ANNUAL REPORT 2020

novis
The new world of insurance

Mazars Slovensko, s.r.o.
Europeum Business Center
Suché mýto 1
811 03 Bratislava

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

Independent Auditor's Report

31 December 2020

Mazars Slovensko, s.r.o.
Registered in the Commercial Registry of the District Court Bratislava I, Section Sro, Item No. 22257/B

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 2020

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

I. Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s. and its subsidiary Novis Tech, a.s. ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and consolidated statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

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

Emphasis of Matter

We draw attention to point 2.1.6. in the notes to the consolidated financial statements where the Group describes the reasons for restating the prior period balances due to identified error in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). This error was identified after the approval of the consolidated financial statements as at 31 December 2019 by the general assembly. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Assets and liabilities from insurance contracts

As described in paragraphs 2.1.6, 2.2.4 and 2.2.5 of Notes to the consolidated financial statements, assets and liabilities from insurance contracts represent a significant accounting estimate. Measurement of assets and liabilities from insurance contracts requires application of significant judgment regarding assumptions. The Group determined present value of estimated expected insurance contract cash-flows, as well as surrender value of insurance contracts 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 consolidated financial statements for the year ending 31 December 2020, we aimed by using our internal actuary to assess the accuracy of actuarial methods used by the Group in determination of present value of estimated expected insurance contract cash-flows and to review, whether the calculation sufficiently cover risks and future liabilities arising from the activity of the Group.

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 Group´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 Group's portfolio of contracts in evaluating current estimates of the cash flows and used assumptions.

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

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

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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 Group's management on 30 June 2020 based on the approval of General Assembly on 30 June 2020. The total period of uninterrupted engagement including previous renewals and reappointments of the statutory auditors represents 3 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 Audit Committee on 29 June 2021.

Non-audit services

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

We have not provided to the Group any service, in addition to the statutory audit and services disclosed in the consolidated 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 consolidated financial statements stated above does not apply to other information in the annual report.

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

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

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

- Information disclosed in the annual report prepared as of 31 December 2020 is consistent with the consolidated financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 9 July 2021

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 2020.** It is composed of the separate and consolidated financial statements and this introduction.

1. 2020 results

Despite the COVID-19 pandemic and the fact, that NOVIS has been actively selling new policies only within half of the Company's markets, the turnover (gross premium income) has reached comparable level as in 2019 and amounted to EUR 48 million (Note 2.3.1.). 2020 profitability remained on the same level as in previous year when considering the restated results of 2019 and resulted to unchanged level of own capital. For specific details, please see our "Statement of Financial Position" and "Statement of Comprehensive Income" and related notes.

2. Proposed distribution of profits

The profit for 2020 was EUR 3 703 thousand after taxes as reported by the Company in line with the IFRS as adopted by the European Union. The Management Board and the Supervisory Board proposed the full profit amount to remain in the Company as retained earnings. This proposal was submitted to the Annual General Meeting of the Company for its approval on 30.6.2021.

3. Regulatory regime "Solvency II"

In February 2021, NOVIS has introduced new Solvency II calculations harmonized with many but not all views of the regulator. These have resulted in the Solvency Capital requirement ratio (SCR ratio) of 137% and the Minimum Capital Requirement ratio (MCR ratio) of 547% as of 31 December 2020. This means that NOVIS not only had enough of its own capital for the scope and type of its operations but exceeded the SCR requirement by 37% and the MCR requirement by 447%. The Company has thus fully fulfilled the capital requirements imposed by the EU insurance regulations.

4. 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 2020. 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.

5. Expectations and impact of COVID-19 and regulatory measures

Year 2020 was affected not only by the pandemic, but also by the negative impact of the decisions on interim measures imposed by the national regulator (Note 3.4.4.). NOVIS has focused all available resources on minimizing these negative effects and protecting its financial position and economic health. The expected general development during 2021 is still in line with the long-term planning of the Company, but somewhat reduced. Recovery of the count of newly concluded insurance contracts to the pre-pandemic levels is expected. Regarding the earned premium, NOVIS expects slightly higher level as in 2020.

6. 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 2020 the total number of NOVIS employees together with employees of Novis Tech, a.s. oscillated around 100 and the same is also expected in 2021.

7. 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 2020 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 risks 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

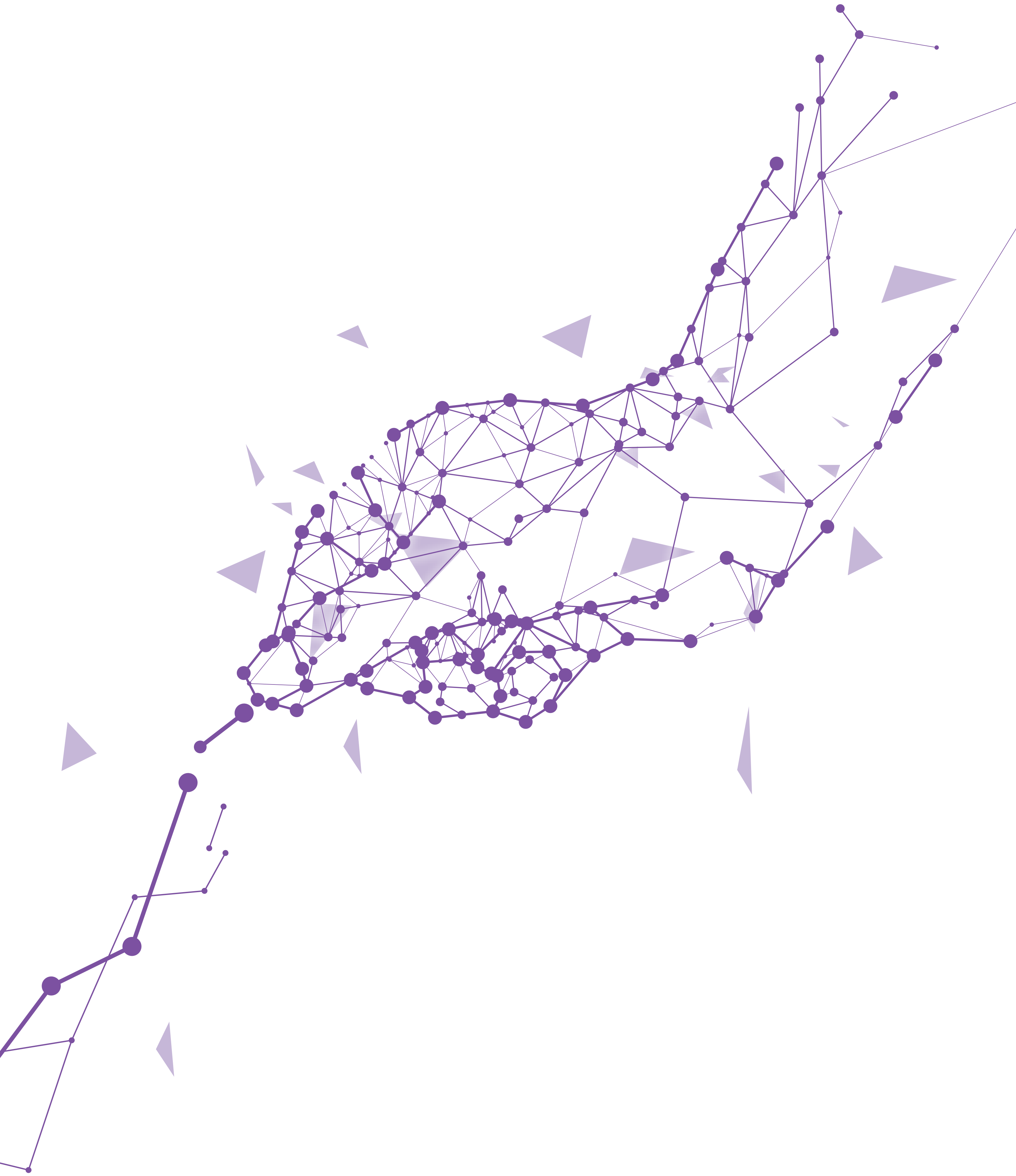
Slavomír Habánik
Member of the Board of Directors

NOVIS Insurance Company, NOVIS Versicherungsgesellschaft,
NOVIS Compagnia di Assicurazioni, NOVIS Poisťovňa a.s
Bratislava, 28 June 2021

CONSOLIDATED

FINANCIAL STATEMENTS

in accordance with IFRS as adopted by the EU
31 December 2020



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A. CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

