ANNUAL REPORT
POISŤOVŇA

2023

wüstenrot

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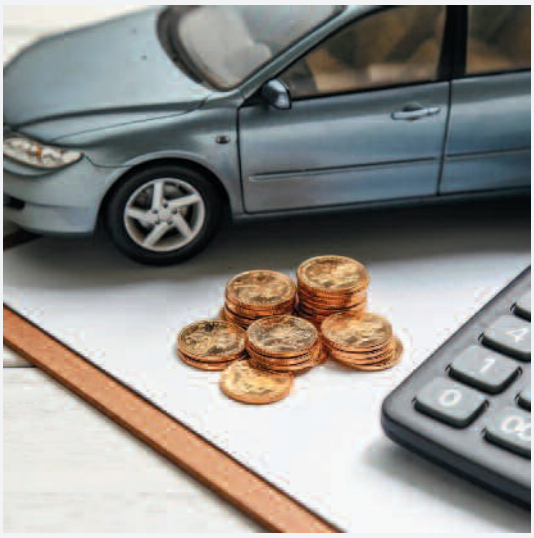

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FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

In 2023, inflation in Slovakia was well above the EU average and reached 5,9% at the year-end. To push the inflation down below 2%, the Central Banks continued to raise interest rates, which affected the stagnating real estate market and led to lower demand for refinancing mortgage loans. The situation in the past year on the Slovak financial market cannot be considered favourable, but the Wüstenrot group confirmed its stable capital position, fulfilled its ambitions, and in the next years we will continue to work on our growth strategy in the insurance segment.

In 2023, Wüstenrot poisťovňa, a.s. fulfilled its ambitions especially in new business growth. In the production of life insurance, we achieved a record growth of 37 %. The results of our own business network confirm that product changes in risk insurance W dobrom život have placed us among the best companies on the market. Life insurance is our fastest growing product, and we expect additional product innovations planned for Q1 2024 to further support business growth in the life insurance segment.

In 2023, there was a 12% growth in non-life insurance production. Property insurance on the Slovak market was affected by the stagnation of the real estate market and the negative effects of inflation on family budgets. Compared to the previous year 2022, we recorded good business results of the new product W dobrom havarijné poistenie, where we recorded a year-on-year growth of 22 %. In the case of MTPL insurance, similarly to 2022 we are the third fastest growing insurance company. In 2024, we are preparing other pro-client digital solutions and product innovations, such as the launch of self-inspections application for MOD and MTPL insurance using artificial intelligence. We also expect production growth in property insurance.

Although the refinancing of loans via Wüstenrot InHouse Broker is still complicated, we expect the first reduction in interest rates and a recovery of the real estate and mortgage market in 2024. More affordable mortgage loans should lead to higher demand for housing financing in Slovakia, and the gradual stabilization of inflation should also improve the economic situation and raise demand for making future investments. Therefore, we expect that Wüstenrot InHouse Broker production will begin to grow gradually.

In 2023, the Company's top management was strengthened by Mgr. Peter Rusnák, a new member of the Board of

Directors, who simultaneously took over the management of Product Development, Underwriting and Liquidation, IT and Contract Management. The primary motive for the changes in top management was the new direction of the Wüstenrot companies on the Slovak financial market. In the field of insurance, it is mainly the acceleration of our innovation potential with an emphasis on achieving sustainable growth of the market share in the retail segments of insurance.

In 2023, the Wüstenrot group celebrated the 30th anniversary of its business operations on the Slovak market. In 1993, Wüstenrot stavebná sporiteľňa, a.s. entered the market with portfolio of building society savings and loan products, which was later extended with life and non-life insurance products. During its 30 years of existence, the company has built a strong client base, a stable market position, a good reputation, and significantly extended its business by offering other financial services. Fair approach, reliability, expertise, and concern for clients in every situation are the main pillars representing the Wüstenrot group's values from the beginning of its operations until today. Our business model has developed and progressed in line with market developments and changing client needs.

The success of our brand during our 30 years of operations on the Slovak market and the transformation of our business model would not have been possible without the effort and admirable work commitment of our employees. Some of them have been part of the Wüstenrot group from the very beginning of its operations on the Slovak market. We would like to thank to all our colleagues from the headquarters and from the regions for their work. We are convinced that together we will succeed in meeting the growth potential of the Wüstenrot group and continue to be a reliable choice for clients.

March 2024

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

ABOUT COMPANY

Company profile

Business name:	Wüstenrot poisťovňa, a.s.
Registered office:	Digital Park I, Einsteinova 21, 851 01 Bratislava
Registered capital:	EUR 12 418 800
Corporate ID (IČO):	31 383 408
Call centre:	0850 60 60 60
Website:	www.wuestenrot.sk
E-mail:	infopoistovna@wuestenrot.sk

Shareholders of the company as at 31 December 2023

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 2023

General Meeting	consisting of the Company's shareholders	
Supervisory Board	Mag. Gregor HOFSTÄTTER-POBST	Chairman since 1 June 2023 (until 31 May 2023 a member)
	Dr. Susanne RIESS - HAHN	Vice-chairman
	Mag. Christine SUMPER-BILLINGER	Member
	Mag. Christian WILHELM ZETTL	Member (since 01 May 2023)
	Mag. Gerald HASLER	Chairman (until 30 April 2023)
	Andreas SENJAK, MBA, CIIA	Member (until 20 October 2023)
Board of Directors	Ing. Marian HROTKA, PhD.	Chairman
	Mag. Christian SOLLINGER, CIIA	Member
	Dr. Klaus WÖHRY	Member
	Mgr. Peter RUSNÁK	Member (since 01 August 2023)

Company history

Wüstenrot is a financial group originally established in Germany and Austria. The Austrian Wüstenrot 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 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

An increase in the inflation rate in Slovakia and the slowdown of the real estate market were also a challenge for marketing in 2023. The goal of the communication strategy and selection of marketing activities was to modernize the Company's services and to continue already established trend of digitization. The Company considers online client communication to be efficient and in line with its ESG strategy (environmental, social and governance), therefore it actively continued activities to support the use of online tools by clients as well.

The Company continued to digitize communication processes with clients by informing them about the e-correspondence service, which aims to increase the level of communication in the online environment and the comfort of clients, to save time and costs. The Company actively contacted clients to use the option of online document delivery. In the area of digitization, the Company also continued activities to support online conclusion of contracts and insurance calculation, online liquidation of insurance claims and improvement of communication through the Wüstenrot portal. Various forms of competitions were also motivators for concluding insurance contracts online. The Company enabled clients on its website to re-send the green card for MTPL insurance electronically to their e-mail address, thereby also contributing to the reduction of paper communication, increasing client comfort, and fulfilling its sustainable goals.

