NOVIS Insurance Company,
NOVIS Versicherungsgesellschaft,
NOVIS Compagnia di Assicurazioni,
NOVIS Poisťovňa a.s.

Consolidated Financial Statements
in accordance with IFRS as adopted by the EU
31 December 2022

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2022

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of EUR	Note	31-12-22	31-12-21
ASSETS			
Intangible Fixed Assets	2.1.1.	6 600	5 913
Tangible Fixed Assets	2.1.2.	381	249
Investment in Subsidiaries	2.1.3.	1 206	6
Fixed Income Securities	2.1.4.	251	8 028
Variable Income Securities	2.1.5.	1 979	0
Investments in Unit-Linked Funds	2.1.6.	59 802	73 122
Insurance Contracts	2.1.7.	178 466	155 210
Receivable from Reinsurer	2.1.8.	13 207	2 975
Other Receivables	2.1.9.	356	981
Restricted Bank Account Balance	2.1.10.	583	698
Cash and Cash Equivalents	2.1.10.	3 043	4 381
TOTAL ASSETS		**265 874**	**251 563**
EQUITY	**2.2.1.**	**43 311**	**34 105**
Borrowings	2.2.2.	16 483	11 412
Other Liabilities	2.2.3.	10 047	9 366
Life Insurance Provisions	2.2.4.	17 491	18 907
Unit-linked Insurance Provisions	2.2.5.	78 442	78 332
Liability towards Reinsurers	2.2.6.	70 655	75 524
Tax Provision	2.2.7.	29 445	23 917
TOTAL LIABILITIES		**222 563**	**217 458**
TOTAL EQUITY AND LIABILITIES		**265 874**	**251 563**

The notes on pages 5 to 64 are an integral part of these Consolidated financial statements.

B. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of EUR	Note	2022	2021
Gross Premium Income	2.3.1.	58 252	56 605
Commissions from Reinsurer	2.3.2.	2 185	6 816
Reinsurer Share of Claims and Benefits	2.3.3.	293	566
Investment Income	2.3.4.	-14 150	5 954
Change in the Insurance contracts asset	2.3.5.	46 458	16 135
		93 038	**86 076**
Commissions to Intermediaries	2.4.1.	-40 578	-29 803
Reinsurance Premium	2.4.5.	-21 689	-25 874
Change in Liability towards Reinsurer	2.4.6.	15 798	13 971
Insurance Benefits	2.4.2.	-18 247	-16 162
Change in Insurance Provisions	2.4.3.	868	-544
Change in Unit-linked Insurance Provisions	2.4.4.	-110	-18 132
Investment and Financing Costs	2.4.7.	-5 289	-2 604
Operating Expenses	2.4.8.	-12 815	-11 563
		-82 062	-90 711
PROFIT BEFORE TAX		**10 976**	**-4 635**
Deferred Tax Expense	2.4.9.	-5 528	3 540
Current Income Tax	2.4.10.	0	-1
PROFIT AFTER TAX		**5 448**	**-1 096**
Other Comprehensive Income	2.2.1.	759	-1 211
COMPREHENSIVE INCOME		**6 207**	**-2 307**

The notes on pages 5 to 64 are an integral part of these Consolidated financial statements.

C. CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of EUR	Note	2022	2021
Gross Premium Received	2.3.1.	58 250	56 587
Interest Income Received	2.3.4.	24	231
Net Result from Reinsurance and ILS Financing		3 991	-1 625
Commissions to Intermediaries	2.4.1.	-40 578	-29 803
Insurance Claims	2.4.2.	-18 792	-15 891
Operating Expenses	2.4.8.	-11 883	-10 308
Interest paid	2.4.7.	-860	-458
Δ Other Receivables incl. Reinsurance	2.1.8.	-9 581	1 599
Δ Other Payables incl. Reinsurance	2.2.3.	11 611	14 008
Δ Assets Invested for Unit-linked Insurance Provisions	2.1.6.	-214	-14 862
Δ Assets Invested for Life Insurance Provisions	2.1.4.	5 639	417
Other financial results and separately disclosed items		-3 293	-1 672
Operating Cash Flows		**-5 685**	**-1 755**
Δ Borrowings	2.2.2.	4 211	3 915
Increse in equity - share issue	2.2.1.	2 998	0
Financing Cash Flows		**7 209**	**3 915**
Purchases of Intangible Fixed Assets	2.1.1.	-1 541	-522
Purchases of Tangible Fixed Assets	2.1.2.	-236	-126
Investment in subsidiaries	2.1.3.	-1 200	0
Δ Restricted Cash Bank Deposit*	2.1.10.	115	876
Investing Cash Flows		**-2 862**	**228**
Cash and Cash Equivalents at the Beginning of Period		4 381	2 013
Cash and Cash Equivalents at the End of Period*		**3 043**	**4 381**

The notes on pages 5 to 64 are an integral part of these Consolidated financial statements.

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of EUR	Share Capital	Share Premium	Statutory Reserve Fund	FVOCI Reserve	Own Shares	Retained Earnings	Total Equity
As at 31 December 2020	**6 815**	**1 175**	**1 367**	**310**	**-964**	**27 709**	**36 412**
Profit after Tax for 2021	-	-	-	-	-	-1 096	**-1 096**
Capital transactions with owners:							
Increase in Share Capital	-	-	-	-	-	-	**0**
Revaluation of FVOCI Assets	-	-	-	-1 214	-	3	**-1 211**
Attribution to Statutory Reserve Fund		-	0	-	-	-	**0**
Purchase of Own Shares	-	-	-	-	0	-	**0**
As at 31 December 2021	**6 815**	**1 175**	**1 367**	**-904**	**-964**	**26 616**	**34 105**
Profit after Tax for 2022	-	-	-	-	-	5 448	**5 448**
Capital transactions with owners:							
Increase in Share Capital	250	2 749	-	-	-	-	**2 998**
Revaluation of FVOCI Assets	-	-	-	759	-	-	**759**
Attribution to Statutory Reserve Fund		-	12	-	-	-11	**1**
Purchase of Own Shares	-	-	-	-	0	-	**0**
As at 31 December 2022	**7 064**	**3 924**	**1 379**	**-145**	**-964**	**32 053**	**43 311**

The notes on pages 5 to 64 are an integral part of these Consolidated financial statements.

E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

On 5th of June 2023 National bank of Slovakia has withdrawn the license that authorized NOVIS to conduct its insurance activities. For more details refer to the Notes 1.1.1., 1.1.3. and 3.5.

1.1. General information about the reporting entity

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the annual reporting period ended 31 December 2022 except for situation described in Note 1.1.3.

Consolidated financial statements have been prepared for Novis Group (the ”Group”) which consists of the following entities:

- NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s. (the “Company” or ”Insurance company” or ”NOVIS”)
- Novis Tech, a. s. – a fully owned (100%) subsidiary of NOVIS Poisťovňa a.s. (“Subsidiary”)

On 27th October 2017 the company established a wholly owned subsidiary Novis Tech, a.s., a service provider of software development and IT services. This service dedicated subsidiary was established in line with the Company’s strategic focus on financial and IT technology development and complements the Company’s IT development division.

1.1.1. Corporate registration details

Registered name:	NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s.
Registered in:	Bratislava, I District Court, Section Sa, Insert No 5851/B (till 30th of May 2023) Municipal Court Bratislava III, Section Sa, Insert No 5851/B (from 1st of June 2023)
Registration number (IČO):	47 251 301
Tax registration number (DIČ):	2023885314

The Company was founded on 19 September 2012 and registered on 11 October 2013 as a Joint Stock Company. NOVIS operated under the license no. ODT-13166/2012-16 granted by the National Bank of Slovakia (also "NBS”) on 3. October 2013 and conducts its life insurance activity based on the Slovak Insurance Act (no. 39/2015) – according to Annex 1 part B point 1. character a), b), c) and point 3., being an implementation of the Directive 2009/138/EC enacted by the European Union on 25 November 2009 (“Solvency II Directive”).

NBS, by its decision of 1 June 2023, withdrew the authorization to conduct insurance business from the Company. As of the effective date of the decision, i.e. 5 June 2023, NOVIS is prohibited from conducting insurance business, with the exception of activities necessary to enforce its claims and settle its liabilities. NOVIS may not conclude new insurance contracts.

Importantly, the revocation of the license does not impact the validity of existing insurance policies. NOVIS continues to bear the responsibility of effectively managing its insurance portfolio. Upon the commencement of liquidation, the appointed liquidator will represent the Company and will outline the method of liquidation. Please refer to Article 1.1.3 "Going concern basis" and Article 3.5 "Significant events after the reporting period" for further information.

Prior its revocation, the license authorized NOVIS to conduct insurance activities in Member States of the European Union or a Member State of the European Free Trade Agreement, which has signed the Treaty establishing the European Economic Area (hereinafter only “Member State”). Once NOVIS decided to perform insurance in another Member State under the freedom to provide services, without establishing a branch, it had to notify the National bank of Slovakia in writing of this intention prior to commencing such insurance activities. At the end of 2022, NOVIS operated through its registered branches in the Czech Republic, Germany and Austria and based on the cross-border freedom of service principle in Hungary, Italy, Poland, Finland, Sweden, Iceland and Lithuania.

The Management Board (MB) has 3 members: Siegfried Fatzi - Chairman; Michal Knap – Vice-Chairman and Rainer Norbert Alt - Member. Mr. Slavomír Habánik submitted his written resignation on 19th May 2022, which became effective on the date of the next General Assembly, on 30th of June 2022. On 30th June 2022 the General Assembly elected Mr. Michal Knap as new Vice-Chairman and Member of MB with effectivity from 30th of June 2022.

The Supervisory Board has 9 members: Deborah Sturman; Slobodan Ristic; Stanislav Kamenár; Freimut Dobretsberger – Chairman; Alfred Finz; Štefan Gyurik; Kristína Kupková, Karel Zvolský - Vice-Chairman and Trausti Ágústsson. On 30th June 2022 the General Assembly elected Mr. Trausti Ágústsson as Member of Supervisory Board and Mr. Freimut Dobretsberger was elected as Chairman of Supervisory Board, both with effectivity from 30th June 2022.

1.1.2. Presentation currency of financial statements

Presentation currency of these Consolidated financial statements is the Euro and amounts are rounded to thousands of Euros, unless otherwise stated.

1.1.3. Going concern basis

On 5th of June 2023 NBS revoked the license authorizing the Company to conduct its insurance activities. Therefore, NOVIS is prohibited from conducting insurance business, with the exception of activities necessary to enforce its claims and settle its liabilities. NOVIS may not conclude new insurance contracts.

Without unnecessary delay after the effectivity of the decision, the National Bank of Slovakia is obliged to submit to the relevant court a proposal for the dissolution and liquidation of the Company, and for the appointment of a liquidator. Until the preparation of these financial statements, no liquidator has been legally appointed.

Upon the legal appointment of a liquidator, they will assume complete management of the company. The liquidator's role will be to handle the insurance portfolio and fulfill the objective of the liquidation, which is to monetize the company's assets and distribute the proceeds among creditors and shareholders.

If the NBS decision to withdraw the license is not overturned, or until a liquidator is appointed, Novis cannot enter into new insurance contracts. However, it retains all responsibilities related to the management of its existing insurance portfolio. Simultaneously, the Company is entitled to conduct activities aimed at enforcing its claims and settling its obligations.

The reasons described above clearly indicate non-fulfillment of the conditions for preparing Financial Statements on a going concern basis. However, due to the current uncertainty regarding short-term developments, how the court will assess the Company's proposal to cancel the NBS decision, or the manner in which the Company's liquidation will proceed, the Financial Statements are prepared on a going concern basis.

In addition, as a result of financing through a consortium of reinsurers in the past, the Company also recognized a high level of short-term liabilities (as of 31st December 2022 in the amount of EUR 41,432 thousand), for which the Company does not have short-term assets at its disposal, but only long-term assets that could, if necessary, be used to repay these obligations, dependant on the future development regarding the Company. Long-term assets are primarily represented by the reported Insurance Contracts, so the possible use of this asset would mainly mean the necessity of selling part of the portfolio of insurance contracts. The consequence of this situation is that the Company is dependent on agreements with creditors (especially a consortium of reinsurers) regarding the repayment of these short-term liabilities, unless the Company can use another source of liquidity.

In order to mitigate the aforementioned facts, which could endanger the Company's activity itself, the Company has taken measures aimed at improving the Company's capital position. The General Assembly on 30th June 2022 approved a significant increase in equity by EUR 20,400 thousand by issuing priority shares, the Company has completed the entire related legislative process and the subscription of these shares has already begun. On 12th August 2022, the first part of shares with a total value of EUR 3,000 thousand was subscribed.

In June 2021, the Company issued subordinated convertible bonds in the total volume of EUR 20,000 thousand, of which bonds in the total volume of EUR 10,900 thousand have already been placed till end of year 2022 and additional EUR 8,800 thousand were placed in April 2023.

1.2. Significant accounting policies

This note presents the most significant accounting policies used by the Group. Other policies are presented in the notes to the individual primary statement line items.

Main accounting policies of the Company described within the Notes follows requirements of IFRS 4, however, IFRS 4 is to be replaced by IFRS 17 for annual periods beginning on or after 1 January 2023. For assessment of the impact of the implementation of IFRS 17 see note 3.6.

1.2.1. **Present Value of Expected Cash Flows (PVECF)**

The Groups’s key product is universal life insurance. PVECF calculation is computed for each insurance contract and represents the basis for the determination of Insurance Provisions (Notes 1.2.4., 2.2.4. and 2.2.5.) and

Insurance contracts asset (Note 2.1.5.). The calculation of PVECF is conducted via an actuarial software called "Prophet".

Formula used for each individual contract:

PVECF = SUM (discounted Cash Flows for each month)

- Positive Cash Flow ("CF") positions are: Premium and Tax Bonus where applicable
- Negative CF positions are: Claims, Paid out Surrender Value, Commissions, Operational Expenses, Loyalty Bonus
- The sum of all these CF positions multiplied by their respective probabilities provides the cash flow projection for each month.

The probabilities that are used for the CF calculation are as follows:

- Probability of termination of a contract due to death of policyholder for each month,
- Probability of termination of a contract due to cancellation by the policyholder or by the Insurance Company for each month,
- Probability of occurrence of an insurance event due to either death, illness, injury, or disability for each month.
- All monthly CFs are discounted by discount factors derived from the "EIOPA Risk Free Curve" set for every respective European currency and market and summed up.