In thousands of EUR	Note	31.12.20	31.12.2019 RESTATED	31.12.2019 REPORTED
ASSETS				
Intangible Fixed Assets	2.1.1.	5 655	4 700	4 700
Tangible Fixed Assets	2.1.2.	256	311	311
Investment in Subsidiaries		6	6	6
Fixed Income Securities	2.1.3.	9 427	13 589	13 589
Variable Income Securities	2.1.4.	0	2 700	2 700
Investments in Unit-Linked Funds	2.1.5.	52 785	44 036	44 036
Insurance Contracts	2.1.6.	155 942	128 013	131 580
Receivable from Reinsurer	2.1.8.	4 990	991	991
Other Receivables	2.1.9.	1 425	1 603	1 603
Restricted Bank Account Balance	2.1.10.	1 574	687	687
Cash and Cash Equivalents	2.1.10.	2 013	735	735
TOTAL ASSETS		**234 073**	**197 371**	**200 938**
EQUITY	**2.2.1.**	**36 412**	**33 320**	**36 020**
Borrowings	2.2.2.	7 039	2 782	2 782
Other Liabilities	2.2.3.	9 231	7 320	7 320
Life Insurance Provisions	2.2.4.	18 111	15 183	15 183
Unit-linked Insurance Provisions	2.2.5.	60 200	44 036	44 036
Liability towards Reinsurers	2.2.6.	75 623	74 851	74 851
Tax Liabilities	2.2.7.	27 457	19 879	20 746
TOTAL LIABILITIES		**197 661**	**164 051**	**164 918**
TOTAL EQUITY AND LIABILITIES		**234 073**	**197 371**	**200 938**

The notes on pages 5 to 61 are an integral part of these Consolidated financial statements.
*Restatement relates to the position Insurance Contracts (details in note 2.1.6)

B. CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME

In thousands of EUR	Note	2020	2019 RESTATED	2019 REPORTED
Gross Premium Income	2.3.1.	47 892	51 477	51 477
Commissions from Reinsurer	2.3.2.	12 296	33 984	33 984
Reinsurer Share of Claims and Benefits	2.3.3.	492	101	101
Investment Income	2.3.4.	-566	4 282	4 282
Change in the Value of Insurance Contracts	2.3.5.	48 703	36 207	39 773
Sale of Other Intangible Assets	2.1.1.	-137	0	0
		108 680	126 051	129 617
Commissions to Intermediaries	2.4.1.	-37 689	-42 211	-42 211
Reinsurance Premium	2.4.5.	-24 206	-17 886	-17 886
Change in Liability towards Reinsurer	2.4.6.	6 229	-20 151	-20 151
Insurance Benefits	2.4.2.	-10 347	-4 918	-4 918
Change in Insurance Provisions	2.4.3.	-2 539	-3 697	-3 697
Change in Unit-linked Insurance Provisions	2.4.4.	-16 164	-15 141	-15 141
Investment and Financing Costs	2.4.7.	-1 035	-297	-297
Operating Expenses	2.4.8.	-11 597	-11 481	-11 481
		-97 348	-115 782	-115 782
PROFIT BEFORE TAX		**11 332**	**10 269**	**13 835**
Deferred Tax Expense	2.4.9.	-7 577	-6 540	-7 406
Current Income Tax	2.4.10.	-2	0	0
PROFIT AFTER TAX		**3 753**	**3 729**	**6 429**
Other Comprehensive Income	2.2.1.	-662	973	973
COMPREHENSIVE INCOME		**3 091**	**4 702**	**7 402**

The notes on pages 5 to 61 are an integral part of these Consolidated financial statements.
*Restatement relates to the position Insurance Contracts (details in note 2.1.6)

C. CONSOLIDATED STATEMENT OF

CASH FLOWS

In thousands of EUR	Note	2020	2019
Gross Premium Received	2.3.1.	47 803	51 221
Interest Income Received	2.3.4.	160	160
Net Result from Reinsurance and Securis Financing		-11 418	17 856
Commissions to Intermediaries	2.4.1.	-37 689	-42 211
Insurance Claims	2.4.2.	-9 869	-5 358
Operating Expenses	2.4.8.	-11 204	-11 036
Interest paid	2.4.7.	-199	-199
Δ Other Receivables incl. Reinsurance	2.1.8.	-4 044	2 192
Δ Other Payables incl. Reinsurance	2.2.3.	29 687	2 492
Δ Assets Invested for Unit-linked Insurance Provisions	2.1.6.	-4 543	-10 935
Δ Assets Invested for Life Insurance Provisions	2.1.4.	3 661	-2 297
Other financial results and separately disclosed items		-5 507	-365
Operating Cash Flows		**-3 162**	**1 520**
Δ Borrowings	2.2.2.	4 058	-1 330
Own Shares Purchased	2.2.1.	0	-86
Financing Cash Flows		**4 058**	**-1 416**
Purchases of Intangible Fixed Assets	2.1.1.	-1 011	-1 448
Purchases of Tangible Fixed Assets	2.1.2.	-58	-57
Proceeds from Sale of Fixed Assets	2.1.1.	-137	0
Δ Restricted Cash Bank Deposit*	2.1.10.	-887	113
Δ Financial Assets Invested in Own Funds	2.1.5.	2 478	-2 478
Investing Cash Flows		**385**	**-3 870**
Cash and Cash Equivalents at the Beginning of Period		735	4 501
Cash and Cash Equivalents at the End of Period*		**2 015**	**735**

The notes on pages 5 to 61 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 2018	**6 815**	**1 174**	**1 276**	**0**	**-878**	**20 318**	**28 705**
Profit after Tax for 2019	-	-	-	-	-	6 429	6 429
Capital transactions with owners:							
Increase in Share Capital	-	-	-	-	-	-	0
Revaluation of FVOCI Assets	-	-	-	973	-	-	973
Attribution to Statutory Reserve Fund		-	87	-	-	-87	0
Purchase of Own Shares	-	-	-	-	-86	-	-86
As at 31 December 2019	**6 815**	**1 174**	**1 363**	**973**	**-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**	**1 174**	**1 367**	**311**	**-964**	**27 709**	**36 412**

The notes on pages 5 to 61 are an integral part of these consolidated financial statements.
*Restatement relates to the position Insurance Contracts (details in note 2.1.6)

E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. 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 2020.

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 27 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 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 9 members: Thomas Polak, Chairman; Deborah Sturman; Slobodan Ristic; Stanislav Kamenár; Freimut Dobretsberger; Eva Gallová; Štefan Gyurik; Kristína Kupková and Karel Zvolský acting as Vice-chairman. The three last members have been elected in 2016 and 2020 as the representatives of the employees, in compliance with the requirement of the Slovak Commercial Code and the statues of NOVIS.

1.1.2. Presentation currency of financial statements

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

1.2. Significant accounting policies

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

1.2.1. Present Value of Expected Cash Flows (PVECF)

The Company's key product is universal life insurance. PVECF calculation is computed for each insurance contract and represents the basis for the determination of Insurance Provisions (Notes 1.2.4., 2.2.4. and 2.2.5.) and value of Insurance Contracts (Note 2.1.6.). The calculation of PVECF is conducted via an actuarial software called "Sophas".

Formula used for each individual contract:

PVECF = SUM (discounted Cash Flows for each month)

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

The probabilities that are used for the CF calculation are as follows:
- Probability of termination of a contract due to death of policyholder for each month,
- Probability of termination of a contract due to cancellation by the policyholder or by the Insurance Company for each month,
- Probability of occurrence of an insurance event due to either death, illness, injury, or disability for each month.

All monthly CFs are discounted by discount factors derived from the "EIOPA Risk Free Curve" set for every respective European currency and market and summed up.

Explanation of calculation components:
- Premium - In the calculation contractually agreed insurance premiums are simulated. Possible and allowed premium payments exceeding contractual obligations are not included in the calculation of PVECF, therefore the real premium may be higher than projected.
- Tax Bonus - this relates only to contracts in Hungary, where the Hungarian tax authority contributes with payments to the insurance account for qualified insurance policies.
- Loyalty Bonus – the volume of the bonus differs country to country and is granted to the policyholder only in case the cumulative sum insured exceeds certain level or in case the policyholder contractually agrees and pays the first increased premium as defined in the general terms and conditions, 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.
- Administrative Expenses - this position represents expected average administrative costs 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. The calculated lapse rates for further periods are based on expert judgment predicting the situation in various markets.
- EIOPA Risk Free Curve – The European Insurance and Occupational Pensions Authority (EIOPA) publishes a Risk-Free Curve for all durations that are needed for the PVECF calculation. EIOPA Risk Free Curve is used independently for each market, since EIOPA publishes unique rates for every EU currency.

Premiums, sums insured, commissions and the composition of the insurance funds are different for each contract. The used probabilities are differentiated by markets (in the sense of country structure of Note 3.1.) 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.

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

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

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

1.2.3. Insurance Contracts Asset Measurement

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

The entity discloses expected positive present value of insurance contracts cash flows calculated using a deterministic model under the balance sheet line item "Insurance Contracts" (Note 2.1.6.). Until the end of 2014, the Company recognised insurance contract liability at customer account value equal to customer cumulative contributions less actuarially pre-determined risk deductions and at the same time also deferred as an asset certain costs covered by future customer fees. Since then, as explicitly permitted in paragraph 24 of IFRS 4, the entity introduced accounting policies for its insurance contracts, that require measurement at current estimates and assumptions. The impact of the change in policies was disclosed in prior years financial statements.

