novis
The new world of insurance

ANNUAL REPORT
2021

Mazars Slovensko, s.r.o.
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811 09 Bratislava

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

Independent auditor's report

31 December 2021

NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s.
Námestie Ľudovíta Štúra 2
811 02 Bratislava
Identification number: 47 251 301

Independent auditor's report

31 December 2021

To the Shareholders, Supervisory Board and Board of Directors of NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s.

I. Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s. ("the Company"), which comprise the statement of financial position as at 31 December 2021, and statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended ("Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to point 1.1.3. in the notes to the financial statements where the Company discloses the conditions and events that gave rise to the substantial doubt about going concern as well as its plans for alleviating it. Our opinion is not modified in respect of this matter.

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Key Audit Matters

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

Assets and liabilities from insurance contracts

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

As part of our audit of the financial statements for the year ending 31 December 2021, by using our internal actuary we focused to assess the accuracy of actuarial methods used by the Company in determination of present value of estimated expected insurance contract cash-flows and to review, whether the calculation sufficiently cover risks and future liabilities arising from the activity of the Company.

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

We discussed the key assumptions with the Company´s management and its actuaries. Assumptions were challenged and verified.

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

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

Management as represented by the statutory body is responsible for the preparation and fair presentation of the financial statements in accordance International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of 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.

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Auditor's Responsibility 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 an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- 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.

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

Appointment and approval of auditor

We have been appointed by Company's management on 30 June 2021 based on the approval of general assembly on 30 June 2021. The total period of uninterrupted engagement including previous renewals and reappointments of the statutory auditors represents 4 years.

Consistency with the Additional report to the Audit committee

Our auditor's opinion presented in this report is consistent with additional report submitted to the Supervisory Board on 29 June 2022 and update of this document submitted at the date of this audit report.

Non-audit services

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

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

III. Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared as of 31 December 2021 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 24 October 2022

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

Ing. Barbora Lux MBA
UDVA Licence No. 993

INTRODUCTION TO ANNUAL REPORT

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

it is a pleasure to issue the **NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s.** (hereinafter the "Company" or "NOVIS") **Annual Report for 2021**. It is composed of the separate and consolidated financial statements and this introduction.

1. 2021 results

Despite ongoing limitations due to the COVID-19 pandemic, negative publicity caused by the publications of regulatory decisions and the fact, that NOVIS has been actively selling new policies within five markets, the turnover (gross premium income) has outmatched pre-pandemic levels and amounted to EUR 56,6 million (Note 2.3.1.), which represents more than 18% increase when comparing to previous year. 2021 profitability has been negatively affected by lower increase of the Insurance Contracts Asset comparing to previous periods (Note 2.1.6. and 2.3.5.) as well as by increased Insurance Claims and Benefits (Note 2.4.2.) and contributed to decrease of Equity (Note 2.2.1.) to EUR 34,2 million. For specific details, please see our "Statement of Financial Position" and "Statement of Comprehensive Income" and related notes.

2. Proposed distribution of the result for the period

The loss for 2021 was EUR 1 163 thousand as reported by the Company in line with the IFRS as adopted by the European Union. The Management Board and the Supervisory Board proposed the full amount of the loss to be transferred to the account unpaid losses of previous periods. This proposal was submitted to the Annual General Meeting of the Company for its approval on 30.6.2022.

3. S&P Global Rating: NOVIS rated BB-/Stable

NOVIS has initiated rating process with S&P Global Ratings during summer 2021 and it has been concluded by publication of report on 27th October 2021. NOVIS has been granted with the S&P issuer credit rating BB- with Stable outlook.

On February 8th 2022, S&P Global Ratings affirmed its BB- long-term issuer credit rating with Stable outlook after evaluating two decisions issued by National Bank of Slovakia on January 14th 2022 and January 27th 2022 – the first one setting a certain minimum level of technical reserves for 2022, the second withdrawing the temporary restrictions imposed on Novis in November 2020 due to original concerns about the company's regulatory solvency position (Note 3.4.4.).

4. Regulatory regime "Solvency II"

Based on the above-mentioned decision from National Bank of Slovakia dated January 14th and using the set minimum level of technical reserves, the Solvency Capital Requirement ratio (SCR ratio) corresponds to 102% and the Minimum Capital Requirement ratio (MCR ratio) to 366% as of 31 December 2021. This means that NOVIS held enough of its own capital for the scope and type of its operations even after not being able to benefit from the value of its portfolio due to the pre-set level of technical reserves. The Company has thus fully fulfilled the capital requirements imposed by the EU insurance regulations.

5. Solvency bond issued by NOVIS

NOVIS has issued convertible bonds in June 2021, which have the character of subordinated debt and, in accordance with the rules of Solvency II, they meet the criteria of own funds, the so-called Tier 2 capital, applicable to cover the Solvency Capital Requirement. NOVIS has placed bonds in a volume of EUR 5 mill. during 3rd quarter of 2021 and in additional volume of EUR 4.9 mill. at the end of the 1st quarter of 2022, leading to significant strengthening of the Company's capital position.

6. Support from reinsurance consortium

To finance its new business in a growing number of countries, NOVIS began a "financing reinsurance" contract with one reinsurer in 2014. The Company succeeded in enlarging this scheme to a consortium of reinsurance companies starting from 2017 and continued in using the financing capacity from the consortium also in 2021. In addition to the funding from reinsurers, NOVIS progressed in a cooperation with partner providing financing based on insurance-linked securities, so as to have even more sources for pre-financing new business and enhanced financial strength for its future growth – this form of financing was dominant during 2021 and covered two thirds of the new business financing needs.

7. Expectations for 2022 and impact of COVID-19 and regulatory measures

Year 2021 was still affected by the pandemic, but in larger extent by the negative impact of the publications of decisions on interim measures imposed by the national regulator still in 2020 (Note 3.4.4.). NOVIS has focused all available resources on minimizing these negative effects and protecting its financial position and economic health and managed to increase the size of its portfolio of contracts and recorded notably higher premium income comparing to 2020.

The expected general development during 2022 is in line with the long-term planning of the Company, but still somewhat reduced. Recovery of the count of newly concluded insurance contracts to the pre-pandemic levels is expected in key markets – Italy and Island. Regarding the earned premium, NOVIS expects comparable year-on-year increase as in 2021.

8. Company's organizational structure

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

The Company headquarters is structured as follows:

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

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

As of the date this Annual Report was issued, there were no changes to the above outlined organizational structure.
NOVIS founded a 100% daughter company called Novis Tech, a.s. in October 2017. It is dedicated to the improvement and development of supportive IT applications, as well as to the further development of the insurance software "Apollon".

During 2021 the total number of NOVIS employees together with employees of Novis Tech, a.s. oscillated around 110 and the same is also expected in 2022.

9. Risk and uncertainties

The insurance activity of NOVIS is inherently linked with a number of risks. Up to the issuance date of this Annual Report, no significant market events have occurred, which would increase the risks and uncertainties known, than those stated in the Notes, Chapter 3.2.– Risk Management. The year 2021 proved, that the portfolio of contracts is stable and able to grow, although the sale is driven only by 5 markets. The risks associated with being a young and fast-growing insurance company are mainly mitigated through geographic diversification of the activities, which became even more important during COVID-19 pandemic. On the other hand, the Company is fully aware of the challenges connected with opened regulatory proceeding (Note 3.4.4.).

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

Thank you!

Siegfried Fatzi
Chairman of the Management Board

Michal Knap
Vice-chairman of the Board of Directors

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

Bratislava, 20. October 2022

CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EU 31 DECEMBER 2021

CONTENTS

A. CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

In thousands of EUR	Note	31.12.2021	31.12.2020
ASSETS			
Intangible Fixed Assets	2.1.1.	5 913	5 655
Tangible Fixed Assets	2.1.2.	249	256
Investment in Subsidiaries		6	6
Fixed Income Securities	2.1.3.	8 028	9 427
Investments in Unit-Linked Funds	2.1.4.	73 122	52 785
Insurance Contracts	2.1.5.	155 210	155 942
Receivable from Reinsurer	2.1.6.	2 975	4 990
Other Receivables	2.1.7.	981	1 425
Restricted Bank Account Balance	2.1.8.	698	1 574
Cash and Cash Equivalents	2.1.8.	4 381	2 013
TOTAL ASSETS		**251 563**	**234 073**
EQUITY	**2.2.1.**	**34 105**	**36 412**
Borrowings	2.2.2.	11 412	7 039
Other Liabilities	2.2.3.	9 366	9 231
Life Insurance Provisions	2.2.4.	18 907	18 111
Unit-linked Insurance Provisions	2.2.5.	78 332	60 200
Liability towards Reinsurers	2.2.6.	75 524	75 623
Tax Liabilities	2.2.7.	23 917	27 457
TOTAL LIABILITIES		**217 458**	**197 661**
TOTAL EQUITY AND LIABILITIES		**251 563**	**234 073**

The notes on pages 5 to 63 are an integral part of these Consolidated financial statements.

B. CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME

In thousands of EUR	Note	2021	2020
Gross Premium Income	2.3.1.	56 605	47 892
Commissions from Reinsurer	2.3.2.	6 816	12 296
Reinsurer Share of Claims and Benefits	2.3.3.	566	492
Investment Income	2.3.4.	5 954	-566
Change in the Value of Insurance Contracts	2.3.5.	16 135	48 703
Sale of Internally Developed SW	2.1.1.	0	-137
		86 076	**108 680**
Commissions to Intermediaries	2.4.1.	-29 803	-37 689
Reinsurance Premium	2.4.5.	-25 874	-24 206
Change in Liability towards Reinsurer	2.4.6.	13 971	6 229
Insurance Benefits	2.4.2.	-16 162	-10 347
Change in Insurance Provisions	2.4.3.	-544	-2 539
Change in Unit-linked Insurance Provisions	2.4.4.	-18 132	-16 164
Investment and Financing Costs	2.4.7.	-2 604	-1 035
Operating Expenses	2.4.8.	-11 563	-11 597
		-90 711	**-97 348**
PROFIT BEFORE TAX		**-4 635**	**11 332**
Deferred Tax Expense	2.4.9.	3 540	-7 577
Current Income Tax	2.4.10.	-1	-2
PROFIT AFTER TAX		**-1 096**	**3 753**
Other Comprehensive Income	2.2.1.	-1 211	-662
COMPREHENSIVE INCOME		**-2 307**	**3 091**

The notes on pages 5 to 63 are an integral part of these Consolidated financial statements.

