ANNUAL REPORT 2016

novis
The new world of insurance

pwc

Independent Auditor's Report

To the Shareholders, Supervisory Board, and Board of Directors of
NOVIS Poisťovňa a.s.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NOVIS Poisťovňa a.s. ("the Company") as at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Supervisory Board that performs functions of the Company's Audit Committee.

What we have audited

The financial statements of NOVIS Poisťovňa a.s. comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

PricewaterhouseCoopers Slovensko, s.r.o., Twin City/A, Karadžičova 2, 815 32 Bratislava, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

The firm's ID No. (IČO): 35 739 347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ): 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH): SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.
The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in the Slovak Republic and that we have not provided non-audit services that are prohibited under Regulation (EU) No. 537/2014.

Our audit approach

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the Company's internal structure, the accounting processes and controls, and the financial services industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	EUR 246 thousand
How we determined it	Overall audit materiality represents 2% of Company's gross premium earned.
Rationale for the materiality benchmark applied	We chose gross written premium as the benchmark because this item represents core revenue stream of the insurance company's business. Moreover, the Company is still considered to be in start-up phase of its business development and profit before tax is not considered as appropriate benchmark due to high fluctuation. We have chosen 2% which is within the range of acceptable quantitative materiality thresholds set out in our firm's internal guidance.

pwc

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.

Key audit matter	How our audit addressed the Key audit matter
Uncertainties in the valuation of assets and liabilities arising from insurance contracts	
Insurance contract assets and liabilities are complex, require application of professional judgment and are estimated based on assumptions, which are affected by future economic or political conditions and government regulations. On the asset side, the Company recognised present value of estimated insurance contracts cash-flows, which are presented as the value of insurance contracts. The process used by management to determine assumptions that have the greatest effect on the measurement of insurance contracts is disclosed in the notes to the accompanying financial statements. The assumptions include risks regarding mortality, longevity, lapse, time value of money and unit administrative cost of insurance contract for the purposes of liability adequacy test.	We obtained an understanding how the Company determines key assumptions, based on observable data and its own experience. We discussed the key assumptions with the Company's actuaries and, where appropriate, challenged the assumptions. We focused on the assumptions used in the present value calculation of future cash flows and performed testing of cash flows on a sample basis. We considered the nature of the Company's portfolio of contracts in evaluating current estimates of the cash flows, financial and other assumptions. Our work did not result in material adjustments to the accompanying financial statements.

Reporting on other information in the annual report

Management is responsible for the annual report prepared in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act"). The annual report comprises (a) the financial statements and (b) other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the annual report, we considered whether it includes the disclosures required by the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the year ended 31 December 2016 is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and with other identified applicable local law or other requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of our audit, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

pwc

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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, 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 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.

Reporting on Other Legal and Regulatory Requirements

Our appointment as independent auditor

We were first appointed as auditors of the Company for the year 2013. Our appointment has been renewed annually by the shareholder's resolution representing a total period of uninterrupted engagement appointment of four years.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Slovenská komora audítorov
SKAU
Č.licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Mgr. Juraj Tučný, FCCA
UDVA licence No.: 1059

Bratislava, 29 June 2017

pwc

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

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

it is a pleasure to provide this Annual Report of NOVIS Insurance Company Inc. (“Company”) for the year 2016. The annual report is composed of the Financial Statements in original and without any changes, Report on the Audit of the Financial Statements and this introduction.

1. New quality of Financial Statements

The team of NOVIS has tried to make the Financial Statements easier to understand, more relevant, and in a plain language. In this way, it was intended to achieve that the sophisticated economic insurance background becomes comprehensive to public.
In case that one has the NOVIS Annual Report for 2015 or an annual report for 2016 of any other insurance company at hand it is easy to notice a big difference.
This new approach is also in line with the general IFRS (International Financial Reporting Standard) requirement that the financial statement has to be company-specific. The structure of the Financial Statements, including the wording of the notes, were developed by the Company without simply relying on the unified template that insurance companies usually use.

2. Results of 2016

NOVIS turnover (Gross Premium Earned) increased nearly by 100% in 2016 and amounted 12,842 thousand Euro (Note 2.3.1.). This is in line with long term expansion plan based on doubling of turnover every year. Even though that the Premium Earned was somewhat lower than originally planned, the profit and the expansion of own capital was stronger than expected (for exact numbers, please have a look at Statement of Financial Position and Statement of Comprehensive Income). This is a result of the fact that very detailed actuary calculations showed that the new insurance contracts of NOVIS gained into its portfolio during 2016 are more profitable than it is common especially due to higher premium, insurance sums and positive selection.

In 2016 NOVIS used its improved financial strength for buying back some of its shares for 437 thousand Euro (Note 2.2.1.) and for investing into development of its proprietary insurance software “NovIns” - 373 thousand Euro do far (Note 2.1.1.).

3. Proposed distribution of profits

Profit after taxes for 2016 reported by the Company in line with IFRS represents 7,449,925,03 Euro of which 257,171.81 Euro will be contributed to the statutory reserve fund reaching through this level corresponding to 20% of the share capital of the Company. The reaming 7,192,753.22 Euro will be recognized as retained earnings.

4. New regulatory regime “Solvency II.”

As nearly all other insurance companies in the European Union, NOVIS operates from 2016 onwards under this new regulatory regime. Having less time for preparation, it was quite a burden for the Company to fulfil all new requirements, but thankfully it is possible to state that everything was “produced” in time. Most important of all calculations that are based on this new regime is a measurement expressing the economic health of NOVIS Insurance Company: the so-called Solvency Capital Requirement Ratio (“SCR ratio”). Based on information provided internally to key management personnel and officially published by the Company, the SCR Ratio was 154% and Minimum Capital Requirement – MCR Ratio was 615% as of 31. December 2016. This means that NOVIS not only has enough own capital for the scope and type of its operation, but overreached this requirement by 54%. The Company has also fulfilled all externally imposed capital requirements. As Slovak legislation does not impose an audit of SCR and MCR, the auditor’s verification was limited to agreeing the amounts to the entity’s internal reports.

5. Support of reinsurance consortium

In order to finance its international growth in terms of the number of new insurance contracts, NOVIS concluded already in 2014 "financing reinsurance" contract with one reinsurer and succeeded to enlarge this original arrangement during 2016, so the new business is financed by a consortium of 5 reinsurance companies from the beginning of 2017. Through this, NOVIS has gained sufficient financing capacity for a very strong further expansion in many countries.

6. Complex geographic expansion and permanent adaptation to the inflation of regulation

Not only when entering new countries like Poland and Italy in the first half of 2017, but also due to regulation changes in the existing markets, NOVIS is permanently driven by an inspiring pressure towards complying with new regulation. The effort of NOVIS reached such a point that already in 2017 in some markets the NOVIS product "Wealth Insuring" incorporates the requirement of the "European Insurance Distribution Directive" that becomes compulsory for the European insurance industry from February 2018.

7. NOVIS never-ending innovation process

Having started in 2012 with 25 product innovations and being convinced that it is more than enough, NOVIS sets new milestones in the insurance industry also in 2017. As the first life insurance company in Europe it is going to introduce the possibility for its clients to pay the insurance premium in Bitcoins.
Furthermore, the investment opportunities that its clients can find in "Wealth Insuring" were significantly enlarged: through the new "NOVIS Digital Asset Insurance Fund", NOVIS becomes the first insurance company offering to its clients the possibility to invest through its life insurance product into the new world of cryptocurrency.

8. Expectations

From the beginning of 2017 until the date of issuing this annual report there was no important occurrence that fundamentally changed the financial position and economic health of the company. The general development is in line with the planning of the company, this means it is expected that the written premium in 2017 will be approximately twice as the written premium in 2016 (roughly 25 million Euro). The number of insurance contracts in Company's portfolio should reach more than 20 000 until the end of 2017. The profit for 2017 is expected at an amount higher than in 2016, this means more than 7.4 million Euro after taxes. Due to the fact that the Board of Directors is proposing no dividend-payouts during 2017, the Company's own capital will increase in line with the expected profit of this year.

9. Company's organizational structure

NOVIS realizes its international business partly via registered branches and partly through "European freedom of service system". Registered branches are operated in Czech Republic, Germany and Austria. In all other markets (Hungary, Poland, Finland and Italy) NOVIS is active via the freedom of service rule. In 2017, before issuing this Annual Report, NOVIS conducted the freedom of service notification process for Sweden and launched the preparation work for establishment of a branch in Switzerland.
The headquarter of the Company is structured into following divisions:

- The division led by the Chief Executive Officer of NOVIS, involves product and software development, business development, risk management and company strategy,
- The division led by the Chief Financial Officer comprises accounting, financial investment and compliance,
- The division led by the Chief Insurance Officer comprises of underwriting, claims management, reinsurance and actuary function,

- The division led by the Chief Operations Officer comprises of policy administration, marketing and sales support and human resources,
- Internal audit reports directly to the Board of Directors.

To the date of issuing this Annual Report, there were no changes to this outlined organizational structure.

The number of employees increased from 67 to 97 during 2016. Further and modest increase of number of employees is expected also this year.

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

10. Risk and uncertainties

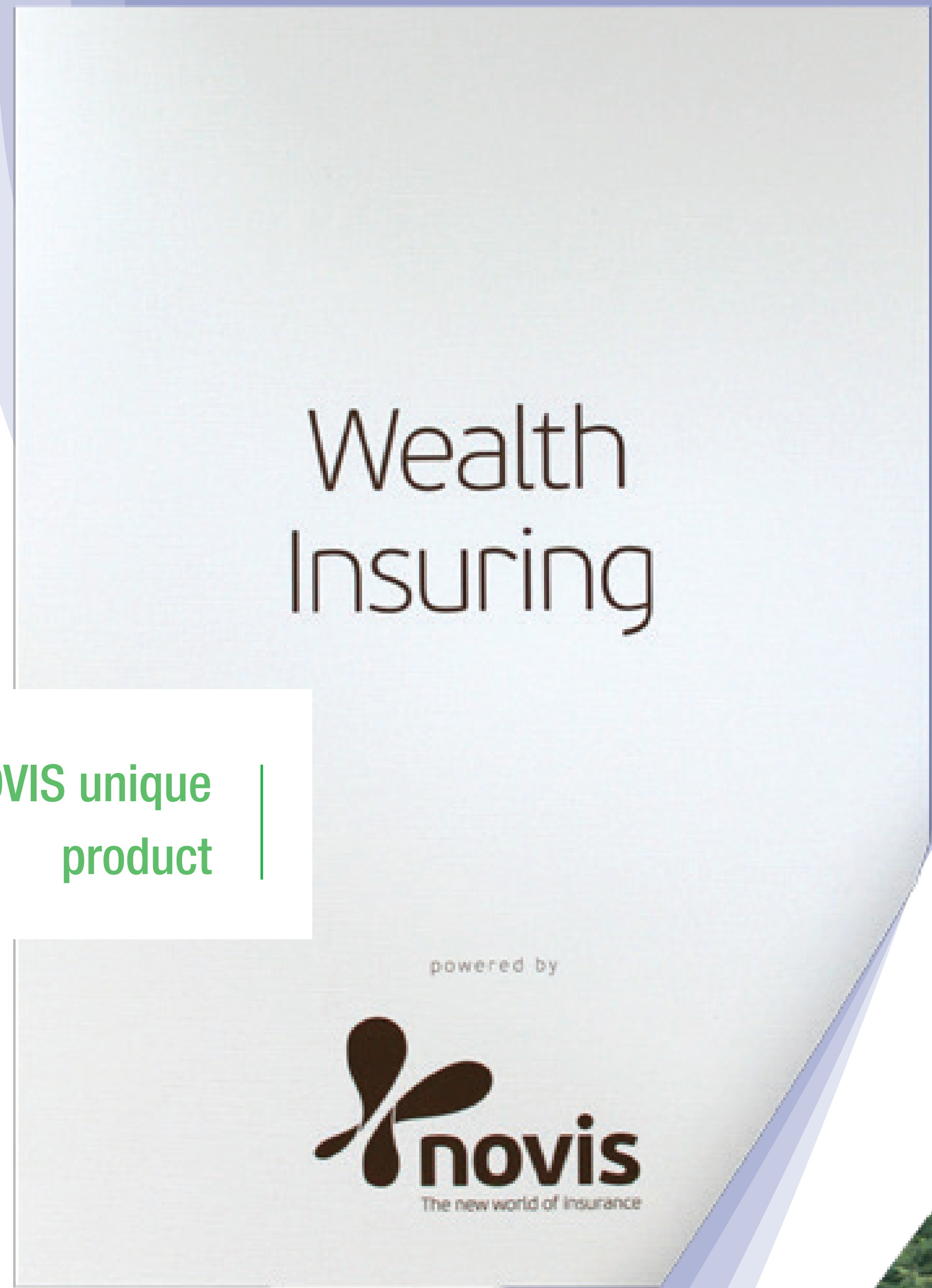
The insurance activity of NOVIS is inherently linked with number of risks. Up to the issuance date of this Annual Report there are no other risks and uncertainties known than stated in the Notes, chapter 3.2. – Risk Management.

