2018

ANNUAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s. (formerly known as NOVIS Poisťovňa a.s.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s. (formerly known as NOVIS Poisťovňa a.s.) and its subsidiary Novis Tech, a. s. ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended ("Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assets and liabilities from insurance contracts

As described in paragraphs 2.1.6, 2.2.4 and 2.2.5 of Notes to the consolidated financial statements, assets and liabilities from insurance contracts represent a significant accounting estimate. Measurement of assets and liabilities from insurance contracts requires application of significant judgment regarding assumptions. The Group determined present value of estimated expected insurance contract cash-flows, as well as surrender value of insurance contracts, which reflects the savings element. These amounts were recognized on the asset side and on the liability side as the insurance contract assets and insurance provisions. The significant assumptions for the purpose of liability adequacy test and insurance contract assets include modelling risks regarding mortality, longevity, lapse, time value of money and unit administrative cost of insurance contract.

As part of our audit of the consolidated financial statements for the year ending 31 December 2018, we aimed by using our internal actuary to assess the accuracy of actuarial methods used by the Group in determination of present value of estimated expected insurance contract cash-flows and to review, whether the calculation sufficiently cover risks and future liabilities arising from its activity.

We obtained an understanding of the mathematical models used by the Group to estimate insurance contracts assets and liabilities. We also obtained an understanding how the key assumptions were determined, including both ways based on observable market data and the Group's own experience.

We discussed the key assumptions with the Group´s management and its actuaries. Assumptions were challenged and verified. The cash flows are discounted at risk free interest rate as disclosed in paragraph 2.1.6. of the Notes to the consolidated financial statements.

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We validated all key input data used for the purpose of estimating the carrying value of insurance contracts. We considered the nature of Group's portfolio of contracts in evaluating current estimates of the cash flows and used assumptions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management of the Group as represented by the statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable,

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related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Information according to Regulation of the European parliament and of the Council No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of auditor

We have been appointed by Group's management on 25 June 2018 based on the approval of general meeting of shareholders on 25 June 2018. The total period of uninterrupted engagement including previous renewals and reappointments of the statutory auditors represents 1 year.

Consistency with the Additional report to the Audit committee

Our auditor's opinion presented in this report is consistent with additional report submitted to the Audit committee on 27 June 2019.

Non-audit services

We have not provided any prohibited non-audit services referred to in Article 5(1) of Regulation of the European parliament and of the Council No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and we remained independent of the Group in conducting the audit.

We have not provided to the Company any service, in addition to the statutory audit and services disclosed in the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

The management is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting. The annual report comprises (a) the separate and consolidated financial statements and (b) other information. Our opinion on the separate and consolidated financial statements stated above does not apply to other information in the annual report.

In connection with the audit of the consolidated financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

We evaluated whether the Group's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the consolidated financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2018 is consistent with the consolidated financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Group and its position, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 18 September 2019

Mazars Slovensko, s.r.o.
SKAU licence No. 236

Ing. Barbora Lux, MBA
UDVA licence No. 993

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Mazars Slovensko, s.r.o.
zapísaná v Obchodnom registri Okresného súdu Bratislava I, Oddiel Sro, vložka č. 11827/B

Dear ladies and gentlemen,
dear members of the NOVIS ecosystem,

it is a pleasure to issue the **NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s**. (hereinafter the "Company") **Annual Report for 2018**. It is composed of the separate and consolidated financial statements and this introduction.

1. Improved quality of financial statements

Starting in 2016, the team at NOVIS has tried to make the financial statements easier to understand, more relevant and used plain language where possible. This new approach makes them truly company-specific and focused on relevant and material information.

2. 2018 results

NOVIS' turnover (gross premium income) has increased by nearly 65% in 2018, and amounted to EUR 39,5 million (Note 2.3.1.). This is in line with the long-term expansion plan, based on a solid increase of the turnover every year. Profitability and the increase of its own capital continued as a result of an ongoing expansion into new markets and growth in the portfolio of insurance contracts. For specific details, please see our "Statement of Financial Position" and "Statement of Comprehensive Income".

In addition, NOVIS used its improved financial strength to buy back some of its shares (as of 31. December 2018, the total number represents 5 640 own shares with a purchase price of EUR 878 thousand, Note 2.2.1.3.).

3. Proposed distribution of profits

The profit for 2018 was EUR 6 395 thousand after taxes as reported by the Company in line with the IFRS as adopted by the European Union. The Management Board and the Supervisory Board proposed the full profit amount to remain in the Company as retained earnings. This proposal was submitted to the Annual General Meeting of the Company for its approval on 28.6.2019.

4. Regulatory regime "Solvency II"

The Solvency Capital requirement ratio (SCR ratio) was 122% and the Minimum Capital Requirement ratio (MCR ratio) was 487% as of 31 December 2018. This means that NOVIS not only had enough of its own capital for the scope and type of its operations but exceeded the SCR requirement by 22% and the MCR requirement by 387%. The Company has thus fully fulfilled the capital requirements imposed by the EU insurance regulations.

5. Support from reinsurance consortium

In order to finance its new business in a growing number of countries, NOVIS began a "financing reinsurance" contract with one reinsurer in 2014 and succeeded in enlarging this scheme to a consortium of six reinsurance companies in 2018. As of 1 January 2019, a seventh reinsurer joined the consortium. Based on this, NOVIS has gained sufficient financing capacity to fuel its further international expansion.

6. Selective geographic expansion and readiness to adapt to new regulation

NOVIS applies a very selective and opportunistic expansion strategy. It only enters a new country when its market conditions are favorable – for example when tax and pension reforms take place. In addition, NOVIS relies on trustworthy local distribution partners who see the value in bringing NOVIS' solution to its clients, particularly when they are not satisfied with the current product range offered by existing providers in the market.

Whether entering new countries, such as Italy in 2017 and Iceland in 2018, or confronted with regulatory changes in existing markets, NOVIS is continuously adapting to new and changing regulation. Within this framework, NOVIS' unique whole life insurance product and its comprehensive documentation have been adapted to each local market's interpretation of the European Insurance Distribution Directive.

7. NOVIS' never-ending innovation process

When NOVIS started its operations in 2012 with 25 product innovations, it was thought this was more than enough. However, in 2018, NOVIS continues to apply its innovations in various new forms in the individual markets. 2018 was also the year, in which the public interest for NOVIS' innovations, especially for its insurance funds ("internal funds of the insurance company"), has arisen. In addition, NOVIS was given the opportunity to explain the functioning and legal background of these product features to the European Insurance and Occupational Pensions Authority (EIOPA).

In order to further embrace the potential of its innovations, NOVIS has developed its own proprietary insurance software "NovIns". On the 1st of June, the software in question has officially substituted the licensed software solutions that were used before (SAP Business One). From this date on, not only all data are stored, but all the computational work is done in the IBM-Cloud.

8. Expectations

After the end of year 2018, up until the issuing date of this annual report, there were no important events that fundamentally changed the financial position or economic health of the Company. The general development is in line with the long-term planning of the Company, therefore:

- it is expected that the insurance premium in 2019 will likely be approximately 80 million Euros, which is twice the amount for 2018.
- the number of insurance contracts is expected to reach 40 000 – 50 000 by the end of 2019 (it was 31 309 at the end of 2018).
- a further net profit increase is expected in 2019.

9. Company's organizational structure

NOVIS realizes its international business either via registered branches or through the "Freedom of Service System" valid in all member states of the European Economic Area. Registered branches are maintained in Germany, Austria, and the Czech Republic. In all other markets (Hungary, Poland, Lithuania, Finland, Italy, Sweden and Iceland), NOVIS is active via the Freedom of Service principle.

The Company headquarters is structured as follows:

- a division led by the Chief Executive Officer involving: product and software development, business development, risk management and company strategy;
- a division led by the Chief Financial Officer comprising: accounting, financial investment, and compliance;
- a division led by the Chief Insurance Officer comprising: underwriting, claims management, reinsurance, and actuary function;
- a division led by the Chief Operations Officer comprising: policy administration, marketing and sales support, and human resources.

The internal audit team reports directly to the Board of Directors and the Supervisory Board, and therefore is not included in any division.

As of the date this Annual Report was issued, there were no changes to the above outlined organizational structure.

NOVIS founded a 100% subsidiary called Novis Tech, a.s. in October 2017. It is dedicated to the improvement and development of supportive IT applications, as well as to the further development of the insurance software "NovIns." Some of the employees of NOVIS' IT department were migrating to Novis Tech in 2018.

During 2018, the total number of NOVIS employees increased from 108 to 118. Seven employees have been transferred to a wholly owned subsidiary NOVIS Tech, a.s. established by the Company. A further increase in the number of employees is also expected in 2019.

NOVIS has a strategy in place to minimize negative impact on the environment. The principles of this strategy are expressed in the Charter of Responsibilities, which forms part of the product folder handed out to every NOVIS client.