C. CONSOLIDATED STATEMENT OF
CASH FLOWS

In thousands of EUR	Note	2021	2020
Gross Premium Received	2.3.1.	56 587	47 803
Interest Income Received	2.3.4.	231	160
Net Result from Reinsurance and ILS Financing		-1 625	-11 418
Commissions to Intermediaries	2.4.1.	-29 803	-37 689
Insurance Claims	2.4.2.	-15 891	-9 869
Operating Expenses	2.4.8.	-10 308	-11 204
Interest paid	2.4.7.	-458	-199
Paid Income Taxes	2.4.10.	0	0
Δ Other Receivables incl. Reinsurance	2.1.8.	1 599	-4 044
Δ Other Payables incl. Reinsurance	2.2.3.	14 008	29 687
Δ Assets Invested for Unit-linked Insurance Provisions	2.1.6.	-14 862	-4 543
Δ Assets Invested for Life Insurance Provisions	2.1.4.	417	3 661
Other financial results and separately disclosed items		-1 672	-5 509
Operating Cash Flows		**-1 775**	**-3 164**
Δ Borrowings	2.2.2.	3 915	4 058
Own Shares Purchased	2.2.1.	0	0
Increase in equity - share issue	2.2.1.	0	0
Financing Cash Flows		**3 915**	**4 058**
Purchases of Intangible Fixed Assets	2.1.1.	-522	-1 011
Purchases of Tangible Fixed Assets	2.1.2.	-126	-58
Proceeds from Sale of Fixed Assets	2.1.1.	0	-137
Investment in subsidiaries		0	0
Δ Restricted Cash Bank Deposit*	2.1.8.	876	-887
Δ Financial Assets Invested in Own Funds		0	2 478
Investing Cash Flows		**228**	**385**
Cash and Cash Equivalents at the Beginning of Period		2 013	735
Cash and Cash Equivalents at the End of Period		**4 381**	**2 013**

The notes on pages 5 to 63 are an integral part of these Consolidated financial statements.

D. CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

In thousands of EUR	Share Capital	Share Premium	Statutory Reserve Fund	FVOCI Reserve	Own Shares	Retained Earnings	Total Equity
As at 31 December 2019	**6 815**	**1 175**	**1 363**	**972**	**-964**	**26 660**	**36 020**
Profit after Tax for 2020	-	-	-	-	-	3 753	**3 753**
Capital transactions with owners:							
2019 Restatement	-	-	-	-	-	-2 700	**-2 700**
Increase in Share Capital	-	-	-	-	-	0	**0**
Revaluation of FVOCI Assets		-	-	-662	-	-	**-662**
Attribution to Statutory Reserve Fund	-	-	5	-	-	-5	**0**
Purchase of Own Shares	-	-	-	-	0	-	**0**
As at 31 December 2020	**6 815**	**1 175**	**1 367**	**310**	**-964**	**27 709**	**36 412**
	-						
Profit after Tax for 2021		-	-	-	-	-1 096	**-1 096**
Capital transactions with owners:							
Increase in Share Capital	-	-	-	-	-	-	**0**
Revaluation of FVOCI Assets	-	-	-	-1 214	-	3	**-1 211**
Attribution to Statutory Reserve Fund		-	0	-	-	-	**0**
Purchase of Own Shares	-	-	-	-	0	-	**0**
As at 31 December 2021	**6 815**	**1 175**	**1 367**	**-904**	**-964**	**26 616**	**34 105**

The notes on pages 5 to 63 are an integral part of these Consolidated financial statements.

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E.NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

1.1. General information about the reporting entity

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the annual reporting period ended 31 December 2021.

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

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

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

1.1.1. Corporate registration details

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

Registered in: Bratislava, I District Court,
Section Sa, Insert No 5851/B.
Registration number (IČO): 47 251 301
Tax registration number (DIČ): 2023885314

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

The license authorises NOVIS to conduct insurance activities in Member States of the European Union or a Member State of the European Free Trade Agreement, which has signed the Treaty establishing the European Economic Area (hereinafter only "Member State"). Once NOVIS decides to perform insurance in another Member State under the freedom to provide services, without establishing a branch, it must notify the National bank of Slovakia in writing of this intention prior to commencing such insurance activities. At the end of 2020, NOVIS operated through its registered branches in the Czech Republic, Germany and Austria and based on the cross-border freedom of service principle in Hungary, Italy, Poland, Finland, Sweden, Iceland and Lithuania.

The Management Board (MB) has 3 members:
Siegfried Fatzi, Chairman; Slavomír Habánik, Vice Chairman; Rainer Norbert Alt. David Hlubocký has resigned from his position of the member of MB on 15th January 2021 and according to the statues, his resignation became effective 3 months after delivering the resignation to the Company.

The Supervisory Board has 8 members:
Deborah Sturman; Slobodan Ristic; Stanislav Kamenár; Freimut Dobretsberger; Alfred Finz; Štefan Gyurik; Kristína Kupková and Karel Zvolský acting as Vice-chairman. The three last members have been elected in 2020 as the representatives of the employees, in compliance with the requirement of the Slovak Commercial Code and the statues of NOVIS. On 30.6.2021 Eva Gallová delivered resignation to Company which was effective from the date of delivery and with effectivity from 30.6.2021 new member of Supervisory Board - Alfred Finz was elected. Four members (Ristic, Sturman, Kamenár and Dobretsberger) were re-elected on 30.6.2021 for next function period. On 12.10.2021 Thomas Polak delivered the resignation to Company which was effective from the moment of delivery and new member and chairman was not elected yet, therefore the Supervisory Board has nowadays 8 members.

1.1.2. Presentation currency of financial statements

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

1.1.3. Going concern basis

The Financial Statements are prepared on going concern basis.

As of the date of this financial statements, the Company does not have its own free resources to the required extent, with which it could finance the acquisition of its new business. For this reason, the Company uses the financing capacity provided by consortium of reinsurance companies and through financing based on a contract with the Insurance Linked Securities Asset Manager. In the case of the unavailability of these sources of financing, the Company would be limited, at least in the short term, in financing the acquisition of new insurance contracts, except for insurance contracts with a single premium and contracts with an agreed pro-rata remuneration scheme, where such financing is not necessary.

As a result of financing through a consortium of reinsurers in the past, the Company also recognized a high level of short-term liabilities (as of 31st December 2021 in the amount of EUR 29,858 thousand), for which the Company does not have short-term assets at its disposal, but only long-term assets that could, if necessary, be used to repay these obligations. Long-term assets are primarily represented by the reported Insurance Contracts, so the possible use of this asset would mainly mean the necessity of selling part of the portfolio of insurance contracts. The consequence of this situation is that the Company is dependent on agreements with creditors (especially a consortium of reinsurers) regarding the repayment of these short-term liabilities, unless the Company can use another source of liquidity.

In order to mitigate the aforementioned facts, which could endanger the Company's activity itself, the Company has taken measures aimed at improving the Company's capital position. The General Assembly on 30th June 2022 approved a significant increase in equity by EUR 20,400 thousand by issuing priority shares, the Company has completed the entire related legislative process and the subscription of these shares has already begun. On 12th August 2022, the first part of shares with a total value of EUR 3,000 thousand was subscribed. The deadline for the subscription of all shares is set until 30th June 2023, but the Company is actively negotiating with several specific investors to place the remaining unsubscribed part of priority shares and expects to subscribe all these shares by the end of 2022.

In June 2021, the Company issued subordinated convertible bonds in the total volume of EUR 20,000 thousand, of which bonds in the total volume of EUR 10,900 thousand have already been placed. The Company thus still has at its disposal own subordinated convertible bonds worth EUR 9,100 thousand, which have not yet been subscribed by investors and about the placement of which the Company is intensively negotiating with potential investors. The subscription of these bonds significantly helps the capital position of the Company, and the subscription of the entire remaining portion is expected by the end of 2022.

As presented within the "Regulatory compliance" section of the notes, the National Bank of Slovakia issued a decision on 14th January 2022, imposing on the Company the measure to increase technical reserves to at least the level set by the NBS and to maintain technical reserves at this level at least until 31st December 2022. On 17th August 2022 The Company reported non-fulfillment of the capital requirement for solvency as of 30th June 2022, but at the same time, after considering the capital increase by subscribing the priority shares mentioned above as of 12th August 2022, the Company meets the capital requirement for solvency again.

1.2. Significant accounting policies

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

1.2.1. Present Value of Expected Cash Flows (PVECF)

The Groups's key product is universal life insurance. PVECF calculation is computed for each insurance contract and represents the basis for the determination of Insurance Provisions (Notes 1.2.4., 2.2.4. and 2.2.5.) and value of Insurance Contracts (Note 2.1.5.). The calculation of PVECF is conducted via an actuarial software called "Sophas".

Formula used for each individual contract:

PVECF = SUM (discounted Cash Flows for each month)

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

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

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

Explanation of calculation components:

- Premium - In the calculation contractually agreed insurance premiums are simulated. Possible and allowed premium payments exceeding contractual obligations are not included in the calculation of PVECF, therefore the real premium may be higher than projected.
- Tax Bonus - this relates only to contracts in Hungary, where the Hungarian tax authority contributes with payments to the insurance account for qualified insurance policies.
- Loyalty Bonus – the volume of the bonus differs country to country and is granted to the policyholder only in case the cumulative sum insured exceeds certain level or in case the policyholder contractually agrees and pays the first increased premium as defined in the general terms

and conditions, or continues with paying the agreed premium for defined period of time. The Loyalty Bonus is paid out only in case of death of the policyholder at any time during the validity of the insurance contract or can be part of the Surrender Value if the duration of the contract exceeds defined number of years and the contractually agreed premium for defined period is paid.
- Claw Back – it is the sum that distribution partners must refund to the Company when an insurance contract is cancelled within the first years (according to the contractual arrangements, the claw back period is in general at a minimum 2 years and maximum 5 years).
- Claims and benefits - are the result of the contractually agreed sums insured that are multiplied by the respective probability of occurrence of an insurance event. The used probabilities are based on own experience and available market data.
- Paid out Surrender Value – the sum given by the probability of the termination of a contract multiplied by the Surrender Value in the respective month, or by the probability of partial surrender pay-out multiplied by the partial Surrender Value in the respective month, whereas these components fully reflect own experience.
- Commissions - include that part of the commission that is agreed with the distribution partners and is due in the respective simulated month.
- Servicing Unit Costs - this position represents expected costs for servicing the portfolio of the Company for one contract and is derived from i.) the average expense/premium ratio based on the market data for markets where the Company is active and confirmed by Benchmark-Study about Market-Consistent Expenses in European Life Insurance prepared by global actuarial Company Milliman, ii.) the Gross Premium Income of the Company for the reporting period and iii.) the number of contracts in the portfolio at the end of the reporting period.
- Probability of termination of the contract due to cancellation by the policyholder or by the insurance Company ("lapse rate") – these used lapse rates within the first years are based on experience of the Company, or on external data from most relevant distribution partners and supported by expert opinion where available.
- EIOPA Risk Free Curve – The European Insurance and Occupational Pensions Authority (EIOPA) publishes a Risk-Free Curve for all durations that are needed for the PVECF calculation. EIOPA Risk Free Curve is used independently for each market, since EIOPA publishes unique rates for every EU currency.

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

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

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

1.2.2. Conversion of foreign currencies

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

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

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

1.2.3. Insurance Contracts Asset Measurement

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

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

In measuring the insurance contracts asset, the PVECF is calculated for each insurance contract and only those contracts that have a positive PVECF are reflected in this calculation. A margin is deducted from the sum of all positive PVECFs. This margin reflects the management estimate of a discount on the PVECF that another insurance Company would require if it were to purchase the insurance portfolio of NOVIS.