As part of the ESG strategy, it worked not only to reduce paper communication with clients, but also continued to stand on its decision not to contribute to visual smog, which is also one of its environmental goals.From the point of view of visual identity, the Company has unified its communication through all communication channels (e-mail communication with clients, social networks, campaign visuals...) and committed to comply with the principles specified in the new design manual.To spread awareness of insurance products and the Company's brand, the Company used marketing tools such as online banner campaigns, Google campaigns, campaigns on social networks, contacting clients via e-mails, SMS messages, educational articles on the vdobrom.sk blog, and PR activities.As a part of its marketing, the Company communicated the 30th anniversary of the Wüstenrot group in Slovakia which entered the market in 1993 initially as Wüstenrot stavebná sporiteľňa, a. s., to employees, as well as the external public and clients. The Company mainly used PR tools for communication.

The Company further communicated changes in the Board of Directors of the Wüstenrot group in Slovakia to employees and to the public, the reasons for these changes from the perspective of the group's new direction on the Slovak market and it introduced a new member of the Board of Directors of Wüstenrot poisťovna, a.s., Mgr. Petr Rusnák.

As part of activities supporting corporate social responsibility (CSR activities), the Company sought to raise the public's awareness of the Slovak art community by exhibiting borrowed works of Slovak artists at its headquarters, thus also providing financial support. The Company also engaged its employees in CSR activities by organizing various collections (for seniors and refugee centres) and by collaboration with non-profit organizations and civil associations.

In 2024, the Company plans to continue to modernize its services, innovate the product portfolio and improve digitization processes. A new website in line with the visual identity of the Wüstenrot group will contribute to effective communication in the online environment. In the area of CSR activities, the Company plans to actively raise awareness of non-profit organizations and civil associations by launching the „Pošli dobro ďalej" project and a marketing campaign to support it, thereby fulfilling its social responsibility goals. It will also follow up on a project in cooperation with Mantra concept that supports Slovak artistic talents.

Narrative report of the HR department

All Company employees are considered equal and principles of equal treatment in employment relations in line with 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.

Remuneration at the Wüstenrot poisťovňa, a. s. follows the gender-neutral principle, which means that employees are remunerated for the same work or work of the same value irrespective 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 conditions

At the end of 2022, Wüstenrot poisťovňa, a. s. relocated its headquarters to new offices in Digital Park in Bratislava. The modern premises provide full comfort for everyday analytical and creative work, socializing, development, and education. In 2023 in our common relaxation zones, we organized social theme breakfasts and staff meetings, lectures, tastings and previews of art exhibitions, as well as a Halloween party and a Christmas party.

As an employer, the Company takes measures to ensure a favourable work-life balance of its employees. Flexible working hours and home office are already a permanent part of our working conditions. 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 from home for 60% of their working hours.

Before leaving for, and after returning from, maternity or parental leave, employees may request to work part-time. In 2023, 8 employees on average worked part-time, which represents almost 4% of total headcount.

Employee care

To improve the health of our colleagues, we organised the Month of Health event in 2023 – a series of lectures, sporting events, exercises aimed at reducing the health risks of sedentary jobs, and presentations for making a healthy breakfast. The MultiSport company provided body composition measurements and consultations on healthier eating and regular physical activities. The lecture on psychosomatics and mental health in connection with work performance was the most attended one. For colleagues who work from home or in the Slovak regions, some activities were also streamed online. In total, more than 150 colleagues attended these events.

Employee engagement support

Corporate culture promotion and employee engagement support are also 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 as compared to standard forms of recruitment.In 2023, 6 internal employees were promoted to managerial positions.

Near the year-end, we conducted an employee satisfaction and engagement survey. 167 colleagues (65% of total head-count) participated, which represents 65% of total headcount.

Diversity

At 31 December 2023, the Bank had 245 employees, of which 69,8% were women. Women occupied 47,2% of managerial positions.

REPORT OF THE BOARD OF DIRECTORS

Company's business activities and assets

The Company is obliged to prepare individual financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (hereinafter also „IFRS").

From 1 January 2023, the new accounting and reporting standard on insurance contracts (IFRS 17) applies, which represents the most significant change in insurance accounting standards in the last 20 years. The Company also applies the accounting standard IFRS 9 from 1 January 2023.

As of 31 December 2023, Wüstenrot poisťovňa had a total share of technical premiums 1 of 1,85 %.

At the end of 2023, the Company managed 307 588 insurance contracts with an annual premium of EUR 53,6 million.

In 2023, the Company recorded gross written premiums in the amount of EUR 53,9 million, which represents an increase of 2,7 % compared to 2022. GWP of the traditional provision-making life insurance products decreased, and there was also a slight decrease in unit-linked life insurance products. On the other hand, GWP of the group of products aimed at covering risks grew compared to last year, mainly thanks to the successful product W dobrom život. GWP of MTPL reached a year-on-year increase of 9,4 %.

New business in 2023 compared to 2022 grew significantly in both life (37 %) and non-life (12 %) insurance. In the non-life segment, the Company recorded better sales results in MTPL, MOD insurance and travel insurance. In life insurance segment, the Company achieved a good growth in innovated unit-linked insurance products, and a significant increase in successful risk life insurance W dobrom život.

As of 31 December 2023, the carrying amount of the Company's intangible assets was EUR 3 156 thousand. Intangible assets mainly consist of licenses, insurance and accounting software. Intangible assets are described in more detail in chapter 5.8 of the Notes to the financial statements.

As of 31 December 2023, the Company's financial investments amounted to EUR 140 568 thousand (carrying amount without the underlying assets in the name of the policyholders).

The structure of investments as of 31 December 2023 was as follows:

Government and corporate bonds	90 %
Term deposits	5 %
Mortgage bonds	4 %
Mutual funds	1 %
Others (loans)	< 1 %

In 2023, the total loss before tax according to the audited financial statements amounted to EUR -2 886 thousand and the loss after tax was in the amount of EUR -2 415 thousand as stated in the financial statements, which are part of the annual report.

[1] Whole insurance market

The proposal for distribution of the loss for the year 2023 is presented in chapter 5.11 of the Notes.

The total equity of the Company as of 31 December 2023 was EUR 38 737 thousand.

The Company had a sufficient amount of equity capital and as of 31 December 2023, it achieved a solvency ratio of 173 % in line with the legislative requirements of the Solvency II legislative requirements. More detailed data on solvency are provided in the Solvency and Financial Status Report published on the Company‘s website (www.wuestenrot.sk/informacie/hospodarenie).

Company business and financial objectives

The Company‘s business and financial goals for 2024 are based on the expected macroeconomic development. Uncertainties stem mainly from the future development of inflation and interest rates. The financial goals also consider the transformation of the Wüstenrot group on the Slovak market (gradual exit from the building savings market and the development of the subsidiary Wüstenrot InHouse Broker, a subordinate financial agent that provides complex financial services for clients throughout Slovakia).

In the life insurance segment, the Company expects the trend from previous years to be maintained. The Company expects growth in life risk products as well as good sales results of unit-linked life insurance products. In the non-life insurance segment, growth in the new business and written premiums is expected. The focus product of the non-life insurance segment continues to be mainly the MTPL and MOD insurance.

The Company‘s long-term plan is to bring modern, innovative products to clients and a gradual increase in market share.

