Report on solvency and financial condition NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s.

Prepared as of December 31, 2019

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The new world of insurance

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Introduction

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

NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s. (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 the „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 activities 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 2019, 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 2019, 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 2019.

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, on the basis of which shares worth a total of EUR 1,309,500 were subscribed and paid up within the set deadlines. During 2019, a related increase of the registered capital (by EUR 436,5 thousand, which corresponds to the nominal value of the issued shares) was entered in the Business Register.

An essential prerequisite for a portfolio growth is the ability of the Insurance Company to finance intermediaries‘ commissions. In 2019, NOVIS has continued to use financing from a reinsurance consortium, which has dedicated a capacity of EUR 45 million for this underwriting year.

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, which has been launched in all countries during 2019.

During the period considered, the Insurance Company's activities related to product distribution and development were significantly affected by European legislation, particularly by Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirement for insurance undertakings and insurance distributors and Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products. Continued implementation of the legislation in question, communication with regulators both at national and European level, as well as some of the issued decisions (Decision of the National Bank of Slovakia – NBS in consumer protection proceeding and decisions of the Hungarian National Bank – MNB to suspend the sale of certain products) have led the Insurance Company to reconsider the distribution strategy, to adaptation of its products and to revision of product information.

At the turn of Q3 and Q4 of 2019, the Insurance Company has gradually stopped the sale of Wealth Insuring and similar products (Sensum in Hungary and Universal Life in Italy) in all markets and a new generation of products, which allow clients to invest the value of the insurance account in the new internal funds of the Insurance Company, has been launched in 4 markets (Italy, Iceland, Slovakia and Germany).

Own funds of the Insurance Company exceeded and continue to exceed the capital requirement - the SCR ratio has amounted to 169% at the end of 2019, while the own funds covering the Minimum Capital Requirement (MCR ratio) were in the amount of 676% at the end of 2019.

In the Report, the Insurance Company quantifies the development of the solvency ratio for the next three years, taking into account the development during the first four months of 2020 affected by the COVID-19 pandemic, the impact of which is reflected mainly in the expectations at the end of 2020 – the Company expects the gross premium written at the level of 2019, while it has increased sharply in the previous periods (2019 by 30%, 2018 by 60%), and also a decrease in the net profit, which should reach 20% of the value reported in 2019. The possible negative impacts on the solvency of the Insurance Company are described in more detail in sections C.7. and E.6 of the Report.

A. Activity and performance

1. Activity

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

Business name:	NOVIS Insurance Company, NOVIS Versicherungsgeselschaft, NOVIS Compagnia di Assicurazioni, 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 Versicherungsgesellschaft Niederlassung Deutschland der NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s. *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

[1] Business Register of the Slovak Republic

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

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 - Vice-Chairman
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.

<u>Name and contact details of the supervisory authority responsible for the financial supervision of the Insurance Company</u>

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

<u>Name and contact details of the external auditor of the Insurance Company</u>

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

<u>Description of persons having a qualifying holding in the Insurance Company</u>

By the end of 2019, the Insurance Company has no shareholder with a qualifying holding.

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

In 2019, the Insurance Company's business was most influenced by the following:

The cooperation with the reinsurance consortium has been deepened through an increase of the financing capacity to EUR 45 million for the underwriting year of 2019, while the consortium was enlarged by a new member – Swiss Re with effect from 1.1.2019 and Hannover Re has replaced SCOR Global Life as a new leader of the consortium as of 1.1.2019.

The Insurance Company expanded the possibilities of financing the new business beyond the scheme provided by the above-mentioned consortium. For the purposes of financing the expansion in the fastest growing markets (Iceland and Italy), it has initiated cooperation with issuers of so-called Insurance-linked Securities that allow the Company to gain greater volumes and for more years than in the case of financing reinsurance.

At the turn of Q3 and Q4 of 2019, the Insurance Company has significantly revised its sales and product strategy for the following calendar year and introduced new products into the Italian, Icelandic, German and Slovak markets, which are intended to be the focus of the Company's activities when concluding new insurance contracts in 2020.

During 2019, the Insurance Company has been confronted with the following decisions of regulators:
- The Bank Board of the NBS, as a second-instance body, had issued a decision on the 1st of October 2019 rejecting the Insurance Company's appeal against the NBS's first-instance decision in sanction proceedings aimed at consumer protection, and increased the fine from the initial EUR 150 thousand to EUR 175 thousand.
- The Hungarian National Bank has temporarily suspended the distribution of the Sensum product in November 2019 (the sale of this product was stopped by the Insurance Company itself in September 2019).

2. Underwriting performance

In 2019, the Company recorded written and paid premium in the amount of EUR 51,2 million, which represents an increase by 30% in comparison to the year of 2018. In terms of the volume of gross premium received, Hungary, Italy, Iceland and Slovakia were among the most significant markets.

Gross premiums written (geographical area)

(EUR mil.)	**2019**	**2018**	**Change (in %)**
Hungary	18,0	18,7	-4%
Italy	16,2	7,1	130%
Iceland	8,7	2,8	209%
Slovakia	4,4	4,5	-2%
Czech Republic	2,4	2,6	-6%
Germany	1,1	2,4	-55%
Austria	0,2	0,2	16%
Poland	0,1	0,2	-24%
Finland	0,1	1,1	-89%
Lithuania	0,0	0,0	-
Total	**51,2**	**39,5**	**30%**

Gross premiums written (group of business activity)

(EUR mil.)	2019	2018	Change (in %)
Income protection insurance	1,6	1,3	17%
Health insurance	1,6	1,1	43%
Insurance with profit participation	11,5	9,5	21%
Index-linked and unit-linked insurance	35,2	26,6	32%
Other life insurance	1,4	0,9	56%
Total	**51,2**	**39,5**	**30%**

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	1,6	1,6	11,5	35,2	1,4	51,2
Reinsurers’ share	0,0	1,1	7,9	24,1	1,0	34,0
Net	1,6	0,5	3,6	11,1	0,4	17,3
Claims incurred						
Gross	0,9	1,3	0,0	0,0	0,2	2,4
Reinsurers’ share	0,0	0,1	0,0	0,0	0,0	0,1
Net	0,9	1,2	0,0	0,0	0,2	2,3
Change in other technical provisions						
Gross	0,4	0,7	0,7	15,1	1,9	18,8
Reinsurers’ share	0,0	0,0	4,0	12,4	0,0	16,4
Net	0,4	0,7	-3,3	2,7	1,9	2,4
Expenses incurred	1,7	0,7	4,1	12,6	0,5	19,5
Other expenses						-19,3
Surrenders						2,5
Total						9,7

The Company’s underwriting performance has reached EUR 9,7 million, considering net change of the value of insurance contracts and net change of payables towards reinsurers – both being recognized in item Other expenses.

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.)	**2019***	**2018**	**Change (in %)**
Gross premium income (before the reinsurer's share)**	51,5	39,5	30,4%
Total income	129,8	112,0	16,0%
Total expenses	-115,8	-100,3	15,5%
Profit before tax	14,0	11,7	20,0%
Profit after tax	6,9	6,4	7,6%

*unaudited results as of 31.12.2019
**gross premiums written adjusted by the effect of UPR (unearned premium reserve)

The increase in income for 2019 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 Growth 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 Growth Insurance Fund were Slovak, Hungarian, Czech and Polish government bonds. The annual expected rate of return of the Guaranteed Growth Insurance Fund for the respective calendar year is announced and published at the end of the previous calendar year, while the rules for determining the rate of return are provided in the statute of the fund.

A rate of return in non-guaranteed insurance funds is influenced by the evolution of value of its underlying assets (ETF shares, gold ETFs, financial instruments linked with the real estate sector, investment funds). 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 2019, the Company had invested in the following securities:

Fixed Income Securities

The Company holds fixed income securities in currencies of the markets where it operates – specifically in Euro, Hungarian Forint, Czech Koruna and Polish Zloty. NOVIS currently holds government bonds of Slovakia, Hungary, the Czech Republic and Poland.

Bonds *in thousands of EUR*	SK4120011420 SLOVAKIA (229) 1.625% 21/1/2031 EUR	SK4120007543 SLOVAKIA (216) 4.35% 14/10/2025 EUR	SK4120012691 SLOVAKIA 1.875% EUR	HU0000403001 HUNGARY 3.25% 22/10/2031 HUF	CZ0001001796 CZECH REP. 4.2% 4/12/2036 CZK	PL0000109492 POLAND 2,25% 25.04.2022 PLN
Issue date	21.01.2016	14.10.2010	9.3.2017	22.04.2015	04.12.2006	28.06.2017
Maturity date	31.01.2031	14.10.2025	9.3.2037	22.10.2031	04.12.2036	25.04.2022
Standard and Poor's rating*	A+	A+	A+	BB+	AA-	BBB+
Average Purchase Price in % of the nominal value	107	134	123	105	140	101
Bonds at FVOCI	3 293	0	109	8 103	590	80
Bonds at FVTPL	141	304	0	825	145	0
Total Carrying Value	**3 434**	**304**	**109**	**8 928**	**735**	**80**
Fair Value of the Bonds	**3 434**	**304**	**109**	**8 928**	**735**	**80**
Nominal value	**2 930**	**237**	**49**	**7 937**	**539**	**77**

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

The Company has changed the classification of the government bonds as of 31.12.2019 and presents them at fair value through P&L instead of presentation as HTM (Hold till maturity) used before.

