ANNUAL REPORT
POISŤOVŇA

2022

wüstenrot

W DOBROM AJ V ZLOM

CONTENTS

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders, Business Partners, Clients, Fellow Workers, Dear Colleagues,

due to the weakening impacts of the COVID-19 pandemic and the ongoing armed conflict in Ukraine, the world experienced an unprecedented situation in 2022. The interruption of supplies of energies and goods on the global markets has resulted in price increases, so we are facing high inflation today, which central banks have already reacted to. The increase in mortgage interest rates has naturally manifested itself in the real estate market and the consequences of the economic and financial crisis were also felt by people living in Slovakia.

Although the world economy faced a number of challenges in 2022, and the sequence of events could be considered unfavourable, our insurance company succeeded in maintaining growth. Our excellent results are a reflection of the relentless effort and high personal commitment of our sales staff and all other company employees, who deserve a huge THANK YOU for this.

Our insurance company achieved remarkable results and growth in gross written premium (“GWP”), closing the FY 2022 with a net profit of almost EUR 0.6 million.

Last year, the Wüstenrot Group sold its real estate portfolio, including its own headquarters, and relocated to new modern offices in the Digital Park Business Centre close to downtown Bratislava in December 2022. With these decisions, we deliberately abandoned the path of the owner and administrator of a real estate portfolio, simplified the Group structure, and began to concentrate more closely on the Group’s primary activities – the insurance company’s growth ambitions.

Thanks to extensive business growth, we have confirmed our strong capital position as an insurance company and we achieved excellent results in both the life and non-life insurance segments.

Life insurance remains our most important source of income and our fastest growing product, and FY2022 was another record year for this segment. Compared to the “pre-crisis” year 2019, own-sale commissions grew by more than 50%. This growth is primarily due to unit-linked life insurance, which is an ideal successor to building society savings. Changes to ‘W dobrom život’ risk life insurance, which were introduced in February and November 2022, also contributed to making us one of the leading insurance companies on the market.

In the non-life insurance segment, we achieved overall growth in new business sales of 17%, primarily driven by product innovations and pro-client digital solutions. With 8% growth, we are currently the third fastest growing insurance company on the market as regards GWP in the MTPL insurance segment.

2021 was a turning year in the history of the Wüstenrot Group in Slovakia. With the establishment of Wüstenrot InHouse Broker, we decided to develop our business network and provide clients with comprehensive financial services and financial intermediation for other financial institutions as regards loan intermediation, saving, and capital markets. Today, we can say that we have succeeded and managed to create a stable position on the financial market, as the Wüstenrot InHouse Broker's production volume tripled in 2022 compared to the previous year.

In 2023, the Wüstenrot Group retained its ambition to grow, strengthen its position on the Slovak market, innovate its product portfolio, and offer new digital solutions to its clients. We expect that our insurance company will primarily grow in the life insurance segment, as we recorded year-on-year growth in new sales of 30% in January 2023 alone. Although loan refinancing became more complicated due to the current level of interest rates, we still see potential for growth at Wüstenrot InHouse Broker.

March 2022

Ing. Marian Hrotka, PhD.
Chairman of the Board of Directors

ABOUT COMPANY

Company profile

Company name	Wüstenrot poisťovňa, a.s.
Headquarters	Digital Park I, Einsteinova 21, 851 01 Bratislava
Share capital	12,418,800 EUR
Identification number	31 383 408
Call centrum	*6060 (0850 60 60 60)
Internet	www.wuestenrot.sk
E-mail	infopoistovna@wuestenrot.sk

Shareholders of the company as at 31 December 2022

Shareholders

wüstenrot	Wüstenrot Versicherungs-Aktiengesellschaft Salzburg, Austria	99.99973%
wüstenrot	Wüstenrot stavebná sporiteľňa, a.s. Bratislava, Slovakia	0.00027%

Company bodies as at 31 December 2022

General Meeting	consisting of the Company’s shareholders	
Supervisory Board	Mag. Gerald Hasler	Chairman
	Dr. Susanne Riess - Hahn	Vice-chairman
	Mag. Gregor Hofstätter-Pobst	Member (since 20 May 2022)
	Mag. Christine Sumper-Billinger	Member
	Andreas Senjak, MBA, CIIA	Member
	Roman Andersch	Member (up to 19 May 2022)
Board of Directors	Ing. Marian Hrotka, PhD.	Chairman
	Mag. Christian Sollinger, CIIA	Member
	Dr. Klaus Wöhry	Member

Company history

Wüstenrot is a financial group originally established in Germany and Austria. The Austrian Wüstenrot Group company entered the Slovak market in the building society saving business in 1993. Wüstenrot životná poisťovňa, a.s. was established in 1998, which (by purchasing Univerzálna banková poisťovňa, a.s.) entered the non-life insurance business in 2003, and has operated on the Slovak market as Wüstenrot poisťovňa, a.s. (hereafter the “Company”) with a universal banking license since 2004.

Company’s objectives

The Company’s mission is to be a professional partner for ensuring financial security at all stages of life.

Company principles and values

Building long – term relationships	– with clients, business partners, employees and co-workers
Efficiency	– is part of everyday communication and management processes
Reliability	– we fulfil set obligations and agreements
Tradition	– we are part of the stable multinational Wüstenrot Group
Fair play	– we honor a fair approach and honesty
Innovative	– we improve products and processes in order to be unique
Respect	– we value the work and opinions of clients, business partners, employees and co-workers
Maximum responsibility	– full commitment is a prerequisite for the success of any activity
Commitment	– we actively work to achieve the set goals

Marketing activities

The weakening impacts of the COVID-19 pandemic, the war in the Ukraine, the energy crisis and increasing inflation all combined to create a great challenge for marketing in 2022. The Company continued to select appropriate marketing tools to support digitization and the move to online communication with clients to the greatest extent possible.
The Company continued its activities supporting the use of online tools, modernizing its services, making communication with clients more efficient, and kept to its decision not to contribute to visual smog, which is becoming an ever greater problem in Slovakia. As regards environmental goals, the Company followed its ESG strategy (environmental, social, and governance). In marketing, ESG activities include digitization of communication processes with clients, such as settlement of insurance claims, online conclusion of insurance contracts, and informing clients via the Wüstenrot portal instead of paper-based communication.

The most significant product changes in 2022 were made to property insurance, which was renamed 'W dobrom domov', in line with our corporate identity. A new online calculator and a new website were introduced as part of insurance modernization and simplification of communication with clients. The visual presentation of the product and the slogan 'Neistá budúcnosť? Ochránime váš domov' (Uncertain future? We'll protect your home) fit together with the Company's main slogan 'W dobrom aj v zlom' (In good and bad times). The campaign was launched in November 2022 with the support of PR tools, social media, and the chance to enter a competition when taking out insurance.

After operating for almost 30 years on the Slovak market, the Company relocated its headquarters in December 2022 and, together with Wüstenrot stavebná sporiteľňa and a Wüstenrot branch, moved to the Digital Park I Business Centre close to Bratislava city centre. This major change was communicated via PR tools, a letter addressed to affected clients, and on the Company's website.

As regards its CSR strategy, the Company used its budget for corporate social responsibility activities to help volunteers in the Ukraine and supported the Slovak Red Cross financially. In December 2022, it launched the 'Rozžiarme spolu Vianoce' (Let's light up Christmas together) campaign, to encourage people to donate aid during the pre-Christmas period and support the 'ČERVENÝ NOS Clowndoctors' civic association financially. Donations could be made via the website.
In 2023, the Company plans to continue digitising its services, innovating its products, and communicating online with clients. As regards digitization, the Company will introduce innovations in online client communication for filing requests electronically and exchanging documentation between clients and the insurance company. The 'electronic filing system' and 'electronic correspondence' services will improve online communication and make the service easier for clients as well as saving the Company's time, lowering costs, and decreasing our environmental impact.

Digitization is one of the Wüstenrot Group's primary goals and has also been introduced at Wüstenrot InHouse Broker. In line with the ESG strategy, Wüstenrot InHouse Broker launched its first image campaign in February 2022, which took place exclusively online. Its goal was to introduce the company's competencies, visual identity, and the new brand's website. The campaign primarily made use of online spots. In the second half of the year, Wüstenrot InHouse Broker presented the Weston online mortgage benchmarking tool, which also assisted the sales staff in acquiring mortgage contacts.

Report of the HR department

No discrimination

All Company employees are equal and principles of equal treatment in employment relations by the Slovak Anti-Discrimination Act (Act No. 365/2004 Coll. on Equal Treatment in Certain Areas and Protection against Discrimination, and on Amendments to Certain Acts) are strictly applied. Under the Guidelines on Sound Remuneration Policies issued by the European Banking Authority (EBA GL 2021/04), Company remuneration is governed by gender-neutral principles, i.e. employees are remunerated for the same work or work of equal value independent of their gender.

Gender-neutral remuneration principles applied at the Company ensure that all remuneration aspects are gender neutral, including conditions for awarding and paying bonuses.

Working hours and annual leave

Employees may use flexible working hours under agreed conditions. The Company takes measures to ensure a favourable work-life balance of its employees. Before leaving for, and after returning from, maternity or parental leave, employees may request to work part-time. In 2022, 8 employees on average (3.1%) worked part-time. Home office has become a permanent part of our work life. Almost all employees may work from home, as they have the necessary IT equipment and company mobile phones with data services, which are also available for private purposes. Our employees may work 60% of their working hours from home.

Employee care

In 2021, we provided employees (upon return to work) with face masks, respirators, and practical gifts several times a year. Working from home is now perceived more as a benefit than a necessity, but the Company realizes the importance of work-life balance. Our approach and communication respect this new situation and we help our staff obtain the right work-life balance and we respect the right to disconnect.

The Company promotes the improvement of language skills – English and German courses, conducted online, are paid for in full by the Company.

Employee engagement support

Corporate culture promotion and employee engagement support are conducted via the reference Finding New Colleagues programme. Employees can recommend suitable candidates from outside of the company for vacant job positions in return for a financial bonus. The objective is to increase the success rate of filling vacancies via this programme as compared to standard forms of recruitment.

In 2022, we again ran the Colleague of the Year contest. The winners contributed significantly to the quality of cooperation between divisions and departments and were rewarded for their hard work and help provided to others.

Diversity

At 31 December 2022, the Company had 258 employees with an average age of 43 years, of which 70.9% were women. Women occupied 52% of managerial positions.

REPORT OF THE BOARD OF DIRECTORS

Company business activities and assets

In 2022, the impact of COVID-19 on the economic situation was minimal, as pandemic measures were relaxed, although the WHO did not revoke the global pandemic status. There are still uncertainties about future developments related to possible new virus variants, but thanks to the increasing availability of vaccines and medicaments, this uncertainty level is low.

In 2022, Russia began a war in Ukraine. This manifested itself in the uncertainty surrounding gas and oil supplies to Europe and this uncertainty further increased in the heating season. The situation brought significant volatility to financial markets and sharp rises in interest rates which affected the market value of the Company's assets. It is assumed that negative volatilities in the market will gradually weaken if the war comes to an end, or becomes much less intensive, which would have a positive impact on the Company.

The world economy faced several challenges in 2022. Many countries reported high inflation and global economic growth slowed. In Slovakia, average inflation measured by the Consumer Price Index (CPI) was 12.8% for 2022. GDP growth in 2022 was 1.7%.

Central banks worldwide responded to rising inflation by rapidly increasing interest rates (during 2022, the ECB's main interest rate was increased from 0% to 2.5%) and switching to restrictive monetary policy.

The global economic slowdown will impact the Slovak economy primarily via weaker foreign demand. The sharp growth of energy prices has resulted in a significant adverse impact on domestic demand.

However, the insurance market in Slovakia continued to grow. According to the preliminary data of the Slovak Association of Insurance Companies (hereafter "SLASPO"), total technical insurance premium was higher by 4.8% when compared to the previous year (increase of 8.5% in non-life, and 0.7% in life, insurance segment). At 31 December 2022, the Company's share of the total technical insurance premiums was 2.0%.

Since 1 January 2023, the new accounting and reporting standard on insurance contracts (IFRS 17) has been effective and this represents the most significant change to insurance accounting standards in the last 20 years. The Company invested extensive effort in preparation for the implementation of, and transition from IFRS 4 to, IFRS 17. The IFRS 17 implementation project will be completed in 2023. The Company is working on methods, controls, and the completion of accounting policies, which have not yet been finalised. The Company continues to improve new accounting processes and internal controls required for the adoption of IFRS 17.

Financial position of the Company

In 2022, the Company performed well as it recorded growth in GWP and closed the year with a net profit of approx. EUR 0.6 million. Its economic performance was significantly affected by a higher loss ratio in non-life insurance at year end. In 2022, the cost of life insurance benefits (after taking into consideration changes to provisions for insurance benefits and the result of reinsurance) amounted to EUR 15,663 thousand (2021: EUR 13,956 thousand). In non-life insurance, the cost of insurance benefits (after taking into consideration changes to provisions for insurance benefits and the result of reinsurance) amounted to EUR 14,928 thousand (2021: EUR 13,937 thousand).

In 2022, new business grew significantly in both the life (+42%) and non-life (+15%) insurance segments compared to the previous year. In the non-life insurance segment, the Company achieved better sales results in MTPL insurance, motor-own-damage insurance, general liability insurance, and travel insurance. In the life insurance segment, the Company recorded a significant increase in innovated unit-linked life insurance products, and a two-digit increase in the successful 'W dobrom život' risk insurance product.

At 31 December 2022, the Company administered 303,727 insurance contracts with an annual premium of EUR 51.3 million.

In 2022, the Company generated GWP of EUR 52.5 million, a slight y/y increase of 2.1%. GWP was lower for traditional provision-making life insurance products and slightly lower for unit-linked life insurance products. On the other hand, GWP for a group of products focused on risk coverage grew compared to last year, especially thanks to the successful 'W dobrom život' product. GWP for MTPL insurance grew y/y by 8.3%.

In 2022, the Company sold 2 buildings in Bratislava for a total price of EUR 5,353 thousand. The revenue from these sales totalled EUR 479 thousand. The Company also acquired 2 buildings (in Nitra and Banská Bystrica) for a total price of EUR 954 thousand.

In the reporting period, there were no significant changes to the Company's risk appetite or its risk profile. From February 2022, we saw a negative impact as regards the volatility of capital markets due to the war in the Ukraine and uncertainties related to gas and oil supplies from Russia to Europe. This negative effect persisted throughout the year. Regulatory requirements for capital adequacy in the form of a 'stress scenario' were in line with legislative and internal limits despite these developments. Compared to the previous year, the SCR coverage ratio dropped significantly due to a decrease in own funds. The Company had sufficient equity and its solvency ratio of 159.3% at 31 December 2022 was in line with Solvency II legislative requirements. The decrease in own funds in 2022 was mainly due to a major change to the macroeconomic environment and the related high volatility on financial markets.

The mismatch between assets and liabilities is regularly assessed. The differences between the maturity of assets and liabilities are considered to be consistent with the Company's business model and the principles of prudence.
The Company regularly monitors expected cash flows and performs liquidity stress tests. According to the stress test results, the Company is capable of meeting insurance claims and redemptions from its liquid assets even in adverse scenarios.

According to the audited financial statements for 2022, profit before taxes amounts to EUR 1,205 thousand and profit after taxes to EUR 583 thousand, as stated in the financial statements, which are an integral part of this Annual Report. The proposal for the distribution of the 2022 profit is presented in Section 5.12 of the Notes to the financial statements.

Company business and financial objectives

The Company's business and financial objectives for 2023 are based on expected macroeconomic development. Uncertainties primarily relate to the future development of inflation and interest rates. Financial objectives also reflect the transformation of the Wüstenrot Group on the Slovak market (gradual exit from the building savings market and the establishment of Wüstenrot InHouse Broker, a subordinate financial agent providing comprehensive financial services for clients across Slovakia).

In the life insurance segment, the Company expects the trend from previous years to continue. The Company anticipates growth related to products providing protection against life risks, and good sales results for innovated unit-linked life insurance products. In non-life insurance, growth in new business and GWP is expected. MTPL insurance remains our key product in the non-life insurance segment.

The Company's long-term plan is to offer clients innovative products and gradually increase its market share.

When investing funds, the Company will continue applying a prudent approach and invest in investment grade and fixed-income financial instruments, and in collective investment funds with a well-diversified portfolio. Direct investments in shares, currencies (including cryptocurrencies) and derivatives are not planned.

Detailed information on verifying the adequacy of technical provisions and on evaluating the results of liability adequacy tests

The objective of a liability adequacy test is to ascertain whether the amount of technical provisions calculated under actuarial assumptions, and the methods used, in the past is sufficient when compared to calculations performed under current actuarial assumptions and using the discounted cash flow method (current best estimate of future cash flows). If the liability adequacy test discloses that the originally determined provision is insufficient when compared to the provision calculated using the discounted cash flow method and current assumptions, an additional provision for insufficient premiums is set up as an expense of the current period. The liability adequacy test is described in more detail in Section 2.16.3 of the Notes to the financial statements.

Liability adequacy test in non-life insurance

Based on the results of the liability adequacy test performed at 31 December 2022 and the development in 2022, the adequacy of statutory provisions in non-life insurance was confirmed, so there was no need to set up an additional provision due to the inadequacy of these provisions.

Liability adequacy test in life insurance

Based on the results of the liability adequacy test performed at 31 December 2022 and developments in 2022, a surplus of statutory provisions in life insurance was confirmed particularly due to changes in the yield curve and updated assumptions. As a result, a provision in the amount of EUR 11,222 thousand was released. More detailed information on verifying the sufficiency of provisions by performing the liability adequacy test in life insurance in accordance with IFRS and on assessing the results of this test are described in the Notes to the financial statements.

Significant risks and uncertainties the Company is exposed to

Insurance and financial risk management is part of Section 4 of the Notes to the financial statements.

Events of particular importance that occurred after the end of the reporting period

Events of particular importance that occurred after the end of the reporting period are part of Section 5.25 of the Notes to the financial statements.

R&D expenses

The Bank did not incur any expenses on research and development in 2022.

Branches

The Company has no branches in other countries.

Overview of bank and other loans received

The Company did not receive any bank or other loans in 2022.

Acquisition of treasury shares, temporary certificates, and similar ownership interests

In 2022, the Bank did not acquire any treasury shares, temporary certificates, or similar ownership interests or shares, temporary certificates, or similar ownership interests of its parent company, and did not hold any of the above at 31 December 2022.

Other information

The Company does not provide non-financial information under § 20 Sections 9 and 10 of the Slovak Accounting Act (Act No. 431/2002 Coll., as amended), as the average number of staff recalculated to FTE is less than the threshold value of 500.

REPORT OF THE SUPERVISORY BOARD

During three ordinary sessions, the Board of Directors informed the Supervisory Board about the results of the new business, the development, and financial results in its monthly reports, and reported extensively on all relevant business policy issues, including the set-up of provisions. As regards insurance company management, the Supervisory Board supported the Board of Directors regarding decisions of significant importance.

The financial statements for 2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and audited by PricewaterhouseCoopers Slovensko, s.r.o., who were appointed as auditor by the Supervisory Board, were approved by the General Meeting and accepted by the Insurance Industry Supervisory Authority. At its meeting held on 18 May 2022, the Supervisory Board approved the conclusion of a lease agreement with Digital Park I s.r.o. to rent premises for the Company's headquarters.

The Supervisory Board accepted the proposal for the 2021 profit distribution, agreed not to pay dividends to shareholders, and recommended the General Meeting approve this proposal.

In 2022, changes were made to the structure of the Supervisory Board. Mr Roman Andersch resigned as a member of the Supervisory Board as of 19 May 2022. On 20 May 2022, the General Meeting appointed a new member of the Supervisory Board, Mag. Gregor Hofstätter-Pobst.

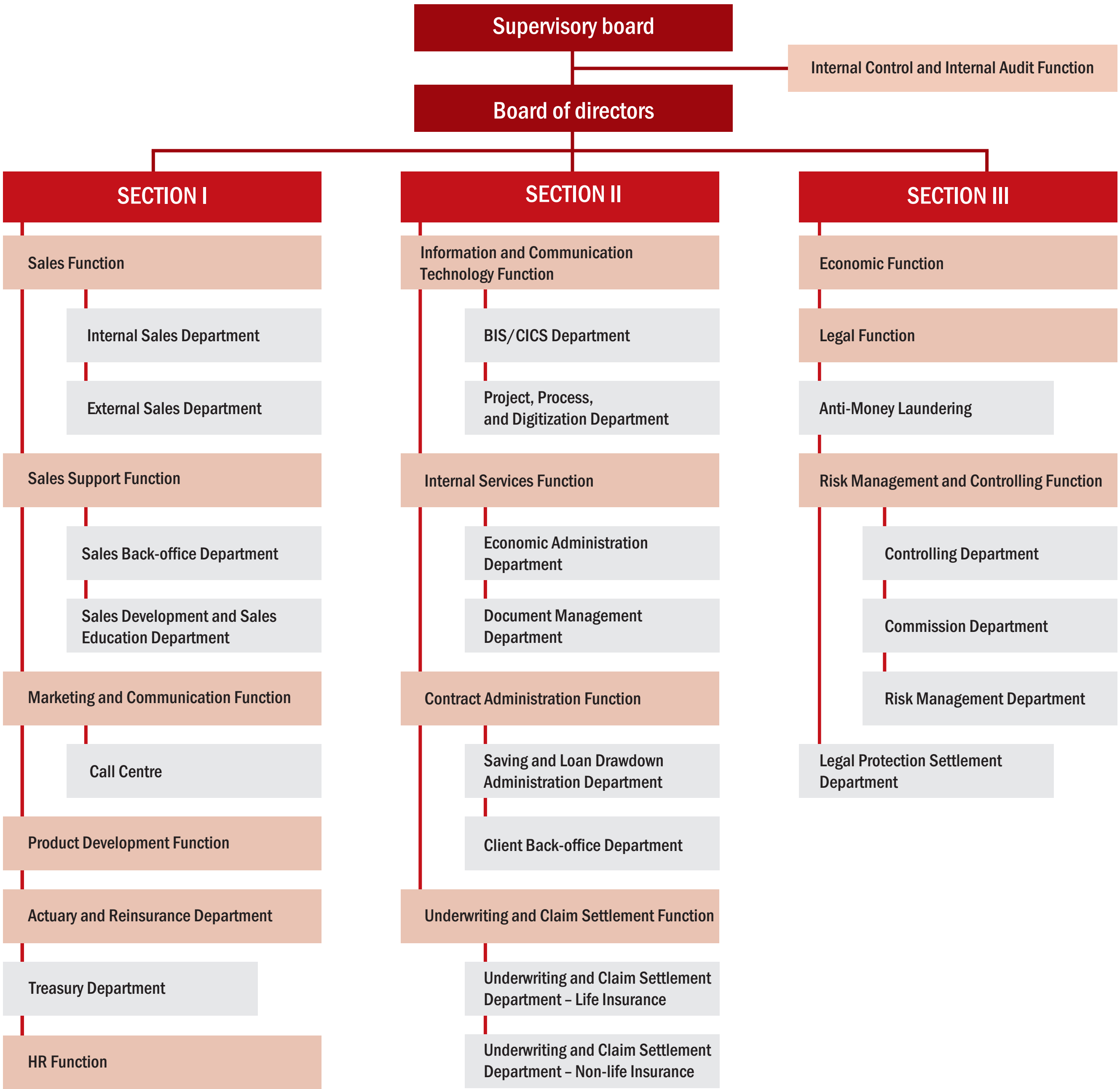
The Supervisory Board wishes to express its thanks to all its colleagues and members of the Board of Directors for productive co-operation in 2022.