In the financial placement of funds, the Company will continue to use a prudent approach and invest in investment-grade and fixed-income instruments, or in collective investment funds with a well-diversified portfolio. The Company does not plan direct investments in shares, currencies (including cryptocurrencies) and derivatives.

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. In addition, in accordance with the applicable legislation, the Company also publishes the Solvency and Financial Status Report on its website, which contains further description of the risks to which the Company is exposed.

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 described in Section 5.22 of the Notes to the financial statements.

R&D expenses

The Company did not incur any expenses on research and development in 2023.

Branches

The Company has no branches in other countries.

Overview of bank and other loans payable

The Company has no bank or other loans payable.

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

In 2023, the Company did not acquire in its portfolio any treasury shares, temporary certificates or similar ownership interests (own or of its parent company) and did not own any of the above at 31 December 2023. The Company is 100 % owner of Wüstenrot InHouse Broker, s.r.o.

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 the three regular meetings of the Supervisory Board, the Board of Directors informed the Supervisory Board about the Company‘s business activities, business development, the state of assets and the development of risks, including the situation in the personnel area, and reported extensively on all relevant issues of the Company‘s business policy. As regards insurance company management, the Supervisory Board supported the Board of Directors regarding decisions of significant importance.

The financial statements for 2022, 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.

The Supervisory Board accepted the proposal for the 2022 profit distribution, agreed not to pay dividends to shareholders, and recommended to the General Meeting to approve this proposal.

In 2023, there were changes in the composition of the Supervisory Board. Mr. Mag. Gerald Hasler resigned as a member of the Supervisory Board on April 30, 2023, which also ended his position as the Chairman of the Supervisory Board of Wüstenrot poisťovna. As of 1 June 2023, Mr. Mag. Gregor Hofstätter-Pobst became the new Chairman of the Supervisory Board.

The Supervisory Board wishes to express its thanks to all their colleagues and members of the Board of Directors for productive co-operation in 2023.

Bratislava, March 2024

On behalf of the Supervisory Board

Mag. Gregor Hofstätter-Pobst
Chairman

Organisation chart Wüstenrot poisťovňa as at 31 December 2023

- Supervisory board
  - Internal Control and Internal Audit Division
  - Board of directors
    - SECTION I
      - Sales Division
        - Internal Sales Department
        - External Sales Department
      - Sales Support Division
        - Sales Back-office Department
        - Sales Development and Training Department
      - Marketing and Communication Division
        - Call Centre Department
      - Human Resouces Division
      - Actuary and Re-insurance Division
      - Treasury Department
    - SECTION II
      - Information and Communication Technology Division
        - BIS/CICS Department
        - Project, Process, and Digitization Department
      - Product Development Division
      - Contract Administration Division
        - Insurance Administration Department
        - Document Management Department
      - Insurance Underwriting and Claim Division
        - Non-life Insurance Underwriting and Claim Department
        - Life Insurance Underwriting and Claim Department
      - Legal Protection Claim Department
    - SECTION III
      - Finance Division
      - Legal Division
      - Anti-Money Laundering
      - Risk Management and Controlling Division
        - Controlling Department
        - Commission Department
        - Risk Management Department
      - Internal Service Division
        - Property Department
        - Document Management Department

Financial statements

prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2023

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 2023 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 Supervisory Board performing the role of the Audit Committee dated 5 June 2024.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 within the European Union 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.

The non-audit services that we have provided to the Company, in the period from 1 January 2023 to 31 December 2023, are disclosed in the Note 5.18 to the financial statements.

Our audit approach

Overview

Materiality	Overall materiality: EUR 590 thousand, which represents approximately 1% of net assets and Contractual Service Margin.
Key audit matters	Measurement of certain liabilities and assets from insurance contracts issued in life insurance Measurement of certain liabilities from insurance contracts issued in non-life insurance

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 590 thousand
How we determined it	We determined the overall audit materiality as approximately 1% of net assets and Contractual Service Margin.
Rationale for the materiality benchmark applied	Adoption of IFRS 17 led to the deferral of ‘day one profits’ into the future through a concept of Contractual Service Margin which would have been previously recognised earlier. Contractual Service Margin represents expected future profits to be generated from current in-force business amortised over the contracts’ coverage units. The metric of net assets and Contractual Service Margin provides an expectation of the future total equity of the Company and long-term return on investment to shareholders based on the insurance contracts currently in-force.

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
Measurement of certain liabilities and assets from insurance contracts issued in life insurance	
In the statement of financial position and in Note 5.5 to the financial statements, the Company disclosed liabilities from insurance contracts issued amounting to EUR 143.3 million reported under the "Insurance contract liabilities" and assets amounting to EUR 2.7 million reported under the "Insurance contract assets", which are accounted for in accordance with IFRS 17. Of this amount, liabilities of EUR 106.8 million and assets of EUR 2.7 million relate to the life insurance which are measured using the variable fee approach or the general measurement model (also known as the building block approach). To the extent that the above-mentioned liabilities and assets are measured using the two measurement models, the measurement is based on complex actuarial methods (hereinafter referred to as the "measurement methods") on the basis of comprehensive processes for determining assumptions about future developments in relation to the insurance portfolios. Within the liabilities, the present value of the estimated future cash flows in particular are affected by possible material uncertainties in relation to the measurement. This uncertainty stems in particular from the measurement methods used and the actuarial assumptions determined in connection with mortality, disability, longevity, interest rates, investment income, expenses and policyholder behaviour. Due to the above-mentioned reasons and due to the significance of the amounts for the Company's liabilities and financial performance as well as the complexity of determination of the underlying assumptions and estimates made by the management, the measurement of these liabilities and assets was of particular significance in the context of our audit and thus is a key audit matter.	We assessed the appropriateness of selected controls of the Company for selecting the measurement methods applied as well as for determining assumptions and making estimates for the measurement of certain liabilities from insurance contracts issued. In this respect, we tested, among others, relevant controls over the completeness and accuracy of the underlying data and controls over the appropriateness of the derivation and implementation of assumptions and estimates used in the valuation. With the involvement of our internal actuaries, we have compared the measurement methods and key assumptions with generally recognised actuarial methods and industry standards and examined to what extent these are suitable for measuring the liabilities and assets. Our focus was on the assessment of the cash flows used by the IT systems, the appropriate derivation and use of assumptions as well as the completeness and accuracy of the data used for the measurement of selected liabilities and assets. On a sample basis, we reconciled data and assumptions used in calculation of cash flows to those approved by the management and, with involvement of our actuaries, tested the cash flows. On a sample basis, we tested policy admin data and also how the management developed the assumptions that were used in cash flows. We have independently recalculated amounts related to the insurance contracts liabilities and assets using our internal IFRS 17 calculation tool. We have further quantified the balances and tested the classification of present value of future cash flows, Contractual Service Margin, risk adjustment and loss component within these liabilities and assets, including their impact on the respective line of the statement of profit or loss and other comprehensive income.