1.2.4. Insurance Provisions (IP)

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

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

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

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

The two effects together represent an excess of IP over the absolute value of negative PVECF in amount of EUR 20 901 thousand (2020: EUR 18 482 thousand). The IP exceeds the total Surrender Value by EUR 15 551 thousand (2020: EUR 12 918 thousand).

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

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

1.2.5. Classification of financial assets and liabilities

NOVIS differentiates the following classes of securities:

- Fixed Income Securities (Note 2.1.3.). Government bonds covering liabilities related to the Guaranteed Insurance Fund are measured at Fair Value with fair value gains or losses recognised in Other Comprehensive Income, except those purchased before October 2016 that are carried at fair value through profit or loss.
- All financial instruments covering Unit-Linked Insurance Provisions (Note 2.1.4.) are booked at their fair value through profit or loss to avoid mismatch between valuation of assets and related liabilities and ensure that the recognized change in value of these financial instruments is matched by the investment result assigned to the policyholder.

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

Fair values are analysed by level in the fair value hierarchy both for financial assets and for liabilities from financial instruments (other than insurance contracts) as follows:
- Level-1 are measurements at quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level-2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level-3 measurements are valuations not based on observable market data (i.e. input variables require management judgement).

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

02

E.NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS LINE ITEMS

2.1. Assets

2.1.1. Intangible Fixed Assets

The movements in Intangible Fixed Assets were as follows:

In thousands of EUR	Acquired Software	Acquired product design	Other	Internal Development and Acquisition	Total
Net Book Value as at 31 December 2019	**2 916**	**578**	**1 086**	**120**	**4 700**
Additions	2 659	0	1 573	0	**4 232**
Disposal	0	0	-2 659	-120	**-2 779**
Amortisation Expense	-457	-41	0	0	**-498**
Acquisition Cost as at 31 December 2020	5 923	826	0	0	**6 749**
Accumulated Amortisation	-805	-289	0	0	**-1 094**
Net Book Value as at 31 December 2020	**5 118**	**537**	**0**	**0**	**5 655**
Additions	522	0	415	0	**937**
Disposal	0	0	0	0	**0**
Amortisation Expense	-638	-41	0	0	**-679**
Acquisition Cost as at 31 December 2021	6 445	826	415	0	**7 686**
Accumulated Amortisation	-1 443	-330	0	0	**-1 773**
Net Book Value as at 31 December 2021	**5 002**	**496**	**415**	**0**	**5 913**

2.1.1.1. Software

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

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

2.1.1.2. Acquired product design

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

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

2.1.2. Tangible Fixed Assets

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

In thousands of EUR	Hardware	Other Tangible Assets	Right of use Assets*	Total
Net Book Value as at 31 December 2019	**4**	**70**	**219**	**293**
Additions	4	3	69	**76**
Disposals	0	0	0	**0**
Depreciation Expense	-2	-3	-108	**-113**
Acquisition Cost as at 31 December 2020	20	97	396	**513**
Accumulated Depreciation	-14	-27	-216	**-257**
Net Book Value as at 31 December 2020	**6**	**70**	**180**	**256**
Additions	0	0	127	**127**
Disposals	0	0	-75	**-75**
Depreciation Expense	-3	-56	0	**-59**
Acquisition Cost as at 31 December 2021	20	97	448	**565**
Accumulated Depreciation	-17	-83	-216	**-316**
Net Book Value as at 31 December 2021	**3**	**14**	**232**	**249**

2.1.2.1. Hardware

Hardware represents solely the IT equipment of the Company.

2.1.2.2. Other Tangible Fixed Assets

Other Tangible Fixed Assets represent mainly furniture.

2.1.2.3. Right of Use Assets

This category contains right of use for vehicles acquired under lease agreement in the amount of EUR 448 thousand as a result of first application of IFRS 16 (see also 2.2.3 and 2.4.8.10 for related information).

2.1.3. Fixed Income Securities

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

2.1.3.1. Government Bonds

The government bonds as of 31 December 2021 were:

Bonds	SK4120 011420	SK4120 007543	SK4120 012691	HU0000 403001	HU0000 403555	AT0000 A1K9F1	CZ0001 001796	PL0000 109492
In thousands of EUR	**SLOVAKIA 1.625% EUR**	**SLOVAKIA 4.350% EUR**	**SLOVAKIA 1.875% EUR**	**HUNGARY 3.250% HUF**	**HUNGARY 3.000% HUF**	**AUSTRIA 1.500% EUR**	**CZECH REP. 4.200% CZK**	**POLAND 2.250% PLN**
Issue date	21.01.2016	14.10.2010	09.03.2017	22.04.2015	27.10.2018	23.02.2016	04.12.2006	28.06.2017
Maturity date	31.01. 2031	14.10.2025	09.03.2037	22.10.2031	27.10.2038	19.02.2047	04.12.2036	25.04.2022
Standard & Poor's Rating*	A+	A+	A+	BBB	BBB	AA+	AA-	A-
Average Purchase Price in % of the nominal value	107	134	123	105	104	132	140	101
Bonds at FVOCI**	2 421	0	0	4 030	107	62	327	51
Bonds at FVTPL*	141	285	0	604	0	0	128	0
Total Carrying Value	**2 435**	**285**	**0**	**4 634**	**107**	**62**	**455**	**51**
Fair Value of the Bonds	**2 435**	**285**	**0**	**4 634**	**107**	**62**	**455**	**51**
Nominal Value	**2 077**	**237**	**0**	**5 093**	**131**	**50**	**386**	**50**

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

The government bonds belong to the level 2 in fair value hierarchy (2020: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular bonds issue.

The government bonds as of 31 December 2020 were:

Bonds	SK4120 011420	SK4120 007543	SK4120 012691	HU0000 403001	HU0000 403555	AT0000 A1K9F1	CZ0001 001796	PL0000 109492
In thousands of EUR	SLOVAKIA 1.625% EUR	SLOVAKIA 4.350% EUR	SLOVAKIA 1.875% EUR	HUNGARY 3.250% HUF	HUNGARY 3.000% HUF	AUSTRIA 1.500% EUR	CZECH REP. 4.200% CZK	POLAND 2.250% PLN
Issue date	21.01.2016	14.10.2010	09.03.2017	22.04.2015	27.10.2018	23.02.2016	04.12.2006	28.06.2017
Maturity date	31.01.2031	14.10.2025	09.03.2037	22.10.2031	27.10.2038	19.02.2047	04.12.2036	25.04.2022
Standard & Poor's Rating*	A+	A+	A+	BBB	BBB	AA+	AA-	A-
Average Purchase Price in % of the nominal value	107	134	123	105	104	132	140	101
Bonds at FVOCI**	2 421	0	0	5 024	148	70	368	53
Bonds at FVTPL*	149	297	0	753	0	0	144	0
Total Carrying Value	**2 570**	**297**	**0**	**5 777**	**148**	**70**	**512**	**53**
Fair Value of the Bonds	**2 570**	**297**	**0**	**5 777**	**148**	**70**	**512**	**53**
Nominal Value	**2 077**	**237**	**0**	**5 167**	**133**	**50**	**365**	**50**

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

2.1.3.2. Measurement Categories of Fixed Income Securities

In 2016 The Company has decided to classify the underlying assets of the guaranteed insurance fund as carried at amortized cost. As it was not allowed to reclassify the assets that were previously designated as at fair value through profit or loss at initial recognition, only government bonds purchased from 1 October 2016 were classified as carried at amortized cost.

In March 2020, as part of a preventive measure against decrease of value and liquidity of underlying assets and enhancing the liquidity of the guaranteed insurance fund during COVID-19 crisis, the management of the Company decided to liquidate part of Fixed Income Securities originally valued at amortized cost.

The Company evaluated this sale as significant portion of the held-to-maturity portfolio and could not anymore demonstrate the ability to hold the investment to maturity. Therefore, in compliance with the standards‘ requirements it reclassified the whole remaining portfolio as available-for-sale and its measurement at fair value.

On reclassification, the difference between carrying amount and fair value was recognized in other comprehensive income in the total amount of EUR 972 thousand. Moreover because the sale occurred between the end of the reporting period and the date that the financial statements were authorised for issue, the original intent and ability of the Company to hold investments to maturity had to be reassessed in line with the standards‘ requirement and this event was taken into account as an adjusting event.

In thousands of EUR	31.12.2021	31.12.2020
Fair Value	1 158	1 343
Fair Value through Other Comprehensive Income	6 870	8 083
Amortized Cost	0	0
Total Carrying Value	**8 028**	**9 426**
Total Fair Value	**8 028**	**9 426**

2.1.4. Assets Invested for Unit-linked Insurance Provisions

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

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

NOVIS Co-Branded Insurance Funds are exclusively designed for customers of specific distribution partners. Currently such insurance funds are offered mainly to customers, who were advised by the Hungarian distribution firm “Quantis Consulting Zrt”.

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

Total value of underlying assets amounted to EUR 73 945 thousand as of 31 December 2021 (2020: EUR 48 296 thousand). Remaining balance of EUR 0 (2020: EUR 4 489 thousand) represents allocation of Cash and Cash Equivalents.

The investments in underlying assets belong to the level 2 in fair value hierarchy (2020: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular investments.

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

2.1.4.1. NOVIS ETF Shares Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
iShare MSCI WORLD ETF (USD)	8 547	4 859
iShare MSCI EM – ACC (EUR)	778	738
iShare MSCI EM – ACC (USD)	17	16
Total Carrying Value	**9 342**	**5 613**

2.1.4.2. NOVIS Gold Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
SPDR Gold Trust USD	4 547	4 227
Total Carrying Value	**4 547**	**4 227**

2.1.4.3. NOVIS Entrepreneurial Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
ISHARES S&P LISTED PRIVATE USD (LN)	1 758	1 175
iShares Listed Private Equity UCITS ETF USD	1 130	756
responsAbility Micro and SME Finance Fund II	912	872
iShares Euro High Yield Corporate Bond EUR (GF)	688	161
Total Carrying Value	**4 488**	**2 964**

2.1.4.4. NOVIS Mortgage Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
iShares Euro Covered Bond UCITS ETF	1 951	1 623
Dlhopisy HB REAVIS 2020	0	0
Total Carrying Value	**1 951**	**1 623**

2.1.4.5. NOVIS Family Office Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
BP Family Office EUR THES (in liquidation)*	1 300	2 106
ISHARES IBOXX H/Y CORP BOND FUND	1 110	430
ISHARES EURO HY CORP BND (GY) EUR	526	309
Total Carrying Value	**2 936**	**2 845**

* Information published withing the preliminary liquidation report of the fund have been reflected by asset value recognition as at end of the reporting period through creation of impairment reserve in amount of 823 thousand EUR, whereas the impairment has not been reflected in the development of the insurance account balances of respective insurance contracts (as per the statue of the Insurance Fund, the result from the investment process is calculated based on the official NAV statement only - which in this case would be available after the finalization of the liquidation proceeding). The amount of the impairment reserve has been reflected equally in the liability side of Company's Balance Sheet where the Unit-linked Insurance Provisions (Note 2.2.5.) have been decreased accordingly.