Bratislava, March 2023

On behalf of the Supervisory Board

Mag. Gerald Hasler
Chairman

Organisation chart Wüstenrot poisťovňa as at 31 December 2022



Financial statements

prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union
for the year ended 31 December 2022

and Independent Auditor‘s Report

Independent Auditor's Report

To the Shareholders, Supervisory Board, and Board of Directors of Wüstenrot poisťovňa, a.s.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wüstenrot poisťovňa, a.s. (the "Company") as at 31 December 2022 and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 1 June 2023.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Act No. 423/2015 on Statutory Audit and on the amendments and supplements to the Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory Audit") that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Act on Statutory Audit.

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

We did not provide any non-audit services to the Company in the period from 1 January 2022 to 31 December 2022.

Our audit approach

Overview

Materiality	Overall materiality: EUR 525 thousand, which represents approximately 1% of gross written premium.
Key audit matters	Uncertainties in the valuation of insurance technical provisions

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

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

Materiality

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

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

Overall materiality	EUR 525 thousand
How we determined it	approximately 1% of gross written premium
Rationale for the materiality benchmark applied	We considered that the entity focuses on revenue growth and have chosen 1% as we applied our judgement about the needs of the users of the financial statements and concluded that revenue is a meaningful measure for them.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Uncertainties in the valuation of insurance technical provisions

Insurance technical provisions represent a significant accounting estimate. The estimate is based on complex assumptions determined by management.

The process used by management to determine assumptions that have the most significant effect on the measurement of insurance technical provisions is disclosed in Notes 2.16, 3 and 5.13 to the financial statements.

The assumptions used in applying the life liability adequacy test relate to the risks in respect of mortality, claims ratio and lapse rates, as well as to expenses and time value of money. Refer to Note 5.13 to the financial statements.

The assumptions used in applying the non-life liability adequacy test primarily relate to risks in respect of frequency and severity of incurred claims, suitability of expert judgement and sufficiency of historical data used in estimation of Incurred but not yet reported ("IBNR") provision.

We consider this estimate as a key audit matter due to the significance of the technical provisions and their impact on the profit or loss of the Company.

Our audit of insurance technical provisions focused on how management determined input data, the estimation methods used and key assumptions made.

Detailed reports of technical provisions and a sample of relevant input data were agreed to the supporting documentation and calculations.

Our internal actuaries discussed the estimation methods with the entity's actuaries and management and where appropriate, challenged the assumptions by assessing and comparing the methods chosen by the Company with the methods applied by similar entities in the same industry and environment.

Key internal assumptions were reconciled with the accounting or other relevant data. The most significant external assumptions were reconciled to the external sources (e.g. discount rate was reconciled to the discount rate issued by EIOPA - European Insurance and Occupational Pensions Authority).

On a sample basis, we have tested the calculation files to verify both the input data and mathematical accuracy of the calculations. In addition, on a sample basis, we have:

- recalculated the present value of future cash flows used for the purposes of the life insurance liability adequacy test that was performed as required by the accounting standard IFRS 4, Insurance Contracts;
- performed detailed recalculation of both traditional and unit-linked technical provisions. We have also performed analytical procedures on unit-linked portfolio taking into account the nature of the portfolio, cash flows and other assumptions;
- recalculated the estimated provision for IBNR losses and outstanding claims provisions for both life and non-life businesses;
- performed independent recalculation of non-life liability adequacy test using independent approach and assumptions; and

pwc

Key audit matter	How our audit addressed the key audit matter
	– assessed the appropriateness of the methods used to estimate recorded claims and their amounts by performing the claims provisions run-off testing.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we considered whether it includes the disclosures required by the Act on Accounting No. 431/2002, as amended (hereafter the "Accounting Act").

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

- the information given in the Annual Report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the Annual Report has been prepared in accordance with the Accounting Act.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment as an independent auditor

We were first appointed as auditors of the Company on 21 June 2021. Our appointment has been renewed annually by the shareholders' resolution representing a total period of uninterrupted engagement appointment of 2 years. Our appointment for the year ended 31 December 2022 was approved by the shareholders' resolution on 28 June 2022.

The engagement partner on the audit resulting in this independent auditor's report is Martin Gallovič.

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

Mgr. Martin Gallovič
UDVA licence No. 1180

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

1 June 2023
Bratislava, Slovak Republic

TABLE OF CONTENTS

BALANCE SHEET			
in thousands of EUR	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	5.1	3 827	8 297
Financial investments	5.2	168 189	172 653
Insurance and reinsurance receivables	5.3	1 984	2 137
Other receivables	5.4	267	351
Property, plant and equipment	5.6	1 823	298
Right-of-use assets	5.6	2 848	0
Investment property	5.7	0	145
Intangible assets	5.8	7 772	7 432
- Deferred acquisition costs	5.8.1	4 300	3 666
- Other intangible assets	5.8.2	3 472	3 766
Reinsurers' share of provisions for insurance contracts	5.9	3 586	1 742
Income tax receivables	5.10	1 415	1 129
- Current tax asset	5.10.1	0	0
- Deferred tax asset	5.10.2	1 415	1 129
Other assets	5.11	1 028	910
Assets held for sale	5.5	142	4 694
TOTAL ASSETS		**192 881**	**199 788**
EQUITY			
Share capital		12 419	12 419
Share premium		306	306
Legal reserve fund and acquisition of property for no consideration		2 492	2 492
Retained earnings		22 748	22 165
- Retained earnings from previous periods		22 165	20 217
- Profit for the current period		583	1 948
TOTAL EQUITY	**5.12**	**37 965**	**37 382**
LIABILITIES			
Provisions arising from insurance contracts	5.13	141 686	152 935
Trade and other payables	5.14	8 745	7 658
Lease liability	5.14	2 838	0
Short-term provisions for other liabilities and employee benefits	5.15	1 239	1 175
Income tax liabilities		408	638
- Current income tax	5.10.1	408	638
- Deferred income tax	5.10.2	0	0
TOTAL LIABILITIES		154 916	162 406
TOTAL EQUITY AND LIABILITIES		**192 881**	**199 788**

The Notes on pages 1 to 59 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
in thousands of EUR	**Note**	**For the year ended 31.12.2022**	**For the year ended 31.12.2021**
Gross written premium		52 503	51 421
Change to the provision for unearned premium		-353	-801
Gross premium income	**5.16**	**52 150**	**50 620**
Gross written premium ceded to reinsurers		-1 301	-1 406
Reinsurers' share of the change to the provision for unearned premium		-63	6
Net premium income	**5.16**	**50 786**	**49 220**
Fee and commission income	5.17	934	512
Net investment income	5.18	-11 162	4 958
- on behalf of the Company		-9 539	-1 293
- of which: interest income		2 874	830
- of which: valuation allowance for securities		-210	0
- on behalf of the insured		-4 287	3 421
Other income from economic activities	5.19	725	193
Net income		**41 283**	**54 883**
Insurance benefits		-28 722	-26 562
Change in the provision for insurance benefits		-3 944	-1 413
Change in the life insurance provision		13 178	1 318
Change in the provision for covering the risk of investing on behalf of the insured		2 367	-3 713
Reimbursement of insurance benefit costs incurred by reinsurers		168	43
Reimbursement of costs for a change in the provision for insurance benefits by reinsurers		1 907	40
Net insurance benefit costs	**5.20**	**-15 046**	**-30 288**
Costs of the acquisition of insurance contracts	5.21	-12 313	-10 772
Operating expenses	5.21	-12 714	-11 343
Profit/(loss) before taxes and financial expenses		**1 210**	**2 480**
Financial expenses		-6	0
Profit/(loss) before taxes		1 204	2 480
Corporate income tax	5.22	-621	-532
Profit/(loss) for the accounting period		583	1 948
Total comprehensive income for the accounting period		**583**	**1 948**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

in thousands of EUR	Share capital	Share premium	Legal reserve fund and acquisition of property for no consideration	Retained earnings	Total
Equity as at 1 January 2021	12 419	306	2 492	22,165	37 382
Profit after taxes	0	0	0	583	583
Equity as at 31 December 2021	**12 419**	**306**	**2 492**	**22 748**	**37 965**

for the year ended 31 December 2021

in thousands of EUR	Share capital	Share premium	Legal reserve fund and acquisition of property for no consideration	Retained Earnings	Total
Equity as at 1 January 2021	12 419	306	2 492	20 217	35 434
Profit after tax	0	0	0	1 948	1 948
Equity as at 31 December 2020	**12419**	**306**	**2492**	**22 165**	**37 382**

STATEMENT OF CASH FLOWS – INDIRECT METHOD			
in thousands of EUR	Note	31 December 2022	31 December 2021
Cash flows from operating activities			
Profit/(loss) before taxes		1 204	2 480
Depreciation of property, plant and equipment	5.6	211	189
Amortization of other intangible assets	5.8.2	844	788
Gains (-) / losses (+) from the sale of property, plant and equipment	5.19	-549	-3
Increase (+) / decrease (-) in valuation allowances, receivables write-off (+)		289	-71
Change in the fair value of investment property	5.7	0	145
Gains (-) / losses (+) from the sale of investments, sunk costs		354	107
Income (-) / cost (+) from investments at fair value	5.18	13 065	-2 854
Other income (-) from financial investments	5.18	-2 114	-2 249
Increase (-) / decrease (+) in deferred acquisition costs	5.8.1	-634	-98
Increase (-) / decrease (+) in financial assets	5.2	-11 193	-5 424
Increase (-) / decrease (+) in insurance and reinsurance receivables	5.3	153	-81
Increase (-) / decrease (+) in other receivables	5.4	84	-1
Increase (-) / decrease (+) in other assets	5.11	-118	-197
Increase (-) / decrease (+) in assets arising from reinsurance	5.9	-1 844	-47
Increase (+) / decrease (-) in provisions arising from insurance contracts	5.13	-11 249	4 610
Increase (+) / decrease (-) in trade and other liabilities	5.14	796	245
Increase (+) / decrease (-) in short-term provisions for other liabilities and employee benefits	5.15	64	162
Interest received on financial investments		2 845	2 859
Other income from financial investments		162	297
Corporate income tax paid		-1 138	659
Net cash from operating activities		**-8 768**	**1 516**
Cash flows from investing activities			
Purchase of property, plant and equipment	5.6	-1 696	-149
Proceeds from the sale of property, plant and equipment	5.19	5 246	3
Purchase of software	5.8.2	-902	-1 110
Repayments of loans granted	5.2	1 699	305
Net cash used in investing activities		**4 347**	**-951**
Cash flows from financing activities			
Lease payments		-49	0
Net cash used in financing activities		**-49**	**0**
Increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the accounting period	5.1	8 297	7 732
Cash and cash equivalents at the end of the accounting period	5.1	3 827	8 297
Increase / (decrease) in cash and cash equivalents		**-4 470**	**565**

The Company changed the presentation and order of the individual assets and liabilities in the balance sheet and the comparatives as at 31 December 2020 and 1 January 2020 were changed accordingly for the period 31.12.2021 compared to the period 31.12.2020 resulting also in changes in the statement of cash flow. These changes are described in more detail in Section 1.7 of the Notes.

1 GENERAL INFORMATION

1.1 Business name and registered office

Wüstenrot poisťovňa, a.s. (hereafter the "**Company**") was established by the Memorandum of Association on 29 September 1994 and incorporated in the Commercial Register on 22 November 1994 (Commercial Register of the District Court Bratislava I, Section Sa, Insert No. 757/B).

Until 17 December 2003, the Company operated under the business name, Univerzálna banková poisťovňa, a.s.
In December 2022, the Company relocated its headquarters to a new address:

Registered office:	Wüstenrot poisťovňa, a.s. Digital Park I Einsteinova 21 851 01 Bratislava – mestská časť Petržalk
Corporate ID (IČO):	31 383 408
VAT ID (IČ DPH):	SK2020843561

The Company obtained a license to conduct insurance business on 27 March 1995. The Company's core business activities are described in Section 1.2 of the Notes.

By resolution No. GRUFT-009/2003/POIS of 18 December 2003, the Financial Market Authority authorized the Company to provide Liability insurance for damage caused by the operation of a motor vehicle. On 1 January 2004, the Company became a member of the Slovak Insurers' Bureau and began providing mandatory motor third-party liability insurance (hereafter "**MTPL insurance**") on 1 May 2004.

1.2 Core business activities

The Company's core business activities as per extract from the Commercial Register:

- insurance activities in life and non-life insurance, including co-insurance as per § 4 Section 1 of the Slovak Insurance Industry Act (Act No. 39/2015 Coll. on the Insurance Industry and on Amendments to Certain Acts, as amended, hereafter the "**Insurance Industry Act**");
- reinsurance activities for non-life insurance.

The Company provides its services via a network of agency directorates and 24 Wüstenrot centres in the Slovak Republic.

1.3 Structure of the Company's shareholders

The structure of the Company's shareholders at 31 December 2022 and 31 December 2021 is as follows:

	Share in the registered capital		Share in the voting rights
	EUR	%	%
SHAREHOLDERS			
Wüstenrot Versicherungs-AG, Salzburg, Austria	12,418,766	99,99973	99,99973
Wüstenrot stavebná sporiteľňa, a.s., Bratislava, Slovakia	34	0,00027	0,00027
Total	**12,418,800**	**100,00000**	**100,00000**

1.4 Company's bodies

The Company's statutory and supervisory bodies in 2022 and 2021 were as follows:

2022

Board of Directors		**Supervisory Board**	
Chairman:	Ing. Marian Hrotka, PhD.	Chairman:	Mag. Gerald Hasler
		Vice-chairman:	Dr. Susanne Riess-Hahn
Members:	Dr. Klaus Wöhry Mag. Christian Sollinger, CIIA	Members:	Mag. Gregor Hofstätter-Pobst (since 20.05.2022) Mag. Christine Sumper-Billinger Andreas Senjak, MBA, CIIA Roman Andersch (since 19.05.2022)

2021

Board of Directors		**Supervisory Board**	
Predseda:	Ing. Marian Hrotka, PhD. (since 23.03.2021) Mag. Christian Sollinger, CIIA (up to 23.03.2021)	Predseda:	Mag. Gerald Hasler
		Podpredseda:	Dr. Susanne Riess
Členovia:	Dr. Klaus Wöhry Mag. Christian Sollinger, CIIA (since 23.03.2021) Ing. Marian Hrotka, PhD. (up to 23.03.2021)	Členovia:	Mag. Christine Sumper-Billinger (since 21.6.2021) Andreas Senjak, MBA, CIIA (since 21.6.2021) Roman Andersch Mag. Dr. Andreas Grünbichler (up to 20.6.2021)

The Company's proxies are JUDr. Katarína Novotná, Gabriela Repáková, and Ing. Vladimir Gal. Two members of the Board of Directors, or one member of the Board of Directors together with a proxy, act jointly on behalf of the Company.

1.5 The consolidated group

The Company and its parent company, Wüstenrot Versicherungs-AG, are included in the consolidated financial statements of Wüstenrot Wohnungswirtschaft, reg. Gen. M.b.H, Salzburg, Austria. When prepared, the consolidated financial statements will be available at the parent company's registered office and at the Salzburg Regional Court seated at Rudolfsplatz 2, Salzburg, Austria. Wüstenrot Wohnungswirtschaft, reg.Gen.m.b.H, Salzburg, Austria is the Company's ultimate parent company with final decision-making and controlling rights.

1.6 Number of staff

ITEM	31 December 2022	31 December 2021
Total number of staff, of which:	258	273
- Management	16	16
	2022	**2021**
Average number of staff per year*	194	202

* The average number of staff has been calculated on the FTE (full-time equivalent) basis.

1.7 Legal basis for the preparation of the financial statements

The Company's financial statements at 31 December 2022 (hereafter the **"financial statements"**) have been prepared in accordance with International Financial Reporting Standards (hereafter **"IFRS"**) as adopted by the European Union (hereafter "EU"). These financial statements have been prepared as separate financial statements in accordance with § 17a Section 1 of the Slovak Accounting Act (Act No. 431/2002 Coll. on Accounting, as amended).

The financial statements have been prepared on a going concern basis.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in the following sections. The accounting methods and general accounting principles have been applied consistently in all years presented.

2.1 Basis of the presentation

The Company has applied all IFRSs and their interpretations as adopted by the EU at 31 December 2022.

Issued standards, interpretations, or amendments which the Company applied for the first time in 2022

As regards the following amendments to the existing standards, the Company has assessed their impact on its financial statements as immaterial.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2021 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognized some liabilities in a business combination that it would not recognize under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Company has assessed these amendments as irrelevant for its activities.

COVID-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020, an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

The Company has assessed these amendments as irrelevant for its activities, as it did not grant COVID-19-related rent concessions in the given period.

Issued standards, interpretations, and amendments to existing standards that are effective after 1 January 2023 and which the Company has not applied early

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The European Commission has decided not to begin the endorsement of this temporary standard and wait for the final one.

The Company has assessed this standard as irrelevant for its activities.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The European Commission has not yet endorsed these amendments.

The Company has assessed these amendments as irrelevant for its activities.

IFRS 17, Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The Company intends to apply this standard as soon as it becomes effective in the EU. The Company is currently assessing the impact of the new standard on its financial statements. See Section 2.2.1 for more details.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognize those costs as an asset until the entity recognizes the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognize a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognized on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognized before or at the same time as the loss is recognized on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Company intends to apply these amendments as soon as they become effective in the EU. The Company is currently assessing their impact on its financial statements. See Section 2.2.2 for more details.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Company has assessed these amendments as irrelevant for its activities.

Definition of Accounting Estimates – Amendments to IAS 8 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The Company has assessed these amendments as irrelevant for its activities.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The Company has assessed these amendments as irrelevant for its activities.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognized in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Company intends to apply these amendments as soon as they become effective in the EU. The Company is currently assessing their impact on its financial statements. See Sections 2.2.1 and 2.2.2 for more details.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

The Company has assessed these amendments as irrelevant for its activities.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The Company has assessed these amendments as irrelevant for its activities.

The Company meets all the conditions for applying a temporary exemption from the application of IFRS 9, as the percentage of the total carrying amount of its insurance liabilities in relation to the total carrying amount of all liabilities was higher than 90%.

For the purpose of comparison with entities that apply IFRS 9 from 1 January 2018, we present the following information on the Company's financial investments at 31 December 2022:

	Assets that are not solely principal and interest payments (SPPI)		Assets that are solely principal and interest payments (SPPI)		Carrying amount (IAS 39) of financial assets that are solely principal and interest payments, by rating				
in thousands of EUR	**Fair value**	**Gain/ loss on a fair value change**	**Fair value**	**Gain/loss on a fair value change**	**AA**	**A**	**BBB**	**BB**	**Without rating**
Financial assets at fair value through profit or loss									
Government bonds			16 803	-5 273		15 160	1 643		
Corporate bonds			24 103	-3 188		19 010	4 248	846	
Mutual funds	12 093	-1 255							
Total financial assets at fair value through profit or loss	**12 093**	**-1 255**	**40 906**	**-8 461**		**34 170**	**5 891**	**846**	
Held-to-maturity financial assets									
Government bonds			37 558			37 074	2 237		
Corporate bonds			43 525		2 006	25 204	11 482	1 039	2 025
Loans			59						59
Total held-to-maturity financial assets			**81 142**		**2 006**	**62 278**	**13 719**	**1 039**	**2 084**
Investment on behalf of the insured									
Mutual funds	26 791	-4 325							
Total investment on behalf of the insured	**26 791**	**-4 325**							
Cash and cash equivalents			**3 827**			**3 769**			**58**
Total	**38 884**	**-5 580**	**125 875**	**-8 461**	**2 006**	**100 217**	**19 610**	**1 885**	**2 142**

For the purpose of comparison with entities that have applied IFRS 9 since 1 January 2018, we present the following information on the Company's financial investments at 31 December 2021:

	Assets that are not solely principal and interest payments (SPPI)		Assets that are solely principal and interest payments (SPPI)		Carrying amount (IAS 39) of financial assets that are solely principal and interest payments, by rating			
in thousands of EUR	Fair value	Gain/loss on a fair value change	Fair value	Gain/loss on a fair value change	A	BBB	BB	Without rating
Financial assets at fair value through profit or loss								
Government bonds			20 011	-1 600	17 821	2 190		
Corporate bonds			34 612	-256	24 471	8 108	2 033	
Mutual funds	14 164	-685						
Total financial assets at fair value through profit or loss	**14 164**	**685**	**54 623**	**-1 856**	**42 292**	**10 298**	**2 033**	
Held-to-maturity financial assets								
Government bonds			47 293		37 126	2 267		
Corporate bonds			34 363		17 496	13 488		2 025
Loans			2 088					2 088
Total held-to-maturity financial assets			**83 744**		**54 622**	**15 755**		**4 113**
Investment on behalf of the insured								
Mutual funds	29 158	3 421						
Total investment on behalf of the insured	**29 158**	**3 421**						
Cash and cash equivalents			**8 297**		**7 129**	**973**		**195**
Total	**43 322**	**4 106**	**146 664**	**-1 856**	**104 043**	**27 026**	**2 033**	**4 308**

2.2 Estimated impact of IFRS 17 and IFRS 9 adoption

The Company will apply IFRS 17 and IFRS 9 for the first time as of 1 January 2023. These standards will introduce significant changes to the accounting for insurance and reinsurance contracts and financial instruments, and they are expected to have a material impact on the Company's separate financial statements in the period of initial application. The Company will adjust comparative information upon adopting IFRS 17.

At the time of the publication of these financial statements, the Company does not have sufficient reliable calculations to be able to disclose quantitative impacts of the IFRS 17 adoption. As stated above, this is a comprehensive accounting standard. The Company is a universal insurance institution and has a portfolio of life and non-life insurance contracts, including risk and capital insurance, unit-linked contracts, MTPL insurance, motor own damage insurance and legal protection insurance. The Company has made every effort to be able to publish quantitative impacts. Given its size and due to the fact that its parent company does not apply IFRS 17, the Company implemented all the necessary methods and calculations exclusively at the local level. The Company is working on methods, controls, and the completion of accounting policies which are not final and continues to improve the new accounting processes and internal controls necessary for IFRS 17 adoption. The tests and evaluation of controls of the Company's new IT systems and changes made to the set-up of their administration and management system are yet to be finished. The new accounting principles, assumptions, judgements, and estimates used may change significantly before the Company completes its first financial statements prepared under IFRS 17.

