Own funds	50 884	81 183	139 328	203 578
Minimum Capital Requirement	10 459	14 772	22 645	31 206
MCR ratio	**487%**	**550%**	**615%**	**652%**

in thousands of EUR

The Company has also quantified the development of Solvency II ratio for the years 2019 to 2021 after the application of stress scenarios:

1. Long-term application of the guaranteed return

Solvency II ratio	*2018*	*2019*	*2020*	*2021*
Own funds	44 519	71 393	124 388	183 126
Solvency Capital Requirement	41 848	57 566	88 220	121 392
SII ratio	**106%**	**124%**	**141%**	**151%**

in thousands of EUR

Minimum Capital Requirement ratio	*2018*	*2019*	*2020*	*2021*
Own funds	44 519	71 393	124 388	183 126
Minimum Capital requirement	10 462	14 391	22 055	30 348
MCR ratio	**426%**	**496%**	**564%**	**603%**

in thousands of EUR

The Insurance Company minimizes the given risk through its right to adjust the return of the Guaranteed Growth Insurance Fund in the following calendar year. In case the Insurance Company decides to keep the return in Guaranteed Growth Insurance Fund on unchanged level by continuously low yields of the government bonds, the management would limit the maximum allocation to guaranteed growth fund by all new contracts to 20% or even lower.

2. Increase in administrative unit costs by 15%

Solvency II ratio	*2018*	*2019*	*2020*	*2021*
Own funds	46 916	74 493	129 118	189 602
Solvency Capital Requirement	42 453	57 594	88 247	121 509
SII ratio	**111%**	**129%**	**146%**	**156%**

in thousands of EUR

Minimum Capital Requirement ratio	*2018*	*2019*	*2020*	*2021*
Own funds	46 916	74 493	129 118	189 602
Minimum Capital Requirement	10 613	14 398	22 062	30 377
MCR ratio	**442%**	**517%**	**585%**	**624%**

in thousands of EUR

The increase in administrative unit costs may be caused by an increase in total administrative costs, a decline in new production compared to assumptions, an increase in the lapse rates, or a combination of all mentioned aspects. In such a scenario, the management of the Company would *(i)* introduce a "Crisis management procedure" at the Contract Administration Department consisting of a wide-ranging review of the reasons behind the cancellation of each individual contract; *(ii)* increase the follow-up commissions; (iii) enable the key master distributors or, in other words, the most important distribution partners on the most significant markets, to acquire the shares of NOVIS; (iv) draw the attention to clearly profitable markets, and thereby reduce the Company's activities in markets such as the Czech Republic, Austria or Poland in order to eliminate the operational costs.

3. Increase in lapse rates by 15% over the entire projection period

Solvency II ratio	*2018*	*2019*	*2020*	*2021*
Own funds	43 427	69 750	121 850	179 631
Solvency Capital Requirement	38 904	55 043	84 395	116 246
SII ratio	**112%**	**127%**	**144%**	**155%**

in thousands of EUR

Minimum Capital Requirement ratio	*2018*	*2019*	*2020*	*2021*
Own funds	43 427	69 750	121 850	179 631
Minimum Capital Requirement	9 726	13 761	21 099	29 061
MCR ratio	**447%**	**507%**	**578%**	**618%**

in thousands of EUR

In the event of an increase in lapse rates, the measures described in points *i-iii* above shall be applied, individually or in combination, depending on the importance of each market.

For the calculation of the solvency capital requirement, the Company does not apply undertaking-specific parameters to determine the capital requirement.

BEL (best estimate liabilities) unbundling to respective lines of business is driven by present value of claims. Company has decided for this approach in accordance with proportionality principle given by Solvency II rather than impose more complex approach.