2.1.4.6. NOVIS World Brands Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
H2Progressive Vermögensfreunde	689	504
H2Conservative Vermögensfreunde	653	466
Wealth Fund World Class Brands Vermögensfreunde Cap	1 280	962
Total Carrying Value	**2 622**	**1 932**

2.1.4.7. NOVIS Digital Assets Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
ELJOVI Multi-Strategy Fund	1 869	1 748
FIRST TRUST CLOUD COMPUTING FUND	2 923	2 403
ETFMG PRIME CYBER SECURITY E FUND	2 696	2 190
GLOBAL X FUTURE ANALYTICS TE FUND	1 679	1 265
Total Carrying Value	**9 166**	**7 606**

2.1.4.8. NOVIS FIXED INCOME Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
Invesco Bond Fund	2 215	468
Baillie Gifford Worldwide Global Strategic Bond Fund Class A USD Acc Fonds	1 423	342
UBS (Lux) Bond Fund – Euro High Yield (EUR) I-A1-acc	2 164	538
Total Carrying Value	**5 802**	**1 348**

2.1.4.9. NOVIS GLOBAL SELECT Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
Invesco Global Income Fund A EUR	892	319
UBS LUX INST-KEY GLB EQY-AAE FUND	3 321	734
BAI GIF WW LT GB GRW-AEURA FUND	1 416	221
UBS LUX B-GL ST FX USD-EHIA 1 FUND	1 622	194
UBS (Lux) Bond Fund – EUR Flexible-Q ACC FUND	0	110
Total Carrying Value	**7 252**	**1 578**

2.1.4.10. NOVIS Fondo Interno NOVIS PIR

In thousands of EUR	31.12.2021	31.12.2020
LYXOR FTSE ITA MID CAP PIR FUND	1 019	186
GENER SM PIR VALOR ITALIA-IX FUND	502	93
GENER SM PIR EVOLU ITALIA-IX FUND	231	189
Total Carrying Value	**1 752**	**468**

2.1.4.11. NOVIS SUSTAINABILITY Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
UBS Global Sustainable Q-acc	1 714	311
Baillie Gifford Worldwide Global Stewardship Fund Class A EUR Acc	1 299	302
INVESCO Fds Inv Sust Alloc Fd A EUR Cap	412	122
Total Carrying Value	**3 425**	**735**

2.1.4.12. NOVIS DISCOVERY Insurance Fund

In thousands of EUR	31.12.2021	31.12.2020
UBS (D) Equity Fund – Global Opportunity	35	0
Baillie Gifford Worldwide Positive Change Fund Class A EUR Acc	35	0
Scottish Mortgage Investment Trust plc fund	22	0
Total Carrying Value	**92**	**0**

2.1.4.13. NOVIS Co-Branded Insurance Funds

In thousands of EUR	31.12.2021	31.12.2020
Fidelity Global Dividend A-Acc-EUR-Hdg	3 315	2 831
JPMorgan Global Income Fund D Acc EUR	3 267	2 922
JPMorgan Emerging Markets Dividend Fund	3 832	3 270
Concorde Hold Alapok Alapja	2 526	2 361
Fidelity Global Multi Asset Income Fund	2 281	2 112
Concorde Rövid Futamidejű Kötvény Befektetési Alap	1 503	1 474
Templeton Global Bond N Acc USD	1 717	1 503
JPMorgan Funds – Latin America Equity Fund	569	342
Fidelity Emerging Asia Fund	736	543
Total Carrying Value	**19 747**	**17 358**

2.1.5. Insurance Contracts

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

In thousands of EUR	31.12.2021	31.12.2020
Value of Insurance Contracts	194 508	178 374
ILS Financing	-39 298	-22 432
Total Carrying Value	**155 210**	**155 942**

Analysis of insurance contracts asset by country:

In thousands of EUR	Standard and Poor's Country Rating	31.12.2021	31.12.2020
Italy	BBB	170 904	145 095
Iceland	AA-	22 458	31 079
Hungary	BBB	28	588
Slovakia	A+	265	718
Czech Republic	AA-	56	81
Germany	AAA	623	627
Poland	A-	31	41
Austria	AA+	143	144
Total Carrying Value		**194 508**	**178 374**

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

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

Next table shows the sensitivity of Insurance Contracts Assets and Insurance Provisions as at 31 December 2021 to changes in assumptions used for PVECF calculation:

In thousands of EUR	Change to Insurance Contracts Asset	Change to Insurance Contracts Asset in %
Interest rate - 100 basis points change	10 157	5.22%
Interest rate + 100 basis points change	-10 750	-5.53%
Operating costs of insurance contracts per unit -10% decrease	2 709	1.39%
Operating costs of insurance contracts per unit +10% increase	-2 697	-1.39%
Lapse rate -10% decrease	13 990	7.19%
Lapse rate +10% increase	-12 117	-6.23%
Mortality -10% decrease	2 043	1.05%
Mortality +10% increase	-1 995	-1.03%
Critical illness - 10 percentage points change	1 154	0.59%
Critical illness + 10 percentage points change	-1 145	-0.59%
Inflation - 100 basis points change	3 612	1.86%
Inflation + 100 basis points change	-4 595	-2.36%

In thousands of EUR	Change to Insurance Provisions	Change to Insurance Provisions in %
Interest rate - 100 basis points change	2 314	2.40%
Interest rate + 100 basis points change	-922	-0.96%
Operating costs of insurance contracts per unit -10% decrease	-413	-0.43%
Operating costs of insurance contracts per unit +10% increase	429	0.45%
Lapse rate -10% decrease	826	0.86%
Lapse rate +10% increase	-714	-0.74%
Mortality -10% decrease	-80	-0.08%
Mortality +10% increase	84	0.09%
Critical illness - 10 percentage points change	-591	-0.61%
Critical illness + 10 percentage points change	607	0.63%
Inflation - 100 basis points change	-219	-0.23%
Inflation + 100 basis points change	246	0.26%

2.1.6. Receivable from Reinsurers

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

In thousands of EUR	31.12.2021	31.12.2020
Receivables from Reinsurers	2 472	4 508
Share of RI on Claim Reserves	503	481
Total Carrying Value	**2 975**	**4 990**

2.1.7. Other Receivables

In thousands of EUR	Rating	31.12.2021	31.12.2020
Prepayments	Unrated	124	229
Distribution Partners	Unrated	74	580
Deferred Acquisition Costs	Unrated	2	14
Miscellaneous	Unrated	781	601
Securities Brokers	Unrated	-	-
Total Carrying Value		**981**	**1 425**

2.1.7.1. Prepayments

Prepayments relate to contractors and service providers. The balance as of 31 December 2021 consists foremost of prepayments paid to suppliers rent services in the amount of EUR 64 thousand. As of 2020 the balance relates to prepayments paid to suppliers of advertising services in the amount of EUR 150 thousand.

2.1.7.2. Distribution Partners

The amounts due from distribution partners represent claw backs arrangements for returning of a corresponding part of selling commissions upon cancellation of the related insurance contract. The amount due from distribution partners is net of impairment provision. In 2021 the Company recognized an impairment loss of EUR 442 thousand (2020: 565 thousand) on amounts due from distribution partners.

2.1.7.3. Deferred Acquisition Costs

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

2.1.7.4. Miscellaneous

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

2.1.8. Bank Deposits

In thousands of EUR	31.12.2021	31.12.2020
Current Bank Accounts	4 381	6 502
Restricted cash balance on current bank account	698	1 574
Current Accounts and Cash	**5 079**	**8 076**
Allocation of Cash to Unit Link Assets	0	-4 489
Carrying Value	**5 079**	**3 587**

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

2.1.8.1. Current Bank Accounts

Current bank accounts are in eight countries of the EU.

In thousands of EUR	Credit rating (Moody's/S&P)	31.12.2021	31.12.2020
Intesa Sanpaolo	Baa1	2 723	0
Anadi Bank Austria	n/a	666	1 537
Granit Bank Hungary	n/a	473	577
UniCredit Bank CZ and SK	A2	403	2 504
Landsbankinn Iceland	BBB	396	382
Volksbank Italy	BB+	147	321
Nordea Bank	Aa2	116	47
Tatra Banka Slovakia	A2	86	2 481
LBBW Bank Germany	n/a	35	154
PKO Banka Poland	A2	17	69
BKS Bank Austria	n/a	17	4
SLSP Slovakia	A1	2	2
NHB Bank	n/a	0	0
Carrying Value		**5 079**	**8 075**

2.2. Equity and Liabilities

2.2.1. Equity

In thousands of EUR	31.12.2021	31.12.2020
Share Capital	6 815	6 815
Share Premium	1 175	1 175
Own Shares	-964	-964
Statutory Reserve Fund	1 367	1 367
FVOCI Reserve	-904	310
Retained Earnings	27 712	23 956
Profit for the Current Year	-1 096	3 753
Total Equity	**34 105**	**36 412**

2.2.1.1. Share Capital

The registered share capital of the Company corresponds to issued 65 142 shares at a par value of 100 Euro per share and 300 000 shares at par value of 1 Euro per share - they differ only in par value, which defines the voting rights and share on profit. The total par value of registered share capital in December 2021 amounts to 6 814 200 Euro.

2.2.1.2. Share Premium

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

2.2.1.3. Own Shares

Company owned 6 370 own shares with nominal values of EUR 100 per share at the end of 2020 in total purchase price EUR 964 thousand (2020: 6 370 in total purchase price EUR 964 thousand).

In 2021 Company did not make any further purchases or sales of own shares.

2.2.1.4. Statutory Reserve Fund

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

2.2.1.5. FVOCI Reserve

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

2.2.1.6. Retained Earnings

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

2.2.1.7. Profit for the Current Year

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

2.2.2. Borrowings

In thousands of EUR	31.12.2021	31.12.2020
Bank Loans	6 244	7 000
Subordinated Loans	5 140	0
Other borrowings	28	39
Total Carrying Value	**11 412**	**7 039**

2.2.2.1. Bank Loans

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

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

In thousands of EUR	31.12.2021	31.12.2020
Opening borrowings	7 039	2 782
Cash drawdowns	5 000	5 448
Accrued Interest	140	0
Cash repayments	-767	-1 191
Closing balance of borrowings	**11 412**	**7 039**

2.2.2.2. Subordinated Loans

The Company has issued subordinated convertible bonds in June 2021 fulfilling the criteria of Tier 2 capital under the Solvency 2 requirements, whereas volume of EUR 5 000 thousand has been placed until 31 December 2021 and is classified as subordinated loan. In 2020 the Company had repaid outstanding borrowing classified as subordinated loan totaling EUR 200 thousand.