Explanation of calculation components:

- Premium - In the calculation contractually agreed insurance premiums are simulated. Possible and allowed premium payments exceeding contractual obligations are not included in the calculation of PVECF, therefore the real premium may be higher than projected.
- Tax Bonus - this relates only to contracts in Hungary, where the Hungarian tax authority contributes with payments to the insurance account for qualified insurance policies.
- Loyalty Bonus – the volume of the bonus differs country to country and is granted to the policyholder only in case the cumulative sum insured exceeds certain level or in case the policyholder contractually agrees and pays the first increased premium as defined in the general terms and conditions, or continues with paying the agreed premium for defined period of time. The Loyalty Bonus is paid out only in case of death of the policyholder at any time during the validity of the insurance contract or can be part of the Surrender Value if the duration of the contract exceeds defined number of years and the contractually agreed premium for defined period is paid.
- Claw Back – it is the sum that distribution partners must refund to the Company when an insurance contract is cancelled within the first years (according to the contractual arrangements, the claw back period is in general at a minimum 2 years and maximum 5 years)
- Claims and benefits - are the result of the contractually agreed sums insured that are multiplied by the respective probability of occurrence of an insurance event. The used probabilities are based on own experience and available market data.
- Paid out Surrender Value – the sum given by the probability of the termination of a contract multiplied by the Surrender Value in the respective month, or by the probability of partial surrender pay-out multiplied by the partial Surrender Value in the respective month, whereas these components fully reflect own experience.

- Commissions - include that part of the commission that is agreed with the distribution partners and is due in the respective simulated month.
- Servicing Unit Costs - this position represents expected costs for servicing the portfolio of the Company for one contract and is derived from i.) the average expense/premium ratio based on the market data for markets where the Company is active and confirmed by Benchmark-Study about Market-Consistent Expenses in European Life Insurance prepared by global actuarial Company Milliman, ii.) the Gross Premium Income of the Company for the reporting period and iii.) the number of contracts in the portfolio at the end of the reporting period.
- Probability of termination of the contract due to cancellation by the policyholder or by the insurance Company ("lapse rate") – these used lapse rates within the first years are based on experience of the Company, or on external data from most relevant distribution partners and supported by expert opinion where available.
- EIOPA Risk Free Curve – The European Insurance and Occupational Pensions Authority (EIOPA) publishes a Risk-Free Curve for all durations that are needed for the PVECF calculation. EIOPA Risk Free Curve is used independently for each market, since EIOPA publishes unique rates for every EU currency.

Premiums, sums insured, commissions and the composition of the insurance funds are different for each contract. The used probabilities are differentiated by markets (in the sense of country structure of Note 3.1.) and applied equally to all contracts within each market unless there is a sufficiently large sub-portfolio of insurance contracts with specific features that drive the given probability.

Servicing Unit Costs are applied in a unified way for all contracts in all markets.

All assumptions used for calculation of PVECF are determined by features of the insurance product and the inputs from departments responsible for contract management, underwriting, claims management, accounting and investment process.

1.2.2. **Conversion of foreign currencies**

The Group is exposed to foreign exchange rate risks to a limited extent because assets that are denominated in other currencies are, according to its investment policy, matched by insurance liabilities that the Group carries, or expects in the near future to carry towards the policyholders in these respective currencies.

Insurance premiums paid in non-euro currencies are booked at the end of each month by using European Central Banks exchange rates of the last day of the respective month. Costs paid in other currencies are booked as Euro positions with the exchange rate of the booking day.

No material foreign exchange translation gains and losses arose through other comprehensive income because foreign branches either have euro as their functional currency or do not have significant net assets nor significant position in non-monetary assets or liabilities. When determining the functional currency of foreign branches, management considers that their activity is distribution of the Group's products, they are not autonomous and are thus an extension of the Group's activities, which leads to a conclusion that their functional currency is the same as that of the Group, that is, the euro.

1.2.3. **Insurance Contracts Asset Measurement**

The dominant goal of the entity's accounting policy for insurance contracts is to use the discretionary leeway provided by the currently valid IFRS 4 in a way enabling to show an overall picture within the financial statements that reflects the market consistent value of the reporting entity. However, some uncertainties may exist in selected assumptions and methods of calculation.

The entity discloses expected positive present Insurance contracts asset cash flows calculated using a deterministic model under the balance sheet line item "Insurance Contracts" (Note 2.1.5.). Until the end of 2014, the Company recognized insurance contract liability at customer account value equal to customer cumulative contributions less actuarially pre-determined risk deductions and fees and at the same time also deferred as an asset certain costs covered by future customer fees. Since then, as explicitly permitted in paragraph 24 of IFRS 4, the entity introduced accounting policies for its insurance contracts, that require measurement at current estimates and assumptions. The impact of the change in policies was disclosed in prior years financial statements.

In measuring the insurance contracts asset, the PVECF is calculated for each insurance contract and only those contracts that have a positive PVECF are reflected in this calculation. No margin is deducted from the sum of all positive PVECFs.

1.2.4. **Insurance Provisions (IP)**

Insurance Provisions are determined by the negative PVECF and the Surrender Value of each insurance contract.

- If PVECF is negative, then IP equal the greater of (a) absolute value of negative PVECF and (b) Surrender Value of the insurance contract,
- If PVECF is positive, then IP equal the Surrender Value of the insurance contract.

The liability for the difference between the Insurance Provisions and calculated PVECF represents a deviation from the market consistent principle. Increased value of Insurance Provisions as described in 2.2.4. and 2.2.5. is resulting:

a) from the difference between the absolute value of negative PVECF and the Surrender Value and
b) the fact, that there is for some contracts a Surrender Value even when there is still a positive PVECF.

The two effects together represent an excess of IP over the absolute value of negative PVECF in amount of EUR 26 970 thousand (2021: EUR 20 901 thousand). The IP exceeds the total Surrender Value by EUR 10 297 thousand (2021: EUR 15 551 thousand).

Upon calculating the IP for each insurance contract this value is split into two parts in line with the allocation ratio between guaranteed and non-guaranteed insurance fund of the respective contract, whereas the part attributed to the guaranteed insurance fund contributes the Life IP (described in 2.2.4) and the part attributed to the non-guaranteed insurance funds contributes to the Unit-Linked IP (described in 2.2.5).

The Company holds financial assets (including unit-linked assets) in amount derived from Solvency 2 technical reserves which are never the same as the value of the insurance accounts of the policyholders (except at the end of the last period when the contract reaches it agreed termination) and also differ from IP. The reason for this effect is the fact that the Solvency 2 technical reserves are calculated with a prospective approach where also future factors are considered and not only the present value of the insurance account. The result of this mismatch causes that the insurance undertakings acquire and hold unit-linked assets in an amount that is different from the insurance account value.

1.2.5. **Classification of financial assets and liabilities**

NOVIS differentiates the following classes of securities:

- Fixed Income Securities (Note 2.1.4.). Government bonds covering liabilities related to the Guaranteed Insurance Fund are measured at Fair Value with fair value gains or losses recognized in Other Comprehensive Income, except those purchased before October 2016 that are carried at fair value through profit or loss.
- All financial instruments covering Unit-Linked Insurance Provisions (Note 2.1.6.) are booked at their fair value through profit or loss to avoid mismatch between valuation of assets and related liabilities and ensure that the recognized change in value of these financial instruments is matched by the investment result assigned to the policyholder.

Financial instruments at fair value through profit or loss are initially recorded at fair value. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price that can be evidenced by other observable current market transactions in the same instrument or by a valuation technique, whose inputs include only data from observable markets. All regular way purchases and sales of financial assets are recorded at settlement date, which is the date on which the Company receives or delivers a financial asset. This method is consistently applied to all purchases and sales of financial assets. As a source for valuation at fair value, the Company is using market prices stated in securities statements of companies Tatra banka a.s., CAIAC fund management, Eljovi Multi Strategy Fund and Fondita Fund Management Company Ltd.

Fair values are analysed by level in the fair value hierarchy both for financial assets and for liabilities from financial instruments (other than insurance contracts) as follows:

- Level-1 are measurements at quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level-2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level-3 measurements are valuations not based on observable market data (i.e. input variables require management judgement).

Management applies judgement in categorising financial instruments using the fair value hierarchy and the respective Levels are indicated in Notes, 2.1.3., 2.1.4., 2.1.7. and 2.2.2., 2.2.3.

2. NOTES TO FINANCIAL STATEMENTS

2.1. Assets

2.1.1. Intangible Fixed Assets

The movements in Intangible Fixed Assets were as follows:

in thousands of EUR	Acquired Software	Acquired product design	Other	Internal Development and Acquisition	Total
Net Book Value as at 31 December 2020	**5 118**	**537**	**0**	**0**	**5 655**
Additions	522	0	415	0	**937**
Disposal	0	0	0	0	**0**
Amortisation Expense	-638	-41	0	0	**-679**
Acquisition Cost as at 31 December 2021	6 445	826	415	0	**7 686**
Accumulated Amortisation	-1 443	-330	0	0	**-1 773**
Net Book Value as at 31 December 2021	**5 002**	**496**	**415**	**0**	**5 913**
Additions	1 527	0	388	0	**1 915**
Disposal	0	0	0	0	**0**
Amortisation Expense	-770	-42	0	0	**-812**
Acquisition Cost as at 31 December 2022	7 971	826	388	0	**9 185**
Accumulated Amortisation	-2 213	-372	0	0	**-2 585**
Net Book Value as at 31 December 2022	**5 758**	**454**	**388**	**0**	**6 600**

2.1.1.1. Software

The Company uses accounting software “SAP Business One” and the specific actuarial software for calculation of IP and a tool for Solvency II calculations and reporting, provided by the Company “Tools4F”. Software is carried at cost less accumulated depreciation (using straight line method). Each asset has its own depreciation schedule from 2 years to 4 years with two exceptions – accounting SW SAP Business One (10 years depreciation schedule ending in 2023) and Solvency II calculation and reporting tool (5 years schedule ended in 2021).

Subsidiary of Novis – Novis Tech, a. s., the owner of Insurance Administration system Apollon, is responsible for operation and development of its functions. The Company has migrated its Insurance Portfolio to Apollon in June 2019 and is utilizing full scale of its services since.

2.1.1.2. Acquired product design

When the Company was established, it received both financial and in-kind capital contribution. The in-kind capital contribution included insurance product design and business model, and the documentation associated with it. This intangible asset was acquired in a share-based payment transaction for issuing 7 000 shares each with an EUR 100 nominal value when the market issue price was EUR 118 per share.

The asset is depreciated straight line over its estimate life of 20 years. The asset is recoverable as the amortisation is included in servicing unit costs deducted in determination of PVECF and also has value for future new business.

2.1.2. Tangible Fixed Assets

The Tangible Fixed Assets are carried at cost less accumulated depreciation and impairment, if any. Each asset has its own depreciation schedule and is depreciated over its useful life from 2 to 4 years using straight line method. The movements in Tangible Fixed Assets were as follows:

in thousands of EUR	**Hardware**	**Other Tangible Assets**	**Right of use Assets***	**Total**
Net Book Value as at 31 December 2020	**6**	**70**	**180**	**256**
Additions	0	0	127	**127**
Disposals	0	0	-75	**-75**
Depreciation Expense	-3	-17	-39	**-59**
Acquisition Cost as at 31 December 2021	20	97	448	**565**
Accumulated Depreciation	-17	-44	-255	**-316**
Net Book Value as at 31 December 2021	**3**	**53**	**193**	**249**
Additions	88	0	191	**279**
Disposals	0	0	-43	**-43**
Depreciation Expense	-5	-19	-80	**-104**
Acquisition Cost as at 31 December 2022	108	97	596	**801**
Accumulated Depreciation	-22	-63	-335	**-420**
Net Book Value as at 31 December 2022	**86**	**34**	**261**	**381**

2.1.2.1. Hardware

Hardware represents solely the IT equipment of the Company.

2.1.2.2. Other Tangible Fixed Assets

Other Tangible Fixed Assets represent mainly furniture.

2.1.2.3. Right of Use Assets

This category contains right of use for vehicles acquired under lease agreement in the amount of EUR 596 thousand as a result of first application of IFRS 16 (see also 2.2.3 and 2.4.8.10 for related information).

2.1.3. **Investment in subsidiary**

Novis Tech, a.s. registered address is Nám. Ľ. Štúra 2, Bratislava 811 02. The principal activity of this 100% owned subsidiary is software development and IT services.

2.1.4. **Fixed Income Securities**

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

2.1.4.1. Government Bonds

The government bonds as of 31 December 2022 were:

Bonds	SK4120007543	HU0000403555	AT0000A1K9F1	CZ0001001796	PL0000112736
in thousands of EUR	SLOVAKIA 4.350% EUR	HUNGARY 3.000% HUF	AUSTRIA 1.500% EUR	CZECH REP. 4.200% CZK	POLAND 1,250% PLN
Issue date	14.10.2010	27.10.2018	23.02.2016	04.12.2006	25.10.2019
Maturity date	14.10.2025	27.10.2038	19.02.2047	04.12.2036	25.10.2030
Standard & Poor’s Rating*	A+	BBB-	AA+	AA-	A-
Average Purchase Price in % of the nominal value	134	104	132	140	101
Bonds at FVOCI**	0	65	38	73	52
Bonds at FVTPL*	23	0	0	0	0
Total Carrying Value	**23**	**65**	**38**	**73**	**52**
Fair Value of the Bonds	**23**	**65**	**38**	**73**	**52**
Nominal Value	**22**	**121**	**50**	**78**	**77**

** Fair value through profit or loss.*
*** Fair Value through Other Comprehensive Income*

The government bonds belong to the level 2 in fair value hierarchy (2021: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular bonds issue.