pwc

Key audit matter	How our audit addressed the key audit matter
Measurement of certain liabilities from insurance contracts issued in non-life insurance	
In the statement of financial position and in Note 5.5 to the financial statements, the Company disclosed liabilities from insurance contracts issued amounting to EUR 143.3 million reported under the "Insurance contract liabilities", which are accounted for in accordance with IFRS 17. Of this amount, liabilities of EUR 36.5 million are attributable to the non-life insurance. Within the insurance contracts liabilities, liabilities for incurred claims amounting to EUR 23.9 million are attributable mostly to claims that have been incurred but not yet reported and claims reported but not settled. These represent the Company's expectation of future payments for known and unknown claims as well as the associated expenses. The Company uses various methods to estimate these obligations. In addition, the measurement of these liabilities requires a significant degree of judgement by the management regarding assumptions made, such as the impact of increased inflation rates, loss developments and regulatory changes. In addition, there is a significant judgement of the management regarding the discounting of the liability. In particular, product lines with a low claims frequency, high individual claims or long claims settlement periods are usually subject to increased estimation uncertainties. Due to the significance of the amount of these liabilities for the Company's liabilities and financial performance as well as the considerable scope for judgement of the management and the associated uncertainties in the estimations made, the measurement of certain liabilities from insurance contracts issued in non-life insurance was of particular significance in the context of our audit and thus is a key audit matter.	We assessed the appropriateness of selected controls of the Company for selecting actuarial methods as well as for determining assumptions and making estimates for the measurement of certain liabilities from insurance contracts issued in the non-life insurance. With the involvement of our internal actuaries, we have compared the respective actuarial methods and key assumptions with generally recognised actuarial methods and industry standards and examined to what extent these are suitable for measuring the liabilities. Our audit also included an evaluation of the plausibility and integrity of the data and assumptions, including the assessment of the management regarding the impact of increased inflation rates, used in the valuation and a reconstruction of the claims settlement process. We recalculated the amount of the liability for selected lines of product, in particular lines of product with large reserves or increased estimation uncertainties. For these lines of product, we compared the recalculated liabilities with the liabilities determined by the Company and evaluated any differences. We also examined whether any adjustments to estimates at Company level were adequately documented and substantiated. We have independently recalculated amounts related to the insurance contracts liabilities using our internal IFRS 17 calculation tool.

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 3 years. Our appointment for the year ended 31 December 2023 was approved by the shareholders' resolution on 15 March 2023.

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

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

Mgr. Rastislav Petruška, FCCA
UDVA licence No. 1108

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5 June 2024
Bratislava, Slovak Republic

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Statement of financial position

(BALANCE SHEET)				
in thousands of EUR	Note	31 December 2023	31 December 2022 restated	1 January 2022 restated
ASSETS				
Cash and cash equivalents	5.1	2 079	3 827	8 297
Financial investments	5.2	170 626	167 734	172 101
Receivables	5.3	891	695	646
Investment property		0	0	145
Current tax assets	5.4	820	0	0
Insurance contract assets	5.5	2 732	1 691	1 790
Reinsurance contract assets	5.6	5 342	4 152	2 332
Property, plant and equipment	5.7	1 343	1 823	298
Right-of-use assets	5.7	2 357	2 848	0
Intangible assets	5.8	3 156	3 471	3 766
Deferred tax assets	5.4	1 142	549	1 127
Deferred expenses	5.9	946	781	711
Other assets		270	193	249
Assets held for sale	5.10	435	142	4 694
TOTAL ASSETS		**192 140**	**187 907**	**196 154**
EQUITY	**5.11**			
Share capital		12 419	12 419	12 419
Share premium		306	306	306
Capital reserve		2 492	2 492	2 492
Retained earnings		24 967	26 007	22 173
Revaluation reserve		-1 447	0	0
TOTAL EQUITY		**38 737**	**41 224**	**37 390**
LIABILITIES				
Trade and other liabilities	5.12	5 512	6 653	6 116
Current tax liabilities	5.4	0	408	638
Short-term employee benefits	5.13	534	476	523
Insurance contract liabilities	5.5	143 300	135 091	150 311
Reinsurance contract liabilities	5.6	133	120	122
Lease liabilities	5.14	2 464	2 838	0
Provisions	5.15	1 459	1 097	1 055
TOTAL LIABILITIES		**153 402**	**146 683**	**158 765**
TOTAL EQUITY AND LIABILITIES		**192 140**	**187 907**	**196 154**

Statement of profit or loss and other comprehensive income

in thousands of EUR	Note	For the year ended 31 December 2023	For the year ended 31 December 2022 restated
Insurance revenue		42 086	39 102
Insurance service expenses		-37 826	-39 166
Net income (expenses) from reinsurance contracts held		-482	1 839
Insurance service result	**5.16**	**3 777**	**1 774**
Interest revenue - the effective interest method		1 655	2 001
Interest income from financial investments measured at FVTPL		1 849	893
Net gains (losses) on FVTPL investments		4 523	-13 996
Net impairment losses		-216	-578
Net investment result	**5.17**	**7 811**	**-11 679**
Finance income (expenses) from insurance contracts issued		-7 650	21 633
Finance income (expenses) from reinsurance contracts held		218	-988
Net insurance finance result	**5.17**	**-7 432**	**20 645**
Other income	5.18	126	714
Other operating expenses	5.18	-7 168	-6 134
Profit/(loss) before tax		**-2 886**	**5 320**
Income tax	5.19	471	-1 486
Profit/(loss) for the year		**-2 415**	**3 834**
Items that may be reclassified to profit or loss			
Net gains (losses) on FVOCI investments	5.17	578	0
Income tax relating to these items		-121	0
Other comprehensive income for the year, net of tax		**457**	**0**
Total comprehensive income/(loss) for the year		**-1 958**	**3 834**

Statement of changes in equity

in thousands of EUR	Share capital	Share premium	Capital reserve	Retained Earnings	Revaluation reserve	Total
Equity balance at 31 December 2021, as previously reported [1,2]	**12 419**	**306**	**2 492**	**22 165**	**0**	**37 382**
Impact of initial application of IFRS 17	0	0	0	8	0	8
Restated equity balance at 1 January 2022 [2,3]	**12 419**	**306**	**2 492**	**22 173**	**0**	**37 390**
Restated profit for the year 2022 [2,3]	0	0	0	3 834	0	3 834
Total comprehensive income for the year 2022	**0**	**0**	**0**	**3 834**	**0**	**3 834**
Restated equity balance at 31 December 2022 [2,3]	**12 419**	**306**	**2 492**	**26 007**	**0**	**41 224**
Equity balance at 31 December 2022, as previously reported [1,2]	**12 419**	**306**	**2 492**	**22 748**	**0**	**37 965**
Impact of initial application of IFRS 17	0	0	0	3 259	0	3 259
Impact of initial application of IFRS 9	0	0	0	1 375	-1 904	-529
Restated equity balance at 1 January 2023 [3,4]	**12 419**	**306**	**2 492**	**27 382**	**-1 904**	**40 695**
Loss for the year 2023	0	0	0	-2 415	0	-2 415
Other comprehensive income for the year 2023	0	0	0	0	457	457
Total comprehensive loss for the year 2023	**0**	**0**	**0**	**-2 415**	**457**	**-1 958**
Equity balance at 31 December 2023	**12 419**	**306**	**2 492**	**24 967**	**-1 447**	**38 737**