Variable Income Securities (underlying assets of non-guaranteed insurance funds)

Policyholders of the Company can choose from the following non-guaranteed insurance funds:

- NOVIS Fixed Income Insurance Fund invests directly or indirectly into government and corporate bonds with fixed interest, which form the majority of investments, while debt securities with floating interest may have minor share,
- NOVIS Global Select Insurance Fund invests directly or indirectly into stocks listed on major stock exchanges worldwide, which form the majority of investments. Minor share may be invested into corporate or government bonds.
- NOVIS Sustainability Insurance Fund invests directly or indirectly into stocks or bonds of companies, which comply with strict corporate governance, environmental and social criteria – so-called ESG criteria set by the UN,
- NOVIS ETF Shares Insurance Fund invests in listed ETF shares (Exchange Traded Funds),
- NOVIS Gold Insurance Fund invests into gold ETFs, whose change of value is linked to the change of price of gold,
- NOVIS Entrepreneurial Insurance Fund focuses on investments in private and venture equity, or tradeable funds and companies that are specializing in so-called 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, or in other words, the value of which 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 alternative investment funds, specifically Family Office funds. These funds invest significantly in non-listed shares and bonds,

- NOVIS World Brands Insurance Fund invests into mixed investment funds focused on companies with high brand value, where the brand value has not been reflected so far in the increase of the price of their shares,
- NOVIS Digital Assets Insurance Fund invests into investment funds or exchange traded funds focused on shares of companies, which develop and provide computing capacity (so-called Cloud computing) or other technology companies,
- Fondo Interno NOVIS PIR (available in Italy only) invests directly or indirectly into stocks or bonds in line with Italian regulation of individual saving plan (PIR) and thus focuses on companies operating in Italy (mainly small and medium sized enterprises).

- NOVIS Co-Branded Insurance Funds are exclusively designed for customers of specific distribution partners. Currently, such insurance funds are offered mainly to customers of the 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 so-called Unit-linked insurance provisions.

NOVIS ETF Shares Insurance Fund

In thousands of EUR	**31. December 2019**	**31. December 2018**
iShare MSCI WORLD (USD) ETF	3 570	2 443
iShare MSCI EM - ACC (EUR)	905	217
iShare MSCI EM - ACC (USD)	15	12
Total Carrying Value	**4 490**	**2 672**

NOVIS GOLD Insurance Fund

In thousands of EUR	**31. December 2019**	**31. December 2018**
SPDR Gold Trust USD	2 492	1 071
Total Carrying Value	**2 492**	**1 071**

NOVIS Entrepreneurial Insurance Fund

In thousands of EUR	31. December 2019	31. December 2018
iShares Euro High Yield Corporate Bond UCITS ETF (EUR)	10	9
iShares Listed Private Equity UCITS ETF USD	1 654	1 158
responsAbility Micro and SME Finance Fund II	783	97
Total Carrying Value	**2 446**	**1 264**

NOVIS Mortgage Insurance Fund

In thousands of EUR	31. December 2019	31. December 2018
Dlhopisy HB REAVIS 2020	21	21
iShares Euro Covered Bond UCITS ETF	1 763	799
Total Carrying Value	**1 783**	**820**

NOVIS Family Office Insurance Fund

In thousands of EUR	31. December 2019	31. December 2018
BP Family Office Brand	2 046	1 961
ISHARES IBOXX H/Y CORP BOND FUND	260	-
ISHARESO HY CORP BND (GY) EUR	267	-
Total Carrying Value	**2 573**	**1 961**

NOVIS Digital Assets Insurance Fund

In thousands of EUR	**31. December 2019**	**31. December 2018**
ELJOVI Multi-Strategy Fund	-	2 874
FIRST TRUST CLOUD COMPUTING FUND	2 977	419
ETFMG PRIMR CYBER SECURITY E FUND	2 991	383
GLOBAL X FUTURE ANALYTCS TE FUND	1 641	238
Total Carrying Value	**7 609**	**3 914**

NOVIS World Brands Insurance Fund

In thousands of EUR	**31. December 2019**	**31. December 2018**
H2Progressive Vermögensfreunde	193	133
H2Conservative Vermögensfreunde	194	143
Wealth Fund World Class Brands Vermögensfreunde Cap	395	272
Total Carrying Value	**782**	**548**

NOVIS FIXED INCOME Insurance Fund

In thousands of EUR	**31. December 2019**	**31. December 2018**
Invesco Bond Fund	39	-
UBS (Lux) Bond Fund - Euro High Yield (EUR) I-A1-acc	40	-
Total Carrying Value	**80**	**-**

NOVIS GLOBAL SELECT Insurance Fund

In thousands of EUR	**31. December 2019**	**31. December 2018**
Invesco Global Income Fund A EUR	30	-
UBS LUX INST-KEY GLB EQY-AAE FUND	50	-
UBS LUX MD TRM BND EUR-IA 1AC FUND	20	-
Total Carrying Value	**100**	**-**

Fondo Interno NOVIS PIR

In thousands of EUR	**31. December 2019**	**31. December 2018**
LYXOR FTSE ITA MID CAP PIR FUND	20	-
GENER SM PIR VALOR ITALIA- IX FUND	60	-
GENER SM PIR EVOLU ITALIA-IX FUND	121	-
Total Carrying Value	**202**	**-**

NOVIS SUSTAINABILITY Insurance Fund

In thousands of EUR	**31. December 2019**	**31. December 2018**
UBS Global Sustainable Q-acc	40	-
INVESCO Fds Inv Sust Alloc Fd A EUR Cap	40	-
Total Carrying Value	**80**	**-**

NOVIS Co-Branded Insurance Funds

In thousands of EUR	**31. December 2019**	**31. December 2018**
Fidelity Global Dividend A-Acc-EUR-Hdg	3 047	2 018
JPMorgan Global Income Fund D Acc EUR	3 326	2 433
JPMorgan Emerging Markets Dividend Fund	3 676	2 428
Concorde Hold Alapok Alapja	2 649	2 041
Fidelity Global Multi Asset Income Fund	2 434	1 830
Concorde Rövid Futamidejű Kötvény Befektetési Alap	1 615	1 305
Templeton Global Bond N Acc USD	1 692	1 317
JPMorgan Funds - Latin America Equity Fund	337	178
Fidelity Emerging Asia Fund	383	205
Total Carrying Value	**19 160**	**13 755**

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.

Investment income

In thousands of EUR	**2019**	**2018**
Gains less losses on financial assets at FVTPL*	4 206	-787
Accrued interest	160	152
Dividends	138	61
Other investment income	0	-263
Total	**4 504**	**-837**

By the end of 2019, 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 2019 is provided in the following table (the performance is calculated in the currency of the particular fund, i.e. EUR or, alternatively, HUF):

Name of the non-guaranteed Insurance fund	(+/-) appreciation of a non-guaranteed insurance fund in 2019	(+/-) appreciation of a non-guaranteed insurance fund in 2018
NOVIS ETF Shares Insurance Fund	30.20%	-6.63%
NOVIS GOLD Insurance Fund	20.11%	3.24%
NOVIS Entrepreneurial Insurance Fund	33.75%	-8.48%
NOVIS Mortgage Insurance Fund	2.68%	0.05%
NOVIS Family Office Insurance Fund	4.68%	4.27%
NOVIS World Brands Insurance Fund	10.84%	-12.37%
NOVIS Digital Assets Insurance Fund	4.64%	39.06%
NOVIS Ázsia Fejlődő Piaci Részvény Eszközalap	25.08%	-5.85%
NOVIS Latin-Amerika Részvény Eszközalap	34.54%	-4.10%
NOVIS Vegyes Eszközalap	10.73%	-5.16%
NOVIS Global Income Fund Eszközalap	13.5%	-3.98%
NOVIS Abszolút hozamú Eszközalap	3.25%	1.64%
NOVIS Globális Fejlődő Piaci Részvény Eszközalap	27.27%	-3.10%
NOVIS Globális Fejlett Piaci Részvény Eszközalap	28.38%	-2.32%
NOVIS Globális Kötvény Eszközalap	5.25%	9.35%
NOVIS Rövid futamidejű Magyar Kötvény Eszközalap	1.34%	-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 assets invested for so-called Unit-linked (underlying assets of non-guaranteed funds) on the SII Balance Sheet depends solely 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	2020	2021	2022
Fixed Income Assets – government bonds	16 512	23 530	32 203
Assets invested for Unit-linked	45 152	65 210	90 042

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.