The government bonds as of 31 December 2021 were:

Bonds *in thousands of EUR*	SK4120011420 SLOVAKIA 1.625% EUR	SK4120007543 SLOVAKIA 4.350% EUR	HU0000403001 HUNGARY 3.250% HUF	HU0000403555 HUNGARY 3.000% HUF	AT0000A1K9F1 AUSTRIA 1.500% EUR	CZ0001001796 CZECH REP. 4.200% CZK	PL0000109492 POLAND 2,250% PLN
Issue date	21.01.2016	14.10.2010	22.04.2015	27.10.2018	23.02.2016	04.12.2006	28.06.2017
Maturity date	31.01.2031	14.10.2025	22.10.2031	27.10.2038	19.02.2047	04.12.2036	25.04.2022
Standard & Poor's Rating*	A+	A+	BBB	BBB	AA+	AA-	A-
Average Purchase Price in % of the nominal value	107	134	105	104	132	140	101
Bonds at FVOCI**	2 294	0	4 030	107	62	327	51
Bonds at FVTPL*	141	285	604	0	0	128	0
Total Carrying Value	**2 435**	**285**	**4 634**	**107**	**62**	**455**	**51**
Fair Value of the Bonds	**2 435**	**285**	**4 634**	**107**	**62**	**455**	**51**
Nominal Value	**2 077**	**237**	**5 093**	**131**	**50**	**386**	**50**

** Fair value through profit or loss.*
*** Fair Value through Other Comprehensive Income*

in thousands of EUR	**31-12 2022**	**31-12 2021**
Fair Value	23	1 158
Fair Value through Other Comprehensive Income	228	6 870
Total Carrying Value	**250**	**8 028**
Total Fair Value	**250**	**8 028**

2.1.5. Variable Income Securities

in thousands of EUR	**31-12 2022**	**31-12 2021**

KYG3004A1004 ELJOVI Multi-Strategy Fund	1 979	0
Total Carrying Value	**1 979**	**0**

All assets reported in this category are measured at fair value through profit or loss. The investments belong to the level 2 in fair value hierarchy (2021: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular security issue.

2.1.6. Assets Invested for Unit-linked Insurance Provisions

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

- NOVIS ETF Shares Insurance Funds invests in listed equities ETFs (Exchange Traded Funds) to give the customers an opportunity to participate in the equity market.
- NOVIS Gold Insurance Fund invests in gold ETFs copying the changes in the price of gold.
- NOVIS Entrepreneurial Insurance Fund invests in private and venture equity, at present time mostly in ETFs replicating index of listed private equity companies and in tradable funds that are specializing in impact investment.
- NOVIS Mortgage Insurance Fund invests primarily in financial instruments linked with the real estate sector such as ETFs investing in covered bonds issued by financial institutions financing the real estate sector, real estate funds, corporate bonds dedicated to financing of real estate projects, mortgage bonds and in other financial instruments which are secured by loans or the value of which applies to real estate development.
- NOVIS Family Office Insurance Fund gives customers a chance to invest in alternative investment funds that are focused on non-listed financial instruments and various assets.
- NOVIS World Brands Insurance Fund invests to the fund called Wealth Fund primarily focused on shares of the companies having the high value of their brand and having the potential to enhance the value of their share price.
- NOVIS Digital Assets Insurance Fund invests in investment funds or ETFs focused on IT companies (e.g. cloud computing providers).
- NOVIS FIXED INCOME Insurance Fund invests directly or indirectly into government and corporate bonds with fixed interest targeting lower volatility and stable positive performance, 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. It is expected although not guaranteed, that this Fund may have high performance due to large share of stocks but also bears higher risk of volatility. Minor share may be invested into corporate or government bonds.
- NOVIS Fondo Interno – NOVIS PIR Insurance Fund invests directly or indirectly into stocks or bonds in line with Italian regulation of individual savings plan (PIR) and thus focus on companies active in Italy, including significant share of small and medium sized companies.
- NOVIS SUSTAINABILITY Insurance invests directly or indirectly into stocks of companies which comply with strict corporate governance, environmental and social criteria. Fund´s aim is to include substantial share of impact investments.

- NOVIS DISCOVERY Insurance Fund – invests primarily into stocks or stock investment funds aiming to achieve high performance, although this also means potentially higher volatility. The insurance Company mainly uses investment funds that comply with the UCITS directive and exceed their reference values.
- NOVIS SUSTAINABILITY PLUS - invest primarily into stock of companies with majority of Fund's assets is invested into „clean energy“ or „blue economy“ while issuers violating United Nations Global Compact principles are fully excluded from the Fund's assets. The Fund has a sustainable investment objective.

NOVIS Co-Branded Insurance Funds are exclusively designed for customers of specific distribution partners. Currently such insurance funds are offered mainly to customers, who were advised by the Hungarian distribution firm "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 to eliminate accounting mismatch with unit-linked insurance provisions.

Total value of underlying assets amounted to EUR 60 744 thousand as of 31 December 2022 (2021: EUR 73 122 thousand).

The investments in underlying assets belong to the level 2 in fair value hierarchy (2021: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular investments.

Detail breakdown of underlying assets with allocation to individual Unit-linked Funds follows:

2.1.6.1. NOVIS ETF Shares Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
iShare MSCI WORLD ETF (USD)	6 874	8 547
iShare MSCI EM - ACC (EUR)	666	778
iShare MSCI EM - ACC (USD)	15	17
Total Carrying Value	**7 554**	**9 342**

2.1.6.2. NOVIS Gold Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
SPDR Gold Trust USD	4 687	4 547
Total Carrying Value	**4 687**	**4 547**

2.1.6.3. NOVIS Entrepreneurial Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
ISHARES S&P LISTED PRIVATE USD (LN)	1 164	1 758
iShares Listed Private Equity UCITS ETF USD	826	1 130
responsAbility Micro and SME Finance Fund II	870	912
iShares Euro High Yield Corporate Bond EUR (GF)	601	688
Total Carrying Value	**3 461**	**4 488**

2.1.6.4. NOVIS Mortgage Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
iShares Euro Covered Bond UCITS ETF	1 680	1 951
Total Carrying Value	**1 680**	**1 951**

2.1.6.5. NOVIS Family Office Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
BP Family Office EUR THES (in liquidation)	358	1 300
ISHARES IBOXX H/Y CORP BOND FUND	-	1 110
ISHARES EURO HY CORP BND (GY) EUR	-	526
Amundi S&P Global Luxury UCITS ETF EUR ©	579	-
UBS (Lux) Bond SICAV – China Fixed Income (EUR) Q-acc.	441	-
UBS Bond Inflation – linked Global (EUR hedged) Q-acc.	437	-
Total Carrying Value	**1 815**	**2 936**

*Information published withing the preliminary liquidation report of the fund have been reflected by asset value recognition as at end of the reporting period through creation of impairment reserve in amount of 1 764 thousand EUR, whereas the impairment has not been reflected in the development of the insurance account balances of respective insurance contracts (as per the statue of the Insurance Fund, the result from the investment process is calculated based on the official NAV statement only - which in this case would be available after the finalization of the liquidation proceeding). The amount of the impairment reserve has been reflected equally in the liability side of Company's Balance Sheet where the Unit-linked Insurance Provisions (Note 2.2.5.) have been decreased accordingly.

2.1.6.6. NOVIS World Brands Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
H2Progressive Vermögensfreunde	56	689
H2Conservative Vermögensfreunde	57	653
Wealth Fund World Class Brands Vermögensfreunde Cap	115	1 280
Total Carrying Value	**228**	**2 622**

2.1.6.7. NOVIS Digital Assets Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
ELJOVI Multi-Strategy Fund	0	1 869
First Trust Cloud Computing UCITS ETF USD Acc.	1 652	-
First Trust Nasdaq Cybersecurity UCITS ETF USD Acc.	1 809	-
Global X Robotics & Artificial Intelligence UCITS ETF USD Acc.	866	-
FIRST TRUST CLOUD COMPUTING FUND	0	2 923
ETFMG PRIME CYBER SECURITY E FUND	0	2 696
GLOBAL X FUTURE ANALYTICS TE FUND	0	1 679
Total Carrying Value	**4 327**	**9 166**

2.1.6.8. NOVIS FIXED INCOME Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
Invesco Bond Fund	2 079	2 215
Baillie Gifford Worldwide Global Strategic Bond Fund Class A USD Acc Fonds	1 507	1 423
UBS (Lux) Bond Fund - Euro High Yield (EUR) I-A1-acc	2 227	2 164
Total Carrying Value	**5 813**	**5 802**

2.1.6.9. NOVIS GLOBAL SELECT Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
Invesco Global Income Fund A EUR	808	892
UBS LUX INST-KEY GLB EQY-AAE FUND	3 089	3 321
BAI GIF WW LT GB GRW-AEURA FUND	1 300	1 416

UBS LUX B-GL ST FX USD-EHIA 1 FUND	1 626	1 622
UBS (Lux) Bond Fund - EUR Flexible-Q ACC FUND	0	0
Total Carrying Value	**6 823**	**7 252**

2.1.6.10. NOVIS Fondo Interno NOVIS PIR

in thousands of EUR	**31-12 2022**	**31-12 2021**
LYXOR FTSE ITA MID CAP PIR FUND	1 197	1 019
GENER SM PIR VALOR ITALIA- IX FUND	635	502
GENER SM PIR EVOLU ITALIA-IX FUND	266	231
Total Carrying Value	**2 098**	**1 752**

2.1.6.11. NOVIS SUSTAINABILITY Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
UBS Global Sustainable Q-acc	1 072	1 714
Baillie Gifford Worldwide Global Stewardship Fund Class A EUR Acc	1 025	1 299
INVESCO Fds Inv Sust Alloc Fd A EUR Cap	379	412
Fondita Sustainable Europe B EUR	500	0
Total Carrying Value	**2 974**	**3 425**

2.1.6.12. NOVIS DISCOVERY Insurance Fund

in thousands of EUR	**31-12 2022**	**31-12 2021**
UBS (D) Equity Fund - Global Opportunity	162	35
Baillie Gifford Worldwide Positive Change Fund Class A EUR Acc	179	35
Scottish Mortgage Investment Trust plc fund	97	22
Total Carrying Value	**437**	**92**

2.1.6.13. NOVIS Sustainability Plus Insurance Funds

in thousands of EUR	**31-12**	**31-12**

	2022	2021
BNP ECPI BLUE ECONOMY ETF FUND	5	0
ISHARES GLOBAL CLEAN ENERGY UCITS USD (SW)	4	0
Total Carrying Value	**9**	**0**

2.1.6.14. NOVIS Co-Branded Insurance Funds

in thousands of EUR	**31-12 2022**	**31-12 2021**
Fidelity Global Dividend A-Acc-EUR-Hdg	3 032	3 315
JPMorgan Global Income Fund D Acc EUR	2 786	3 267
JPMorgan Emerging Markets Dividend Fund	3 241	3 832
Concorde Hold Alapok Alapja	2 424	2 526
Fidelity Global Multi Asset Income Fund	1 953	2 281
Concorde Rövid Futamidejű Kötvény Befektetési Alap	1 405	1 503
Templeton Global Bond N Acc USD	1 715	1 717
JPMorgan Funds - Latin America Equity Fund	643	569
Fidelity Emerging Asia Fund	696	736
Total Carrying Value	**17 895**	**19 747**

2.1.7. Insurance Contracts

The reported asset represents positive present value of probability weighted expected cash flows (PVECF). Total amount of the asset is further reduced in respect of future cashflows to be repaid to the financing providers issuing Insurance-Linked securities (“ILS”) – structured financing commenced in 2019 being an alternative to financing reinsurance scheme used by NOVIS since 2014.

in thousands of EUR	**31-12 2022**	**31-12 2021**
Insurance contracts asset	240 967	194 508
ILS Financing	-62 501	-39 298
Total Carrying Value	**178 466**	**155 210**

Analysis of insurance contracts asset by country:

in thousands of EUR	**31-12**	**31-12**

	Standard and Poor's Country Rating	2022	2021
Italy	BBB	218 110	170 904
Iceland	A	21 826	22 458
Hungary	BBB-	18	28
Slovakia	A+	153	265
Czech Republic	AA-	43	56
Germany	AAA	439	623
Poland	A-	30	31
Austria	AA+	347	143
Total Carrying Value		**240 967**	**194 508**

The most significant assumptions in the PVECF projection process are the discount rates, lapse rates, mortality, and servicing unit costs. EIOPA risk-free rate curve was used for setting the factors for discounting the projected cash flows. Lapse rate assumptions are set for respective countries or group of countries where similar lapse rates are expected.

Assumptions are based on the historical lapse rate analysis of the respective country/market and in cases where the Company doesn't have sufficient history also external data provided by the relevant distribution partners or set based on independent expert opinion. The lapse rates in Hungary are lower comparing to CE countries because of the tax bonus the policyholders receive for the pension product and penalization for the policyholder set by Hungarian state in case the contract is cancelled before reaching the retirement age. Mortality assumption is based on the most recent available mortality tables for each country. Servicing unit costs reflect the average expense/premium ratio based on the market data for markets where the Company is active, the Gross Premium Income of the Company for the reporting period and the number of contracts in the portfolio at the end of the reporting period. The actuarial assumptions are periodically revised to reflect recent developments.

Next table shows the sensitivity of Insurance Contracts Assets and Insurance Provisions as at 31 December 2022 to changes in assumptions used for PVECF calculation:

in thousands of EUR	**Change to Insurance Contracts asset**	**Change to Insurance Contracts asset in %**
Interest rate - 100 basis points change	15 591	6%
Interest rate + 100 basis points change	-14 711	-6%
Operating costs of insurance contracts per unit -10% decrease	2 733	1%
Operating costs of insurance contracts per unit +10% increase	-2 723	-1%
Lapse rate -10% decrease	18 562	8%
Lapse rate +10% increase	-15 998	-7%
Mortality -10% decrease	2 124	1%
Mortality +10% increase	-2 075	-1%
Critical illness - 10 percentage points change	944	0%
Critical illness + 10 percentage points change	-936	0%
Inflation - 100 basis points change	3 420	1%
Inflation + 100 basis points change	-4 346	-2%

in thousands of EUR	**Change to Technical Provisions**	**Change to Technical Provisions in %**
Interest rate - 100 basis points change	694	1%
Interest rate + 100 basis points change	-378	0%
Operating costs of insurance contracts per unit -10% decrease	-394	0%
Operating costs of insurance contracts per unit +10% increase	407	0%
Lapse rate -10% decrease	608	1%
Lapse rate +10% increase	-534	-1%
Mortality -10% decrease	-62	0%
Mortality +10% increase	64	0%
Critical illness - 10 percentage points change	-542	-1%
Critical illness + 10 percentage points change	552	1%
Inflation - 100 basis points change	-193	0%
Inflation + 100 basis points change	213	0%

2.1.8. Receivable from Reinsurers and ILS providers

Receivables from Reinsurers and ILS providers represent short term balances due from the reinsurers resulting from the agreed reinsurance financing or funding from ILS providers as well as calculated share of reinsurers in Claim Reserves at the end of the reporting period.

in thousands of EUR	31-12 2022	31-12 2021
Receivables from Reinsurers and ILS providers	12 957	2 472
Share of RI on Claim Reserves	251	503
Total Carrying Value	**13 207**	**2 975**

2.1.9. Other Receivables

in thousands of EUR	Rating	31-12 2022	31-12 2021
Prepayments	Unrated	97	124
Distribution Partners	Unrated	118	74
Deferred Acquisition Costs	Unrated	0	2
Miscellaneous	Unrated	142	781
Securities Brokers	Unrated	-	-
Total Carrying Value		**356**	**981**

2.1.9.1. Prepayments

Prepayments relate to contractors and service providers. The balance as of 31 December 2022 consists foremost of prepayments paid to suppliers rent services in the amount of EUR 86 thousand. As of 2021 the balance relates to prepayments paid to suppliers of rent services in the amount of EUR 64 thousand.