2.2.3. Other Liabilities

In thousands of EUR	31.12.2021	31.12.2020
Distribution Partners	4 735	6 208
Policyholders	2 408	988
Employees and Social Security	421	335
Suppliers and Contractors	1 025	1 400
Accruals	550	587
Tax Authorities	209	189
Miscellaneous	18	-476
Total Carrying Value	**9 366**	**9 231**

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

2.2.3.1. Distribution Partners

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

2.2.3.2. Policyholders

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

2.2.3.3. Employees and Social Security

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

2.2.3.4. Suppliers and Contractors

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

2.2.3.5. Accruals

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

2.2.3.6. Tax Authorities

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

2.2.4. Life Insurance Provisions

In thousands of EUR	31.12.2021	31.12.2020
Provision for guaranteed insurance fund	17 158	16 615
Unearned premium reserve	2	21
Reported but not settled provision	1 011	813
Incurred but not reported provision	736	662
Total Carrying Value	**18 907**	**18 111**

Changes in Life Insurance Provisions:

In thousands of EUR	2021	2020
Opening Balance	**18 111**	**15 183**
Change in provision for guaranteed insurance fund	543	2 539
Change in unearned premium reserve	-18	-89
Change in reported but not settled provision	198	85
Change in incurred but not reported provision	74	393
Total changes in provisions	**796**	**2 928**
Closing balance	**18 907**	**18 111**

The main driver of the change in provision for guaranteed insurance fund was ongoing premium inflow to those policies which enable choosing the guaranteed growth insurance fund. New contracts acquired during 2021 (and since Q4 2021) do not provide an option to choose this insurance fund.

2.2.4.1. Provision for Guaranteed Insurance Fund

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

2.2.4.2. Unearned Premium Reserve

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

2.2.4.3. Reported but not Settled Provision

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

2.2.4.4. Incurred but not Reported Provision

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

2.2.5. Unit-linked Insurance Provision

In thousands of EUR	31.12.2021	31.12.2020
Unit-linked Provision for UL Insurance Funds	78 332	60 200
Total Carrying Value	**78 332**	**60 200**

The amount represents surrender values of respective insurance contract or excess of absolute values of negative PVECF over surrender values of respective contracts corresponding to the allocation ratio of the non-guaranteed insurance funds (Note 2.1.4.). The total carrying value reflects the impairment reserve described in note 2.1.4.5.The increase of unit-linked insurance provisions during 2021 was mainly driven by the boost of surrender values in Hungary, Italy, and Iceland.

Changes in Unit-Linked Insurance Provisions were:

In thousands of EUR	2021	2020
Opening Balance	**60 200**	**44 036**
Contributions to unit-linked reserves	60 404	50 784
Insurance charges	-42 272	-34 620
Total changes in provisions	**18 132**	**16 164**
Closing balance	**78 332**	**60 200**

2.2.6. Liability towards Reinsurer

Given the continuous expansion of markets where NOVIS products are sold, the Company needed to diversify the reinsurance exposure and to increase capacity under its reinsurance financing scheme. With help of AON Benfield, the world's leading reinsurance broker, Novis uses the financing capacity provided by consortium of reinsurance companies. Advantage of this consortium is multifaceted, such as access to liquidity in case of strong new business development, and consequently reduced risk-based capital requirement, knowledge transfer in areas such as medical underwriting, claims management and aligned interests through stable and long-term partnership.

In thousands of EUR	31.12.2021	31.12.2020
Liability Towards Reinsurer	75 524	75 623
Total Carrying Value	**75 524**	**75 623**

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

The Company maintains accounts recording every position change related to the Financing Reinsurance resulting in an overall balance with the Reinsurers. This balance is called Loss Carried Forward (LCF). LCF represents a contingent liability because repayment is contingent on collecting future insurance premiums.

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

2.2.7. Tax Liabilities

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

In thousands of EUR	31.12.2021		31.12.2020	
	Gross	Tax effect	Gross	Tax effect
Tax loss carry-forwards	-78 979	-16 586	-75 276	-15 808
Insurance Contracts Valuation (temporary difference)	194 509	40 847	178 374	43 341
IBNR (temporary difference)	-736	-154	-662	-139
FVOCI Valuation (temporary difference)	904	-190	299	63
Current income tax payable	-	-	-	-
Total Carrying Value	**115 698**	**23 917**	**102 735**	**27 457**

2.2.7.1. Tax Loss Carry Forwards

The tax loss carry-forwards expire as follows:

In thousands of EUR	31.12 2021	31.12 2020
Expires in 2021	-	17 134
Expires in 2022	19 677	14 467
Expires in 2023	11 705	6 496
Expires in 2024	42 388	37 179
Expires in 2025	5 209	-
Tax loss carry forward	**78 979**	**75 276**

2.2.7.2. Deferred Tax Liability

Deferred tax liability for previous reporting periods was calculated using the balance sheet liability method on tax loss carry forwards and temporary differences between tax base and carrying value of assets and liabilities. Principal temporary difference represents the Insurance Contracts asset described in Note 2.1.5.

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

Deferred Tax Liability recognition:

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

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

Projections that the Company established in 2021 have shown that in the foreseeable future Company does not expect to achieve positive tax base within expected scenario conditions. The Company will have to pay ordinary corporate tax as soon as it will become profitable from the perspective of tax base, however, due to the applied accounting policy regarding “Insurance Contracts Assets”, the Deferred Tax Liability in amount of almost 24 million EUR will be derecognized at the same time when Insurance Contracts Assets will be derecognized (2-4 years from balance sheet date). As no taxable temporary difference will exist anymore, the Deferred Tax Liability will no longer be relevant and our projections show it will not correspond to the due income tax in the meantime.

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

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

From 2023 onwards a new accounting standard for insurance contracts IFRS 17 will come into effect. As a result of this new standard the position “Deferred Tax Liability” will be released in full as respective asset will have to be derecognized as well.

2.2.7.3. Special Levy on Profits

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

2.3. Income

2.3.1. Gross Premium Income

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

In thousands of EUR	2021	2020
Italy	25 828	19 271
Iceland	14 704	11 250
Hungary	8 571	9 768
Slovakia	3 362	3 759
Czech Republic	1 712	1 914
Germany	1 148	1 080
Sweden	1 088	550
Austria	99	96
Poland	65	89
Finland	10	25
Gross Premium	**56 587**	**47 803**
Finland - Unearned Premium Reserve	18	89
Gross Premium Income	**56 605**	**47 892**

2.3.2. Commission from Reinsurer

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

2.3.3. Contribution to Claims from Reinsurer

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

2.3.4. Investment Income

In thousands of EUR	2021	2020
Gains less losses on financial assets at FVTPL*	6 299	-1 540
Accrued Interest	231	248
Dividends	247	176
Impairment of Variable Income Securities	-823	222
Other Investment Income	0	328
Total	**5 954**	**-566**

* Fair value through profit or loss.

2.3.5. Change in the Insurance Contracts Asset

This item represents change in the Insurance Contracts asset in the Statement of Financial Position (Note 2.1.5.).

In thousands of EUR	2021	2020
Closing balance of Insurance Contracts asset	194 508	178 374
Less opening balance of Insurance Contracts asset	-178 374	-129 865
ILS Ceded Premium*	0	194
Total change in the value of insurance contracts	**16 135**	**48 703**

* Premium ceded to providers of ILS based financing.

2.4. Expenses

2.4.1. Commissions to Intermediaries

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

	2021			2020		
In thousands of EUR	Gross	Claw-back	Net	Gross	Claw-back	Net
Italy	25 815	-1 416	**24 398**	38 613	-7 031	**31 582**
Iceland	5 437	-1 212	**4 226**	6 231	-1 667	**4 564**
Hungary	227	-17	**211**	905	-149	**756**
Slovakia	247	-25	**222**	465	-151	**314**
Sweden	392	-	**392**	209	-	**209**
Germany	226	-54	**172**	611	-206	**405**
Czech Republic	166	-38	**128**	180	-152	**28**
Finland	24	-3	**21**	112	-29	**83**
Poland	2	-1	**1**	3	-204	**(201)**
Austria	33	0	**33**	5	-55	**(51)**
Total	**32 569**	**(2 766)**	**29 803**	**47 334**	**(9 644)**	**37 689**

2.4.1.1. Claw-Back from Intermediaries

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

2.4.2. Insurance Claims and Benefits

In thousands of EUR	2021	2020
Partial Surrender Pay-out and Surrender Pay-out	13 072	6 919
Paid Claims	2 819	2 950
Change in Provision for Reported but not Settled Claims	198	85
Change in Provision for Incurred but not Reported Claims	74	393
Total	**16 162**	**10 347**

2.4.2.1. Paid Claims

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

In thousands of EUR		Hungary	Slovakia	Czech Republic	Germany	Finland	Other	Total
Death	2021	65	20	0	0	26	618	729
	2020	21	30	64	0	30	98	243
	2019	40	69	6	0	97	43	255
	2018	25	52	22	20	107	0	226
	2017	10	24	83	-	26	-	143
	2016	5	-	-	-	-	-	5
Health	2021	1	911	288	0	0	197	1 397
	2020	1	1 175	386	2	0	227	1 790
	2019	2	1 064	502	0	0	15	1 583
	2018	0	993	849	3	0	1	1 846
	2017	1	745	595	62	-	14	1 417
	2016	-	262	176	-	-	-	438
Injury	2021	0	333	262	1	0	13	609
	2020	0	392	386	0	0	84	862
	2019	0	460	553	0	0	13	1 026
	2018	0	123	121	0	0	0	244
	2017	-	351	516	-	-	-	867
	2016	-	162	273	-	-	-	435

	2021	50	9	10	0	0	15	84
	2020	0	11	44	0	0	0	55
	2019	0	8	3	0	0		11
Disability	2018	0	10	79	2	0	0	91
	2017	-	36	103	-	-	-	139
	2016	-	6	-	-	-	-	6
	2021	**116**	**1 273**	**560**	**1**	**26**	**843**	**2 819**
	2020	**22**	**1 607**	**880**	**2**	**30**	**409**	**2 950**
	2019	**42**	**1 601**	**1 064**	**0**	**97**	**71**	**2 875**
Total	**2018**	**25**	**1 178**	**1 071**	**25**	**107**	**1**	**2 407**
	2017	**11**	**1 156**	**1 297**	**62**	**26**	**14**	**2 566**
	2016	**5**	**430**	**449**	**-**	**-**	**-**	**884**

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

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

2.4.2.3. Change in Provision for Reported but not Settled Claims

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

Number of outstanding claims	31.12.2021	31.12.2020
Slovakia	136	105
Hungary	27	14
Czech Rep.	46	41
Germany	1	2
Finland	9	17
Other	24	14
Total	**243**	**193**

2.4.2.4. Change in Provision for Incurred but not Reported Claims

The Change in Provision for Incurred but not Reported Claims reflects the development of the statistics of reported claims in 2021.