The risks combined 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 8 countries within 1 entity,
- Mitigation of the risk of mis selling - NOVIS is not employing any internal or tied agents, but exclusively distributes its products through independent financial advisory networks,
- The risk of high price volatility of investments is reduced by investing the clients' money into a very diverse and broad asset universe with low and even adverse correlation between prices of used asset classes.

The members of the Board of Directors would like to thank to all NOVIS clients for their trust, all insurance agents for their great work in advising the choice of "Wealth Insuring" product and servicing its clients, all employees for doing great job for the benefit of our customers and last but not least, all other supportive members of the international NOVIS Ecosystem.

We look forward to see NOVIS growing in 2017!



NOVIS unique product

Each year, at the 21st of Juni, NOVIS invites the members of its global Ecosystem to its traditional Sunset Event.

NOVIS headquarters

FINANCIAL STATEMENTS 2016

prepared in accordance with the International Financial Reporting Standards (IFRS)
as adopted by the European Union

Contents

A. STATEMENT OF FINANCIAL POSITION

Balance Sheet

In thousands of Euro	Note	2016	31.12.2015 Restated	2015 Previously Reported	1.1.2015 Restarted
ASSETS					
Intangible Assets	2.1.1.	1 346	962	962	1 004
Tangible Assets	2.1.2.	86	60	60	41
Bank Deposits	2.1.3.	1 571	4 249	4 441	5 035
Fixed Income Securities	2.1.4.	3 226	1 332	1 332	385
Variable Income Securities	2.1.5.	4 442	2 467	2 651	899
Assets Invested for Unit-linked Insurance Provisi-ons	2.1.6.	3 870	2 112	1 928	421
Value of Insurance Contracts	2.1.7.	32 791	18 035	3 865	4 307
Receivable from Reinsurer	2.1.8.	1 460	89	3 893	678
Other Receivables	2.1.9.	134	776	642	89
TOTAL ASSETS		**48 926**	**30 081**	**19 773**	**12 858**
EQUITY AND LIABILITIES					
Equity	2.2.1.	**18 854**	**11 806**	**7 807**	**7 290**
Debt and Bonds	2.2.2.	433	310	300	300
Other Liabilities	2.2.3.	2 851	2 549	2 512	2 798
Life Insurance Provisions	2.2.4.	3 829	1 949	3 423	415
Unit-linked Insurance Provisions	2.2.5.	3 870	2 112	1 928	421
Liability towards Reinsurer	2.2.6.	14 677	9 669	3 804	1 397
Tax Liabilities	2.2.7.	4 411	1 685	0	235
TOTAL EQUITY AND LIABILITIES		**48 926**	**30 081**	**19 773**	**12 858**

“2015 Restated” mentioned anywhere in Financial Statements or Notes to Financial Statements means “31.12.2015 Restated”.

B. STATEMENT OF COMPREHENSIVE INCOME

Profit and Loss

In thousands of Euro	Note	2016	2015 Restated	2015 Previously Reported	2014 Restated
INCOME					
Gross Premium Earned	2.3.1.	12 842	6 972	6 972	1 669
Commission from Reinsurer	2.3.2.	7 093	9 066	9 066	1 452
Contribution to Claims from Reinsurer	2.3.3.	220	0	0	0
Investment Income	2.3.4.	710	60	0	11
Change in the Value of Insurance Contracts	2.3.5.	14 756	13 728	2 947	4 307
TOTAL INCOME		**35 620**	**29 827**	**18 985**	**7 439**
EXPENSES					
Commissions to Intermediaries	2.4.1.	6 734	8 028	8 451	1 852
Insurance Claims	2.4.2.	1 761	165	165	0
Change in Life Insurance Provisions	2.4.3.	1 394	1 472	1 177	415
Change in Unit-linked Insurance Provisions	2.4.4.	1 758	1 691	2 880	421
Reinsurance Premium	2.4.5.	2 541	865	865	72
Change in Liability towards Reinsurer	2.4.6.	5 007	8 272	0	1 397
Investment and Financing Costs	2.4.7.	52	166	31	34
Operating Expenses	2.4.8.	6 194	4 034	3 687	1 807
TOTAL EXPENSES		**25 442**	**24 692**	**17 255**	**5 998**
PROFIT BEFORE TAXES		**10 178**	**5 135**	**1 730**	**1 440**
Deferred Tax Expense	2.4.9.	2 727	1 450	0	232
Current Income Tax	2.4.10.	3	3	6	3
PROFIT AFTER TAXES		**7 449**	**3 682**	**1 724**	**1 206**

Company did not record any Other Comprehensive Income in actual and previous reporting periods.

C. STATEMENT OF CASH FLOWS

Cash Flows

In thousands of Euro	Note	2016	2015 Restated	2014 Restated	2013
Gross Premium Received	2.3.1.	12 842	6 972	1 669	10
Interest Received	2.3.4.	0	3	5	1
Net Result from Reinsurance	2.4.6.	5 008	8 272	1 397	n/a
Commissions to Intermediaries	2.4.1.	-6 734	-8 028	-1 852	-8
Insurance Claims	2.4.2.	-1 243	-102	0	0
Operating Expenses	2.4.8.	-6 075	-3 933	-1 738	-574
Interest Paid	2.4.7.	-26	-31	-23	0
Paid Taxes	2.4.10.	-6	-3	0	n/a
Δ Other Receivables	2.1.9., 2.1.8.	-730	-98	-760	-15
Δ Other Payables	2.2.3.	302	-249	2 594	196
Δ Assets Invested for Unit-linked Insurance Provisions	2.1.6., 2.2.5.	-1 758	-1 691	-420	-1
Δ Assets Invested for Life Insurance Provisions	2.2.4., 2.1.5.,2.2.5.	-1 804	-1 534	-415	0
Operating Cash Flow		**-225**	**-421**	**458**	**-391**
Δ Debt and Bonds	2.2.2.	123	10	300	0
Δ Share Capital	2.2.1.	0	871	1 109	4 720
Δ Own Shares	2.2.1.	-437	0	0	0
Financing Cash Flow		**-314**	**881**	**1 409**	**4 720**
Δ Intangible Assets	2.1.1.	-384	42	-83	-95
Δ Tangible Assets	2.1.2.	-26	-19	15	-56
Δ Liquid Financial Assets	2.1.4., 2.1.5.	-1 730	-1 269	-942	0
Investing Cash Flow		**-2 140**	**-1 246**	**-1 010**	**-151**
Cash and Cash Equivalents at the Beginning of Period		4 249	5 035	4 178	4 720
Cash and Cash Equivalents at the End of Period		**1 571**	**4 249**	**5 035**	**4 178**

D. STATEMENT OF CHANGES IN EQUITY

Changes in Equity since 1.1.2014

In thousands of Euro	Share Capital	Share Pre-mium	Sta-tutory Reserve Fund	Call options for Own Shares	Pur-chase of Own Shares	Sale of Own Shares	Reta-ined Earnin-gs	Equity
As at 1 January 2014	**4 700**	**-**	**846**	**-**	**-**	**-**	**-571**	**4 975**
Restated Profit after Taxes for 2014	-	-	-	-	-	-	1 206	1 206
Increase in Share Capital	940	169	-	-	-	-	-	1 109
As at 31 December 2014	**5 640**	**169**	**846**	**0**	**0**	**-**	**635**	**7 290**
Restated Profit after Taxes for 2015	-	-	-	-	-	-	3 681	3 681
Increase in Share Capital	738	133	-	-	-	-	-	871
Acquisition of Call Options	-	-	-	-36	-	-	-	-36
As at 31 December 2015	**6 378**	**302**	**846**	**-36**	**0**	**0**	**4 317**	**11 806**
Decrease in Retained Ear-nings - change in Statutory Reserve Fund							-172	-172
Change in Statutory Reser-ve Fund	-	-	172	-	-	-	-	172
Profit / Loss after Taxes for 2016	-	-	-	-	-	-	7 449	7 449
Increase in Share Capital	-	-	-	-	-	-	-	-
Change in Value of Call Options	-	-	-	36	-	-	-	36
Purchase of Own Shares	-	-	-	-	-732	-	-	-732
Sale of Own Shares	-	-	-	-	-	295	-	295
As at 31 December 2016	**6 378**	**302**	**1 018**	**0**	**-732**	**295**	**11 593**	**18 854**

E. NOTES TO THE FINANCIAL STATEMENTS

1 General Part

1.1. General information about the reporting entity

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

1.1.1. Corporate registration details

Registered name: NOVIS Poisťovňa a.s. (the "Company" or "NOVIS"), in English: NOVIS Insurance Company, Inc.
Registered in: Bratislava, I District Court, Section Sa, Insert No 5851/B.
Registration number (IČO): 47 251 30
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 operates its life insurance activity based on the Slovak Insurance Act (no. 39/2015), being an implementation of the Directive 2009/138/EC authorized by the European Union on 25 November 2009 ("Solvency II Directive").

The license authorizes NOVIS to operate insurance activities in all 28 member states of the European Union. The start of the operation in other member state requires only the notification of the respective local supervisory authority through the National Bank of Slovakia based on the request from NOVIS.
At the end of 2016, NOVIS operated through its registered branches in Czech Republic, Germany and Austria and based on the cross-border freedom of service principle in Hungary, Italy, Poland and Finland.

The Board of Directors (BoD) has 5 members: Siegfried Fatzi, Chairman; Slavomír Habánik, Vice Chairman; Rainer Norbert Alt; David Hlubocký and Pavol Vladovič. There were no changes in the composition of the BoD in 2016.

The Supervisory Board has 9 members: Vlastimil Vicen, Chairman; Deborah Sturman; Slobodan Ristic; Stanislav Kamenár; Freimut Dobretsberger; Eva Gallová; Oto Lanc; Kristína Kupková and Karel Zvolský and the three last members have been elected as the representatives of the employees, in compliance with the requirement of the Slovak Commercial Code.

1.1.2. Period covered by reported financial statements

Financial year starting 1. January 2016 and ending 31. December 2016, previous period starting 1. January 2015 and ending 31. December 2015.

1.1.3. Presentation currency of financial statements

Presentation currency is Euro, in thousands, unless otherwise stated.

1.2. Main methods used

1.2.1. Present Value of Expected Cash Flows (PVECF)

This calculation is computed for each insurance contract and represents the basis for the determination of Insurance Provisions (Note 1.3.2. and 2.2.4.), Liability Adequacy Test (Note 1.4.2.) and Value of Insurance Contracts (Note 2.1.7.).
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, Investment Return, Tax Bonus, Claw Back payments,
- Negative CF positions are: Claims, Paid out Surrender Value, Commissions, Operating Expenses,
- 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 policy holder 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 Rate 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 automatically included in the calculation of PVECF.
- Tax Bonus - this relates only to contracts in Hungary, where the Hungarian tax authority contributes with annually premium payments to qualified policies.
- Investment Return - expected long term average income from assets that are used within the insurance funds and that were chosen by the policyholder. This expected income is equal to the simulated performance of the Insurance Funds.
- Claw Back – it is the sum that distribution partners have to refund to the Company when an insurance contact is cancelled within the first years (according to the contractual arrangements, the claw back period is at minimum 2 years and maximum 5 years)
- Claims - 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 (first 5 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 valid 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.
- Operating Expenses - this position represents expected long term average costs for one contract and is a result of the expected overall Operating Expenses of the Company divided by the expected future number of contracts in the portfolio.
- Probability of termination of the contract due to cancellation by the policyholder or by the insurance company – this used

lapse rates within the first years have been confirmed by the experience of the Company over the last 3 years, the calculated lapse rates from 4th year onwards are based on expert judgment predicting the situation in various markets.

- EIOPA Risk Free Rate Curve – The European Insurance Regulator (EIOPA) publishes a Risk Free Rate Curve for all durations that are needed for the PVECF calculation. EIOPA Risk Free Rate Curve is used independently for each market, since EIOPA publishes unique rates for every EU member state.

Premiums, insurance sums, 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.

Group approach is applied by estimating Operating Expenses for each contract (unit costs), as most expenses are resulting only from headquarter activities and local variable costs are relatively minor.