2.1.9.2. Distribution Partners

The amounts due from distribution partners represent claw backs arrangements for returning of a corresponding part of selling commissions upon cancellation of the related insurance contract. The amount due from distribution partners is net of impairment provision.

2.1.9.3. Deferred Acquisition Costs

Deferred Acquisition Cost represents commission payments for credit related life insurance contracts sold in Finland. The acquisition costs are amortised straight line over the insurance cover period.

2.1.9.4. Miscellaneous

Miscellaneous receivables include mainly amount due from Company's shareholder already settled in April 2022.

2.1.10. **Bank Deposits**

in thousands of EUR	**31-12 2022**	**31-12 2021**
Current Bank Accounts	3 043	4 381
Resticted cash balance on current bank account	583	698
Current Accounts and Cash	**3 626**	**5 079**

The bank accounts belong to the Level 2 in fair value hierarchy (Note 1.2.5.) and their carrying value approximates fair value. The restricted account balance relates to terms and conditions of the borrowings (Note 2.2.2.)

2.1.10.1. Current Bank Accounts

Current bank accounts are in eight countries of the EU.

in thousands of EUR	**Credit rating (Moody's/S&P)**	**31-12 2022**	**31-12 2021**
Intesa Sanpaolo	BBB	1 291	2 723
Anadi Bank Austria	n/a	615	666
Granit Bank Hungary	n/a	152	473
UniCredit Bank CZ and SK	A	226	403
Landsbankinn Iceland	BBB	485	396
Volksbank Italy	BB	100	147
Nordea Bank	AA	70	116
Tatra Banka Slovakia	A	604	86
LBBW Bank Germany	n/a	46	35
PKO Banka Poland	A	27	17
BKS Bank Austria	n/a	8	17
SLSP Slovakia	A	2	2
NHB Bank	n/a	0	0
Carrying Value		**3 626**	**5 079**

2.2. Equity and Liabilities

2.2.1. Equity

in thousands of EUR	31-12 2022	31-12 2021
Share Capital	7 064	6 815
Share Premium	3 924	1 175
Own Shares	-964	-964
Statutory Reserve Fund	1 379	1 367
FVOCI Reserve	-145	-904
Retained Earnings	26 605	27 712
Profit for the Current Year	5 448	-1 096
Total Equity	**43 311**	**34 105**

2.2.1.1. Share Capital

The registered share capital of the Company corresponds to issued 65 142 shares at a par value of 100 Euro per share and 300 000 shares at par value of 1 Euro per share - they differ only in par value, which defines the voting rights and share on profit. In 2022 the company issued 2 499 priority shares at a par value 100 Euro per share. The total par value of registered share capital amounts to 7 064 100 Euro.

2.2.1.2. Share Premium

After the Company was registered in 2013, four share capital increases were realized. During first two capital increases shares with a par value of EUR 100 per share, or par value of EUR 1 per share were issued at an offering price of EUR 118 per share, or EUR 1.18 per share and were fully paid-up. Third capital increase has been realised in 2018. Shares with a par value of EUR 100 per share were issued at an offering price of EUR 300 per share. In 2022 has been realised fourth capital increase priority shares a par value of EUR 100 EUR per share was issued at an offering price of 1 200 EUR per share. The difference between the par value of the issued shares and the offering price represents share premium.

2.2.1.3. Own Shares

Company owned 6 370 own shares with nominal values of EUR 100 per share at the end of 2022 in total purchase price EUR 964 thousand (2021: 6 370 in total purchase price EUR 964 thousand).

In 2022 Company did not make any further purchases or sales of own shares.

2.2.1.4. Statutory Reserve Fund

The Company's Statutory Reserve Fund is established and replenished pursuant to the Slovak Commercial Code with 10% of the Net Profit for each year until it reaches 20% of the Share Capital, which is the case since 28th June 2019, when the last decision of the ordinary general meeting about replenishing the Statutory Reserve Fund has been taken. Use of the Statutory Reserve Fund is restricted and decisions regarding it are taken by the Company's MB in accordance with Company's Articles of Association and the Commercial Code.

2.2.1.5. FVOCI Reserve

Fair value gains or losses from financial assets designated as AFS are recognized in other comprehensive income reserve. Movements in the reserve represent solely changes in fair value in the underlying financial assets except for sale or impairment, whereas the cumulative gain or loss previously recognized here will be reclassified to profit or loss as a reclassification adjustment.

2.2.1.6. Retained Earnings

Retained Earnings represent sum of the net profits after contribution to Statutory Reserve Fund and losses for the previous reporting periods.

2.2.1.7. Profit for the Current Year

The amount represents the reported profit after tax for the current reporting year. Management will propose to the general meeting of shareholders to transfer profit to retained earnings considering the ongoing strengthening of the capital position necessary for financing the growth of business and covering the solvency capital requirements.

2.2.2. **Borrowings**

in thousands of EUR	**31-12 2022**	**31-12 2021**
Bank Loans	5 460	6 244
Subordinated Loans	11 205	5 140
Other borrowings	-181	28
Total Carrying Value	**16 483**	**11 412**

2.2.2.1. Bank Loans

On 25 July 2017, the Company obtained a 5-year loan from the Austrian Anadi Bank AG of EUR 4 900 thousand. In December 2020, the Company prolonged and increased the loan to EUR 7 000 thousand in total. The loan carries a variable interest rate linked to Euribor with a final maturity in 2026.

Fair value of the bank loan approximates its carrying value. The fair value belongs to level 3 in fair value hierarchy.

in thousands of EUR	**31-12 2022**	**31-12 2021**
Opening borrowings	11 412	7 039
Cash drawdowns	10 900	5 000
Accrued Interest	305	140
Cash repayments	-6 134	-767
Closing balance of borrowings	**16 483**	**11 412**

2.2.2.2. Subordinated Loans

The Company has issued subordinated convertible bonds in June 2021 fulfilling the criteria of Tier 2 capital under the Solvency 2 requirements, whereas volume of EUR 10 900 thousand has been placed until 31 December 2022 and is classified as subordinated loan. (2021: EUR 5 000 thousand).

2.2.3. Other Liabilities

in thousands of EUR	**31-12 2022**	**31-12 2021**
Distribution Partners	6 529	4 735
Policyholders	770	2 408
Employees and Social Security	440	421
Suppliers and Contractors	1 350	1 025
Accruals	680	550
Tax Authorities	298	209
Miscellaneous	-20	18
Total Carrying Value	**10 047**	**9 366**

The carrying value of other liabilities that are financial instruments approximates their fair value.

2.2.3.1. Distribution Partners

This amount represents commissions due to the distribution partners not paid at the end of the reporting period and accumulated storno-fund.

2.2.3.2. Policyholders

These are liabilities towards customers related to claims and benefits due upon partial surrender, that were not yet paid out, as well as liabilities to potential customers where an application for an insurance contract exists but is not yet confirmed and the prospect has already paid some premium.

2.2.3.3. Employees and Social Security

This item represents liabilities from employee benefits and related social security contributions. Salaries, wages, contributions to government and private pensions and social funds, paid leave and sick leave, bonuses and non-financial benefits are recognized as a liability in the period in which the Company's employees are entitled to receive them in exchange for their services. The Comapany has no contractual or constructive obligation to pay any further contributions to the state social insurance, government or private pension funds beyond the contributions set by laws in exchange for past employee service.

2.2.3.4. Suppliers and Contractors

Suppliers are defined as business partners other than distribution partners who provide services and deliver goods or rent premises to the Company. Contractors are specific suppliers providing either specific consultancy or legal services or substituting the labour force of the reporting entity on a regular basis.

2.2.3.5. Accruals

Accruals represent accrued expense liability related to unbilled goods or services, consisting mainly of provision for untaken vacation, accrual for statutory audit of financial statements and other services.

2.2.3.6. Tax Authorities

The liability corresponds to the VAT, Austrian insurance tax and employee income tax on their salaries.

2.2.4. Life Insurance Provisions

in thousands of EUR	**31-12 2022**	**31-12 2021**
Provision for guaranteed insurance fund	16 290	17 158
Additional provision for liability adequacy test	0	0
Unearned premium reserve	0	2
Reported but not settled provision	385	1 011
Incurred but not reported provision	817	736
Total Carrying Value	**17 491**	**18 907**

Changes in Life Insurance Provisions:

in thousands of EUR	**2022**	**2021**
Opening Balance	**18 907**	**18 111**
Change in provision for guaranteed insurance fund	-868	543
Change in unearned premium reserve	-2	-18
Change in reported but not settled provision	-626	198
Change in incurred but not reported provision	81	74
Total changes in provisions	**-1 415**	**796**
Closing balance	**17 491**	**18 907**

2.2.4.1. Provision for Guaranteed Insurance Fund

Provision for guaranteed insurance fund represents surrender value or excess of absolute values of negative PVECF over surrender value corresponding to the allocation ratio of the guaranteed growth insurance fund. This fund provides a discretionary fixed return (referred to as a return on guaranteed insurance fund) declared by the Company in advance for one subsequent calendar year. The policyholders that chose this option are guaranteed with the set return for one calendar year and that the return on their account value will not be negative should the Company suffer losses on its investments in the future.

2.2.4.2. Unearned Premium Reserve

The unearned premium reserve represents the unearned portion of premium for credit related life insurance contracts sold in Finland. The unearned portion is calculated using the pro-rata temporis method.

2.2.4.3. Reported but not Settled Provision

The Company recognizes Reported but not Settled (RBNS) Insurance Provision for insurance events which have been reported but not yet settled. The amount represents the sum expected to be paid out in settling these claims.

2.2.4.4. Incurred but not Reported Provision

Incurred But Not Reported (IBNR) Insurance Provision is calculated based on actuarial statistical methods taking in consideration the average claim amount, average frequency of insurance events, average number of days from event occurrence until the event is reported and the number of insurance contracts. Where insufficient historical data are available, the provision is estimated applying expert judgement.

2.2.5. **Unit-linked Insurance Provision**

in thousands of EUR	31-12 2022	31-12 2021
Unit-linked Provision for UL Insurance Funds	78 442	78 332
Total Carrying Value	**78 442**	**78 332**

The amount represents surrender values of respective insurance contract or excess of absolute values of negative PVECF over surrender values of respective contracts corresponding to the allocation ratio of the non-guaranteed insurance funds (Note 2.1.6.). The total carrying value reflects the impairment reserve described in note 2.1.6.5. The increase of unit-linked insurance provisions during 2021 was mainly driven by the boost of surrender values in Hungary, Italy, and Iceland.

Changes in Unit-Linked Insurance Provisions were:

in thousands of EUR	2022	2021
Opening Balance	**78 332**	**60 200**
Contributions to unit-linked reserves	47 203	60 404
Insurance charges	-47 093	-42 272
Total changes in provisions	**110**	**18 132**
Closing balance	**78 442**	**78 332**

2.2.6. **Liability towards Reinsurer**

Given the continuous expansion of markets where NOVIS products are sold, the Company needed to diversify the reinsurance exposure and to increase capacity under its reinsurance financing scheme. With help of AON Benfield, the world's leading reinsurance broker, Novis uses the financing capacity provided by consortium of reinsurance companies.

Advantage of this consortium is multifaceted, such as access to liquidity in case of strong new business development, and consequently reduced risk-based capital requirement, knowledge transfer in areas such as medical underwriting, claims management and aligned interests through stable and long-term partnership.

in thousands of EUR	**31-12 2022**	**31-12 2021**
Loss Carried Forward	28 898	44 696
Loss Carried Forward - Gap Financing	970	970
Other Liability Towards Reinsurer	40 787	29 858
Total Carrying Value	**70 655**	**75 524**

The Company has a contractual arrangement with the Reinsurers called Financing Reinsurance. The principle is based on the pre-financing of the upfront commissions for distribution partners through Reinsurance Commission paid by the Reinsurer in exchange for a share on the Acquisition Fees that the Company applies towards Policyholders as defined in the General Insurance Terms and Conditions.

The Company maintains accounts recording every position change related to the Financing Reinsurance resulting in an overall balance with the Reinsurers. This balance is called Loss Carried Forward (LCF). LCF represents a contingent liability because repayment is contingent on collecting future insurance premiums, however, Company recognizes this liability on its balance to eliminate accounting mismatch from recognizing present value of future cash flows from its insurance policies.

Liability Towards Reinsurer represents LCF and unpaid balance due to the reinsurers as of the end of the reporting period resulting from the agreed reinsurance financing scheme.

2.2.7. **Tax Provision**

Tax Provision represent net Deferred Tax Liability position.

In thousands of EUR	**31-12 2022 Gross**	**Tax effect**	**31-12 2021 Gross**	**Tax effect**
Tax loss carry-forwards	-100 081	-21 017	-78 979	-16 586
Insurance Contracts Valuation (temporary difference)	240 967	50 603	194 509	40 847
IBNR (temporary difference)	-817	-171	-736	-154
FVOCI Valuation (temporary difference)	-145	30	904	-190
Current income tax payable	-	-	-	-
Total Carrying Value	**139 923**	**29 445**	**115 698**	**23 917**

The company did not register any current income tax payables in 2022 as well as in 2021.

2.2.7.1. Tax Loss Carry Forwards

The tax loss carry-forwards expire as follows:

In thousands of EUR	**31-12 2022**	**31-12 2021**
Expires in 2022	-	19 677
Expires in 2023	6 496	11 705
Expires in 2024	0	42 388
Expires in 2025	37 179	5 209
Expires in 2026	20 838	-
Expires in 2027	35 569	-
Tax loss carry forward	**100 081**	**78 979**

2.2.7.2. Deferred Tax Liability

Deferred tax liability for previous reporting periods was calculated using the balance sheet liability method on tax loss carry forwards and temporary differences between tax base and carrying value of assets and liabilities. Principal temporary difference represents the Insurance Contracts asset described in Note 2.1.7.

The deferred tax was recognized at the enacted applicable corporate income tax rate of 21%, which would be applied on temporary differences reserve.