2.2.1 IFRS 17, Insurance contracts

IFRS 17 replaces IFRS 4, Insurance Contracts, and is effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of this standard. In June 2020, IASB issued amendments to IFRS 17, introducing a number of changes to assist accounting entities implementing this standard and deferring the effective date to 1 January 2023. Previously, the Company applied a temporary exemption from applying IFRS 9, stipulated by IFRS 4. The adoption of IFRS 17 as of 1 January 2023 will also require the Company to adopt IFRS 9 from the same date. In addition, it will also be necessary to adjust comparative information to provide consistent financial information for the 2022 comparative period.

Scope

IFRS 17 sets out the principles for the recognition, measurement, presentation, and disclosure of insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features.

When identifying contracts within the scope of IFRS 17, in some cases the Company will need to assess whether it is necessary to treat a set or a series of contracts as a single contract, or whether it is necessary to separate embedded derivatives, investment components, and components for goods and services, and to account for them under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes as a result of the adoption of these standards.

Level of aggregation of insurance contracts

Under IFRS 17, insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features (DPF) are disaggregated into groups for measurement purposes. Groups are initially defined by identifying portfolios of insurance contracts, each of which includes contracts subject to similar risks and which are managed together. Contracts in different product lines are not expected to have similar risks and hence would be expected to be in different portfolios. Each portfolio is further divided into annual cohorts (i.e. by year of issuance of contracts) and each annual cohort into one of the following three groups:

- contracts that are onerous at initial recognition, if any;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- all remaining contracts in the annual cohort.

Contracts within a portfolio which would fall into different groups only due to the fact that law or regulation specifically constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, are included in the same group. This applies to contracts issued in the EU, where the regulation requires prices to be gender neutral.

Upon recognition, the contract is added to an existing group of contracts or, if the contract does not qualify for addition to an existing group, a new group is created to which future contracts can be added. Groups of reinsurance contracts are set up such that each group only comprises a single contract.

Aggregation under IFRS 17 constrains the offsetting of gains from groups of profitable contracts, which are generally deferred as CSM (Contractual Service Margin) against losses from groups of onerous contracts which are posted directly to the income statement. Compared to the level at which a liability adequacy test under IFRS 4 is performed (i.e. at the contract portfolio level), the aggregation level under IFRS 17 is more detailed. As a result, more contracts are expected to be classified as onerous and losses on these contracts will be recognized earlier.

a) Contract boundary

The measurement of a group of contracts under IFRS 17 comprises all future cash flows within the boundaries of each contract in the group. Compared to current accounting, the Company does not expect changes to the cash flows that are to be included in the measurement of existing recognized contracts. The period to which the insurance premium within contractual boundaries relates is the coverage period, which is relevant when applying a number of requirements in IFRS 17.

b) Expected future cash flows

All future cash flows within the scope of the contract for each group of contracts are included in the measurement of the respective group, which fall under IFRS 17. The Company projects expected cash flows using current demographic and economic assumptions. When making these predictions, the Company uses information on past events, current conditions, and forecasts regarding future development. Compared to IFRS 4, cost assumptions have been modified, which the Company uses to determine future cash flows. The other assumptions remained unchanged.

Cost allocation is performed on the same basis as for IFRS 4. However, due to the additional disaggregation into directly and indirectly attributable costs as a result of the IFRS 17 requirement, there was a change to cost allocation, which resulted in transfers between portfolios.

c) Discount curves

The Company will use EIOPA's risk-free yield curves for discounting. At the transition date, the EIOPA's risk-free curve at 31 December 2021 will be used, which has also become the starting curve (locked-in curve) for all live contracts at the transition date.

For new cohorts of life insurance measured using the general model and the variable fee approach, the starting curve will be calculated using the weighted average of the annual insurance premium for the given months in the year and current EIOPA curves at the end of previous months.

The latest current curves before the date on which an insured event occurred are used to discount liabilities from insurance claims incurred on new cohorts after the transition date and measured using the premium allocation approach.

When discounting investment cash flows (an investment component) in products measured using the variable fee approach, a constant yield curve will be used based on the historical development of yields from the underlying assets of these products.

d) Risk adjustment for non-financial risk

Risk adjustment for non-financial risk is intended to reflect the compensation the Company would require for bearing non-financial risk and its degree of risk aversion. This will be determined separately for life and non-life insurance contracts and allocated to groups of contracts based on the risk profiles of these groups.

Risk adjustment for non-financial risk will be determined using the following techniques:

- Liabilities arising from insurance claims incurred: the reliability level technique using Bootstrap tools; and
- Liabilities arising from the remaining insurance coverage: the risk margin technique used in calculations under Solvency II.

For risk adjustment for non-financial risk in reinsurance contracts, the Company will use these techniques on a gross and net basis and derive the amount of risk transferred to the reinsurer as the difference between these two results.

e) Contractual service margin

The contractual service margin (CSM) for a group of contracts will be recognized in profit or loss, so as to represent services provided in individual years by identifying coverage units in the group. Subsequently, the balance of CSM at the year-end (before disaggregation) will be allocated equally to each coverage unit provided in the given year and also in the following years. CSM allocated to coverage units provided in the given year will be recognized in profit or loss. The number of coverage units represents the amount of services provided from contracts in the group and will be determined for each contract by considering the amount of risk benefits provided and the expected coverage period. Coverage units will be reviewed and updated at each reporting date.

f) Measurement approaches

IFRS 17 permits the application of the following measurement approaches to insurance contracts issued and reinsurance contracts held:

(a) General model (BBA – Building Blocks Approach);
(b) Premium Allocation Approach (PAA); and
(c) Variable Fee Approach (VFA).

a) General model. This approach is applied to all insurance contracts, unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the simplified premium allocation approach.

b) Premium allocation approach. This approach is an optional simplification of the measurement of the liability for remaining coverage, for insurance contracts with short-term coverage. A group of insurance contracts is eligible for application of the premium allocation approach if, at inception: (a) each contract in the group has a coverage period (i.e. the period in which the entity provides insurance contract services) of one year or less; or (b) the measurement of the liability for remaining coverage for the group using the premium allocation approach is reasonably expected to produce a measurement which is not materially different from using the general model or the variable fee approach.

The premium allocation method is applied to:
- almost the entire portfolio of non-life insurance contracts;
- reinsurance contracts in the life and non-life portfolio; and
- other group life insurance contracts with a coverage period of up to 1 year.

The premium allocation method is a simplified IFRS 17 approach, which is more comparable to IFRS 4. The liability for remaining coverage is a provision for unearned premium less deferred costs.

c) Variable fee approach. This approach is applied to insurance contracts with direct participation features.
The variable fee approach is applied to the unit-linked portfolio and all other risks covered by contracts with the main unit-linked tariff. The setting of non-economic assumptions other than the cost level stated above (such as cancellation quota, mortality, morbidity, and others) is the same as for IFRS 4. The main difference is the consideration of the investment component in future cash flows.

Financial income from, or financial costs of, insurance contracts reflect changes in the carrying amount of a group of insurance contracts which relate to financial risks. They comprise the effect of the time value of money and the change in the value of the underlying assets in the unit-linked portfolio products.

Interest accrual representing the release of the discount effect (time value of money) for liabilities from remaining coverage arising as a result of the passage of time calculated using the locked-in rate at inception under BBA, is also recognized in the financial result of the income statement.

g) Reinsurance contracts

The Company will apply the same accounting principles to the measurement of a group of reinsurance contracts.

The Company will measure the estimates of the present value of future cash flows using assumptions consistent with those that will be used to measure the estimates of the present value of future cash flows for the underlying insurance contracts.

The outcome of reinsurance services is presented separately from income from insurance and the cost of insurance services, in contrast to the gross presentation under IFRS 4.

h Transition to IFRS 17

After transition, the Company will apply the following valuation methods:

	Product classification	Measurement model
Capital and risk life insurance	Insurance contract	General model
Unit-linked life insurance	Insurance contract	Variable fee approach
Group life insurance contracts	Insurance contract	Premium allocation approach
Non-life insurance	Insurance contract	Premium allocation approach
Non-life insurance – multi-year contracts	Insurance contract	General model
All reinsurance contracts	Reinsurance contract	Premium allocation approach

The Company performed a detailed analysis of its products to identify the possibility of using a fully retrospective approach. The Company was unable to apply this approach primarily for the following reasons:

- Insufficient history of data and assumptions; and
- Model changes could not be replicated due to practicality issues.

Changes to the accounting principles and methods resulting from the adoption of IFRS 17 will be applied, using the fair value approach, to life insurance contracts recognized under the general model and the variable fee approach, and to a very small part of the non-life portfolio recognized under the general model. For all other contracts, the fully retrospective approach is applied based on the liability for remaining coverage, which includes the provision for unearned premium and deferred cost.

The Company considers the fully retrospective approach impracticable under the following circumstances.

- The effect of retrospective application cannot be determined, as the required information was either not collected (or not collected in sufficient detail), or is not available due to system migration, data retention requirements or for other reasons. Such information for certain contracts include:

➢ Expectations regarding contract profitability and the risk it will become onerous, needed to identify the group of contracts;
➢ Information on historical cash flows (including cash flows related to initial costs and other cash flows arisen before recognition of the related contracts) and discount rates required for the determination of cash flows at initial recognition and subsequent changes when applying the retrospective approach;
➢ Information needed to allocate fixed and variable overhead expenses to contract groups, as the current accounting principles do not require such information; and
➢ Information on certain changes to assumptions and estimates, as they have not been documented on an ongoing basis.

- The fully retrospective approach requires assumptions about the intentions of Company management in previous periods, or significant accounting estimates that cannot be made without hindsight. Such assumptions and estimates for certain contracts include:

➢ expectations at the inception of a contract regarding the shares of policyholders in the yields from underlying items which are necessary to identify insurance contracts with direct participation features;
➢ assumptions about discount rates, as the Company was not subject to an accounting or regulatory framework before 2007 which would require the measurement of insurance contracts on a present value basis; and
➢ assumptions about risk adjustment for non-financial risk.

i) Fair value approach

Under the fair value approach, the contractual service margin (or loss component) at 1 January 2022 is determined as the difference between the fair value of a group of insurance contracts at that date and the present value of fulfilment cash flows measured at that date. The Company will measure the fair value of contracts as the sum of: a) the present value of net cash flows that are expected to be generated from contracts, determined by the discounted cash flow method; and b) an additional margin which takes into account risk and profit.

Cash flows considered in the fair value measurement will be consistent with those that are within the boundary of each contract in the group. Therefore, when determining the fair value of these contracts, cash flows related to expected future renewals of insurance contracts will not be taken into consideration if they are beyond the contract boundary. The present value of future cash flows considered in the fair value measurement will be consistent to a large extent with the present value determined under the IFRS 17 measurement model (fulfilment cashflows).

Differences in the Company's approach to fair value measurement to IFRS 17 requirements for the measurement of the present value of fulfilment cashflows will result in the inception of CSM at 1 January 2022. Specifically, the Company's fair value measurement will include a risk margin which reflects the requirements of market participants for compensation for the uncertainty included in cash flows and a profit margin which reflects the requirements of market participants for assuming obligations related to insurance contracts. This margin will take into account costs that are not directly attributable to the fulfilment of contracts (e.g. general overhead expenses) and risks that are not included in fulfilment cashflows (e.g. general operational risk), in addition to other factors which the market participant would consider.

For all contracts measured under the fair value approach, the Company will use reasonable and supportable information available at 1 January 2022 to:

- identify the group of contracts;
- determine whether the contract meets the definition of an insurance contract with direct participation features;
- identify cash flows as regards participation features for insurance contracts without direct participation features; and
- whether an investment contract meets the definition of an investment contract with discretionary participation features.

Some groups of contracts measured under the fair value approach will comprise contracts issued more than one year apart. For these groups, discount rates at initial recognition will be determined at 1 January 2022 and not at the date of initial recognition.

For all contracts measured using the fair value approach, the amount of financial inc

2.2.2. IFRS 9, Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement, and is effective for annual periods beginning on or after 1 January 2018. An early application is permitted. However, the Company met the relevant criteria and applied the temporary exemption from IFRS 9 for annual periods beginning before 1 January 2023. As a result, the Company will adopt IFRS 9 for the first time on 1 January 2023.

a) Financial assets – Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets are managed and on its contractual cash flow characteristics. IFRS 9 introduces three main categories for the measurement of financial assets – measurement at amortized cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL) – which replace the IAS 39 categories (held-to-maturity investments, loans and receivables, and available-for-sale financial assets).

Under IFRS 9, a financial asset is measured at amortized cost if the following conditions are both met, and the financial asset is not designated as measured at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if both of the following conditions are met, and the financial asset is not designated as measured at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that are not classified as measured at amortized cost or at FVOCI, as described above, are measured at FVTPL.

In addition, the Company may, at initial recognition, irrevocably designate a financial asset that meets the requirements for being measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For non-marketable equity instruments, the Company may irrevocably decide that subsequent fair value changes will be recognized (including foreign exchange gains and losses) in other comprehensive income. Subsequently they may not be reclassified to profit or loss.

Under IFRS 9, derivatives embedded in contracts whose host is a financial asset within the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument is considered for classification as a whole.

Impact assessment

After performing an analysis of financial assets and taking into account the Company's business strategy, the method of managing and measuring the performance of financial assets, the risks that affect the portfolio performance, and the method of managing these risks, the following business models were identified at 1 January 2023:

a) Hold to collect – financial assets are held to collect contractual cash flows for the following portfolios: Loans, Investments on the financial market, and Other financial assets;
b) Hold to collect and sell – includes Investments on the financial market; and
c) Other.

All the above financial instruments, other than mutual funds, contain contractual conditions leading to payments which represent solely payments of principal and interest on the principal amount outstanding.

As a result of the IFRS 9 adoption, the Company expects, due to a change in its business model and measurement model, a reduction (before taxation) in equity by 3,745 thousand at 1 January 2023. The change in the measurement of debt securities will have the greatest impact. One part of debt securities measured at amortized cost under IAS 39 will be measured at FVTPL or FVOCI as of 1 January 2023 (the fair value of these financial instruments at 1 January 2023 was lower than their carrying amount at 31 December 2022). As adoption of IFRS 17 has not yet been completed, some changes may occur, but we do not expect that any changes will be significant.

b) Financial assets – Impairment

IFRS 9 replaces the IAS 39 model of an "incurred loss" with a more forward-looking model of "expected credit losses" (ECL). This will require significant judgement on how changes to economic factors affect ECL, which will be determined on a probability basis.

The new impairment model will apply to the Company's financial assets measured at amortized cost and FVOCI.

IFRS 9 requires that a loss allowance be recognized at an amount equal to 12-month ECL or lifetime ECL. Lifetime ECLs result from all possible defaults events over the expected life of a financial instrument. 12-month ECLs result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company will state loss allowances at an amount equal to lifetime ECL, except for the following cases where 12-month ECL will be stated:

- Debt securities with low credit risk at the reporting date, which according to the Company is when the rating of a security meets the general definition of an "investment level"; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

When determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes qualitative and quantitative information and analyses based on the Company's experience. The Company assesses whether a significant increase in credit risk occurs no later than 30 days after the asset was due.

ECL measurement

ECL are estimates calculated as a weighted average of impairment and credit loss realization probabilities. Credit losses are quantified as the present value of all cash shortfalls, i.e. as the difference between the cash flows that are due to the Company under the contract and the cash flows the Company expects to receive.

PD, LGD, and EAD are the key inputs for ECL measurement. ECL for a financial asset where credit risk has not increased significantly is calculated by multiplying the 12-month PD with the respective LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD with the respective LGD and EAD.

To determine lifetime and 12-month PD, the Company uses PD tables from Moody's Investors Service based on the default history of debtors in the same industry and with the same credit rating.

LGD is the probable loss in the event of default. The Company estimates LGD parameters based on the historical rate of return in relation to defaulted contractual parties, or uses tables from Moody's Investors Service. LGD takes into consideration collateral, industry, counterparties, and the costs of the collection of collateral that is an integral part of the financial asset.

EAD is the expected exposure in the event of default. The Company will derive EAD from the current exposure to the counterparty and potential changes to the contractually permitted current amount, including amortization and advance payments. EAD of a financial asset is its gross carrying amount at the time of default.

To determine the credit quality degree ("Stage"), both quantitative (e.g. number of days in default) and qualitative criteria will be considered.

Stage 1 includes exposures that meet the defined quantitative and qualitative criteria, exposures with no significant increase in credit risk, and portfolios with low credit risk. Stage 2 includes exposures that do not yet, or no longer, meet the quantitative and qualitative criteria for classification as Stage 1, but are not defaulted. This stage also includes exposures with significant increase in credit risk since initial recognition. Stage 3 includes defaulted instruments and instruments that must be classified for objective reasons as Stage 3 based on other qualitative criteria (e.g. by the decision of ALCO, the Asset-Liability Committee).

The term defaulted financial instruments means receivables overdue for 90+ days, and receivables where a petition for bankruptcy or restructuring was filed against the debtor. Defaulted receivables also include securities or receivables from issuers with D-rating (default).

Based on the Stage class, we determine the approach to the calculation of loss allowances. Individual approaches to the set-up of loss allowances differ depending on the portfolio type and the horizon for measuring the expected loss (12-month or lifetime). The ALCO is entitled to determine the Stage and amount of the loss allowance based on the calculation methodology by the specific Stage, and as an individual loss allowance, i.e. as a percentage of the receivable, or the absolute amount.

Impact assessment

The Company assumes that the adoption of IFRS 9 at 1 January 2023 will result in additional loss allowances of 61 thousand - 131 thousand. The recognition of additional loss allowances after IFRS 9 adoption primarily applies to debt investments measured at amortized cost and FVOCI.

2.3 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, except for investment property and financial instruments, which are stated at fair value through profit or loss.

The preparation of financial statements in line with IFRS requires the use of estimates and assumptions. In addition, Company management is required to use its own judgment in applying the accounting principles. Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Areas that involve a higher degree of judgment or complexity or areas where assumptions and estimates are significant for the financial statements are disclosed in Note 3.

The financial statements are presented in euros and are rounded to the nearest thousand, unless stated otherwise.

For the period from 1 January 2021 to 31 December 2021, the financial statements were prepared in accordance with IFRSs effective at the date on which the financial statements were prepared and approved by the Annual General Meeting held on 28 June 2022.

2.4 Functional currency and foreign currency translation

The functional currency represents the currency of the primary economic environment in which the Company conducts its activities. The functional currency and the currency in which the Company's financial statements are prepared is the euro (EUR).

Monetary financial assets and financial liabilities denominated in foreign currencies are translated into EUR by the Company and shown in the financial statements at the exchange rate published by the European Central Bank (ECB) at the reporting date. Foreign currency income and expenses are shown after having been translated into euros at the exchange rate published by the ECB valid on the transaction date.

Non-monetary assets and liabilities denominated in foreign currency and measured at historical cost are translated into EUR at the exchange rate effective at the transaction date. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into EUR at the exchange rate effective at the date on which fair value is determined.

Foreign exchange differences upon translation are accounted for via the income statement.

2.5 Cash and cash equivalent

Cash and cash equivalents include stamps, vouchers and on demand deposits. They are valued at amortized cost.

2.6 Financial investments

The Company classifies its financial investments as follows: held-to-maturity financial investments, available-for-sale financial investments, financial investments at fair value through profit or loss, and loans and receivables. Classification is based on the purpose for which the investments were acquired.

All financial investments are initially recognized at cost. The acquisition cost is increased by transaction costs directly attributable to the acquisition or issue of a financial investment, such as fees and commissions to brokers, advisors, and domestic stock exchanges.

After initial recognition, available-for-sale financial investments and financial investments at fair value through profit or loss are subsequently measured at fair value without deducting transaction costs that may arise on disposal.

Determination of fair value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines the fair value of a financial instrument based on quoted market prices for such a financial instrument traded on an active market if such prices are available. A market is considered active if quoted prices are readily available on a regular basis and represent actual and regular transactions based on normal business relationships between independent entities.

The chosen valuation technique uses, as far as possible, inputs available directly from the market, minimizes reliance on Company-specific estimates, includes all factors that market participants would consider in setting the price, and is consistent with generally accepted economic methodologies for the measurement of financial instruments.

The fair values of financial investments and financial liabilities are determined as follows:

Level 1: fair value measurement derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: use of measurement techniques with observable inputs – fair value measurement derived from inputs other than quoted prices included in Level 1, which are determined for the asset or liability directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: use of measurement techniques with unobservable inputs – fair value measurement derived from measurement methods that include input information about an asset or liability that is not based on observable market data (unobservable inputs).

If market prices are available (in this case, especially for securities traded on a stock exchange and in active markets), the Company classifies the financial instrument according to the market price as Level 1.
If the security is not actively traded on a stock exchange or is not disclosed within the benchmark of Slovak government bonds (on www.mtsdata.com), the Company measures the security at fair value derived from inputs other than quoted prices.

An overview of the amounts of financial instruments carried at fair value, broken down by their fair value levels, is provided in Section 5.2 of the Notes.

When measuring a security at fair value derived from quoted prices – Level 1 and the security is excluded from trading on a stock exchange and from the benchmark of Slovak government bonds, the Company transfers the security to Level 2. If the security was initially primarily measured at the theoretical price – Level 2, the Company changes the classification of the security from Level 2 to Level 1 by conducting the first trade on a stock exchange, publishing its price, and subsequent active trading. If the security is not traded in the following days and its price is not disclosed, the security is transferred back to Level 2.

26.1 Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturity (other than assets that meet the definition of loans and receivables) for which the Company has the intent and ability to hold to maturity.

Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment. The difference between the acquisition price and the nominal value is deferred as an amortized discount or premium and adjusts the acquisition price of the security. The discount and premium are accounted for through the income statement using the effective interest rate method during the period in which the security is held by the Company. In the event of objective evidence of impairment, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment.

2.6.2 Available-for-sale financial investments

The Company did not use this category at 31 December 2022 or at 31 December 2021.

2.6.3 Financial investments at fair value through profit or loss

Financial investments classified in the portfolio at fair value through profit or loss are initially stated at cost and subsequently remeasured to fair value under the item Net result of investments in the income statement.

Realized and unrealized gains and losses arising from fair value changes (including changes in the exchange rate) of financial investments at fair value through profit or loss are recognized under the item Net result of investments in the income statement in the period in which they arise. Accrued net interest income is shown in the same way.

Based on the documented risk management strategy and in accordance with its investment strategy, the Company primarily classifies debt securities and mutual funds in this portfolio, whose performance is monitored based on the fair value development. Financial investments are classified in this way based on the entity's decision, are managed and their performance is measured based on fair value in accordance with a documented risk management strategy or investment strategy. Information about the group is provided internally to the entity's key management personnel.

2.6.4 Loans and receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are measured at amortized cost using the effective interest method, less any credit loss allowance for impairment.