[1] IFRS 4 applies

[2] IAS 39 applies

[3] IFRS 17 applies

[4] IFRS 9 applies

Statement of cash flows

INDIRECT METHOD

in thousands of EUR	Note	For the year ended 31 December 2023	For the year ended 31 December 2022 restated
Cash flows from operating activities			
Profit/(loss) before tax		**-2 886**	**5 320**
Depreciation of PPE and right-of-use assets	5.7	762	211
Amortization of intangible assets	5.8	621	844
Gains/losses from the sale of PPE and assets held for sale	5.18	-45	-549
Losses from derecognition of intangible assets	5.8	379	354
Interest income from financial investments	5.17	-3 504	-2 894
Other non-cash changes		23	47
Net change in:			
Financial investments (excl. loan repayments)	5.2	-2 897	2 668
Receivables	5.3	-196	-49
Reinsurance contract assets and liabilities	5.6	-1 178	-1 822
Deferred expenses and other assets	5.9	-241	-15
Trade and other liabilities	5.12	-1 141	537
Short-term employee benefits	5.13	58	-48
Insurance contract liabilities and assets	5.5	7 168	-15 121
Provisions	5.15	362	42
Interest received on financial investments		3 398	2 845
Corporate income tax paid		-1 269	-1 138
Net cash used in operating activities		**-585**	**-8 768**
Cash flows from investing activities			
Purchase of property, plant and equipment	5.7	-236	-1 696
Proceeds from the sale of PPE and assets held for sale		187	5 246
Purchase of intangible assets	5.8	-684	-902
Repayments of loans granted	5.2	5	1 699
Net cash generated from/(used in) investing activities		**-728**	**4 347**
Cash flows from financing activities			
Lease payments		-368	-43
Interest paid on lease liabilities		-67	-6
Net cash used in financing activities		**-435**	**-49**
Cash and cash equivalents at beginning of period	5.1	3 827	8 297
Cash and cash equivalents at end of period		2 079	3 827
Change in cash and cash equivalents		**-1 748**	**-4 470**

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 Petržalka
Corporate ID (IČO):	31 383 408
VAT ID (IČ DPH):	SK7120001559

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; and
- financial intermediation under the Slovak Financial Intermediation Act (Act No. 186/2009 Coll. on Financial Intermediation and Financial Consultancy and on Amendments to Certain Acts) as a bonding agent in finance in the deposit-taking sector and the loan granting, housing loan, and consumer loan sector.

The Company provides its services via a network of agency directorates and 22 Wüstenrot centres in the Slovak Republic.

1.3 Structure of the Company's shareholders

The structure of the Company's shareholders at 31 December 2023 and 31 December 2022 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**

The Company's registered capital consists of 170 000 registered shares with a nominal value of EUR 34 each and 200 registered shares with a nominal value of EUR 33 194 each. Each share with a nominal value of EUR 34 represents one vote and each share with a nominal value of EUR 33 194 represents a thousand votes. All issued shares are paid in full.

Wüstenrot stavebná sporiteľňa, a.s., Bratislava holds 1 share with a nominal value of EUR 34. Wüstenrot Versicherungs-AG, Salzburg, Austria holds all the remaining shares.

1.4 Company's bodies

The Company's statutory and supervisory bodies in 2023 and 2022 were as follows:

2023

Board of Directors		**Supervisory Board**	
Chairman:	Ing. Marian Hrotka, PhD.	Chairman:	Mag. Gregor Hofstätter-Pobst (since 1 June 2023) Mag. Gerald Hasler (up to 30 April 2023)
		Vice-chairman:	Dr. Susanne Riess-Hahn
Members:	Dr. Klaus Wöhry Mag. Christian Sollinger, CIIA Mgr. Peter Rusnák (from 1.8.2023)	Members:	Mag. Christine Sumper-Billinger Mag. Christian Wilhelm Zettl (since 1 May 2023) Mag. Gregor Hofstätter-Pobst (up to 31 May 2023) Andreas Senjak, MBA, CIIA (up to 20 October 2023)

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 May 2022) Mag. Christine Sumper-Billinger Andreas Senjak, MBA, CIIA Roman Andersch (up to 19 May 2022)

Two members of the Board of Directors 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

	31 December 2023	31 December 2022
Total number of staff, of which:	245	258
- Management	17	16
	2023	**2022**
Average number of staff per year*	201	194

* 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 2023 (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.

1.8 List of abbreviations

AC	Amortized Cost
ALCO	Assets and Liabilities Management Committee
BBA	Building Blocks Approach (also known as GMM, the General Measurement Model)
BoD	Board Of Directors
CSM	Contractual Service Margin
DPF	Discretionary Participation Features
EAD	Exposure at Default
ECL	Expected Credit Loss
FCF	Future Cash Flows
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GAP	Guaranteed Asset Protection
HTM	Held to Maturity
L&R	Loans and Receivables
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
MOD	Motor Own Damage
MTPL	Motor Third Party Liability
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
PAA	Premium Allocation Approach
PD	Probability of Default
PPE	Property, Plant and Equipment
PL	Profit or Loss
SIB	The Bureau of Slovak Insurers
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
VFA	Variable Fee Approach

2 MATERIAL ACCOUNTING POLICY INFORMATION

Information about material accounting policies applied in the preparation of these financial statements is set out in the following sections. The accounting methods and general accounting principles have been applied consistently in all years presented, except when stated otherwise.

2.1 Basis of the presentation

The Company has applied all IFRSs and their interpretations as adopted by the EU at 31 December 2023.

2.1.1. Issued standards, interpretations, or amendments which the Company applied for the first time in 2023

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 applied this standard for the annual period beginning on 1 January 2023 and retrospectively for the financial year ended on 31 December 2022. See Sections 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 recognise those costs as an asset until the entity recognises 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 recognises 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 recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined

by multiplying the loss recognised 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 recognised before or at the same time as the loss is recognised 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 applied the amendments to IFRS 17 for the annual period beginning on 1 January 2023 and retrospectively for the financial year ended on 31 December 2022. See Sections 2.2.1 for more details.

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 derecognised 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 has applied the transition option to apply a classification overlay for financial investments for which the Company did not restate the comparative information for the annual period beginning on 1 January 2023.

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 a result, the financial statements for the year ended on 31 December 2023 were adjusted accordingly.

Amendments to IAS 8: Definition of Accounting Estimates (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 a result, there was no material impact on the financial statements for the year ended on 31 December 2023.

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 recognise 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 recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These clarifying amendments have no material impact on the previously applied accounting policies of the Company.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The Company has assessed these amendments. As a result, there was no material impact on the financial statements for the year ended on 31 December 2023.

2.1.2. IASB Standards or interpretations effective from 1 January 2024 or later

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.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Company has assessed these amendments as irrelevant for its activities.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The Company has assessed these amendments as irrelevant for its activities.