Significant changes of the corporate governance system that have occurred over the reporting period

During the period considered, few changes have occurred, namely the business name of the Company has been changed and, subsequently, the names of branches of the Company located in Czech Republic and Germany have been changed, the Chairman of the Board of Directors was re-elected to serve another term as a Chairman and a new Chairman of the Supervisory Board was appointed. Furthermore, there has been a change of the persons holding key functions, specifically Internal Auditor and the head of the Compliance Department. No other significant changes in the corporate governance system have occurred during the reporting period.

Remuneration policy

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

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 qualifications

required, responsibilities 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.

Rules governing the payment of wage surcharges are laid down in the relevant provisions of the Slovak Labour Code.

The variable wage component is an incentive tool of the Insurance Company intended to increase the personal commitment of employees in fulfilling their specified tasks, and to encourage better work performance. It may be provided in the following forms:

- monthly bonus,
- annual bonus,
- extraordinary reward.

The remuneration of the members of the Supervisory Board is decided by the General Meeting of the Company.

The main objective of the rules for remuneration of Persons concerned (i.e. members of the Board of Directors, holders of key functions and heads of divisions of the Insurance Company) is to define and set up a balanced, performance-oriented remuneration system of the Persons concerned, taking into account the individual performance, business strategy, risk management system, achieving long-term interests and objectives of the Insurance Company, and to do so in accordance with generally binding legal regulations.

The total remuneration of Persons concerned may consists of a fixed remuneration component and a variable remuneration component. The Insurance Company and the Person concerned may agree on the remuneration without the variable component.

In case the total remuneration consists of both, a fixed component of remuneration and a variable component of remuneration, the fixed component of the total remuneration shall constitute a sufficiently high proportion of the total remuneration so as to ensure a flexible policy in the remuneration system, and be proportionately balanced with the variable component of the total remuneration. The amount of the variable remuneration component for the relevant calendar year may not exceed the fixed remuneration component for that calendar year. The variable component of remuneration is divided into an unconditional part (60%) and conditional part (40%). This division shall not apply in respect of a person holding a key function, provided that the variable remuneration component does not exceed EUR 5,000 in a calendar year. In such a case, the total amount of the variable component of remuneration of a person holding a key function shall be deemed to be unconditional.

The amount of the variable remuneration component of the Persons concerned depends on the fulfilment of objectives set by the Insurance Company in accordance with the long-term business strategy, the interests of the Insurance Company that are reflected in the risk management system and corresponding to the current and future risks arising from the activities of the Insurance Company, the ability of the Insurance Company to fulfil its obligations under Article 63 of the Act on Insurance (eligible amount of own funds required to cover the Minimum Capital Requirement) and the key performance indicators of the Persons concerned determined by the Insurance Company (KPIs).

The specification of remuneration rules is agreed between the Persons Concerned and the Insurance Company in the contracts on the performance of a function and in employment contracts.

Remuneration rules are reflected in the risk management system of the Insurance Company, thereby supporting the system.

The Persons concerned shall be under an obligation not to use any personal hedging strategies nor an insurance relating to remuneration and liability obligations, that would be in conflict with the rules for risk mitigations.

The variable component of remuneration of the Insurance Company's employees holding key functions must not depend on the performance of the operational units nor the areas they supervise.
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 department'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 with shareholders, persons with significant control over the Company and members of the administrative, management or supervisory body

In thousands of EUR	**2019**	**2018**
Cash contribution to registered capital from the BoD members	-	-
Cash contribution to registered capital from the SB members	-	133
Services provided by related party to the Company	211	176
Salaries and remuneration of the BoD members	416	344
Salaries and remuneration of the SB members	149	89
Social security contributions for the BoD members	144	95
Social security contributions for the SB members	69	34

2. Professional competence requirements

The Insurance Company lays down in its internal regulation the following requirements for professional competence of 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**

Completed university education (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 management

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.

Risk management

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.

Own risk and solvency assessment

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. The 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 report following any significant change in the risk profile of the Company.

Risks included in the capital requirement calculations according to the standard formula

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 according to the standard formula

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.

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 performed

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 performed, findings and recommendations, which is submitted 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. The actuarial function is a key function of the Company and its main roles and responsibilities 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.

The actuarial function shall annually submit a written report on its activities to the Board of Directors, in which it describes the findings and conclusion from the performance of the above-mentioned tasks. The intermediate results obtained from these tasks are used by the risk management key function in the implementation of the Insurance Company’s risk management system.

7. Outsourcing

In order to comply with the Act on Insurance, the Insurance Company has adopted an internal regulation regarding its 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 and changes in the Company's risk profile.

The Company uses the standard formula to measure quantitative risks. The individual risk exposures represent individual sub-modules of the capital requirement and are listed in sub-sections of this section.

The changes of the risk profile that occurred during 2019 are described below. Due to the fact that these are changes of a significant nature, the Company has also recalculated the solvency ratio at the end of 2018 (see the values in the table below, particularly in the column "before the change of the risk profile" and in the column "after the change of the risk profile"). The Company has made the following changes:

i. Previous calculation of SCR for interest risk has reflected only the change in discount factors and not the change in the return affecting development of the insurance account of the policyholders. In May 2019, the Company has recalculated SCR as of 31.12.2018 and applied the change of interest rates both by discount factors as well as by development of the insurance accounts, thus the calculation has complied with the Delegated Regulation.
ii. Change of the projection of the guaranteed return of Guaranteed growth insurance fund by the respective contracts for consecutive years.
iii. Decrease of Share capital and Share Premium related to invalid subscription of 4021 shares.

The abovementioned changes in points i. – iii. resulted in an increase in the solvency ratio from 122% to 137% (see table „Solvency ratio“), which was caused by a decrease in the value of own funds by EUR 16.8 million and a decrease in the capital requirement by EUR 17 million.

Solvency ratio	**December 2018** after the change of the risk profile	**December 2018** before the change of the risk profile	***December 2018 after the change vs. December 2018 before the change [EUR]***	***December 2018 after the change vs. December 2018 before the change [%]***
Own funds	34 051 984	50 884 076	*-16 832 092*	*-33%*
Capital requirement	24 780 951	41 835 057	*-17 054 106*	*-41%*
SII ratio	**137%**	**122%**		*16pp*

in EUR

The decrease in own funds was due to the change described in point ii., which resulted in a decrease in the market value of liabilities, and the change described in point iii., which resulted in a decrease in basic own funds.

Own funds	**December 2018** after the change of the risk profile	**December 2018** before the change of the risk profile	***December 2018 after the change vs. December 2018 before the change [EUR]***	***December 2018 after the change vs. December 2018 before the change [%]***
Own funds	34 051 984	50 884 076	-16 832 092	-33%
Reconciliation reserve	25 762 798	41 388 890	-15 626 092	-38%
Basic own funds	7 989 186	9 195 186	-1 206 000	-13%
Subordinated liabilities	300 000	300 000	0	0%

in EUR

The decrease in the capital requirement was mainly due to the adjustment of the calculation of the increase/decrease in interest rate risk described in point i., and a decrease in the market value of liabilities.

Capital requirement	**December 2018** after the change of the risk profile	**December 2018** before the change of the risk profile	***December 2018 after the change vs. December 2018 before the change [EUR]***	***December 2018 after the change vs. December 2018 before the change [%]***
Capital requirement	**24 780 951**	**41 835 057**	-17 054 106	-41%
Basic capital requirement	25 626 296	46 633 802	-21 007 507	-45%
Operational risks	1 905 681	1 799 153	106 527	6%
Loss-absorbing capacity of deferred taxes	-2 751 026	-6 597 899	3 846 873	-58%

in EUR

Capital requirement	**December 2018** after the change of the risk profile	**December 2018** before the change of the risk profile	***December 2018 after the change vs. December 2018 before the change [EUR]***	***December 2018 after the change vs. December 2018 before the change [%]***
Non-life underwriting risk	0	0	0	0%
Life underwriting risk	16 909 815	28 936 818	-12 027 002	-42%
Health underwriting risk	9 239 926	7 779 824	1 460 102	19%
Market risk module	8 422 525	25 436 141	-17 013 615	-67%
Counterparty default risk module	1 402 153	1 542 735	-140 581	-9%
Intangible asset risk module	0	0	0	0%
Diversification	10 348 125	17 061 715	-6 713 590	-39%

in EUR

Following the changes made, the Minimum Capital Requirement ratio increased from 487% to 550%. The increase is due to a higher decrease in the Minimum Capital Requirement compared to the decrease in own funds eligible to cover the Minimum Capital Requirement.