Interest income is calculated using the effective interest method and recognized in the income statement. Receivables are stated at cost and the Company assesses their potential impairment (see Section 2.11.1 of the Notes).

2.7 Held-for-sale assets

If the value of a non-current asset (or a disposal group) is expected to be realized primarily through its sale and not through its use, such an asset or disposal group is classified as held for sale. This condition is only considered to be met when a sale is highly probable, and the asset is available for immediate sale in its current state. The Company must seek to realize a sale that is expected to meet the criteria for recognizing a completed sale within one year of the date of such a classification.

Immediately before the asset is classified as held for sale, it (and all assets and liabilities in the disposal group) must be remeasured in accordance with applicable International Financial Reporting Standards as adopted by the EU. Subsequently, on initial recognition of assets held for sale, the asset held for sale and the disposal group are stated at the lower of carrying amount and fair value, less costs to sell.

Any impairment losses on a disposal group classified as held for sale are initially allocated to goodwill and then pro rata to other assets and liabilities, other than inventories, financial assets, deferred tax asset, and investment property, which continue to be stated in accordance with the Company's accounting policies.

Impairment losses on assets initially classified as held for sale are recognized in profit or loss even if a revaluation reserve has been created. The same applies to gains and losses on subsequent measurement. Reported gains may not exceed cumulative impairment losses.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated/amortized.

If an asset is included in a disposal group and it is subsequently found that its value is realized primarily through use and not through sale, the asset is rebooked and for property, plant and equipment and intangible assets the depreciation/amortization charge is recognized in the period in which the decision to change the use of the property was made.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, together with accumulated impairment losses (see Section 2.11.2 of the Notes). The acquisition cost includes costs directly related to the acquisition of items. Land, unfinished buildings and equipment are not depreciated.

Depreciation of buildings and equipment of an operating nature is based on estimates of their economic useful life (which is reviewed annually) and physical wear and tear.

The following table shows the expected economic useful life, the depreciation method, and the annual depreciation rate for various types of property, plant and equipment.

	Expected economic useful life (years)	Depreciation method	Annual depreciation rate (%)
Buildings and structures	40	straight-line	2.5
Telecommunication technology	4	straight-line	25
Office machines, apparatuses, computers, and receivers	2, 3 or 4	straight-line	50, 33.3 or 25
Passenger cars	4	straight-line	25
Security system	6	straight-line	16.7
Furniture and other fixtures and fittings	6	straight-line	16.7
Air conditioners, armoured cabinets	12	straight-line	8.3
Technical improvement of leased assets	6	straight-line	16.7

2.9 Investment property

Investment property includes assets owned but not used by the Company and held to earn long-term rental income and capital gains.

Investment property is initially stated at cost, including transaction costs. After initial recognition, these assets are carried at fair value, which is based on an estimate of an independent expert. This estimate reflects free market prices adjusted for differences due to the nature, location, or condition of a particular asset. Gains or losses arising from fair value changes are recognized under the item Net result of investments in the income statement. If a part of a property is leased to another entity and the remaining part is used by the Company, the value of the building is divided between investment property and property, plant and equipment according to the use and the respective area in m^2.

2.10 Intangible assets

2.10.1 Deferred acquisition cost of insurance contracts – DAC

The deferred acquisition cost, described in more detail in Section 2.15.1 of the Notes, is the most significant part of intangible assets.

2.10.2 Computer software and other intangible items

The Company mainly procured licences and insurance and accounting software.

Low-value intangible assets with an acquisition cost of up to EUR 300 are amortized in full at the date they are put into use.

The following table shows the expected economic useful life, amortization method, and annual amortization rate for different types of intangible assets.

	Expected economic useful life	Amortization method	Annual amortization rate in %
Insurance and accounting software	10 years	straight-line	10
Other intangible assets	4 years	straight-line	25
SAS licences	5 years	straight-line	20

2.11 Impairment of assets

2.11.1 Financial assets at amortized cost

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is only impaired and impairment losses only arise when there is objective evidence that an asset is impaired as a result of one or more events that occurred after the asset's initial recognition (hereafter a '**loss-generating event**') and such an event (or events) affects/(affect) future cash flows from the given financial asset or group of financial assets that can be reliably estimated.

In the event of an identified impairment, the value of the asset measured at amortized cost is reduced by creation of a credit loss allowance, and the related expense is recognized under the item Operating expenses in the income statement.

2.11.2 Property, plant and equipment, intangible assets, and other non-current assets

In the event of impairment indications, the Company estimates the asset's realizable value. If the asset's carrying amount exceeds its estimated recoverable amount, this is reduced to its recoverable amount. If an asset becomes redundant, Company management assesses its realizable value by comparing it with the net selling price calculated based on valuation reports prepared by a third party, adjusted for the estimated sales costs.

2.12 Other assets

Other assets are stated at cost. If assets are found to be no longer usable, they are written off. This did not occur during the current accounting period.

2.13 Equity

Shares are classified as equity when there is no obligation to transfer cash or another asset. Additional costs directly related to the issue of equity instruments, such as remuneration for arranging an issue, are included in the cost.

2.14 Employee benefits

Short-term employee benefits

Short-term liabilities to employees that arise in temporal and material connection with the performance of the work of the Company's staff are reported under the income statement item Operating expenses. Short-term payables to employees include wages and salaries, holiday pay, etc.

Post-employment benefits
The Company categorizes employee benefits associated with employee retirement benefits as defined contribution plans.

As regards defined contribution plans, the Company pays fixed contributions to an independent entity, which are posted to the income statement under the item Operating expenses. This is compulsory social insurance paid by the Company to the Social Insurance Agency or a private fund on the basis of the relevant legal regulations. The Company has no legal or other (constructive) obligation to pay additional contributions if the relevant funds do not have sufficient assets to pay benefits to all employees for their length of service in the current and prior periods.

Health and social insurance costs are posted to the period in which the related wages and salaries are accounted for.

2.15 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and their net amount is recognized in the balance sheet when there is a legally enforceable right to set off the reported amounts and there is the intention to settle transactions based on their net difference, or to realize the assets at the same time the liability is settled.

2.16 Insurance contracts – classification

The Company enters into insurance risk transfer agreements. Insurance contracts are contracts that transfer significant insurance risk. As a general rule, the Company defines significant insurance risk as the possibility of indemnity in the event of an insured event that exceeds the premium liabilities by at least 10% if the insured event did not occur.

When classifying its products, the Company assesses whether significant insurance risk is transferred to the Company in insurance contracts for individual products. There are a small number of contracts (0.18% of unit-linked life insurance contracts, most of which are single-payment insurance contracts, only 7 contracts are regularly paid with a written premium of EUR 3.8 thousand) which do not transfer significant insurance risk. In accordance with IFRS 4, Insurance Contracts, the Company accounts for all its contracts as insurance contracts.

Short-term insurance contracts
Short-term insurance contracts include liability insurance contracts, property insurance contracts, and short-term personal insurance. Liability insurance contracts protect clients from the risk of causing damage to third parties as a result of their legitimate activities. This is most often the protection of employees who have a legal obligation to compensate their employer (employee liability) and individuals or entrepreneurs who have an obligation to pay compensation to a third party for personal injury or property damage (general liability, professional liability). Property insurance contracts primarily compensate Company clients for damage to property or loss of property. Clients who conduct business activities on their own premises may also receive compensation for lost profits due to not being able to use the insured property for their business activities (business interruption insurance). Short-term personal insurance protects Company clients from the consequences of events (e.g. death or disability) that would affect the ability of the client or persons dependent on them to maintain their current level of income. Guaranteed insurance benefits paid out in the event of specific insured events are either fixed, or depend on the extent of the economic loss incurred by the injured party. Insurance contracts do not include benefits upon contract expiration or surrender.

Insurance premiums are stated as revenue (premiums earned) in proportion to the period of insurance coverage for all contracts. The part of the written premium from valid contracts that relates to unfinished risks at the date on which the financial statements are prepared, is recognized as a technical provision for unearned premiums. Insurance premiums are recognized before commission is deducted. Adjustments to insurance claims and losses are recognized in the income statement in the actual amount on the basis of an estimate of indemnity liabilities that the Company owes to the injured parties. They include direct and indirect costs for the settlement of claims and arise from events that occurred up to the date on which the financial statements are prepared even if the claims have not yet been reported to the Company. The Company does not discount its liabilities from outstanding claims, except for claims paid as an annuity. Liabilities from outstanding claims are estimated by an initial assessment of reported individual cases and statistical analyses of claims that have arisen but have not been reported, in order to obtain an estimate of the expected final costs of more complex claims that may be affected by external factors (e.g. court decisions).

Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events such as death and longevity. Premiums are posted to income at maturity by the policyholder. Premiums are reported before the commission is deducted.

The technical provision for life insurance represents the value of the Company's future liabilities, which are determined by actuarial methods. The liability is determined as the sum of the estimated discounted value of insurance benefits paid and future insurance administration costs directly related to the contract, less the estimated discounted value of the theoretical premium that would be required to cover insurance benefits and the insurance administration based on the valuation assumptions used (estimated insurance premium). The liability is based on assumptions related to mortality, disability, discount rate, cancellation rate, insurance administration costs, and investment income defined at the inception of the contract. Assumptions also include a margin for negative deviations.

Insurance contracts with discretionary participation features

The contractual documentation of insurance contracts specifies the basis for determining the amounts from which additional shares in the surplus (participation features) are derived at the Company's discretion, while the impact of the discretionary participation features is insignificant. The Company has discretion to decide on the value and timing of the payment of these surpluses to policyholders and the insured. Shares in the surplus are stated as part of provisions arising from insurance contracts. No additional share in the profit was approved for 2021 and 2022.

Embedded derivatives in insurance contracts

The Company's insurance contracts contain options and guarantees that are included in the insurance contract and are measured together with the risks of the contract if they cannot be measured separately, even if they do not involve the transfer of significant insurance risk. Future expected cash flows from such options and guarantees are taken into account in a liability adequacy test. Embedded derivatives include the right to receive the surrender value, the right to insurance reduction, the right to indexation, the right to increase the insurance premium or the amount insured, or the right to the payment of the amount insured in the form of annuities.

2.16.1 Deferred acquisition cost of insurance contracts – DAC

The direct acquisition cost of insurance contracts (commissions and other variable acquisition costs) incurred in acquiring new insurance contracts and renewing existing insurance contracts is capitalized as intangible assets and tested for recoverability as part of liability adequacy tests (described in Section 2.15.3 of the Notes). All other acquisition costs are expensed on an ongoing basis. DAC is subsequently amortized over the term of the contracts as follows:

- For liability insurance, property insurance, accident insurance, and short-term life insurance contracts, DAC is released during the period of payment of brokerage commissions along with the recognition of earned premium.
- Two types of DAC are used in life insurance. For older unit-linked life insurance tariffs, DAC is differentiated based on the term of insurance and the acquisition fee rate and amortized over a period of 5 to 8 years depending on the term of the insurance contract. For newer unit-linked life insurance tariffs (sold from 1 December 2019) and risk life insurance (RP06), only commissions under the respective commission schemes are included in DAC calculations and the amortization period is 5 years.

At 31 December 2022, the Company has no long-term insurance contracts without a fixed term in its portfolio of life insurance contracts.

2.16.2 Provisions arising from insurance contracts

Provisions arising from insurance contracts are initially measured using the assumptions used in determining the rates. A change to provisions set up in previous periods and the current period is an expense taken into account in the financial statements in the period in which the change is made.

Provision for unearned premium

The provision for unearned premium includes a proportional part of the written premium that will be earned in future accounting periods. For life and non-life insurance contracts, the 1/360 proportional method is used to calculate this technical provision. A provision for unearned premiums is not created for one-off life insurance contracts. For non-life insurance contracts with a term of insurance longer than one year, the provision for unearned premiums is created proportionally to the (remaining) duration of the underwriting period. A change in the provision is recognized in the income statement under the item Change in the provision for unearned premium.

Provision for insurance benefits

The provision for insurance benefits represents an estimate of the final costs of settling all claims arising from insured events incurred, including unreported events, at the reporting date. The valuation takes into account both internal and external foreseeable events, such as changes in how claims are settled, inflation, trends in claim-related litigation, legislative amendments, and historical experience and trends.

It is created for insured events reported but not yet settled (RBNS) and for insured events incurred but not yet reported (IBNR). The RBNS provision is created for each reported insured event separately, and is valued on the basis of a qualified estimate of a claims adjuster and includes costs related to settlement (e.g. for expert opinions, external inspections, etc.). The IBNR provision is measured by a qualified estimate and using actuarial methods (primarily triangular methods and the frequency and average insured loss method) for each type of insurance based on previous years and experience.

Provision for the settlement of liabilities to the Slovak Insurers' Bureau (hereafter the "SIB")

The provision for the settlement of liabilities to the SIB is to cover additional costs related to the settlement of claims from the previous MTPL insurance (until 2001). It is set at 100% of the Company's share in the total liabilities arising from activities under a special regulation, for which the SIB has not created the relevant assets. The SIB Board determined the share based on the number of vehicles insured by the Company in the MTPL market at 30 November 2022 (most recent available data at the time of valuation).

Life insurance provision

The life insurance provision represents an actuarial estimate of the Company's liabilities arising from traditional life insurance contracts. Life insurance provisions are measured separately for each insurance contract using the prospective Zillmer method, taking into account all guaranteed insurance benefits and revenue shares that have been allocated and future Zillmer premiums. The provision is measured using the same actuarial assumptions as for determining the premium rates. The life insurance provision also includes a profit share provision which represents shares in surpluses for eligible contracts.

Provision for insurance bonuses and discounts

The provision for insurance bonuses and discounts is created for insurance bonuses and discounts in accordance with the insurance contract, its insurance terms and conditions, and contractual arrangements and is intended to provide premium discounts in the form of a refund of part of the premium or a discount to be paid based on the actual loss ratio of individual contracts.

Provision for covering the risk of investing on behalf of the insured

The provision for unit-linked life insurance is determined as the fair value of client units of these contracts at the reporting date. A change in the provision during the current accounting period is recognized in the income statement. The number of client units depends on the amount of the premium paid and is reduced by the amount of agreed fees. The price of the units depends on the net value of the investment on behalf of the insured.

Provision for unexpired risks

This provision is created for unexpired risks arising from non-life insurance contracts when the estimated value of future insurance benefits covered by valid insurance contracts and other related future costs exceeds the provision for unearned premiums created for the relevant insurance contracts after deducting the related accrued costs. The provision for unexpired risks is created separately for insurance types that are managed jointly, after taking into account future investment income held to cover unearned premiums and unsettled insured events.

2.16.3 Liability adequacy test

At the end of each quarter, life insurance liability adequacy tests are performed to ensure the adequacy of contractual liabilities after deducting the related DAC assets. These tests use current best estimates of future contractual cash flows, claims settlement and administrative costs, and investment income from assets which serve as a financial cover for these liabilities. The total insufficiency is recognized in the income statement by writing off the DAC and subsequently by the additional set-up of the relevant technical provision.

The test is intended to verify whether the amount of provisions calculated in line with previously determined actuarial assumptions and by using methods such as zillmerization is sufficient when compared to calculations using current actuarial assumptions and the discounted cash flow method. If the liability adequacy test shows that the initially determined provision was insufficient compared to the provision determined by the discounted cash flow method using current assumptions, the DAC is depreciated and, for the remaining part, an additional provision is created for the insufficient premiums as a current period expense.

When testing the adequacy of technical provisions, risk margins are used for adverse developments and uncertainty about actuarial assumptions.

The adequacy test of technical provisions in non-life insurance verifies the adequacy of technical provisions in non-life insurance. This test is performed twice a year and the adequacy of these provisions is determined by comparing the provision calculated in the liability adequacy test with the RBNS and IBNR technical provisions. The development of changes in total disbursements and provisions due to events that occurred in previous years (run-off test) is also monitored.

When testing the adequacy of provisions in non-life insurance, the procedures include a test for the adequacy of the provision for unearned premiums. This test is performed on the provision for unearned premiums, which is reduced by the relevant deferred acquisition costs. This value is compared with the value of expected future cash flows from the relevant insurance contracts. If inadequate, the Company releases the relevant deferred acquisition costs and, if the insufficiency persists, creates an additional provision for unexpired risks.

2.16.4 Reinsurance contracts

Contracts with reinsurers under which the Company will be reimbursed for losses from one or more of its contracts that meet the requirements of an insurance contract specified in Section No. 2.15 of the Notes are classified as reinsurance contracts. Contracts that do not meet the above classification requirements are classified as financial assets.

Benefits that the Company is entitled to under its reinsurance contracts are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers (shown within the item Loans and receivables as well as longer-term receivables classified as reinsurance assets (shown within the item Reinsurers' share of provisions for insurance contracts) which depend on expected insured events and insurance benefits resulting from the related reinsurance contracts. Amounts that can be collected from, or are due to, reinsurers are measured by amounts arising from the relevant reinsurance contracts. Reinsurance liabilities mainly represent premiums payable from reinsurance contracts (reinsurance premiums) and are recognized as an expense in the period which they temporally and materially relate to.

2.16.5 Insurance receivables and payables

Receivables and payables are recognized when incurred and include receivables from, and payables to, policyholders and insurance intermediaries. If there is objective evidence that a receivable from an insurance contract has been impaired, the Company reduces the carrying amount of such a receivable accordingly and recognizes an impairment loss in the income statement. The Company obtains objective evidence of impairment of receivables from insurance contracts in the same manner that is applied for loans and receivables. An impairment loss is calculated using the same method as for these financial assets.

2.16.6 Active reinsurance

The Company is a party to several contracts in which it assumes insurance risk from other insurance companies. The Company acts as a reinsurer in these relationships. Costs and revenues arising from active reinsurance are recognized in the same way as for direct insurance.

2.17 Income tax

Income tax arising from the profit/(loss) for the period includes current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period, adjusted for deductible and non-deductible items due to permanent and temporary adjustments to the tax base. The Company's current tax liability is calculated using the tax rate effective at the reporting date, or at the date at which the tax rate was enacted, including the adjustment of tax liabilities of previous accounting periods.

Deferred income tax (deferred tax asset and deferred tax liability) is determined using the balance sheet method and results from:

a) temporary differences between the carrying amount of assets and liabilities presented in the balance sheet and their tax base;
b) the possibility to carry forward a tax loss to future periods, i.e. the possibility to deduct a tax loss from the tax base in the future; and
c) the possibility to transfer unused tax deductions and other tax claims to future periods.

To determine the deferred income tax, the expected tax rate for the following years (i.e. 21%) was used.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are not discounted.

The Company recognizes corporate income tax in the income statement under the item Income Tax and in the balance sheet under the items Income tax receivables or Income tax liabilities.

2.17.1 Payment of part of the insurance premium from the non-life insurance sector

In accordance with § 68a of the Insurance Industry Act, the payment of part of the insurance premium from the non-life insurance sector was cancelled as of 1 January 2019. The amount of the levy was 8% of the base for the levy on new contracts concluded after 1 January 2017. Thus, insurance premiums from all non-life insurance sectors were subject to a special levy, except for mandatory MTPL insurance, which is subject to a levy stipulated in § 68 of the Insurance Industry Act, which remains in force. The levy represents government budget income and was paid to a special account of the Tax Office for Selected Taxable Entities. The payment of part of the insurance premium is accrued to the next accounting period as for the underwriting of insurance premiums from sectors covered by this levy to which the premium relates. Under § 68a of the Insurance Industry Act, the accrued levy from the non-life insurance sector is also accounted for in 2022.

2.17.2 Insurance tax

On 1 January 2019, the Slovak Insurance Tax Act (Act No. 213/2018 Coll. on Insurance Tax and on Amendments to Certain Acts) became effective. As of this date, all non-life insurance contracts are subject to this tax, except for mandatory MTPL insurance, which is subject to a levy stipulated in § 68 of the Insurance Industry Act if the covered insurance risk is in Slovakia. Upon the adoption of the Insurance Tax Act, a new indirect tax was added to the Slovak tax system, which replaced the existing 8% payment of part of the insurance premium from the non-life insurance sector. The insurance tax is initially recognized as part of the gross written premium. Subsequently, the gross written premium is reduced by the amount of the tax. Thus, the insurance tax does not affect the gross written premium recognized, as it is an indirect tax. Insurance tax is shown as a separate negative item within gross written premium. The Company has set the date on which the premium payment is received as the date on which the tax liability arises.

2.18 Non-technical provisions

The Company recognizes provisions when it has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and the estimate of the amount of the obligation is reliable. Where the expected impact is significant, the amount of the provision is determined by discounting future cash flows using a pre-tax rate that reflects current market assessments of the value of cash and the risks specific to the liability.

In the event of a number of similar liabilities, the probability that an outflow of economic benefits will be required to settle them is determined based on an assessment of the group of liabilities as a whole. A provision is also recognized if there is a low probability that an outflow of economic benefits will occur in respect of any item included in the same group of liabilities. Any loss related to posting a provision for liabilities is recognized in the income statement for the respective period.

2.19 Revenue recognition

2.19.1 Premium income

Premium income includes gross written premiums from direct insurance and active reinsurance. Gross written premiums are accounted for in accordance with the terms of the applicable insurance contracts at the time of their maturity in the amount of an unlimited legal claim, regardless of whether the premium relates fully or partly to future accounting periods. For insurance contracts where the premium is paid in instalments, it is accounted for when the relevant instalment is received.

Gross written premiums are charged less bonuses and discounts agreed upon when concluding the insurance contract, less insurance tax. Discounts provided subsequently (e.g. for a ‘loss-free’ status) are expensed, and they also reduce the amount of gross written premium when recognized.

2.19.2 Net investment income

Net investment income includes income from financial assets and income from property rental.

Income from financial investments includes interest income, dividend income, net gain from the revaluation of financial assets measured at fair value through profit or loss and realized income from financial investments held for sale.

Interest income from financial investments that are not remeasured to fair value is recognized using the effective interest method. If a loan is impaired, the Company decreases the carrying amount of the loan to its recoverable amount, which represents the estimated future cash flows discounted at the instrument’s original effective interest rate, and continues to recognize the discount as interest income. Income from property rental is recognized in the income statement on a straight-line basis over the lease term.

2.20 IFRS 16, Leases

In 2019, the Company applied IFRS 16 which replaced IAS 17, Leases, and the related interpretations. The implementation of the new standard mainly affected the previously reported operating leases, with regard to which the payments made were recognized in the income statement on a straight-line basis over the lease term. IFRS 16 eliminates the distinction between operating and finance leases. Under IFRS 16, a contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a specified period in return. For such contracts, the new model requires the lessee to recognize the assets to which it has a right of use and also a lease obligation. An asset with a right of use is recognized at the inception of the lease and its initial value is determined as the sum of the initial value of the lease liability and the lease payments made before or on the date the lease commences. The lease term is based on the agreed rental period and the possibility of its early termination or an extension of the contract. Assets are depreciated on a straight-line basis over the lease term from the beginning up to the end of the lease. Depreciation begins on the day the lease commences. The lease liability is initially measured at the inception of the lease at the present value of the lease payments over the lease term using an incremental accrual rate based on available financial information.