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, whereas the expert judgement of the responsible chiefs of divisions is used.

1.2.2. Conversion of local currencies into the presentation currency (Euro)

The Company is not materially exposed to exchange rate risks because held 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.

1.3. Applied accounting policies

Priority for Expected Value of the Company - The dominant goal of the Company's accounting policy is to use the discretionary leeway provided by the IFRS framework in a way enabling to show an overall picture within the financial statements that is as near as possible to the market value of the Company. However, significant uncertainties exist in selected assumptions and methods of calculation and the readers of these financial statements should exercise caution.

1.3.1. Expected Value of Insurance Contracts

The Company discloses under the Sub-Balance Sheet position "Value of Insurance Contract" (Note 2.1.7.1.) the full expected Value of its Insurance Contracts. According to IFRS it is Company's sole discretion to disclose full or partial Value of Insurance Contracts, or use a simplified alternative measurement like deferred acquisition costs. Such a simplified method was used by the Company in 2013 and 2014, but due to the mentioned accounting policy, it was changed to expected assessment of insurance contracts.

- 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 discount on the PVECF that another insurance company would require if it were to purchase the insurance portfolio of NOVIS. For this reason, the sum of PVECF and Margin represents a market conform asset value.
- The Balance Sheet position "Value of Insurance Contracts" itself discloses a value that is close to the market value but we believe still somewhat lower. This is a result of the fact, that the Company recognizes in this Balance Sheet position also part of the result of the Liability Adequacy Test (LAT-result), explained in Notes 1.4.2.. This so shortened value of the Balance Sheet position "Value of Insurance Contracts" reduces correspondingly the equity and represents a deviation from the principle of the "Priority for Expected Value of the Company".

1.3.2. Insurance Provisions (IP)

The existence of adequately determined Insurance Provisions should make sure that the Company is under all expected circumstances able to fulfil its obligation towards its insurance clients.
Insurance Provisions are determined by the negative PVECF and the Surrender Value of each insurance contract.

- If PVECF is negative, then IP = greater of [absolute value of negative PVECF, or Surrender Value of insurance contracts],
- If PVECF is positive, then IP = Surrender Value of insurance contracts.

For every contract there must be Insurance Provision at least as high as the current Surrender Value, thus the IP are for a part of insurance contracts higher than the calculated liability (represented by negative PVECFs).

Furthermore, if the Company increases its IP by an amount corresponding to a part of the LAT result (Notes 1.4.2.) this precautionary measure also reduces the equity and represents a deviation from the principle of "Priority for Expected Value of the Company". The corresponding amount is booked in the Sub-Balance Sheet position "Additional Provisions" (Note 2.2.4.4.) and forms a part of the Balance sheet position "Life Insurance Provision" (Note 2.2.4.).

1.3.3. Rules for classification of assets and liabilities

A specific risk for the Company could results from inadequately designed accounting policies for financial securities. NOVIS therefore clearly differentiates between securities.

- Fixed Income Securities (Note 2.1.4.). Those covering liabilities related to the

Guaranteed Insurance Fund are classified as Held-To-Maturity (HTM). All other Fixed Income Securities are booked at their fair value through profit or loss.
- All Variable Income Securities (Note 2.1.5.) are booked at their fair value through profit or loss.
- All financial instruments covering Unit-Linked Insurance Provisions (Note 2.1.6.) are booked at their fair value through profit or loss to avoid mismatch between valuation of assets and related liabilities and ensure that the recognized value-change of this financial instruments is fully matched by the investment result assigned to the policyholder.

Initial recognition of financial instruments - 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. and QUANTIS Alpha.
Fair values are analysed by level in the fair value hierarchy both for assets and liabilities 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 correspond to contractually agreed values, values set in accepted invoices, or variables requiring 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.,2.1.6. and 2.2.2., 2.2.3..

1.3.4. Deviations from the principle of Expected Company Value

Based on these accounting policies, there are following major deviations from the principle of “Expected Company Value” causing that the Equity of the Company shown in financial statements is lower than the market expected value of the Company:
1) Decreased Value of Insurance Contracts as described in Note 2.1.7.2. represents 1 641 thousand Euro.
2) Increased value of Insurance Provisions as described in 1.3.2.:
   a) resulting from the difference between the absolute value of negative PVECF and the Surrender Value represents 588 thousand Euro
   b) the fact, that there is for some contracts a Surrender Value even when there is still a positive PVECF represents 615 thousand Euro
   c) the impact of the LAT-result on IP represents 1 641 thousand Euro.

   The three effects together (2a, 2b, 2c) represent an increase of IP of 2.844 thousand Euro.
3) No recognition of the capability of the Company to expand its business strongly and systematically internationally.

The first two deviations are quantified within this Notes. The third one is quantified via long-term 10-year Financial Plan that is not part of these Financial Statements.

1.4. Impact of the deployed accounting policy changes, methods and important parameters

Share of the Value of Insurance Contracts on the total sum of positive PVECF minus Margin

	2016	2015 Restated	2015 Previously Reported
Value of the Insurance Contracts on the Balance Sheet	100%	100%	20%
Value of the Insurance Contracts on the Balance Sheet after deduction of part of LAT result	95%	93%	20%

1.4.1. Change in the accounting of the Value of Insurance Contract

The Company has changed its approach towards reflecting the Value of Insurance Contracts in the financial statements 2016 and decided to show the 100% of the Value of Insurance Contracts that have positive PVECF after deduction of the Margin (Note 1.3.1.) instead of 20% applied in 2015.

In the reporting period 2014, the Company activated the contractually agreed acquisition fees that were at years end not yet deducted from the respective insurance contracts accounts.

1.4.2. Recognition the result of the Liability Adequacy Test (LAT-result) in the Balance Sheet

The Company has calculated the basic Insurance Provisions (Notes 1.3.2.) using Own Best Estimate Assumptions. To be prepared for a possible situation where the future development will be somewhat worse than under the assumed Own Best Estimate Assumptions, the Company has also conducted the Insurance Provision calculations with not likely but still reasonably plausible assumptions. The difference between the result under Own Best Estimate Assumptions and the result under worse than Own Best Estimate Assumptions is represented by the outcome of the Liability Adequacy Test (LAT-result).
This kind of sensitivity test over all insurance contracts has resulted in 3 283 thousand Euro in 2016 and 2 581 thousand Euro in 2015.
In the Future, when NOVIS will have available longer time series of the data used for Own Best Estimate Assumptions, the LAT-result will become less important and its weight on the total amount of the Insurance Provisions and Value of Insurance Contracts will decrease.

It is up to the Company to decide if the LAT-result will contribute to an increase of its Insurance Provisions, or to a decrease of the Value of Insurance Contracts (Company's intangible assets), or to a combination of both. NOVIS has decided to disclose the LAT-result as a combination of the increase of Insurance Provisions by 50% of the LAT-result and decrease of the Value of Insurance Contracts by also 50% of the LAT-result.

LAT - result

	2016	2015 Restated	2015 Previously Reported
Decrease of the Value of Insurance Contract on the Balance Sheet in comparison with expected value of the Insurance Contracts	-1 641	-1 290	0

Effect of LAT- result on Insurance Provisions

	2016	2015 Restated	2015 Previously Reported
Additional Provision under the Balance Sheet position "Life Insurance Provision"	1641	1290	2851

1.4.3. Recognition of the Loss Carried Forward (LCF)

NOVIS shows the full amount of the LCF towards Reinsurer (Notes 1.4.3. and 2.2.6.1.) on its Balance Sheet from 2016 onwards. As the LCF is a contingent liability and has not been shown on the Balance Sheet in the previous years, the Company has shown the Value of Insurance Contracts only partially (20%).
NOVIS has changed the approach in 2016 and decided to show both LCF (as the Liability Towards Reinsurer) and the Value of Insurance Contracts in the full extent in order to achieve higher degree of disclosure within the financial statements as well as to comply with the principle of the "Expected Company Value".

1.4.4. Offsetting of the Balance Sheet positions

The Company has decided to offset two positions that were shown both on the liability side (Liability towards Reinsurer corresponding to the Deposit of the Reinsurer) and asset side (Receivable from the Reinsurer)- both positions are by definition always identical in amount and are specifically determined in the Financing Reinsurance Contract.
Due to the fact that the accounting policy of 2014 and 2015 could be seen in this respect as artificial increase of the balance sheet sum, from 2016 the respected amount is described in the Notes only.

Amounts to be offset

	2016	2015
Part of Receivable from the Reinsurer	8 832	3 804
Part of Liability towards Reinsurer - Deposit of the Reinsurer	8 832	3 804

Balance Sheet positions before and after offsetting

	2016 after offsetting	2016 before offsetting	2015 after offsetting	2015 before offsetting
Receivable from the Reinsurer	1 460	10 292	89	3 893
Liability towards Reinsurer	0	8 832	0	3 804

E. NOTES TO THE FINANCIAL STATEMENTS

2 Explanation

2.1. Assets

2.1.1. Intangible Assets

The movements in Intangible Assets were as follows:

Intangible Assets

	Software	Know-How	Total
Acquisition Cost as at 31 December 2014	232	826	1 058
Accumulated Depreciation	-12	-41	-53
Net Book Value as at 31 December 2014	**220**	**784**	**1 004**
Additions	**24**	**0**	**24**
Depreciation Expense	**-25**	**-42**	**-67**
Acquisition Cost as at 31 December 2015	256	826	1 082
Accumulated Depreciation	-37	-83	-120
Net Book Value as at 31 December 2015	**219**	**743**	**962**
Additions	**466**	**0**	**466**
Depreciation Expense	**-41**	**-41**	**-82**
Acquisition Cost as at 31 December 2016	722	825	1 547
Accumulated Depreciation	-77	-124	-201
Net Book Value as at 31 December 2016	**644**	**702**	**1 346**

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 shown at Net Book Value measured at cost less accumulated depreciation (always straight line method) of the respective asset. Each asset has its own depreciation schedule, which ranges 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 2017 (Activated Development Value measured at costs). The accounting module of SAP Business One will be used also in future.

Software

	2016	2015
Initial Book Value	*348*	*256*
Accumulated Depreciation	*77*	*37*
Net Book Value of bought Software	271	219
Activated Development Value of “NovIns”	373	-
Total Book Value of Software	644	219

2.1.1.2. Know-How

At the founding in 2012, the Company received as share capital both financial and nonfinancial basic capital. The nonfinancial capital contribution was represented by a developed insurance product and business model, and the documentation associated with it.
This intangible asset “Know-How” represented 7.000 shares a 100 Euro nominal value and 118 Euro issue price per each share. Correspondingly, the “Know-How” position at the Opening Balance Sheet at establishing of the Company in 2013 amounted to 826 thousand Euro.
The Company has been operating its activity on the basis of this “Know-How” and was profitable from the second full operational business year onwards. For this reason there is no scope for an impairment test. The Company conducts a long-term linear depreciation over 20 years, starting January 1st 2014.

Know-How

	2016	2015
Initial Book Value	*826*	*826*
Accumulated Depreciation	*124*	*83*
Net Book Value	702	743

2.1.2. Tangible Assets

The value of Tangible Assets is shown at Net Book Value taking in consideration costs and depreciation of the respective asset. Each asset has its own depreciation schedule, which ranges from 2 years to 4 years using straight line method.
The movements in Tangible Assets were as follows:

Tangible Assets

	Hardware	Other Tangible Assets	Total
Acquisition Cost as at 31 December 2014	47	27	74
Accumulated Depreciation	-18	-15	-33
Net Book Value as at 31 December 2014	**29**	**12**	**41**
Additions	**27**	**27**	**54**
Depreciation Expense	**-23**	**-12**	**-35**
Acquisition Cost as at 31 December 2015	74	54	128
Accumulated Depreciation	-41	-27	-68
Net Book Value as at 31 December 2015	**33**	**27**	**60**
Additions	**63**	**0**	**63**
Depreciation Expense	**-30**	**-8**	**-38**
Acquisition Cost as at 31 December 2016	137	53	190
Accumulated Depreciation	-70	-34	-104
Net Book Value as at 31 December 2016	**66**	**20**	**86**

2.1.2.1. Hardware

Hardware represents solely the IT equipment of the Company.

Hardware

	2016	2015
Initial Book Value	*139*	*74*
Accumulated Depreciation	*73*	*41*
Net Book Value	66	33

2.1.2.2. Other Tangible Assets

Other Tangible Assets represent every equipment other than Hardware used by the Company – mainly furniture.