Minimum Capital Requirement ratio	**December 2018** after the change of the risk profile	**December 2018** before the change of the risk profile	***December 2018 after the change vs. December 2018 before the change [EUR]***	***December 2018 after the change vs. December 2018 before the change [%]***
Own funds	34 051 984	50 884 076	*-16 832 092*	*-33%*
Minimum Capital Requirement	6 195 238	10 458 764	*-4 263 527*	*-41%*
MCR ratio	**550%**	**487%**		*63pp*

in EUR

1. Underwriting risks

Life insurance

The underwriting risk refers to the risk of adverse change in the value of insurance liabilities resulting from inadequately selected assumptions used for the calculation of insurance premiums and life insurance technical provisions. Given assumptions depend on the development of biometric risks, development of average administrative cost per insurance contract and number of voluntary withdrawals from contracts (lapsed insurance policies). Biometric risks cover various risks, including increased mortality risk as well as risk occurrence of catastrophic events.

As in 2018, the lapse risk is the most significant risk with regard to the capital requirement. The risk in question represents the most significant part of the capital requirement for life underwriting risks, and its year-on-year increase is mainly due to the growth of new Italian business.

Capital requirement	**December 2019**	**December 2018**	**December 2019 vs. December 2018 [EUR]**	**December 2019 vs. December 2018 [%]**
Life underwriting risk module	**35 046 323**	**16 909 815**	**18 136 508**	**107%**
Mortality risk sub-module	4 999 904	2 832 177	2 167 727	77%
Longevity risk sub-module	0	0	0	0%
Disability-morbidity risk sub-module	0	0	0	0%
Life-expense risk sub-module	5 933 722	3 020 803	2 912 919	96%
Revision risk sub-module	0	0	0	0%
Lapse risk sub-module	30 816 874	14 614 705	16 202 169	111%
Life-catastrophe risk sub-module	946 935	624 401	322 534	52%
Diversification	7 651 111	4 182 271	3 468 840	83%

In EUR

Health insurance

Capital requirement	December 2019	December 2018	December 2019 vs. December 2018 [EUR]	December 2019 vs. December 2018 [%]
Health underwriting risk module	**9 470 901**	**9 239 926**	**230 975**	**2%**
NSLT health insurance underwriting risk sub-module	3 843 736	6 275 855	-2 432 119	-39%
SLT health insurance underwriting risk sub-module	6 477 863	4 122 765	2 355 098	57%
Health catastrophe risk sub-module	1 256 295	543 118	713 177	131%
Diversification	2 106 993	1 701 811	405 181	24%

In EUR

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

SLT health insurance

The SLT health insurance underwriting risks refer to the level of uncertainty of assumptions used for the calculation of insurance premiums and technical provisions. Within the SLT health insurance, the Company differentiates between risks associated with disability-morbidity, critical illnesses and operations.

In order to calculate insurance 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 increase of the risk in question at the end of 2019 is mainly due to the growth of Icelandic business.

Capital requirement	December 2019	December 2018	December 2019 vs. December 2018 [EUR]	December 2019 vs. December 2018 [%]
SLT health underwriting risk sub-module	**6 477 863**	**4 122 765**	**2 355 098**	**57%**
Health mortality risk sub-module	0	0	0	0%
Health longevity risk sub-module	0	0	0	0%
Health disability-morbidity risk sub-module	4 804 174	3 361 382	1 442 793	43%
Health expense risk sub-module	1 099 779	822 970	276 809	34%
Revision risk sub-module	0	0	0	0%
SLT health lapse risk sub-module	3 012 687	1 145 444	1 867 243	163%
Diversification	2 438 777	1 207 031	1 231 747	102%

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 selection of assumptions used for the calculation of insurance premiums and technical provisions 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 premium and reserves, 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. The most significant decrease of the lapse risk sub-module is mainly due to the development of the Slovak and Czech portfolios and the related revised assumptions.

Capital requirement	December 2019	December 2018	December 2019 vs. December 2018 [EUR]	December 2019 vs. December 2018 [%]
NSLT health underwriting risk sub-module	**3 843 736**	**6 275 855**	**-2 432 119**	**-39%**
NSLT health premium and reserve risk sub-module	3 733 218	5 741 713	-2 008 495	-35%
NSLT health lapse risk sub-module	915 090	2 533 592	-1 618 502	-64%
Diversification	804 572	1 999 450	-1 194 878	-60%

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 within the clients' 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 surgeries 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 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 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 members of the insurance consortium, particularly HannoverRe a PartnerRE, in the assessment of biometric risks in the 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.

In order to mitigate the risk of mass-lapse Company uses mass-lapse-risk cover provided reinsurer HannoverRe.

2. Market risks

Interest rate risk

Interest rate risk refers to the impact of an adverse development of interest rates on the value of assets and liabilities and, at the end of 2019, it is the most significant risk among markets risks. The Company is exposed to the interest rate risk in connection with the holding of government bonds within the Guaranteed Growth Insurance Fund.

On the one hand, during 2018, the Company had eliminated the negative impact of the development of interest rates by establishing limits for investing in the Guaranteed Growth Insurance Fund, on the other hand, this risk has increased in respect of the affected contracts as a result of the revision of the Guaranteed Growth Insurance Fund's statute and the introduction of rules for determining the guaranteed appreciation for the following calendar year.

During 2019, the Company has further eliminated the interest rate risk by stopping the sale of products that offered guaranteed appreciation, and by launching new products in the relevant markets that do not provide the clients with an option to invest in a guaranteed insurance fund.

Equity risk

Equity risk is defined as a risk resulting from investing in shares.

At the end of 2019, the Company held the former underlying asset of the NOVIS Digital Asset Insurance Fund, which was fully replaced by other underlying assets.

According to the Solvency II Delegated Regulation, the value of office equipment is taken into account within the equity risk sub-module. This approach can be used in case the respective asset cannot be included in any other module of the standard formula.

The Insurance Company classifies the risk of the investment in a daughter company Novis Tech a.s. as risk related to strategic investments.

In calculating the equity risk, the Company takes into account a decline in share prices, which would lead to a loss of own funds of the Company in accordance with the requirements of the Solvency II Delegated Regulation.

Currency risk

Currency risk refers to the impact of changes in exchange rates of foreign currencies vis-à-vis the domestic currency. 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”), allowed by the new EU legislation, 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 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 and this effect is fully borne by the client, therefore, the Company’s profit or the equity will not be adversely affected.

- 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 2019	December 2018	December 2019 vs. December 2018 [EUR]	December 2019 vs. December 2018 [%]
Market risk module	**12 410 330**	**8 422 525**	3 987 805	**47%**
Interest rate risk sub-module	8 696 918	6 590 298	2 106 620	32%
Equity risk sub-module	1 211 664	2 808 466	-1 596 802	-57%
Property risk sub-module	0	0	0	0%
Spread risk sub-module	0	0	0	0%
Market risk concentrations sub-module	1 925 776	0	1 925 776	0%
Currency risk sub-module	6 430 122	2 664 337	3 765 786	141%
Diversification	5 854 150	3 640 575	2 213 575	61%

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. In 2019, the Company has significantly expanded the possibilities of financing its business expansion to include financing from the issuers of so-called Insurance-linked Securities.

Expected profits included in future premiums (hereinafter referred to as “EPIFP”) represent a significant portion of the reconciliation reserve. As of 31.12.2019, the amount of EPIFP in life insurance is EUR 305 million and EUR 9,4 million in non-life insurance.

Expected profits included in future premiums (EPIFP)	December 2019	December 2018
EPIFP – life insurance	304 999 908	184 870 848
EPIFP – non-life insurance	9 432 987	5 717 655
Total EPIFP	**314 432 895**	**190 588 503**

In EUR

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 the automation of processes 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 internal insurance software, which fully corresponds to the features of the Company's insurance product, in the course of 2018. Even though the insurance software became fully operational during 2019, its further development continues, while an emphasis is placed on achieving the highest level of security and data quality.

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

Capital requirement	December 2019	December 2018	December 2019 vs. December 2018 [EUR]	December 2019 vs. December 2018 [%]
Capital requirement	36 489 943	24 780 951	**11 708 992**	**47%**
Operational risks	2 037 097	1 905 681	131 417	7%

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 a portion of its insurance contracts 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 or, alternatively, interventions of regulators, which may hamper the Company's position within the competitive environment. This risk is clearly identified; however, the Company does not currently have a model that would allow its quantification. Despite the fact that the Company mitigates this risk by sufficient diversification of markets in which it operates, the new regulations, mainly 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.

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 publication of decisions of individual regulators and also due to the sale of insurance contracts exclusively through external distribution networks. This sales strategy carries the risk of mis-selling and other risks, which may result in 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. Moreover, new rules concerning the management and supervision of product distribution as well as a clear definition of target markets for newly launched products were introduced.