Deferred Tax Liability recognition:

Novis conducted in 2021 an in-depth analysis of the balance-sheet position “Deferred Tax Liability”. This position represents a reserve for a possible future enhanced tax burden.

The initial justification for the building up of this balance-sheet position is the fact that changes in the balance sheet item “Insurance Contract Assets” are tax-exempt. IAS 12 objective states that it is inherent in the recognition of an asset that the reporting entity expects to recover or settle the carrying amount of that asset. Consequently, recovery or settlement of such asset would then increase future tax payments (compared to the situation where such recovery or settlement would have no tax consequences).

Projections that the Company made have shown that in the foreseeable future Company does not expect to achieve positive tax base within expected scenario conditions. The Company will have to pay ordinary corporate tax as soon as it will become profitable from the perspective of tax base, however, due to the applied accounting policy regarding "Insurance Contracts Assets", the Deferred Tax Liability in amount of almost 24 million EUR will be derecognized at the same time when Insurance Contracts Assets will be derecognized (2-4 years from balance sheet date). As no taxable temporary difference will exist anymore, the Deferred Tax Liability will no longer be relevant and our projections show it will not correspond to the due income tax in the meantime.

Due to Novis's specific accounting policy, the position "Insurance Contract Asset" that is booked at the outset of each contract's existence, is decreased fully already within a few years. The Company does not expect a positive tax profit in the next few years within expected scenario conditions, however, considering the presentation requirements of IAS 12 to reconcile income taxes with achieved IFRS profits comprising of temporary difference this balance sheet item causes, the Company booked this provision at the full amount. Given the accounting methodology of the Company, almost whole provision would be derecognized in next few years at the same time when Insurance Contracts Assets will be derecognized and from purely economic as well as tax perspective, substantial portion of it would not be materialized.

The Company will realize the value of its insurance contracts over the whole expected life-span of the contracts and only to a smaller part already in the initial years of existence of the contracts when the entry "Insurance Contract Value" is depreciated. Therefore, for the greater part of a contract's profit contribution will result in an accounting profit that will be identical with the tax profit (because the asset will be released in the meantime). Premium payments will form an identical tax and accounting income position in the future, but we decided to treat the asset and deferred tax liability in similar manner. Meaning that deferred tax liability will stay on balance sheet as long as the insurance contract asset representing tax liability to be incurred in case of full realization of the asset over the duration of the contract.

From 2023 onwards a new accounting standard for insurance contracts IFRS 17 will come into effect. As a result of this new standard the position "Deferred Tax Liability" will be significantly reduced as respective asset will have to be derecognized.

2.2.7.3. Special Levy on Profits

The Company has analysed whether the taxable profits from regulated activities will exceed EUR 3 million in considerable future. If yes, it would mean that the special levy rate corresponding to 4.356% p.a. would be applicable for calculation of effective tax rate for the purposes of quantification of Deferred Tax Liability. Using an individual contract view, or company view, both views led to the same outcome, that as at the end of 2020 within considerable future period Novis will not be exposed to taxable profits from regulated activities exceeding EUR 3 million, whereas considerable period represents period, in which balance sheet amount of Insurance Contracts asset as at the end of 2020 will be fully derecognized. Therefore, for quantification of Deferred Tax Liability, only the standard corporate income tax rate of 21% is used.

2.3. Income

2.3.1. Gross Premium Income

This amount represents the premium paid by the policyholders and it corresponds to the regular or single premium agreed in the insurance contracts, as well as to any premium paid in excess of the agreed premium. NOVIS deducted from these amounts unearned premium for the credit related life business in Finland.

in thousands of EUR	**2022**	**2021**
Italy	28 344	25 828
Iceland	17 343	14 704
Hungary	6 323	8 571
Slovakia	3 038	3 362
Czech Republic	1 563	1 712
Germany	947	1 148
Sweden	511	1 088
Austria	131	99
Poland	48	65
Finland	2	10
Gross Premium	**58 250**	**56 586**
Finland - Unearned Premium Reserve	2	18
Gross Premium Income	**58 252**	**56 605**

Historically, within its books the Company effectively recognized only received insurance premiums and not Gross written premium, and therefore also related receivables against the clients were not recognized in their nominal amount, but in nill amount. However, the Company maintains the information about due premium within its technical systems and has the legal right to request repayment of unpaid premiums. As of year-end 2022, unpaid insurance premiums reached the level of EUR 57,3 million (2021: EUR 36,7 million). The insurance company is preparing active steps with the aim of collecting these receivables where analysis by a company specialized in this type of receivables indicated recoverability of these receivables at the level of 65%.

2.3.2. Commission from Reinsurer

Gross commissions payable by the reinsurers for new insurance contracts underwritten in the respective year are offset with the part of the reinsurance commissions that are to be repaid to the reinsurers. Only the resulting net amount is paid by the reinsurer to the Company.

2.3.3. Contribution to Claims from Reinsurer

This amount corresponds to the financial participation of the reinsurers on the claims paid to the insured persons as well as to the share of the reinsurers on changes of insurance provision for claims reported but not settled and claims incurred but not reported.

2.3.4. **Investment Income**

in thousands of EUR	**2022**	**2021**
Gains less losses on financial assets at FVTPL*	-13 533	6 299
Accrued Interest	24	231
Dividends	300	247
Impairment of Variable Income Securities	-941	-823
Other Investment Income	0	0
Total	**-14 150**	**5 954**

* Fair value through profit or loss.

2.3.5. **Change in the Insurance Contracts Asset**

This item represents change in the Insurance Contracts asset in the Statement of Financial Position (Note 2.1.7.).

in thousands of EUR	**2022**	**2021**
Closing balance of Insurance Contracts asset	240 967	194 508
Less opening balance of Insurance Contracts asset	-194 508	-178 374
Total change in the Insurance contracts asset	**46 458**	**16 135**

2.4. Expenses

2.4.1. Commissions to Intermediaries

This item represents Net Commissions to Distribution Partners and it is a difference of Commissions to Intermediaries and Claw-back.

	2022			2021		
in thousands of EUR	Gross	Claw-back	Net	Gross	Claw-back	Net
Italy	24 867	-104	**24 763**	25 815	-1 416	**24 398**
Iceland	9 242	0	**9 242**	5 437	-1 212	**4 226**
Hungary	160	-2	**158**	227	-17	**211**
Slovakia	195	-35	**160**	247	-25	**222**
Sweden	(4)	0	**(4)**	392	-	**392**
Germany	111	-23	**88**	226	-54	**172**
Czech Republic	115	-172	**(57)**	166	-38	**128**
Finland	5 045	-970	**4 076**	24	-3	**21**
Poland	1	-635	**(635)**	2	-1	**1**
Austria	2 794	-7	**2 788**	33	0	**33**
Total	**42 525**	**(1 947)**	**40 578**	**32 569**	**(2 766)**	**29 803**

2.4.1.1. Claw-Back from Intermediaries

Claw-back represents part of the commission paid to the distribution partners in the past that must be paid back to the Company because of the cancellation of insurance contracts.

2.4.2. Insurance Claims and Benefits

in thousands of EUR	2022	2021
Partial Surrender Pay-out and Surrender Pay-out	15 862	13 072
Paid Claims	2 930	2 819
Change in Provision for Reported but not Settled Claims	-626	198
Change in Provision for Incurred but not Reported Claims	81	74
Total	**18 247**	**16 162**

2.4.2.1. Paid Claims

Total claims paid to insured persons for the respective risks insured.

In thousands of EUR		Hungary	Slovakia	Czech Republic	Germany	Finland	Other	Total
	2022	13	16	0	0	0	550	579
	2021	65	20	0	0	26	618	729
	2020	21	30	64	0	30	98	243
	2019	40	69	6	0	97	43	255
Death	2018	25	52	22	20	107	0	226
	2017	10	24	83	-	26	-	143
	2016	5	-	-	-	-	-	5
	2022	12	1 035	379	0	0	214	1 641
	2021	1	911	288	0	0	197	1 397
	2020	1	1 175	386	2	0	227	1 790
	2019	2	1 064	502	0	0	15	1 583
Health	2018	0	993	849	3	0	1	1 846
	2017	1	745	595	62	-	14	1 417
	2016	-	262	176	-	-	-	438
	2022	1	297	275	0	0	42	615
	2021	0	333	262	1	0	13	609
	2020	0	392	386	0	0	84	862
	2019	0	460	553	0	0	13	1 026
Injury	2018	0	123	121	0	0	0	244
	2017	-	351	516	-	-	-	867
	2016	-	162	273	-	-	-	435
	2022	12	34	16	0	0	33	95
	2021	50	9	10	0	0	15	84
	2020	0	11	44	0	0	0	55
	2019	0	8	3	0	0		11
Disability	2018	0	10	79	2	0	0	91
	2017	-	36	103	-	-	-	139
	2016	-	6	-	-	-	-	6
	2022	**39**	**1 381**	**671**	**0**	**0**	**839**	**2 930**
	2021	**116**	**1 273**	**560**	**1**	**26**	**843**	**2 819**
	2020	**22**	**1 607**	**880**	**2**	**30**	**409**	**2 950**
	2019	**42**	**1 601**	**1 064**	**0**	**97**	**71**	**2 875**
	2018	**25**	**1 178**	**1 071**	**25**	**107**	**1**	**2 407**
Total	**2017**	**11**	**1 156**	**1 297**	**62**	**26**	**14**	**2 566**
	2016	**5**	**430**	**449**	**-**	**-**	**-**	**884**

2.4.2.2. Partial Surrender Pay-out and Surrender Pay-out

Surrender Pay-out corresponds to the amount paid to the policyholder after the termination of the insurance contract. Partial Surrender Pay-out follows the policyholder's instruction for pay-out whereas the insurance contract remains valid and active.

2.4.2.3. Change in Provision for Reported but not Settled Claims

Increase in change in provision for reported but not settled claims is a result of a higher number of insurance claims that were not yet settled at the year end.

Number of outstanding claims	**31-12 2022**	**31-12 2021**
Slovakia	101	136
Hungary	3	27
Czech Rep.	33	46
Germany	0	1
Finland	0	9
Other	14	24
Total	**151**	**243**

2.4.2.4. Change in Provision for Incurred but not Reported Claims

The Change in Provision for Incurred but not Reported Claims reflects the development of the statistics of reported claims in 2022.

2.4.3. Change in Life Insurance Provisions

in thousands of EUR	**2022**	**2021**
Change in insurance provision for guaranteed insurance fund	-869	543
Total	**-869**	**543**

2.4.3.1. Change in Provision for Guaranteed Insurance Fund

This position reflects the yearly change of the Provision for Guaranteed Insurance Fund as defined in Note 2.2.4.1.

2.4.4. **Change in Unit-linked Insurance Provisions**

in thousands of EUR	**2022**	**2021**
Opening Balance	**78 332**	**60 200**
Contributions to unit-linked reserves	47 203	60 404
Insurance charges	-47 093	-42 272
Total changes in provisions	**110**	**18 132**
Closing balance	**78 442**	**78 332**

2.4.5. **Reinsurance Premium**

Since the financing reinsurance contract is on an original basis a quota share contract, the Company cedes part of the paid regular premium to the Reinsurer. This part corresponds to 80% of contractually agreed acquisition fees, administrative and investment fees and death risk coverage fees. Part of fees for injury or disability risk coverage and fees for Illness coverage corresponding to risk coverage above EUR 30 thousand is ceded as well. This meets definition of Net Insurance Premium. The same result can be obtained when deducting the savings part from the Gross Reinsurance Premium defined in the Reinsurance Treaty. The saving part of the Premium remains always fully with the primary insurer (the Company) because only the Company can fully realize the investment process on the basis of the Insurance Funds that were chosen by the Policyholder.

2.4.5.1. Reinsurance Premium

in thousands of EUR	**2022**	**2021**
Gross Reinsurance Premium	38 020	43 832
Share of the Reinsurer on Change in Technical Provision / Savings Part	-16 813	-18 410
Reinsurance Premium - Other	482	452
Total	**21 689**	**25 874**

2.4.6. **Change in Liability towards Reinsurers**

in thousands of EUR	**2022**	**2021**
Change in Loss Carried Forward	-15 798	-13 971
Total	**-15 798**	**-13 971**

2.4.7. **Investment and Financing Costs**

These costs result from investment activities and external financing of the Company.

in thousands of EUR	**2022**	**2021**
Financing Costs - ILS Financing	4 340	2 034
Interest on Bank Loans and Subordinated Loans	299	318
Interest on other borrowings	561	140
Other Investment Costs	89	112
Total	**5 289**	**2 604**

2.4.7.1. Financing Costs – ILS Financing

The financing costs are attributed to the overall financing amount provided and reflected within the position Insurance Contracts Asset (Note 2.1.7.). ILS based financing represents sale of future premium corresponding to acquisition fees the Company is deducting from the insurance account balance of the insurance contract by which the Commission to Intermediary has been financed through ILS provider. The commission paid to the intermediary and related total financing cost are covered by the total sum of acquisition fees deducted from the insurance account of the insurance contract by which the commission has been financed through ILS provider.

2.4.7.2. Interest on Bank Loans and Subordinated Loans

This item represents interest costs related to items described in Notes 2.2.2.1. (Bank Loans) and 2.2.2.2. (Subordinated Loans).

2.4.7.3. Interest on Other Borrowings

This item represents interest cost corresponding to paid and accrued interest on other borrowings.

2.4.7.4. Other Investment Costs

This item represents transaction costs and custody fees related to investment securities owned by the Company.

2.4.8. **Operating Expenses**

in thousands of EUR	**2022**	**2021**
Gross Salaries	4 060	3 439
Employer Pension Contribution	1 451	1 291
Outsourcing	930	804
Other Employer Social Security Contributions	92	96
Personnel costs	**6 533**	**5 631**
Professional Services	2 280	2 037
IT related - SW licenses, Cloud and Data Services	753	591
Other Taxes, Fees and Fines	762	530
Rent of Premises	693	620
Bad Debt Provisions	-26	442
Advertising and Marketing	157	225
Other Financial Costs	144	172
Depreciation and Amortization	958	812
Travel, Car Rental and Car Fuel	395	218
Audit Expense	180	170
Other Operating Costs	-174	-36
Other Acquisition Costs	94	59
Utilities and Related Costs	65	91
Total	**12 815**	**11 563**

2.4.8.1. Personnel Costs

This item includes all expenses related to employees, including related employer pension contributions to the state and private defined contribution pension funds (the 1st and 2nd pension pillar) as well as other mandatory social security contributions. Outsourcing line items represents personnel contracted either through other companies (staff leasing) or as freelancers who are engaged based on a service contract rather than an employment contract.