The Company applied the standard using a modified retrospective approach without affecting equity and without making adjustments to comparable periods. The Company reviewed all leases where it is a lessee. At 1 January 2019, 31 December 2019, 31 December 2021, and 31 December 2022, no assets with a right of use or lease liabilities were recognized, as the Company applied practical exceptions in accordance with IFRS 16 and did not include leases with a lease term of less than 12 months (or leases with an indefinite lease term, a notice period of up to 3 months and without significant fines, sanctions or fees when a contract is terminated) that do not contain a purchase option, and leases in which the subject of the lease is of low value.

In 2022, the Company relocated its headquarters to rented premises in Digital Park, Bratislava. The Company reviewed its leasing agreements in which it was a lessee at 31 December 2022. For one part of these agreements, the Company applied practical expedients in line with IFRS 16 and did not recognize any right-of-use assets or lease liabilities, as the conditions for applying an expedient were met for these agreements, and for the second group of lease agreements, the Company measured the right-of-use asset and the lease liability.

Lease liability. At the commencement date, the Company, as a lessee, measured the lease liability (except for short-term leases and leases of low-value items) at the present value of lease payments that were not paid at that date. The lease payments are discounted using a risk-free interest rate (EURO SWAP). After the commencement date, the lease liability is measured by increasing the carrying value to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. In the event of a change, the lease liability is remeasured.

The lease term is a non-cancellable period for which a lease was concluded. Periods in which a lease may be extended are only included in the lease term if it is reasonably certain that the lease will be extended or that it will not be terminated early. Interest expense on the lease payments is posted to the income statement on a straight-line basis over the entire lease term.

Right-of-use assets. The Company measure right-of-use assets initially at cost which comprises:

- the amount of the initial measurement of the lease liability:
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Company in 2022 due to the relocation to new premises.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability due to a review or modification of the lease agreement. Right-of-use assets are depreciated on a straight-line basis over the shorter of their useful life or the respective lease term.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN THE APPLICATION OFACCOUNTING POLICIES

When preparing IFRS financial statements, the Company uses estimates and assumptions that affect the recognized amounts of assets and liabilities as well as the recognized amounts of expenses and revenues. Estimates and judgments are continually evaluated and are based on past experience and other factors, including expected future events believed to be reasonable under the circumstances. Actual results may differ from these estimates in the event of future changes in economic conditions, business strategies, regulatory measures, accounting policies, or other factors, and may cause a change in estimates, which may materially affect the balance sheet and the profit/(loss).

Significant areas that require assessment

Estimation of future insurance benefits paid or premiums arising from long-term insurance contracts, related deferred acquisition costs and other intangible assets

The determination of liabilities arising from long-term insurance contracts depends on the Company's estimates. Estimates relate to expected insured events (deaths, critical illnesses, disabilities, accidents) for each year in which the Company is exposed to a risk. The Company primarily bases its estimates on national industry decrement tables, which reflect the most recently available historical data, and adjusts them to reflect the Company's own experience, if necessary. For contracts that insure longevity risk, a provision is made for expected mortality improvements. The estimated number of insured events determines the value of insurance benefits paid and the value of the calculated insurance premium. Uncertainty is mainly related to the fact that epidemics such as AIDS, SARS, COVID-19 and lifestyle changes with far-reaching effects (e.g. eating habits, smoking, physical activities) may cause the frequency of insured events to be higher in the future than in the past in age groups in which the Company is exposed to significant risk. On the other hand, the continuous improvement of healthcare and social conditions may lead to an increase in longevity that will exceed increases reflected in estimates used to determine the obligations under contracts that expose the Company to longevity risk. For this reason, the Company tests a possible reduction in mortality by -10% (to the estimated basic mortality) in the liability adequacy test, which considers the longevity risk and its possible impact on the Company's portfolio (see Section 5.13.2 of the Notes).

Other important indicators of long-term insurance contracts that the Company tests are cost level and early termination. Internal portfolio analyses are used to determine these assumptions. The current cost level, the Company's future plans in this area and the development of market inflation are key to the cost assumptions. The assumptions of contract terminations are mainly determined on the basis of historical development.

Estimation of future insurance benefits in non-life insurance

Legislation that entitles a policyholder to report an insured event up until the moment the claim expires is a significant source of uncertainty for non-life insurance. The deadline for reporting a claim is usually several years from the date on which the policyholder became aware of the occurrence of the insured event. The Company takes this risk into account when calculating the IBNR provision. The Company regularly monitors and evaluates historical data and assumptions in the calculation and determines the final estimate of liabilities on their basis.

The calculation methods use historical experience with the development of insured events, and it is assumed that this experience may repeat in the future. However, there may be reasons why developments may be different. If these reasons are known and identifiable, modifications to the methods may occur. Such reasons include the following:

- economic, legal, political, and social trends,
- change to claim settlement procedures;
- change to the non-life insurance portfolio;
- random fluctuations, including possible major losses;
- consideration of loss developments associated with the COVID-19 pandemic.

Determination of investment property's fair value

These values were determined based on a valuation conducted by an independent expert in 2019 by applying procedures applicable to the measurement of property to which technical provisions are allocated. The comparison approach appraisal method is used, which takes into account all factors that affect the value of property in the given location and the given time. For property that generates disposable income (building at Košická 58), the combined method is also used. At 31 December 2022, Company management assessed assumptions used in the 2019 estimate and concluded that the change in fair value was insignificant compared to 2019. Therefore, management decided not to change the values reported in 2022. Due to a small number of comparable transactions (taking into account the requirements for the measurement of assets to which technical provisions are allocated), the given values are not directly based on sales prices obtained by the sale of comparable property.

The above measurement constitutes the best possible estimate of fair value at the reporting date. The Company sold its immovables in Bratislava in 2022. More details regarding the sale are given in Section 5.5 of the Notes.

4 RISK MANAGEMENT

The Company has an effective risk management system in place that includes the reporting strategies, procedures, and processes necessary to continually identify, measure, monitor, manage, and report risks, including their interdependence. The administration and management system and all its components are set up so that they reflect the nature, complexity, and extent of the risks to which the Company is, or could be, exposed.

4.1 Insurance risk

The Company is exposed to insurance risk from both life and non-life insurance.

The possibility that an insured event may occur, and the uncertain amount of the resulting insurance claim represent the risk involved in each insurance contract. The nature of an insurance contract means that this risk is random and unpredictable. For a portfolio of insurance contracts in which probability theory is used to calculate insurance premiums and technical provisions, the main risk the Company faces in connection with these insurance contracts is the risk that insured events and benefits paid will exceed the carrying amount of liabilities arising from insurance contracts. This risk may occur when the frequency of insured events or the amount of insurance benefits exceeds estimates. The insured events are random, and their actual number and value may differ from estimates made using statistical methods. The larger the portfolio of similar insurance contracts, the less volatility of the expected results will be and the less likely it is that the portfolio will be significantly affected by a change in any sub-portfolio. The Company has developed an insurance underwriting strategy to achieve a sufficiently large portfolio and reduce its volatility.

Factors increasing the insurance risk include insufficient risk diversification in terms of risk level, geographical location, type of insurance, and insurance sector.

4.1.1 Risks related to liability insurance

(a) Frequency and amount of insured events
The frequency and amount of insured events are affected by several factors. For example, an important factor is estimated inflation due to the long period usually required to resolve these cases. The Company manages these risks by an underwriting strategy, an appropriate reinsurance programme, and active claims settlement.

The underwriting strategy seeks to ensure that the underwritten risks are sufficiently diversified in terms of risk level, geographical location, type of insurance, and insurance sector. Underwriting limits that may not be exceeded are in place to ensure that appropriate risk selection criteria are applied. The Company has the right to not renew individual contracts, may claim co-payment, and has the right to refuse to pay compensation in the event of a fraudulent insured event. Based on insurance contracts, the Company is also entitled to demand the payment of some or all costs (recourses or penalties) from third parties.

The Company's reinsurance programme for liability insurance includes reinsurance of risk-based excess of loss. The maximum own expense in liability insurance is EUR 300 thousand. Thanks to such reinsurance, the Company should not suffer a total net loss from insurance contracts in excess of its own expense from any insured event, except for the Company's participation in the domestic nuclear pool, the capacity of which amounts to EUR 1.2 million for the Company.

(b) Sources of uncertainty in estimating future claims
Insured events related to liability insurance are often reported after a longer period since their inception, which is reflected in the higher amount of the IBNR provision. There are several variables that affect the amount and timing of cash flows arising from these contracts. They relate mainly to the risk embedded in activities performed by individual insured persons and in the Company's risk management procedures.

Estimated costs of insured events include costs incurred in their settlement. The Company takes all reasonable measures to ensure it has sufficient information about its exposure to insured events. However, due to the uncertainty in determining the technical provision for insurance benefits, it is likely that the outcome will differ from the originally determined liability. The liability related to these contracts constitutes the IBNR provision and the RBNS provision. The amount of liability claims is extremely sensitive to the level of court findings and to the origination of a precedent in matters of contractual and civil liability. Liability insurance is also subject to the occurrence of new types of latent insured events. In calculating the estimated cost of unpaid claims (both reported and unreported), the Company uses actuarial methods based on development triangles for incurred and reported losses or the frequency and average loss method, using an appropriate safety margin that takes into account uncertainty regarding the future development of such losses.

4.1.2 Long-term life insurance contracts

(a) Frequency and amount of insured events
For contracts where the insured risk is death, the most important factors that could increase the overall frequency of insurance benefits are epidemics (e.g. AIDS, SARS, COVID-19) and common lifestyle changes (e.g. eating habits, smoking, physical activities) which result in early or more frequent payments of insurance benefits than expected.

At present, these risks do not change significantly in relation to the location of the risk which the Company insured. However, an excessive concentration by amounts insured could have an impact on the amount of insurance benefits paid at the portfolio level. As regards contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating conditions that reduce the accepted insurance risk. The Company manages these risks through a health and financial underwriting strategy and through reinsurance contracts.

The objective of the underwriting strategy is to ensure a good diversification of the risks assumed in terms of the type of individual risks and the level of insurance benefits. Diversification also results in a balance between the mutually complementing mortality and longevity risks. When concluding insurance contracts, the Company also uses medical examinations, and the insurance premium reflects the diverse health status of applicants and the history of their family health situation. In life insurance, the Company only accepts at its own expense risks in the accumulated amount which do not exceed a limit of EUR 0.42 million.

(b) Sources of uncertainty in estimating future claims and premium income
Uncertainty in estimating future claims and premium income for long-term life insurance contracts arises from the unpredictability of long-term changes in the overall mortality rate and variability in the behaviour of policyholders and the insured.

The Company uses appropriate tables to calculate the standard mortality base by type of contract and the territory in which the insured person lives. To compile the most accurate estimate of expected mortality, the Company reviews its own experience from all concluded insurance contracts and uses statistical methods to adjust the gross mortality rate. The Company's experience also reflects the impact of historical evidence regarding the behaviour of the insured. The Company keeps independent statistics on the termination of insurance contracts to determine deviations as regards the actual number of terminated contracts from the assumptions. Statistical methods are used to determine the termination rate, using a safety margin to cover the uncertainty of future data developments, so as to obtain a sufficiently secure estimate of the future termination rate for insurance contracts.

4.1.3 Short-term life insurance contracts

(a) Frequency and severity of insurance claims
The Company mainly concludes insurance contracts of this type with partners providing death insurance as a supplement to loan products (death insurance also serves as a form of loan security in the event of the debtor's death). This

strategy provides the Company with a favourable geographical and sectoral distribution of the risk of death and thus prevents excessive concentration of this risk.

In accordance with the Company's reinsurance programme, these risks are also secured by surplus reinsurance with the retention limit per one insured risk in the amount of EUR 0.04 million.

(b) Sources of uncertainty in estimating future claims
Due to the short-term nature of these contracts, the Company is not exposed to insurance technical risk arising from the uncertain future long-term development as regards the mortality of insured parties.

4.1.4 Property insurance contracts

(a) Frequency and severity of insured events
As regards property insurance contracts, climate change is causing more frequent and more serious events due to extreme weather (especially floods, storms, and hail) and their consequences (e.g. landslide-related insured events). For some contracts, the Company only has a limited number of insured events that can be paid in the insurance year, or there is a maximum amount payable for insured events in a given insurance year. The Company has the right to reassess the risk when renewing the contract. In addition, the Company may claim co-payment and refuse to pay compensation in the event of a fraudulent insured event. These contracts are underwritten with reference to the market replacement value of the insured property and objects, while the limits for insured events are used to determine the upper value of the amount due in the event of an insured event. The cost of reconstructing a building, replacing the object insured or paying compensation for the building, and the time required to restart a business after an interruption are key factors that affect the amount of insurance claims resulting from such contracts. The highest probability of significant losses from these insurance contracts arises in connection with damage caused by storms and floods. The Company has arranged excess loss reinsurance for such damages on the individual risk basis, as well as in the event of a disaster, with the Company's priority (and thus the maximum net loss resulting from one insured event or disaster) being EUR 1.2 million.

The main risk-bearing groups of property insurance contracts include natural disasters, theft, and accident. The Company diversifies property risks both geographically (the Company operates across Slovakia) and according to type (the Company insures assets owned by the population and assets used for business activities).

The table below shows the loss ratio in the non-life insurance portfolio (before reinsurance):

Loss ratio in non-life insurance	2022	2021
MTPL insurance	75%	57%
Motor hull insurance	58%	53%
Property and liability insurance	25%	40%
Other	10%	0%
Total as of 31 December	**58%**	**50%**

In MTPL insurance, there was a year-on-year increase in the loss ratio, primarily due to a significant increase in provisions for two insured events (impact of 17.2 pp.). The effect of a higher loss ratio has been eliminated by reinsurance, as the insured event has already significantly exceeded the excess loss.

The line Other includes travel insurance, legal protection insurance, accident insurance, individual health insurance, and the nuclear pool. The low loss ratio in 2021 for this group of insurance was due to the positive run-off from insured events of previous years, especially in travel insurance and accident insurance.

(b) Sources of uncertainty in estimating future claims

The most significant source of uncertainty for property-related insured events is the future development of natural hazards (especially storm and flood risks). The Company eliminates these risks by its underwriting strategy and by its reinsurance programme (for individual risks and in the event of a natural disaster).

When estimating IBNR for property-related insured events, the Company uses methods based on development triangles of incurred and reported losses, applying an appropriate safety margin to cover the insurance technical risk arising from potential future adverse development of insured events compared to the expected development.

(c) Concentration risk

Within the risk concentration, the Company monitors the amount of the total insured amount in property insurance, where the geographical concentration is the most significant. The following table presents the distribution of insured amounts in insurance contracts by individual regions:

	Before reinsurance		After reinsurance	
RISK CONCENTRATION	2022	2021	2022	2021
Banská Bystrica region	10,41%	9,9%	9,91%	9,39%
Bratislava region	29,70%	31,08%	29,07%	30,26%
Košice region	13,11%	13,09%	13,02%	12,68%
Nitra region	9,68%	9,72%	10,03%	10,10%
Prešov region	11,24%	10,76%	11,44%	11,02%
Trnava region	10,33%	10,45%	10,69%	10,92%
Trenčín region	7,13%	6,59%	7,13%	6,96%
Žilina region	8,40%	8,41%	8,71%	8,67%
Total	**100,00%**	**100,00%**	**100,00%**	**100,00%**

The Company has no significant client where the concentration is considered significant.

For life insurance contracts where death is the risk, it is important to know the distribution of insured amounts, as a potential concentration of claims with high insured amounts could significantly affect the Company's profit/(loss).

The table below illustrates the risk concentration based on the aggregated insured amounts by the 9 groups of contracts, defined by the insured amount intervals for the risk of death and the longevity risk per contract:

in thousands of EUR	Number of insurance contracts before reinsurance		Number of insurance contracts after reinsurance	
Insured amount	2022	2021	2022	2021
0.0 – 2.5	11 254	16 333	11 254	16 333
2.5 – 5.0	9 309	6 638	9 309	6 638
5.0 – 7.5	6 977	5 634	6 977	5 634
7.5 – 10.0	4 380	7 852	4 380	7 852
10.0 – 20.0	14 045	16 370	14 045	16 370
20.0 – 30.0	6 668	7 536	6 668	7 536
30.0 – 40.0	3 491	3 822	3 491	3 822
40.0 – 50.0	1 786	1 925	2 773	3 608
More than 50.0	3 563	3 592	2 576	1 909
31 December	**61 473**	**69 702**	**61 473**	**69 702**

The total amount of sums insured is EUR 968 million before reinsurance and EUR 953 million after reinsurance.

4.2 Market risk

Market risk represents a change in the fair value of future cash flows of a financial instrument due to changes in market prices. The Company invests all its assets in accordance with prudent investment principles. The Company has established the Assets and Liabilities Management Committee (hereafter "ALCO") for market risk management purposes. ALCO discusses and makes decisions as regards determining strategic asset allocation, setting plans for investments in securities, coordinating asset and liability management, taking into account market risk, credit risk, and liquidity risk, authorizing the acquisition of new investment instruments, monitoring and drafting proposals to correct the asset structure in relation to profitability, and controlling the volume and composition of non-profitable assets

As regards investments, internal standards also regulate limits for individual rating classes and for individual counterparties, the minimum average issuer rating, monitoring of limits, and the escalation process when limits are exceeded.

Financial investment risk management is an integral part of the overall risk management system, which monitors, assesses, addresses, and reports the most significant risks related to all activities of an insurance company as a whole.

The Company mainly monitors interest rate risk, risk related to the price of equity securities, currency risk, and credit risk.

4.2.1 Interest rate risk

Interest rate risk is the risk that the yield curve will change. This risk affects the Company's assets and liabilities, and a change in the yield curve may have a significant impact on the Company's profit/(loss). The Company regularly analyses the balance of assets and liabilities and the impact of changes in market interest rates and their impact on the value of assets and liabilities.

Insurance contracts with a guaranteed interest rate are the most exposed to risk. A change as regards liabilities occurs through a change in liabilities from insurance contracts, which is evaluated by the liability adequacy test by determining the minimum required provision. The impact of an interest rate change on the Company's technical provisions is described in Section 5.13.2 of the Notes.

The tables below show the effect of a change in the interest rate on the Company's financial assets at 31 December 2022 and 31 December 2021.

2022 in thousands of EUR	Impact of a change by +25 bp	Impact of a change by -25 bp
Debt securities	-552	565
Impact on the income statement	-552	565
Other impact on equity	0	0

2021 in thousands of EUR	Impact of a change by +25 bp	Impact of a change by -25 bp
Debt securities	-763	786
Impact on the income statement	-763	786
Other impact on equity	0	0

4.2.2 Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to repay amounts in full when due.

For the purposes of credit risk management, operational limits are set for counterparty ratings or issues and concentration limits per counterparty. Positions exposed to credit risk are monitored and limited. The risk is expressed mainly by the duration of the asset and the counterparty's rating. The limits are reviewed every quarter and future investments are also planned in advance with regard to concentration.

Total financial investments to maturity

At 31 December 2022, non-impaired financial investments not yet due amount to EUR 168,399 thousand (31 December 2021: EUR 172,653 thousand).

31 December 2022									
Standard & Poor's	A+	A	A-	BBB+	BBB	BBB-	BB+		
Moody's	A1	A2	A3	Baa1	Baa2	Baa3	Ba1		
FITCH	A+	A	A-	BBB+	BBB	BBB-	BB+	Unclassified	Total
Debt securities, of which:	8 602	73 737	21 373	4 077	10 789	6 517	1 885	2 025	129 005
- state	0	47 249	4 985	0	0	3 881	0	0	56 115
- financial institution	5 670	23 539	9 601	822	5 807	1 140	0	0	46 579
- other businesses	2 932	2 949	6 787	3 255	4 982	1 496	1 885	2 025	26 311
Loans and borrowings, of which:	0	0	0	0	0	0	0	509	509
loans, of which:	0	0	0	0	0	0	0	55	55
- other businesses	0	0	0	0	0	0	0	0	0
- small clients	0	0	0	0	0	0	0	55	55
borrowings to the insured, of which:	0	0	0	0	0	0	0	454	454
- small clients	0	0	0	0	0	0	0	454	454
Total financial investments not yet due	**8 602**	**73 737**	**21 373**	**4 077**	**10 789**	**6 517**	**1 885**	**2 534**	**129 514**

31 December 2021								
Standard & Poor's	A+	A	A-	BBB+	BBB	BBB-		
Moody's	A1	A2	A3	Baa1	Baa2	Baa3		
FITCH	A+	A	A-	BBB+	BBB	BBB-	Unclassified	Total
Debt securities, of which:	5 088	70 875	19 134	8 062	11 869	7 939	4 058	127 025
- state	0	49 522	5 425	0	0	4 457	0	59 404
- financial institution	4 110	20 352	8 067	2 005	4 754	1 988	0	41 276
- other businesses	978	1 001	5 642	6 057	7 115	1 494	4 058	26 345
Loans and borrowings, of which:	0	0	0	0	0	0	2 307	2 307
loans, of which:	0	0	0	0	0	0	1 755	1 755
- other businesses	0	0	0	0	0	0	1 692	1 692
- small clients	0	0	0	0	0	0	63	63
borrowings to the insured, of which:	0	0	0	0	0	0	552	552
- small clients	0	0	0	0	0	0	552	552
Total financial investments not yet due	**5 088**	**70 875**	**19 134**	**8 062**	**11 869**	**7 939**	**6 365**	**129 332**

There is one corporate bond in the 'Other businesses' item, category 'Unclassified', with no rating assigned. All contractual cash flows from this bond have always been paid on time and in full.

At 31 December 2022 and 31 December 2021, mutual funds allocated to unit-linked life insurance contracts are reported under the item Investment on behalf of the insured - small clients. The total amount is shown in the Unclassified column, as the mutual funds offered by the Company have not been assigned a rating by a listed rating agency. The total reported volume is not yet due.

Changes in the value of financial investments on behalf of the insured are reflected in the same amount by a change in the provision for covering the risk of investing on behalf of the insured. The risk is transferred to the amount of liabilities to the insured.

Loans include a loan granted to a former Company employee, who is still repaying it. Until 31 December 2015, loans to the insured (advance payments for insurance benefits) were only provided to clients up to the amount of the surrender value, which is represented by the provision for insurance benefits reduced by initial costs not yet paid, or other fees related to the administration of the insurance and its cancellation. In the event of an insured event causing the termination of an insurance contract, the Company pays the insurance benefit reduced by the amount of the unpaid advance payment and the fee to the person eligible to receive such a benefit. Since 1 January 2016, the Company has not provided advance payments for insurance benefits. For a borrowing provided to employees, the Company secures repayment by payroll deductions. For the above reasons, no valuation allowances are set up for the related receivables

Insurance and reinsurance receivables and other receivables

The Company is responsible for paying insurance benefit to the injured party under an insurance contract, even if the reinsurer is unable for any reason to pay the insurance company's claim. Upon reinsurance, the Company monitors the limits for the average rating of reinsurers set out in the 'Risk Tolerance' internal standard. The minimum average rating of reinsurers is A-.