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: This approach was applied to test parameters 1. – 3., which are defined below. The last sensitivity analysis (stress scenario 4.) was chosen with regard to the outbreak of the COVID-19 pandemic and its impact on the financial situation of the Insurance Company's clients and it represents a combination of a 15% increase in the lapse rate for each year of projection and a non-payment of premiums for 6 months by 30% of the portfolio.

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 2019, the Company has defined the following parameters:

1. Risk of an increase in administrative unit costs per insurance contract – a 15% increase in unit costs per contract for each year of projection.
2. Lapse risk – a 15% increase in the lapse rate for each year of projection.
3. Risk of an increase in the mortality rate by 10% for each year of projection.
4. Risk of an increase in the lapse rate by 15% and, simultaneously, a non-payment of contractually agreed premiums for 6 months by 30% of the portfolio.

In the table below, the Company provides the results of the sensitivity analysis in comparison with the results reported at the end of 2019 (December 2019). The result of the testing in question is a decrease of the solvency ratio, which is caused by a 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 an increase in administrative unit costs per insurance contract had the most significant impact.

Stress scenarios	***December 2019***	***December 2019*** *Increase in administrative unit costs per insurance contract for each year of projection by 15%*	***December 2019*** *Increase in the lapse rate for each year of projection by 15%*	***December 2019*** *Increase in the mortality rate by 10%*	***December 2019*** *Increase in the lapse rate for each year of projection by 15% and a non-payment of premiums for 6 months by 30% of the portfolio*
OF	61 693 415	50 353 214	52 787 085	58 462 367	50 470 743
SCR	36 489 943	36 282 847	35 324 186	35 864 785	35 324 186
SII ratio	**169%**	**139%**	**149%**	**163%**	**143%**

In EUR

Stress scenarios	*December 2019*	*December 2019* *Increase in administrative unit costs per insurance contract for each year of projection by 15%*	*December 2019* *Increase in the lapse rate for each year of projection by 15%*	*December 2019* *Increase in the mortality rate by 10%*	*December 2019* *Increase in the lapse rate for each year of projection by 15% and a non-payment of premiums for 6 months by 30% of the portfolio*
OF	61 693 415	50 353 214	52 787 085	58 462 367	50 470 743
MCR	9 122 486	9 070 712	8 831 047	8 966 196	8 831 047
MCR ratio	**676%**	**555%**	**598%**	**652%**	**572%**

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 Chief Executive Officer, 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 Solvency II Directive and 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 and also insurance policies are valued at zero as their value is reflected in the negative best estimate liability (BEL). As of 31.12.2019, the Company is not presenting held government bonds within financial statements according to IFRS as HTM (Hold to maturity), but exclusively at fair value.

For the purpose of preparing the SII Balance Sheet, all securities are valued solely at market value. During 2019, market values for the last working day of valuation were provided by Tatra Banka, or by a particular fund manager (for example CAIAC Fund management AG).

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 foreign 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 data series 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 terminations of contracts (so-called lapses) in individual markets is based on the assumption of different lapse 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 took into account the reality of the past year and adjusted the best estimate assumptions (BEL) as compared to the end of 2018, the most important of which are:

- adjustment of the loss ratio for all insurance coverages on the basis of actual portfolio data as of 31.12.2019,
- adjustment of the average administrative costs per insurance contract for each market separately on the basis of the actual development of costs and size of the portfolio in individual markets during 2019, 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 calculation 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.

At the end of 2019, the risk margin for Solvency II purposes was calculated in accordance with the Delegated Regulation and the "Cost of capital" principle, however, compared to 2018, the impact of reinsurance was taken into account (in 2018, the Insurance Company calculated the risk margin without taking the impact of reinsurance into account, which contributed to increasing its value and deterioration of the SII ratio).

The Company does not apply the matching adjustment referred to in Article 77b of the Solvency II Directive.

The Company does not apply the volatility adjustment referred to in Article 77d of the Solvency II Directive.

The Company does not apply a transitional adjustment to the risk-free interest rate time structure as well as the volatility adjustment referred to in Article 308c of the Solvency II Directive.

The Company does not apply a transitional deduction referred to in Article 308d of the Solvency II Directive

3. Other liabilities

Also in 2019, the Insurance Company has been using a reinsurance scheme in cooperation with a consortium of reinsurance companies, which was expanded by Swiss 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 reinsurance part of the liability towards the reinsurer, which is calculated as time value, and the financing part are reported separately. At the end of 2019, the IFRS value of the liability towards the reinsurer amounted to EUR 74,9 thousand and the SII value amounted to EUR 80,2 thousand.

In 2019, the possibilities of financing the distribution partners' commission were broadened to include financing from providers of ILS, which technically means a sale of future acquisition fees applied within the insurance for which the commission is being financed this way. The repayment depends solely on the premium received. In the IFRS Balance Sheet, the current value of financing reduces the item – Value of Insurance Contracts. In the SII Balance Sheet, the value of BEL reflects the reduction of future cash flows of premiums by the value of sold acquisition fees.

Deferred tax liability represents the corporate tax related to income in future years and, as of the end of 2019, 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 31.12.2019, its IFRS value amounted to EUR 32,4 thousand and its SII value amounted to EUR 23,9 thousand.

4. Alternative valuation methods

The Company does not apply any 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 increased to 169% at the end of 2019. The increase was due to a larger increase in the own funds through the reconciliation reserve compared to the increase in the capital requirement. The decrease in question is caused by the changes in the Company's risk profile that occurred during 2019 and relate to:

i. Stopping the sale of the Wealth Insuring product and similar products in all markets.
ii. Focus on the sale of products in Slovakia, Italy, Iceland and Germany, which were launched in the last quarter of 2019.
iii. Changes in the calculation of the risk margin, while taking into account the impact of reinsurance at the end of 2019. Until August 2019, the Company has been calculating the risk margin without the impact of reinsurance, which contributed to its increase, thereby resulting in a lower value of own funds.
iv. Changes in the calculation of the equity risk sub-module. The Company has been simplifying the calculation of the capital requirement for equity risk sub-module (until August 2019, only the impact of type 2 equity risk was taken into account), which resulted in an increase in the equity risk sub-module. In August 2019, the Company has refrained from the simplification of the calculation and, therefore, took into account also the impact of type 1 equity risk in the calculation.
v. Changes in reporting the Eljovi Multi Strategy Fund, which has not been an underlying asset of the NOVIS Digital Assets Insurance Fund since August 2019, and therefore it is not included in assets for covering the Unit-Linked reserve. For this reason, its market value is taken into account when calculating the capital requirement for concentration risk.

Solvency II ratio	**December 2019**	**December 2018**	***December 2019 vs. December 2018 [EUR]***	***December 2019 vs. December 2018 [%]***
Own funds	61 693 415	34 051 984	*27 641 431*	*81%*
Solvency Capital Requirement	36 489 943	24 780 951	*11 708 992*	*47%*
SII ratio	**169%**	**137%**		*32pp*

In EUR

Minimum Capital Requirement ratio	December 2019	December 2018	*December 2019 vs. December 2018 [EUR]*	*December 2019 vs. December 2018 [%]*
Own funds	61 693 415	34 051 984	27 641 431	81%
Minimum Capital Requirement	9 122 486	6 195 238	2 927 248	47%
MCR ratio	**676%**	**550%**		*127pp*

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 the Solvency II Delegated Regulation. The Insurance Company's own funds consist of basic own funds only, in other words, 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 for the purpose of absorbing 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 one outstanding subordinated loan at the end of 2019. The loan is in the amount of EUR 200 000 maturing in 2020. Another subordinated loan of EUR 100 000 has been repaid by the Company in September 2019. Due to the fulfilment of the criteria for loss absorbing capacity of subordinated liabilities, the Insurance Company classifies the value of subordinated liabilities as **Tier 1 – restricted**.

The Company did not pay out dividends in 2019 and, due to the dividend policy approved by the General Meeting of the Insurance Company in June 2019, which does not allow the payment of dividends in case the payment would cause the SII ratio to fall below 170%, does not plan to pay out dividends in 2020 either.

The quantitative difference in the revaluation at the end of 2019 is shown in the table below. The reconciliation reserve constitutes the most significant item for the Company at the end of 2019, as well as at the end of 2018.