10. Risk and uncertainties

The insurance activity of NOVIS is inherently linked with a number of risks. Up to the issuance date of this Annual Report, there are no other significant risks and uncertainties known than those stated in the Notes, Chapter 3.2.– Risk Management. The risks associated with being a young and fast-growing insurance company are balanced by several layers of extensive risk mitigation:

- Geographic risk mitigation is achieved through simultaneous insurance activities in 11 countries within one legal entity;
- Mitigation of the risk of liability for misselling - NOVIS is not employing any internal agents, but exclusively distributes its products through financial advisory networks or brokers; and
- The risk of high price volatility of investments is reduced by investing clients' money into a very diverse and broad asset universe with low and even adverse correlation between the value development of the individual assets.

The members of the Management Board would like to thank all NOVIS clients for their trust, insurance agents for their great work in advising on our products and servicing its clients, its employees for their impressive engagement, and last but not least, the tremendously supportive members of NOVIS' international ecosystem.

We are looking forward to seeing NOVIS' continued growth in 2019!

Siegfried Fatzi
Chairman of the Board of Directors

Slavomír Habánik
Member of the Board of Directors

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

Bratislava, 28. June 2019

CONSOLIDATED FINANCIAL STATEMENTS

in accordance with IFRS as adopted by the EU
31 December 2018

Contents

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of EUR	Note	31-Dec-18	31-Dec-17
ASSETS			
Intangible Fixed Assets	2.1.1.	3 449	2 326
Tangible Fixed Assets	2.1.2.	66	78
Fixed Income Securities	2.1.3.	10 160	6 112
Variable Income Securities	2.1.4.	0	2 793
Investments in Unit-Linked Funds	2.1.5.	28 895	12 273
Insurance Contracts	2.1.6.	93 464	49 941
Receivable from Reinsurer	2.1.7.	1 473	138
Other Receivables	2.1.8.	3 429	2 007
Restricted Bank Account Balance	2.1.9.	800	898
Cash and Cash Equivalents	2.1.9.	4 501	4 275
TOTAL ASSETS		**146 237**	**80 841**
EQUITY	**2.2.1.**	**28 706**	**21 290**
Borrowings	2.2.2.	3 913	5 029
Other Liabilities	2.2.3.	10 824	5 176
Life Insurance Provisions	2.2.4.	12 181	8 097
Unit-linked Insurance Provisions	2.2.5.	28 895	12 273
Liability towards Reinsurers	2.2.6.	48 376	20 915
Tax Liabilities	2.2.7.	13 342	8 061
TOTAL LIABILITIES		**117 531**	**59 551**
TOTAL EQUITY AND LIABILITIES		**146 237**	**80 841**

The notes on pages 5 to 59 are an integral part of these consolidated financial statements.

B. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of EUR	Note	2018	2017
Gross Premium Income	2.3.1.	39 463	24 043
Commissions from Reinsurer	2.3.2.	27 484	9 205
Reinsurer Share of Claims and Benefits	2.3.3.	255	130
Investment Income	2.3.4.	-837	615
Change in the Value of Insurance Contracts	2.3.5.	43 523	17 150
		109 888	**51 143**
Commissions to Intermediaries	2.4.1.	-35 324	-12 492
Reinsurance Premium	2.4.5.	-8 647	-4 345
Change in Liability towards Reinsurer	2.4.6.	-21 017	-6 100
Insurance Benefits	2.4.2.	-3 223	-4 036
Change in Insurance Provisions	2.4.3.	-4 423	-2 675
Change in Unit-linked Insurance Provisions	2.4.4.	-16 622	-8 403
Investment and Financing Costs	2.4.7.	-302	-328
Operating Expenses	2.4.8.	-8 877	-6 299
		-98 435	**-44 678**
PROFIT BEFORE TAX		**11 453**	**6 465**
Deferred Tax Expense	2.4.9.	-5 283	-3 649
Current Income Tax	2.4.10.	0	-3
PROFIT AFTER TAX		**6 170**	**2 813**

The notes on pages 5 to 59 are an integral part of these consolidated financial statements.

C. CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of EUR	Note	2018	2017
Gross Premium Received	2.3.1.	38 993	24 711
Interest Income Received	2.3.4.	152	192
Other finance result and separately disclosed items		97	-
Net Result from Reinsurance		19 092	4 990
Commissions to Intermediaries	2.4.1.	-35 324	-12 492
Insurance Claims	2.4.2.	-3 093	-3 606
Operating Expenses	2.4.8.	-8 461	-6 125
Interest paid	2.4.7.	-246	-128
Paid Income Taxes	2.4.10.	0	-3
Δ Other Receivables incl. Reinsurance	2.1.8.	-3 004	-765
Δ Other Payables incl. Reinsurance	2.2.3.	12 092	2 948
Δ Assets Invested for Unit-linked Insurance Provisions	2.1.5.	-14 616	-5 372
Δ Assets Invested for Life Insurance Provisions	2.2.4.	-3 896	-2 675
Operating Cash Flows		**1 785**	**1 674**
Borrowings Received	2.2.2.	0	4 900
Repayments of Borrowings	2.2.2.	-1 362	-304
Own Shares Purchased	2.2.1.	-64	-377
Own Shares Sold	2.2.1.	0	-
Increase in equity - share issue	2.2.1.	1 309	-
Financing Cash Flows		**-117**	**4 219**
Purchases of Intangible Fixed Assets	2.1.1.	-1 553	-1 128
Purchases of Tangible Fixed Assets	2.1.2.	12	-
Proceeds from Sale of Fixed Assets	2.1.1.	0	8
Δ Restricted Cash Bank Deposit*	2.1.9.	98	-898
Δ Liquid Financial Assets		0	-1 170
Investing Cash Flows		**-1 443**	**-3 188**
Cash and Cash Equivalents at the Beginning of Period		4 275	1 571
Cash and Cash Equivalents at the End of Period*		**4 501**	**4 275**

* Current bank account balances include a restricted bank deposit of EUR 800 thousand.

The notes on pages 5 to 59 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	Call options for Own Shares	Own Shares	Retained Earnings	Total Equity
As at 31 December 2016	**6 378**	**302**	**1 018**	**-**	**-437**	**11 593**	**18 854**
Profit after Tax for 2017	-	-	-	-	-	2 813	**2 813**
Capital transactions with owners:							
Attribution to Statutory Reserve Fund	-	-	258	-	-	-258	**0**
Purchase of Own Shares	-	-	-	-	-377	-	**-377**
As at 31 December 2017	**6 378**	**302**	**1 276**	**0**	**-814**	**14 148**	**21 290**
Profit after Tax for 2018	-	-	-	-	-	6 170	**6 170**
Capital transactions with owners:							
Increase in Share Capital	437	872	-	-	-	-	**1 310**
Attribution to Statutory Reserve Fund	-	-	-	-	-	-	**0**
Purchase of Own Shares	-	-	-	-	-64	-	**-64**
As at 31 December 2018	**6 815**	**1 174**	**1 276**	**0**	**-878**	**20 318**	**28 705**

The notes on pages 5 to 59 are an integral part of these consolidated financial statements.

E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. General information about the reporting entities

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 2018.

Consolidated financial statements have been prepared for NOVIS Group (the "Group") which consists of 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 27 October 2017 the Company established 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. Novis Tech, a.s. is a wholly owned subsidiary.

1.1.1. Corporate registration details of Group Entities

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.

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 operates under the license no. ODT-13166/2012-16 granted by the National Bank of Slovakia 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").

The license authorizes 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 decides to perform insurance in another Member State under the freedom to provide services, without establishing a branch, it must notify the National bank of Slovakia in writing of this intention prior to commencing such insurance activities. At the end of 2018, 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 4 members: Siegfried Fatzi, Chairman; Slavomír Habánik, Vice Chairman; Rainer Norbert Alt and David Hlubocký. The General Assembly held on 28th of June 2018 took a note about the resignation of one member of MB, Mr. Pavel Vladovič and has approved the change of the statutes of the Company whereas the number of the MB members has been decreased from 5 to 4.

The Supervisory Board has 9 members: Thomas Polak, Chairman; Deborah Sturman; Slobodan Ristic; Stanislav Kamenár; Freimut Dobretsberger; Eva Gallová; Oto Lanc; Kristína Kupková and Karel Zvolský. The three last members have been elected in 2016 as the representatives of the employees, in compliance with the requirement of the Slovak Commercial Code and the statute of NOVIS. General Assembly held on 28th of June 2018 took a note about the resignation of the member and Chairman of Supervisory Board, Mr. Vlastimil Vicen and elected new member and Chairman of Supervisory Board, Mr. Thomas Polak with effective date of 28 June 2018.

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.

1.2. Significant accounting policies

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

1.2.1. Present Value of Expected Cash Flows (PVECF)

The Company'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 value of Insurance Contracts (Note 2.1.6.). The calculation of PVECF is conducted via an actuarial software called "Sophas".

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. 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 10 years and the contractually agreed premium for at least 10 years 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 available market data, whereas for the initial phase (the first 3 years) expert judgment is used - it takes into consideration positive effects of underwriting, social selection resulting from product specifics and temporary coverage exclusions.
- 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.
- Commissions - include that part of the commission that is agreed with the distribution partners and is due in the respective simulated month.
- Administrative Expenses - this position represents expected average administrative costs for one contract and is a result of the expected administrative costs of the Company attributed to the respective market divided by the expected number of contracts in the portfolio. The expected growth of the portfolio is reflecting only the year 2018 reality and no unprecedented growth of the new pro-

duction of policies is assumed.
- Probability of termination of the contract due to cancellation by the policyholder or by the insurance company – these used lapse rates within the first years are based on experience of the Company, or on external data from most relevant distribution partners. The calculated lapse rates for further periods are based on expert judgment predicting the situation in various markets.
- 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.) but applied equally to all contracts within each market.