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

1.2.4. Insurance Provisions (IP)

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

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

The liability for the difference between the Insurance Provisions and calculated PVECF represents a deviation from the market consistent principle. Increased value of Insurance Provisions as described in 2.2.4. and 2.2.5. 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 18 482 thousand (2019: EUR 17 989 thousand). The IP exceeds the total Surrender Value by EUR 12 918 thousand (2019: EUR 4 998 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 2.2.6).

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

1.2.5. Classification of financial assets and liabilities

NOVIS differentiates the following classes of securities:

- Fixed Income Securities (Note 2.1.4.). Government bonds covering liabilities related to the Guaranteed Insurance Fund are measured at Fair Value with fair value gains or losses recognised in Other Comprehensive Income, except those purchased before October 2016 that are carried at fair value through profit or loss.
- All Variable Income Securities (Note 2.1.5.) are booked at their fair value through profit or loss.
- All financial instruments covering Unit-Linked Insurance Provisions (Note 2.1.6.) are booked at their fair value through profit or loss to avoid mismatch between valuation of assets and related liabilities and ensure that the recognized 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 Mahrberg Wealth AG.

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

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

Management applies judgement in categorising financial instruments using the fair value hierarchy and the respective Levels are indicated in Notes, 2.1.4., 2.1.5.,2.1.6, 2.1.9. and 2.2.2., 2.2.3.

E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. NOTES TO FINANCIAL STATEMENTS LINE ITEMS

2.1. Assets

2.1.1. Intangible Fixed Assets

In thousands of EUR	Software	Acquired product design	Internal Development and Acquisition	Other	Total
Net Book Value as at 31 December 2018	**269**	**616**	**2 444**	**120**	**3 449**
Additions	2 800	0	1 442	0	4 242
Disposal	0	0	-2 800	0	-2 800
Amortisation Expense	-153	-38	0	0	-191
Acquisition Cost as at 31 December 2019	3 264	826	1 086	120	5 296
Accumulated Amortisation	-348	-248	0	0	-596
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**

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 following exceptions – Internally developed Administration system Apollon (10 years depreciation schedule ending 2031), accounting SW SAP Business One (10 years depreciation schedule ending in 2023) and Solvency II calculation and reporting tool (5 years schedule ending 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. In 2020 Subsidiary activated total of EUR 2 659 thousand of internal development as major parts of Insurance Administration system have been finalized and put in use by the Company.

2.1.1.2. Acquired product design

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

The asset is depreciated straight line over its estimate life of 20 years. The asset is recoverable as the amortisation is included in administrative unit expenses 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 2018	**47**	**19**	**0**	**66**
Additions	0	94	0	94
Increase due to first adoption of IFRS 16	0	0	327	327
Disposals	-35	-12	0	-47
Depreciation Expense	-8	-13	-108	-129
Acquisition Cost as at 31 December 2019	16	112	327	455
Accumulated Depreciation	-12	-24	-108	-144
Net Book Value as at 31 December 2019	**4**	**88**	**219**	**311**
Additions	4	3	69	76
Disposals	0	-19	0	-19
Depreciation Expense	-2	-3	-107	-112
Acquisition Cost as at 31 December 2020	20	96	396	512
Accumulated Depreciation	-14	-27	-215	-256
Net Book Value as at 31 December 2020	**6**	**69**	**181**	**256**

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.

Right of Use Assets*

This category contains right of use for vehicles acquired under lease agreement in the amount of EUR 396 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 for guaranteed insurance fund. In managing the credit risk, management considers positive current account of the respective country and in the case the government bonds that are denominated in Euro, also the maximum yield spread over German Bunds of not more than 100 basis points. NOVIS currently holds government bonds of Slovakia, Hungary, the Czech Republic, Poland and Austria. Specific assets held are as follows.

2.1.3.1. Government Bonds

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	9.3. 2017	22.04. 2015	27.10. 2018	23.2. 2016	04.12. 2006	28.06. 2017
Maturity date	31.01. 2031	14.10. 2025	9.3. 2037	22.10. 2031	27.10. 2038	19.2. 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*

The government bonds belong to the level 2 in fair value hierarchy (2019: 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 2019 were:

Bonds	SK4120011420	SK4120007543	SK4120012691	HU0000403001	CZ0001001796	PL0000109492
In thousands of EUR	SLOVAKIA 1.625% EUR	SLOVAKIA 4.35% EUR	SLOVAKIA 1.875% EUR	HUNGARY 3.25% HUF	CZECH REP. 4.2% CZK	POLAND 2.25% PLN
Issue date	21.01.2016	14.10.2010	9.3.2017	22.04.2015	04.12.2006	28.06.2017
Maturity date	31.01.2031	14.10.2025	9.3.2037	22.10.2031	04.12.2036	25.04.2022
Standard & Poor's Rating*	A+	A+	A+	BBB	AA-	A-
Average Purchase Price in % of the nominal value	107	134	123	105	140	101
Bonds at FVOCI**	3 293	0	109	8 103	590	80
Bonds at FVTPL*	141	304	0	825	145	0
Total Carrying Value	**3 434**	**304**	**109**	**8 928**	**735**	**80**
Fair Value of the Bonds	**3 434**	**304**	**109**	**8 928**	**735**	**80**
Nominal Value	**2 930**	**237**	**89**	**8 025**	**539**	**77**

* *Fair value through profit or loss.*

2.1.3.2. Measurement Categories of Fixed Income Securities

In 2016 The Company has decided to classify the underlying assets that cover 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 of the 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	31.12.2020	31.12.2019
Fair Value	1 343	1 415
Fair Value through Other Comprehensive Income	8 083	12 174
Amortized Cost	0	0
Total Carrying Value	**9 426**	**13 589**
Total Fair Value	**9 426**	**13 589**

2.1.4. Variable Income Securities

In thousands of EUR	31.12.2020	31.12.2019
KYG3004A1004 ELJOVI Multi-Strategy Fund	0	2 679
LU1097688714 Invesco Global Income Fund A EUR	0	21
Total Carrying Value	**0**	**2 700**

ELJOVI Multi-Strategy Fund has been included in underlying assets of NOVIS Digital Assets Insurance Fund as of 31. August 2020 and is recognised as Asset Invested for Unit-linked IP.

All assets reported in this category are measured at fair value through profit or loss. The investments belong to the level 2 in fair value hierarchy (2019: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular security issue.

2.1.5. Assets Invested for Unit-linked Insurance Provisions

Policyholders of the Company can choose from eleven 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.
- 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.

- 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 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 48 296 thousand as of 31 December 2019 (2019: EUR 41 796 thousand). Remaining balance of EUR 4 489 thousand (2019: EUR 2 240 thousand) represents allocation of Cash and Cash Equivalents.

The investments in underlying assets belong to the level 2 in fair value hierarchy (2019: Level 2), as it was not evident that the market prices used for valuation are from an active market in the particular investments.

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

2.1.5.1. NOVIS ETF Shares Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
iShare MSCI WORLD ETF (USD)	4 859	3 570
iShare MSCI EM - ACC (EUR)	738	905
iShare MSCI EM - ACC (USD)	16	15
Total Carrying Value	**5 613**	**4 490**

2.1.5.2. NOVIS Gold Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
SPDR Gold Trust USD	4 227	2 492
Total Carrying Value	**4 227**	**2 492**

2.1.5.3. NOVIS Entrepreneurial Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
ISHARES S&P LISTED PRIVATE USD (LN)	1 175	0
iShares Listed Private Equity UCITS ETF USD	756	1 654
responsAbility Micro and SME Finance Fund II	872	783
iShares Euro High Yield Corporate Bond EUR (GF)	161	10
Total Carrying Value	**2 964**	**2 446**

2.1.5.4. NOVIS Mortgage Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
iShares Euro Covered Bond UCITS ETF	1 623	1 763
Dlhopisy HB REAVIS 2020	0	21
Total Carrying Value	**1 623**	**1 783**

2.1.5.5. NOVIS Family Office Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
BP Family Office EUR THES	2 106	2 046
ISHARES IBOXX H/Y CORP BOND FUND	430	260
ISHARES EURO HY CORP BND (GY) EUR	309	267
Total Carrying Value	**2 845**	**2 573**

2.1.5.6. NOVIS World Brands Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
H2Progressive Vermögensfreunde	504	193
H2Conservative Vermögensfreunde	466	194
Wealth Fund World Class Brands Vermögensfreunde Cap	962	395
Total Carrying Value	**1 932**	**782**

2.1.5.7. NOVIS Digital Assets Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
ELJOVI Multi-Strategy Fund	1 748	0
FIRST TRUST CLOUD COMPUTING FUND	2 403	2 977
ETFMG PRIME CYBER SECURITY E FUND	2 190	2 991
GLOBAL X FUTURE ANALYTICS TE FUND	1 265	1 641
Total Carrying Value	**7 606**	**7 609**

2.1.5.8. NOVIS FIXED INCOME Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
Invesco Bond Fund	468	39
BAILLIE GIFFORD STRAT BD-BA	342	0
UBS (Lux) Bond Fund - Euro High Yield (EUR) I-A1-acc	538	40
Total Carrying Value	**1 348**	**80**