2.4.8.2. Other Acquisition Costs

This item represents costs of events and promotion campaigns organized for distribution partners on top of their entitlement to selling commissions.

2.4.8.3. Rent of Premises

NOVIS is currently renting premises in Bratislava, Prague, Vienna and Stuttgart. The rent is expensed on a straight-line basis of the period of the lease as it has been determined that those rents do not meet requirements to account for as per IFRS 16.

2.4.8.4. IT related - SW licenses, Cloud and Data Services

This category contains SW licenses and maintenance fees, cloud services provided by IBM and Rackscale, voice and data connection and also postal and courier services.

2.4.8.5. Professional Services

This item mainly represents legal and advisory services. The Group uses services of several law firms specialized in corporate, transactional, labour, civil, insurance, tax and consumer protection law on the respective markets.

2.4.8.6. Audit Expense

Mazars Slovensko, s.r.o. serves as the statutory auditor of the entity. The statutory audit fee was EUR 180 thousand (2021: EUR 170 thousand) including VAT for the audit of the Consolidated and consolidated financial statements.

2.4.8.7. Travel, Car Rental and Car Fuel

This item represents travelling costs including flight tickets and costs of ground transportation.

2.4.8.8. Advertising and Marketing

These costs are related mainly to the development and maintenance of the website, printing of insurance contract folders and services of PR agencies.

2.4.8.9. Bad Debt Provisions

This cost represents mainly provisions for receivables due from distribution partners.

2.4.8.10. Depreciation and Amortization

This represents depreciation of Tangible and Intangible Fixed Assets reflecting individual useful lives of every material asset item. This line also includes amortization from the right of use of vehicles acquired under lease agreement in the amount of EUR 123 thousand.

2.4.8.11. Other Operating Costs

This includes expenses related to all other services e.g. medical reports, services and goods locally consumed and also costs that are deemed as non-deductible tax costs.

2.4.8.12. Other Taxes, Fees, Penalties

This item includes taxes other than on income or profit, registration and administrative fees and penalties.

2.4.9. **Deferred Tax Expense**

The deferred tax expense represents the change in the Deferred Tax Liability and Deferred Tax Assets in the period. Following the change of the estimate in respect to Deferred Tax Liability described in Note 2.2.7., the Group has released in 2021 in full the Deferred Tax Liability driven by the development of the Insurance Contracts Asset as well as complete tax asset defined by tax loss carry-forwards from the previous periods.

in thousands of EUR	**2022**	**2021**
Change in deferred tax liability - insurance contracts asset	9 756	-2 494
Change in deferred tax asset - IBNR	-17	-15
Change in deferred tax asset - FVOCI	220	-253
Change in deferred tax asset for tax loss carry forwards	-4 431	-778
Total	**5 528**	**-3 540**

The deferred tax balances are analysed in Notes 2.2.7.1. to 2.2.7.3.

2.4.10. **Current Income Tax**

The Current Income Tax consists of the Corporate Income Tax calculated from respective taxable profits (not equal to the accounting profit due to temporarily non-taxable items) and a Special Levy on Profits.

in thousands of EUR	**2022**	**2021**
Corporate Income Tax – Slovakia	-1	-2
Special Levy on Profits	-	-
Total	**-1**	**-2**

2.4.10.1. Corporate Income Tax – Slovakia

The applicable corporate income tax represents 21% (2021: 21%) from the taxable profits reduced by the respective part of the tax losses (Note 2.2.7.1.).

The Company considers that the change in Insurance Contracts Asset valuation, that is recognized as income will be taxed only at the time when it will be materialized through profit & loss positions (e.g. premium, claims, OPEX) and not already at the time when the insurance policies are valued in these financial statements prepared in accordance with IFRS, because the insurance contracts asset effectively represents a negative reserve and the Decree of MF SR requires adjustments to IFRS profits before they are considered as a starting point for tax calculation in the area of insurance reserves and deferral of acquisition costs. The current tax expense and liabilities are recognized on assumption that the Company will successfully defend its approach.

2.4.11. **Effective Tax Reconciliation**

in thousands of EUR	**2022**	**2021**
Profit before tax	**10 976**	**-4 635**
Tax at applicable tax rate of 21% (2020: 24.298%)	**2 667**	**-1 126**
Non-taxable income/non-deductible costs:		
Non-deductible expenses for corporate tax purposes	-	5 226
Recognition of deferred tax on special levy on realized profits if they exceed EUR 3 million a year	-	-
Tax licence	-	-
Expiry of prior tax loss carry-forwards and other	2 861	-7 640
Total tax expense	**5 528**	**-3 540**

2.5. Cash Flow Statement

All definitions of positions as well as amounts used for calculations in the Cash Flow Statement are consistent with the referred Notes, whereas:

- Insurance Claims do not include the Change in Provisions for Claims Reported but not Settled and Incurred but not Reported.
- Operating Expenses do not include the non-cash items (Depreciation and Amortization was excluded),
- Paid Taxes represent the taxes paid during the respective year, but related to the previous financial year,
- The Change in Assets invested for Unit-linked and Life Insurance Provisions considers only the cash effective changes and excludes accruals of interest,
- The Change in Liquid Financial Assets represents the outflows related to purchase of securities which are always the same as the securities used as underlying assets in the Guaranteed and Non-Guaranteed Insurance Funds,
- Cash and Cash Equivalents represent only the Bank Deposits that are not restricted to settle the entity's liabilities.

3. OTHER DISCLOSURES

3.1. Structure of the Company's business by countries

The Company offers in all markets the same unique insurance product. For this reason, the Company structures its business not by product lines but solely by respective markets.

Number of Insurance Contracts - Portfolio Size (count)

	HU	IT	SK	IS	CZ	DE	FI	AT	SE	PL	Total
2022	6 522	22 246	5 968	6 388	2 169	626	7	138	13	83	**44 160**
2021	6 937	17 627	6 498	6 031	2 433	735	18	110	6 517	92	**46 998**
2020	7 338	14 379	7 290	5 544	2 818	777	420	107	6 325	109	**45 107**
2019	7 596	9 409	8 238	5 201	3 345	650	1 069	117	-	265	**35 890**
2018	7 080	4 270	7 555	3 159	3 763	744	4 384	112	-	242	**31 309**
2017	5 611	1 141	6 303	-	3 894	426	3 526	72	-	112	**21 085**
2016	4 332	-	4 694	-	3 496	267	-	73	-	-	**12 862**
2015	2 885	-	2 997	-	2 167	142	-	-	-	-	**8 191**

Gross Premium Income (in thousands of EUR)

	HU	IT	SK	IS	CZ	DE	FI	AT	SE	PL	Total
2022	6 323	28 344	3 038	17 343	1 563	947	2	131	511	48	**58 250**
2021	8 571	25 828	3 362	14 704	1 712	1 148	6	99	1 088	65	**56 582**
2020	9 768	19 271	3 759	11 250	1 914	1 080	25	550	550	96	**48 264**
2019	17 966	16 233	4 394	8 668	2 418	1 078	115	-	0	218	**51 092**
2018	18 773	7 055	4 403	2 805	2 573	2 401	1 094	-	-	171	**39 275**
2017	13 487	2 996	3 183	-	2 370	1 609	196	121	-	81	**24 043**
2016	7 969	-	1 971	-	1 878	970	-	54	-	-	**12 842**
2015	4 767	-	1 162	-	841	202	-	-	-	-	**6 972**

Insurance Provisions (in thousands of EUR)

	HU	IT	SK	IS	CZ	DE	FI	AT	SE	PL	Total
2022	46 718	16 543	9 245	15 584	5 299	3 757	9	367	41	135	**97 698**
2021	55 122	12 622	10 102	9 515	5 361	4 681	85	396	0	156	**98 040**
2020	49 069	7 969	8 796	2 540	5 015	4 239	167	355	0	161	**78 311**
2019	42 647	4 208	4 673	691	2 278	4 092	234	329	0	67	**59 219**
2018	27 179	1 453	4 153	346	3 211	3 958	412	261	-	103	**41 076**
2017	12 486	945	2 248	-	1 636	2 057	912	53	-	33	**20 370**
2016	3 064	-	1 812	-	1 902	871	-	50	-	-	**7 699**
2015	1 403	-	1 473	-	1 142	44	-	-	-	-	**4 062**

3.2. Risk Management

NOVIS as a regulated, internationally active insurance company operates based on a comprehensive risk management scheme. The major elements are elaborated in the following subchapters of this section.

3.2.1. Risk of loss bearing insurance contracts

The Company considers as its biggest potential risk, the possibility that part of its insurance contracts will not be profitable. For this reason, the following approach is applied: (1) **Intelligence Phase**: when approaching a new market, the Company tries to find out, if the conditions in a potential new market/country will enable NOVIS to fine-tune its product to make it attractive both for its potential clientele and for selected Distribution Partners. (2) **Consequence**: if the Intelligence Phase doesn't bring a satisfactory result in the described way, NOVIS does not enter the new market. This means, NOVIS has a pure opportunistic expansionary strategy. There is no country (market) into which NOVIS would enter without being convinced that its activity in this country will be profitable.

The reasoning in the "Intelligence Phase" is based on principal logical considerations. After the start of the business activity, permanent "Profit-Testing" is applied. For this purpose, the Company calculates with the actuarial software the Present Value of Expected Cash Flow (PVECF) (Note 1.2.1.) of all new insurance contracts.

If the PVECF of the new contracts were negative, the Company would change some product features and/or the conditions for Distribution Partners or would consider not entering the market.

3.2.2. Underwriting Risk

The Company sets the price for its risk coverage fees in such a way that the insurance claims are expected to reach an amount representing 50% of the risk fees over all markets in the long run. It is understood that there can be significant differences among markets in respect to risk coverages, risk fees and time periods when the expected goal is reached. Paid Claims as % of Risk Coverage fees for respective risks and markets:

		HU	IT	SK	IS	CZ	DE	FI	AT	PL
	2022	9.36%	8.50%	7.07%	40.10%	0.00%	0.00%	0.00%	0.00%	0.00%
	2021	27.97%	19.68%	8.87%	22.00%	0.00%	0.00%	116.88%	0.00%	0.00%
	2020	11.05%	3.04%	12.94%	15.47%	75.61%	0.00%	118.74%	0.00%	0.00%
	2019	16.49%	6.27%	25.78%	5.33%	4.11%	0.00%	72.49%	0.00%	0.00%
Death	2018	32.15%	0.00%	18.60%	0.00%	23.44%	73.32%	4.64%	0.00%	0.00%
	2022	121.49%	0.00%	209.39%	25.82%	175.13%	0.00%	n/a	42.86%	0.00%
	2021	14.04%	0.00%	183.26%	24.60%	135.32%	0.00%	n/a	32.29%	67.61%
	2020	13.12%	0.00%	234.69%	24.94%	175.87%	8.06%	n/a	13.06%	0.00%
Critical Illness	2019	8.57%	0.00%	217.04%	2.17%	203.87%	0.00%	n/a	0.00%	0.00%

	2018	3.39%	0.00%	150.88%	0.00%	173.24%	5.64%	n/a	8.30%	0.00%
Injury	2022	15.96%	0.00%	44.65%	51.21%	84.15%	0.00%	n/a	0.00%	23.71%
	2021	7.20%	0.00%	45.31%	14.08%	73.45%	13.24%	n/a	0.00%	0.00%
	2020	1.08%	0.00%	48.33%	31.35%	105.63%	0.00%	n/a	0.00%	0.00%
	2019	4.35%	0.00%	53.55%	12.13%	108.77%	3.21%	n/a	0.00%	0.00%
	2018	3.58%	0.00%	51.74%	0.00%	92.73%	6.72%	n/a	0.00%	11.54%
Disability	2022	n/a	n/a	55.98%	n/a		n/a	n/a	n/a	n/a
	2021	n/a	n/a	51.11%	n/a	13.16%	n/a	n/a	n/a	n/a
	2020	n/a	n/a	30.68%	n/a	57.92%	n/a	n/a	n/a	n/a
	2019	n/a	n/a	9.83%	n/a	0.00%	n/a	n/a	n/a	n/a
	2018	n/a	n/a	0.00%	n/a	69.64%	n/a	n/a	n/a	n/a

Insurance risks concentration:

	In thousands of EUR	HU	IT	SK	IS	CZ	DE	FI	AT	PL	SE	Total
2022	Sum insured for risk of death	13 035	515 885	80 935	161 835	21 158	15 781	63	3 868	1 530	809	**814 900**
	Sum insured for critical illness	727	1 817	122 353	71 451	42 795	3 537	0	520	454	0	**243 654**
	Sum insured for injury	958	200	104 127	18 125	52 891	1 772	0	380	201	0	**178 653**
	Sum insured for disability	0	1 745	13 785	1 365	19 794	0	0	0	0	0	**36 689**
	Total	**14 719**	**519 647**	**321 200**	**252 776**	**136 639**	**21 090**	**63**	**4 768**	**2 185**	**809**	**1 273 897**
2021	Sum insured for risk of death	22 378	449 588	90 110	158 358	25 431	18 277	159	4 383	1 746	460 143	**1 230 573**
	Sum insured for critical illness	1 092	850	131 369	70 705	46 459	4 299	0	435	484	0	**255 693**
	Sum insured for injury	1 146	200	113 665	20 146	58 227	1 902	0	510	235	0	**196 030**
	Sum insured for disability	0	616	14 919	1 286	22 596	0	0	0	0	0	**39 417**
	Total	**24 616**	**451 254**	**350 063**	**250 495**	**152 714**	**24 478**	**159**	**5 328**	**2 465**	**460 143**	**1 721 714**
2020	Sum insured for risk of death	24 623	404 133	105 620	153 670	27 718	19 241	3 965	4 518	3 622	378 203	**1 125 312**
	Sum insured for critical illness	1 144	200	151 891	73 694	50 789	4 875	-	420	883	0	**283 895**
	Sum insured for injury	1 215	200	136 908	22 863	63 991	2 251	-	550	443	0	**228 421**
	Sum insured for disability	0	0	17 465	0	25 253	0	-	0	0	0	**42 718**
	Total	**26 981**	**404 533**	**411 884**	**250 227**	**167 751**	**26 366**	**3 965**	**5 488**	**4 948**	**378 203**	**1 680 345**

3.2.3. Risk of premature termination of insurance contracts (Lapse Risk)

The PVECF calculations (Note 1.2.1.) are also based on assumptions of the expected terminations of the insurance contracts in the various years. If the lapse-rate becomes higher than assumed at the outset of the contract, a loss of future profit will occur. In order to prevent such an adverse development, the Company assesses each potential Distribution Partner in respect of the quality of its advisory activities. Potential partners that do not fit the assessment requirements of the Company will not be accepted as a Distribution Partner. Due to its international orientation, NOVIS can concentrate more on the cooperation with those Distribution Partners showing a favourable insurance advisory quality.