Other Tangible Assets

	2016	2015
Initial Book Value	*53*	*54*
Accumulated Depreciation	*34*	*27*
Net Book Value	20	27

2.1.3. Bank Deposits

Bank Deposits

	2016	2015
Current accounts	1 571	1 300
Term Deposits	0	2 949
Book Value	**1 571**	**4 249**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.3.1. Current Accounts and Cash

Deposits are held within the Company's current accounts in banks located in 7 countries of the EU. Small amount is held in Cash.

Balance in the Current Accounts, Cash

	Credit Quality*	2016	2015
UniCredit Bank Czech Republic and Slovakia	Baa2	392	515
Tatra Banka Slovakia	Baa1	637	268
SLSP Slovakia	Baa1	2	0
BKS Bank Austria	n/a	20	0
HVB Bank Germany	Baa2	n/a	0
LBBW Bank Germany	Baa3	166	n/a
Volksbank Italy	Baa2	0	n/a
Granit Bank Hungary	n/a	350	515
PKO Banka Poland	Baa1	4	n/a
Cash	n/a	1	1
Book Value		**1571**	**1 300**

**Actual rating from Moody´s*

2.1.3.2. Term Deposits

Term Deposits could be denominated in all currencies the Company is dealing with. The maturity ranges from 2 weeks to 3 months. There were no Term Deposits at the end of 2016.

Term Deposits

	2016	2015
Tatra Banka Slovakia	0	2 949
Book Value	**0**	**2 949**

2.1.4. Fixed Income Securities

The Company holds the underlying assets of the Guaranteed Insurance Fund in currencies of the markets where it operates – specifically in Euro, Hungarian Forint and Czech Koruna. The book value of government bonds was in excess of the Insurance provisions that refer to the Guaranteed Insurance Fund (1.639 thousand Euro, Note 2.2.4.1.)
The invested securities are government bonds of countries where NOVIS realizes its insurance activities. There are also other criteria for choosing the respective government bonds, such as positive current account of the respective country and in case the government bonds are denominated in Euro, also the maximum yield spread over German Bunds not more than (100 basis points). NOVIS currently holds government bonds from Slovakia, Hungary and Czech Republic. Specific assets held are as follows (Total Net Book Value 3.275 thousand Euro):

2.1.4.1. Slovak Government Bonds

Name	**SLOVAKIA (229) 1.625% 21/1/2031 EUR**	
Issue date	21.1.2016	
Maturity date	31.1.2031	
Credit Quality*	A+	
	2016	**2015**
Average Purchase Price in % of the Face Value	105,60	0,00
Net Book Value in Euro:	**407**	**0**
of this - Fair Value	*128*	*0*
of this - Amortized Cost	*280*	*0*
Face Value in Euro	385	0
Total Fair Value in Euro	405	0

**Actual country rating from Standard & Poor's*

Name	SLOVAKIA (216) 4.35% 14/10/2025 EUR	
Issue date	14.10.2010	
Maturity date	14.10.2025	
Credit Quality*	A+	
	2016	**2015**
Average Purchase Price in % of the Face Value	133,76	132,03
Net Book Value in Euro:	**321**	**233**
of this - Fair Value	*321*	*233*
of this - Amortized Cost	*0*	*0*
Face Value in Euro	237	173
Total Fair Value in Euro	321	233

**Actual country rating from Standard & Poor's*

2.1.4.2 Hungarian Government Bonds

Name	HUNGARY 3.25% 22/10/2031 HUF	
Issue date	22.4.2015	
Maturity date	22.10.2031	
Credit Quality*	BB+	
	2016	**2015**
Average Purchase Price in % of the Face Value of Original Currency (HUF)	100,17	0
Net Book Value in Euro:	**2 308**	**0**
of this - Fair Value	*763*	*0*
of this - Amortized Cost	*1 545*	*0*
Face Value in Euro	2 319	0
Face Value in Original Currency (HUF), in thousands	718 450	0
Total Fair Value in Euro	2 234	0

**Actual country rating from Standard & Poor's*

Name	HUNGARY 6.75% 22/10/2028 HUF	
Issue date	2.3.2011	
Maturity date	22.10.2028	
Credit Quality*	BB+	
	2016	**2015**
Average Purchase Price in % of the Face Value of Original Currency (HUF)	0	131,85
Net Book Value in Euro:	**0**	**976**
of this - Fair Value	*0*	*976*
of this - Amortized Cost	*0*	*0*
Face Value in Euro	0	739
Face Value in Original Currency (HUF), in thousands	0	231 520
Total Fair Value in Euro	0	976

**Actual country rating from Standard & Poor's*

Sale of the HUNGARY 6.75% 22/10/2028 HUF Government Bond in total amount of 428 368 thousand Forints (sale price) has been settled on 4. October 2016. Resulting in total profit of 24 508 thousand Forints corresponding to 79 thousand Euro (Total sum of all purchases realized during 2015 and 2016 amounted 403 859 thousand Forints). The whole amount resulting from the sale has been used for purchase of HUNGARY 3.25% 22/10/2031 HUF Government Bond on the same day (4. October 2016).

2.1.4.3. Czech Government Bonds

Name	CZECH REPUBLIC 4.2% 4/12/2036 CZK	
Issue date	4.12.2006	
Maturity date	4.12.2036	
Credit Quality*	AA-	
	2016	**2015**
Average Purchase Price in % of the Face Value of Original Currency (CZK)	146,11	138,91
Net Book Value in Euro:	**190**	**123**
of this - Fair Value	*160*	*123*
of this - Amortized Cost	*31*	0
Face Value in Euro	119	81
Face Value in Original Currency (CZK), in thousands	3 210	2 200
Total Fair Value in Euro	190	123

**Actual country rating from Standard & Poor's*

2.1.4.4. Accounting Classification of Fixed Income Securities

As the business of NOVIS is driven by constant growth of insurance portfolio, it is also expected that the volume of the underlying assets in the Guaranteed Insurance Fund will constantly increase. Only the growth rate of the purchase of new assets will vary depending on the growth of the portfolio. Therefore, in 2016 the Company has decided to hold the underlying assets of the Guaranteed Insurance Fund to maturity. Since it is not allowed to reclassify the assets initially recorded in the accounting with their Fair Value as Held-to-Maturity, only newly purchased government bonds (effectively from 1. October 2016) are classified as Held-to-Maturity and booked with the Amortized Cost.

Accounting Classification of Fixed Income Securities - Government Bonds

	2016	**2015**
Net Book Value in Euro:	**3 226**	**1 332**
of this - Fair Value	*1 371*	*1 332*
of this - Amortized Cost	*1 856*	*0*
Total Fair Value in Euro	3 150	1 332
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.5. Variable Income Securities

All assets in this category are recorded at Fair Value and the value change is booked through Profit and Loss.

2.1.5.1. Investment Funds and ETFs

Fair Value of the underlying assets in Euro

	2016	2015
SPDR Gold Trust ETF	0	24
iShare S&P LISTED PRIVATE (EUR)	0	25
iShare Markit IBoxx EU CV B	0	161
Concorde Short-Term Bond Fund HUF	497	265
Concorde Fund of Funds HUF	680	371
Templeton Global Bond N Acc USD	459	239
JPMorgan Funds - Latin America Equity Fund	2	3
Fidelity Emerging Asia Fund EUR	13	5
Fidelity Global Dividend A-Acc-EUR-Hdg	680	304
JPMorgan Global Income Fund D Acc EUR	797	296
JPMorgan Emerging Markets Dividend Fund EUR	775	430
Fidelity Global Multi Asset Income Fund HUF	538	343
Book Value	**4 442**	**2 467**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.6. Assets Invested for Unit-linked Insurance Provisions

Policy holders of the Company can choose from six Non-Guaranteed Insurance Funds in addition to the Guaranteed Insurance Fund, they are:

- NOVIS ETF Shares Insurance Funds invests in listed ETF shares (Exchange Traded Funds) to keep the costs of the fund low and to give the clients an opportunity to participate in the equity market.
- NOVIS Gold Insurance Fund invests in gold related securities or in physical gold.
- NOVIS Entrepreneurial Insurance Fund invests in private and venture equity, mostly in tradable funds that are specializing in impact investment
- NOVIS Mortgage Insurance Fund focuses on investments in real estate and securities or any other financial instruments that are secured by real estate assets (e.g. bank bonds that are additionally secured by underlying real estate asset).

- NOVIS Family Office Insurance Fund gives clients a change to invest in funds that are ordinary accessible only to qualified investors.
- 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 also having the potential to enhance the value of their brand.
- NOVIS Co-Branded Insurance Funds are exclusively designed for clients of specific Distribution Partners. Currently such Insurance Funds are offered for the clients, 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 category are recorded at the Fair Value and the value change is booked in Profit and Loss.

2.1.6.1. NOVIS ETF Shares Insurance Fund

Fair Value of the underlying assets in Euro

	2016	2015
iShare MSCI WORLD (USD) ETF	632	371
iShare MSCI EM - ACC (EUR)	203	178
iShare MSCI EM - ACC (USD)	12	10
Book Value	**847**	**559**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.6.2. NOVIS Gold Insurance Fund

Fair Value of the underlying assets in Euro

	2016	2015
SPDR Gold Trust ETF	170	101
Book Value	**170**	**101**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.6.3. NOVIS Entrepreneurial Insurance Fund

Fair Value of the underlying assets in Euro

	2016	2015
iShare S&P LISTED PRIVATE (EUR)	348	228
iShare Euro HY CORP BOND (EUR)	10	9
Book Value	**358**	**237**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.6.4. NOVIS Mortgage Insurance Fund

Fair Value of the underlying assets in Euro

	2016	2015
iShare Markit IBoxx EU CV B	244	72
HB Reavis Fin 4,25% 03/20 (EUR)	21	21
TB HZL62 3.75% 31/3/2016 EUR	0	10
Book Value	**265**	**103**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.6.5. NOVIS Family Office Insurance Fund

Fair Value of the underlying assets in Euro

	2016	2015
BP Family Office Fund	30	0
Book Value	**30**	**0**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.6.6. NOVIS Co-Branded Insurance Funds

Fair Value of the underlying assets in Euro

	2016	2015
Concorde Short-Term Bond Fund HUF	227	111
Concorde Fund of Funds HUF	316	153
Templeton Global Bond N Acc USD	210	102
JPMorgan Funds - Latin America Equity Fund	5	3
Fidelity Emerging Asia Fund EUR	7	3
Fidelity Global Dividend A-Acc-EUR-Hdg	321	158
JPMorgan Global Income Fund D Acc EUR	453	260
JPMorgan Emerging Markets Dividend Fund EUR	368	182
Fidelity Global Multi Asset Income Fund HUF	292	141
Book Value	**2 199**	**1 112**
Fair Value Hierarchy*	Level-2	Level-2

**Explanation and description in Note 1.3.3.*

2.1.7. Value of Insurance Contracts

2.1.7.1. Value of Insurance Contracts

The reported amount is in line with the Accounting policy showing Expected Value of Insurance Contracts described in Note 1.3.1. and 1.4.1.

Value of Insurance Contracts

	Hardware	Other Tangible Assets
Positive PVECF	40 033	22 317
Margin	-5 601	-2 991
Value of Insurance Contracts Gross	**34 433**	**19 325**

2.1.7.2. LAT-result Recognition

A consequence of the applied accounting policy described in Notes 1.4.1. and 1.4.2. is that the Value of Insurance Contracts on the Balance Sheet is decreased by 50% of the LAT-result over true expected value. This precautionary approach is described in Notes 1.3.1..

Value of Insurance Contracts Gross

	2016	2015 Restarted	2015 Previously Reported
Value of Insurance Contracts Gross	34 433	19 325	3 865
LAT-result Recognition	-1 641	-1 290	0
Book Value	**32 791**	**18 035**	**3 865**

	2016	2015 Restarted	2015 Previosly Reported	Credit Quality*
Slovakia	3 878	2 587	555	A+
Hungary	24 911	12 481	2 675	BB+
Czech Republic	2 017	1 882	403	AA-
Germany	1 671	1 084	232	AAA
Austria	314	n/a	n/a	AA+
Total	**32 791**	**18 035**	**3 865**	**n/a**

**Actual country rating from Standard & Poor's*

2.1.8. Receivable from Reinsurer

Receivable represents the due and unpaid Balance from Reinsurer as of the end of the reporting period resulting from the agreed re-insurance financing scheme. The Receivable from Reinsurer as defined in 1.4.4. is not part of this position at the end of year 2016.