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The Company is currently assessing the impact of this standard.

2.2 Changes in accounting policies

2.2.1. IFRS 17 - Insurance contracts

The Company applied IFRS 17 for the first time as of 1 January 2023 with retrospective application for the year ended 31 December 2022. This standard introduced significant changes to the accounting for insurance and reinsurance contracts and has material impact on the Company's financial statements. The Company restated the comparative information of the financial year 2022 under IFRS 17. For further information on transition amounts as well as methods used and judgements applied, refer to Note 3.2.

2.2.2. IFRS 9 - Financial instruments

The Company applied IFRS 9 for the first time as of 1 January 2023. This led to changes in accounting policies regarding classification, measurement and presentation of financial assets and financial liabilities, as well as to changes in accounting policies regarding the impairment.

As permitted by IFRS 9, the Company did not restate the figures of the comparative period 2022. The retrospective impact of applying IFRS 9 was accounted for through adjustments to the opening balances of the respective positions in equity as at 1 January 2023. Therefore, the requirements of IFRS 7 – Financial instruments: Disclosures - have been applied only to the current period. The disclosures for the comparative period correspond to the disclosures made in the prior year.

The details on specific accounting policies according to IFRS 9 applied to the current period are described in the Note 2.6.1. The details on accounting policies in effect before 1 January 2023 used for preparation of the comparative information under IAS 39 are described in Note 2.6.2.

The total after-tax impact of initial application of IFRS 9 on Total equity constituted a loss of EUR 529 thousand.

The impact of transition to IFRS 9 on Retained earnings and Revaluation reserve (OCI) in Total equity is, as follows:

		Retained earnings	Revaluation reserve
Closing balance under IAS 39 (31 December 2022), as previously reported		**22 748**	**0**
IFRS 9: Reclassification of debt instruments:			
	from FVTPL to FVOCI	1 061	-1 061
	from HTM to FVOCI		-1 067
	from FVTPL to AC	2 574	
	from HTM to FVTPL	-2 161	
IFRS 9: Recognition of ECLs		-56	
IFRS 9: Deferred tax		-43	224
IFRS 17: Impact of initial application		3 205	
IFRS 17: Deferred tax		54	
Opening balance under IFRS 9 (1 January 2023), restated		**27 382**	**-1 904**

Reconciliations of transitioned carrying amounts from IAS 39 to IFRS 9

(a) Cash and cash equivalents

On the date of transition, all items of cash and cash equivalents were reclassified from the L&R measurement category according to IAS 39 (Loans and receivables) into the measurement category AC according to IFRS 9 (at amortized cost). The Company recognized expected credit loss allowance on these items amounting to EUR 3 thousand as of 1 January 2023.

(b) Financial investments

The reconciliation between the carrying amounts under IAS 39 as of 31 December 2022 and the balances reported under IFRS 9 as of 1 January 2023 is as follows:

in thousands of EUR	Measurement category		IAS 39 carrying amount 31 December 2022	Impact			IFRS 9 carrying amount 1 January 2023	
	IAS 39	IFRS 9		Reclassification	ECL	Remeasu-rement		
Financial investments at amortized cost (AC)								
Debt instruments	HTM	AC	33 683		-34		33 649	
	HTM	FVOCI	5 975	-5 975			-	
	HTM	FVTPL (designated)	48 230	-48 230			-	
	FVTPL (designated)	AC	-	16 542	-11	2 574	19 105	**(A)**
Loans and borrowings	L&R	AC	55		-1		54	
Total AC			**87 943**	**-37 663**	**-46**	**2 574**	**52 808**	
Financial investments at fair value through OCI (FVOCI)								
Debt instruments	FVTPL (designated)	FVOCI	-	5 950	-3		5 947	**(B)**
	HTM	FVOCI	-	5 975	-5	-1 067	4 903	
Total FVOCI			**-**	**11 925**	**-8**	**-1 067**	**10 850**	
Financial investments at fair value through profit or loss (FVTPL)								
Debt instruments	FVTPL (designated)	FVTPL (designated)	18 415				18 415	
	FVTPL (designated)	FVOCI	5 950	-5 950			-	
	FVTPL (designated)	AC	16 542	-16 542			-	
	HTM	FVTPL (designated)	-	48 230		-2 161	46 069	
Mutual funds	FVTPL (mandatory)	FVTPL (mandatory)	12 093				12 093	
Underlying assets of contracts measured under VFA	FVTPL (mandatory)	FVTPL (mandatory)	26 791				26 791	
Total FVTPL			**79 791**	**25 738**	**-**	**-2 161**	**103 368**	
Total financial investments			**167 734**	**0**	**-53**	**-654**	**167 027**	

(A) As of 1 January 2023, the Company has classified a portion of its previous designated FVTPL portfolio as debt instruments at amortised cost. The fair value of these instruments that the Company still held at 31 December 2023 was EUR 17 366 thousand. The change in their fair value over 2023 that would have been recorded in profit or loss, had these instruments continued to be revalued through PL, is EUR 794 thousand. The weighted average effective interest rate determined on the date of initial application was 2,35 %. The recognised interest revenue amounted to EUR 449 thousand in 2023.

(B) As of 1 January 2023, the Company classified a portion of its previous designated FVTPL portfolio as debt instruments at FVOCI. The change in their fair value over 2023 that would have been recorded in PL, had these instruments continued to be revalued through profit or loss, is EUR 361 thousand. The weighted average effective interest rate determined on the date of initial application was 0,71 %. The recognised interest revenue amounted to EUR 42 thousand in 2023.

Terms of all above debt instruments contain contractual conditions leading to payments which represent solely payments of principal and interest on the principal amount outstanding, i.e. they fulfil the conditions of SPPI test.

The most significant reasons for the reclassifications and revaluation of the debt instruments were:

- Reclassification from FVTPL (designated) to the AC category: After evaluation of the business model for the debt instruments, the Company identified debt instruments, for which the previous practice was to hold them to maturity with the objective of collecting contractual cash flows. As a result, some of the debt instruments previously designated as FVTPL have been reclassified into the amortized cost category (AC).
- Reclassification from HTM to FVTPL (designated): The Company chose to designate some of the debt instruments as FVTPL with the objective of significantly reducing the accounting mismatch that would otherwise arise in the statement of profit or loss, as the entire impact from changes of discount rates on measurement of the insurance contract liabilities is also reported in profit or loss.
- Reclassification from HTM/FVTPL (designated) to FVOCI: After evaluation of the business model for the debt instruments, the Company identified some debt instruments, for which the previous practice was to hold them to maturity with the objective of collecting contractual cash flows or using them to reduce accounting mismatch. As a result of the evaluation, some instruments best fit the objective of collecting contractual cash flows and selling them.

As of 31 December 2022, all financial investments in mutual funds were measured at FVTPL. As of 1 January 2023, there have been no changes in their measurement.

The reported borrowing receivable fulfils the conditions of SPPI and is measured at amortized cost.