2.4.3. Change in Life Insurance Provisions

In thousands of EUR	2021	2020
Change in insurance provision for guaranteed insurance fund	544	2 539
Total	**544**	**2 539**

2.4.3.1. Change in Provision for Guaranteed Insurance Fund

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

2.4.4. Change in Unit-linked Insurance Provisions

In thousands of EUR	2021	2020
Opening Balance	**60 200**	**44 036**
Contributions to unit-linked reserves	60 404	50 784
Insurance charges	-42 272	-34 620
Total changes in provisions	**18 132**	**16 164**
Closing balance	**78 332**	**60 200**

2.4.5. Reinsurance Premium

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

2.4.5.1. Reinsurance Premium

In thousands of EUR	2021	2020
Gross Reinsurance Premium	43 832	41 208
Share of the Reinsurer on Change in Technical Provision / Savings Part	-18 410	-17 500
Reinsurance Premium – Other	452	498
Total	**25 874**	**24 206**

2.4.6. Change in Liability towards Reinsurers

In thousands of EUR	2021	2020
Change in Loss Carried Forward	-13 971	-6 229
Total	**-13 971**	**-6 229**

2.4.7. Investment and Financing Costs

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

In thousands of EUR	2021	2020
Financing Costs – ILS Financing	2 034	703
Interest on Bank Loans and Subordinated Loans	318	233
Interest on other borrowings	140	0
Other Investment Costs	112	100
Total	**2 604**	**1 035**

2.4.7.1. Financing Costs – ILS Financing

The financing costs are attributed to the overall financing amount provided and reflected within the position Insurance Contracts Asset (Note 2.1.5.). ILS based financing represents sale of future premium corresponding to acquisition fees the Company is deducting from the insurance account balance of the insurance contract by which the Commission to Intermediary has been financed through ILS provider. The commission paid to the intermediary and related total financing cost are covered by the total sum of acquisition fees deducted from the insurance account of the insurance contract by which the commission has been financed through ILS provider.

2.4.7.2. Interest on Bank Loans and Subordinated Loans

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

2.4.7.3. Interest on Other Borrowings

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

2.4.7.4. Other Investment Costs

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

2.4.8. Operating Expenses

In thousands of EUR	2021	2020
Gross Salaries	3 439	3 300
Employer Pension Contribution	1 291	1 075
Outsourcing	804	369
Other Employer Social Security Contributions	96	408
Personnel costs	**5 631**	**5 152**
Professional Services	2 037	2 406
IT related - SW licenses, Cloud and Data Services	591	580
Other Taxes, Fees and Fines	530	665
Rent of Premises	620	640
Bad Debt Provisions	442	565
Advertising and Marketing	225	351
Other Financial Costs	172	339
Depreciation and Amortization	812	630
Travel, Car Rental and Car Fuel	218	223
Audit Expense	170	170
Other Operating Costs	-36	-284
Other Acquisition Costs	59	72
Utilities and Related Costs	91	88
Total	**11 563**	**11 597**

2.4.8.1. Personnel Costs

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

2.4.8.2. Other Acquisition Costs

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

2.4.8.3. Rent of Premises

NOVIS is currently renting premises in Bratislava, Prague, Vienna and Stuttgart. The rent is expensed on a straight-line basis of the period of the lease.

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

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

2.4.8.5. Professional Services

This item mainly represents legal and advisory services. The Group uses services of several law firms specialized in corporate, transactional, labour, civil, insurance, tax and consumer protection law on the respective markets. During 2021 a significant part has been related to the rating process concluded by S&P Global Ratings and expert opinions in insurance specific matters (actuarial sciences). This item also contains expenses related to the translation, notaries and local tax advisors.

2.4.8.6. Audit Expense

Mazars Slovensko, s.r.o. serves as the statutory auditor of the entity. The statutory audit fee was EUR 170 thousand (2020: EUR 170 thousand) including VAT for the audit of the Consolidated and consolidated financial statements.

2.4.8.7. Travel, Car Rental and Car Fuel

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

2.4.8.8. Advertising and Marketing

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

2.4.8.9. Bad Debt Provisions

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

2.4.8.10. Depreciation and Amortization

This represents depreciation of Tangible and Intangible Fixed Assets reflecting individual useful lives of every material asset item. This line also includes amortization from the right of use of vehicles acquired under lease agreement in the amount of EUR 111 thousand.

2.4.8.11. Other Operating Costs

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

2.4.8.12. Other Taxes, Fees, Penalties

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

2.4.9. Deferred Tax Expense

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

In thousands of EUR	2021	2020
Change in deferred tax liability - insurance contracts asset	-2 494	11 787
Change in deferred tax asset - IBNR	-15	-82
Change in deferred tax asset - FVOCI	-253	-141
Change in deferred tax asset for tax loss carry forwards	-778	-3 986
Total	**-3 540**	**7 577**

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

2.4.10. Current Income Tax

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

In thousands of EUR	2021	2020
Corporate Income Tax – Slovakia	-1	-2
Special Levy on Profits	-	-
Total	**-1**	**-2**

2.4.10.1. Corporate Income Tax – Slovakia

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

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

2.4.11. Effective Tax Reconciliation

In thousands of EUR	2021	2020
Profit before tax	**-4 635**	**11 332**
Tax at applicable tax rate of 21% (2020: 24.298%)	**-1 126**	**2 753**
Non-taxable income/non-deductible costs:		
Non-deductible expenses for corporate tax purposes	5 226	1 234
Recognition of deferred tax on special levy on realized profits if they exceed EUR 3 million a year	-	5 883
Tax licence	-	-
Expiry of prior tax loss carry-forwards and other	-7 640	-2 293
Total tax expense	**-3 540**	**7 577**

2.5. Cash Flow Statement

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

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

03

E.NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS

OTHER DISCLOSURES

3.1. Structure of the Company's business by countries

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

Number of Insurance Contracts - Portfolio Size (count)

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

Gross Premium Income (in thousands of EUR)

	HU	IT	SK	IS	CZ	DE	FI	AT	SE	PL	Total
2021	8 571	25 832	3 362	14 704	1 712	1 148	6	99	1 088	65	56 585
2020	9 768	19 271	3 759	11 250	1 914	1 080	25	550	550	96	48 264
2019	17 966	16 233	4 394	8 668	2 418	1 078	115	-	0	218	51 092
2018	18 773	7 055	4 403	2 805	2 573	2 401	1 094	-	-	171	39 275
2017	13 487	2 996	3 183	-	2 370	1 609	196	121	-	81	24 043
2016	7 969	-	1 971	-	1 878	970	-	54	-	-	12 842
2015	4 767	-	1 162	-	841	202	-	-	-	-	6 972

Insurance Provisions (in thousands of EUR)

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

3.2. Risk Management

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

3.2.1. Risk of loss bearing insurance contracts

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

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

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

3.2.2. Underwriting Risk

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

		HU	IT	SK	IS	CZ	DE	FI	AT	PL
Death	2021	27.97%	19.68%	8.87%	22.00%	0.00%	0.00%	116.88%	0.00%	0.00%
	2020	11.05%	3.04%	12.94%	15.47%	75.61%	0.00%	118.74%	0.00%	0.00%
	2019	16.49%	6.27%	25.78%	5.33%	4.11%	0.00%	72.49%	0.00%	0.00%
	2018	32.15%	0.00%	18.60%	0.00%	23.44%	73.32%	4.64%	0.00%	0.00%
Critical Illness	2021	14.04%	0.00%	183.26%	24.60%	135.32%	0.00%	n/a	32.29%	67.61%
	2020	13.12%	0.00%	234.69%	24.94%	175.87%	8.06%	n/a	13.06%	0.00%
	2019	8.57%	0.00%	217.04%	2.17%	203.87%	0.00%	n/a	0.00%	0.00%
	2018	3.39%	0.00%	150.88%	0.00%	173.24%	5.64%	n/a	8.30%	0.00%
Injury	2021	7.20%	0.00%	45.31%	14.08%	73.45%	13.24%	n/a	0.00%	0.00%
	2020	1.08%	0.00%	48.33%	31.35%	105.63%	0.00%	n/a	0.00%	0.00%
	2019	4.35%	0.00%	53.55%	12.13%	108.77%	3.21%	n/a	0.00%	0.00%
	2018	3.58%	0.00%	51.74%	0.00%	92.73%	6.72%	n/a	0.00%	11.54%
Disability	2021	n/a	n/a	51.11%	n/a	13.16%	n/a	n/a	n/a	n/a
	2020	n/a	n/a	30.68%	n/a	57.92%	n/a	n/a	n/a	n/a
	2019	n/a	n/a	9.83%	n/a	0.00%	n/a	n/a	n/a	n/a
	2018	n/a	n/a	0.00%	n/a	69.64%	n/a	n/a	n/a	n/a

Insurance risks concentration:

Year	In thousands of EUR	HU	IT	SK	IS	CZ	DE	FI	AT	PL	SE	Total
2021	Sum insured for risk of death	22 378	449 588	90 110	158 358	25 431	18 277	159	4 383	1 746	460 143	**1 230 573**
	Sum insured for critical illness	1 092	850	131 369	70 705	46 459	4 299	0	435	484	0	**255 693**
	Sum insured for injury	1 146	200	113 665	20 146	58 227	1 902	0	510	235	0	**196 030**
	Sum insured for disability	0	616	14 919	1 286	22 596	0	0	0	0	0	**39 417**
	Total	**24 616**	**451 254**	**350 063**	**250 495**	**152 714**	**24 478**	**159**	**5 328**	**2 465**	**460 143**	**1 721 714**
2020	Sum insured for risk of death	24 623	404 133	105 620	153 670	27 718	19 241	3 965	4 518	3 622	378 203	**1 125 312**
	Sum insured for critical illness	1 144	200	151 891	73 694	50 789	4 875	-	420	883	0	**283 895**
	Sum insured for injury	1 215	200	136 908	22 863	63 991	2 251	-	550	443	0	**228 421**
	Sum insured for disability	0	0	17 465	0	25 253	0	-	0	0	0	**42 718**
	Total	**26 981**	**404 533**	**411 884**	**250 227**	**167 751**	**26 366**	**3 965**	**5 488**	**4 948**	**378 203**	**1 680 345**
2019	Sum insured for risk of death	28 060	277 087	116 153	149 899	34 608	15 183	23 968	4 988	5 312	0	**655 259**
	Sum insured for critical illness	1 357	180	162 742	78 700	63 434	4 627	-	420	1 107	0	**312 566**
	Sum insured for injury	1 498	180	145 080	28 060	79 920	2 371	-	570	1 083	0	**258 763**
	Sum insured for disability	-	-	20 561	-	32 421	-	-	-	-	0	**52 982**
	Total	**30 915**	**277 447**	**444 536**	**256 659**	**210 383**	**22 180**	**23 968**	**5 978**	**7 502**	**0**	**1 279 569**

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

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

		Lapsed in policy year							
Hungary		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	8.60%	1.57%	1.86%	1.08%	0.68%	1.93%	2.39%	0.00%
	2015	8.40%	3.50%	2.02%	1.82%	2.28%	3.49%	1.21%	
	2016	6.98%	3.30%	1.71%	2.24%	3.78%	1.07%		
	2017	2.22%	2.51%	2.08%	5.69%	2.43%			
	2018	2.77%	2.44%	4.38%	5.09%				
	2019	4.33%	1.96%	3.54%					
	2020	0.00%	0.00%						
	2021	0.00%							
Italy									
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a	n/a		
	2017	1.55%	2.25%	5.75%	4.03%	0.38%			
	2018	1.76%	3.95%	2.49%	0.77%				
	2019	1.72%	2.63%	0.33%					
	2020	0.68%	0.44%						
	2021	0.00%							