Administrative expenses for each contract (unit costs) are applied in a unified way for all contracts in the respective market, whereas expected cost reduction relating to the first five years is applied.

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.

According to article 27 of IFRS 4, Company reflected in the past the effect of future investment margins in PVECF calculations through deriving the respective measurement from returns given by EIOPA Risk Free Curve, whereas this has been eliminated in 2018.

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 Company 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 Company's products, they are not autonomous and are thus an extension of the Company's activities, which leads to a conclusion that their functional currency is the same as that of the Company, 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 value of insurance contracts cash flows calculated using a deterministic model under the balance sheet line item "Insurance Contracts" (Note 2.1.6.). Until the end of 2014, the Company recognised insurance contract liability at customer account value equal to customer cumulative contributions less actuarially pre-determined risk deductions 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. A margin is deducted from the sum of all positive PVECFs. This margin reflects the management estimate of a discount on the PVECF that another insurance company would require if it were to purchase the insurance portfolio of NOVIS.

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.:

a) resulting 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 9 364 thousand (2017: EUR 7 738 thousand including EUR 282 thousand Liability Adequacy Test result recognition). The IP exceeds the total Surrender Value by EUR 6 656 thousand (2017: EUR 2 259 thousand).

1.2.5. Classification of financial assets and liabilities

NOVIS differentiates the following classes of securities.

- Fixed Income Securities (Note 2.1.3.). Government bonds covering liabilities related to the Guaranteed Insurance Fund are measured at amortised cost, except those purchased before October 2016 that are carried at fair value through profit or loss. All other Fixed Income Securities are carried at their fair value through profit or loss.
- All Variable Income Securities (Note 2.1.4.) are booked at their fair value through profit or loss.
- All financial instruments covering Unit-Linked Insurance Provisions (Note 2.1.5.) 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 fully 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., Hungarian NHB Bank, CAIAC fund management and Mahrberg Wealth AG.

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.,2.1.5, 2.1.8. and 2.2.2., 2.2.3..

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. NOTES TO FINANCIAL STATEMENTS LINE ITEMS

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	Internally Develo-ped SW	Total
Acquisition Cost as at 31 December 2016	349	826	-	373	**1 548**
Accumulated Amortization	-78	-124	-	-	**-202**
Net Book Value as at 31 December 2016	**271**	**702**	**-**	**373**	**1 346**
Additions	69	-	120	883	**1 072**
Amortization Expense	-51	-41	-	-	**-92**
Acquisition Cost as at 31 December 2017	418	826	120	1 256	**2 620**
Accumulated Amortization	-129	-165	-	-	**-294**
Net Book Value as at 31 December 2017	**289**	**661**	**120**	**1 256**	**2 326**
Additions	46	0	0	1 188	**1 234**
Disposal	0	0	0	0	**0**
Amortization Expense	-66	-45	0	0	**-111**
Acquisition Cost as at 31 December 2018	464	826	120	2 444	**3 854**
Accumulated Amortization	-195	-210	0	0	**-405**
Net Book Value as at 31 December 2018	**269**	**616**	**120**	**2 444**	**3 449**

2.1.1.1. Software

The Company uses an insurance and accounting software "SAP Business One" and the specific actuarial software "Sophas" 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, and the useful lifetime from 2 years to 4 years with two exceptions – Insurance module of SAP Business One (10 years depreciation schedule ending in 2023) and Solvency II calculation and reporting tool (5 years schedule ending in 2021).
The insurance module of SAP Business One will be replaced by the in-house developed insurance software "NovIns" during 2019. The accounting module of SAP Business One is expected to be used along with this new software.

2.1.1.2. Acquired product design

When the Company was established, it received both financial and in-kind capital contribution. The 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 amortization is included in allocated administrative and other operating expenses deducted in determination of PVECF and also has value for future new business.

2.1.1.3. Other

In line with its long-term diversification strategy, the Company invested in Crypto Currencies BitCoin and Ethereum. The Company held as at 31 December 2018 BTC 30.8168 at impaired value of EUR 105 thousand (at average acquisition price of EUR 10 128.16 / 1 BTC) and ETH 113.8149 of EUR 15 thousand (at average acquisition price of EUR 658.14 / 1 ETH) at 31 December 2018.

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	Assets not yet available for use	Total
Acquisition Cost as at 31 December 2016	135	54	3	**192**
Accumulated Depreciation	-71	-35	-	**-106**
Net Book Value as at 31 December 2016	**64**	**19**	**3**	**86**
Additions	33	16	-2	**47**
Depreciation Expense	-44	-11	-	**-55**
Acquisition Cost as at 31 December 2017	168	70	1	**239**
Accumulated Depreciation	-115	-46	-	**-161**
Net Book Value as at 31 December 2017	**53**	**24**	**1**	**78**
Additions	35	8	-1	**42**
Depreciation Expense	-41	-13	0	**-54**
Acquisition Cost as at 31 December 2018	203	78	0	**281**
Accumulated Depreciation	-156	-59	0	**-215**
Net Book Value as at 31 December 2018	**47**	**19**	**0**	**66**

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.

2.1.3. 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 for guaranteed insurance fund. In managing the credit risk, management considers positive current account of the respective country and in the case the government bonds that are denominated in Euro, also the maximum yield spread over German Bunds of not more than 100 basis points. NOVIS currently holds government bonds of Slovakia, Hungary, the Czech Republic and Poland. Specific assets held are as follows.

2.1.3.1. Government Bonds

The government bonds at 31 December 2018 were:

Bonds In thousands of EUR	SK4120011420 SLOVAKIA (229) 1.625% 21/1/2031 EUR	SK4120007543 SLOVAKIA (216) 4.35% 14/10/2025 EUR	HU0000403001 HUNGARY 3.25% 22/10/2031 HUF	CZ0001001796 CZECH REP. 4.2% 4/12/2036 CZK	PL0000109492 POLAND 2,25% 25/04/2022 PLN
Issue date	21.01.2016	14.10.2010	22.04.2015	04.12.2006	28.06.2017
Maturity date	31.01.2031	14.10.2025	22.10.2031	04.12.2036	25.04.2022
Standard & Poor's Rating*	A+	A+	BBB-	AA-	A-
Average Purchase Price in % of the nominal value	105.5	133.8	100.2	144.3	99.7
Bonds at amortized cost	2 701	0	5 791	308	40
Bonds at FVTPL*	128	313	748	132	0
Total Carrying Value	**2 829**	**313**	**6 539**	**440**	**40**
Fair Value of the Bonds	**2 834**	**313**	**6 400**	**406**	**40**
Nominal Value	**2 660**	**237**	**6 535**	**323**	**39**

** Fair value through profit or loss.*

The government bonds belong to the level 2 in fair value hierarchy (2017: 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 at 31 December 2017 were:

Bonds In thousands of EUR	SK4120011420 SLOVAKIA (229) 1.625% 21/1/2031 EUR	SK4120007543 SLOVAKIA (216) 4.35% 14/10/2025 EUR	HU0000403001 HUNGARY 3.25% 22/10/2031 HUF	CZ0001001796 CZECH REP. 4.2% 4/12/2036 CZK	PL0000109492 POLAND 2,25% 25/04/2022 PLN
Issue date	21.01.2016	14.10.2010	22.04.2015	04.12.2006	28.06.2017
Maturity date	31.01.2031	14.10.2025	22.10.2031	04.12.2036	25.04.2022
Standard & Poor's Rating*	A+	A+	BB+	AA-	BBB+
Average Purchase Price in % of the nominal value	105.80	133.76	103.80	147.50	98.43
Bonds at amortized cost	1 801	-	2 595	266	20
Bonds at FVTPL*	128	316	843	138	-
Total Carrying Value	**1 929**	**316**	**3 438**	**404**	**20**
Fair Value of the Bonds	**1 934**	**316**	**3 539**	**375**	**20**
Nominal Value	**1 815**	**237**	**3 314**	**286**	**20**

** Fair value through profit or loss.*

2.1.3.2. Measurement Categories of Fixed Income Securities

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

In thousands of EUR	31-Dec 2018	31-Dec 2017
Fair Value	1 321	1 430
Amortized Cost	8 840	4 682
Total Carrying Value	**10 161**	**6 112**
Total Fair Value	**9 994**	**6 188**

2.1.4. Variable Income Securities

As of 31 December 2018, all Variable Income Securities has been allocated to Unit Linked assets.
All assets reported in this category are measured at fair value through profit or loss to eliminate accounting mismatch with unit linked insurance provisions.

The investments belong to the level 2 in fair value hierarchy (2017: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular security issue.

2.1.5. Assets Invested for Unit-linked Insurance Provisions

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

- NOVIS ETF Shares Insurance Funds invests in listed ETF shares (Exchange Traded Funds) to keep the administrative costs of the fund low and to give the customers an opportunity to participate in the equity market.
- NOVIS Gold Insurance Fund invests in gold ETFs copying the changes in the price of gold and does not invest in physical gold or other precious metals.
- 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 funds that are ordinary accessible only to qualified investors 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 brand.
- NOVIS Digital Assets Insurance Fund invests in alternative investment funds focused mainly on arbitrage trading, providing of computing capacity and in developing "blockchain" based industry.