Material provided to Company management contains detailed information on valuation allowances decreasing the value of loans and receivables and on subsequent write-offs.

At 31 December 2022, non-impaired reinsurance receivables not yet due amount to EUR 98 thousand (31 December 2021: EUR126 thousand), and non-impaired other receivables not yet due amount to EUR 98 thousand (31 December 2021: EUR144 thousand).

Total overdue insurance and other receivables:

in thousands of EUR	Insurance receivables	Recourses	Other	Total
31 December 2022 (gross)	8 588	464	98	9 150
Credit loss allowances				
1 January 2022	7 538	335	79	7 952
Change in the credit loss allowance recognized in profit /(loss)	-836	12	-5	-829
31 December 2022	6 702	347	74	7 124
31 December 2022 (net)	**1 886**	**117**	**24**	**2 026**

in thousands of EUR	Insurance receivables	Recourses	Other	Total
31 December 2021 (gross)	9 550	477	143	10 170
Credit loss allowances				
1 January 2021	7 892	339	74	8 305
Change in the credit loss allowance recognized in profit/(loss)	-353	-4	5	-352
31 December 2021	7 539	335	79	7 953
31 December 2021 (net)	**2 011**	**142**	**64**	**2 217**

Some of the above overdue insurance receivables and overdue other receivables are not impaired.

The analysis of receivables by time from maturity is as follows for 2022 and 2021:

in thousands of EUR	Insurance receivables	Recourses	Other	Total
Up to 3 months	708	50	1	759
From 3 months to 1 year	671	42	5	718
From 1 to 5 years	1 529	120	2	1 651
Over 5 years	5 680	252	90	6 022
31 December 2022	**8 588**	**464**	**98**	**9 150**

in thousands of EUR	Insurance receivables	Recourses	Other	Total
Up to 3 months	883	68	2	953
From 3 months to 1 year	384	58	38	480
From 1 to 5 years	2 203	122	3	2 328
Over 5 years	6 080	229	100	6 409
31 December 2021	**9 549**	**477**	**143**	**10 170**

Insurance, recourse, and other receivables are unrated, as an assessment based on the maturity period proved to be the most relevant for the Company. For insurance receivables, EUR 914 thousand was repaid at 31 March 2023. Receivables written off are stated in Section 5.21 of the Notes. As regards monitoring, the above age structure of receivables proved to be useful for the Company. All Company receivables from overdue insurance premiums are categorized as impaired.

Insurance receivables and other receivables – overdue and impaired

in thousands of EUR	Insurance receivables	Other	Total
Up to 3 months	0	1	1
From 3 months to 1 year	0	5	5
From 1 to 5 years	0	2	2
Over 5 years	1	0	1
31 December 2022	**1**	**8**	**9**

in thousands of EUR	Insurance receivables	Other	Total
Up to 3 months	0	2	2
From 3 months to 1 year	0	38	38
From 1 to 5 years	0	2	2
Over 5 years	1	0	1
31 December 2021	**1**	**42**	**43**

The Company sets up valuation allowances for almost all overdue receivables. The reason for the low share of non-impaired receivables (less than 1%) of total overdue receivables is that the Company applies strict criteria for assessing their risk level.

The remaining part of overdue receivables in the amount of 2,018 thousand consists of impaired receivables (31 December 2021: 2,174 thousand). The following table provides an overview of impaired and overdue insurance receivables and other receivables for which the Company sets up valuation allowances either individually or on a portfolio basis. Valuation allowances are set up individually for higher-value receivables.

Insurance and other receivables – overdue and impaired

in thousands of EUR	Insurance receivables	Recourses	Other	Total
31 December 2022 (gross)	8 588	464	98	9 150
Valuation allowances	-6 702	-347	-74	-7 123
31 December 2022 (net)	**1 886**	**117**	**24**	**2 027**

in thousands of EUR	Insurance receivables	Recourses	Other	Total
31 December 2021 (gross)	9 549	477	101	10 127
Valuation allowances	-7 539	-335	-79	-7 953
31 December 2021 (net)	**2 010**	**142**	**22**	**2 174**

4.2.3 Liquidity risk

Liquidity risk is the risk that cash will not be available at an adequate cost to cover liabilities when they become due. The Company's exposure to liquidity risk is considered low as the Company holds most of its funds in liquid form. The management of assets and liabilities in the Company is ALCO's responsibility. The time structure of assets and liabilities is also evaluated in Company processes, and this structure is taken into account when deciding on new investments.

The Company analyses financial and insurance assets and liabilities in terms of their expected remaining contractual maturities. The Company monitors its liquidity and adjusts the liquidity status on a daily basis.

The Company continually monitors planned financial flows, so it can promptly respond to unexpected requirements arising from insurance claims. This ensures the Company always has sufficient cash to cover all of its liabilities.

The tables below provide an analysis of financial assets and insurance liabilities prepared on the basis of contractual undiscounted cash inflows from financial assets and the expected cash outflows for the settlement of insurance liabilities. For non-life insurance contracts, we present net expected payments of insurance benefits arising from insured events incurred up to the reporting date and future expected cash flows that are covered by the provision for unearned premiums. For life insurance contracts, we present expected cash flows, including future expected insurance claims, administrative expenses, commissions, and premiums received from existing contracts. The liquidity table was prepared at 31 December 2022 and 31 December 2021.

			Expected cash flows (not discounted)					
in thousands of EUR 31 December 2022	**Carrying amount**	**On demand**	**≤ 1 year**	**>1 year ≤ 2 years**	**>2 year ≤ 5 years**	**>5 year ≤ 10 years**	**> 10 years**	**Total**
Debt securities	129 005	0	7 498	13 699	60 047	50 269	21 407	152 920
Loans	55	0	10	10	29	16	0	65
Cash and cash equivalents	3 827	3 827	0	0	0	0	0	3 827
Equity securities	38 885	38 885	0	0	0	0	0	38 885
Total financial assets	**171 772**	**42 712**	**7 508**	**13 709**	**60 076**	**50 285**	**21 407**	**195 697**

			Expected cash flows (not discounted)					
in thousands of EUR 31 December 2021	**Carrying amount**	**On demand**	**≤ 1 year**	**>1 year ≤ 2 years**	**>2 year ≤ 5 years**	**>5 year ≤ 10 years**	**> 10 years**	**Total**
Debt securities	127 025	0	15 481	8 808	38 180	52 494	27 041	142 004
Loans	1 755	0	111	111	334	533	1 793	2 882
Cash and cash equivalents	8 297	8 297	0	0	0	0	0	8 297
Equity securities	43 321	43 321	0	0	0	0	0	43 321
Total financial assets	**180 398**	**51 618**	**15 592**	**8 919**	**38 514**	**53 027**	**28 834**	**196 504**

31 December 2022	Carrying amount	≤ 1 year	>1 year ≤ 2 years	>2 year ≤ 5 years	>5 year ≤ 10 years	> 10 years	Total
Life insurance liabilities excluding unit-linked life insurance and the Wüstenrot Fund	-58 899	-5 751	-2 915	-11 473	-17 481	-26 500	-64 120
Insurance liabilities from unit-linked life insurance and the Wüstenrot Fund	-46 516	1 988	951	-1 237	-12 418	-35 364	-46 080
Non-life insurance liabilities	-36 324	-23 569	-3 906	-3 728	-4 239	-882	-36 324
Total insurance liabilities	**-141 739**	**-27 332**	**-5 870**	**-16 438**	**-34 138**	**-62 746**	**-146 524**

31 December 2021	Carrying amount	≤ 1 year	>1 year ≤ 2 years	>2 year ≤ 5 years	>5 year ≤ 10 years	> 10 years	Total
Life insurance liabilities excluding unit-linked life insurance and the Wüstenrot Fund	-71 168	-5 678	-2 633	-10 796	-18 760	-27 538	-65 405
Insurance liabilities from unit-linked life insurance and the Wüstenrot Fund	-49 445	1 459	1 870	-1 311	-13 581	-34 497	-46 060
Non-life insurance liabilities	-32 322	-21 081	-3 444	-2 311	-4 728	-758	-32 322
Total insurance liabilities	**-152 935**	**-25 300**	**-4 207**	**-14 418**	**-37 069**	**-62 793**	**-143 787**

Changes that occurred in the breakdown of financial assets by maturity compared to 2021 are mainly connected with the maturity of bonds, the shortening of the maturity of bonds that remained in the portfolio, and the purchase of new bonds. During 2022, the Company mainly invested in corporate bonds with diverse maturity.

Equity securities are payable on demand.

The decrease in insurance liabilities from capital insurance was mainly due to a decrease in the inadequacy of provisions due to an increase in the EIOPA discount yield curve. The change in liabilities from unit-linked life insurance was affected by the development on the financial markets. The increase in non-life insurance liabilities is mainly due to higher technical provisions for insurance benefits and to the moderate additional set-up of the provision for the settlement of liabilities to SIB that takes into account the current market share.

4.2.4 Currency risk

In 2022 and 2021, the Company did not have significant financial assets and liabilities sensitive to currency risks with an impact on the profit/(loss).

5 ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

5.1 Cash and cash equivalents

in thousands of EUR	2022	2021
Funds in bank current accounts	3 814	8 283
Cash equivalents	13	14
31 December – total	**3 827**	**8 297**

The credit risk of funds on current bank accounts based on bank credit ratings is presented in the following table:

in thousands of EUR	A	A-	BBB	Without rating	Total
31 December 2020	2 826	4 303	973	181	8 283
31 December 2021	**973**	**2 799**	**0**	**42**	**3 814**

Funds in bank current accounts are fully available for the Company's use.
Since 1 July 2019, the Company has no petty cash, as it only undertakes cashless payments. Cash is stated at its nominal value.

5.2 Financial investments

Overview of the Company's financial investments by classification when measured:

in thousands of EUR	31 December 2022	31 December 2021
Government bonds	39 312	39 393
Mortgage bonds	7 030	7 025
Corporate bonds	41 546	25 984
Total financial investments held to maturity as at 31 December	87 888	72 402
Mutual funds (open-end)	12 093	14 164
Investment on behalf of the insured (open-end mutual funds)	26 792	29 158
Government bonds (quoted, fixed interest rate)	16 803	20 011
Corporate bonds (quoted, fixed interest rate)	24 104	34 611
Total financial investments at fair value through profit or loss as at 31 December	79 792	97 944
Loans, of which:	55	1 755
loans granted to Wüstenrot Reality s.r.o.	0	1 692
other loans granted	55	63
Borrowings to the insured	454	552
Total loans and borrowings granted to the insured as at 31 December	509	2 307
Total financial investments at 31 December	**168 189**	**172 653**

Held-to-maturity financial investments

The portfolio of financial investments held to maturity consists exclusively of debt securities with a fixed interest rate.

In 2022, the Company acquired bank and corporate bonds in the total amount of EUR 15,614 thousand and placed them in the portfolio of financial assets held to maturity (2021: EUR 5,412 thousand).

At 31 December 2022, the fair value of held-to-maturity financial investments amounts to EUR 81,083 thousand (31 December 2021: EUR 81,616 thousand).

Financial investments at fair value through profit or loss

In 2022, the Company used funds from life insurance provisions and its own funds and sold in its own name mutual funds denominated in euros and managed by Spängler IQAM Invest, Austria; C-Quadrat KAG, Austria, IAD Investments, správ. spol. a.s., Slovakia, and Tatra Asset Management, správ. spol., a.s., Slovakia, in the amount of 816 thousand (in 2021, it sold mutual funds in the total amount of EUR 407 thousand), which were classified as FVTPL assets.

The Company invested EUR 1,959 thousand (2021: EUR 291 thousand) on behalf of the insured in mutual funds denominated in euros and managed by Spängler IQAM Invest, Austria; C-Quadrat KAG, Austria, IAD Investments, správ. spol. a.s., Slovakia, and Tatra Asset Management, správ. spol., a.s., Slovakia. These mutual funds were acquired from provisions for covering the risk of investing on behalf of the insured.

In 2022, the Company acquired government bonds in the amount of EUR 1,986 thousand and put them into the portfolio at fair value through profit or loss (2021: EUR 0 thousand).

In 2022, the Company acquired bank and corporate bonds in the amount of EUR 13,286 thousand and put them into the portfolio at fair value through profit or loss (2021: EUR 3,192 thousand). In 2022, the Company sold bank and corporate bonds in the amount of EUR 7,739 thousand, which were categorized in the portfolio at fair value through profit or loss (2021: EUR 0 thousand)

Loans and borrowings to the insured

There is a year-on-year change in the item Loans provided to Wüstenrot Reality, s.r.o., as the company repaid the entire outstanding part of the principal in a single payment, including aliquot interest for 2022.

The fair value of the above financial assets is shown in the following table:

Fair value and carrying amount of financial investments	31 December 2022		31 December 2021	
in thousands of EUR	Carrying amount	Fair value	Carrying amount	Fair value
Held to maturity	87 888	81 083	72 402	81 616
- debt securities	87 888	81 083	72 402	81 616
Loans and receivables	509	539	2 307	2 683
- loans	55	59	1 755	2 088
- borrowings to the insured	454	480	552	595
Financial assets for which the carrying amount equals the fair value	79 792	79 792	97 944	97 944
Financial assets at fair value through profit or loss	79 792	79 792	97 944	97 944
Total financial investments	**168 189**	**161 414**	**172 653**	**182 243**

The fair value of financial investments is shown including aliquot interest income.

The fair value of loans is calculated using the discounted future cash flows method. The carrying amount represents the residual value of the principal together with the interest calculated under the loan agreement and not paid at that date.

The following table provides an overview of financial investments classified according to the method for determining their fair value:

in thousands of EUR	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	0	3 827	0	3 827
Debt securities	103 868	18 122	0	121 990
Mutual funds	0	12 093	0	12 093
Investment on behalf of the insured	0	26 792	0	26 792
Loans	0	0	539	539
31 December 2022 – total	**103 868**	**60 834**	**539**	**165 241**

in thousands of EUR	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	0	8 297	0	8 297
Debt securities	116 936	19 303	0	136 239
Mutual funds	0	14 163	0	14 163
Investment on behalf of the insured	0	29 158	0	29 158
Loans	0	0	2 683	2 683
31 December 2021 – total	**116 936**	**70 921**	**2 683**	**190 540**

The fair value of debt securities is determined based on quoted prices from the Frankfurt Stock Exchange (Level 1), or as a theoretical price published by Bloomberg based on observable inputs (Level 2).

Mutual funds are reported in Level 2 and loans are reported in Level 3, as mutual funds are not actively traded on a stock exchange. Individual management companies constitute the secondary market and perform the measurement of funds.

Debt securities carried at fair value through profit or loss are stated in Level 1 in the amount of EUR 36,763 thousand (2021: EUR 49,633 thousand) and in Level 2 in the amount of EUR 4,143 thousand (2021: EUR 4,989 thousand).

5.3 Insurance and reinsurance receivables

Insurance and reinsurance receivables in thousands of EUR	2022	2021
Insurance receivables (before credit loss allowances)	8 588	9 549
Receivables from the insured	6 266	6 622
from outstanding premiums	3 780	4 127
from cancelled insured events and refunds paid by mistake	3	5
from sanctions	2 483	2 490
Receivables from insurance intermediaries	2 322	2 927
Credit loss allowances for insurance receivables	-6 702	-7 538
Credit loss allowances for receivables from the insured	-4 688	-5 022
from outstanding premiums	-2 747	-3 109
from cancelled insured events and refunds paid by mistake	-2	-4
from sanctions	-1 939	-1 909
Credit loss allowances for receivables from insurance intermediaries	-2 014	-2 516
Reinsurance receivables	98	126
Total 31 December	**1 984**	**2 137**

5.4 Other receivables

in thousands of EUR	2022	2021
Other receivables (before valuation allowances)	688	764
- of which: receivables from applied recourses	464	477
Valuation allowances for other receivables	-421	-413
- of which: valuation allowances from applied recourses	-347	-334
31 December – total	**267**	**351**

In 2022, the Company wrote off receivables from outstanding premiums in the amount of EUR 447 thousand (2021: EUR 66 thousand) and other receivables in the amount of EUR 599 thousand (2021: EUR 183 thousand).

5.5 Held-for-sale assets

in thousands of EUR	2022	2021
1 January	4 694	0
Disposals	-4 694	0
Transfers	142	4 694
Total 31 December	**142**	**4 694**

In 2022, the Company sold real estates at Mlynské Nivy 6 and Grösslingova 62 in Bratislava and decided to sell real estate at Košická 58 in Bratislava. As a result, this real estate was reclassified from Investment property to Held-for-sale assets in the total amount of EUR 142 thousand.

Assets held for sale meet the requirements and disclosures for classification as held-for-sale assets in accordance with IFRS 5.

In 2022, the real estates at Mlynské Nivy 6 and Grösslingova 62 were insured with third parties with a total insured amount of EUR 4,144 thousand (2021: EUR 4,144 thousand). The insurance covered damages caused by a natural disaster and claims resulting from injuries and damage to people and/or property (liability insurance). The insurance premium was EUR 4 thousand in 2022.

5.6 Property, plant and equipment

An overview of movements in property, plant and equipment for the years 2022 and 2021 is stated below:

in thousands of EUR	Right-of-use buildings	Land	Buildings	Machinery and equipment	Motor vehicles	Other assets	Total
Acquisition cost							
1 January 2022	0	0	19	1 454	485	1 372	3 330
Additions	2 888	216	738	118	0	624	4 584
Disposals	0	0	0	-419	-118	-1 039	-1 576
Transfers to investment property	0	0	0	0	0	0	0
Transfers to held-for-sale assets	0	0	0	0	0	0	0
31 December 2022	**2 888**	**216**	**757**	**1 153**	**367**	**957**	**6 338**
Accumulated depreciation							
1 January 2022	0	0	15	1 282	392	1 343	3 032
Additions	40	0	13	101	47	10	211
Disposals	0	0	0	-419	-118	-1 039	-1 576
Transfers to investment property	0	0	0	0	0	0	0
Transfers to held-for-sale assets	0	0	0	0	0	0	0
31 December 2022	**40**	**0**	**28**	**964**	**321**	**314**	**1 667**
Net book value as at 31 December 2022	**2 848**	**216**	**729**	**189**	**46**	**643**	**4 671**

in thousands of EUR	Land	Buildings	Machinery and equipment	Motor vehicles	Other assets	Total
Acquisition cost						
1 January 2021	78	940	1 378	448	1 364	4 208
Additions	0	0	83	50	16	149
Disposals	0	-25	-7	-13	-8	-53
Transfers to investment property	-24	-152	0	0	0	-176
Transfers to held-for-sale assets	-54	-744	0	0	0	-798
31 December 2021	**0**	**19**	**1 454**	**485**	**1 372**	**3 330**
Accumulated depreciation						
1 January 2021	0	194	1 203	358	1 349	3 104
Additions	0	54	86	47	2	189
Disposals	0	0	-7	-13	-8	-28
Transfers to investment property	0	0	0	0	0	0
Transfers to held-for-sale assets	0	-233	0	0	0	-233
31 December 2021	**0**	**15**	**1 282**	**392**	**1 343**	**3 032**
Net book value at 31 December 2021	**0**	**4**	**172**	**93**	**29**	**298**

At 31 December 2022, the Company reports fully depreciated non-current tangible assets at the acquisition cost of EUR 1,333 thousand (31 December 2021: EUR 2,767 thousand), which are still being used. These assets are primarily furniture, computers and other equipment, motor vehicles, and billboards.

The Company is insured by MTPL insurance against death and damage to health up to EUR 5,240 thousand and against property and loss-of-profit damages up to EUR 1,050 thousand. Motor hull insurance covers damage to, destruction, theft of and from company cars and car equipment. The amount insured is set as the price of a new vehicle in the price list of authorized dealers.

At 31 December 2022, the Company had professional liability insurance and its operating real estate was insured with third parties up to a total insured amount of EUR 1,785 thousand (2021: EUR 0 thousand) against damages due to natural disasters. The insurance premium totalled EUR 2 thousand (2021: EUR 0 thousand).

5.7 Investment property

in thousands of EUR	2022	2021
1 January	145	4 243
Additions	0	0
Disposals	-3	0
Transfers from property, plant and equipment	0	176
Transfers to held-for-sale assets	-142	-4 129
Fair value adjustments	0	-145
31 December	**0**	**145**

At 31 December 2022, the commercial premises at Košická 58 in Bratislava in the amount of 142 thousand to Held-for-sale assets (see Section 5.5 of the Notes).

For investment property, Level 3 for valuation was used, i.e. the method based on observable market data was not applied.

Significant accounting estimates associated with determining the fair value of investment property are disclosed in Section 3 of the Notes.

The value of investment property also includes insignificant amounts (EUR 0 thousand) of costs for the acquisition of investment property that was not put into use at 31 December 2022 (31 December 2021: EUR 3 thousand)..

5.8 Intangible assets

5.8.1 Deferred acquisition costs

in thousands of EUR	2022	Change	2021
Deferred acquisition costs of risk-bearing insurance	2 020	741	1 279
Deferred acquisition costs of unit-linked life insurance	549	-238	787
Life insurance commissions not included in the zillmerization of provisions for insurance contracts	93	23	70
Non-life insurance commissions	1 638	108	1 530
Total	**4 300**	**634**	**3 666**

v tis. EUR	2021	Change	2020
Deferred acquisition costs of risk-bearing insurance	1 279	636	643
Deferred acquisition costs of unit-linked life insurance	787	-512	1 299
Life insurance commissions not included in the zillmerization of provisions for insurance contracts	70	-43	113
Non-life insurance commissions	1 513	17	1 513
Total	**3 666**	**98**	**3 568**

The accrual of acquisition costs for life insurance contracts is mainly related to the accrual of acquisition costs of unit-linked life insurance, which is gradually amortized due to the ageing of the portfolio (described in Section 2.13.1 of the Notes). In 2022, the Company capitalized 70% of the deferred acquisition costs of unit-linked life insurance, as it took into account the expected cancellation rate of life insurance contracts. Since 2021, commission costs from risk insurance and newer unit-linked life insurance tariffs (sold since 1 December 2019) have also been deferred.

5.8.2 Other intangible assets

An overview of changes in other intangible assets in 2022 and 2021 is as follows:

	Software and licenses	
in thousands of EUR	**2022**	**2021**
Acquisition cost		
1 January	10 067	9 241
Additions	902	1 027
Disposals	-352	-201
31 December	10 617	10 067
Accumulated amortization		
1 January	6 301	5 714
Additions	844	788
Disposals	0	-201
31 December	7 145	6 301
Net book value as as at 31 December	**3 472**	**3 766**

In 2022, the Company acquired software in the total value of EUR 902 thousand (2021: EUR 1,110 thousand) and put into use software in the total amount of EUR 576 thousand (2021: EUR 1,018 thousand).