2.1.5.9. NOVIS GLOBAL SELECT Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
Invesco Global Income Fund A EUR	319	30
UBS LUX INST-KEY GLB EQY-AAE FUND	734	50
BAI GIF WW LT GB GRW-AEURA FUND	221	0
USD LUX MD TRM BND EUR-1A 1AC FUND	0	20
UBS LUX B-GL ST FX USD-EHIA 1 FUND	194	0
UBS (Lux) Bond Fund - EUR Flexible-Q ACC FUND	110	0
Total Carrying Value	**1 578**	**100**

2.1.5.10. NOVIS Fondo Interno NOVIS PIR

In thousands of EUR	31.12.2020	31.12.2019
LYXOR FTSE ITA MID CAP PIR FUND	186	20
GENER SM PIR VALOR ITALIA- IX FUND	93	60
GENER SM PIR EVOLU ITALIA-IX FUND	189	121
Total Carrying Value	**468**	**202**

2.1.5.11. NOVIS SUSTAINABILITY Insurance Fund

In thousands of EUR	31.12.2020	31.12.2019
UBS Global Sustainable Q-acc	311	40
BAILLIE GIFF GB STEWARDS-BNA FUND	302	0
INVESCO Fds Inv Sust Alloc Fd A EUR Cap	122	40
Total Carrying Value	**735**	**80**

2.1.5.12. NOVIS Co-Branded Insurance Funds

In thousands of EUR	31.12.2020	31.12.2019
Fidelity Global Dividend A-Acc-EUR-Hdg	2 831	3 047
JPMorgan Global Income Fund D Acc EUR	2 922	3 326
JPMorgan Emerging Markets Dividend Fund	3 270	3 676
Concorde Hold Alapok Alapja	2 361	2 649
Fidelity Global Multi Asset Income Fund	2 112	2 434
Concorde Rövid Futamidejű Kötvény Befektetési Alap	1 474	1 615
Templeton Global Bond N Acc USD	1 503	1 692
JPMorgan Funds - Latin America Equity Fund	342	337
Fidelity Emerging Asia Fund	543	383
Total Carrying Value	**17 358**	**19 160**

2.1.6. 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	31.12.2020	31.12.2019 RESTATED	31.12.2019 REPORTED
Positive PVECF	205 648	177 531	189 501
Less margin	-27 274	-47 666	-56 070
Value of Insurance Contracts	**178 374**	**129 865**	**133 431**
ILS Based Financing	-22 432	-1 852	-1 851
Total Carrying Value	**155 942**	**128 013**	**131 580**

Analysis of insurance contracts asset by country:

In thousands of EUR	Standard and Poor's Country Rating	31.12.2020	31.12.2019 RESTATED	31.12.2019 REPORTED
Italy	BBB	145 095	75 261	76 808
Iceland	A-	31 079	40 937	43 108
Hungary	BBB	588	6 848	6 848
Slovakia	A+	718	4 357	4 303
Czech Republic	AA-	81	1 507	1 474
Germany	AAA	627	240	226
Poland	A-	41	404	380
Austria	AA+	144	310	283
Total Carrying Value		**178 374**	**129 865**	**133 431**

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

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 distributor partners. The lapse rates in Hungary are lower comparing to CE countries because of the tax bonus the policyholders receive for the pension product and penalization for the policyholder set by Hungarian state in case the contract is cancelled before reaching the retirement age. Mortality assumption is based on the most recent available mortality tables for each country. Average administrative expenses per contract reflect 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.

Restatement of 2019 values reflects the modelling adjustments of PVECF for which necessity has been identified after approval of the 2019 financial statements by the ordinary shareholders' meeting and issuing of the auditors' report. The adjustments cover i.) modelling the clawbacks of commissions, ii.) modelling the payment of acquisition commission spread over several years, iii.) modelling the follow-up commission for the Icelandic market and iv.) modelling the attribution of appreciation for the four internal insurance funds that the Company has introduced in late 2019.

Below find the sensitivity of insurance contracts assets and technical provisions as at 31 December 2020 to changes in assumptions underlying the PVECF calculation:

In thousands of EUR	Change to Insurance Contracts asset	Change to Insurance Contracts asset in %
Interest rate - 100 basis points change	7 300	4,09%
Interest rate + 100 basis points change	-9 381	-5,26%
Operating costs of insurance contracts per unit -10% decrease	2 905	1,63%
Operating costs of insurance contracts per unit +10% increase	-2 890	-1,62%
Lapse rate -10% decrease	12 920	7,24%
Lapse rate +10% increase	-11 229	-6,30%
Mortality -10% decrease	1 649	0,92%
Mortality +10% increase	-1 616	-0,91%
Critical illness - 10 percentage points change	1 622	0,91%
Critical illness + 10 percentage points change	-1 595	-0,89%
Inflation - 100 basis points change	3 560	2,00%
Inflation + 100 basis points change	-4 461	-2,50%

In thousands of EUR	Change to Technical Provisions	Change to Technical Provisions in %
Interest rate - 100 basis points change	2 599	3,38%
Interest rate + 100 basis points change	-1 018	-1,33%
Operating costs of insurance contracts per unit -10% decrease	-528	-0,69%
Operating costs of insurance contracts per unit +10% increase	554	0,72%
Lapse rate -10% decrease	812	1,06%
Lapse rate +10% increase	-721	-0,94%
Mortality -10% decrease	-85	-0,11%
Mortality +10% increase	87	0,11%
Critical illness - 10 percentage points change	-615	-0,80%
Critical illness + 10 percentage points change	588	0,77%
Inflation - 100 basis points change	-226	-0,29%
Inflation + 100 basis points change	261	0,34%

2.1.7. 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	31.12.2020	31.12.2019
Receivables from Reinsurers	4 508	733
Share of RI on Claim Reserves	481	258
Total Carrying Value	**4 990**	**991**

2.1.8. Other Receivables

In thousands of EUR	Rating	31.12.2020	31.12.2019
Prepayments	Unrated	229	846
Distribution Partners	Unrated	580	240
Deferred Acquisition Costs	Unrated	14	77
Miscellaneous	Unrated	601	346
Securities Brokers	Unrated	-	94
Total Carrying Value		**1 425**	**1 603**

2.1.8.1. Prepayments

Prepayments relate to contractors and service providers. The balance as of 31 December 2020 consists foremost of prepayments paid to suppliers of advertising services in the amount of EUR 150 thousand. As of 2019 the balance relates to prepayments paid to suppliers of advertising services in the amount of EUR 366 thousand and EUR 280 thousand to distribution partner.

2.1.8.2. Distribution Partners

The amounts due from distribution partners represent claw backs arrangements for returning of a corresponding part of selling commissions upon cancellation of the related insurance contract. The amount due from distribution partners is net of impairment provision of EUR 1 030 thousand (2019: EUR 464 thousand). In 2020 the Company recognised an impairment loss of EUR 565 thousand (2019: 110 thousand) on amounts due from distribution partners [2.4.8.9].

2.1.8.3. Securities Brokers

NOVIS has used services of Tatra Banka, a.s. for purchase of securities in 2020.

2.1.8.4. Deferred Acquisition Costs

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

2.1.8.5. Miscellaneous

Miscellaneous receivables include mainly amount due from Company's shareholder.

2.1.9. Bank Deposits

In thousands of EUR	31.12.2020	31.12.2019
Resticted cash balance on current bank account	1 574	687
Current Bank Accounts	6 502	2 975
Current Accounts and Cash	**8 076**	**3 662**
Allocation of Cash to Unit Link Assets	-4 489	-2 240
Carrying Value	**3 587**	**1 422**

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

2.1.9.1. Current Accounts and Cash

Current bank accounts are in seven countries of the EU.

In thousands of EUR	Credit rating (Moody's)	31.12.2020	31.12.2019
Tatra Banka Slovakia	Baa1	2 481	1 018
Landsbankinn Iceland	Baa1	382	579
UniCredit Bank CZ and SK	Baa2	2 504	509
Volksbank Italy	Baa2	321	502
LBBW Bank Germany	Baa3	154	129
Granit Bank Hungary	n/a	577	123
PKO Banka Poland	Baa1	69	78
Anadi Bank Austria	n/a	1 537	698
BKS Bank Austria	n/a	4	19
NHB Bank	n/a	0	0
SLSP Slovakia	Baa1	2	2
Nordea Bank	Aa3	47	4
Carrying Value		**8 076**	**3 662**

2.2. Equity and Liabilities

2.2.1. Equity

In thousands of EUR	31.12.2020	31.12.2019 RESTATED	31.12.2019 REPORTED
Share Capital	6 815	6 815	6 815
Share Premium	1 174	1 174	1 174
Own Shares	-964	-964	-964
Statutory Reserve Fund	1 367	1 363	1 363
FVOCI Reserve	311	973	973
Retained Earnings	23 956	20 231	20 231
Profit for the Current Year	3 753	3 729	6 429
Total Equity	**36 412**	**33 320**	**36 020**

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 2020 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 (2019: 6 370 in total purchase price EUR 964 thousand).