Receivable from Reinsurer

	2016	2015 Restarted	2015 Previosly Reported	Credit Quality*
Receivable from Reinsurer	1 460	89	3 893	AA-
Book Value	**1 460**	**89**	**3 893**	**AA-**

**Actual country rating from Standard & Poor's*

Receivable from Reinsurer - movements	
Net Book Value as at 31 December 2014	**799**
Additions	8 203
Decrease (paid)	-8 913
Net Book Value as at 31 December 2015	**89**
Additions	4 678
Decrease (paid)	-3 307
Net Book Value as at 31 December 2016	**1 460**

2.1.8.1. Receivable from Reinsurer SCOR

NOVIS was cooperating only with one reinsurance company in 2016, exactly as in 2015 - namely SCOR Global Life SE, thus the whole Receivable from Reinsurer is from SCOR.

2.1.9. Other Receivables

Other Receivables

	2016		2015		Credit Quality
		Past due amount		***Past due amount***	
Receivables from Securities Brokers	3	*0*	192	*0*	Unrated
Receivable from Distribution Partners - net	20	*20*	156	*156*	Unrated
Receivables from Distribution Partners - gross	*140*	*140*	*156*	*156*	*Unrated*
Impairment Provision to Receivables from Distribution Partners	*-120*	*n/a*	*0*	*n/a*	*n/a*
Advance Payments	95	*0*	149	*0*	Unrated
Receivables from Shareholders	n/a	*0*	210	*0*	Unrated
Miscellaneous Receivables	16	*0*	68	*0*	Unrated
Book Value	**134**	***20***	**776**	***156***	Unrated

**The Company recorded provisions to receivables in 2016 for the first time, whereas the provision relates solely to impaired Receivables from Distribution Partners.*

2.1.9.1. Receivables from Securities Brokers

NOVIS has used services of two security brokers in 2016 and 2015 – Tatra Banka, a.s. and QUANTIS Alpha.

2.1.9.2. Receivables from Distribution Partners

Claw Backs arrangements for return of corresponding part of the Commission in case of cancellation of the Insurance Contract. The Company recorded total Receivables from Distribution Partners (resuming from lapses) in gross amount of 140 thousand Euro, which after provisioning (provisioning of the past due receivables from two distribution partners) resulted in Net Book Value of 20 thousand Euro in 2016.

2.1.9.3. Advance Payments

Advance payments refer to Contractors and Service Providers.

2.1.9.4. Receivables from Shareholders

The Share Capital in amount of 210 thousand Euro related to issue of shares with a par value of 1 Euro in 2015 had under approved conditions been fully paid-up on 23 February 2016. There is no receivable outstanding as of end of the year 2016.

2.1.9.5. Miscellaneous Receivables

Miscellaneous receivables, mostly e.g. from employees arising from advances for salaries and traveling costs etc.

2.2. Equity and Liabilities

2.2.1. Equity

Equity

	2016	2015 Restated	2015 Previously Reported
Share Capital	6 378	6 378	6 378
Share Premium	302	302	302
Own Shares	-437	n/a	n/a
Options for Own Shares	n/a	-36	-36
Statutory Reserve Fund	1 018	846	846
Retained Earnings	4 144	-1 407	-1 407
Retained Earnings - Impact of the Accounting Policy Change related to 2014	n/a	2 042	n/a
Net Income in Current Year	7 449	3 682	1 724
Book Value	**18 854**	**11 806**	**7 807**

2.2.1.1. Share Capital

The Company has 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 at par value. The total Book Value of Share Capital corresponds to 6 377 700 Euro. No new shares were issued during the reporting period 2016.

2.2.1.2. Share Premium

After the establishment of the Company in 2013, two share capital increases were realized. From these share capital increases, shares with a par value of 100 Euro were issued at an offering price of 118 Euro per share and were fully paid-up. All shares with a par value of 1 Euro were issued at an offering price of 1.18 Euro per share and fully paid-up in 2016. The difference between the par value of issued shares and the offering price was recognised as Share Premium.

2.2.1.3. Own Shares

The Company has purchased Own Shares (with a par value of 100 Euro per share) for a price of 118 Euro per share based on the decision of the General Assembly dated December 4th 2015. The purchase of 6 200 Own Shares in total amount 732 thousand Euro has been realized in March 2016. The Company has sold the 2500 Owns shares for the price 118 Euro per share in total amount of 295 thousand Euro in December 2016. The remaining number of own shares corresponds to a Book Value of 437 thousand Euro.

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. The first contribution to the Statutory Reserve Fund has been realized after registration of the Company in an amount corresponding to the difference between face value of the shares and emission price of the shares amounting to 846 thousand Euro. Use of the Statutory Reserve Fund is restricted and decisions regarding it are taken by the Company's BoD 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 Tax and Losses of the previous reporting years as well as the cumulative impact of the Accounting Policy Change related to years 2015 and 2014.

2.2.1.6. Retained Earnings - Impact of the Accounting Policy Change related to 2014

The value is affected by the change of the Company's Accounting Policy as described in Note 1.4. and it is calculated as the difference between 1.1.2015 Restated Profit after Taxes (1 206 thousand Euro) and Reported Loss for 2014 (-836 thousand Euro).

2.2.1.7. Net Income in Current Year

Value represents the reported Profit After Taxes for the reporting year.

2.2.2. Debt and Bonds

Debt and Bonds

	2016	2015
Loans	n/a	n/a
Subordinated Loans	300	300
Bonds Issued	133	10
Book Value	**433**	**310**
Fair Value Hierarchy*	Level-3	Level-3

**Explanation and description in Note 1.3.3.*

2.2.2.1. Loans

The Company had no Non-Subordinated Loans at the end of reporting period.

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 subordinate debt in total amount of 300 thousand Euro at the end of the year 2016 as well as at the end of 2015.

2.2.2.3. Bonds Issued

The Company has issued its own Bonds on 2. November 2015 with face value 1 thousand Euro, coupon 5% p.a. and maturity date 2. November 2018. Bonds in total amount of 133 thousand Euro were subscribed in the beginning of 2016 and at the end of 2015 (10 thousand Euro) – all of them through private placement.

2.2.3. Other Liabilities

Other Liabilities

	2016	2015
Liability towards Distribution Partners	1 510	1 326
Liability towards Suppliers and Contractors	556	308
Liability resulting from Financial Operations	227	90
Liability towards Employees and Social Security	233	156
Liability towards Tax Authorities	60	36
Miscellaneous Liabilities	112	89
Liability towards Shareholders	153	544
Book Value	**2 851**	**2 549**
Fair Value Hierarchy*	Level-3	Level-2

**Explanation and description in Note 1.3.3.*

2.2.3.1. Liability towards Distribution Partners

This amount represents commission due to the Distribution Partner, but not paid at the end of the reporting period.

2.2.3.2. Liability towards Suppliers and Contractors

Suppliers are defined as other business partners than distribution partners providing services and delivering goods to the Company. Contractors are specific suppliers providing either specific consultancy services, or substituting the labour force of the Company on the regular basis.

2.2.3.3. Liability resulting from Financial Operations

Liability towards the Securities Brokers.

2.2.3.4. Liability towards Employees and Social Security

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 service. The Company has no contractual or promised obligation to pay any further contributions to Social Insurance, government or private pension funds beyond the scope of payments provided in legislation in exchange for its employees' service.

2.2.3.5. Liability towards Tax Authorities

The liability corresponding to the VAT, Austrian insurance tax, income tax related to the salaries of the employees and due Income Tax for the reporting period payable at the moment of submitting the income tax declaration, or till 30. June of the year following the end of the reporting period at the latest.

2.2.3.6. Miscellaneous Liabilities

Liabilities towards clients arising from due claims and due partial surrender, that were not yet paid out, liabilities towards potential clients where an application for an Insurance Contract exists but is not yet confirmed.

2.2.3.7. Liability towards Shareholders

The Company has liability towards the shareholder related to the assignment of the receivable in amount of 153 thousand Euro in 2016.

2.2.4. Life Insurance Provisions

Life Insurance Provisions

	2016	2015 Restated	2015 Previously Reported
Provision for Guaranteed Insurance Fund	1 639	596	780
RBNS Insurance Provision	379	31	31
IBNR Insurance Provision	171	32	32
Additional Provision	1 641	1 290	2 581
Book Value	**3 829**	**1 949**	**3 423**

2.2.4.1. Provision for Guaranteed Insurance Fund

The Company creates Provision for Guaranteed Insurance Fund, disclosed separately and calculated as a portion of total Insurance Provisions (Note 1.3.2.). The ratio used for the proportion equals to ratio of investments in Guaranteed Insurance Fund to investments in all Insurance Funds in name of policyholders.

2.2.4.2. RBNS Insurance Provision

The Company recognizes Reported But Not Settled (RBNS) Insurance Provision for insurance events which have been reported but not yet settled. The amount depends on the sum of expected claims likely to be incurred in settling these claims and it is shown on the Balance Sheet sub-account after deduction of the Reinsurers share.

2.2.4.3. IBNR Insurance Provision

Incurred But Not Reported (IBNR) Insurance Provision is calculated on the basis of standard actuarial statistical methods multiplying 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. IBNR Insurance Provision is shown on the Balance Sheet sub-account after deduction of the Reinsurers share.

2.2.4.4. Additional Provision

The Company is creating Additional Provisions in line with the Applied Accounting Policy as described in (Note 1.4.2.).

2.2.5. Unit-linked Insurance Provision

Unit-linked Insurance Provisions

	2016	2015 Restated	2015 Previously Reported
Unit-linked Provision for Standard Insurance Funds	1 727	1 068	1 046
Unit-linked Provision for Co-Branded Insurance Funds	2 143	1 044	882
Book Value	**3 870**	**2 112**	**1 928**

2.2.5.1. Unit-linked Insurance Provision for Standard Insurance Funds

The amount represents that part of the Insurance Provisions (Note 1.3.2.) corresponding to the portion of all Non-Guaranteed Standard Insurance Funds (Note 2.1.6.1. – 2.1.6.5.) within the complete portfolio of all Insurance Funds chosen by the Policyholders of the Standard Product.

2.2.5.2. Unit-linked Insurance Provision for Co-Branded Insurance Funds

The amount represents that part of the Insurance Provisions (Note 1.3.2.) corresponding to the portion of all Non-Guaranteed Co-Branded Insurance Funds (Note 2.1.6.6.) within the complete portfolio of all Insurance Funds chosen by the Policyholders of the Co-Branded Insurance Product.

2.2.6. Liability towards Reinsurer

Liability towards Reinsurer

	2016	2015 Restated	2015 Previously Reported
Loss Carried Frorward	14 677	9 669	0
Other Liability Towards Reinsurer	0	0	3 804
Book Value	**14 677**	**9 669**	**3 804**

2.2.6.1. Loss Carried Forward (LCF)

The Company has a contractual arrangement with the Reinsurer 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 sum of the Acquisition Fees deducted over the first 5 years of the duration of each Insurance Contract is approximately comparable with the Commission from the Reinsurer as well as with the upfront commission paid to the distribution partner.
The Company keeps accounting with the Reinsurer recording every position change related to the Financing Reinsurance resulting in a balance. This balance is called Loss Carried Forward.
LCF represents a contingent liability, as it is not reduced by a pre-defined scheme (e.g. annuity), but the repayment depends solely on the collected future premium driven by the biometrical development of the Company's portfolio.

Loss Carried Forward development since the beginning of the Financing Reinsurace

	2016	2015	2014
Loss Carried Frorward	14 677	9 669	1 397

2.2.6.2. Other Liability towards Reinsurer

After applying the accounting policy change described in Note 1.4.4. (offsetting of two balance sheet positions) there is no liability towards the reinsurer left.

Other Liability Towards Reinsurer

	2016	2015 Restated	2015 Previously Reported
Book Value	**0**	**0**	**3 804**

2.2.7. Tax Liabilities

Tax Liabilities represent the net position calculated as a difference between Tax Assets, Payable Current Income Tax and Deferred Tax Liability.

Loss Carried Forward development since the beginning of the Financing Reinsurace

	2016	31.12.2015 Restated	2015 Previously Reported	1.1.2015 Restarted
Cumulative Income Tax Loss	*11 798*	*10 390*	*n/a*	*3 254*
Corporate Income Tax Rate	*21%*	*22%*	*22%*	*22%*
Tax Assets	**-2 478**	**-2 286**	**n/a**	**-716**
Payable Current Income Tax	**3**	**3**	**6**	**3**
Value of Insurance Contracts	*32 791*	*18 035*	*3 893*	*4 307*
Corporate Income Tax Rate	*21%*	*22%*	*22%*	*22%*
Deferred Tax Liability	**6 886**	**3 968**	**n/a**	**947**
Net Book Value	**4 411**	**1 685**	**n/a**	**235**

2.2.7.1. Tax Assets

They represent a part of the Corporate Income Tax Losses (from the previous years and current year) to be used for lowering of the positive Corporate Income Tax Base in future years and multiplied by the corporate income tax rate applicable in future (21% for the 2017 and further).