At 31 December 2022, the Company reports fully amortized intangible assets at the acquisition cost of EUR 1,655 thousand which is still in use (2021: EUR 1,647 thousand).

The residual value of intangible assets also includes the cost of acquiring new intangible assets that were not put into use at 31 December 2022. This cost totals EUR 757 thousand (31 December 2021: EUR 785 thousand).

Insurance software is a significant part of other intangible assets. The amortization period for this software has been set at 10 years. At 31 December 2022, the residual value of this software is EUR 1,702 thousand (31 December 2021: EUR 20339 thousand) and its expected remaining useful life is until 2025.

5.9 Reinsurers' share of provisions for insurance contracts

Non-life insurance

in thousands of EUR	2022	2021
Reinsurers' share of the provision for unearned premiums		
1 January	216	210
Set-up	175	236
Use	-238	-230
31 December	153	216
Reinsurers' share of the provision for insurance benefits		
1 January	1 455	1 379
Set-up	2 046	230
Use	-190	-154
31 December	**3 311**	**1 455**

Life insurance

in thousands of EUR	2022	2021
Reinsurers' share of the provision for unearned premiums		
1 January	0	0
Set-up	229	245
Use	-229	-245
31 December	0	0
Reinsurers' share of the provision for insurance benefits		
1 January	71	107
Set-up	51	0
Use	0	-36
31 December	122	71
Total as at 31 December	**3 586**	**1 742**

5.10 Income tax receivables and liabilities

5.10.1 Receivables and liabilities related to income tax due

AAt 31 December 2022, the Company has a liability and a receivable related to corporate income tax due. This liability of EUR 408 thousand is the corporate income tax due for 2022. For 2022, the Company's profit/(loss) was less than EUR 3 million, so the Company was not obliged to pay the special levy on business in regulated industries.

in thousands of EUR	2022	2021
Advance payments on corporate income tax and the special levy	469	34
Offsetting tax receivables and payables related to income tax due	-469	-34
Income tax receivable due as at 31 December	0	0

in thousands of EUR	2022	2021
Corporate income tax due	877	672
Offsetting tax receivables and payables related to income tax due	-469	-34
Income tax liabilities due as at 31 December	408	638

5.10.2 Deferred tax receivables and deferred tax liabilities

Deferred tax assets and liabilities were offset at 31 December 2022, as there is a legal right to offset current tax assets and liabilities due and the corporate income tax is subject to the same tax administrator. These amounts are:

in thousands of EUR	2022	2021
Tax deductible temporary differences		
from liabilities that decrease the tax base only when paid and from other liabilities	1 607	1 044
from life and non-life insurance provisions for insurance benefits from insured events not yet reported	4 383	4 110
other provisions	854	946
Total	6 844	6 100
Tax non-deductible temporary differences		
from the temporary difference between the book value of buildings and their tax base	104	726
Total	104	726
Corporate income tax rate (%)	21 %	21 %
Deferred tax asset as at 31 December	**1 415**	**1 129**

As the Company expects to generate sufficient taxable profits in the future against which taxable temporary differences can be utilized, a deferred tax asset is accounted for. The Company calculated deferred tax by applying the 21% rate, which is the corporate income tax rate expected for the taxable periods in which the deferred tax is settled.

Changes in deferred income tax during the year were as follows:

in thousands of EUR	2022	2021
Deferred income tax as at 1 January	1 129	989
Deferred tax change recognized in the income statement	286	140
Deferred income tax as at 31 December	**1 415**	**1 129**

5.11 Other assets

in thousands of EUR	2022	2021
Advance payments	44	59
Accrued income	792	603
Other assets	192	248
Other assets as at 31 December	**1 028**	**910**

5.12 Equity and equity management

The Company's registered capital consists of 170,000 registered shares with a nominal value of 34 each and 200 registered shares with a nominal value of EUR 33,194 each. All issued shares are paid in full.

The item Legal reserve fund and assets acquired for no consideration mainly comprises the legal reserve fund (31 December 2022: EUR 2,484 thousand, 31 December 2021: EUR 2,484 thousand). In 2022, the Company did not increase the legal reserve fund, as its amount reached the minimum legal requirement of 20% of the share capital in 2017.

The Company may only use the legal reserve fund to cover future losses. According to the Slovak Commercial Code, the legal reserve fund may not be distributed to shareholders.

The Company's Annual General Meeting approved the financial statements and the profit/(loss) for 2021 on 28 June 2022. The approved distribution for the 2021 profit and the proposal of the Board of Directors for the distribution of the 2022 profit are presented below:

in thousands of EUR	Proposal for distribution of the 2022 profit	Distribution of the 2021 profit
Profit after taxes	583	1 948
Retained earnings	583	1 948

No dividends were approved or paid in 2021 and 2022.

Through capital management, the Company provides for sufficient funds for the performance of its activities. The capital management objective is to maintain a sufficient solvency ratio in accordance with legislative requirements (in particular with the Slovak Insurance Industry Act and Commission Delegated Regulation (EU) 2015/35).

In 2022, the Company covered the solvency capital requirement and the minimum capital requirement in accordance with the applicable legislation in a sufficient proportion with available own funds. Based on preliminary calculations, own funds amounted to EUR 37,155 thousand at 31 December 2022 (31 December 2021: EUR 51,743 thousand). The final solvency will be published in the Solvency and Financial Status Report on the Company's website.

5.13 Provisions arising from insurance contracts

When categorising provisions for unearned premiums, additional insurance that is included in the relevant category is also taken into account.

in thousands of EUR	2022	2021
NON-LIFE INSURANCE		
Provision for unearned premiums		
- MTPL insurance	7 169	6 574
- motor hull insurance	2 476	2 397
- property and other liability insurance	2 289	2 302
- travel insurance	88	58
- accident insurance	53	62
Total	**12 075**	**11 393**
Provision for insurance benefits		
- provision for insurance benefits from insured events reported	20 695	17 093
- from insured events not yet reported	2 362	2 717
- provision for SIB	1 140	1 085
Total	**24 197**	**20 895**
Provision for insurance bonuses and discounts	52	34
Total provisions arising from non-life insurance contracts	**36 324**	**32 322**

in thousands of EUR	2022	2021
LIFE INSURANCE		
Provision for unearned premiums		
- endowment life insurance	862	963
- risk life insurance	52	57
- unit-linked life Insurance	636	888
Total	**1 550**	**1 908**
Provision for insurance benefits		
- provision for insurance benefits from insured events reported	6 408	6 412
- provision for insurance benefits from insured events not yet reported	2 053	1 407
Total	**8 461**	**7 819**
Provision for insurance bonuses and discounts	190	180
Provision for life insurance	68 370	81 548
Provision for covering the risk of investing on behalf of the insured	26 791	29 158
Total provisions arising from life insurance contracts	105 362	120 613
Provisions arising from insurance contracts as at 31 December in total	**141 686**	**152 935**

The provision for life insurance is lower by EUR 13,179 thousand, mainly as a result of a decrease in the inadequacy of provisions due to the increase in the yield curve.

Based on the liability adequacy test performed at 31 December 2022, the Company reduced the technical provisions for inadequacy resulting from life insurance contracts by EUR 11,222 thousand in comparison with the year ended 31 December 2021. Technical provisions resulting from non-life insurance contracts were not increased (the development of the provision for premium inadequacy is described in more detail in Section 5.13.3 of the Notes and more information on the sensitivity of this provision to changes in assumptions can be found in Section 5.13.2 of the Notes).

The provision for insurance benefits in non-life insurance is higher by EUR 3,302 thousand and the amount of the provision for unearned premiums in non-life insurance is higher by EUR 682 thousand. The provision for insurance benefits in life insurance is higher by EUR 642 thousand and the provision for unearned premiums in life insurance is lower by EUR 358 thousand. The provision for covering the risk of investing on behalf of the insured is lower by EUR 2,366 thousand.

in thousands of EUR	2022	2021
NON-LIFE INSURANCE		
Provision for unearned premiums		
1 January	11 393	11 037
Additions	830	496
Disposals	-148	-140
31 December	12 075	11 393
Provision for insurance benefits		
1 January	20 895	18 812
Additions, of which:	30 579	28 736
- provision for insurance benefits from insured events reported	28 701	26 114
- provision for insurance benefits from insured events not yet reported	1 878	2 622
Disposals, of which:	-27 277	-26 653
- provision for insurance benefits from insured events reported	-25 044	-24 747
- provision for insurance benefits from insured events not yet reported	-2 233	-1 906
31 December	24 197	20 895
Provision for insurance bonuses and discounts		
1 January	34	43
Additions	41	34
Disposals	-23	-43
31 December	**52**	**34**

in thousands of EUR	2022	2021
LIFE INSURANCE		
Provision for unearned premiums		
1 January	1 908	1 465
Additions	300	608
Disposals	-658	-165
31 December	1 550	1 908
Provision for insurance benefits		
1 January	7 819	8 489
Additions, of which:	21 724	17 051
- provision for insurance benefits from insured events reported	19 792	15 863
- provision for insurance benefits from insured events not yet reported	1 932	1 188
Disposals, of which:	-21 082	-17 721
- provision for insurance benefits from insured events reported	-19 796	-16 086
- provision for insurance benefits from insured events not yet reported	-1 286	-1 635
31 December	**8 461**	**7 819**
Provision for insurance bonuses and discounts		
1 January	180	168
Additions	39	21
Disposals	-29	-9
31 December	**190**	**180**

in thousands of EUR	2022	2021
Life insurance provision		
1 January	81 548	82 866
Additions, of which:	0	125
- Zillmer positive provision	0	124
- profit share	0	1
- increase in the insufficiency provision	0	0
Disposals, of which:	-13 178	-1 443
- Zillmer positive provision	-1 293	0
- Wüstenrot Fund (the Company's internal fund)	-563	-18
- decrease in the insufficiency provision	-11 222	-1 280
- provision created from profit	-99	-144
- provision for administrative expenses	-1	-1
31 December	**68 370**	**81 548**

A significant decrease in the liability adequacy provision in 2022 is described in more detail in Section 5.13.3 of the Notes.

in thousands of EUR	2022	2021
Provision for covering the risk of investing on behalf of the insured		
1 January	29 158	25 445
Additions, of which:	3 545	6 146
- SEEM fund (IQAM Equity Emerging Markets RT)	926	3 089
- SPT fund (Spängler IQAM Balanced Protect 95)	198	320
- SESG fund (Spängler IQAM Equity Select Global)	777	1 672
- PRF (Prvý realitný fond)	254	225
- ARTS fund (C-QUADRAT ARTS Total Return Bond T)	525	447
- ARTB fund (C-QUADRAT ARTS Total Return Balanced T)	105	46
- TAM fund (Americký akciový fond)	760	347
Disposals, of which:	-5 912	-2 433
- SEEM fund (IQAM Equity Emerging Markets RT)	-3 273	-1 234
- SPT fund (Spängler IQAM Balanced Protect 95)	-399	-320
- SESG fund (Spängler IQAM Equity Select Global)	-1 653	-601
- PRF (Prvý realitný fond)	-188	-123
- ARTS fund (C-QUADRAT ARTS Total Return Bond T)	-274	-142
- ARTB fund (C-QUADRAT ARTS Total Return Balanced T)	-7	-2
- TAM fund (Americký akciový fond)	-118	-11
31 December	**26 791**	**29 158**

At the end of the accounting period, the total insurance benefits paid in the accounting period for insured events that occurred in previous accounting periods and the amount of the provision for outstanding insurance benefits from these insured events was lower than the amount of the provision for insurance benefits resulting from these insured events at the beginning of the accounting period, so the set-up of the provision for insurance benefits was sufficient.

Development of insurance benefits and provisions for insured losses (gross) from life insurance

in thousands of EUR Year in which insured events were reported	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Spolu
Estimate of total payments (insurance benefits plus RBNS) at year end	14 026	15 680	17 206	15 736	14 774	14 641	15 696	14 801	14 248	16 166	
1 year later	11 653	13 378	14 875	14 856	13 807	13 584	14 360	13 906	13 751	0	
2 years later	11 686	13 404	14 895	14 734	13 899	13 540	14 337	13 898	0	0	
3 years later	11 704	13 376	14 922	14 681	13 849	13 479	14 256	0	0	0	
4 years later	11 339	13 113	14 601	14 420	13 652	13 272	0	0	0	0	
5 years later	11 223	13 031	14 492	14 339	13 638	0	0	0	0	0	
6 years later	11 215	13 013	14 478	14 331	0	0	0	0	0	0	
7 years later	11 220	13 010	14 468	0	0	0	0	0	0	0	
8 years later	11 223	12 996	0	0	0	0	0	0	0	0	
9 years later	11 219	0	0	0	0	0	0	0	0	0	
10 years later	0	0	0	0	0	0	0	0	0	0	
Current estimate of total payments	11 219	12 996	14 468	14 331	13 638	13 272	14 256	13 898	13 751	16 166	137 995
Total insurance benefits paid	-10 981	-12 630	-14 175	-13 937	-13 280	-12 887	-13 545	-13 098	-13 279	-12 825	-130 637
Commitment (RBNS and IBNR)	238	366	293	394	358	385	711	800	472	3 341	7 358
RBNS and IBNR for earlier reporting years											470
RBNS and IBNR in total at 31 December 2022 (without provisions outside of CICS in the amount of EUR 631 thousand)											**7 828**

As it is not technically possible to report insurance benefits and reinsurance provisions in the table format above, the Company calculated that the share of ceded technical provisions in the insurer's technical provisions was 1.95% for the last 10 years, and the reinsurer's share in payments for this period was 0.44%.

Development of insurance benefits and provisions for insured losses (gross) from non-life insurance

in thousands of EUR Year in which insured events were reported	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Spolu
Estimate of total payments (insurance benefits plus RBNS) at year end	13 679	13 112	13 705	15 454	17 224	17 787	21 159	16 104	16 840	17 827	
1 year later	12 158	11 413	11 520	14 443	15 929	16 434	19 223	14 392	14 555	0	
2 years later	12 299	11 262	11 003	14 346	15 169	15 849	18 568	13 733	0	0	
3 years later	12 004	10 541	10 698	13 941	14 440	15 249	17 971	0	0	0	
4 years later	11 284	10 504	10 083	13 805	14 191	15 080	0	0	0	0	
5 years later	11 289	11 198	10 066	13 599	14 237	0	0	0	0	0	
6 years later	11 266	11 270	10 008	15 587	0	0	0	0	0	0	
7 years later	11 231	11 332	10 011	0	0	0	0	0	0	0	
8 years later	11 196	11 292	0	0	0	0	0	0	0	0	
9 years later	11 189	0	0	0	0	0	0	0	0	0	
10 years later	0	0	0	0	0	0	0	0	0	0	
Current estimate of total payments	11 189	11 292	10 011	15 587	14 237	15 080	17 971	13 733	14 555	17 827	141 482
Total insurance benefits paid	-10 499	-10 204	-9 838	-13 011	-13 842	-14 592	-15 533	-12 522	-11 866	-10 005	-121 912
Commitment (RBNS and IBNR)	690	1 088	173	2 576	395	488	2 438	1 211	2 689	7 822	19 570
RBNS and IBNR for earlier reporting years											3 407
RBNS and IBNR in total at 31 December 2022 (without manual adjustments of EUR 65 thousand)											**22 977**

- of which: development of insurance benefits and provisions for insurance benefits (gross) – MTPL

in thousands of EUR Year in which insured events were reported	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Spolu
Estimate of total payments (insurance benefits plus RBNS) at year end	6 636	5 751	5 902	7 045	7 856	9 294	10 222	8 583	8 301	9 253	
1 year later	6 303	5 461	5 478	7 539	7 775	8 949	10 429	8 380	8 118	0	
2 years later	6 468	5 328	5 109	7 385	7 452	8 646	10 181	8 114	0	0	
3 years later	6 275	4 801	4 845	7 373	6 858	8 096	9 652	0	0	0	
4 years later	5 831	4 898	4 553	7 253	6 657	8 043	0	0	0	0	
5 years later	5 809	5 363	4 537	7 110	6 738	0	0	0	0	0	
6 years later	5 802	5 426	4 545	9 098	0	0	0	0	0	0	
7 years later	5 822	5 497	4 550	0	0	0	0	0	0	0	
8 years later	5 809	5 518	0	0	0	0	0	0	0	0	
9 years later	5 804	0	0	0	0	0	0	0	0	0	
10 years later	0	0	0	0	0	0	0	0	0	0	
Current estimate of total payments	5 804	5 518	4 550	9 098	6 738	8 043	9 652	8 114	8 118	9 253	74 888
Total insurance benefits paid	-5 274	-4 711	-4 422	-6 704	-6 565	-7 655	-8 641	-7 058	-6 575	-5 587	-63 192
Commitment (RBNS and IBNR)	530	807	128	2 394	173	388	1 011	1 056	1 543	3 666	11 696
RBNS and IBNR for earlier reporting years											3 172
RBNS and IBNR in total at 31 December 2022											**14 868**

The following two tables show the development of insurance benefits and non-life insurance provisions, taking into account the reinsurer's share of total payments (excluding proportional reinsurance of travel insurance).

Development of insurance benefits and provisions for insured losses (net) from non-life insurance

in thousands of EUR Year in which insured events were reported	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Spolu
Estimate of total payments (insurance benefits plus RBNS) at year end	13 679	13 112	13 705	15 454	17 224	17 787	21 159	16 104	16 840	17 827	
1 year later	12 158	11 413	11 520	14 443	15 929	16 434	19 223	14 392	14 555	0	
2 years later	12 299	11 262	11 003	14 346	15 169	15 849	18 568	13 733	0	0	
3 years later	12 004	10 541	10 698	13 941	14 440	15 249	17 971	0	0	0	
4 years later	11 284	10 504	10 083	13 805	14 191	15 080	0	0	0	0	
5 years later	11 289	11 198	10 066	13 599	14 237	0	0	0	0	0	
6 years later	11 266	11 270	10 008	15 587	0	0	0	0	0	0	
7 years later	11 231	11 332	10 011	0	0	0	0	0	0	0	
8 years later	11 196	11 292	0	0	0	0	0	0	0	0	
9 years later	11 189	0	0	0	0	0	0	0	0	0	
10 years later	0	0	0	0	0	0	0	0	0	0	
Current estimate of total payments	11 189	11 292	10 011	15 587	14 237	15 080	17 971	13 733	14 555	17 827	141 482
Total insurance benefits paid	-10 499	-10 204	-9 838	-13 011	-13 842	-14 592	-15 533	-12 522	-11 866	-10 005	-121 912
Commitment (RBNS and IBNR)	690	1 088	173	2 576	395	488	2 438	1 211		7 822	19 570
RBNS and IBNR for earlier reporting years											3 407
RBNS and IBNR in total at 31 December 2022 (without manual records of EUR 65 thousand)											**22 977**

- of which: development of insurance benefits and provisions for insurance benefits (net) – MTPL

in thousands of EUR Year in which insured events were reported	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Spolu
Estimate of total payments (insurance benefits plus RBNS) at year end	6 636	5 751	5 902	7 045	7 856	9 294	10 222	8 583	8 301	9 253	
1 year later	6 303	5 461	5 478	7 539	7 775	8 949	10 429	8 380	8 118	0	
2 years later	6 468	5 328	5 109	7 385	7 452	8 646	10 181	8 114	0	0	
3 years later	6 275	4 801	4 845	7 173	6 858	8 096	9 652	0	0	0	
4 years later	5 831	4 898	4 553	6 989	6 657	8 042	0	0	0	0	
5 years later	5 809	5 275	4 537	6 874	6 738	0	0	0	0	0	
6 years later	5 802	5 307	4 545	6 884	0	0	0	0	0	0	
7 years later	5 822	5 317	4 550	0	0	0	0	0	0	0	
8 years later	5 809	5 338	0	0	0	0	0	0	0	0	
9 years later	5 804	0	0	0	0	0	0	0	0	0	
10 years later	0	0	0	0	0	0	0	0	0	0	
Current estimate of total payments	5 804	5 338	4 550	6 884	6 738	8 042	9 652	8 114	8 118	9 253	72 493
Total insurance benefits paid	-5 274	-4 711	-4 422	-6 703	-6 565	-7 655	-8 641	-7 059	-6 575	-5 587	-63 192
Commitment (RBNS and IBNR)	530	627	128	181	173	387	1 011	1 055	1 543	3 666	9 301
RBNS and IBNR for earlier reporting years											3 173
RBNS and IBNR in total at 31 December 2022											**12 474**

The Company assesses the development of insurance benefits and the provision for insurance benefits from non-life insurance (including the provision for unreported claims) once a quarter using a run-off test. The test results are shown below:

in thousands of EUR	2022	2021
Provision for insurance benefits from insured events reported as at 1 January	17 093	16 811
Paid insurance benefits from insured events incurred and reported in previous years	3 980	3 099
Closing balance (as at 31 December) of the provision for insurance benefits from insured events incurred and reported in previous years	15 155	12 166
Run-off provisions for reported insured events	**-2 042**	**1 546**

in thousands of EUR	2022	2021
Provision for insurance benefits from incurred but not reported insured events as at 1 January	2 717	2 001
Paid insured benefits from insured events incurred in previous years and reported in the current year (excluding recourses received)	304	321
Closing balance (as at 31 December) of the provision for insurance benefits from insured events reported in the current year but related to previous years	327	848
Closing balance (as at 31 December) of the provision for insurance benefits from incurred but not reported insured events from previous years	976	792
Run-off provisions for insurance benefits from insured events incurred but not reported	**1 110**	**40**

5.13.1 Assumptions used in the liability adequacy test

The best assumption amounts were based on the following (before applying surcharges to unfavourable development):

(a) for LIFE INSURANCE

Mortality For mortality modelling, the Company uses current mortality tables published by the Statistical Office of the Slovak Republic (until 2020, mortality tables published by the Statistical Office of the Slovak Republic and used in the development of individual products were applied).

Submortality The Company updated the submortality of the insurance portfolio based on an analysis of observed deaths in the Company's portfolio with the expected/calculated mortality in the Company's individual products. At 31 December 2022, submortality was set at 50% (men) and 60% (women) for all modelled products other than capital products. Mortality of 90% (men) and 130% (women) was set for the ŽP04 product, 105% (men) and 95% (women) for the ŽP06 product, and 50% (men) and 35% (women) for all other capital products.

Commissions The assumptions of commissions and cancellation commissions were set either on the basis of real commission schemes or based on the results of a commission analysis.

Cancellation quota The Company uses its own observed cancellation quota of individual insurances in the Company's portfolio for modelling the cancellation quota. This is based on a detailed analysis of cancelled contracts depending on the contract duration for product groups.

Costs The Company uses costs observed in its portfolio for cost modelling, namely, current fixed costs of 6.5%, current variable costs of 5% of gross premiums for main insurance covers, and 30% of gross premiums for additional insurances per contract. Separate costs were set for risk products and the insurance contracts in the StarINS portfolio. The determination of administrative cost assumptions is in accordance with the Company's internal regulation on cost allocation.