ANNEXES

S.02.01.02 Balance sheet - 1/2

		Solvency II value	Statutory accounts value
Assets			
Goodwill	R0010		
Deferred acquisition costs	R0020		303 404
Intangible assets	R0030		1 005 395
Deferred tax assets	R0040	9 707 848	9 707 848
Pension benefit surplus	R0050		
Property, plant & equipment held for own use	R0060	61 454	61 454
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	11 650 606	11 816 568
Property (other than for own use)	R0080		
Holdings in related undertakings, including participations	R0090	1 655 879	1 655 879
Equities	R0100		
Equities - listed	R0110		
Equities - unlisted	R0120		
Bonds	R0130	9 994 727	10 160 689
Government Bonds	R0140	9 994 727	10 160 689
Corporate Bonds	R0150		
Structured notes	R0160		
Collateralised securities	R0170		
Collective Investment Undertakings	R0180		
Derivatives	R0190		
Deposits other than cash equivalents	R0200		
Other investments	R0210		
Assets held for index-linked and unit-linked contracts	R0220	26 096 221	26 096 207
Loans and mortgages	R0230		
Loans on policies	R0240		
Loans and mortgages to individuals	R0250		
Other loans and mortgages	R0260		
Reinsurance receivables from:	R0270	160 928	160 928
Non-life and health similar to non-life	R0280	160 928	160 928
Non-life excluding health	R0290		
Health similar to non-life	R0300	160 928	160 928
Life and health similar to life, excluding health and index-linked and unit-linked	R0310		
Health similar to life	R0320		
Life excluding health and index-linked and unit-linked	R0330		
Life index-linked and unit-linked	R0340		
Deposits to cedants	R0350		
Insurance and intermediaries' receivables	R0360	34 000	34 000
Reinsurance receivables	R0370	1 182 533	1 182 533
Receivables (trade, not insurance)	R0380	3 312 193	3 312 193
Own shares (held directly)	R0390	877 600	877 600
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400		
Cash and cash equivalents	R0410	8 174 370	8 174 370
Any other assets, not elsewhere shown	R0420	2 289 354	96 551 982
Total assets	R0500	**63 547 108**	**159 284 481**

S.02.01.02 Balance sheet - 2/2

		Solvency II value	Statutory accounts value
Liabilities			
Technical provisions – non-life	R0510	2 675 824	
Technical provisions – non-life (excluding health)	R0520		
Technical provisions calculated as a whole	R0530		
Best estimate	R0540		
Risk margin	R0550		
Technical provisions – health (similar to non-life)	R0560	2 675 824	
Technical provisions calculated as a whole	R0570		
Best estimate	R0580	2 316 122	
Risk margin	R0590	359 702	
Technical provisions – life (excluding index-linked and unit-linked)	R0600	-96 939 691	
Technical provisions – health (similar to life)	R0610	-15 601 386	
Technical provisions calculated as a whole	R0620		
Best estimate	R0630	-18 185 553	
Risk margin	R0640	2 584 167	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-81 338 306	
Technical provisions calculated as a whole	R0660		
Best estimate	R0670	-95 724 644	
Risk margin	R0680	14 386 338	
Technical provisions – index-linked and unit-linked	R0690	24 743 170	43 895 318
Technical provisions calculated as a whole	R0700	24 743 170	
Best estimate	R0710		
Risk margin	R0720		
Other technical provisions	R0730		
Contingent liabilities	R0740		
Provisions other than technical provisions	R0750		
Pension benefit obligations	R0760		
Deposits from reinsurers	R0770		
Deferred tax liabilities	R0780	16 305 747	22 903 964
Derivatives	R0790		
Debts owed to credit institutions	R0800	3 511 667	3 511 667
Debts owed to credit institutions resident domestically	ER0801		
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	3 511 667	
Debts owed to credit institutions resident in the rest of the world	ER0803		
Financial liabilities other than debts owed to credit institutions	R0810	100 000	100 000
Debts owed to non-credit institutions	ER0811		
Debts owed to non-credit institutions resident domestically	ER0812		
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813		
Debts owed to non-credit institutions resident in the rest of the world	ER0814		
Other financial liabilities (debt securities issued)	ER0815	100 000	
Insurance and intermediaries' payables	R0820	9 058 631	9 058 631
Reinsurance payables	R0830	51 246 112	48 375 252
Payables (trade, not insurance)	R0840	1 083 972	1 083 972
Subordinated liabilities	R0850	300 000	300 000
Subordinated liabilities not in Basic Own Funds	R0860		
Subordinated liabilities in Basic Own Funds	R0870	300 000	300 000
Any other liabilities, not elsewhere shown	R0880		
Total liabilities	R0900	**12 085 431**	**129 228 804**
Excess of assets over liabilities	R1000	**51 461 676**	**30 055 678**