December 2019

In EUR	**IFRS**	**SII**	**Reconciliation IFRS a SII**
Excess of assets over liabilities	**37 678 098**	**62 457 155**	**24 779 057**
Intangible assets	948 222	0	-948 222
Investment	18 146 958	18 147 081	123
Assets invested on behalf of insured persons	41 816 405	41 816 419	14
Insurance contracts	132 314 490	734 747	-131 579 743
DAC (Deferred acquisition costs)	76 709	0	-76 709
Change in the value of assets			**-132 604 537**
Technical provisions – NSLT health insurance	0	-953 343	-953 343
Technical provisions – SLT health insurance	0	-16 581 730	-16 581 730
Technical provisions – life insurance	15 182 907	-117 688 700	-132 871 607
Technical provisions – unit-linked life insurance	44 035 569	40 211 537	-3 824 032
Reinsurance payables	74 850 771	80 236 784	5 386 013
Insurance and Intermediaries' payables	5 572 442	5 572 442	0
Deferred tax liabilities	32 421 045	23 882 150	-8 538 895
Change in the value of liabilities			**-157 383 593**

December 2018

In EUR	**IFRS**	**SII**	**Reconciliation IFRS a SII**
Excess of assets over liabilities	**29 847 129**	**34 629 584**	**4 782 455**
Intangible assets	1 005 395	0	-1 005 395
Investments	11 816 568	11 650 606	-165 961
Assets invested on behalf of insured persons	26 003 896	26 003 910	14
Insurance contracts	95 242 610	1 778 697	-93 463 914
DAC (Deferred acquisition costs)	292 211	0	-292 211
Change in the value of assets			**-94 927 466**
Technical provisions – NSLT health insurance	0	934 076	934 076
Technical provisions – SLT health insurance	0	-14 281 355	-14 281 355
Technical provisions – life insurance	12 181 332	-62 070 077	-74 251 409
Technical provisions – unit-linked life insurance	28 894 736	23 834 440	-5 060 297
Reinsurance payables	48 375 666	51 913 847	3 538 180
Insurance and Intermediaries' payables	9 450 209	9 450 209	0
Deferred tax liabilities	22 709 862	12 120 744	-10 589 118
Change in the value of liabilities			**-99 709 921**

The Company's own funds have increased to EUR 61,7 million (by EUR 27,6 million) at the end of 2019. The reconciliation reserve constitutes the most significant share of the Company's own funds. The positive increase of the reconciliation reserve is due to the increase in new business, for which the market value of liabilities is negative. In 2019, the Italian market in particular contributed to the increase of the reconciliation reserve. The decrease in subordinated liabilities is caused by the repayment of one subordinated loan in the amount of EUR 100 000 in September 2019.

Own funds	December 2019	December 2018	*December 2019 vs. December 2018 [EUR]*	*December 2019 vs. December 2018 [%]*
Own funds	61 693 415	34 051 984	81%	27 641 431
Reconciliation reserve	53 504 229	25 762 798	108%	27 741 431
Basic own funds	7 989 186	7 989 186	0%	0
Subordinated liabilities	200 000	300 000	-33%	-100 000

In EUR

December 2019

Own funds	TOTAL	Tier 1	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Own funds	68 507 615	68 507 615	68 307 615	200 000	0	0
Reconciliation reserve	53 504 229	53 504 229	53 504 229	0	0	0
Ordinary share capital	13 628 400	13 628 400	13 628 400	0	0	0
Share premium account	1 174 986	1 174 986	1 174 986	0	0	0
Subordinated liabilities	200 000	200 000	0	200 000	0	0

In EUR

December 2018

Own funds	TOTAL	Tier 1	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Own funds	33 886 498	33 013 498	33 013 498	0	0	0
Reconciliation reserve	25 762 798	25 762 798	25 762 798	0	0	0
Ordinary share capital	6 814 200	6 814 200	6 814 200	0	0	0
Share premium account	436 500	436 500	436 500	0	0	0
Subordinated liabilities	873 000	0	0	0	0	0

In EUR

2. Solvency capital requirement and minimum capital requirement

The solvency capital requirement increased to EUR 36,5 million at the end of 2019 as compared to the end of 2018 due to the increase in the life underwriting risk module, in particular the lapse risk sub-module, the increase of which is caused mainly by the growth of the Italian portfolio.

Solvency capital requirement

Solvency capital requirement	December 2019	December 2018	*December 2019 vs. December 2018 [EUR]*	*December 2019 vs. December 2018 [%]*
Capital requirement	**36 489 943**	**24 780 951**	11 708 992	47%
Basic capital requirement	44 152 704	25 626 296	18 526 408	72%
Operational risks	2 037 097	1 905 681	131 417	7%
Loss-absorbing capacity of deferred taxes	-9 699 858	-2 751 026	-6 948 833	253%

In EUR

Solvency capital requirement	December 2019	December 2018	*December 2019 vs. December 2018 [EUR]*	*December 2019 vs. December 2018 [%]*
Non-life underwriting risk module	0	0	0	0%
Life underwriting risk module	35 046 323	16 909 815	18 136 508	107%
Health underwriting risk module	9 470 901	9 239 926	230 975	2%
Market risk module	12 410 330	8 422 525	3 987 805	47%
Counterparty default risk module	1 190 562	1 402 153	-211 591	-15%
Intangible asset module	0	0	0	0%
Diversification	13 965 413	10 348 125	3 617 289	35%

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, death cover, technical provisions for unit-linked life insurance and capital at risk for life insurance obligations.

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 9,1 million.

Minimum capital requirement	**December 2019**	**December 2018**	***December 2019 vs. December 2018 [EUR]***	***December 2019 vs. December 2018 [%]***
MCR	9 122 486	6 195 238	2 927 248	47%
AMCR	3 700 000	3 700 000	0	0%
MCRcomb	9 122 486	6 195 238	2 927 248	47%
MCRfloor	9 122 486	6 195 238	2 927 248	47%
MCRcap	16 420 474	11 151 428	5 269 046	47%
MCRlinear	1 012 537	811 174	201 363	25%
MCRlinear, nl	132 709	178 068	-45 359	-25%

In EUR

The Company's own funds eligible to cover the minimum capital requirement amount to 676% at the end of 2019.

Minimum capital requirement ratio	**December 2019**	**December 2018**	***December 2019 vs. December 2018 [EUR]***	***December 2019 vs. December 2018 [%]***
Own funds	61 693 415	34 051 984	27 641 431	81%
Minimum capital requirement	9 122 486	6 195 238	2 927 248	47%
MCR ratio	**676%**	**550%**		*127pp*

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 use of the standard formula and the possible use of an internal model

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, during 2019.

6. Other information

The Company quantified the development of the Solvency II ratio (referred to as “SII ratio” in the table below) for a period of three years, while taking into account the possible negative impacts of the COVID-19 pandemic on the economic situation of the population, and hence on the conclusion of new insurance contracts during 2020 as compared to 2021 and 2022.

Solvency II ratio	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	61 693	67 216	101 481	134 771
Solvency capital requirement	36 490	41 177	54 671	64 669
SII ratio	**169%**	**163%**	**186%**	**208%**

In thousands of EUR

Minimum capital requirement ratio	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	61 693	67 216	101 481	134 771
Minimum capital requirement	9 122	10 294	13 668	16 167
MCR ratio	**676%**	**653%**	**742%**	**834%**

In thousands of EUR

The Company has also quantified the development of Solvency II ratio for the years 2020 to 2022 after the application of stress scenarios:

1. Increase in administrative unit costs per insurance contract by 15%

Solvency II ratio *Increase in administrative unit costs per insurance contract for each year of projection by 15%*	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	50 353	54 396	74 802	98 487
Capital requirement	36 283	41 337	52 409	60 905
SII ratio	**139%**	**132%**	**143%**	**162%**

In thousands of EUR

Minimum capital requirement ratio *Increase in administrative unit costs per insurance contract for each year of projection by 15%*	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	50 353	54 396	74 802	98 487
Minimum capital requirement	9 071	10 334	13 102	15 226
MCR ratio	**555%**	**526%**	**571%**	**647%**

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 the 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.

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

Solvency II ratio *Increase in lapse rates for each year of projection by 15%*	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	52 787	56 527	77 520	101 889
Capital requirement	35 324	39 472	48 765	55 871
SII ratio	**149%**	**143%**	**159%**	**182%**

In thousands of EUR

Minimum capital requirement ratio *Increase in lapse rates for each year of projection by 15%*	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	52 787	56 527	77 520	101 889
Minimum capital requirement	8 831	9 868	12 191	13 968
MCR ratio	**598%**	**573%**	**636%**	**729%**

In thousands of EUR

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

3. Increase in the mortality rate for each year of projection by 10%

Solvency II ratio *Increase in the mortality rate by 10%*	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	58 462	63 204	85 432	110 708
Capital requirement	35 865	40 358	49 909	57 298
SII ratio	**163%**	**157%**	**171%**	**193%**

In thousands of EUR

Minimum capital requirement ratio *Increase in the mortality rate by 10%*	***December 2019***	***December 2020***	***December 2021***	***December 2022***
Own funds	58 462	63 204	85 432	110 708
Minimum capital requirement	8 966	10 090	12 477	14 324
MCR ratio	**652%**	**626%**	**685%**	**773%**

In thousands of EUR

At the time of preparing this report, the Insurance company has issued a statement on the non-application of insurance exclusions for a pre-specified period of time due to the persistence of the COVID-19 pandemic. As a result of the fact that the non-application of the exclusions may lead to increased mortality, the Insurance company has tested the Solvency II ratio reflecting an increase in the mortality rate by 10%.