Cost inflation At 31 December 2022, the Company also updated its cost inflation assumption. This assumption represents the future expected increase in the Company's costs and is determined on the basis of the expected development of Slovakia's macroeconomic indicators. The values used in modelling at 31 December 2022 were as follows: 12.8% for the first development year, 6.10% for the second development year, 3.4% for the third development year, and 2.00% for the following years (the long-term ECB target).

Investment income Investment income of 1.90% (31 December 2021: 1.90%) was set as an estimate of future credited profit shares of the Company's clients, which is based on the real credited profit shares in the previous period. The value of the investment income and the value of the technical level of the rate on the insurance contracts show that no share of the profit was granted by the Company for the period of 2022 and 2021.

Yield curve The yield curve was determined on the basis of the publicly available EIOPA RFR market yield curve at 31 December 2022 (including negative interest rates).

Loss ratio For loss ratio modelling, the Company uses its own observed loss ratio of individual insurances in its portfolio, determined on the basis of a detailed loss analysis.

Surcharges for individual assumptions were used in the following amounts, both at 31 December 2022 and 31 December 2021.

Submortality	+10%
Cancellation quota	+10%
Costs	+10%
Cost inflation	+10%
Loss ratio	+10%
ROI	+0,25 bp

In addition to the above changes to assumptions, the following changes/modifications were made when modelling the liability adequacy test in life insurance in 2022:

1. **Inclusion of other products in the liability adequacy test:**
- contracts of RP01, RP02, RP03, RP04, and RP05 products;
- new tariffs of the RP06 prepared in 2022.

2. **Model modifications with insignificant impact, e.g.:**
- modelling of ŽP03 and ŽP08 products based on characteristic contracts was replaced by modelling in Sophase on an individual contract basis;
- modification of modelling of additional critical illness and disability insurance using incidences of these types of additional insurance in unit-linked life insurance.

(b) for NON-LIFE INSURANCE

Loss ratio from the expected loss ratio of the Company's non-life insurance portfolio for 2023 (see table below)..

Administrative expenses from the Company's observed administrative expenses for 2022 (see table below).

Market share from the Company's market share in non-life insurance at 31 December 2022.

	Loss ratio estimate		Cost ratio estimate		
	2022	2021	2022	2021	Surcharges
MTPL insurance	55 %	49 %	27 %	26%	+ 10 %
Other	41 %	43 %	31 %	32 %	+ 10 %

5.13.2 Sensitivity analysis

The following tables show the sensitivity of liabilities from life insurance and non-life insurance contracts concluded by the Company since changes made to the selected assumption amounts used in estimating insurance liabilities. When estimating insurance liabilities, the Company uses the best estimate of assumption amounts adjusted for the market value margin (a safety margin to cover the uncertainty of the future development of the assumption amounts).

(a) LIFE INSURANCE

Assumptions for life insurance in thousands of EUR	Change to the assumption	Increase in liability and cost, decrease in equity	
		20221	2021
Mortality	10 %	960	1 052
	-10 %	-971	-1 069
Current administrative expenses	10 %	3 422	3 755
	-10 %	-3 423	-3 759
Current administrative cost inflation	10 %	930	667
	-10 %	-906	-655
Risk discount rate	-0,25 p.b.	684	1 118
	0,25 p.b.	-659	-1 073
Cancellation quota	10 %	908	924
	-10 %	-987	-1 043
Loss ratio	10 %	2 187	2 559
	-10 %	-2 193	-2 565

(b) NON-LIFE INSURANCE

Assumptions for non-life insurance in thousands of EUR	Change to the assumption	Increase in liability and cost, decrease in equity	
		2021	2020
Loss ratio	10 %	459	459
	-10 %	-459	-459
Administration expenses	10 %	342	330
	-10 %	-342	-330
Change in the Company‘s market share	10 %	114	102
	-10 %	-114	-102
Change in income from technical provisions	-0,25 p.b.	152	157
	0,25 p.b.	-152	-157

5.13.3 Change to assumptions

The impact of changes to individual assumptions, the impact of changes to models, and the development of the life insurance portfolio are presented in the following table. In non-life insurance, technical provisions were not increased due to insufficiency.

in thousands of EUR	2022	2021
Liability adequacy provision at 1 January	12 360	13 640
Portfolio development	281	-158
Change to models	-218	361
Change to cancellations	-89	2 219
Change to mortality	-131	-260
Change in reinsurer's share	0	0
Change to costs	2 652	357
Change to morbidity	-98	-568
Change in the yield curve	-13 618	-3 231
Liability adequacy provision at 31 December	**1 139**	**12 360**

An update of the yield curve which reduced inadequacy by EUR 13.6 million had the most significant impact on the liability adequacy provision at 31 December 2022. An adjustment to cost level assumptions which resulted from current analyses of the Company's costs and increased inadequacy by almost EUR 2.7 million also significantly affected the increase in the liability adequacy provision.

An update of the yield curve which reduced inadequacy by EUR 3.2 million had the most significant impact on the liability adequacy provision in 2021. An adjustment to assumptions of cancellation quotas, which mainly reflects the lower rate for early terminations of endowment life insurance contracts in their final years, also significantly affected the increase in the liability adequacy provision.

5.14 Trade and other liabilities

in thousands of EUR	2022	2021
Insurance and reinsurance liabilities		
to the insured	3 304	3 207
- unallocated payments from the insured and premium overpayments	3 191	3 118
- insurance benefits not yet paid	113	89
to insurance intermediaries	1 491	988
to reinsurers	366	306
Total	**5 161**	**4 501**
Other liabilities and accruals		
Liabilities to employees	298	323
- wages and salaries	290	314
- social fund	6	3
- other	2	6
Other liabilities	3 286	2 834
- to suppliers	1 244	865
- to tax administrators (other than corporate income tax)	211	171
- to social and health insurance institutions	177	201
- 8% mandatory levy from MTPL insurance premiums received	1 294	1 187
- 8% tax on non-life insurance (including the phased-out levy on premiums received in other non-life sectors)	252	250
- other	108	160
Total	**3 584**	**3 157**
Trade and other liabilities as at 31 December	**8 745**	**7 658**

The Company makes appropriations to the social fund in the amount of 1% of the assessment base set by an internal regulation in the form of a higher-level collective agreement. The fund is used for meals allowances to employees, or for other forms of corporate social policy related to employee care.

In 2022, social fund appropriations totalled EUR 62 thousand (2021: EUR 62 thousand). The amount of EUR 44 thousand was used for staff catering (2021: EUR 44 thousand), and EUR 15 thousand was used for other purposes (2021: EUR 16 thousand).

At 31 December 2022, the Company had no overdue liabilities.

In December 2022, the Company moved to new leased premises and, as a result, began to account for lease liabilities. They are shown on the expected time remaining to maturity.

Undiscounted lease payments by the expected time remaining to maturity at 31 December 2022

in thousands of EUR	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 5 years	> 5 years	Total
Lease liability	437	880	1 159	602	3 078

5.15 Short-term provisions for other liabilities and employee benefits

in thousands of EUR	2022	2021
Unpaid commissions to insurance intermediaries	232	366
Reinsurer's share in recourse claims	2	3
Unused holiday and compulsory contributions to social and health insurance	246	226
Remuneration provision	102	289
Other short-term provisions	657	291
31 December	**1 239**	**1 175**

Other short-term provisions mainly include provisions for remuneration of the BoD and Supervisory Board members, a provision for litigation (unrelated to insured events), and a provision for the preparation and audit of the financial statements.

5.16 Premium income (net)

	2022	2021	2022	2021
in thousands of EUR	Before reinsurance		Reinsurer's share	
NON-LIFE INSURANCE				
Written premium				
- MTPL insurance	15 675	14 469	-447	-565
- motor hull insurance	7 079	7 019	-194	-195
- property and liability insurance	6 021	5 868	-219	-196
- travel insurance	511	338	-176	-124
- accident insurance	388	419	0	0
- insurance bonuses and discounts	-15	-37	0	0
- insurance tax of 8%	-988	-948	0	0
Total non-life insurance	28 671	27 128	-1 036	-1 080
Change in the provision for unearned premiums				
- future premiums	-682	-355	-63	6
- insurance bonuses and discounts	-18	9	0	0
Total non-life insurance	**-700**	**-346**	**-63**	**6**

in thousands of EUR	2022 Before reinsurance	2021	2022 Reinsurer's share	2021
LIFE INSURANCE				
Written premium				
- endowment life insurance	6 719	7 416	-2	-26
- risk life insurance	2 676	2 210	-136	-145
- unit-linked life Insurance	14 438	14 668	-127	-155
- insurance bonuses and discounts	-1	-1	0	0
Total life insurance	**23 832**	**24 293**	**-265**	**-326**
Change in the provision for unearned premiums				
- endowment life insurance	101	95	0	0
- risk life insurance	5	3	0	0
- unit-linked life Insurance	251	-541	0	0
- insurance bonuses and discounts	-10	-12	0	0
Total life insurance	**347**	**-455**	**0**	**0**
Total premium income	52 150	50 620	-1 364	-1 400
Non-life insurance premium income, net			26 872	25 708
Life insurance premium income, net			23 914	23 512
Total premium income, net			**50 786**	**49 220**

In 2022, the Company reported earned premiums before reinsurance in the total amount of EUR 52,150 thousand (2021: EUR 50,620 thousand), a year-on-year increase of 13.02%. In non-life insurance, there was an increase of EUR 1,543 thousand, mainly due to mandatory MTPL insurance (increase of EUR 1,206 thousand, i.e. by 8.34%). In life insurance, there was a decrease of EUR 461 thousand, mainly due to a decrease in endowment life insurance of EUR 697 thousand (i.e. by 9.4%). On the other hand, the Company achieved growth of EUR 466 thousand (i.e. by 21.09%) in risk life insurance.

5.17 Fee and commission income

in thousands of EUR	2022	2021
Commissions from reinsurers	70	109
Other commissions	660	182
Reimbursements of court fees and default interest	132	155
Partial surrender fee (unit-linked life insurance)	43	50
Other insurance-related fee income	29	16
Total fee and commission income	**934**	**512**

5.18 Net investment income

in thousands of EUR	2022	2021
Income from held-to-maturity investments	1 734	1 897
- interest income	1 981	2 226
- discount/premium	-37	-329
- valuation allowances	-210	0
Investments at fair value through profit or loss	-13 065	2 854
- mutual funds	-1 188	685
- investment on behalf of the insured	-4 287	3 421
- interest income from bonds	893	604
- remeasurement of bonds	-8 483	-1 856
Interest income from term deposits	57	123
Interest income from loans granted	45	53
Interest income from borrowings to the insured	104	175
Rental income	0	-145
Adjustments to real estate fair value	-38	0
Other investment income	1	1
Total investment income	**-11 162**	**4 958**

In 2022, remeasurement of securities in the held-for-trading portfolio resulted in a loss for the Company.

The Company recorded a loss of EUR 13,065 thousand for investments at fair value through profit or loss (2021: profit of EUR 2,854 thousand). The loss was due to the unfavourable performance of mutual funds (invested on behalf of the Company and on behalf of the insured) despite negative remeasurement of bonds and a negative remeasurement of bonds.

5.19 Other income from economic activities

in thousands of EUR	2022	2021
Income arising from insurance contracts	51	34
Other operating income		
Income from the sale of non-current assets	517	3
Exchange rate differences	1	0
Rental	113	111
Interest on loans granted	0	0
Other	43	45
Total	674	159
Total other income from economic activities	**725**	**193**

5.20 Net cost of insurance benefits

	2022	2021	2022	2021
in thousands of EUR	Before reinsurance		Reinsurer's share	
NON-LIFE INSURANCE				
Insurance benefits				
- MTPL insurance	8 519	6 990	0	0
- recourse of MTPL claims	-362	-322	0	0
- motor hull insurance	4 394	4 202	-136	0
- recourse of motor hull insurance claims	-430	-447	-1	0
- property and liability insurance	947	963	0	0
- recourse of property and liability insurance claims	-5	-16	0	0
- travel insurance	39	12	-20	-6
- accident insurance	144	159	0	0
- costs related to insurance benefits	393	395	0	0
Total non-life insurance	13 639	11 936	-157	-6
Change in the provision for insurance benefits				
change in the provision for insurance benefits from insured events reported	3 656	1 366	-1 856	-76
change in the provision for insurance benefits from insured events not yet reported	-354	717	0	0
Total non-life insurance	3 302	2 083	-1 856	-76
Net cost of non-life insurance benefits			**14 928**	**13 937**

in thousands of EUR	2022	2021	2022	2021
	Before reinsurance		Reinsurer's share	
LIFE INSURANCE				
Insurance benefits				
- longevity	4 539	4 760	0	0
- surrender	6 947	6 506	0	0
- death	1 290	1 073	0	-21
- drawing lots	69	64	0	0
- injury	204	207	-11	-16
- pensions	188	203	0	0
- critical diseases	892	903	0	0
- daily allowances	648	604	0	0
- exemptions from payment	272	272	0	0
- marriage	16	8	0	0
- travel insurance	4	9	0	0
- doctor's remuneration and others	14	17	0	0
Total life insurance	15 083	14 626	-11	-37
Change in the provision for insurance benefits				
change in the provision for insurance benefits from insured events reported	-4	-223	-33	26
change in the provision for insurance benefits from insured events not yet reported	646	-446	-18	10
Total life insurance	642	-669	-51	36
Change in the life insurance provision	-13 179	-1 318	0	0
Change in the provision for covering the risk of investing on behalf of the insured	-2 366	3 713	0	0
Net cost of life insurance benefits			118	16 351
Total net cost of insurance benefits			**15 046**	**30 288**

5.21 Cost of acquiring insurance contracts and operating costs

in thousands of EUR	2022	2021
COST OF ACQUIRING INSURANCE CONTRACTS		
Change in deferred acquisition costs created by zillmerization of life insurance provisions	-503	-124
Commissions and fees to insurance intermediaries	8 411	6 695
Advertising costs	663	635
Personnel costs, of which:	2 290	2 215
statutory old age insurance	267	267
other statutory social insurance	218	214
Depreciation	190	142
Material consumption	54	15
Rental and rent-related operating costs	459	512
Other general cost of acquiring insurance contracts	749	682
Total	**12 313**	**10 772**

in thousands of EUR	2022	2021
OPERATING COSTS		
Operating costs resulting from insurance contracts		
Change in credit loss allowances, sale of receivables, of which:	-464	-89
- receivables from insurance premiums	-331	-207
- recourse receivables	13	-4
- receivables from sanctions and penalties	30	-22
- receivables from insurance intermediaries	-176	144
Receivables written off, of which:	1 046	250
- receivables from insurance premiums	450	66
- recourse receivables	2	19
- receivables from sanctions and penalties	14	49
- receivables from insurance intermediaries	580	116
Contributions to SIB	376	231
8% mandatory levy on non-life insurance premiums received	1 261	1 194
Other costs resulting from insurance contracts	16	14
Total	**2 235**	**1 600**
General operating costs		
Personnel costs, of which:	4 798	4 754
statutory old age insurance	540	534
other statutory social insurance	455	451
Depreciation	859	800
Material consumption	65	10
Services	990	918
Fees and taxes (VAT included)	787	656
Rental and rent-related operating costs	455	532
IT costs (other than depreciation)	1 793	1 685
Travel costs	17	16
Foreign exchange differences	7	4
Other operating expenses	708	368
Total	10 479	9 743
Total operating costs	**12 714**	**11 343**

In 2022, the Company reports cost of services related to the audit of its financial statements in the amount of EUR 102 thousand (2021: EUR 63 thousand). This amount includes invoiced costs of EUR 48 thousand and the provision set up for costs related to the completion of the audit of the financial statements in the amount of EUR 54 thousand (net of VAT).

5.22 Corporate income tax

in thousands of EUR	2022	2021
Current income tax, including withholding tax	907	672
Deferred tax change	-286	-140
Total tax expense	**621**	**532**

Explanation of the difference between the Company's profit tax and the theoretical tax for 2022 and 2021:

in thousands of EUR	2022	2021
Profit/(loss) for the current accounting period before taxes	1 204	2 480
- of which: theoretical corporate income tax of 21%	253	521
Impact of non-deductible and deductible items:	368	11
Total corporate income tax expense	621	532
Effective tax rate	**51.60%**	**21.50%**

5.23 Related party transactions

In the ordinary course of business, the Company entered into several transactions with related parties. The transactions were carried out under normal business terms and conditions and relationships and at arm's length.

The Company's related parties include the following entities:

Company shareholders
- Wüstenrot Versicherungs-AG
- Wüstenrot stavebná sporiteľňa, a.s.

Other group undertakings
- Wüstenrot Technology GmbH (business name until 20 December 2020: Wüstenrot Datenservice GmbH)
- Wüstenrot InHouse Broker s.r.o.
- Wüstenrot Reality s.r.o.
- Spängler IQAM Invest GmbH
- Bausparkasse Wüstenrot AG

Company statutory bodies
- members of the Supervisory Board
- members of the Board of Directors

Transactions with Company shareholders and other group undertakings:

	2022		
in thousands of EUR	Wüstenrot stavebná sporiteľňa, a.s. (shareholder)	Wüstenrot Versicherungs-AG (shareholder)	Other group undertakings
Financial investments	0	0	705
Loan granted	0	0	0
Other receivables	35	0	30
Total assets as at 31 December	35	0	735
Reinsurance liabilities	0	170	0
Financial obligations	0	0	0
Other liabilities	0	0	546
Total liabilities as at 31 December	0	170	546
Reimbursement of costs of insurance benefits incurred by reinsurers	0	12	0
Fee and commission income	0	59	119
Investment income	9	0	55
Other income from economic activities	611	0	0
Total revenues	620	71	174
External liquidation costs	0	20	0
Premiums ceded to reinsurers	0	235	0
Financial expenses	0	0	0
Operating expenses	228	3	1 859
Total expenses	**228**	**258**	**1 859**

in thousands of EUR	2021 Wüstenrot stavebná sporiteľňa, a.s. (shareholder)	Wüstenrot Versicherungs-AG (shareholder)	Other group undertakings
Financial investments	0	0	405
Loan granted	0	0	1 692
Other receivables	5	1	34
Total assets as at 31 December	5	1	2 131
Reinsurance liabilities	0	184	0
Financial obligations	0	0	0
Other liabilities	1	0	527
Total liabilities as at 31 December	1	184	527
Reimbursement of costs of insurance benefits incurred by reinsurers	0	37	0
Fee and commission income	0	85	128
Investment income	22	0	1119
Other income from economic activities	148	0	0
Total revenues	170	122	1 247
External liquidation costs	0	27	0
Premiums ceded to reinsurers	0	305	0
Financial expenses	0	0	0
Operating expenses	315	3	1 919
Total expenses	**315**	**335**	**1 919**

In the past, the Company provided funds to Wüstenrot Reality s.r.o. At 31 December 2022, the balance of the borrowing was EUR 0 thousand (31 December 2021: EUR 1,692 thousand). The Company pays interest on a loan with a fixed interest rate of 6% p.a. In 2022, Wüstenrot Reality s.r.o. paid an extraordinary instalment and repaid the principle in full due by 31 December 2032.

The Company has invested in its own name and on behalf of clients in mutual funds denominated in euros. These funds are managed by Spängler IQAM Invest GmbH, Austria. At 31 December 2022, their value totalled EUR 23,223 thousand (31 December 2021: EUR 27,639 thousand).

The Company uses insurance and accounting software from Wüstenrot Technology GmbH (until 20 December 2022, its business name was Wüstenrot Datenservice GmbH). Software amortization charge in 2022 amounted to EUR 655 thousand (2021: EUR 632 thousand). At 31 December 2022, the software's net book value was EUR 1,702 thousand (31 December 2021: EUR 2,033 thousand).

The largest part of operating expenses in related party transactions is software maintenance (2022: EUR 1,574 thousand, 2021: EUR 1,510 thousand) and rental (2022: EUR 479 thousand, 2021: EUR 651 thousand).

Transactions with the members of the Board of Directors

in thousands of EUR	2022	2021
Wages and salaries	284	265
Mandatory social and health insurance contributions	63	57
- of which: old-age pension insurance	16	14
Non-cash benefits	10	10
Total	**357**	**332**

Company key management includes members of the Board of Directors with decision-making power and members of the Supervisory Board who have controlling power.

Non-cash benefits mainly include the use of company cars for private purposes and rent for housing.

At 31 December 2022, the Company set up a short-term provision of EUR 182 thousand for remuneration of BoD members for the performance of their function (31 December 2021: EUR 200 thousand), which is not included in the above table.

At 31 December 2022, unpaid salaries to BoD members totalled EUR 10 thousand (2021: EUR 9 thousand).

Transactions with the Supervisory Board

in thousands of EUR	2022	2021
Wages and salaries	27	22
Mandatory social and health insurance contributions	0	0
Non-cash benefits	0	0
Total	**27**	**22**

At 31 December 2022, the Company set up a short-term provision of EUR 27 thousand for remuneration of Supervisory Board members for the performance of their function (31 December 2021: EUR 22 thousand). This provision is not included in the above table.

5.24 Contingent liabilities and other commitments

As part of its ordinary activities, the Company is a party to various lawsuits and litigations. Company management strongly believes that the final amount of liabilities that may arise for the Company from these lawsuits and litigations will not have a significant impact on its financial situation or on its future business activities. The Company sets up provisions for these risks.

The Company has no non-current assets pledged as collateral in favour of third parties and they are fully available for the Company's use.

The tax authorities have extensive powers as regards interpreting the application of tax laws and regulations in tax inspections at taxpayers. As a result, there is a high degree of uncertainty as regards the final outcome of any tax inspection carried out by tax authorities.

5.25 Significant events after the reporting date

After 31 December 2022, no other events with a significant impact on the true and fair presentation of matters have occurred until the date on which these financial statements have been approved that would require an adjustment or recognition in these financial statements.

Bratislava, 31 May 2023

Signatures of the members of the Company's statutory body:

Ing. Marián Hrotka, PhD.
Chairman
of the Board of Directors
Wüstenrot poisťovňa, a.s.

Mag. Christian Sollinger, CIIA
Member
of the Board of Directors
Wüstenrot poisťovňa, a.s.

Dr. Klaus Wöhry
Member
of the Board of Directors
Wüstenrot poisťovňa, a.s.

Person responsible for bookkeeping and the preparation of the financial statements:

Ing. Jana Račkayová
Director
of the Economic Section
Wüstenrot poisťovňa, a.s.

ANNUAL
REPORT
POISŤOVŇA

IMPRESSUM
Media owner, publisher:
Wüstenrot poisťovňa, a.s.
Digital Park I, Einsteinova 21
851 01 Bratislava

Tel: *6060 (0850 60 60 60)
E-mail: infopoistovna@wuestenrot.sk
Internet: www.wuestenrot.sk

IČO: 31383408
DIČ.: 2020843561