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 26 004 thousand as of 31 December 2018 (2017: EUR 12 273 thousand). Remaining balance of EUR 2 891 thousand (2017: EUR 0 thousand) represents allocation of Cash and Cash Equivalents.

The investments in underlying assets belong to the level 2 in fair value hierarchy (2017: 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:

2.1.5.1. NOVIS ETF Shares Insurance Fund

In thousands of EUR	31-Dec 2018	31-Dec 2017
iShare MSCI WORLD (USD) ETF	2 443	1 028
iShare MSCI EM - ACC (EUR)	217	189
iShare MSCI EM - ACC (USD)	12	11
Total Carrying Value	**2 672**	**1 228**

2.1.5.2. NOVIS Gold Insurance Fund

In thousands of EUR	31-Dec 2018	31-Dec 2017
SPDR Gold Trust USD	1 071	379
Total Carrying Value	**1 071**	**379**

2.1.5.3. NOVIS Entrepreneurial Insurance Fund

In thousands of EUR	31-Dec 2018	31-Dec 2017
iShares Euro High Yield Corporate Bond UCITS ETF (EUR)	9	8
iShares Listed Private Equity UCITS ETF USD	1 158	492
responsAbility Micro and SME Finance Fund II	97	23
Total Carrying Value	**1 264**	**523**

2.1.5.4. NOVIS Mortgage Insurance Fund

In thousands of EUR	31-Dec 2018	31-Dec 2017
Dlhopisy HB REAVIS 2020	21	17
iShares Euro Covered Bond UCITS ETF	799	344
Total Carrying Value	**820**	**361**

2.1.5.5. NOVIS Family Office Insurance Fund

In thousands of EUR	31-Dec 2018	31-Dec 2017
BP Family Office Brand	1 961	719
Total Carrying Value	**1 961**	**719**

2.1.5.6. NOVIS World Brands Insurance Fund

In thousands of EUR	31-Dec 2018	31-Dec 2017
H2Progressive Vermögensfreunde	133	-
H2Conservative Vermögensfreunde	143	-
Wealth Fund World Class Brands Vermögensfreunde Cap	271	-
Total Carrying Value	**548**	**-**

2.1.5.7. NOVIS Digital Assets Insurance Fund

In thousands of EUR	31-Dec 2018	31-Dec 2017
ELJOVI Multi-Strategy Fund	2 874	522
FIRST TRUST CLOUD COMPUTING FUND	419	-
ETFMG PRIMR CYBER SECURITY E FUND	383	-
GLOBAL X FUTURE ANALYTCS TE FUND	238	-
Total Carrying Value	**3 914**	**522**

2.1.5.8. NOVIS Co-Branded Insurance Funds

In thousands of EUR	31-Dec 2018	31-Dec 2017
Fidelity Global Dividend A-Acc-EUR-Hdg	2 018	1 538
JPMorgan Global Income Fund D Acc EUR	2 433	1 438
JPMorgan Emerging Markets Dividend Fund	2 428	1 103
Concorde Hold Alapok Alapja	2 041	1 499
Fidelity Global Multi Asset Income Fund	1 830	1 273
Concorde Rövid Futamidejű Kötvény Befektetési Alap	1 305	1 041
Templeton Global Bond N Acc USD	1 317	465
JPMorgan Funds - Latin America Equity Fund	178	102
Fidelity Emerging Asia Fund	204	82
Total Carrying Value	**13 755**	**8 541**

2.1.6. Insurance Contracts

The reported asset represents positive present value of probability weighted expected cash flows (PVECF) reduced by a margin.

In thousands of EUR	31-Dec 2018	31-Dec 2017
Positive PVECF	100 083	65 705
Less margin	-6 619	-15 764
Total Carrying Value	**93 464**	**49 941**

Analysis of insurance contracts asset by country:

In thousands of EUR	Standard and Poor's Country Rating	31-Dec 2018	31-Dec 2017
Italy	BBB	41 921	15 374
Iceland	A-	39 291	-
Hungary	BBB-	6 413	28 664
Slovakia	A+	3 657	2 498
Czech Republic	AA-	915	1 838
Germany	AAA	912	1 007
Poland	BBB+	128	338
Austria	AA+	227	222
Total Carrying Value		**93 464**	**49 941**

The most significant assumptions in the PVECF projection process are the discount rates, lapse rates, mortality and unit administrative expenses. 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 – Central Europe except Hungary (Slovakia, Czech Republic, Poland), Germany and Austria, Hungary, Italy and Iceland.

Assumptions are based on the historical lapse rate analysis of the country/market with the longest historical data or on external data provided by the relevant distributor partners. 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. Average administrative expenses per contract reflect expenses attributed to respective country, their future development and expected contracts in force. The actuarial assumptions are periodically revised to reflect recent developments.

Sensitivity of insurance contracts asset at 31 December 2018 to changes in assumptions underlying the PVECF calculation:

In thousands of EUR	Change to Insurance Contracts asset	Change to Insurance Contracts asset in %
Interest rate - 100 basis points change	9 048	9.68%
Interest rate + 100 basis points change	-7 467	-7.99%
Operating costs of insurance contracts per unit -10% decrease	1 883	2.01%
Operating costs of insurance contracts per unit +10% increase	-1 769	-1.89%
Lapse rate -10% decrease	4 458	4.77%
Lapse rate +10% increase	-4 038	-4.32%
Mortality -10% decrease	1 600	1.71%
Mortality +10% increase	-1 524	-1.63%
Critical illness -10% decrease	757	0.81%
Critical illness +10% increase	-746	-0.80%
Inflation + 100 basis points change	-2 549	-2.73%

In thousands of EUR	Change to Technical Provisions	Change to Technical Provisions in %
Interest rate - 100 basis points change	359	0.91%
Interest rate + 100 basis points change	-252	-0.64%
Operating costs of insurance contracts per unit -10% decrease	-797	-2.03%
Operating costs of insurance contracts per unit +10% increase	905	2.30%
Lapse rate -10% decrease	403	1.03%
Lapse rate +10% increase	-310	-0.79%
Mortality -10% decrease	-72	-0.18%
Mortality +10% increase	76	0.19%
Critical illness -10% decrease	-132	-0.34%
Critical illness +10% increase	149	0.38%
Inflation + 100 basis points change	472	1.20%

2.1.7. Receivable from Reinsurers

Receivables from Reinsurers represent balances due from the reinsurers resulting from the agreed reinsurance financing scheme as well as calculated share of reinsurers in Claim Reserves at the end of the reporting period.

In thousands of EUR	31-Dec 2018	31-Dec 2017
Receivables from Reinsurers	1 183	-
Share of RI on Claim Reserves	290	138
Total Carrying Value	**1 473**	**138**

2.1.8. Other Receivables

In thousands of EUR	Rating	31-Dec 2018	31-Dec 2017
Deferred Acquisition Costs	Unrated	292	668
Distribution Partners	Unrated	240	20
Securities Brokers	Unrated	96	289
Prepayments	Unrated	1 621	940
Intercompany	Unrated	0	-
Miscellaneous	Unrated	1 180	90
Total Carrying Value		**3 429**	**2 007**

2.1.8.1. Deferred Acquisition Costs

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

2.1.8.2. 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 of EUR 507 thousand (2017: EUR 321 thousand). The Company recognised an impairment loss of EUR 249 thousand (2017: 201 thousand) on amounts due from distribution partners.

2.1.8.3. Securities Brokers

NOVIS has used mainly services of Tatra Banka, a.s. for purchase of securities in 2018.

2.1.8.4. Prepayments

Prepayments relate to contractors and service providers. The balance as at 31 December 2018 consists foremost of prepayments paid to suppliers of advertising services in the amount of EUR 1 251 thousand and a distribution partner in the Italian market in the amount of EUR 280 thousand.

2.1.8.5. Miscellaneous

Miscellaneous receivables include mainly amount due from Novis Island ehf in respect of 2018 equity increase round.

2.1.9. Bank Deposits

In thousands of EUR	31-Dec 2018	31-Dec 2017
Restricted cash balance on current bank account	800	898
Current Bank Accounts	7 392	4 275
Current Accounts and Cash	**8 192**	**5 173**
Allocation of Cash to Unit Link Assets	-2 891	-
Carrying Value	**5 301**	**5 173**

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.).

2.1.9.1. Current Accounts and Cash

Current bank accounts are in seven countries of the EU.