		Lapsed in policy year							
Slovakia		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Underwriting year	2013	14.29%	5.56%	0.00%	5.88%	6.25%	6.67%	0.00%	7.14%
	2014	17.39%	10.94%	8.13%	5.14%	4.12%	9.05%	5.47%	1.84%
	2015	18.04%	15.57%	9.88%	8.70%	11.34%	11.36%	3.16%	
	2016	22.24%	13.16%	10.54%	10.04%	11.40%	4.81%		
	2017	9.11%	9.98%	10.33%	12.25%	4.65%			
	2018	8.78%	10.77%	14.69%	4.87%				
	2019	10.41%	12.78%	8.22%					
	2020	16.44%	4.92%						
	2021	3.57%							
Iceland									
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a	n/a		
	2017	n/a	n/a	n/a	n/a	n/a			
	2018	12.32%	13.19%	10.94%	2.30%				
	2019	11.67%	9.21%	3.85%					
	2020	13.86%	3.95%						
	2021	5.78%							
Czech Republic									
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	16.78%	15.35%	21.11%	14.38%	16.31%	14.70%	3.01%	
	2016	13.43%	12.62%	23.08%	19.04%	13.54%	5.89%		
	2017	9.12%	13.05%	15.88%	14.45%	8.28%			
	2018	9.68%	14.92%	13.42%	4.11%				
	2019	12.43%	14.84%	10.61%					
	2020	0.00%	0.00%						
	2021	0.00%							

Germany		Lapsed in policy year							
		1	2	3	4	5	6	7	8
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	27.27%	18.75%	31.87%	17.74%	3.92%	10.20%	0.00%	
	2016	7.41%	19.00%	7.41%	5.33%	16.90%	3.39%		
	2017	6.51%	11.44%	6.18%	4.79%	5.66%			
	2018	14.96%	9.88%	7.19%	4.43%				
	2019	50.00%	0.00%	50.00%					
	2020	9.43%	7.81%						
	2021	2.27%							
Austria									
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	71.88%	37.04%	5.88%	0.00%	12.50%	0.00%		
	2017	32.84%	4.44%	2.33%	11.90%	5.41%			
	2018	13.79%	8.00%	6.52%	0.00%				
	2019	25.00%	22.22%	0.00%					
	2020	0.00%	0.00%						
	2021	0.00%							
Poland									
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a	n/a		
	2017	39.64%	32.84%	17.78%	8.11%	0.00%			
	2018	35.82%	26.74%	15.87%	5.66%				
	2019	77.14%	0.00%	0.00%					
	2020	0.00%	0.00%						
	2021	0.00%							

3.2.4. Risk of Non-payment of Insurance Premiums

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

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

3.2.5. Risk of Insufficient Insurance Provisions

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

3.2.6. Risk related to Asset Allocation

Changes in the value of assets invested within the non-guaranteed insurance funds (Note 2.1.4.) are in full attributed to the respective customer insurance accounts, thus the policyholder carries the investment result in full. The Company places the assets in line with the statutes of the various insurance funds and the current investment policy based on considering both the return potential and the risks.

A significant risk mitigation (from the policyholder's point of view) can be achieved through the diversification effect if the policyholder chooses to invest in all insurance funds of the company.

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

Product	Name of the Insurance Fund	Expected development during a financial crisis	Percentage representation in the portfolio	
			2021	2020
NOVIS Standard Product	Guaranteed Insurance Fund	Guaranteed up	14.1%	18.5%
	ETF-shares Insurance Fund	Down	17.4%	17.6%
	Gold Insurance Fund	Probably up	7.8%	11.2%
	Entrepreneurial Insurance Fund	Probably down	7.7%	7.9%
	Mortgage Insurance Fund	Up or down	4.2%	4.9%
	Family Office Insurance Fund	Probably up	6.5%	8.0%
	World Brands Insurance Fund	Down	3.6%	3.9%
	Digital Insurance Fund	Probably down	18.9%	21.6%
	Balanced Insurance Fund	Probably down	0.0%	0.0%
	Performance Oriented Insurance Fund	Probably down	0.0%	0.0%
	Fixed income	Probably down	6.4%	0.0%
	Global select	Probably down	7.9%	2.0%
	PIR	Probably down	1.8%	2.5%
	Sustainability	Probably down	3.8%	0.7%
	Discovery		0.0%	0.0%
Co-Branded Product	Guaranteed Insurance Fund	Guaranteed up	24.0%	25.9%
	Co-Branded Insurance Funds	Probably down	76.0%	74.1%

3.2.7. Credit Risk

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

1. Banks - due to the increased bail-in risk established through EU-law being in force since the beginning of 2016, the Company launched a process of diversifying its bank deposits among a steadily increasing number of banks in various countries (Note 2.1.8.).
2. Government Bonds (Note 2.1.3.) – It is set by the Company's Risk Management Policy, that the Company is not investing in government bonds of countries having significant negative trade balance current account (NOVIS has invested to government bonds of Slovakia[1] , Hungary[2] , Czech Republic[3] , Poland[4] and Austria[5] till the end of the reporting period). The Company's risk policy is based on the learning that one cannot find any sovereign defaults in peace time from countries that had positive or at least balanced current accounts.
3. Claims towards distribution partners (Note 2.1.7.) – past due receivables from distribution partners are actively enforced by legal means unless there is a realistic prospect that the open claim will be compensated by further commissions for new insurance contracts.
4. Insurance Contracts Asset – this asset represents a population of individuals diversified across many countries. It can be assumed, that portfolio in countries with better country rating will represent lower credit risk. Refer to Note 2.1.5.

3.2.8. Risk of Non-Compliance

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

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

3.2.9. Operational Risks

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

NOVIS has identified one important operational risk: the possibility that its IT system would not fully comply with its international business development and the related requirements. To nearly eliminate this risk, NOVIS has been developing during years 2015 to 2019 an in-house insurance software that fully reflects all features of its insurance product. The development of Apollon goes on also in 2021 with a focus on achieving the highest levels of data security and data quality. The insurance software Apollon has been launched in all markets during 2019.

3.2.10. Financial Risks

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

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

The foreign currency exchange rate risk on Fixed Income Securities, Variable Income Securities is born by policyholders and would be reflected in Change in Life and Unit-linked Provisions. The Company is reflecting the Insurance Contracts Asset on the Balance Sheet in greater extent comparing to the previous years (Notes 2.1.5.) and it is mainly driven by insurance contracts denominated in Euro, thus weakening / strengthening of Euro by 5% against Hungarian Forint and/or Czech Koruna and/ or Polish Zloty (expected volatility on EUR/HUF, EUR/CZK and EUR/PLN pairs based on past 2 years is within the range of 5%) would affect the Profit Before Taxes only by EUR 34 thousand (2019: EUR 452 thousand) (based on country split of the Insurance Contracts Asset mentioned in Note 2.1.5.). Although the Company has slowed down its expansion in 2020, it still intends to expand its activities on actual and new markets, which will contribute to ongoing diversification of the currency risk in next years. Despite the natural hedging of the currency risk ensured by product construction, the Company has been exposed to currency risk related to HUF due to significant share of Hungarian business in whole portfolio in previous years. Nevertheless, the significance of the HUF exposure is constantly decreasing through growth of existing EUR denominated markets. The ongoing geographical diversification of the business with focus on EUR based markets is the strongest currency risk mitigation tool in long-run.

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

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

Interest rate risk arises from the investments in government bonds and through variable interest borrowings. The impact of interest rate risk on Profit Before Taxes if interest rates changed by 100 basis points with all other variables remaining unchanged (i) would be EUR 80 thousand in relation to government bonds as fair value represents EUR 8 028 thousand at the end of year 2021 and (ii) would represent EUR 731 thousand at the most in relation with variable interest borrowings representing EUR 73 122 thousand at the end of year 2021. Company is exposed to interest rate risk also in connection with Insurance Contracts Asset and Insurance Provisions as the inherent part of the PVECF are also the interest rates derived from EIOPA risk free rate curve affecting mainly the discount factors – the sensitivities are described Note 2.1.5.

Liquidity risk - The Company is exposed to liquidity requirements arising from potential insurance claims and obligations to other entities. Liquidity risk is the risk that cash may not be available at a reasonable cost to settle obligations when they are due. Liquidity needs are monitored continuously and any unexpected need for liquid funds is reported in advance to ensure that necessary funds are available. The expected cash inflows plus the existing balance of liquid financial assets exceed the expected cash outflows over the period of one year after the end of the reporting period.

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

The maturity analysis of the carrying values of assets and liabilities is as follows at 31 December 2021:

In thousands of EUR		Less than 6 months	6 months to 5 years	Total
Assets	Fixed Income Securities	8 028	-	**8 028**
	Variable Income Securities	0	-	**0**
	Assets Invested for Unit-linked Insurance Provisions	73 945	-	**73 945**
	Claw back of previously paid commissions	74	-	**74**
	Reinsurance Contracts	2 975	-	**2 975**
	Other Assets*	4 636	-	**4 636**
	Bank Deposits	4 381	698	**5 079**
	Total	**94 040**	**698**	**94 737**
Liabilities	Insurance Provisions (Life and Unit-linked)	80 762	-	**80 762**
	Other Liabilities*	9 288	-	**9 288**
	Borrowings	28	11 384	**11 412**
	Total	**90 078**	**11 244**	**101 462**
The Difference – Excess/(Shortfall) Liquidity 2021		**3 962**	**-10 687**	**-6 725**
The Difference – Excess/(Shortfall) Liquidity 2020		**1 500**	**-5 426**	**-3 926**
The Difference – Excess/(Shortfall) Liquidity 2019		**5 509**	**-1 845**	**3 664**

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

3.3. Information about related parties' transactions

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

In thousands of EUR	2021	2020
Cash contribution to share capital from MB members	-	-
Cash contribution to share capital from SB members	-	-
Services provided by related party to the Group*	36	45
Salaries and remuneration of the MB members	355	382
Salaries and remuneration of the SB members	159	189
Social security contributions for MB members	100	142
Social security contributions for SB members	55	84

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

3.4. Contingencies and Commitments

3.4.1. Lawsuits

At the end of the year 2021, the Company has not been involved in any active lawsuit as defending party.

3.4.2. Rent

As at 31 December 2021, future minimum rent payable for offices within one year is EUR 620 thousand (2020: EUR 649 thousand), thus payable in 2-5 years remains at the same level as anticipated in previous year EUR 2 475 thousand.

3.4.3. Uncertain Tax Positions

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

3.4.4. Regulatory compliance

Slovakia
By a decision dated 13th April 2021, the Bank Board of the National Bank of Slovakia decided on the appeal of the Insurance Company against the decision of the National Bank of Slovakia on the issuance of an interim measure (issued in November 2020), by which the National Bank of Slovakia imposed on the Insurance Company the obligation to refrain from free disposal of assets within the scope of specified activities, and the submission of information and documents related to it. As a second-instance body, the Bank Board partially annulled and partially amended the first-instance decision on interim measure, in the part concerning the restriction of free disposal of assets, within which it imposed an obligation on the Insurance Company to refrain from disposing of assets outside the usual economic activities. The National Bank of Slovakia revoked this interim measure completely in January 2022 due to ceasing of the reasons for its issue.