Hungary		Lapsed in policy year								
		1	2	3	4	5	6	7	8	9
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	10.82%	1.58%	1.88%	1.09%	0.69%	1.95%	2.41%	2.62%	n/a
	2015	9.66%	3.55%	2.04%	1.85%	2.31%	3.54%	2.25%	1.25%	
	2016	8.54%	3.31%	1.66%	2.25%	3.85%	2.87%	1.78%		
	2017	4.20%	2.52%	2.08%	5.70%	8.21%	3.74%			
	2018	3.98%	2.45%	4.32%	9.76%	5.57%				
	2019	6.75%	1.96%	3.85%	6.56%					
	2020	0.00%	0.00%	0.00%						
	2021	0.00%	0.00%							
	2022	0.00%								
Italy										
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
	2017	10.13%	2.35%	6.01%	4.22%	2.67%	0.41%			
	2018	8.07%	4.16%	2.67%	1.44%	0.78%				
	2019	4.18%	2.83%	1.27%	0.35%					
	2020	2.93%	1.28%	0.33%						
	2021	1.29%	0.75%							
	2022	1.00%								
Slovakia										
Underwriting year	2013	14.29%	5.56%	0.00%	5.88%	6.25%	6.67%	0.00%	7.14%	0.00%
	2014	18.72%	10.92%	8.30%	5.14%	4.12%	9.05%	5.47%	4.21%	1.92%
	2015	18.83%	15.69%	9.97%	8.73%	11.39%	11.41%	6.78%	3.04%	
	2016	23.57%	13.17%	10.61%	10.06%	11.49%	8.51%	3.45%		
	2017	10.33%	10.20%	10.34%	12.27%	10.23%	4.33%			
	2018	9.40%	10.77%	14.75%	9.29%	4.95%				
	2019	11.26%	12.85%	12.33%	5.61%					
	2020	17.57%	9.84%	0.00%						
	2021	3.57%	3.70%							
	2022	2.86%								
Iceland										
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
	2017	n/a	n/a	n/a	n/a	n/a	n/a			
	2018	16.34%	13.25%	10.99%	5.46%	2.98%				
	2019	16.09%	9.27%	7.24%	3.04%					
	2020	17.57%	7.04%	3.20%						
	2021	12.91%	2.78%							

	2022	7.22%								
Czech Republic										
Underwriting year	**2013**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	21.25%	15.36%	21.12%	14.39%	16.32%	14.72%	8.08%	3.13%	
	2016	17.48%	12.63%	23.09%	19.05%	13.56%	10.66%	7.16%		
	2017	10.81%	13.10%	15.82%	14.35%	14.68%	8.10%			
	2018	13.68%	14.92%	13.42%	10.13%	4.23%				
	2019	14.44%	14.94%	10.69%	12.82%					
	2020	0.00%	0.00%	0.00%						
	2021	0.00%	0.00%							
	2022	0.00%								
Germany										
Underwriting year	**2013**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	42.25%	20.37%	34.88%	19.64%	4.44%	11.63%	7.89%	n/a	
	2016	19.35%	20.00%	7.50%	5.41%	17.14%	5.17%	7.27%		
	2017	11.21%	12.11%	6.59%	5.13%	13.51%	3.13%			
	2018	21.71%	10.59%	7.32%	10.53%	13.45%				
	2019	50.00%	0.00%	100.00%	0.00%					
	2020	11.52%	13.02%	14.97%						
	2021	4.65%	12.20%							
	2022	0.00%								
Austria										
Underwriting year	**2013**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	75.45%	37.04%	5.88%	0.00%	18.75%	7.69%	n/a		
	2017	33.33%	4.55%	4.76%	15.00%	17.65%	7.14%			
	2018	13.79%	10.00%	13.33%	10.26%	5.71%				
	2019	25.00%	22.22%	14.29%	16.67%					
	2020	0.00%	0.00%	0.00%						
	2021	23.08%	0.00%							
	2022	11.86%								
Poland										
Underwriting year	**2013**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
	2017	41.59%	33.33%	18.18%	8.33%	6.06%	6.45%			
	2018	36.57%	27.06%	16.13%	9.62%	2.13%				
	2019	77.14%	0.00%	0.00%	12.50%					
	2020	0.00%	0.00%	0.00%						
	2021	0.00%	0.00%							
	2022	0.00%								

3.2.4. Risk of Non-payment of Insurance Premiums

As long as an insurance contract is valid, and the insurance contract is not yet fully paid up, the policyholder has to pay further insurance premiums. For situations where the policyholder does not behave in accordance with his contractual obligations, the Company has a communication strategy towards such clients. The aim of this strategy is to encourage the policyholder to resume the premium payments.

Overdue insurance premium is assigned nil carrying value. In case that the policyholder does not pay the agreed premium and the balance of the insurance account becomes negative.

3.2.5. Risk of Insufficient Insurance Provisions

Even if the insurance contracts are clearly profitable from the Company's point of view, it may happen in the future that under adverse circumstances the calculated PVECF underestimates the future liabilities of the Company (and/or overestimates the future premiums). To minimize this risk, the Company defines the Insurance Provisions in a way, that they always exceed the surrender values of all contracts in the portfolio (Note 1.2.4.).

3.2.6. Risk related to Asset Allocation

Changes in the value of assets invested within the non-guaranteed insurance funds (Note 2.1.6.) are in full 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) can be achieved through the diversification effect if the policyholder chooses to invest in all insurance funds of the company.

Below disclosure describes effect of the diversification through potential development of the insurance fund during financial crisis:

Product	Name of the Insurance Fund	Expected development during a financial crisis	Percentage representation in the portfolio	
			2022	2021
NOVIS Standard Product	Guaranteed Insurance Fund	Guaranteed up	13.4%	14.1%
	ETF-shares Insurance Fund	Down	14.5%	17.4%
	Gold Insurance Fund	Down	7.0%	7.8%
	Entrepreneurial Insurance Fund	Down	6.5%	7.7%
	Mortgage Insurance Fund	Down	3.5%	4.2%
	Family Office Insurance Fund	Down	5.8%	6.5%
	World Brands Insurance Fund	Down	3.5%	3.6%
	Digital Insurance Fund	Down	12.2%	18.9%

	Fixed income	Probably up	9.8%	6.4%
	Global select	Probably up	13.2%	7.9%
	PIR	Probably up	3.9%	1.8%
	Sustainability	Probably up	6.1%	3.8%
	Discovery	Up or down	0.6%	0.0%
	Sustainability Plus	Probably up	0.1%	0.0%
Co-Branded Product	Guaranteed Insurance Fund	Probably down	23.3%	24.0%
	Co-Branded Insurance Funds	Probably up	76.7%	76.0%

3.2.7. **Credit Risk**

Credit risk of the Company can be split into the following groups:

1. Banks - due to the increased bail-in risk established through EU-law being 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 (Note 2.1.10.).
2. Government Bonds (Note 2.1.4.) – It is set by the Company's Risk Management Policy, that the Company is not investing in government bonds of countries having significant negative trade balance current account (NOVIS has invested to government bonds of Slovakia[1], Hungary[2], Czech Republic[3], Poland[4] and Austria[5] till the end of the reporting period). The Company's risk policy is based on the learning that one cannot find any sovereign defaults in peace time from countries that had positive or at least balanced current accounts.
3. Claims towards distribution partners (Note 2.1.9.) – 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.
4. Insurance Contracts Asset – this asset represents a population of individuals diversified across many countries. It can be assumed, that portfolio in countries with better country rating will represent lower credit risk. Refer to Note 2.1.7.

3.2.8. **Risk of Non-Compliance**

The insurance business is highly regulated, and this risk grows with enhanced regulation in consumer protection and distribution of the products. To comply with these requirements, the Company cooperates in every country with a local law firm specializing in insurance questions with the intention to achieve an optimal combination of adapting its insurance product to local requirement in the necessary extent and at the same time to preserve the unique product concept as much as possible.

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[1] https://knoema.com/atlas/Slovakia/Current-account-balance-as-a-share-of-GDP
[2] https://knoema.com/atlas/Hungary/Current-account-balance-as-a-share-of-GDP
[3] https://knoema.com/atlas/Czech-Republic/Current-account-balance-as-a-share-of-GDP
[4] https://knoema.com/atlas/Poland/Current-account-balance-as-a-share-of-GDP
[5] https://knoema.com/atlas/Austria/Current-account-balance-as-a-share-of-GDP

The simultaneous business activity in many countries provides the staff and decision makers of NOVIS with a learning curve that cannot be achieved when an insurance company is active only in one country.

3.2.9. Operational Risks

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

Company has identified one important operational risk: the possibility that its IT system would not fully comply with its international business development and the related requirements. To nearly eliminate this risk, Group has been developing during years 2015 to 2019 an in-house insurance software that fully reflects all features of its insurance product. The insurance software Apollon has been launched in all markets during 2019. The development of Apollon went on also in 2022 with a focus on achieving the highest levels of data security and data quality. Development for the Apollon insurance software continues in 2023 with a focus on achieving system stabilization, restructuring of hardware resources for sufficient performance based on the requirements and needs of the Company. The subject of development was also the modification of existing functions and the development of new functions of the Apollon system.

3.2.10. Financial Risks

The entity is exposed to financial risks through its financial assets, financial liabilities and assets or liabilities from its insurance contracts.

Currency risk is the risk associated with movements in foreign exchange rates and it is attributed to the impact of changes in foreign exchange rates on the values of assets and liabilities.

The foreign currency exchange rate risk on Fixed Income Securities, Variable Income Securities is born by policyholders and would be reflected in Change in Life and Unit-linked Provisions. The Company is reflecting the Insurance Contracts Asset on the Balance Sheet in greater extent comparing to the previous years (Notes 2.1.7.) and it is mainly driven by insurance contracts denominated in Euro, thus changes weakening / strengthening of Euro by 5% against other non-EUR countries is negligent.

Equity price risk is a risk of change in the fair value of financial instruments due to changes in prices in equity markets. The Company is exposed to equity price risk due to its investment in equity securities (Variable Income Securities) and this risk is influenced mostly by developments on the stock markets. The impact of price risk on profit and equity is insignificant for equity securities at fair value through profit, as the related liabilities arising from these contracts are affected to the same extent through change in Unit-linked Insurance Provisions.

Interest rate risk - Company is exposed to Interest rate risk mainly in connection with Insurance Contracts Asset and Insurance Provisions as the inherent part of the PVECF are also the interest rates derived from EIOPA risk free rate curve affecting mainly the discount factors – the sensitivities are described Note 2.1.5.
The other source of Interest rate risk arises from variable interest borrowings. The impact of interest rate risk on Profit Before Taxes if interest rates changed by 100 basis points with all other variables remaining unchanged would represent EUR 1 400 thousand at the most in relation with variable interest borrowings.

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 to settle obligations when they are due. Liquidity needs are monitored continuously and any unexpected need for liquid funds is reported in advance to ensure that necessary funds are available. The expected cash inflows plus the existing balance of liquid financial assets exceed the expected cash outflows over the period of one year after the end of the reporting period.

Insurers have a choice how to present the maturity analysis of financial instruments and insurance contracts, either (a) as expected periods to maturity or (b) contractual periods to maturity assuming worst-case scenario. The entity has chosen to present the worst-case scenario assuming that all of their customers terminate the insurance contracts at the year-end in full. In this scenario, (i) surrender value is immediately due to the customers, (ii) the reinsurer liability is nil as it is contingent on future insurance premium income, (iii) a cash inflow exists from claw-back of previously paid acquisition commission and (iv) the borrowings are due in at their contractual maturity, unless the entity is in breach of loan covenants at the end of the reporting period. Assets are presented as short-term if they are liquid and can be expected to be disposed of in the short-term in case of a liquidity need.

The maturity analysis of the carrying values of assets and liabilities is as follows at 31 December 2022:

In thousands of EUR		Less than 6 months	6 months to 5 years	**Total**
Assets	Fixed Income Securities	251	-	**251**
	Variable Income Securities	1 979	-	**1 979**
	Assets Invested for Unit-linked Insurance Provisions	59 802	-	**59 802**
	Claw back of previously paid commissions	118	-	118
	Reinsurance Contracts	13 207	-	**13 207**
	Other Assets*	356	-	**356**
	Bank Deposits	3 043	583	**3 626**
	Total	**78 757**	**583**	**79 339**
Liabilities	Insurance Provisions (Life and Unit-linked)	78 442	-	**78 442**
	Other Liabilities*	10 047	-	**10 047**
	Borrowings	-181	16 664	**16 483**
	Total	**88 308**	**16 664**	**104 972**
The Difference – Excess/(Shortfall) Liquidity 2022		**-9 552**	**-16 082**	**-25 633**
The Difference – Excess/(Shortfall) Liquidity 2021		**-594**	**-10 687**	**-11 281**
The Difference – Excess/(Shortfall) Liquidity 2020		**-1 948**	**-5 426**	**-7 374**
The Difference – Excess/(Shortfall) Liquidity 2019		**5 509**	**-1 845**	**3 664**

* The maturity analysis includes only items that fall in the scope of IFRS 7, *Financial Instruments: Disclosure*, or IFRS 4, *Insurance Contracts*.

3.3. Information about related parties' transactions

The Group carried out transactions with members of the Group's management board (MB) and supervisory board (SB).

in thousands of EUR	**2022**	**2021**
Cash contribution to share capital from MB members	-	-
Cash contribution to share capital from SB members	-	-
Services provided by related party to the Company*	36	36
Salaries and remuneration of the MB members	414	355
Salaries and remuneration of the SB members	226	159
Social security contributions for MB members	110	100
Social security contributions for SB members	63	55

**Services provided directly by members of the MB and SB, or through their companies.*

3.4. Contingencies and Commitments

3.4.1. Lawsuits

Apart from five court proceedings in Italy related to disputes with clients, the Company was not involved as a defendant in any other litigious court proceedings in 2022.