In thousands of EUR	Credit rating (Moody's)	31-Dec 2018	31-Dec 2017
UniCredit Bank CZ and SK	Baa2	3 090	989
Tatra Banka Slovakia	Baa1	1 452	1 697
Landsbankinn Iceland	Baa1	1 146	-
Anadi Bank Austria	n/a	1 012	1 348
Volksbank Italy	Baa2	336	693
LBBW Bank Germany	Baa3	89	215
Granit Bank Hungary	n/a	919	177
BKS Bank Austria	n/a	71	32
PKO Banka Poland	Baa1	60	14
NHB Bank	n/a	15	6
SLSP Slovakia	Baa1	2	2
Carrying Value		**8 192**	**5 173**

2.2. Equity and Liabilities

2.2.1. Equity

In thousands of EUR	31-Dec 2018	31-Dec 2017
Share Capital	6 815	6 378
Share Premium	1 174	302
Own Shares	-878	-814
Statutory Reserve Fund	1 276	1 276
Retained Earnings	14 148	11 335
Profit for the Current Year	6 170	2 813
Total Equity	**28 705**	**21 290**

2.2.1.1. Share Capital

The registered share capital of the Company corresponds to issued 60 777 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. The total par value of registered share capital amounts to 6 377 700 Euro. Capital increase has been realized in 2nd half of 2018, whereas 1 477 shares have been subscribed and paid till the end of 2018 within the first round using the preferential rights by existing shareholders and 2 888 shares have been subscribed within 2nd round by new investor till the end of 2018 and paid in January 2019. All mentioned shares have been issued at a par value of 100 Euro per share.

The corresponding capital increase in amount 436 500 Euro has yet not been registered.

2.2.1.2. Share Premium

After the Company was registered in 2013, three 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. 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 5 640 own shares with nominal values of EUR 100 per share at the end of 2017 in total purchase price EUR 814 thousand. Additional EUR 64 thousand related to the purchase of 1 000 own shares realized in August 2017 have been paid out in April 2018, thus the total purchase price of all owned shares increased to EUR 878 thousand. Company has sold and purchased own 1 880 shares with a nominal value of EUR 100 per share for the same selling a purchase price of EUR 118 per share in December 2018, thus the number of owned own shares as well as their value has not changed and represents 5 640 own shares in total purchase price EUR 878 thousand at 31 December 2018.

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 30th June 2017, when the last decision of the ordinary general meeting about replenishing the Statutory Reserve Fund has been taken. Management will propose additional replenishment related to above mentioned capital increase to the ordinary general meeting of shareholders convened for 28th June 2019. 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. Retained Earnings

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

2.2.1.6. 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-Dec 2018	31-Dec 2017
Bank Loans	3 512	4 595
Subordinated Loans	300	300
Other borrowings	102	134
Total Carrying Value	**3 913**	**5 029**

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. The loan carries a variable interest rate linked to Euribor. Fair value of the bank loan approximates its carrying value.

The fair value belongs to the level 3 in fair value hierarchy.

The revised IAS 7, Statement of Cash Flows, requires presentation of movements in liabilities from financing activities with effect from 1 January 2017:

In thousands of EUR	31-Dec 2018	31-Dec 2017
Opening borrowings	5 029	433
Cash drawdowns	0	4 900
Cash repayments	-1 116	-304
Closing balance of borrowings	**3 913**	**5 029**

2.2.2.2. Subordinated Loans

If the Company is liquidated, claims by creditors of Subordinated Loans may be repaid only after settlement of the claims of the Company's other creditors.
The Company had two outstanding borrowings classified as subordinated loans in the amount of EUR 300 thousand at 31 December 2018 (31 December 2017: two subordinated loans).

2.2.3. Other Liabilities

In thousands of EUR	31-Dec 2018	31-Dec 2017
Distribution Partners	8 129	2 300
Policyholders	1 342	489
Employees and Social Security	264	277
Suppliers and Contractors	434	121
Accruals	535	887
Financial Operations	-	963
Tax Authorities	103	58
Miscellaneous	17	81
Shareholders	-	-
Total Carrying Value	**10 824**	**5 176**

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.

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.

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 recognised as a liability in the period in which the Company's employees are entitled to receive them in exchange for their services. The Company 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 to the Company. Contractors are specific suppliers providing either specific consultancy 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, production bonus related to Italy and other services.

2.2.3.6. Financial Operations

This item represents a liability towards the Securities Brokers.

2.2.3.7. 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-Dec 2018	31-Dec 2017
Provision for guaranteed insurance fund	10 379	5 673
Additional provision for liability adequacy test	0	282
Unearned premium reserve	365	835
Reported but not settled provision	884	565
Incurred but not reported provision	553	742
Total Carrying Value	**12 181**	**8 097**

Changes in Life Insurance Provisions:

In thousands of EUR	31-Dec 2018	31-Dec 2017
Opening Balance	**8 097**	**3 923**
Change in provision for guaranteed insurance fund	4 706	4 035
Change in additional provision for liability adequacy test	-282	-1 359
Change in unearned premium reserve	-470	835
Change in reported but not settled provision	319	93
Change in incurred but not reported provision	-189	570
Total changes in provisions	**4 084**	**4 174**
Closing balance	**12 181**	**8 097**

The main driver of the change in provision for guaranteed insurance fund was ongoing growth of new business. Continuous increase in number of contracts was recorded during 2018 as Company entered new markets and successfully continued to sell its product in the old ones.

2.2.4.1. Provision for Guaranteed Insurance Fund

Provision for guaranteed insurance fund represents surrender value of life insurance policies that are credited with a discretionary fixed return (referred to as a return on guaranteed insurance fund). This fixed return is present in advance for one subsequent year. The policyholders that chose this option are guaranteed the set return for one year and that the return on their account value will not be negative should the Company suffer losses on its investments in the future.

This provision also includes the liability for the excess of absolute values of negative PVECF over surrender value.

2.2.4.2. Change in Liability Adequacy Test Provision

The Company created additional provisions in line with its accounting policy in previous years and has not created any additional provisions for liability adequacy test in year 2018.

2.2.4.3. Unearned Premium Reserve

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

2.2.4.4. 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.

2.2.4.5. Incurred but not Reported Provision

Incurred But Not Reported (IBNR) Insurance Provision is calculated on the basis of standard 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, such as for new lines of business, the provision is estimated applying expert judgement.

2.2.5. Unit-linked Insurance Provision

In thousands of EUR	31-Dec 2018	31-Dec 2017
Unit-linked Provision for UL Insurance Funds	28 895	12 273
Total Carrying Value	**28 895**	**12 273**

The amount represents surrender value of insurance policies regarding non-guaranteed insurance funds (Note 2.1.6.). The increase of unit-linked insurance provisions during 2018 was mainly driven by the boost of surrender values related to new production on the Hungarian and Italian market. This provision also includes the liability for the excess of absolute values of negative PVECF over surrender value. Changes in Unit-Linked Insurance Provisions were:

In thousands of EUR	2018	2017
Opening Balance	**12 273**	**3 870**
Contributions to unit-linked reserves	31 383	15 795
Insurance charges	-14 761	-7 392
Total changes in provisions	**16 622**	**8 403**
Closing balance	**28 895**	**12 273**

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 succeeded to enlarge the consortium of five reinsurance companies to six. The syndicate members are (a) SCOR Global Life (existing partner since 2014), (b) VIG Re, (c) MAPFRE RE, (d) PartnerRe, (e) Arch Re and (f) Hannover Re (new partner since beginning of 2018).

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-Dec 2018	31-Dec 2017
Loss Carried Forward	44 071	20 777
Other Liability Towards Reinsurer	4 304	138
Total Carrying Value	**48 376**	**20 915**

2.2.6.1. Loss Carried Forward (LCF)

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 represents a contingent liability because repayment is contingent on collecting future insurance premiums.

2.2.6.2. Other Liability towards Reinsurer

Other liabilities represent 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 Liabilities

Tax Liabilities represent net Deferred Tax Liability position and Current Income Tax payable.

In thousands of EUR	31-Dec 2018		31-Dec 2017	
	Gross	Tax effect	Gross	Tax effect
Tax loss carry-forwards	-44 010	-9 242	-18 560	-3 898
Insurance Contracts Valuation (temporary difference)	93 464	22 710	49 941	12 136
IBNR (temporary difference)	-553	-128	-742	-180
Current income tax payable	-	-	-	3
Total Carrying Value	**48 901**	**13 340**	**30 639**	**8 061**

2.2.7.1. Tax Loss Carry Forwards

The tax loss carry-forwards expire as follows:

In thousands of EUR	31-Dec 2018	31-Dec 2017
Expires in 2017	-	-
Expires in 2018	-	6 437
Expires in 2019	19 012	5 726
Expires in 2020	17 016	3 730
Expires in 2021	15 953	2 667
Expires in 2022	13 286	-
Tax loss carry forward	**65 268**	**18 560**

2.2.7.2. Deferred Tax Liability

Deferred tax liability is 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 2.1.6.

In 2016, the Slovak Republic enacted a change in the applicable standard income tax rate from 22% to 21% effective from 1 January 2017. The deferred tax is recognised at the enacted applicable corporate income tax rate of 21%, which will apply when the temporary differences will reverse, plus the special levy rate of 3.298% since 2017 (Note 2.2.7.3).