(c) Reconciliation of the valuation allowance under IAS 39 as of 31 December 2022 to the ECL allowance as of 1 January 2023

The following table reconciles the aggregate opening valuation allowance under IAS 39 to the ECL allowance under IFRS 9:

in thousands of EUR	Measurement category IAS 39	Measurement category IFRS 9	Valuation allowance under IAS 39 at 31 December 2022	Remeasurement	ECL under IFRS 9 at 1 January 2023
Total cash and cash equivalents	**L&R**	**AC**	**-**	**3**	**3**
Debt instruments	HTM	AC	-	34	34
	FVTPL (designated)	AC	-	11	11
	FVTPL (designated)	FVOCI	-	3	3
	HTM	FVOCI	-	5	5
	HTM	FVTPL (designated)	210	-210	0
Loans and borrowings	L&R	AC	-	1	1
Total financial investments			**210**	**-157**	**53**

For further information on accounting policies regarding the expected credit loss impairment according to IFRS 9, refer to Note 4.3.1.

2.3 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, except for those financial instruments, which are stated at fair value.

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 judgement 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 judgement 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.

The financial statements for the previous year were approved by the Annual General Meeting held on 23 June 2023.

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 through profit or loss.

2.5 Cash and cash equivalents

Cash and cash equivalents include also on demand deposits. They are measured at amortized cost, less recognized expected credit losses.

2.6 Financial investments

2.6.1. IFRS 9 Financial investments

Beginning on 1 January 2023, the Company classifies its financial investments as follows:

- Financial investments measured at amortized cost (AC),
- Financial investments measured at fair value through profit or loss (FVTPL),
- Financial investments measured at fair value through OCI (FVOCI),

which replace the IAS 39 categories (held-to-maturity investments, loans and receivables, and available-for-sale financial investments).

The classification of financial investments under IFRS 9 is based on the business model in which financial investments are managed and on their contractual cash flow characteristics. Under IFRS 9, a financial investment 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 investment is held within a business model whose objective is to hold financial investments to collect contractual cash flows; and
- on specified dates, the contractual terms of the financial investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

All other financial investments 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 investment 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.

After performing an analysis of financial investments and taking into account the Company's business strategy, the method of managing and measuring the performance of financial investments, 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 investments are held to collect contractual cash flows for the following portfolios: Loans and borrowings, Investments on the financial market B1, and other financial assets;
b) *Hold to collect and sell* – includes Investments on the financial market B2; and
c) Other.

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

In the case of a financial asset or financial liability not at FVTPL, at initial recognition the Company measures a financial investment at its fair value, plus or minus 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.

Transaction costs of financial assets carried at FVTPL are expensed in profit or loss immediately after initial recognition. An expected credit loss (ECL) allowance is recognised for financial investments measured at AC and investments measured at FVOCI.

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

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.

Financial investments at amortized cost (AC)

Financial investments at amortized cost (AC) are assets that are held to collect cash flows which represent solely payments of principal and interest on the principal amount outstanding (business model “Hold to collect”).

These financial 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 profit or loss using the effective interest rate method during the period in which the security is held by the Company. The carrying amount of these investments is reduced by expected credit loss allowance (“ECL”) recognized and measured according to the descriptions made in the Note 4.3.1.

Financial investments at fair value through OCI (FVOCI)

Financial investments that are held in the business model "Hold to collect and sell", whereas the cash flows from these assets represent solely payments of principal and interest on the principal amount outstanding, and which are not designated as FVTPL, are measured at fair value through other comprehensive income. Unrealized gains and losses arising from fair value changes on these investments are recognized in OCI. Impairment losses, interest revenue and FX gains or losses are recognized in profit or loss. When such financial asset is derecognized, the accumulated gain or loss previously recognized in OCI is reclassified to profit or loss and is reported under *"Net gains on investment in debt securities measured at FVOCI reclassified to profit or loss on disposal"*. The interest revenue from these financial assets is included in the item *Interest revenue calculated using the effective interest rate method.*

Financial investments at fair value through profit or loss (FVTPL)

Financial investments classified in the portfolio at fair value through profit or loss are initially recognized and subsequently measured at fair value. The remeasurements are recognized within the *Net investment result* in the profit or loss.

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 gains (losses) on FVTPL investments* in the profit or loss in the period in which they arise. Net interest income from these investments is shown under the item *Interest income from financial investments measured at FVTPL.*

2.6.2. IAS 39 Financial investments

For the financial year ended on 31 December 2022, the Company classified 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 was based on the purpose for which the investments were acquired.

All financial investments were initially recognized at fair value. The fair value was 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 were subsequently measured at fair value without deducting transaction costs that may arise on disposal.

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 profit or loss 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.

Available-for-sale financial investments

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

Financial investments at fair value through profit or loss

Financial investments classified in the portfolio at fair value through profit or loss are initially recognized and subsequently measured at fair value. The remeasurements are recognized within the *Net investment result* in the profit or loss.

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 gains (losses) on FVTPL investments* in the profit or loss in the period in which they arise. *Net interest income from these investments is shown under the item Interest income from financial investments measured at FVTPL.*

Based on the documented risk management strategy and in accordance with its investment strategy, the Company primarily classified debt securities and mutual funds in this portfolio, whose performance was monitored based on the fair value development. Financial investments were classified in this way based on the entity's decision. They were managed and their performance was measured based on fair value in accordance with a documented risk management strategy or investment strategy.

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 valuation allowance for impairment. Interest income was calculated using the effective interest method and recognized in the profit or loss. Receivables were stated at cost and the Company assessed their potential impairment (see Section 2.10.2 of the Notes).

2.7 Property, plant and equipment

Property, plant and equipment are carried at cost less depreciation, together with accumulated impairment losses (see Section 2.10.3 of the Notes). The acquisition cost includes costs directly related to the acquisition of items.
The following table shows the expected economic useful life, the depreciation method, and the annual depreciation rate for most significant items of property, plant and equipment.

	Expected economic useful life (years)	Depreciation method	Annual depreciation rate (%)
Buildings and structures	40	straight-line	2,5
Office machines, apparatuses, computers, and receivers	2, 3 or 4	straight-line	50, 33,3 or 25
Technical improvement of leased assets	6	straight-line	16,7

2.8 Right-of-use assets and lease liabilities

Under IFRS 16, a contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the standard 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 recognized right-of-use buildings are mainly attributable to the rented premises in Digital Park, Bratislava. The lease term used for calculation of lease liabilities assumes exercising the extension option held by the Company, which increases the minimum lease term of 3 years by another 3 years. Correspondingly, the right-of-use assets are depreciated over period of 6 years.

The lease payments are discounted using the Company's incremental borrowing rate.

2.9 Intangible assets

The Company mainly acquired 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 most significant items of intangible assets.

	Expected economic useful life (years)	Amortization method	Annual amortization rate (%)
Insurance and accounting software	10	straight-line	10

2.10 Impairment of assets

2.10.1. Financial assets under IFRS 9

Beginning on 1 January 2023, the Company assesses on a forward-looking basis the ECL associated with its financial investments carried at AC and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The ECL impairment is presented within the *Net investment result* in profit or loss. Note 4.3.1 provides more detail on how the ECL allowance is measured.