2.2.7.2. Payable Current Income Tax

Total amount corresponds to the calculation of the Income Tax and Special Levy for Insurance Companies described in Note 2.4.10.

2.2.7.3. Deferred Tax Liability

It is calculated from a base corresponding to the activated Value of Insurance Contracts described in Note 2.1.7. (change of which is part of the Income of the Company, but is not subject to taxation) multiplied by the corporate income tax rate applicable in future (21%).

2.3. Income

2.3.1. Gross Premium Earned

The amount represents that part of the Insurance Provisions (Note 1.3.2.) corresponding to the portion of all Non-Guaranteed Standard Insurance Funds (Note 2.1.6.1. – 2.1.6.5.) within the complete portfolio of all Insurance Funds chosen by the Policyholders of the Standard Product.

Gross Premium Earned

Sub-Accounts		2016	2015
Slovakia	2.3.1.1.	1 971	1 162
Hungary	2.3.1.2.	7 969	4 767
Czech Republic	2.3.1.3.	1 878	841
Germany	2.3.1.4.	970	202
Austria	2.3.1.5.	54	0
Book Value		**12 842**	**6 972**

2.3.2. Commission from Reinsurer

Commission from Reinsurer

	2016	2015
Reinsurance Commission Net	7 093	9 066

2.3.2.1. Reinsurance Commission Net

Gross Commission payable by the Reinsurer for new Insurance Contracts signed in the respective year is offset with the part of the Reinsurance Commission that is to be paid to the Reinsurer for the cancellation of the insurance contract. Only the resulting sum is actually paid by the Reinsurer to the Company.

2.3.3. Contribution to Claims from Reinsurer

This amount corresponds to the financial participation of the Reinsurer on the Claims paid to insured persons as well as to the share of Reinsurer on change of RBNS and IBNR Insurance Provision.

Contribution to Claims from Reinsurer

Sub-Accounts		2016	2015
Contribution to Claims from Reinsurer	2.3.3.1.	125	0
Contribution from Reinsurer to the change in RBNS Insurance Provision	2.3.3.2.	68	0
Contribution from Reinsurer to the change in IBNR Insurance Provision	2.3.3.3.	27	0
Book Value		**220**	**0**

2.3.4. Investment Income

Investment Income

	2016	2015
Interest Received	0	3
Dividends and Accrued Interest	118	43
Revaluation and Results from Sale of Financial Asset	591	14
Book Value	**710**	**60**

2.3.4.1. Interest Received

This position contains received interests related to bank deposits.

2.3.4.2. Dividends and Accrued Interest

This position contains accrued interests (bond coupons) and dividends from financial assets held by the Company.

2.3.4.3. Revaluation and Results from Sale of Financial Asset

Change of the market value and profit recorded from sale of financial assets.

2.3.5. Change in the Value of Insurance Contracts

This position reflects change of Value of Insurance Contracts on the Balance Sheet (Note 2.1.7.).

Change in the Value of Insurance Contracts

	2016	2015 Restated	2015 Previously Reported
Value of Insurance Contracts Gross	34 433	19 325	19 325
Effect of LAT-result on Value of Insurance Contracts	-1 641	-1 290	0
Value of Insurance Contracts	32 791	18 035	3 865
Change in the Value of Insurance Contracts - Book Value	**14 756**	**13 728**	**2 947**

2.3.5.1. Change in the Value of Insurance Contracts Gross

Change in the Value of Insurance Contracts Gross

	2016	2015 Restated	2015 Previously Reported
Value of Insurance Contracts Gross	34 433	19 325	19 325
Change in the Value of Insurance Contracts Gross	**15 107**	**14 732**	**n/a**

2.3.5.2. Impact of Change in the LAT-result on Value of Insurance Contracts

Impact of change in LAT-result on Value of Insurance Contracts

	2016	2015 Restated	2015 Previously Reported
Impact of change in LAT-result on Value of Insurance Contracts	-1 641	-1 290	0

2.4. Expenses

2.4.1. Commissions to Intermediaries

This position represents Net Commissions to Distribution Partners and is the result of Commissions to Intermediaries and commissions that intermediaries have to repay because of the cancelation of insurance contracts).2.3.4. Investment Income

Commission to Intermediaries

	2016	2015
Slovakia	1 647	2 128
Hungary	3 219	3 296
Czech Republic	1 545	2 067
Germany	203	536
Austria	120	0
Book Value	**6 734**	**8 028**

2.4.1.1. Commissions to Intermediaries - Gross

This represents the total amount of the Commission earned by the Distribution Partners in the respective year. Amounts are calculated from Net Commissions using estimated lapse rates (cancellations of contracts).

Commission to Intermediaries - Gross

	2016	2015
Slovakia	2 058	2 503
Hungary	3 577	3 662
Czech Republic	1 931	2 297
Germany	239	596
Austria	208	n/a
Book Value	**8 014**	**9 059**

2.4.1.2. Claw-Back from Intermediaries

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. Amounts are calculated from Net Commissions using estimated lapse rates.

Claw-back from Intermediaries

	2016	2015
Slovakia	412	376
Hungary	358	366
Czech Republic	386	230
Germany	36	60
Austria	89	n/a
Book Value	**1 280**	**1 031**

2.4.2. Insurance Claims

Insurance Claims

	2016	2015
Paid Claims	885	102
Partial Surrender Pay-out and Surrender Pay-out	264	0
Change in RBNS Insurance Provision	447	31
Change in IBNR Insurance Provision	166	32
Book Value	**1 761**	**165**

2.4.2.1. Paid Claims

Total Claims paid to Insured Persons for the respective risks insured.

Paid Claims

	Death		Health		Injury		Total Claims	
	2016	2015	2016	2015	2016	2015	2016	2015
Slovakia	0,0	3,0	261,7	9,7	168,0	51,4	429,7	64,1
Hungary	5,0	0,0	0,4	0,0	0,4	0,0	5,8	0,0
Czech Rep.	0,0	0,0	176,0	4,2	273,0	34,0	449,0	38,2
Austria	0,0	n/a	0,0	n/a	0,0	n/a	0,0	n/a
Germany	0,0	0,0	0,0	0,0	0,3	0,0	0,3	0,0
Book Value	**5,0**	**3,0**	**438,1**	**13,9**	**441,7**	**85,4**	**884,8**	**102,3**

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.

Partial Surrender Pay-out and Surrender Pay-out

	2016	2015
Book Value	**264**	**0**

2.4.2.3. Change in RBNS Insurance Provision

The Change in RBNS Insurance Provision as defined in Note 2.2.4.2. is a result of the increased number of insurance claims that were not yet settled at year's end.

Change in RBNS Insurance Provision

	2016	2015
Book Value	**447**	**31**

Number of Reported Claims

	2016	2015
Slovakia	640	179
Hungary	4	2
Czech Rep.	733	84
Austria	0	n/a
Germany	1	0
Total	**1 378**	**265**

2.4.2.4. Change in IBNR Insurance Provision

The Change in IBNR Insurance Provision as defined in Note 2.2.4.3. reflects the increased size of the insurance portfolio (Notes 3.1.)

Change in IBNR Insurance Provision

	2016	2015
Book Value	**165**	**32**

2.4.3. Change in Life Insurance Provisions

In 2015 the Company didn't distinguish between change in provision of Guaranteed Insurance Fund and Additional Provision.

Change in Life Insurance Provisions

	2016	2015 Restated	2015 Previously Reported
Change in Additional Provision	351	1 003	n/a
Change in Provision for Guaranteed Insurance Fund	1 043	468	n/a
Book Value	**1 394**	**1 472**	**1 177**

2.4.3.1. Change in Additional Provision

This position reflects the yearly change of the Additional Provision as defined in Note 2.2.4.4.

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 2015 the Company didn't distinguish between change in Unit-linked Insurance Provision for Standard and Co-Branded Insurance Funds.

Change in Unit-linked Insurance Provisions

	2016	2015 Restated	2015 Previously Reported
Change in Unit-linked Provision for Standard Insurance Funds	659	913	n/a
Change in Unit-linked Provision for Co-Branded Insurance Funds	1 099	778	n/a
Book Value	**1 758**	**1 691**	**2 880**

2.4.4.1. Change in Unit-linked Provision for Standard Insurance Funds

This position reflects the yearly change of the Unit-linked Insurance Provision for Standard Non-Guaranteed Insurance Funds as defined in Note 2.2.5.1.

2.4.4.2. Change in Unit-linked Provision for Co-Branded Insurance Funds

This position reflects the yearly change of the Unit-linked Insurance Provision for Co-Branded Non-Guaranteed Insurance Funds as defined in Note 2.2.5.2.

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 respectively disability risk coverage and fees for Illness coverage corresponding to risk coverage above 30 thousand Euro is ceded as well. This definition leads to the Net Insurance Premium. The same result can be obtained when deducting from the, in the Reinsurance Treaty defined Gross Reinsurance Premium, the savings part. The savings part of the Insurance Premium remains always fully with the primary insurer (the Company) because only the Company fully can realize the investment process on the basis of the Insurance Funds that were chosen by the Policyholder.

2.4.5.1. Reinsurance premium to SCOR Global Life

Reinsurance Premium - SCOR Global Life

	2016	2015
Gross Reinsurance Premium	7 569	3 897
Share of the Reinsurer on Change in Technical Provision / Saving Part	-5 028	-3 032
Book Value	**2 541**	**865**

2.4.6. Change in Liability towards Reinsurer

Change in Liability towards Reinsurer

	2016	2015 Restated	2015 Previously Reported
Change in LCF towards SCOR	5 008	8 272	n/a
Book Value	**5 008**	**8 272**	**n/a**

2.4.6.1. Change in LCF (Loss Carried Forward)

Up to 2015 the Loss Carried Forward was not recognized on the Balance Sheet. Policy change explanation in Note 1.4.3.

2.4.6.2. Change in Other Liability towards Reinsurer

There is no Other Liability towards Reinsurer after the offsetting of the Balance Sheet positions described in Note 1.4.4.

2.4.7. Investment and Financing Costs

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

Investment and Financing Costs

	2016	2015
Interest on Loans and Subordinated Loans	19	31
Interest on Bonds Issued	7	0
Revaluation and Result from Sale of Financial Assets	11	135
Other Investment Costs	15	n/a
Total	**52**	**166**

2.4.7.1. Interest on Loans and Subordinated Loans

Interest costs related to items described in Notes 2.2.2.1. (Loans) and 2.2.2.2. (Subordinated Loans)

2.4.7.2. Interest on Bonds Issued

Interest costs corresponding to paid and accrued coupons related to Issued Bonds (Note 2.2.2.3.).

2.4.7.3. Revaluation and Result from Sale of Financial Assets

Change of the Market Value and loss recorded from sale of Financial Assets.

2.4.7.4. Other Investment Costs

Transaction costs and custody fees related to financial securities owned by the Company.

2.4.8. Operating Expenses

Operating Expenses		
	2016	**2015**
Personnel Expenses:	2 880	1 887
Salaries and Remuneration	*1 570*	*1 126*
Social Security	*362*	*206*
Pension expense	*191*	*118*
Other Personnel Expenses	*29*	*16*
Training of Employees	*27*	*4*
Contractors	*701*	*416*
Marketing Campaigns	793	17
Legal Services	438	299
Rent of Premises	415	187
Sales Promotion and Incentives	344	365
Traveling, Car Rent and Fuel	194	153
Material Consumed	179	114
Non-income Taxes, Fees, Penalties	152	58
Telecommunication and Internet Services	139	140
Depreciation and Amortization	119	101
Costs of Statutory Audit	98	43
Tax Advisory and Professional Services	43	70
Miscellaneous Expenses	120	170
Other Services	280	430
Book Value	**6 194**	**4 034**

2.4.8.1. Personnel Expenses

All expenses related to employees (Salaries and Social Security) and other personnel working for the Company on regular basis.

Contractors represent personnel having not an employment contract with the Company, but being contracted either through other companies (personnel leasing) or as freelancers.

2.4.8.2. Marketing Campaigns

NOVIS has realized marketing Campaign through Television, Radio and Internet channels both in 2015 and 2016. The expenses correspond mainly to use of the media space.

2.4.8.3. Legal Services

Company uses services of several law firms being specialized in corporate, transactional, labour, civil, insurance, tax and consumer protection law on the respective markets. The services are mainly used during the preparational phase when entering new markets.

2.4.8.4. Rent of Premises

NOVIS is currently renting premises in Bratislava, Prague, Vienna, Stuttgart.