S.05.01.02 Premiums, claims and expenses according to lines 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
Premiums written																		
Gross - Direct Business	R0110		1 339 452															1 339 452
Gross - Proportional reinsurance accepted	R0120																	0
Gross - Non-proportional reinsurance accepted	R0130																	0
Reinsurers' share	R0140		658 187															658 187
Net	R0200		681 265															681 265
Premiums earned																		
Gross - Direct Business	R0210		1 339 452															1 339 452
Gross - Proportional reinsurance accepted	R0220																	0
Gross - Non-proportional reinsurance accepted	R0230																	0
Reinsurers' share	R0240		658 187															658 187
Net	R0300		681 265															681 265
Claims incurred																		
Gross - Direct Business	R0310		1 861 515															1 861 515
Gross - Proportional reinsurance accepted	R0320																	0
Gross - Non-proportional reinsurance accepted	R0330																	0
Reinsurers' share	R0340		86 722															86 722
Net	R0400		1 774 793															1 774 793
Changes in other technical provisions																		
Gross - Direct Business	R0410		6 359 194															6 359 194
Gross - Proportional reinsurance accepted	R0420																	0
Gross - Non- proportional reinsurance accepted	R0430																	0
Reinsurers' share	R0440		-29 276															-29 276
Net	R0500		6 388 470															6 388 470
Expenses incurred	R0550		1 355 284															1 355 284
Administrative expenses																		
Gross - Direct Business	R0610		132 331															132 331
Gross - Proportional reinsurance accepted	R0620																	0
Gross - Non-proportional reinsurance accepted	R0630																	0
Reinsurers' share	R0640		0															0
Net	R0700		132 331															132 331
Investment management expenses																		
Gross - Direct Business	R0710		1 896															1 896
Gross - Proportional reinsurance accepted	R0720																	0
Gross - Non-proportional reinsurance accepted	R0730																	0
Reinsurers' share	R0740		0															0
Net	R0800		1 896															1 896
Claims management expenses																		
Gross - Direct Business	R0810		4 106															4 106
Gross - Proportional reinsurance accepted	R0820																	0
Gross - Non-proportional reinsurance accepted	R0830																	0
Reinsurers' share	R0840		821															821
Net	R0900		3 285															3 285
Acquisition expenses																		
Gross - Direct Business	R0910		1 207 702															1 207 702
Gross - Proportional reinsurance accepted	R0920																	0
Gross - Non-proportional reinsurance accepted	R0930																	0
Reinsurers' share	R0940		241 540															241 540
Net	R1000		966 162															966 162
Overhead expenses																		
Gross - Direct Business	R1010		251 610															251 610
Gross - Proportional reinsurance accepted	R1020																	0
Gross - Non-proportional reinsurance accepted	R1030																	0
Reinsurers' share	R1040		0															0
Net	R1100		251 610															251 610
Other expenses	R1200																	0
Total expenses	R1300																	1 355 284

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Premiums written										
Gross	R1410	1 112 454	9 484 946	26 613 801	903 593					38 114 795
Reinsurers' share	R1420	546 644	4 660 763	13 077 631	444 012					18 729 051
Net	R1500	565 811	4 824 183	13 536 170	459 581					19 385 745
Premiums earned										
Gross	R1510	1 112 454	9 484 946	26 613 801	903 593					38 114 795
Reinsurers' share	R1520	546 644	4 660 763	13 077 631	444 012					18 729 051
Net	R1600	565 811	4 824 183	13 536 170	459 581					19 385 745
Claims incurred										
Gross	R1610	301 925	0	0	226 605					528 530
Reinsurers' share	R1620	32 471	0	0	71 826					104 297
Net	R1700	269 454	0	0	154 779					424 233
Changes in other technical provisions										
Gross	R1710	-9 425 315	-32 163 844	13 803 308	-11 808 575					-39 594 426
Reinsurers' share	R1720	0	0	0	0					0
Net	R1800	-9 425 315	-32 163 844	13 803 308	-11 808 575					-39 594 426
Expenses incurred	R1900	1 125 603	9 597 056	26 928 368	914 273					38 565 301
Administrative expenses										
Gross	R1910	109 905	937 064	2 629 307	89 270					3 765 547
Reinsurers' share	R1920	0	0	0	0					0
Net	R2000	109 905	937 064	2 629 307	89 270					3 765 547
Investment management expenses										
Gross	R2010	1 575	13 428	37 679	1 279					53 961
Reinsurers' share	R2020	0	0	0	0					0
Net	R2100	1 575	13 428	37 679	1 279					53 961
Claims management expenses										
Gross	R2110	3 410	29 076	81 584	2 770					116 840
Reinsurers' share	R2120	682	5 815	16 317	554					23 368
Net	R2200	2 728	23 261	65 267	2 216					93 472
Acquisition expenses										
Gross	R2210	1 003 033	8 552 000	23 996 049	814 715					34 365 797
Reinsurers' share	R2220	200 607	1 710 400	4 799 210	162 943					6 873 159
Net	R2300	802 426	6 841 600	19 196 839	651 772					27 492 637
Overhead expenses										
Gross	R2310	208 969	1 781 702	4 999 276	169 736					7 159 683
Reinsurers' share	R2320	0	0	0	0					0
Net	R2400	208 969	1 781 702	4 999 276	169 736					7 159 683
Other expenses	R2500									0
Total expenses	R2600									38 565 301
Total amount of surrenders	R2700	0	179 462	507 777	0					687 240