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

For the purposes of unbundling of the insurance liabilities into individual lines of business the Company uses the present value of claims for setting the unbundling-allocation keys. The Company has chosen this approach mainly due to the time and staff capacity required if the simplified approach was not applied.

ANNEXES

S.02.01.02 Balance sheet 1/2

		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Assets				
Goodwill	R0010			
Deferred acquisition costs	R0020		76,709	
Intangible assets	R0030		948,222	
Deferred tax assets	R0040	11,949,329	11,949,329	
Pension benefit surplus	R0050			
Property, plant & equipment held for own use	R0060	310,624	310,624	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	18,147,081	18,146,958	
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	13,589,792	13,589,670	
Government Bonds	R0140	13,589,792	13,589,670	
Corporate Bonds	R0150			
Structured notes	R0160			
Collateralised securities	R0170			
Collective Investments Undertakings	R0180	2,901,410	2,901,410	
Derivatives	R0190			
Deposits other than cash equivalents	R0200			
Other investments	R0210			
Assets held for index-linked and unit-linked contracts	R0220	41,816,419	41,816,405	
Loans and mortgages	R0230			
Loans on policies	R0240			
Loans and mortgages to individuals	R0250			
Other loans and mortgages	R0260			
Reinsurance recoverables from:	R0270	258,060	258,060	
Non-life and health similar to non-life	R0280	258,060	258,060	
Non-life excluding health	R0290			
Health similar to non-life	R0300	258,060	258,060	
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	566,556	566,556	
Reinsurance receivables	R0370	732,507	732,507	
Receivables (trade, not insurance)	R0380	2,688,063	2,688,063	
Own shares (held directly)	R0390	963,740	963,740	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400			
Cash and cash equivalents	R0410	3,655,454	3,655,454	
Any other assets, not elsewhere shown	R0420	734,747	132,314,490	
Total assets	R0500	81,822,580	214,427,116	

S.02.01.02 Balance sheet - 2/2

		Solvency II value	Statutory accounts value	Reclassification adjustments
Liabilities				
Technical provisions – non-life	R0510	-953,343		
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	-953,343		
Technical provisions calculated as a whole	R0570			
Best Estimate	R0580	-1,139,982		
Risk margin	R0590	186,639		
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-134,270,430		
Technical provisions - health (similar to life)	R0610	-16,581,730		
Technical provisions calculated as a whole	R0620			
Best Estimate	R0630	-19,829,861		
Risk margin	R0640	3,248,131		
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-117,688,700		
Technical provisions calculated as a whole	R0660			
Best Estimate	R0670	-140,742,287		
Risk margin	R0680	23,053,587		
Technical provisions – index-linked and unit-linked	R0690	40,211,537	59,218,476	
Technical provisions calculated as a whole	R0700	40,211,537		
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	23,882,150	32,421,045	
Derivatives	R0790			
Debts owed to credit institutions	R0800	2,531,667	2,531,667	
Debts owed to credit institutions resident domestically	ER0801			
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	2,531,667		
Debts owed to credit institutions resident in rest of the world	ER0803			
Financial liabilities other than debts owed to credit institutions	R0810	50,555	50,555	
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 rest of the world	ER0814			
Other financial liabilities (debt securities issued)	ER0815	50,555		
Insurance & intermediaries payables	R0820	5,572,442	5,572,442	
Reinsurance payables	R0830	80,236,784	74,850,771	
Payables (trade, not insurance)	R0840	1,904,063	1,904,063	
Subordinated liabilities	R0850	200,000	200,000	
Subordinated liabilities not in Basic Own Funds	R0860			
Subordinated liabilities in Basic Own Funds	R0870	200,000	200,000	
Any other liabilities, not elsewhere shown	R0880			
Total liabilities	R0900	19,365,425	176,749,018	
Excess of assets over liabilities	R1000	62,457,155	37,678,098	

S.05.01.01 Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0200
Premiums written														
Gross - Direct Business	R0110		1,561,287											1,561,287
Gross - Proportional reinsurance accepted	R0120													0
Gross - Non-proportional reinsurance accepted	R0130													0
Reinsurers' share	R0140		0											0
Net	R0200		1,561,287											1,561,287
Premiums earned														
Gross - Direct Business	R0210		1,561,287											1,561,287
Gross - Proportional reinsurance accepted	R0220													0
Gross - Non-proportional reinsurance accepted	R0230													0
Reinsurers' share	R0240		0											0
Net	R0300		1,561,287											1,561,287
Claims incurred														
Gross - Direct Business	R0310		892,900											892,900
Gross - Proportional reinsurance accepted	R0320													0
Gross - Non-proportional reinsurance accepted	R0330													0
Reinsurers' share	R0340		0											0
Net	R0400		892,900											892,900
Changes in other technical provisions														
Gross - Direct Business	R0410		382,235											382,235
Gross - Proportional reinsurance accepted	R0420													0
Gross - Non- proportional reinsurance accepted	R0430													0
Reinsurers' share	R0440		0											0
Net	R0500		382,235											382,235
Expenses incurred	R0550		1,697,159											1,697,159
Administrative expenses														
Gross - Direct Business	R0610		139,283											139,283
Gross - Proportional reinsurance accepted	R0620													0
Gross - Non-proportional reinsurance accepted	R0630													0
Reinsurers' share	R0640		0											0
Net	R0700		139,283											139,283
Investment management expenses														
Gross - Direct Business	R0710		0											0
Gross - Proportional reinsurance accepted	R0720													0
Gross - Non-proportional reinsurance accepted	R0730													0
Reinsurers' share	R0740		0											0
Net	R0800		0											0
Claims management expenses														
Gross - Direct Business	R0810		71,066											71,066
Gross - Proportional reinsurance accepted	R0820													0
Gross - Non-proportional reinsurance accepted	R0830													0
Reinsurers' share	R0840		0											0
Net	R0900		71,066											71,066
Acquisition expenses														
Gross - Direct Business	R0910		1,286,621											1,286,621
Gross - Proportional reinsurance accepted	R0920													0
Gross - Non-proportional reinsurance accepted	R0930													0
Reinsurers' share	R0940		0											0
Net	R1000		1,286,621											1,286,621
Overhead expenses														
Gross - Direct Business	R1010		200,188											200,188
Gross - Proportional reinsurance accepted	R1020													0
Gross - Non-proportional reinsurance accepted	R1030													0
Reinsurers' share	R1040		0											0
Net	R1100		200,188											200,188
Other expenses	R1200													-589,571
Total expenses	R1300													1,107,588

S.05.01.02 Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	1,592,194	11,492,264	35,169,427	1,406,383					49,660,268
Reinsurers' share	R1420	1,088,932	7,859,780	24,053,047	961,853					33,963,612
Net	R1500	503,262	3,632,484	11,116,380	444,531					15,696,657
Premiums earned										
Gross	R1510	1,592,194	11,492,264	35,169,427	1,662,061					49,915,946
Reinsurers' share	R1520	1,088,932	7,859,780	24,053,047	961,853					33,963,612
Net	R1600	503,262	3,632,484	11,116,380	700,208					15,952,334
Claims incurred										
Gross	R1610	1,312,108	0	0	229,727					1,541,835
Reinsurers' share	R1620	85,849	0	0	15,031					100,879
Net	R1700	1,226,260	0	0	214,696					1,440,956
Changes in other technical provisions										
Gross	R1710	734,044	666,651	15,140,833	1,914,104					18,455,632
Reinsurers' share	R1720	0	3,962,050	12,394,588	0					16,356,638
Net	R1800	734,044	-3,295,399	2,746,245	1,914,104					2,098,994
Expenses incurred	R1900	673,112	4,104,666	12,561,384	520,599					17,859,760
Administrative expenses										
Gross	R1910	142,041	1,025,232	3,137,487	125,464					4,430,224
Reinsurers' share	R1920	0	0	0	0					0
Net	R2000	142,041	1,025,232	3,137,487	125,464					4,430,224
Investment management expenses										
Gross	R2010	0	0	0	0					0
Reinsurers' share	R2020	0	0	0	0					0
Net	R2100	0	0	0	0					0
Claims management expenses										
Gross	R2110	104,431	0	0	18,284					122,715
Reinsurers' share	R2120	0	0	0	0					0
Net	R2200	104,431	0	0	18,284					122,715
Acquisition expenses										
Gross	R2210	1,312,091	9,470,512	28,982,321	1,158,968					40,923,893
Reinsurers' share	R2220	1,089,601	7,864,613	24,067,835	962,444					33,984,493
Net	R2300	222,489	1,605,900	4,914,486	196,524					6,939,400
Overhead expenses										
Gross	R2310	204,151	1,473,534	4,509,411	180,326					6,367,421
Reinsurers' share	R2320	0	0	0	0					0
Net	R2400	204,151	1,473,534	4,509,411	180,326					6,367,421
Other expenses	R2500									-18,752,624
Total expenses	R2600									-892,864
Total amount of surrenders	R2700	0	0	366,200	2,117,255					2,483,456