In 2020 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 recognised 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 recognised 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	31.12.2020	31.12.2019
Bank Loans	7 000	2 532
Subordinated Loans	0	200
Other borrowings	39	51
Total Carrying Value	**7 039**	**2 782**

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	31.12.2020	31.12.2019
Opening borrowings	2 782	3 913
Cash drawdowns	5 448	0
Cash repayments	-1 191	-1 131
Closing balance of borrowings	**7 039**	**2 782**

2.2.2.2. Subordinated Loans

In 2020 the Company had repaid outstanding borrowing classified as subordinated loan totalling EUR 200 thousand.

2.2.3. Other Liabilities

In thousands of EUR	31.12.2020	31.12.2019
Distribution Partners	6 208	3 991
Policyholders	988	1 352
Employees and Social Security	335	284
Suppliers and Contractors	1 400	1 095
Accruals	587	414
Tax Authorities	189	169
Miscellaneous	-476	14
Total Carrying Value	**9 231**	**7 320**

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 recognised as a liability in the period in which the Company's employees are entitled to receive them in exchange for their services. The Company has no contractual or constructive obligation to pay any further contributions to the state social insurance, government or private pension funds beyond the contributions set by laws in exchange for past employee service.

2.2.3.4. Suppliers and Contractors

Suppliers are defined as business partners other than distribution partners who provide services and deliver goods to the Company. Contractors are specific suppliers providing either specific consultancy 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. Financial Operations

This item represents a liability towards the Securities Brokers.

2.2.3.7. Tax Authorities

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

2.2.4. Life Insurance Provisions

In thousands of EUR	31.12.2020	31.12.2019
Provision for guaranteed insurance fund	16 615	14 076
Unearned premium reserve	21	110
Reported but not settled provision	813	727
Incurred but not reported provision	662	270
Total Carrying Value	**18 111**	**15 183**

Changes in Life Insurance Provisions:

In thousands of EUR	2020	2019
Opening Balance	**15 183**	**12 181**
Change in provision for guaranteed insurance fund	2 539	3 697
Change in additional provision for liability adequacy test	0	0
Change in unearned premium reserve	-89	-256
Change in reported but not settled provision	85	-156
Change in incurred but not reported provision	393	-284
Total changes in provisions	**2 928**	**3 002**
Closing balance	**18 111**	**15 183**

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 2020 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 year. The policyholders that chose this option are guaranteed the set return for one year and that the return on their account value will not be negative should the Company suffer losses on its investments in the future.

2.2.4.2. Unearned Premium Reserve

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

2.2.4.3. 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 standard actuarial statistical methods taking in consideration the average claim amount, average frequency of insurance events, average number of days from event occurrence until the event is reported and the number of insurance contracts. Where insufficient historical data are available, the provision is estimated applying expert judgement.

2.2.5. Unit-linked Insurance Provision

In thousands of EUR	31.12.2020	31.12.2019
Unit-linked Provision for UL Insurance Funds	60 200	44 036
Total Carrying Value	**60 200**	**44 036**

The amount represents surrender value of insurance or excess of absolute values of negative PVECF over surrender value corresponding to the allocation ratio of the non-guaranteed insurance funds (Note 2.1.6.). The increase of unit-linked insurance provisions during 2020 was mainly driven by the boost of surrender values in Hungary, Italy, Slovakia, and Czech Republic.

Changes in Unit-Linked Insurance Provisions were:

In thousands of EUR	2020	2019
Opening Balance	**44 036**	**28 895**
Contributions to unit-linked reserves	50 784	41 373
Insurance charges	-34 620	-26 232
Total changes in provisions	**16 164**	**15 141**
Closing balance	**60 200**	**44 036**

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 used the financing capacity provided by consortium of reinsurance companies: (a) Hannover Re, (b) Swiss Re, (c) MAPFRE RE, (d) Helvetia and (e) Swiss Life.

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	31.12.2020	31.12.2019
Loss Carried Forward	58 667	61 928
Loss Carried Forward - Gap Financing	1 165	1 422
Other Liability Towards Reinsurer	15 791	11 501
Total Carrying Value	**75 623**	**74 851**

2.2.6.1. Loss Carried Forward (LCF)

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

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

2.2.6.2. Settlement Liability towards Reinsurer

Other liabilities represent unpaid balance due to the reinsurers as of the end of the reporting period resulting from the agreed reinsurance financing scheme.

2.2.7. Tax Liabilities

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

In thousands of EUR	31.12.2020		31.12.2019	
	Gross	Tax effect	Gross	Tax effect
Tax loss carry-forwards	-75 276	-15 810	-56 294	-11 822
Insurance Contracts Valuation (temporary difference)	178 374	43 341	133 431	32 421
IBNR (temporary difference)	-662	-139	-270	-57
FVOCI Valuation (temporary difference)	299	63	970	204
Current income tax payable	-	2	-	-
Total Carrying Value	**102 735**	**27 457**	**77 837**	**20 746**

2.2.7.1. Tax Loss Carry Forwards

The tax loss carry-forwards expire as follows:

In thousands of EUR	31.12 2020	31.12 2019
Expires in 2017	-	-
Expires in 2018	-	-
Expires in 2019	-	-
Expires in 2020	-	18 197
Expires in 2021	26 429	17 134
Expires in 2022	23 762	14 467
Expires in 2023	15 790	6 496
	9 295	-
Tax loss carry forward	**75 276**	**56 294**

2.2.7.2. Deferred Tax Liability

Deferred tax liability is calculated using the balance sheet liability method on tax loss carry forwards and temporary differences between tax base and carrying value of assets and liabilities. Principal temporary difference represents the Insurance Contracts asset described in Note 2.1.6.

The deferred tax is recognised at the enacted applicable corporate income tax rate of 21%, which will apply when the temporary differences reverse, plus the special levy rate of 3.298% since 2017 (Note 2.2.7.3).

2.2.7.3. Special Levy on Profits

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

Calculation of applicable tax rate	31.12 2019
Standard income tax rate	21,00%
Special levy rate	4,36%
Effect of deductibility of special levy from standard tax rate*	-1,06%
	24,30%

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

Management applies judgement whether the special levy applies to operations of its foreign branches in the context of double tax treaties and the fact that the special levy is in substance a tax on income. Further the amount of the tax levy depends on whether taxable profits from portfolio in force that gives rise to the temporary differences will exceed EUR 3 million years when they will be realised.

As the contracts are long-term, management estimated that this would not occur for portfolio that was in force on 31 December 2020. Management has reassessed this estimate in 2020 in line with the growth of the Company's portfolio and recognised an additional deferred tax liability of EUR 1 614 thousand in relation to special levy in profits in 2020 (2019: 1 318 thousand EUR).

2.3. Income

2.3.1. Gross Premium Income

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

In thousands of EUR	2020	2019
Italy	19 271	16 233
Iceland	11 250	8 668
Hungary	9 768	17 966
Slovakia	3 759	4 394
Czech Republic	1 914	2 418
Germany	1 080	1 078
Austria	96	218
Poland	89	130
Finland	25	115
Sweden	550	-
Gross Premium	**47 803**	**51 222**
Finland - Unearned Premium Reserve	89	256
Gross Premium Income	**47 892**	**51 477**

2.3.2. Commission from Reinsurer

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

2.3.3. Contribution to Claims from Reinsurer

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

2.3.4. Investment Income

In thousands of EUR	2020	2019
Gains less losses on financial assets at FVTPL*	-1 540	4 206
Accrued Interest	248	160
Dividends	176	138
Impairment of Variable Income Securities	222	-222
Other Investment Income	328	0
Total	**-566**	**4 282**

* Fair value through profit or loss.

2.3.5. Change in the Insurance Contracts Asset

This item represents change in the Insurance Contracts asset in the Statement of Financial Position (Note 2.1.6.).

In thousands of EUR	2020	2019 RESTATED*	2019 REPORTED
Closing balance of Insurance Contracts asset	178 374	129 865	133 431
Less opening balance of Insurance Contracts asset	-129 865	-93 464	-93 464
ILS Ceded Premium**	194	-194	-194
Total change in the value of insurance contracts	**48 703**	**36 207**	**39 773**

* * Restatement relates to the position Insurance Contracts (details in note 2.1.6)

** 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 the result of Commissions to Intermediaries and commissions that intermediaries must repay because of the cancellation of insurance contracts (Claw back).