3.4.2. Rent

As at 31 December 2022, future minimum rent payable for offices within one year is EUR 642 thousand (2021: EUR 620 thousand), thus payable in 2-5 years is 2 569 EUR thousand (2021: EUR 2 475 thousand).

3.4.3. Uncertain Tax Positions

Refer to Note 2.4.10.1 regarding uncertain tax positions. Tax legislation requires interpretation, and a possible risk exists that management's interpretation will not coincide with those of the relevant authorities. The Company will be vigorously defending its tax positions and interpretations that it has taken.

3.4.4. Regulatory compliance

Slovakia

The National Bank of Slovakia issued a decision on 14th January 2022, imposing a measure on the Company to increase technical provisions at least to the level specified by NBS and to maintain technical provisions at this level at least until 31st December 2022, or until the supervisory authority delivers to the Insurance Company a written consent on the new assumptions based on which the Insurance Company will calculate technical provisions in a different amount. At the same time, the National Bank of Slovakia in this decision imposed a measure on the Insurance Company to eliminate and remedy the identified deficiencies in the form of the obligation to perform a SCR calculation using the minimum value of technical provisions set by the NBS, and to notify the NBS on the result by 15th March 2022, together with the obligation to increase (if that would be the case) own funds eligible to cover the SCR, to prove this increase, and also the obligation to have eligible own funds in the amount necessary for a proper coverage of the SCR, from the moment of increasing the eligible own funds (if that would be the case) until 31st December 2022. In the last part of the decision, the NBS imposed on the Insurance Company an obligation to refrain from disposing of assets outside the usual economic activities until 15th March 2022. The Company filed an appeal against the decision. The NBS Bank Board, as a second-instance body, confirmed the first-instance decision by its decision of 6 June 2022 and rejected the Company's appeal. In response to this decision, NOVIS has lodged an administrative complaint with the appropriate administrative court.

By its decision of 27 January 2022, the NBS revoked its interim measure originally issued in November 2020 and partially annulled and partially amended by the NBS Bank Board on 13 April 2021. The subject of the interim measure was to restrict the Company from free disposition of assets beyond usual business operations. The reason for its cancellation was that the grounds for which the NBS issued the interim measure no longer existed.

On 15th July 2022, the Company received from NBS a notice of initiation of procedures to impose a sanction for deficiencies in the Company's activities, where NBS suspected that the Company made purposeful changes to the General Terms and Conditions in a way that could harm the interests of clients and at the same time also suspected that the Company is facing an unfavourable economic and financial situation, while according to the suspicion of the NBS, the Company as of 31st March 2022 did not cover the solvency capital requirement with eligible own funds as well as the minimum solvency capital requirement with basic eligible own funds. On 2 November 2022, the Company received the first instance decision of the NBS dated 31 October 2022, which revoked the Company's license to conduct insurance activities and restricted its free disposal of assets beyond usual business operations. The Company appealed against the NBS decision, and the filing of the appeal against the decision in part of revoking the license had a suspensive effect. The Bank Board of the NBS, as the second instance authority, partially amended its first instance decision through its ruling on 1 June 2023, but it confirmed the revocation of the license and the restriction on the free disposal of assets beyond usual business operations (for more details, see Article 3.5).

On 27 August 2020, the Office for Selected Businesses (ÚVHS) awarded a fine of EUR 200 thousand for a change in accounting policy related to the valuation of its insurance contracts in 2015, which the Office did not deem compliant with IFRS 4. The company does not agree with this assessment, insisting that the policy is in line with IFRS and has been continuously using the policy as described in note 1.2.1. Novis therefore filed for administrative lawsuit and at the moment of completion of this financial statement the court haven't decided yet.

Iceland

On 25 May 2023, the Financial Supervisory Authority of the Central Bank of Iceland (the „FSA") informed the Company by letter about the results of the investigation of changes to NOVIS general terms and conditions for insurance policies (the "GTCs"). (for more details, see Article 3.5).

3.4.5. Financial Instruments by Category

For the purposes of measurement, IAS 39 (Financial Instruments: Recognition and Measurement) classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity (HTM) and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. Insurance contracts are not financial instruments and are covered by IFRS 4 (Insurance Contracts).

The following table provides a reconciliation of classes of financial instruments for the purpose of disclosure under IFRS 7 (Financial Instruments: Disclosures) and their measurement categories defined in IAS 39 as of 31 December 2022.

in thousands of EUR	Loans and Receivables	Assets at FVTPL	Assets at FVOCI	Insurance contracts	**Total**
Bank Deposits	3 043	-	-	-	**3 043**
Restricted Bank Account Balance	583	-	-	-	**583**
Fixed Income Securities	-	23	228	-	**250**
Variable Income Securities	-	1 979	-	-	**1 979**

Assets Invested for UL	0	59 802	-	-	**59 802**
Insurance contracts asset	-	-	-	178 466	**178 466**
Other Assets	356	-	-	-	**356**

* The analysis includes only items that fall in the scope of IFRS 7, *Financial Instruments: Disclosure*, or IFRS 4, *Insurance Contracts*.

The following table provides a reconciliation of classes of financial instruments for the purpose of disclosure under IFRS 7 (Financial Instruments: Disclosures) and their measurement categories defined in IAS 39 as of 31 December 2021.

in thousands of EUR	Loans and Receivables	Assets at FVTPL	Assets at FVOCI	Insurance contracts	**Total**
Bank Deposits	4 381	-	-	-	**4 381**
Restricted Bank Account Balance	698	-	-	-	**698**
Fixed Income Securities	-	1 158	6 870	-	**8 028**
Variable Income Securities	-	0	-	-	**0**
Assets Invested for UL	0	73 122	-	-	**73 122**
Insurance contracts asset	-	-	-	155 210	**155 210**
Other Assets	981	-	-	-	**981**

* Bonds carried at amortised cost that are level 1 in fair value hierarchy are classified at held to maturity, those in level 2 as loans and receivables under IAS 39: *Financial instruments: recognition and measurement*.

3.5. Significant events after the end of the reporting period

In April 2023 NOVIS has placed convertible bonds in a volume of EUR 8.8 million, leading to significant strengthening of the Company’s capital position.

On 25 May 2023, the Financial Supervisory Authority of the Central Bank of Iceland (the „FSA“) informed the Company by letter about the results of the investigation of changes to NOVIS general terms and conditions for insurance policies (the “GTCs”). The investigation began on 25 October 2022, and was focused on changes in the GTCs of the Company's products that were distributed in Iceland, with these changes taking effect from 15 October 2021. Although the Company objected to the FSA's preliminary findings, the investigation concluded that the changes in the GTCs were not made in accordance with Icelandic law. Therefore, the FSA imposed on

NOVIS the obligation to carry out these remedial actions: a) revoke, by means of an announcement on its website, its changes to the GTCs for the Wealth Insuring and Life Savings Plan products, which took effect on 15 October 2021; b) notify its policyholders in writing of the revocation of the changes; c) inform its distributors in Iceland in writing of the FSA's decision in this matter and the demand for remedial action; d) send the FSA a copy for verification of implementation of remedial action. NOVIS fulfilled all remedial actions within the set deadline and properly informed the FSA. The Company is currently analyzing available legal options for further defense against the results of this investigation.

NBS, by its decision of 1 June 2023, withdrew the authorization to conduct insurance business from the Company. As of the effective date of the decision, i.e. 5 June 2023, NOVIS is prohibited from conducting insurance business, with the exception of activities necessary to enforce its claims and settle its liabilities. NOVIS may not conclude new insurance contracts. NOVIS is convinced that the NBS decision is incorrect and based on a flawed assessment of the facts and incorrect application of the relevant laws. Moreover, all the evidence that NOVIS submitted to the NBS was ignored. This even includes the expert opinion of a court expert from Vienna, who asserts that the NBS distorted the Solvency balance of NOVIS to such an extent that the expert used the term 'falsification' in relation to the NBS procedure. The Company is therefore preparing an administrative lawsuit and will ask the court to postpone the effectiveness of the decision. NOVIS expects a fair process from the court, especially given that several important documents were deliberately not made available to it during the NBS proceedings. NOVIS repeatedly for a long time pointed out the proven bias and illegal actions of specific NBS officials, and therefore also turned to the General Prosecutor's Office.

There are no other significant events after reporting period which would not be reflected in these individual financial statements and would have material impact on fair presentation of information in the individual financial statements.

3.6. Application of New Accounting Standards and Interpretations

Initial application of International Financial Reporting Standard As of January 1, 2022

The following standards have not been early adopted by the Company, however they might have a material impact on the interpretation of these Financial Statements as they are applicable as of 1 January 2023.

- IFRS 17, Insurance contracts (effective for annual periods beginning on or after 1 January 2023) and
- IFRS 9, Financial Instruments: classification and measurement (effective in EU for annual accounting periods beginning on or after 1 January 2018 except for insurance companies which benefit from the exemption and apply this standard from 2023. Novis meets all the requirements for a temporary exemption of IFRS 9 implementation.)

Expected impact of IFRS 17 and IFRS 9 standards

The Company has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total after tax adjustment to the Company's total equity is an increase by EUR 9 626 thousand as at 1 January 2023, as summarized below:

in thousands of EUR	**01-01 2022**
Adjustments due to adoption of IFRS 17	9 626
Adjustments due to adoption of IFRS 9	-
Total	**9 626**

The assessment above is preliminary because not all of the transition work has been finalized. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2023 and 2022 is though subject to change.

IFRS 17

Assessment

The Company is still in the transition process and is aware of the many challenges the application of IFRS 17 represents. There are numerous accounting policies, assumptions and judgements used in the computation process and even though the Company exercised the preliminary assessment with all due care the final impact is not known as of the date of publication of these financial statements.

Transition

Changes in accounting policies due to the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable. If it is impracticable to apply a full retrospective approach, then the Company will choose between the modified retrospective approach and the fair value approach.

IFRS 9

Classification

Debt instruments investments under IAS 39 were classified as either FVTPL or AFS. Under IFRS 9 all debt investments will be measured at FVOCI. The total impact of this assessment on equity is 0.

Mutual funds and any other equity considerations will be measured at fair value with value changes recognized in profit or loss, though there is no change in current accounting practice and impact on equity as of the date of implementation will be 0.

There is no impact on classification of Company's issued debt instruments because the classification and measurement under IFRS 9 remains unchanged in comparison to IAS 39.

Expected credit loss

The Company is in the process of estimating what the impact of the IFRS 9 impairment requirements on loss allowances will be. No material impact is expected.

Transition

IFRS 9 will be applied retrospectively as at the date of the initial application and all changes in carrying amount resulting thereof will be included in the opening retained earnings.

The Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for reporting periods beginning on 1 January 2022.

Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),

Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),

Amendments to various standards due to "Annual Improvements to IFRS Standards (2018 – 2020 Cycle)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 only relate to an illustrative example, so no effective date is stated.).

The adoption of these new standards, amendments to existing standards, and interpretation has not led to any material changes in the Company's financial statements.

The following new standards and interpretations have not yet been endorsed for use as of December 31, 2022, and have not been used in the preparation of these financial statements. The Company does not expect the new standards to have a significant impact on its financial statements.

Standards and Interpretations endorsed by the EU

Amendments to IAS 1 "Presentation of Financial Statements" and "IFRS Practice Statement 2 Materiality Judgment" - The amendment requires entities to disclose only material accounting policies and not significant accounting policies (effective for accounting periods beginning on or after January 1, 2023), earlier application is permitted.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"- The amendments introduce a definition of "accounting estimates" and contain additional amendments to IAS 8 that clarify how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively, while changes in estimates are accounted for in the period in which the change occurs (effective for accounting periods beginning on or after January 1, 2023), earlier application is permitted.

Amendments to IAS 12 "Income Taxes" which relate to assets and liabilities arising from a single transaction - The amendments narrow the scope of the initial recognition exception to exclude transactions that give rise to identical and compensating temporary differences – for example, leases and reinstatement obligations. In the case of leases and in the case of restoration liabilities, the related deferred tax assets and deferred tax liabilities will need to be recognized from the beginning of the earliest comparative period presented, with the cumulative effect being recognized as an adjustment to retained earnings or other equity items at that date. For all other transactions, amendments will apply to those transactions that occur after the beginning of the earliest period presented (effective for accounting periods beginning on or after January 1, 2023), earlier application is permitted

The Company does not expect the additions to have a significant impact on the Company's financial statements upon their first application, as it does not account for liabilities related to restoration and the amount of liabilities from the right of use is insignificant.

Standards and Interpretations not yet endorsed by the EU

Amendments to IAS 1 "Presentation of Financial Statements, Classification of liabilities as current or non-current' - The amendments clarify that the classification of liabilities as current or non-current should be based on the existence of the Company's right to postpone settlement of liabilities to the end of the accounting period. The Company's right to postpone the settlement for at least twelve months after the date on which the financial statements are drawn up may not be unconditional, but it must be justified. The classification is not affected by the management's intentions or expectations, whether and when the Company will exercise its right to postpone settlement of the obligation. The amendments also clarify what is considered a settlement of a liability (effective for accounting periods beginning on or after January 1, 2024). Earlier application is allowed.
Amendments to IFRS 16 "Leases" - Lease liability in a sale and leaseback transaction. Effective for annual accounting periods beginning on or after January 1, 2024. Earlier application is allowed.

Amendments to IFRS 10 and IAS 28: "Investments in Associates and Joint Ventures"

The European Commission decided to postpone the adoption indefinitely.

The amendments clarify that in transactions with an associate or joint venture, profit or loss is recognized to the extent and depending on whether the asset sold or contributed constitutes an enterprise, as follows:
• the gain or loss is recognized in full if the transaction between the investor and its associate or joint venture involves the transfer of an asset or assets that make up the enterprise (whether located in a subsidiary or not), while

• a gain or loss is partially recognized if the transaction between the investor and its associate and joint venture involves non-enterprise assets, even if those assets are located in the subsidiary

The Company does not expect the additions to have a significant impact on the Company's financial statements upon their first application

The Company has decided not to apply these new standards, amendments to existing standards and interpretations before their effective date.

3.7. Date of Authorisation for Issue

These Consolidated Financial Statements have been approved by the Management Board for issue on 28. June 2023.

Siegfried Fatzi
Chairman of the Management Board
NOVIS Insurance Company,
NOVIS Versicherungsgesellschaft,
NOVIS Compagnia di Assicurazioni,
NOVIS Poisťovňa a.s.

Michal Knap
Member of the Board of Directors
NOVIS Insurance Company,
NOVIS Versicherungsgesellschaft,
NOVIS Compagnia di Assicurazioni,
NOVIS Poisťovňa a.s.