2.2.7.3. Special Levy on Profits

Special levy applies to the whole amount of taxable profits once they exceed EUR 3 million in the particular year and it applies to regulated activities. The levy was originally intended to expire in 2016, but in November 2016, the Slovak parliament enacted a special levy rate of 8.712 % p.a. for years 2017 – 2018, 6.54% p.a. for years 2019 – 2020 and 4.356% p.a. applicable from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate of 21% (2017: 21%). As a result, the income tax rate applicable to regulated activities is as follows:

Calculation of applicable tax rate	
Standard income tax rate	21.000%
Special levy rate	4.356%
Effect of deductibility of special levy from standard tax rate*	(1.058)%
	24.298%

* the effect is calculated as 4.356 %*((1-21%)/(1+4.356%)-1)

Management applies judgement whether the special levy applies to operations of its foreign branches in the context of double tax treaties and the fact that the special levy is in substance a tax on income. Further the amount of the tax levy depends on whether taxable profits from portfolio in force that gives rise to the temporary differences will exceed EUR 3 million in particular years when they will be realised. As the contracts are long-term, management estimated that this would not occur for portfolio that was in force at 31 December 2018. Management has reassessed this estimate in 2018 in line with the growth of the Company's portfolio and recognised an additional deferred tax liability of EUR 1 435 thousand in relation to special levy in profits in 2018 (2017: 1 082 thousand EUR).

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. We deducted from these amounts unearned premium for the new credit related life business in Finland.

In thousands of EUR	2018	2017
Hungary	18 773	13 487
Slovakia	4 403	3 185
Italy	7 055	2 996
Iceland	2 805	-
Czech Republic	2 573	2 370
Germany	2 401	1 609
Finland	624	1 031
Austria	188	121
Poland	171	79
Gross Premium	**38 993**	**24 878**
Finland - Unearned Premium Reserve	470	-835
Gross Premium Income	**39 463**	**24 043**

2.3.2. Commission from Reinsurer

Gross commissions payable by the reinsurers for new insurance contracts underwritten 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	2018	2017
Gains less losses on financial assets at FVTPL*	-787	421
Accrued Interest	152	122
Dividends	61	33
Other Investment Income	-263	39
Total	**-837**	**615**

* 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 2.1.6.).

In thousands of EUR	2018	2017
Closing balance of Insurance Contracts asset	93 464	49 941
Less opening balance of Insurance Contracts asset	-49 941	-32 791
Total change in the value of insurance contracts	**43 523**	**17 150**

2.4. Expenses

2.4.1. Commissions to Intermediaries

This item represents Net Commissions to Distribution Partners and it is the result of Commissions to Intermediaries and commissions that intermediaries must repay because of the cancellation of insurance contracts (Claw back).

In thousands of EUR	2018			2017		
	Gross	Claw-back	Net	Gross	Claw-back	Net
Iceland	9 217	-311	8 906	-	-	-
Italy	17 549	-225	17 324	5 645	-58	5 587
Hungary	4 759	-148	4 611	3 674	-209	3 465
Slovakia	2 068	-494	1 574	2 323	-747	1 576
Czech Republic	977	-299	678	1 474	-591	883
Finland	1 472	-596	876	707	-551	156
Germany	1 157	-78	1 079	655	-138	517
Poland	190	-10	180	218	-	218
Austria	107	-10	96	107	-17	90
Total	**37 496**	**-2 171**	**35 324**	**14 802**	**-2 311**	**12 492**

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	2018	2017
Paid Claims	2 406	2 566
Partial Surrender Pay-out and Surrender Pay-out	687	806
Change in Provision for Reported but not Settled Claims	318	93
Change in Provision for Incurred but not Reported Claims	-189	571
Total	**3 223**	**4 036**

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
Death	2018	25	52	22	20	107	0	227
	2017	10	24	83	-	26	-	143
	2016	5	-	-	-	-	-	5
Health	2018	0	993	849	3	0	1	1 845
	2017	1	745	595	62	-	14	1 417
	2016	-	262	176	-	-	-	438
Injury	2018	0	123	121	0	0	0	243
	2017	-	351	516	-	-	-	867
	2016	-	162	273	-	-	-	435
Disability	2018	0	10	79	2	0	0	91
	2017	-	36	103	-	-	-	139
	2016	-	6	-	-	-	-	6
Total	**2018**	**25**	**1 178**	**1 070**	**25**	**107**	**1**	**2 406**
	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-Dec 2018	31-Dec 2017
Slovakia	197	123
Hungary	3	3
Czech Rep.	137	120
Germany	-	-
Finland	5	1
Other	2	1
Total	**344**	**247**

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 increased size of the insurance portfolio.

2.4.3. Change in Life Insurance Provisions

In thousands of EUR	2018	2017
Change in insurance provision for guaranteed insurance fund	4 706	4 035
Change in additional insurance provision for liability adequacy test	-282	-1 360
Total	**4 424**	**2 675**

2.4.3.1. Change in Additional Provision for LAT

This position reflects release of the additional provision from liability adequacy test established in previous year.

2.4.3.2. 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	2018	2017
Contributions to unit-linked reserves	31 383	15 795
Insurance charges	-14 761	-7 392
Total	**16 622**	**8 403**

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	2018	2017
Gross Reinsurance Premium	19 378	10 630
Share of the Reinsurer on Change in Technical Provision / Savings Part	-10 731	-6 285
Total	**8 647**	**4 345**

2.4.6. Change in Liability towards Reinsurers

In thousands of EUR	2018	2017
Change in Loss Carried Forward	21 017	6 100
Total	**21 017**	**6 100**

2.4.7. Investment and Financing Costs

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

In thousands of EUR	2018	2017
Interest on Bank Loans and Subordinated Loans	251	118
Interest on other borrowings	6	7
Losses on financial assets at FVTPL*	0	3
Other Investment Costs	56	200
Total	**312**	**328**

* Fair value through profit or loss

2.4.7.1. 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).

2.4.7.2. Interest on Other Borrowings

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

2.4.7.3. Losses on Financial Assets at FVTPL

The loss represents change of the market value and loss on sale of financial assets.

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	2018	2017
Gross Salaries	2 525	2 003
Employer Pension Contribution	953	557
Other Employer Social Security Contributions	59	215
Outsourcing	561	540
Personnel costs	**4 099**	**3 315**
Other Acquisition Costs	329	308
Rent of Premises	552	460
Utilities and Related Costs	111	141
Telecommunications, Internet, Postage Services	328	234
Professional Services	1 147	563
Audit Expense	131	76
Travel, Car Rental and Car Fuel	471	282
Advertising and Marketing	1 143	312
Bad Debt Provisions	249	207
Depreciation and Amortization	167	147
Other Financial Costs	47	52
Other Operating Costs	-198	138
Other Taxes, Fees and Fines	303	64
Total	**8 877**	**6 299**

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.

2.4.8.4. Telecommunications, Internet, Postage Services

The entity has used mainly services of the Slovak Telekom to cover voice and data connection and data warehousing. This category also contains expenses for postal and courier services.

2.4.8.5. Professional Services

This item represents legal, accounting, audit and tax advisory services. The entity uses services of several law firms specialized in corporate, transactional, labour, civil, insurance, tax and consumer protection law on the respective markets. The services are mainly used during the preparation phase when entering new markets. Transactional and salaries accounting according to local rules in the Czech Republic, Germany and Austria is outsourced to specialized service providers. This item also contains expenses related to the translation, notaries and local tax advisors.

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 130 thousand (2017: EUR 63 thousand) excluding VAT for the audit of the Consolidated and Separate financial statements and the audit of the Czech branch, reflecting significant growth and increased complexity of insurance operations.

2.4.8.7. Travel, Car Rental and Car Fuel

This item represents travelling costs including flight tickets and costs of ground transportation. The entity is using cars under short-term operating lease contracts.

2.4.8.8. Advertising and Marketing

NOVIS has realized marketing Campaign through Television, Radio and Internet channels both in 2018 and 2017. The expenses correspond mainly to the use of the media space.

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.

2.4.8.11. Other Operating Costs

This includes expenses related to all other services e.g. medical reports, services and goods locally consumed.

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.

In thousands of EUR	2018	2017
Change in deferred tax liability - insurance contracts asset	10 575	5 249
Change in deferred tax asset - IBNR	52	-180
Change in deferred tax asset for tax loss carry forwards	-5 345	-1 420
Total	**5 283**	**3 649**

The deferred tax balances are analyzed 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	2018	2017
Corporate Income Tax – Slovakia	-	3
Special Levy on Profits	-	-
Total	**0**	**3**

2.4.10.1. Corporate Income Tax – Slovakia

The applicable corporate income tax represents 21% (2017: 21%) from the taxable profits reduced by the respective part of the tax losses (Note 2.2.7.1.). Amount of EUR 3 thousand in 2017 corresponds to the Income Tax License effective until 2017.

The Company considers that the change in insurance contracts asset valuation, that is recognised as income will be taxed only at the time of its realization 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 recognised on assumption that the Company will successfully defend its approach. The Company is negotiating with relevant authorities in relation to this matter.

2.4.11. Effective Tax Reconciliation

In thousands of EUR	2018	2017
Profit before tax	**11 453**	**6 465**
Tax at applicable tax rate of 24.298% (2017: 24.298%)	**2 783**	**1 571**
Non-taxable income/non-deductible costs:		
Non-deductible expenses for corporate tax purposes	-333	100
Recognition of deferred tax on special levy on realized profits if they exceed EUR 3 million a year	1 435	1 082
Effect of tax loss carry-forwards not effective for special levy purposes	47	389
Tax license	-	3
Expiry of prior tax loss carry-forwards and other	1 351	507
Total tax expense	**5 283**	**3 652**

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.