S.12.01.01 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance				Accepted reinsurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations		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	Total (Life other than health insurance, incl. Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	40,211,537			0									40,211,537	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	-105,489,263		0	0		-35,253,023	0							-140,742,287		-19,829,861	0			-19,829,861
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	-105,489,263		0	0		-35,253,023	0							-140,742,287		-19,829,861	0			-19,829,861
Risk Margin	R0100	17,279,141	0			5,774,445									23,053,587	3,248,131					3,248,131
Amount of the transitional on Technical Provisions																					
Technical Provisions calculated as a whole	R0110																				
Best estimate	R0120																				
Risk margin	R0130																				
Technical provisions - total	R0200	-88,210,122	40,211,537			-29,478,578									-77,477,163	-16,581,730					-16,581,730
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0210	-88,210,122	40,211,537			-29,478,578									-77,477,163	-16,581,730					-16,581,730
Best Estimate of products with a surrender option	R0220	12,902,227	40,211,537			0									53,113,764	0					0
Gross BE for Cash flow																					
Cash out-flows																					
Future guaranteed and discretionary benefits	R0230		-225,450,452			197,668,425									485,249,771	111,178,320					111,178,320
Future guaranteed benefits	R0240	513,031,799													513,031,799						
Future discretionary benefits	R0250	0													0						
Future expenses and other cash out-flows	R0260	78,405,480	-29,887,448			26,204,448									74,722,480	14,738,654					14,738,654
Cash in-flows																					
Future premiums	R0270	696,926,542	-265,661,989			232,924,735									664,189,288	131,008,181					131,008,181
Other cash in-flows	R0280	0	0			0									0	0					0
Percentage of gross Best Estimate calculated using approximations	R0290	0.00%	0.00%			0.00%										0.00%					
Surrender value	R0300	12,902,227	40,211,537			0									53,113,764	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	-88,210,122	40,211,537			-29,478,578									-77,477,163	-16,581,730					-16,581,730
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												
		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	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0180
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		-2,136,908											-2,136,908
Gross - direct business	R0070		-2,136,908											-2,136,908
Gross - accepted proportional reinsurance business	R0080		0											0
Gross - accepted non-proportional reinsurance business	R0090													0
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100		0											0
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110		0											0
Recoverables from SPV before adjustment for expected losses	R0120		0											0
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130		0											0
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		-2,136,908											-2,136,908
Claims provisions														
Gross - Total	R0160		996,926											996,926
Gross - direct business	R0170		996,926											996,926
Gross - accepted proportional reinsurance business	R0180		0											0
Gross - accepted non-proportional reinsurance business	R0190													0
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200		258,060											258,060
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210		258,060											258,060
Recoverables from SPV before adjustment for expected losses	R0220		0											0
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230		0											0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		258,060											258,060
Net Best Estimate of Claims Provisions	R0250		738,866											738,866
Total Best estimate - gross	R0260		-1,139,982											-1,139,982
Total Best estimate - net	R0270		-1,398,042											-1,398,042
Risk margin	R0280		186,639											186,639
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		-953,343											-953,343
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330		258,060											258,060
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340		-1,211,403											-1,211,403
Line of Business: further segmentation (Homogeneous Risk Groups)														
Premium provisions - Total number of homogeneous risk groups	R0350		1											
Claims provisions - Total number of homogeneous risk groups	R0360		1											
Cash-flows of the Best estimate of Premium Provisions (Gross)														
Cash out-flows														
Future benefits and claims	R0370		10,392,541											10,392,541
Future expenses and other cash-out flows	R0380		1,588,268											1,588,268
Cash in-flows														
Future premiums	R0390		14,117,717											14,117,717
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400		0											0
Cash-flows of the Best estimate of Claims Provisions (Gross)														
Cash out-flows														
Future benefits and claims	R0410		10,392,541											10,392,541
Future expenses and other cash-out flows	R0420		0											0
Cash in-flows														
Future premiums	R0430		0											0
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440		0											0
Percentage of gross Best Estimate calculated using approximations	R0450		0.00%											
Best estimate subject to transitional of the interest rate	R0460													
Technical provisions without transitional on interest rate	R0470													
Best estimate subject to volatility adjustment	R0480		0											0
Technical provisions without volatility adjustment and without others transitional measures	R0490		-953,343											-953,343

S.19.01.01 Gross Claims Paid (non-cumulative) - Development year (absolute amount)

Line of business	Z0010	Income protection insurance [direct business and accepted proportional reinsurance] {s2c_LB:x52}
Accident year / Underwriting year	Z0020	Underwriting year [UWY] {s2c_AM:x88}
Currency	Z0030	Total/NA {s2c_CU:x0}
Currency conversion	Z0040	Not applicable / Expressed in (converted to) reporting currency {s2c_CA:x0}

		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
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	0	0	315	0	0	0	0									
N-5	R0200	9,925	35,478	27,867	34,586	45,915	15,148										
N-4	R0210	64,454	276,901	391,868	191,204	183,648											
N-3	R0220	162,734	519,371	344,631	310,947												
N-2	R0230	114,769	328,972	343,268													
N-1	R0240	42,929	139,687														
N	R0250	39,297															

		In Current year	Sum of years (cumulative)
		C0170	C0180
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	0	315
N-5	R0200	15,148	168,919
N-4	R0210	183,648	1,108,073
N-3	R0220	310,947	1,337,683
N-2	R0230	343,268	787,009
N-1	R0240	139,687	182,616
N	R0250	39,297	39,297
Total	R0260	1,031,994	3,623,912

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount)

Line of business	Z0010	Income protection insurance [direct business and accepted proportional reinsurance] {s2c_LB:x52}
Accident year /	Z0020	Underwriting year [UWY] {s2c_AM:x88}
Currency	Z0030	Total/NA {s2c_CU:x0}
conversion	Z0040	Not applicable / Expressed in (converted to) reporting currency {s2c_CA:x0}

		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350
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	0	0	0	0	0	0										
N-4	R0210	0	0	0	1,424	37,753											
N-3	R0220	600	0	2,526	32,150												
N-2	R0230	0	1,014	58,430													
N-1	R0240	1,350	22,456														
N	R0250	132,574															

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

		Year end (discounted data)
		C0360
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	37,753
N-3	R0220	32,150
N-2	R0230	58,430
N-1	R0240	22,456
N	R0250	132,574
Total	R0260	283,363

S.23.01.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	6,814,200	6,814,200			
Share premium account related to ordinary share capital	R0030	1,174,986	1,174,986			
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	53,504,229	53,504,229			
Subordinated liabilities	R0140	200,000		200,000		
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	61,693,415	61,493,415	200,000		
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	61,693,415	61,493,415	200,000		
Total available own funds to meet the MCR	R0510	61,693,415	61,493,415	200,000		
Total eligible own funds to meet the SCR	R0540	61,693,415	61,493,415	200,000		
Total eligible own funds to meet the MCR	R0550	61,693,415	61,493,415	200,000		
SCR	R0580	36,489,943				
MCR	R0600	9,122,486				
Ratio of Eligible own funds to SCR	R0620	169.07%				
Ratio of Eligible own funds to MCR	R0640	676.28%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	62,457,155
Own shares (held directly and indirectly)	R0710	963,740
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	7,989,186
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	53,504,229
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	304,999,908
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	9,432,987
Total Expected profits included in future premiums (EPIFP)	R0790	314,432,895

S.25.01.01.21 Solvency Capital Requirement – standard formula

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	12,410,330	12,410,330	
Counterparty default risk	R0020	1,190,562	1,190,562	
Life underwriting risk	R0030	35,046,323	35,046,323	
Health underwriting risk	R0040	9,470,901	9,470,901	
Non-life underwriting risk	R0050	0	0	
Diversification	R0060	-13,965,413	-13,965,413	
Intangible asset risk	R0070	0	0	
Basic Solvency Capital Requirement	R0100	44,152,704	44,152,704	

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	2,037,097
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-9,699,858
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	36,489,943
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	36,489,943
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 Minimal capital requirement

		MCR components
		C0010
MCRNL Result	R0010	132,709

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	1,561,287
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	0	0
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

		C0040
MCRL Result	R0200	879,828

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
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	40,211,537	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		854,781,365

Overall MCR calculation

		C0070
Linear MCR	R0300	1,012,537
SCR	R0310	36,489,943
MCR cap	R0320	16,420,474
MCR floor	R0330	9,122,486
Combined MCR	R0340	9,122,486
Absolute floor of the MCR	R0350	3,700,000
Minimum Capital Requirement	R0400	9,122,486