The decision of the National Bank of Slovakia dated 19th April 2021, by which NBS imposed a measure on the Insurance Company to eliminate and remedy the identified deficiency, which consisted of supplementing the value of invested assets by investing them at least in an amount and in a manner consistent with the contractual obligation that obliges the Insurance Company to invest in the value of insurance accounts, and which arises from insurance contracts, including general insurance conditions and statutes of the Insurance Company's internal insurance funds concluded between the Insurance Company and individual clients, in the amount of EUR 20 million by 30th June 2021, and to the remaining extent until by 30th September 2021. The Insurance Company filed an appeal against this decision, on which the Bank Board of the National Bank of Slovakia decided on 21st June 2021 in such a way that it partially amended the first-instance decision in part of the set deadline for complying with the imposed measure. The Insurance Company filed a court proceeding against these decisions of the supervisory authority with the competent administrative court.

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

3.4.5. Financial Instruments by Category

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

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

In thousands of EUR	Loans and Receivables	Assets at FVTPL	Assets at FVOCI	Insurance contracts	Total
Bank Deposits	4 381	-	-	-	**4 381**
Restricted Bank Account Balance	698	-	-	-	**698**
Fixed Income Securities	-	1 158	6 870	-	**8 028**
Variable Income Securities	-	0	-	-	**0**
Assets Invested for UL	0	73 945	-	-	**73 945**
Value of Insurance Contracts	-	-	-	155 210	**155 210**
Other Assets	4 636	-	-	-	**4 636**

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

The following table provides a reconciliation of classes of financial instruments for the purpose of disclosure under IFRS 7 (Financial Instruments: Disclosures) and their measurement categories defined in IAS 39 as of 31 December 2020.

In thousands of EUR	Loans and Receivables	Assets at FVTPL	Assets at FVOCI	Insurance contracts	Total
Bank Deposits	3 583	-	-	-	**3 583**
Restricted Bank Account Balance	1 574	-	-	-	**1 574**
Fixed Income Securities	-	1 343	8 083	-	**9 426**
Variable Income Securities	-	0	-	-	**0**
Assets Invested for UL	4 489	48 296	-	-	**52 785**
Value of Insurance Contracts	-	-	-	155 942	**155 942**
Other Assets	4 593	-	-	-	**4 593**

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

3.5. Significant events after the end of the reporting period

On February 24, 2022, Russia's military offensive against Ukraine began. We have assessed all the information available at the time of preparation of these financial statements and evaluated that the current situation does not have a significant impact on the Company's activities. The company monitors potential impacts and, if necessary, takes steps to mitigate the negative effects on its operation.

At the end of 1st quarter of 2022 NOVIS has placed convertible bonds in a volume of EUR 4.9 million, leading to significant strengthening of the Company's capital position.

On 30th June 2022, the Company's General Assembly approved an increase in equity through the issuance of 17,000 priority shares with a par value of EUR 100 per share, while the issue price of these shares is EUR 1,200. With a nominal value of one share of EUR 100, the share premium amounts to EUR 1,100. The total approved equity increase at the given issue price is EUR 20,400 thousand, of which EUR 1,700 thousand is the increase in the share capital and EUR 18,700,000 is the total issue premium.

On 12th August 2022, 2,499 pieces of priority shares were subscribed for a total amount of EUR 3,000 thousand, which means that the share capital increased by EUR 249.9 thousand, while the balance of the amount of the relevant issue rate in the amount of EUR 2,748.9 thousand represents the issue premium, forming the capital reserve.

On 21st September 2022, another tranche of subordinated convertible bonds worth EUR 1,000 thousand was placed.

On 15th July 2022, the Company received from NBS a notice of initiation of procedures to impose a sanction for deficiencies in the Company's activities, where NBS suspected that the Company made purposeful changes to the General Terms and Conditions in a way that could harm the interests of clients and at the same time also suspected that the Company is facing an unfavourable economic and financial situation, while according to the suspicion of the NBS, the Company as of 31st March 2022 did not cover the solvency capital requirement with eligible own funds as well as the minimum solvency capital requirement with basic eligible own funds. At the time of compiling these financial statements, NBS had not finalize this procedure, or the issuance of a final decision. The Company does not agree with the suspicion of the NBS, and in the event of a negative decisiont from the Company's point of view, the Company assumes the use of available remedies.

On August 17, 2022, the Company reported non-fulfillment of the capital requirement for solvency as of June 30, 2022, but at the same time, after taking into account the capital increase by subscribing the priority shares on August 12, 2022, the Company meets the capital requirement for solvency again.

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

3.6. Application of New Accounting Standards and Interpretation

Initial application of International Financial Reporting Standard As of January 1, 2021

The Company has adopted the following new and amended interpretations of IFRS and IFRIC:

- Amendment to IFRS 16 COVID-19 Leases - Related Leases after 30 June 2021 (issued on 31 March 2021) - effective from 1 April 2021
  - o In May 2020, the Board issued a rent adjustment related to COVID-19 (2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical tool that simplifies the way a tenant charges rental concessions that are a direct result of COVID-19. Under this practice, the lessee is not required to assess whether the eligible rental allowances are lease adjustments, but instead accounts for them in accordance with other applicable guidelines.
  - o The practical advantage introduced in the 2020 amendments only applied to rent reductions, where any reduction in lease payments affects only payments originally due by 30 June 2021 or earlier. As the economic problems caused by the COVID-19 pandemic persist for longer than expected, tenants and landlords have agreed lease reliefs that exceed June 30, 2021.

- Amendment to IFRS 16 Lease Allowances Related to COVID-19 after 30 June 2021 - effective from 30 June 2021
  - o This addition extended the practical advantage by 12 months, allowing tenants to apply it to rents where the reduction in lease payments only affects payments originally due by 30 June 2022.

The application of these amendments did not have a material effect on the Company's financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Reform - Phase 2 (issued on 27 August 2020) effective from 1 January 2021
  - o Phase 2 of the interest rate benchmark reform addressed replacement issues (issues affecting financial reporting in the period before the replacement of the existing interest rate benchmark). The published amendments address issues that could affect financial reporting when the existing interest rate reference point is replaced.
  - o Changes in the reference interest rate reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to adjustments to financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements. IFRS 7, which is part of the amendments to hedge adjustments and accounting.

Application of these amendments did not have a material effect on the Company's financial statements.

- Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9 (issued on 25 June 2020) effective from 1 January 2021
  - o At its meeting on 17 March 2020, the International Accounting Standards Board (IASB) agreed to defer IFRS 17 Insurance Contracts (IFRS 17), including amendments, for annual periods beginning on or after 1 January 2023.
  - o The IASB also agreed to extend the fixed expiration date of the temporary exemption from IFRS 9 Financial Instruments (IFRS 9) for Qualified Insurers (as set out in IFRS 4), so that all entities must apply IFRS 9 for annual periods beginning on or after IFRS 9. after 1 January 2023. Earlier adoption of IFRS 17 is permitted provided that the entity also applies

IFRS 9.

- o Management has concluded that, because of applying the assurance approach, the adoption of this financial reporting standard will have a material effect on the Company's financial statements. The effect is in the process of being refined and the expected impact will be published in the 2022 financial statements

Standards, interpretations and amendments to published standards as adopted by the EU, which are issued but have not yet become effective for accounting periods beginning on or after 1 January 2021:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, contingent liabilities and contingent assets; and annual improvements 2018-2020 (effective from 1 January 2022).

The amendments to IFRS 3 include an update to IFRS 3 by referring to the Conceptual Framework of 2018 instead of the Conceptual Framework of 1989, which is an amendment to IFRS 3 as a requirement that for transactions and other events within the scope of IAS 37 or IFRIC 21, the acquirer applies IAS 37 or IFRIC 21 (instead of the conceptual framework) to identify the liabilities that it has assumed in a business combination; and supplementing IFRS 3 with an explicit statement that the acquirer does not recognize contingent assets acquired in a business combination.

The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items generated during the transportation of the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity recognizes revenue from the sale of such items and the cost of producing those items in the income statement.

The amendments to IAS 37 specify that the "costs of performing" a contract include "costs that are directly attributable to the contract". Costs that are directly related to the contract may be either incremental costs to perform the contract or the allocation of other costs that are directly related to the performance of the contracts.

The annual improvements and adjustments 2018-2020 will bring the following changes:

- IFRS 1, First-time Adoption of IFRS: The amendment applies to a subsidiary that adopted IFRS later than its parent and uses the exception in paragraph D16 (a) to measure assets and liabilities at carrying amounts that are included in the parents' consolidated financial statements. The amendment allows such a subsidiary to choose in its financial statements the measurement of cumulative exchange differences for all foreign operations at carrying amount that would be included in the parent's consolidated financial statements based on the parent's transition date to IFRS if no adjustments were made for consolidation procedures and for the effects of a business combination in which the parent company has acquired a subsidiary.

- IFRS 9, Financial Instruments: IFRS 9 requires an entity to derecognise a financial liability and recognize a new financial liability when there is an exchange of debt instruments between an existing loan and a lender of debt instruments with substantially different terms. The terms are materially different if the discounted present value of the remaining cash flows under the new terms differs by at least 10 percent from the discounted present value of the remaining cash flows or the original financial liability. The amendment clarifies that only fees paid and received between an entity and a creditor may be included in the calculations to determine whether there is a 10 percent difference. The amendment is applied prospectively.

- IFRS 16, Leases: The amendment removes an illustrative example that includes a lease for an enhancement to a lease because this example does not explain clearly enough the conclusion whether the fee would meet the definition of a lease incentive in IFRS 16.

- IAS 41, Agriculture: The amendment removed the requirement to exclude cash flows from taxation at fair value measurement and aligned the requirements with IFRS 13, Fair Value Measurement. The amendment is applied prospectively.

The application of these amendments did not have a material effect on the Company's financial statements.

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including the amendments to IFRS 17 (issued on 25 June 2020) (effective from 1 January 2023).
  - o IFRS 17 Insurance Contracts replaced IFRS 4 Insurance Contracts. The standard sets out the principles for reporting, valuation, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides users of financial statements with a basis for assessing the impact of insurance contracts on the financial position, financial performance and cash flows of the entity.
  - o The representatives assessed and concluded that, because of the application of the premium allocation approach, the adoption of this financial reporting standard will have a material effect on the Company's financial statements in the period of first application.

Standards, interpretations, and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Long-Term and Classification of Liabilities as Current or Long-Term - Deferred Date
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practical Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax on Assets and Liabilities Arising from a Single Transaction
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information

Management assesses the impact that the adoption of these financial reporting standards will have on the Company's financial statements in the period of initial application.

3.7. Date of Authorisation for Issue

These Consolidated Financial Statements have been approved by the Management Board for issue on 20. October 2022.

Siegfried Fatzi
Chairman of the Management Board

Michal Knap
Member of the Board of Directors

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

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