03

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	PL	Total
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	PL	Total
2018	18 773	7 055	4 403	2 805	2 573	2 401	1 094	188	171	39 463
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	PL	Total
2018	27 179	1 453	4 153	346	3 211	3 958	412	261	104	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 (Sophas) 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
Death	2018	32.15%	0.00%	18.60%	0.00%	23.44%	73.32%	4.64%	0.00%	0.00%
	2017	7.82%	0.00%	14.64%	n/a	22.56%	0.00%	14.42%	0.00%	0.00%
Illness	2018	3.39%	0.00%	150.88%	0.00%	173.24%	5.64%	0.00%	8.30%	0.00%
	2017	0.10%	0.00%	176.86%	n/a	194.33%	175.11%	n/a	232.05%	0.00%
Injury	2018	3.58%	0.00%	51.74%	0.00%	92.73%	6.72%	11.54%	0.00%	11.54%
	2017	20.72%	0.00%	107.75%	n/a	142.08%	0.00%	n/a	0.00%	0.00%
Disability	2018	n/a	n/a	0.00%	n/a	69.64%	n/a	n/a	n/a	n/a
	2017	n/a	n/a	2.82%	n/a	35.67%	n/a	n/a	n/a	n/a

Insurance risks concentration:

In thousands of EUR		HU	IT	SK	IS	CZ	DE	FI	AT	PL	Total
2018	Sum insured for risk of death	26 987	93 990	105 972	87 148	38 940	16 031	18 537	4 916	4 787	**397 307**
	Sum insured for critical illness	1 241	140	150 228	45 492	72 063	5 330	-	450	1 014	**275 957**
	Sum insured for injury	1 315	70	135 613	18 859	93 099	2 666	-	645	956	**253 222**
	Sum insured for disability	-	-	18 728	-	38 498	-	-	-	-	**57 227**
	Total	**29 542**	**94 200**	**410 541**	**151 499**	**242 600**	**24 026**	**18 537**	**6 011**	**6 756**	**983 712**
2017	Sum insured for risk of death	22 050	24 920	92 207	-	51 693	11 501	15 449	3 483	2 255	**223 558**
	Sum insured for critical illness	1 867	-	265 727	-	182 899	11 203	-	1 143	255	**463 094**
	Sum insured for injury	2 035	-	249 347	244 152	5 393	-	1 211	-	931	**503 069**
	Sum insured for disability	0	-	40 249	-	62 306	0	-	0	0	**102 555**
	Total	**25 952**	**24 920**	**647 530**	**244 152**	**302 291**	**22 704**	**16 660**	**4 626**	**3 441**	**1 292 276**

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 favorable insurance advisory quality.

Hungary		Lapse year					
		2013	2014	2015	2016	2017	2018
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a
	2014		6.88%	3.20%	1.91%	1.04%	0.00%
	2015			8.05%	3.61%	1.76%	1.01%
	2016				6.11%	3.14%	0.23%
	2017					1.97%	1.21%
	2018						1.04%
Italy							
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a
	2014		n/a	n/a	n/a	n/a	n/a
	2015			n/a	n/a	n/a	n/a
	2016				n/a	n/a	n/a
	2017					2.62%	0.45%
	2018						1.39%
Slovakia							
Underwriting year	2013	14.29%	5.56%	0.00%	5.88%	6.25%	0.00%
	2014		17.85%	10.95%	8.57%	5.09%	1.93%
	2015			17.21%	15.92%	10.04%	4.07%
	2016				21.38%	13.75%	6.34%
	2017					8.77%	5.67%
	2018						3.58%
Iceland							
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a
	2014		n/a	n/a	n/a	n/a	n/a
	2015			n/a	n/a	n/a	n/a
	2016				n/a	n/a	n/a
	2017					n/a	n/a
	2018						4.63%

Czech Republic							
	2013	n/a	n/a	n/a	n/a	n/a	n/a
	2014		n/a	n/a	n/a	n/a	n/a
Underwriting year	2015			20.96%	15.19%	21.17%	6.53%
	2016				17.15%	12.48%	14.46%
	2017					10.55%	8.68%
	2018						9.00%
Germany							
	2013	n/a	n/a	n/a	n/a	n/a	n/a
	2014		n/a	n/a	n/a	n/a	n/a
Underwriting year	2015			25.32%	16.95%	33.67%	4.62%
	2016				5.31%	20.56%	2.35%
	2017					5.48%	6.76%
	2018						1.43%
Austria							
	2013	n/a	n/a	n/a	n/a	n/a	n/a
	2014		n/a	n/a	n/a	n/a	n/a
Underwriting year	2015			n/a	n/a	n/a	n/a
	2016				72.97%	40.00%	0.00%
	2017					32.84%	2.22%
	2018						6.90%
Poland							
	2013	n/a	n/a	n/a	n/a	n/a	n/a
	2014		n/a	n/a	n/a	n/a	n/a
Underwriting year	2015			n/a	n/a	n/a	n/a
	2016				n/a	n/a	n/a
	2017					7.26%	1.74%
	2018						5.15%

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 the case that if the policyholder does not pay the agreed premium and the balance of the insurance account becomes negative, the Company will cancel the insurance contract, generally within three months, which is then reflected in the lapse assumption in measurement of insurance contracts asset.

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). In order 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	
			2018	2017
NOVIS Standard Product	Guaranteed Insurance Fund	Guaranteed up	31.10%	41.60%
	ETF-shares Insurance Fund	Down	14.07%	17.40%
	Gold Insurance Fund	Probably up	6.06%	6.70%
	Entrepreneurial Insurance Fund	Probably down	6.84%	7.50%
	Mortgage Insurance Fund	Up or down	5.80%	4.30%
	Family Office Insurance Fund	Probably up	10.05%	12.50%
	World Brands Insurance Fund	Down	2.22%	1.40%
	Digital Insurance Fund	Probably down	23.85%	7.80%
	Balanced Insurance Fund	Probably down	0.00%	0.50%
	Performance Oriented Insurance Fund	Probably down	0.00%	0.30%
Co-Branded Product	Guaranteed Insurance Fund	Guaranteed up	21.97%	20.70%
	Co-Branded Insurance Funds	Probably down	78.03%	79.30%

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 2.1.9.).
2. Government Bonds (Note 2.1.3.1) – 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], the Czech Republic[3] and Poland[4] 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.

Current Account as % of GDP

	SK	HU	CZ	PL
2018	-1.00%	0.50%	-0.60%	-0.70%
2017	-1.60%	4.20%	0.50%	0.30%
2016	-1.00%	4.90%	1.50%	0.80%
2015	-1.30%	4.40%	0.90%	0.40%

3. Claims towards distribution partners (Note 2.1.8.) – 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 2.1.6.

3.2.8. Risk of Non-Compliance

The insurance business is highly regulated. In order 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.

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.

NOVIS 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. In order to nearly eliminate this risk, NOVIS has been developing in the course of the years 2015 to 2018 an in-house insurance software "NovIns" that fully reflects all features of its insurance product. The development of "NovIns" goes on also in 2019 with a focus on achieving the highest levels of data security and data quality. The insurance software "NovIns" is used for new business in all markets from spring 2019 and it will reflect also contracts acquired before its launch.

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. As the Company is reflecting the Value of Insurance Contracts on the Balance Sheet in greater extent comparing to the previous years (Notes 2.1.6.) and the Value of Insurance Contracts is strongly driven by insurance contracts denominated in other currency than Euro, weakening / strengthening of Euro by 5% against Hungarian Forint and/or Czech Koruna and/ or Polish Zloty (expected volatility on EUR/HUF, EUR/CZK and EUR/PLN pairs based on past 2 years is within the range of 5%) would affect the Profit Before Taxes by EUR 372 thousand (2017: EUR 1 469 thousand) (based on country split of the Values of Insurance Contracts mentioned in Note 2.1.6.). The Company is constantly expanding its activities on actual and new markets, which will contribute to diversifying also the currency risk in next years. Despite the natural hedging of the currency risk ensured by product construction, the Company has been exposed to currency risk related to HUF due to significant share of Hungarian business in whole portfolio in previous years. Nevertheless, the significance of the HUF exposure is constantly decreasing through opening of new and growth of existing EUR denominated markets. The ongoing geographical diversification of the business with focus on EUR based markets is the strongest currency risk mitigation tool in long-run.

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 arises from the investments in government bonds and through 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 (i) would be immaterial in relation to government bonds at fair value through profit or loss as the FVTPL of these bonds represents only EUR 1 321 thousand at the end of year 2018 and (ii) would represent EUR 40 thousand at the most in relation with variable interest borrowings representing EUR 3 512 thousand at the end of year 2018. Company is not significantly exposed to interest rate risk as the majority of the government bonds is carried at amortized cost on the balance sheet and the main source of financing from reinsurers bears fixed interest rate.