In thousands of EUR	2020			2019		
	Gross	Claw-back	Net	Gross	Claw-back	Net
Iceland	6 231	-1 667	**4 564**	8 304	-1 151	**7 152**
Italy	38 613	-7 031	**31 582**	31 466	-1 288	**30 178**
Hungary	905	-149	**756**	3 124	-158	**2 966**
Slovakia	465	-151	**314**	1 710	-292	**1 418**
Sweden	209	-	**209**	-	-	**-**
Germany	611	-206	**405**	147	-335	**(188)**
Czech Republic	180	-152	**28**	415	-160	**255**
Finland	112	-29	**83**	509	-202	**307**
Poland	3	-204	**(201)**	94	0	**94**
Austria	5	-55	**(51)**	39	-11	**28**
Total	**47 334**	**(9 644)**	**37 689**	**45 808**	**(3 598)**	**42 211**

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	2020	2019
Paid Claims	2 950	2 875
Partial Surrender Pay-out and Surrender Pay-out	6 919	2 483
Change in Provision for Reported but not Settled Claims	85	-156
Change in Provision for Incurred but not Reported Claims	393	-284
Total	**10 347**	**4 918**

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	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	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	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
Disability	2020	0	11	44	0	0	0	55
	2019	0	8	3	0	0		11
	2018	0	10	79	2	0	0	91
	2017	-	36	103	-	-	-	139
	2016	-	6	-	-	-	-	6
Total	**2020**	**22**	**1 607**	**880**	**2**	**30**	**409**	**2 950**
	2019	**42**	**1 601**	**1 064**	**0**	**97**	**71**	**2 875**
	2018	**25**	**1 178**	**1 071**	**25**	**107**	**1**	**2 407**
	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	31.12.2020	31.12.2019
Slovakia	105	182
Hungary	14	8
Czech Rep.	41	88
Germany	2	0
Finland	17	16
Other	14	4
Total	**193**	**298**

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 improvement of the statistics of reported claims in 2019.

2.4.3. Change in Life Insurance Provisions

In thousands of EUR	2020	2019
Change in insurance provision for guaranteed insurance fund	2 539	3 697
Change in additional insurance provision for liability adequacy test	0	0
Total	**2 539**	**3 697**

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	2020	2019
Contributions to unit-linked reserves	50 784	41 373
Insurance charges	-34 620	-26 232
Total	**16 164**	**15 141**

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	2020	2019
Gross Reinsurance Premium	41 208	33 964
Share of the Reinsurer on Change in Technical Provision / Savings Part	-17 500	-16 357
Reinsurance Premium - Other	498	279
Total	**24 206**	**17 886**

2.4.6. Change in Liability towards Reinsurers

In thousands of EUR	2020	2019
Change in Loss Carried Forward	-6 229	20 151
Total	**-6 229**	**20 151**

2.4.7. Investment and Financing Costs

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

In thousands of EUR	2020	2019
Interest on Bank Loans and Subordinated Loans	233	199
Interest on other borrowings	0	0
Losses on financial assets at FVTPL*	0	0
Other Investment Costs	100	59
Financing Costs - Securis Financing	703	38
Total	**1 035**	**297**

2.4.7.1. Interest on Bank Loans and Subordinated Loans

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

2.4.7.2. Interest on Other Borrowings

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

2.4.7.3. 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	2020	2019
Gross Salaries	3 300	3 076
Employer Pension Contribution	1 075	983
Outsourcing	369	516
Other Employer Social Security Contributions	408	373
Personnel costs	**5 152**	**4 948**
Professional Services	2 406	1 798
Telecommunications, Internet, Postage Services	580	586
Other Taxes, Fees and Fines	665	291
Rent of Premises	640	665
Bad Debt Provisions	565	110
Advertising and Marketing	351	1 395
Other Financial Costs	339	53
Depreciation and Amortization	630	335
Travel, Car Rental and Car Fuel	223	424
Audit Expense	170	213
Other Operating Costs	-284	211
Other Acquisition Costs	72	327
Utilities and Related Costs	88	126
Total	**11 597**	**11 481**

2.4.8.1. Personnel Costs

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

2.4.8.2. Other Acquisition Costs

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

2.4.8.3. Rent of Premises

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

2.4.8.4. Telecommunications, Internet, Postage Services

The entity has used mainly services of the Slovak Telekom in the past to cover voice and data connection and data warehousing. These costs have increased during past year due to rapidly growing usage of cloud services, as NOVIS migrated its entire operation to the cloud of IBM and Rackscale, as well as due to services including licensing of Apollon provided subsidiary Novis Tech – these costs have been borne directly by NOVIS in the past. This category also contains expenses for postal and courier services.

2.4.8.5. Professional Services

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

2.4.8.6. Audit Expense

Mazars Slovensko, s.r.o. serves as the statutory auditor of the entity. The statutory audit fee was EUR 164 thousand (2019: EUR 164 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

NOVIS has realized marketing Campaign through Television, Radio and Internet channels. The expenses correspond mainly to the use of the media space, which was contracted and paid in the past, but recognized in 2020.

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 110 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.

2.4.8.12. Other Taxes, Fees, Penalties

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

2.4.9. Deferred Tax Expense

The deferred tax expense represents the change in the deferred tax liability and deferred tax assets in the period.

In thousands of EUR	2020	2019 RESTATED	2019 REPORTED
Change in deferred tax liability - insurance contracts asset	11 787	8 845	9 711
Change in deferred tax asset - IBNR	-82	71	71
Change in deferred tax asset - FVOCI	-141	204	204
Change in deferred tax asset for tax loss carry forwards	-3 986	-2 580	-2 580
Total	**7 577**	**6 540**	**7 406**

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	2020	2019 RESTATED	2019 REPORTED
Corporate Income Tax – Slovakia	2	-	-
Special Levy on Profits	-	-	-
Total	**2**	**0**	**0**

2.4.10.1. Corporate Income Tax – Slovakia

The applicable corporate income tax represents 21% (2019: 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 recognised as income will be taxed only at the time of its realization and not already at the time when the insurance policies are valued in these financial statements prepared in accordance with IFRS, because the insurance contracts asset effectively represents a negative reserve and the Decree of MF SR requires adjustments to IFRS profits before they are considered as a starting point for tax calculation in the area of insurance reserves and deferral of acquisition costs. The current tax expense and liabilities are recognised on assumption that the Company will successfully defend its approach.

2.4.11. Effective Tax Reconciliation

In thousands of EUR	2020	2019 RESTATED	2019 REPORTED
Profit before tax	**11 332**	**10 269**	**13 835**
Tax at applicable tax rate of 24.298% (2019: 24.298%)	**2 753**	**2 485**	**3 362**
Non-taxable income/non-deductible costs:			
Non-deductible expenses for corporate tax purposes	1 245	244	233
Recognition of deferred tax on special levy on realized profits if they exceed EUR 3 million a year	5 883	4 400	4 400
Expiry of prior tax loss carry-forwards and other	-2 304	-589	-589
Total tax expense	**7 577**	**6 540**	**7 406**