S.12.01.01 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance					Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations			Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole	R0010	0	24 743 170			0									24 743 170	0					0
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	0	0			0									0	0					0
Technical provisions calculated as a sum of BE and RM																					
Best Estimate																					
Gross Best Estimate	R0030	-75 326 986		0	0		-20 397 658	0							-95 724 644		-18 185 553	0			-18 185 553
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0040	0		0	0		0	0							0		0	0			0
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	R0050	0		0	0		0	0							0		0	0			0
Recoverables from SPV before adjustment for expected losses	R0060	0		0	0		0	0							0		0	0			0
Recoverables from Finite Re before adjustment for expected losses	R0070	0		0	0		0	0							0		0	0			0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0	0		0	0							0		0	0			0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	-75 326 986		0	0		-20 397 658	0							-95 724 644		-18 185 553	0			-18 185 553
Risk Margin	R0100	11 457 235	0			2 929 104									14 386 338	2 584 167					2 584 167
Amount of the transitional on Technical Provisions																					
Technical Provisions calculated as a whole	R0110																				
Best estimate	R0120																				
Risk margin	R0130																				
Technical provisions - total	R0200	-63 869 752	24 743 170			-17 468 554									-56 595 136	-15 601 386					-15 601 386
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0210	-63 869 752	24 743 170			-17 468 554									-56 595 136	-15 601 386					-15 601 386
Best Estimate of products with a surrender option	R0220	8 813 351	24 936 858			0									33 750 209	0					0
Gross BE for Cash flow																					
Cash out-flows																					
Future guaranteed and discretionary benefits	R0230		130 336 901			-107 446 521									22 890 380	-95 794 056					-95 794 056
Future guaranteed benefits	R0240	-252 732 762													-252 732 762						
Future discretionary benefits	R0250	0													0						
Future expenses and other cash out-flows	R0260	-144 059 005	47 320 045			-39 009 476									-135 748 435	-34 778 938					-34 778 938
Cash in-flows																					
Future premiums	R0270	-319 385 204	104 910 639			-86 485 739									-300 960 304	-77 106 449					-77 106 449
Other cash in-flows	R0280	0	0			0									0	0					0
Percentage of gross Best Estimate calculated using	R0290	0	0			0										0					
Surrender value	R0300	8 813 351	24 936 858			0									33 750 209	0					0
Best estimate subject to transitional of the interest rate	R0310																				
Technical provisions without transitional on interest rate	R0320																				
Best estimate subject to volatility adjustment	R0330	0	0			0									0	0					0
Technical provisions without volatility adjustment and without others transitional measures	R0340	-63 869 752	24 743 170			-17 468 554									-56 595 136	-15 601 386					-15 601 386
Best estimate subject to matching adjustment	R0350																				
Technical provisions without matching adjustment and without all the others	R0360																				

S.17.01.01 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
Technical provisions calculated as a whole	R0010		0															0
Direct business	R0020		0															0
Accepted proportional reinsurance business	R0030		0															0
Accepted non-proportional reinsurance	R0040																	0
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		0															0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross - Total	R0060		583 215															583 215
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		0															0
Net Best Estimate of Premium Provisions	R0150		583 215															583 215
Claims provisions																		
Gross - Total	R0160		1 732 907															1 732 907
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		160 928															160 928
Net Best Estimate of Claims Provisions	R0250		1 571 979															1 571 979
Total Best estimate - gross	R0260		2 316 122															2 316 122
Total Best estimate - net	R0270		2 155 194															2 155 194
Risk margin	R0280		359 702															359 702
Amount of the transitional on Technical Provisions																		
TP as a whole	R0290																	
Best estimate	R0300																	
Risk margin	R0310																	
Technical provisions - total																		
Technical provisions - total	R0320		2 675 824															2 675 824
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330		160 928															160 928
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340		2 514 896															2 514 896

S.19.01.21 Non-Life Insurance Claims

Gross claims paid (non-cumulative) – Development year (absolute amount)
Income protection insurance
Underwriting year

		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15a
Prior	R0100																
N-14	R0110																
N-13	R0120																
N-12	R0130																
N-11	R0140																
N-10	R0150																
N-9	R0160																
N-8	R0170																
N-7	R0180																
N-6	R0190																
N-5	R0200			315													
N-4	R0210	9 925	35 478	27 867	34 586	45 915											
N-3	R0220	33 451	104 375	142 852	78 592												
N-2	R0230	41 035	166 639	107 988													
N-1	R0240	54 150	156 728														
N	R0250	28 247															