2.4.8.5. Sales Promotion and Incentives

Events and incentive campaigns organized for Distribution Partners represent a compensation on top of the Commissions.

2.4.8.6. Travelling, Car Rent and Fuel

All travelling costs including flying tickets and costs of ground transportation. Company is using cars under operating lease contracts.

2.4.8.7. Material Consumed

Mainly office supplies.

2.4.8.8. Non-income Taxes, Fees, Penalties

All non-Income taxes, registration and administrative fees and penalties.

2.4.8.9. Telecommunication and Internet Services

Company has used mainly services of Slovak Telekom to cover voice and data connection and data warehousing.

2.4.8.10. Depreciation and Amortization

Cumulative depreciation of Tangible and Intangible Assets reflecting individual depreciation periods of every asset item.

2.4.8.11. Costs of Statutory Audit

PwC is auditing financial statements of the Company and separately also the financial statements of the Czech branch.

2.4.8.12. Tax Advisory and Professional Services

Operational and salaries accounting according to local rules in the Czech Republic, Germany and Austria is outsourced to specialized companies. This position contains also expenses related to the translations, notaries and local tax advisors.

2.4.8.13. Miscellaneous Expenses

Mainly provisioning of Receivables from Distribution Partners.

2.4.8.14. Other Services

Expenses related to all other services e.g. postal office and courier services, medical reports, services and goods locally consumed and being booked with total amount on the Company’s level.

2.4.9. Deferred Tax Expense

The amount of Deferred Tax Expense is determined by the difference between the Change in Deferred Tax Liability and Change in Tax Assets.

Deffered tax Expense

	2016	2015 Restated	2015 Previously Reported	2014 Restated
Change in Deferred Tax Liability	2 918	3 020	n/a	947
Change in Gross Tax Assets	-192	-1 570	n/a	-716
Book Value	**2 727**	**1 450**	**n/a**	**232**

2.4.9.1. Change in Deferred Tax Liability

This Item corresponds to yearly change in calculated Deferred Tax Liability (Note 2.2.7.3.).

2.4.9.2. Change in Tax Assets

This item corresponds to yearly change in calculated Tax Assets (Note 2.2.7.1.).

2.4.10. Current Income Tax

Income Tax consists of the Corporate Income Tax calculated from the respective tax base (not equal to the Net Profit due to non-taxable items) and a Special Levy for Insurance Companies.

Current Income Tax

	2016	2015
Corporate Income Tax - Slovakia	3	3
Special Levy for Insurance Companies	0	3
Book Value	**3**	**6**

2.4.10.1. Corporate Income Tax - Slovakia

The applicable corporate income tax rate in year 2016 represents 22% from the tax base reduced by the respective part of the Corporate Income Tax Losses (Note 2.2.7.1.). The same percentage was applied in 2015.
If the Corporate Income Tax is lower than the Income Tax License set by the law for the reporting year, it is booked and paid in an amount corresponding to the Income Tax License (2,88 thousand Euro).

2.4.10.2. Special Levy for Insurance Companies

Special Levy for Insurance Companies is calculated as 4.356% from Profit Before Taxation determined by the income from regulated (insurance) activity and exceeding 3 000 thousand Euro.

Reconciliation between Current Income Tax defined in Note 2.4.10. and profit or loss for the year multiplied by the applicable tax rate and special levy rate is shown in following table:

In thousands of Euro		2016	31.12.2015 Restated	2015 Previously Reported
Effective Tax				
Profit Before Taxes		10 178	5 135	1 730
Income not subject to income tax and special levy (-)		-14 756	-13 728	-2 947
Profit or loss (-) eligible for income tax and special levy		**-4 578**	**-8 594**	**-1 217**
Special Levy	Applicable special levy rate (for amounts exceeding 3 000 thousand Euro)	4,356%	4,356%	4,356%
	Special Levy for Insurance Companies	-199	-374	-53
	Special Levy for Insurance Companies	**0**	**0**	**3**
Income Tax	Non-deductible tax expenses (+)	669	588	588
	Deductible Income Tax Losses from previous years (-)	-2 843	-847	-522
	Applicable corporate income tax rate	22%	22%	22%
	Corporate Income Tax	-1 485	-1 948	-253
	Corporate Income Tax (Tax License)	**3**	**3**	**3**
Current Income Tax		**3**	**3**	**6**
Defered tax expense		**2 727**	**1 450**	**n/a**
Effective tax		**2 730**	**1 453**	**6**
Profit for the year multiplied by the applicable tax rate and special levy rate				
Profit Before Taxes		10 178	5 135	1 730
Special Levy	Applicable special levy rate (for amounts exceeding 3 000 thousand Euro)	4,356%	4,356%	4,356%
	Profit exceeding 3 000 thousand Euro multiplied by special levy rate	313	93	0
Income Tax	Applicable corporate income tax rate	22%	22%	22%
	Profit after special levy multiplied by applicable tax rate	2 170	1 109	381
Special levy and income tax		**2 483**	**1 202**	**381**

The Company considers the capitalisation of the Value of Insurance Contracts as income that will be taxed only at the time of its realization and not already at the time when the Insurance Policies are capitalised in the Financial Statements prepared in accordance with IFRS, as this capitalisation is a result of earlier application of some principles set in IFRS 17- Insurance Contracts, which aims to express the value the insurance portfolio in the Statement of Financial Position.

The Company has unrecognised tax loss

carry-forwards, that can be offset against future taxable profits in subsequent reporting periods: (a) the amount of 3 906 thousand Euro in 2017, (b) the amount of 3 770 thousand Euro in 2018, (c) the amount of 3 059 thousand Euro in 2019 and (d) the amount of **1 063** thousand Euro in 2020. The potential utilisation of these losses assumes that the Company will successfully defend the capitalised value of insurance policies as non-taxable income. The company is negotiating with relevant authorities in relation to this matter.

2.5. Cash Flow Statement

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

- Insurance Claims do not include the Change in RBNS and IBNR Insurance Provision,
- Operating Expenses do not include the non-cash items (Depreciation and Amortization was excluded),
- Paid Taxes represent the taxes paid during respective year, but being related to previous financial year,
- Change in Assets invested for Unit-linked and Life Insurance Provisions considers only the fair value of the financial assets and the effect of valuation through amortized cost is excluded by assets Held-to-Maturity,
- 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 Guaranteed and Non-Guaranteed Insurance Funds,
- Cash and Cash Equivalents represent only the Bank Deposits.

E. NOTES TO THE 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 in pcs	Slovakia	Hungary	Czech Rep.	Germany	Austria	Total
End of 2016	4 694	4 332	3 496	267	73	**12 862**
End of 2015	2 997	2 885	2 167	142	0	**8 191**
End of 2014	670	885	0	0	0	**1 555**

Earned Premium

in thousands Euro	Slovakia	Hungary	Czech Rep.	Germany	Austria	Total
2016	1 971	7 969	1 878	970	54	**12 842**
2015	1 162	4 767	841	202	0	**6 972**
2014	352	1 317	0	0	0	**1 669**

Insurance Provisions

in thousands Euro	Slovakia	Hungary	Czech Rep.	Germany	Austria	Total
2016	1 812	3 064	1 902	871	50	**7 699**
2015 Restated	1 473	1 403	1 142	44	0	**4 061**
2014 Restated	464	372	0	0	0	**836**

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 doesn't enter the new market. This means, NOVIS has a pure opportunistic expansionary strategy. There is no country (market) into which NOVIS would enter without the conviction 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.

The average PVECFs at years' end of all new contracts concluded in the respective country and respective year is as follows:

Average PVEFC of all new contracts

		Slovakia	Hungary	Czech Rep.	Germany	Austria	NOVIS (Total)
Number of new contracts, pcs at the end of respective year	2016	2 226	1 860	1 933	127	0	**6 146**
	2015	2 435	1 989	1 978	161	73	**6 636**
PVEFC of new contracts, thousands Euro, at the end of respective year	2016	3 133	12 218	1 831	502	n/a	**17 684**
	2015	2 891	11 338	1 746	1 424	343	**17 742**
Avg. PVECF for every new insurance contract, thousands Euro	2016	1,41	6,57	0,95	3,95	n/a	**2,88**
	2015	1,19	5,70	0,88	8,85	4,70	**2,67**

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

		Slovakia	Hungary	Czech Rep.	Germany	Austria
Death	2016	0,00%	6,78%	0,0%	0,0%	0,0%
	2015	0,00%	0,00%	0,0%	0,0%	n/a
Illness	2016	114,32%	0,00%	101,6%	0,0%	0,0%
	2015	29,24%	0,00%	16,5%	0,0%	n/a
Injury	2016	43,12%	14,03%	68,8%	2,2%	0,0%
	2015	123,67%	0,00%	54,8%	0,0%	n/a
Disability	2016	0,00%	n/a	0,0%	n/a	n/a
	2015	0,00%	n/a	0,0%	n/a	n/a

Risk Concentrations

	In thousands of EUR	Slovakia	Hungary	Czech Rep.	Germany	Austria	Total
2016	Sum insured for risk of death	66 877	16 724	44 510	9 695	3 771	**141 576**
	Sum insured for injury	204 765	1 832	199 911	7 584	1 821	**415 913**
	Sum insured in case of critical diseases	194 135	878	153 775	12 566	2 863	**364 218**
	Sum insured for disability	32 517	0	55 384	0	0	**87 901**
	Total	**498 294**	**19 434**	**453 580**	**29 845**	**8 455**	**1 009 608**
2015	Sum insured for risk of death	39 206	11 251	24 759	7 070	n/a	**82 286**
	Sum insured for injury	134 118	1 765	96 774	5 910	n/a	**238 567**
	Sum insured in case of critical diseases	55 101	889	38 739	4 270	n/a	**98 999**
	Sum insured for disability	6 523	-	25 187	-	n/a	**31 710**
	Total	**234 948**	**13 905**	**185 459**	**17 250**	**n/a**	**451 562**

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.

Slovakia lapse rates		Lapse year			
		2013	2014	2015	2016
Underwriting year	2013	0,0%	27,3%	9,1%	0,0%
	2014	0,0%	9,2%	13,9%	7,7%
	2015	0,0%	0,0%	6,6%	18,7%
	2016	0,0%	0,0%	0,0%	11,0%

Hungary lapse rates		Lapse year			
		2013	2014	2015	2016
Underwriting year	2013	n/a	n/a	n/a	n/a
	2014	n/a	0,5%	8,3%	1,2%
	2015	n/a	0,0%	3,6%	4,6%
	2016	n/a	0,0%	0,0%	2,4%

Czech Rep. lapse rates		Lapse year			
		2013	2014	2015	2016
Underwriting year	2013	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a
	2015	n/a	n/a	5,6%	20,5%
	2016	n/a	n/a	0,1%	9,5%

Germany lapse rates		Lapse year			
		2013	2014	2015	2016
Underwriting year	2013	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a
	2015	n/a	n/a	9,4%	11,7%
	2016	n/a	n/a	0,0%	6,0%

Austria lapse rates		Lapse year			
		2013	2014	2015	2016
Underwriting year	2013	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a
	2016	n/a	n/a	n/a	42,5%

3.2.4. Risk of Non-payment of Insurance Premiums

As long as an insurance contract is valid and the agreed Insurance Premium is not yet fully paid up, the Policyholder has to pay further Insurance Premiums. For situations where the Policyholder doesn’t behave in accordance to his contractual obligation, the Company has a communication strategy towards the clients in place. The aim of this strategy is to incent the Policyholder to resume with the premium payments.

Only in case that the policyholder doesn’t pay the agreed premium and the saldo of the Insurance account becomes negative, the Company will cancel the contract.contracts concluded in the respective country and respective year is as follows:

3.2.5. Risk of Insufficient Insurance Provisions

Even if the insurance contracts are clearly profitable from Company's point of view, it may happen in the future that under adverse circumstances the Insurance Provisions are lower than the future liabilities of the Company towards its clients. In order to minimize this risk, the Company calculates the Present Value of Expected Cashflow (PVECF) not only with Own Best Estimate Assumptions, but also with more pessimistic and less likely assumptions, which are identified based on the outcome of analysis of sensitivity of PVECF to changes in assumptions for the entire portfolio of contracts. The analysis is based on a change in an assumption while other assumptions are at Own Best Estimate without risk premiums (surcharges).