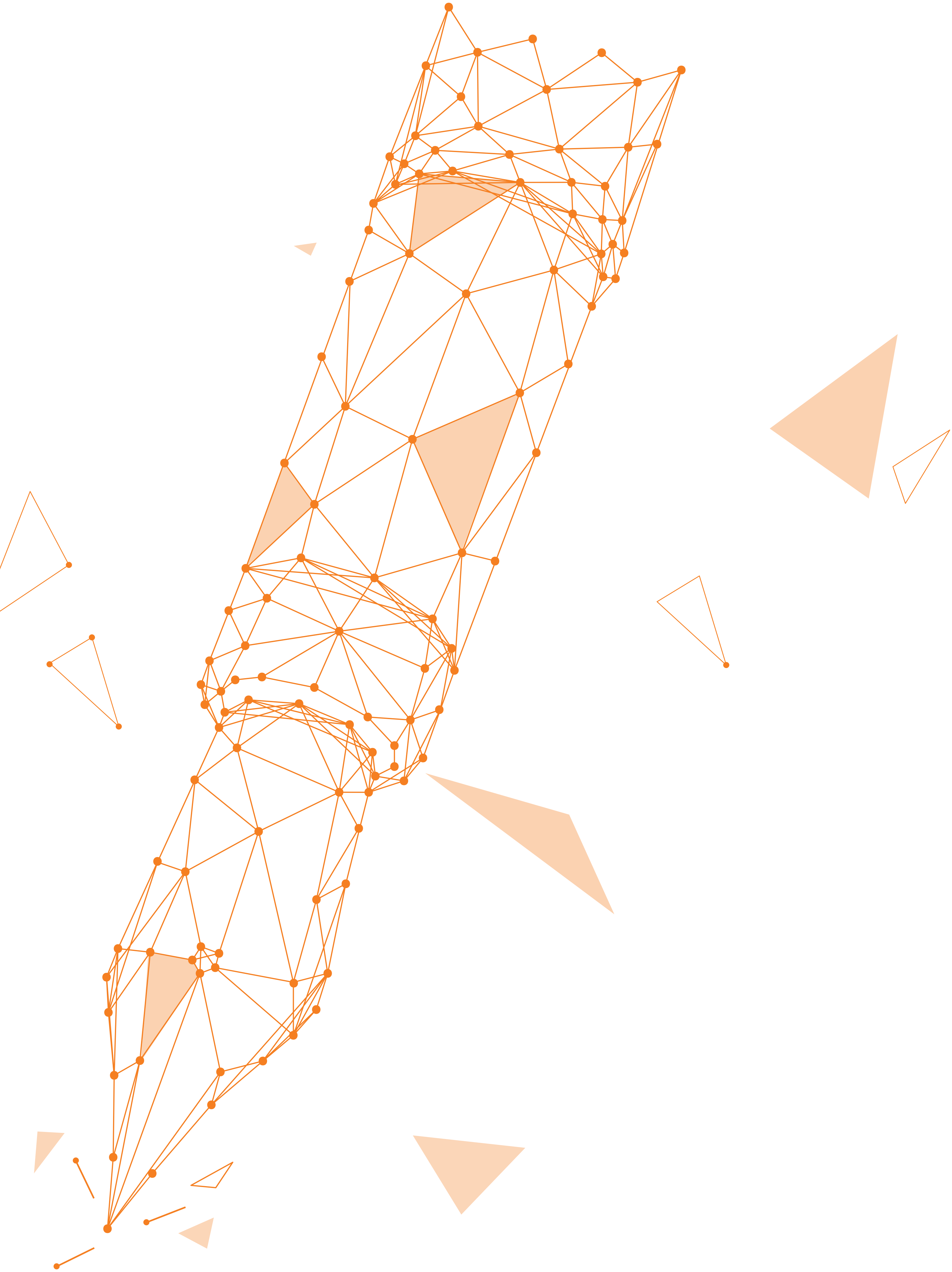
2.5. Cash Flow Statement

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.

E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. OTHER DISCLOSURES



3.1. Structure of the Company's business by countries

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

Number of Insurance Contracts - Portfolio Size (count)

	HU	IT	SK	IS	CZ	DE	FI	AT	SE	PL	Total
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
2020	9,768	19,271	3,759	11,250	1,914	1,080	25	96	550	89	47,803
2019	17,966	16,233	4,394	8,668	2,418	1,078	115	218	-	130	51,222
2018	18,773	7,055	4,403	2,805	2,573	2,401	1,094	188	-	171	39,463
2017	13,487	2,996	3,183	-	2,370	1,609	196	121	-	81	24,043
2016	7,969	-	1,971	-	1,878	970	-	54	-	-	12,842
2015	4,767	-	1,162	-	841	202	-	-	-	-	6,972

Insurance Provisions (in thousands of EUR)

	HU	IT	SK	IS	CZ	DE	FI	AT	SE	PL	Total
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	SE
Death	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	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	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	2020	n/a	n/a	30,68%	n/a	57,92%	n/a	n/a	n/a	n/a
	2019	n/a	n/a	9,83%	n/a	0,00%	n/a	n/a	n/a	n/a
	2018	n/a	n/a	0,00%	n/a	69,64%	n/a	n/a	n/a	n/a

Insurance risks concentration:

In thousands of EUR		HU	IT	SK	IS	CZ	DE	FI	AT	PL	SE	Total
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**
2018	Sum insured for risk of death	26,987	93,990	105,972	87,148	38,940	16,031	18,537	4,916	4,787	0	**397,307**
	Sum insured for critical illness	1,241	140	150,228	45,492	72,063	5,330	-	450	1,014	0	**275,957**
	Sum insured for injury	1,315	70	135,613	18,859	93,099	2,666	-	645	956	0	**253,222**
	Sum insured for disability	-	-	18,728	-	38,498	-	-	-	-	0	**57,227**
	Total	**29,542**	**94,200**	**410,541**	**151,499**	**242,600**	**24,026**	**18,537**	**6,011**	**6,756**	**0**	**983,712**

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**
Underwriting year	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	8.68%	1.54%	1.96%	1.06%	0.81%	2.03%	0.28%
	2015	9.60%	3.45%	1.99%	1.79%	2.42%	1.21%	
	2016	8.43%	3.28%	1.70%	2.23%	0.85%		
	2017	2.21%	2.50%	2.07%	2.03%			
	2018	2.74%	2.41%	2.61%				
	2019	4.54%	1.34%					
	2020	0.00%						
Italy								
Underwriting year	2013	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
	2015	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a		
	2017	1.31%	1.89%	4.82%	0.91%			
	2018	1.46%	3.41%	1.68%				
	2019	1.54%	1.42%					
	2020	0.38%						

Slovakia		Lapsed in policy year 1	2	3	4	5	6	7
Underwriting year	2013	14.29%	5.56%	0.00%	5.88%	6.25%	6.67%	0.00%
	2014	17.34%	10.91%	8.10%	5.12%	4.10%	9.01%	3.47%
	2015	17.97%	15.51%	9.84%	8.65%	11.21%	5.33%	
	2016	22.13%	13.08%	10.46%	10.17%	6.77%		
	2017	9.07%	9.93%	10.27%	6.54%			
	2018	8.76%	10.73%	8.27%				
	2019	10.37%	8.85%					
	2020	8.22%						
Iceland								
Underwriting year	2013	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
	2015	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a		
	2017	n/a	n/a	n/a	n/a			
	2018	12.18%	12.85%	5.72%				
	2019	11.55%	5.29%					
	2020	7.29%						
Czech Republic								
Underwriting year	2013	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
	2015	17.19%	15.23%	20.90%	14.20%	15.98%	6.99%	
	2016	13.43%	12.53%	22.89%	18.84%	7.38%		
	2017	9.07%	12.88%	15.76%	8.04%			
	2018	9.66%	14.88%	8.74%				
	2019	12.29%	13.38%					
	2020	0.00%						

Germany		Lapsed in policy year						
		1	2	3	4	5	6	7
Underwriting year	2013	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
	2015	24.84%	18.18%	32.32%	19.40%	3.70%	9.62%	
	2016	5.45%	19.23%	7.14%	5.13%	13.51%		
	2017	5.94%	11.65%	6.59%	1.76%			
	2018	14.32%	10.95%	5.18%				
	2019	50.00%	0.00%					
	2020	6.57%						
Austria								
Underwriting year	2013	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
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2016	71.13%	35.71%	5.56%	0.00%	0.00%		
	2017	32.84%	4.44%	6.98%	2.50%			
	2018	13.79%	10.00%	2.22%				
	2019	25.00%	22.22%					
	2020	0.00%						
Poland								
Underwriting year	2013	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
	2015	n/a	n/a	n/a	n/a	n/a	n/a	
	2016	n/a	n/a	n/a	n/a	n/a		
	2017	36.36%	28.57%	14.55%	6.38%			
	2018	35.56%	26.44%	12.50%				
	2019	77.14%	0.00%					
	2020	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 2.1.6.) are in full attributed to the respective customer insurance accounts, thus the policyholder carries the investment result in full. The Company places the assets in line with the statutes of the various insurance funds and the current investment policy based on considering both the return potential and the risks.

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

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

Product	Name of the Insurance Fund	Expected development during a financial crisis	Percentage representation in the portfolio	
			2020	2019
NOVIS Standard Product	Guaranteed Insurance Fund	Guaranteed up	18.5%	26.1%
	ETF-shares Insurance Fund	Down	17.6%	15.1%
	Gold Insurance Fund	Probably up	11.2%	9.6%
	Entrepreneurial Insurance Fund	Probably down	7.9%	7.3%
	Mortgage Insurance Fund	Up or down	4.9%	6.1%
	Family Office Insurance Fund	Probably up	8.0%	9.7%
	World Brands Insurance Fund	Down	3.9%	3.5%
	Digital Insurance Fund	Probably down	21.6%	22.2%
	Fixed income	Probably down	0.0%	0.0%
	Global select	Probably down	2.0%	0.1%
	PIR	Probably down	2.5%	0.2%
	Sustainability	Probably down	0.7%	0.0%
Co-Branded Product	Guaranteed Insurance Fund	Guaranteed up	25,9%	20,4%
	Co-Branded Insurance Funds	Probably down	74.1%	79.6%

3.2.7. Credit Risk

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

1. Banks - due to the increased bail-in risk established through EU-law being in force since the beginning of 2016, the Company launched a process of diversifying its bank deposits among a steadily increasing number of banks in various countries (Note 2.1.9.).
2. Government Bonds (Note 2.1.3.) – It is set by the Company's Risk Management Policy, that the Company is not investing in government bonds of countries having significant negative trade balance current account (NOVIS has invested to government bonds of Slovakia[1], Hungary[2], the Czech Republic[3] and Poland[4] till the end of the reporting period). The Company's risk policy is based on the learning that one cannot find any sovereign defaults in peace time from countries that had positive or at least balanced current accounts.
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 2.1.6.

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 in the course of the 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 2020 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. As the Company is reflecting the Value of Insurance Contracts on the Balance Sheet in greater extent comparing to the previous years (Notes 2.1.6.) and the Value of Insurance Contracts is strongly driven by insurance contracts denominated in other currency than Euro, weakening / strengthening of Euro by 5% against Hungarian Forint and/or Czech Koruna and/ or Polish Zloty (expected volatility on EUR/HUF, EUR/CZK and EUR/PLN pairs based on past 2 years is within the range of 5%) would affect the Profit Before Taxes by EUR 34 thousand (2019: EUR 452 thousand) (based on country split of the Values of Insurance Contracts mentioned in Note 2.1.6.). Although The Company has slow down its expansion in 2019, it still intends to expand its activities on actual and new markets, which will contribute to diversifying also the currency risk in next years. Despite the natural hedging of the currency risk

[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

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.