Gross claims paid (non-cumulative) – Current year, sum of years (cumulative)

		In current year	Sum of years (cumulative)
Prior	R0100		
N-14	R0110		
N-13	R0120		
N-12	R0130		
N-11	R0140		
N-10	R0150		
N-9	R0160		
N-8	R0170		
N-7	R0180		
N-6	R0190		
N-5	R0200		315
N-4	R0210	45 915	153 771
N-3	R0220	78 592	359 270
N-2	R0230	107 988	315 662
N-1	R0240	156 728	210 878
N	R0250	28 247	28 247
Total	R0260	417 470	1 068 143

Gross undiscounted Best Estimate of Claims Provisions – Development year (absolute amount)
Income protection insurance
Underwriting year

		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15a
Prior	R0100																
N-14	R0110																
N-13	R0120																
N-12	R0130																
N-11	R0140																
N-10	R0150																
N-9	R0160																
N-8	R0170																
N-7	R0180																
N-6	R0190																
N-5	R0200																
N-4	R0210	0	0	6 000	0	930											
N-3	R0220	0	600	0	10 270												
N-2	R0230	0	0	18 720													
N-1	R0240	0	37 520														
N	R0250	454 220															

Gross undiscounted Best Estimate of Claims Provisions - Current year, sum of years (cumulative)

		Year end (discounted data)
Prior	R0100	
N-14	R0110	
N-13	R0120	
N-12	R0130	
N-11	R0140	
N-10	R0150	
N-9	R0160	
N-8	R0170	
N-7	R0180	
N-6	R0190	
N-5	R0200	
N-4	R0210	930
N-3	R0220	10 270
N-2	R0230	18 720
N-1	R0240	37 520
N	R0250	454 220
Total	R0260	521 660

S.23.01.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in Article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	7 216 200	7 216 200			
Share premium account related to ordinary share capital	R0030	1 978 986	1 978 986			
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	41 388 890	41 388 890			
Subordinated liabilities	R0140	300 000		300 000		
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic ow 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	50 884 076	50 584 076	300 000		
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					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	50 884 076	50 584 076	300 000		
Total available own funds to meet the MCR	R0510	50 884 076	50 584 076	300 000		
Total eligible own funds to meet the SCR	R0540	50 884 076	50 584 076	300 000		
Total eligible own funds to meet the MCR	R0550	50 884 076	50 584 076	300 000		
SCR	R0580	41 835 057				
MCR	R0600	10 458 764				
Ratio of Eligible own funds to SCR	R0620	121,63%				
Ratio of Eligible own funds to MCR	R0640	486,52%				

Reconciliation reserve		
Excess of assets over liabilities	R0700	51 461 676
Own shares (held directly and indirectly)	R0710	877 600
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	9 195 186
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	
Reconciliation reserve	R0760	41 388 890
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	20 048 401
Expected profits included in future premiums (EPIFP) – Non-Life business	R0780	1 055 179
Total expected profits included in future premiums (EPIFP)	R0790	21 103 580

S.25.01.01.21 Solvency Capital Requirement– for undertakings using the standard formula

		Net Solvency Capital Requirement	Gross Solvency Capital Requirement
Market risk	R0010	25 436 141	25 436 141
Counterparty default risk	R0020	1 542 735	1 542 735
Life underwriting risk	R0030	28 936 818	28 936 818
Health underwriting risk	R0040	7 779 824	7 779 824
Non-life underwriting risk	R0050	0	0
Diversification	R0060	-17 061 715	-17 061 715
Intangible asset risk	R0070	0	0
Basic Solvency Capital Requirement	R0100	46 633 802	46 633 802

		Value
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	1 799 153
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-6 597 899
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	41 835 057
Capital add-on already set	R0210	0
Solvency Capital Requirement	R0220	41 835 057
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for Article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	0

S.28.01.01 Minimum Capital Requirement

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
MCRNL Result	R0010	304 423

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	2 155 194	259 908
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

MCRNL Result	R0200	1 052 262

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	24 743 170	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		1 255 799 723

Overall Minimum Capital Requirement Calculation

Linear Minimum Capital Requirement	R0300	1 356 685
Solvency Capital Requirement	R0310	41 835 057
Minimum Capital Requirement cap	R0320	18 825 776
Minimum Capital Requirement floor	R0330	10 458 764
Combined Minimum Capital Requirement	R0340	10 458 764
Absolute floor of the Minimum Capital Requirement	R0350	3 700 000
Minimum Capital Requirement	R0400	10 458 764

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