Sensitivity Test, amounts in thousands of EUR	Change to Own Best Estimate	
	2016	2015
Excluded impact of the adverse selection of underwriting	162	145
Investment income - 1% change	172	28
Investment income + 1% change	-126	-27
Guaranteed interest - 1% change	-122	-8
Guaranteed interest + 1% change	173	9
Discount rate - 1% change	665	-325
Discount rate + 1% change	-392	-525
Operating costs of insurance contracts per unit - 20% surcharge	-250	-234
Operating costs of insurance contracts per unit + 75% surcharge	2 830	1 994
Claims expenses - 10% surcharge	-105	-51
Claims expenses + 10% surcharge	112	53
Inflation - 10% surcharge	-32	-36
Inflation + 10% surcharge	37	41
Lapse rate - 10% surcharge	244	198
Lapse rate + 10% surcharge	91	-168
Mortality -10% surcharge (- 20% in 2015)	-58	-54
Mortality + 10% surcharge (+ 20% in 2015)	66	61
Disability -10% surcharge (- 20% in 2015)	-21	-51
Disability + 10% surcharge (+ 20% in 2015)	24	59
Critical illness - 20% surcharge	-184	-274
Critical illness + 20% surcharge	291	322

Changes in assumptions causing the highest sensitivity of the PVECF determined the result of the Liability Adequacy Test (LAT described in Note 1.4.2.) as follows:

LAT-result (Change of Own Best Estimate)

	2016	2015	2014
Excluded impact of the adverse selection of underwriting	162	145	34
Surcharge +75% to administrative costs per insurance contract	2 830	1 994	n/a
Surcharge +100% to administrative costs per insurance contract	n/a	n/a	461
Surcharge +20% to mortality	n/a	61	12
Surcharge +20% to disability	n/a	59	0
Surcharge +20% to critical illness	291	322	67
LAT-result	3 283	2 581	574

Surcharge to mortality and disability did not determine the LAT-result in 2016 as more recent assumptions have been used for PVECF calculation.

3.2.6. Risk related to Asset Allocation

Increments and deteriorations of the value of assets invested within the Non-Guaranteed Insurance Funds (Note 2.1.6.) are in full extent attributed to the respective Insurance Accounts, thus The Policyholder gets the full investment result. The Company places the asset in line with the statutes of the various Insurance Funds and the current Investment Policy based on considering both the return potential and the risk potential.
A significant risk mitigation (from the Policyholders point of view) is achieved by the diversification effect achieved by choosing all Insurance Funds of the Company.
The positive effect of the diversification shown through potential development of the Insurance Fund during financial crisis:

Product	Name of the Insurance Fund	Expected development during a financial crisis	Percentage of usage in the respectivve portfolio 2016	2015
NOVIS Standard Product	Guaranteed Insurance Fund	Guaranteed up	33,68%	22,55%
	ETF-shares Insurance Fund	Down	33,07%	45,42%
	Gold Insurance Fund	Probably up	7,07%	7,36%
	Entrepreneurial Insurance Fund	Probably down	13,99%	17,19%
	Mortgage Insurance Fund	Up or down	10,62%	7,48%
	Family Office Insurance Fund	Probably up	1,57%	0,00%
	World Brands Insurance Fund	Down	0,00%	0,00%
Co-Branded Product	Guaranteed Insurance Fund	Guaranteed up	26,23%	21,46%
	Co-Branded Insurance Funds	Probably down	73,77%	78,54%

3.2.7. Credit Risk

Credit risk of the Company can be split in four 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 2.1.3.).
2. Government Bonds – It is set by the Company's Risk Management Policy, that 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] and Czech Rep.[3] till the end of reporting period). The Company's risk policy is based on the learning that one can't find any sovereign defaults in peace time from countries that had positive or at least balanced current accounts.

Current Account as % of GDP

	Slovakia	Hungary	Czech. Rep.
2016	-1,0%	4,9%	1,5%
2015	-1,3%	4,4%	0,9%

3. Corporate Bonds – They (Note 2.1.6.3. - 2.1.6.6.) do not represent a direct risk for the Company, as these bonds are held as underlying assets for Non-Guaranteed Insurance Funds, thus any value change will affect the performance of the respective Insurance Fund but not the Profit or the equity of the Company.
4. Claims towards Distribution Partners (Note 2.1.9.2.) – past due Receivables from Distribution Partners are actively enforced by legal means unless there is a realistic perspective that the open claim will be compensated by further commissions for new insurance contracts.

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 can't be achieved when an insurance company is active only in one country.

3.2.9. Operational Risk

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

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 and 2016 an in-house insurance software "NovIns" that fully reflects all features of its Insurance Product. The development of "NovIns" goes on also

[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

in 2017 prioritizing the achievement of the highest level of data security and data quality. In the course of 2017 it is expected that the Insurance Software "NovIns" will be used for the new business in all markets.

3.2.10. Financial Risk

The Company is exposed to financial risks through its financial assets, financial liabilities and assets and liabilities arising 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 1.4.1. and 2.1.7.) 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 (expected volatility on EUR/HUF and EUR/CZK pairs based on past 2 years is within the range of 5%) would affect the Profit Before Taxes by 1 346 thousand Euro (based on country split of the Values of Insurance Contracts mentioned in Note 2.1.7.). The Company is constantly expanding its activities on actual and new markets, which will contribute to diversifying also the currency risk in next years.

Price risk is a risk of change in the fair value of financial assets. The Company is exposed to price risk due to its investment in equity securities (Variable Income Securities) and this risk is influenced mostly by developments on the stock markets and due to its investment in government bonds (Fixed Income Securities) where changes in fair value depend on changes in interest rates. 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. The impact of price risk on Profit Before Taxes for government bonds at fair value through profit (only those which are not defined as HTM, Note 2.1.4.) represents 137 thousand Euro, if at 31 December 2016, prices of bonds increased / decreased by 10% with all other variables remaining unchanged. Price risk is strongly limited in 2016 and will be eliminated in the future due to new rules for classification of assets – underlying assets of the Guaranteed Insurance Fund defined as HTM (Note 1.3.3.).

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 significantly exceed the expected cash outflows over the period of one year after the end of the reporting period.
The following analysis as at 31 December 2016, by remaining period to expected maturity presents the carrying values of assets and liabilities based on their maturity date or the date of expected disposal or settlement, if an item does not have a maturity date, for example in the case of Variable Income Securities, Liability towards Reinsurer or Value of Insurance Contracts:

Remaining Period To Expected Maturity

In thousands of Euro		Less than 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	More than 10 years	Total
Assets	Fixed Income Securities	-	-	-	322	2 904	3 226
	Variable Income Securities	192	1	2	81	4 166	4 442
	Assets Invested for Unit-linked Insurance Provisions	167	1	1	70	3 630	3 870
	Value of Insurance Contracts	1 418	10	13	595	30 755	32 791
	Receivable from Reinsurer	1 460	-	-	-	-	1 460
	Bank Deposits	1 571	-	-	-	-	1 571
	Total	**4 808**	**13**	**16**	**1 068**	**41 455**	**47 360**
Liabilities	Insurance Provisions (Life and Unit-linked)	333	2	3	140	7 221	7 699
	Other Liabilities	2 851	-	-		-	2 851
	Liability towards Reinsurer	635	5	6	266	13 766	14 677
	Debt and Bonds	-	-	433	-	-	433
	Total	**3 819**	**7**	**442**	**406**	**20 987**	**25 660**
The Difference – Excess Liquidity		**990**	**6**	**-426**	**662**	**20 468**	**21 700**

3.3. Information about related parties' transactions

The Company carried out transactions with members of the BoD and Supervisory Board.

Related Party Transactions

	2016	2015
Cash contribution to Share Capital from BoD members	24	16
Cash contribution to Share Capital from Supervisory Board members	44	15
Services provided by Related Party to the Company *	100	82
Salaries and remuneration of the BoD members	330	218
Salaries and remuneration of the Supervisory Board members	55	38
Social security contributions for BoD members	53	40
Social security contributions for Supervisory Board members	17	12

* *Services provided directly by members of the BoD and Supervisory Board, or through their companies.*

3.4. Other Financial Commitments

3.4.1. Options for the purchase of own shares

Due to the fact, that the difference between option strike price and the portion of the Equity corresponding to one share is higher than the outstanding of the option premium for one share, the Company does not reflect the value of outstanding option premiums within the Equity position on the Balance Sheet.

Outstanding of the option premium - call option for purchase of own shares

Year	2016	2015
Book Value	0	36

3.4.2. Lawsuits

At the end of the year 2016, the Company has been involved only in one inactive lawsuit as a defendant. This proceeding refers to the resolutions which had been adopted at an extraordinary meeting of the shareholders the Company held on 1 August 2014 and it has been filed still in year 2014. The Company inspected the court file several times and learned that one of the two plaintiffs had withdrawn from the suit in its entirety on 25 November 2015 and the other plaintiff has not realized any further actions since filing the case.

3.4.3. Rent

As at 31 December 2016, future minimum rent for the Company's offices including energy and related services payable within one year is 604 thousand Euro and payable in 2-5 years is 1 812 thousand Euro. (future minimum rent as at 31 December 2015: payable within one year 391 thousand Euro and payable in 2-5 years 1 299 thousand Euro).

3.5. Other disclosures

3.5.1. Capital Management

The Company manages capital to ensure solvency financial stability. According to the legislation in place, solvency of an insurance company is understood as the ability to permanently secure, with own resources, defined as Eligible Own Funds (EOF), the coverage of all liabilities arising from insurance contracts, so called Solvency Capital Requirement (SCR). Based on information provided internally to key management personnel and officially published by the Company, the SCR Ratio was 154% and Minimum Capital Requirement – MCR Ratio was 615% as of 31. December 2016. The Company has also fulfilled all externally imposed capital requirements. As Slovak legislation does not impose an audit of SCR and MCR, the auditor's verification was limited to agreeing the amounts to the entity's internal reports.

3.5.2. 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:

Financial Instruments and Insurance Contracts by Category as of 31. December 2016

In thousands of Euro	Loans and Receivables	Available for Sale	Assets at FVTPL	HTM	Insurance contracts	Total
Receivable from Reinsurer	1 460	-	-	-	-	1 460
Bank Deposits	1 571	-	-	-	-	1 571
Value of Insurance Contracts	-	-	-	-	32 791	32 791
Fixed Income Securities	-	-	-	1 856	-	1 856
Fixed Income Securities	-	-	1 370	-	-	1 370
Variable Income Securities	-	1 093	7 220	-	-	8 312

3.6. Important events after the end of the accounting period

3.6.1. New Markets and opportunities

Italy, Poland, Finland

The Company's management secured partnerships with leading distribution companies in Poland and Italy, where the existing NOVIS product is going to be sold in 2017. The Company chose to utilize cross border licensing scheme, keeping the overall control over the product features, administration and sales from its headquarters in Bratislava.
Finish market offered a unique opportunity for cooperation in a Fin-tech sector with an innovative Finish online consumer lending company. Their scoring algorithm, customer re-payment history and processes were analysed by NOVIS's management and the rigor of approach was deemed first-rate. The lending company customers have now an option to insure themselves, knowing that in case of death the surviving family members will not be burdened by the loan repayment obligation. NOVIS became the exclusive partner for the Finish online lender.

3.6.2. New Reinsurance syndicate

Given the continuous expansion of markets where NOVIS products are sold, the Company needed to diversify the reinsurance exposure to reduce counterparty default risk and to increase capacity under its reinsurance financing scheme. With help of AON Benfield, the world's leading reinsurance broker and on the basis of NOVIS's 10 year Business Plan it succeeded to partner with five leading reinsurance companies, starting from 2017. The syndicate members are:

- SCOR Global Life (existing partner since 2014)

- VIG Re
- MAPFRE RE
- PartnerRe and
- Arch Re

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

3.7. Application of New Accounting Standards and Interpretations

Accounting Standards and Interpretations applied for the first time in 2016 did not have any impact on the Financial Statements of the Company.

The Company applies earlier some principles from newly introduced standard IFRS 17 – Insurance Contracts (which will be in force in 2021), whereas all impacts of this standard will be considered before 2021. Key impact of this standard will be prohibition to recognize profit on the date of signing the insurance contract and the profits will have to spread over time.

3.8. New Accounting Standards the Company is not applying earlier

New Accounting Standards that have been authorized and will be binding in the future are deemed by the Company as having no impact on its future Financial Statements.

These Financial Statements have been approved by the Board of Directors for publication on 31.05.2017.

Signatures of the Company statutory representatives:

Siegfried Fatzi
Chairman of the Board of Directors

Slavomír Habánik
Vice Chairman of the Board of Directors

NOVIS INSURANCE COMPANY INC.
NÁMESTIE ĽUDOVÍTA ŠTÚRA 2
811 02 BRATISLAVA
SLOVAKIA
novis@novis.eu