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

Interest rate risk arises from the investments in government bonds and through variable interest borrowings. The impact of interest rate risk on Profit Before Taxes if interest rates changed by 100 basis points with all other variables remaining unchanged (i) would be immaterial in relation to government bonds as fair value represents EUR 13 589 thousand at the end of year 2020 and (ii) would represent EUR 65 thousand at the most in relation with variable interest borrowings representing EUR 7 000 thousand at the end of year 2020. Company is not significantly exposed to interest rate risk as the main source of financing from reinsurers bears fixed interest rate.

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

Insurers have a choice how to present the maturity analysis of financial instruments and insurance contracts, either (a) as expected periods to maturity or (b) contractual periods to maturity assuming worst-case scenario. The entity has chosen to present the worst-case scenario assuming that all of their customers terminate the insurance contracts at the year-end in full. In this scenario, (i) surrender value is immediately due to the customers, (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 2020:

In thousands of EUR		Less than 6 months	6 months to 5 years	Total
Assets	Fixed Income Securities	9 427	-	9 427
	Variable Income Securities	0	-	0
	Assets Invested for Unit-linked Insurance Provisions	52 785	-	52 785
	Claw back of previously paid commissions	580	-	580
	Reinsurance Contracts	4 990	-	4 990
	Other Assets*	1 425	-	1 425
	Bank Deposits	2 013	1 574	3 587
	Total	**71 220**	**1 574**	**72 794**
Liabilities	Insurance Provisions (Life and Unit-linked)	63 897	-	63 897
	Other Liabilities*	9 231	-	9 231
	Borrowings	39	7 000	7 039
	Total	**73 167**	**7 000**	**80 167**
The Difference – Excess/(Shortfall) Liquidity 2020		**-1 947**	**-5 426**	**-7 373**
The Difference – Excess/(Shortfall) Liquidity 2019		**3 210**	**-1 845**	**1 365**

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

3.3. Information about related parties' transactions

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

In thousands of EUR	2020	2019
Cash contribution to share capital from MB members	-	-
Cash contribution to share capital from SB members	-	-
Services provided by related party to the Company*	45	211
Salaries and remuneration of the MB members	382	416
Salaries and remuneration of the SB members	189	149
Social security contributions for MB members	142	144
Social security contributions for SB members	84	69

* 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 2020, the Company has not been involved in any active lawsuit as defending party.

3.4.2. Rent

As at 31 December 2020, future minimum rent payable for offices within one year is EUR 649 thousand (2019: EUR 649 thousand), payable in 2-5 years is EUR 2 475 thousand (2019: 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

Hungary
MNB (Hungarian central bank) has issued a decision delivered in May 2020 in which it prohibits the distribution of product Sensum until the reinstatement of the circumstances of the distribution compliant with the legal requirements of the customer information regarding the TKM (cost indicator) values and the future performance scenarios. No fine was imposed to NOVIS in respect to the decision.

Slovakia
In September 2020, NBS has issued an interim measure setting i.) a conditional and temporary obligation for the Company to refrain from accepting new insurance contracts with investment component during month following the month at the end of which certain condition is not fulfilled (surrender values of all contracts have to be covered by eligible assets at the end of the respective month), ii.) an obligation to invest all premiums received in line with the insurance contracts and iii) related reporting duties. The inappropriate interpretation of the interim measure by foreign regulators has been followed by publishing misleading information about general sales ban for Novis on their websites, which was definitely not the case. The Company appealed against the decision on interim measure, and the second-instance, namely the Bank Board of NBS, decided in February 2021 to partially annul the interim measure, specifically meaning that the Company is not limited by accepting new contracts. The interim measure has been formally terminated by the decision of NBS issued in April 2021. This decision sets an obligation for the Company to invest all premiums received in line with the insurance contracts and also to realize investments in extent larger than the level of technical reserves – the Company has filed an appeal against this decision.

In November 2020, NBS has issued an interim measure limiting the Company by free disposal of assets by other than insurance linked activities and setting reporting and documentation duties. The Company has filed an appeal against this decision and the second-instance, namely the Bank Board of NBS, decided in April 2021 to partially annul the interim measure, meaning that the Company is free to dispose of its assets in connection with all ordinary activities.

Czech Republic
Czech National Bank has decided to impose a fine of CZK 1,000,000 for shortcomings in the area of insurance distribution and KID (key information documents) during a certain period, which was, after the appeal of the Company, confirmed by a second instance, namely the Bank Board of the Czech National Bank. The Insurance Company filed an administrative action against that decision by the competent court.

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 2020.

In thousands of EUR	Loans and Receivables	Assets at FVTPL	Assets at FVOCI	Insurance contracts	Total
Bank Deposits	3 587	-	-	-	3 587
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	1 425	-	-	-	1 425

* 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 2019.

In thousands of EUR	Loans and Receivables	Assets at FVTPL	Assets at FVOCI	Insurance contracts	Total
Bank Deposits	735	-	-	-	735
Restricted Bank Account Balance	687	-	-	-	687
Fixed Income Securities	0	1 415	12 174	-	13 589
Variable Income Securities	-	2 700	-	-	2 700
Assets Invested for UL	-	44 036	-	-	44 036
Value of Insurance Contracts	-	-	-	131 580	131 580
Other Assets	1 603	-	-	-	1 603

* 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

The extraordinary general meeting of shareholders held on 24th May 2021 has decided to issue subordinated convertible bond in total amount of 20 million. The bond issue has been registered with the central depository of securities (CDCP) and listed on the Vienna MTF.

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

3.6. Application of New Accounting Standards and Interpretations

First application of new amendments to existing standards applicable to the current accounting period

The following amendments to existing standards and a new interpretation issued by the International Accounting Standards Board (IASB) and approved by the EU are valid for the current accounting period:

- Amendments to IFRS 3 "Business Combinations" - Definition of a Business (applicable to business combinations the acquisition date of which is the first or any subsequent day of the first accounting period beginning on 1 January 2020 or later and to the acquisition of assets that occurred on or after the date of the beginning of that period),
- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of "materiality" (effective for accounting periods beginning on 1 January 2020 or later),
- Amendments to The Conceptual Framework in IFRS Standards (effective for accounting periods beginning on 1 January 2020 or later),
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Reform of reference interest rates (effective for accounting periods beginning on 1 January 2020 or later),
- Amendments to IFRS 16 "Leases" – Rental relief in connection with the coronavirus pandemic (effective for accounting periods beginning on 1 January 2007 or later).

The application of these amendments to existing standards did not lead to any significant changes in the financial statements.

Standards and amendments to existing standards issued by the IASB and approved by the EU, but which have not yet entered into force

At the date of approval of these financial statements, the following new standards and amendments to standards issued by the IASB and approved by the EU have been issued and have not yet entered into force:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of reference interest rates - Phase 2 (effective for periods beginning on 1 January 2021 or later).

New standards and amendments to existing standards issued by the IASB that have not yet been approved by the EU

At present, IFRS standards approved by the EU do not differ significantly from those approved by the International Accounting Standards Board (IASB) in addition to the following new standards, amendments to existing standards and new interpretations that have not been approved for use in the EU for accounting periods beginning on 1 January 2020 (stated effective dates apply to IFRS in full):

- IFRS 14 "Regulatory accruals accounts" (effective for accounting periods beginning on 1 January 2016 and later) – The European Commission has decided not to start the process of adopting this Pre-Standard and to await its final version,
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or transfer of assets between an investor and its associate or joint venture and other amendments (effective date postponed indefinitely until the equity method review project is completed),
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities as short-term or long-term (effective for accounting periods beginning on 1 January 2022 or later),
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities as short-term or long-term, change in effective date (effective for accounting periods beginning on 1 January 2023 or later),
- Amendments to a limited extent to IAS 16, IAS 37 and IFRS 3 - Income prior to intended use; Disadvantageous contracts – costs of performance of the contract; References to the Conceptual Framework, and Annual Improvements to IFRS for years 2018-2020 – Amendment of IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on 1 January 2022 or later).
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities as short-term or long-term, change in effective date (effective for accounting periods beginning on 1 January 2023 or later),
- IFRS 9 "Financial Instruments" (issued on 24 July 2014 and effective for insurance companies for accounting period beginning on 1 January 2023 or later)
- IFRS 17 "Insurance Contracts" (effective for accounting periods beginning on 1 January 2021 or later),
- Amendments to IFRS 17 and IFRS 4 "Insurance Contracts" (effective for accounting periods beginning on 1 January 2023 or later).

3.7. Date of Authorisation for Issue

These Consolidated Financial Statements have been approved by the Management Board for issue on 29 June 2021.

Siegfried Fatzi Chairman of the Board of Directors	Slavomír Habánik Vice Chairman of the Board of Directors

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

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