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,

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

(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 2018:

In thousands of EUR		Less than 6 months	6 months to 5 years	Total
Assets	Fixed Income Securities	10 160	-	10 160
	Variable Income Securities	0	-	0
	Assets Invested for Unit-linked Insurance Provisions	28 895	-	28 895
	Claw back of previously paid commissions	240	-	240
	Reinsurance Contracts	1 473	-	1 473
	Other Assets*	3 429	-	3 429
	Bank Deposits	4 501	800	5 301
	Total	**48 698**	**800**	**49 498**
Liabilities	Insurance Provisions (Life and Unit-linked)	34 055	-	34 055
	Other Liabilities*	10 824	-	10 824
	Borrowings	402	3 512	3 913
	Total	**45 280**	**3 512**	**48 792**
The Difference – Excess/(Shortfall) Liquidity 2018		**3 417**	**-2 712**	**706**
The Difference – Excess/(Shortfall) Liquidity 2017		**4 711**	**-3 641**	**1 070**

* 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 Company carried out transactions with members of the Company's Management Board (MB) and supervisory board (SB).

In thousands of EUR	2018	2017
Cash contribution to share capital from MB members	-	-
Cash contribution to share capital from SB members	133	-
Services provided by related party to the Company*	176	144
Salaries and remuneration of the MB members	344	361
Salaries and remuneration of the SB members	89	70
Social security contributions for MB members	95	89
Social security contributions for SB members	34	26

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

3.4. Contingencies and Commitments

3.4.1. Lawsuits

At the end of the year 2018, the Company has not been involved in any active lawsuit as defending party. The Company has sued one distribution company for EUR 131 thousand for not paying the claw back and the court has decided in favour of NOVIS in March 2019.

3.4.2. Rent

As at 31 December 2018, future minimum rent payable for offices within one year is EUR 641 thousand (2017: EUR 664 thousand), payable in 2-5 years is EUR 1 985 thousand (2017: EUR 1 993 thousand).

3.4.3. Uncertain Tax Positions

Refer to Note 2.4.10. 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

3.4.4.1. Hungary and Italy

Introduction

In 2018, the European Union required all insurers to provide additional information to clients during the acquisition process in the form of a Key Information Document (KID). As a result, NOVIS now provides a KID to clients before signing a proposal for an insurance contract along with the traditional product documentation.

Hungary

At the beginning of July 2018, the consumer protection department of the National Bank of Hungary (NBH) issued an interim measure towards NOVIS. In the respective ruling, the NBH mainly stated that there were deficiencies in NOVIS' product information for consumers, and temporarily banned the selling of new policies for these products in the Hungarian market until the information was corrected.

The European insurance directive permits the temporary ban on the selling of an insurance product only if the economic interests of the consumer are seriously infringed. Even though a mistake was made in the product documentation, the economic interests of NOVIS' clients were never endangered. On the contrary, NOVIS clients received more than was described in the original KID. If they had only read the KID, they may have had the impression that there was no investment guarantee when in reality there is.

NOVIS made the necessary corrections to its KID, as well as a series of minor changes to the product documentation. In September, NOVIS reassumed its sales process in Hungary.

Italy

At the beginning of August 2018, the Italian regulator initiated a special inquiry into NOVIS' product documentation in Italy based on a reaction to the decision taken by Hungarian regulator. However, the outcome of the Italian investigation was quite different than that of the Hungarian regulator – NOVIS was not banned at all from selling its product in Italy. The regulator shared its concerns regarding the transparency of wording contained in product documentation for NOVIS' clients, especially the KID document. Ironically on the same day, the Italian regulator issued public guidelines for how the KID document should be made. This helped to make the changes straightforward and relatively easy for NOVIS to implement. Once NOVIS enacted the changes in its product documentation including the KID, it terminated its sales process for the original product version with the name Wealth Insuring and launched a new version with the name Universal Life in September 2018 with the necessary changes.

On November 5th, NOVIS received a written decision from the Italian regulator confirming the investigation concerning product documentation for clients was closed without any measures or fines.

3.4.4.2. Slovakia

On 31st January 2019, National Bank of Slovakia (NBS) has delivered to NOVIS a decision about shortcomings in the activities of the Company in the area of protection of financial consumers, in which also a fine of EUR 150 thousand has been imposed on the Company. The Company filed an appeal against this Decision on 15th February 2019 and has not obtained any feedback to date.

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 2018.

In thousands of EUR	Loans and Receivables	Assets at FVTPL	HTM	Insurance contracts	Total
Bank Deposits	5 301	-	-	-	**5 301**
Fixed Income Securities	8 840	1 321	-	-	**10 161**
Variable Income Securities	-	0	-	-	**0**
Assets Invested for UL	-	28 895	-	-	**28 895**
Value of Insurance Contracts	-	-	-	93 464	**93 464**
Other Assets	3 429	-	-	-	**3 429**

* 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.*

** 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 2017.

In thousands of EUR	Loans and Receivables	Assets at FVTPL	HTM	Insurance contracts	Total
Bank Deposits	5 173	-	-	-	5 173
Fixed Income Securities	4 682*	1 430	-	-	6 112
Variable Income Securities	-	2 793	-	-	2 793
Assets Invested for UL	-	12 273	-	-	12 273
Value of Insurance Contracts	-	-	-	49 941	49 941
Other Assets	399**	-	-	-	399

3.5. Significant events after the end of the reporting period

There are no 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

The following Standards, interpretations and amendments are effective for the annual reporting period ended 31 December 2018 and have been applied in preparing these financial statements:

IFRS 9 Financial Instruments

Final version of IFRS 9 contains requirements for accounting of financial instruments and replaces IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 contains requirements in following areas:

- Classification and measurement of financial asset: Financial asset is classified according to business model within which the financial asset is held and asset´s contractual cash flows. The version of IFRS 9 issued in 2014 introduces the category of „fair value through other comprehensive income" for specific longterm financial instruments. IFRS 9 does not change classification of financial liabilities under IAS 39. IFRS 9 modifies requirements for valuation of entity´s own credit risk.
- Impairment of financial asset. The version of IFRS 9 issued in 2014 introduces „expected credit loss" model. Under the „expected credit loss" model, an entity calculates the allowance for credit losses before occurrence of possible credit losses.
- Hedging. The third major change that IFRS 9 introduces relates to hedging accounting. The objective of hedge accounting is to represent, in the financial statements, the effect of an entity´s risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit of loss or other comprehensive income.
- Derecognition. Derecognition requirements for financial assets and liabilities are carried over from IAS 39.

IFRS 15 Revenue from contracts with customers

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and at what amount:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance on points such as revenue recognition, accounting for variable consideration, contracting and contract performance costs, and other various related matters. IFRS 15 introduces new requirements for revenue presentation in notes.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The application of the standards and interpretations mentioned above did not have a material impact on the financial statements.

3.7. New Accounting Standards that the Company has Not Early Adopted

The following new Standards, interpretations and amendments are not yet effective for the annual reporting period ending 31 December 2018 and have not been applied in preparing these financial statements:

IFRS 16 Leases

Standard IFRS 16 Leases, issued in January 2016 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contain a lease, SIC-15 Operating leases – incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.
New standard does not significantly change the charging by the lessee and the lessor. However, it requires the lessee to disclose most of its lease payments on the statement of financial position, such as lease liabilities, with related property and right of use. The lessee must apply a single method for the entire lease but has the possibility not to disclose short-term lease and low value lease. The method of reporting profit and loss on the lease will be similar to today's accounting for finance leases, with interest and expense related to depreciation recognized separately in the income statement.

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation is to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The main focus is on:

- whether tax treatments should be considered collectively,
- assumptions for taxation authorities' examinations,
- determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
- effect of changes in facts and circumstances.

The Company does not expect the Interpretation, if applied for the first time, to have a material impact on the financial statements because the entity does not operate in a complex transnational tax environment and does not have significant uncertain tax positions.
The interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted, but the Company has not accepted it.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

These amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.

The Company does not expect the amendments to have a material impact on the financial statements because the company does not have prepaid financial assets with negative compensation.
The amendment is effective for annual periods beginning on or after 1 January 2019.

The following new Standards, interpretations and amendments are not yet effective for the annual reporting period starting 1 January 2018 and have not been endorsed by the European Union:

IFRS 17 Insurance contracts
Effective for annual periods beginning on or after 1 January 2022.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognized when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Amendments to IAS 19 to Plan Amendment, Curtailment or Settlement
If there is amendment, curtailment or settlement of the plan, it is mandatory that the current service cost and net interest for the period after the revaluation is determined using the assumptions used for revaluation. Additionally, amendments were included to clarify the effect of the change, curtailment or settlement of the plan on the asset limitations requirements.

Annual Improvements to IFRSs 2015 – 2017
The improvements introduce three amendments to four standards (IFRS 3 and IFRS 11, IAS 12, IAS 23) and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are applicable to annual periods beginning on or after 1 January 2019; to be applied retrospectively.

Company expects that the adoption of new standards and amendments to existing standards will not have significant impact on its financial statements for the period of first application, except for the impact of IFRS 17. The Company is in the face of reviewing the impact of the adoption of IFRS 17 on the Company's financial statements.

3.8. Date of Authorization for Issue

These Consolidated Financial Statements have been approved by the Board of Directors for issue on 28 June 2019.

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

Slavomír Habánik
Member of the Board
NOVIS Insurance Company,
NOVIS Versicherungsgesellschaft,
NOVIS Compagnia di Assicurazioni,
NOVIS Poisťovňa a.s.

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

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