2.10.2. Financial assets under IAS 39

Until 31 December 2022, the Company assessed at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets was only impaired and impairment losses only arose when there was objective evidence that an asset was 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 was reduced by setting up a valuation allowance, and the related expense was recognized under the item *Net impairment losses* within the *Net investment result* in the profit or loss.

2.10.3. Property, plant and equipment, intangible assets, and other non-current assets

In the event of impairment indications, the Company estimates the asset's recoverable amount as the higher of an asset's fair value less costs of disposal and its value in use. Company's management assesses the fair value based on valuation reports prepared by a third party, adjusted for the estimated sales costs.

2.11 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.

2.12 Employee benefits

2.12.1. Short-term employee benefits

Short-term payables to employees include wages and salaries, holiday pay, etc.

The expenses arising when the Company consumes economic benefit arising from the service provided by Company's staff in exchange for employee benefits are reported in the profit or loss under items *Insurance service expenses* and *Other expenses*. For overview of the expenses by nature, refer to Note 5.18.

2.12.2. 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 profit or loss under the item *Insurance service expenses* and *Other 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 incurred in the period in which the related wages and salaries are recognized.

2.13 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.

2.14 Insurance contracts

2.14.1. Definition and classification

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 (DPF).

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

When classifying its contracts, the Company assesses whether significant insurance risk is transferred to the Company. There are a small number of contracts which do not transfer significant insurance risk (0,18% of unit-linked life insurance contracts, most of which are single-payment insurance contracts, only 9 contracts are regularly paid with a written premium of EUR 5,5 thousand). The Company accounts for all the contracts as for insurance contracts under IFRS 17.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

The Company uses different measurement approaches, depending on the type of contracts, as follows:

Product classification		Measurement model	Portfolios included
Life insurance	Insurance contract issued	Building blocks approach	Capital life insurance
			Risk life insurance - Old products
			Risk life insurance - New products
		Variable fee approach	Unit-linked life insurance
		Premium allocation approach	Group life insurance
Non-life insurance	Insurance contract issued	Premium allocation approach	MTPL
			MOD insurance (Yearly contracts)
			Liability insurance
			Property insurance (Private - retail)
			Property and liability insurance (Commercial, SME)
			Legal protection insurance
			Travel insurance
			Other (Individual health insurance, Accident insurance)
Non-life insurance – multi-year contracts	Insurance contract issued	Building blocks approach	MOD insurance (3-years contracts)
			GAP
All reinsurance contracts	Reinsurance contract held	Premium allocation approach	

2.14.2. Level of aggregation of insurance contracts

Under IFRS 17, insurance contracts, reinsurance contracts, and investment contracts with 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 recognized directly in the profit or loss.

2.14.3. Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due; and
- when the Company determines that a group of contracts becomes onerous.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

An insurance contract is derecognised only when it is extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled). The Company does not allow a contract modification.

Reinsurance contracts issued are initially recognized at the beginning of the coverage period.

2.14.4. 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.
Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

b) both of the following criteria are satisfied:
  - the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

2.14.5. Expected future cash flows

All fulfilment cash flows within the boundary 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. The cost assumptions fulfil the IFRS 17 requirement related to directly attributable costs.

2.14.6. Discount curves

The Company uses EIOPA's risk-free yield curves for discounting cash flows included in LRC for insurance contracts measured under the BBA and the VFA and for the cash flows included in the LIC of all insurance contracts. When discounting investment cash flows (the investment component) in products measured using VFA, a constant yield curve is used which is based on the historical development of the underlying assets' yields in these products.

At the transition date, the EIOPA's risk-free curve at 31 December 2021 was 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 BBA and the VFA approach, the starting curve is 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. For new cohorts of non-life insurance measured under the BBA, the starting curve is the last EIOPA curve before an initial date of the cohorts.

For both life and non-life insurance under the PAA approach, the latest current EIOPA's risk-free yield curves before the date on which an insured event occurred are considered for the starting curves.

2.14.7. 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 is 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 is 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 uses these techniques on a gross and net basis and derives the amount of risk transferred to the reinsurer as the difference between these two results.

2.14.8. Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides coverage in the future. At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

(a) the initial recognition of the FCF; and
(b) cash flows arising from the contracts in the group at that date.

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

The carrying amount at the end of each reporting period of a group of insurance contracts issued at the is the sum of:

(a) the LRC, comprising the FCF related to future service allocated to the group at that date; and the CSM of the group at that date; and
(b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted to reflect the effect of the following changes:

(a) The effect of any new contracts added to the group.
(b) For contracts measured under the BBA, interest accreted on the carrying amount of the CSM
(c) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
(d) The effect of any currency exchange differences.
(e) The amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

Release of the CSM to profit or loss

The CSM for a group of contracts is 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) is 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 is recognized in profit or loss. The number of coverage units represents the amount of services provided from contracts in the group and is determined for each contract by considering the amount of risk benefits provided and the expected coverage period. Coverage units are reviewed and updated at each reporting date.

The CSM in non-life insurance measured under the BBA is released based on the passage of time over the coverage period of a group of contracts.

2.14.9. Measurement approaches

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

(a) the General model, also known as Building Blocks Approach (BBA);
(b) Premium Allocation Approach (PAA); and
(c) Variable Fee Approach (VFA).

a) Building Blocks Approach. 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 BBA or VFA. All contracts measured under the PAA approach have coverage period of one year or less.

The premium allocation method is applied to:

- the entire portfolio of non-life insurance contracts with a coverage period up to 1 year;
- reinsurance contracts in the life and non-life portfolio; and
- other group life insurance contracts with a coverage period of up to 1 year.

Under the PAA approach, LRC is measured at the amount of premiums received, less any acquisition cash flows paid and the derecognition of any other relevant pre-recognition cash flows. The LIC measurement is adjusted for the impact of the time value of money.

c) Variable fee approach. This approach is applied to insurance contracts with direct participation features. The variable fee approach is applied to the whole unit-linked portfolio of the Company. For more information on VFA eligibility, please refer to section 3.1.1.

2.14.10. Reinsurance contracts

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

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

The net result from reinsurance contracts held is presented separately from Insurance revenue and Insurance service expenses.

2.14.11. 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 Insurance 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. The Company has set the date on which the premium payment is received as the date on which the tax liability arises.

In accordance with IFRS 17, the insurance tax is an indirect tax and not a part of the total insurance revenue.

2.14.12. Levy on MTPL insurance premium

The mandatory MTPL insurance is subject to an 8 % levy stipulated in § 68 of the Insurance Industry Act. The levy represents government budget income and is paid to a special account of the Ministry of Interior of the Slovak republic.

The levy on MTPL insurance premium is part of the insurance revenue under IFRS 17.

2.15 Income tax

The income tax expense in the statement of profit or loss 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 of 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 profit or loss under the item *Income tax expense* and in the balance sheet under the items *Current tax assets* or *Current tax liabilities.*

2.16 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 time value of money 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 profit or loss for the respective period.

2.17 Amounts recognised in total comprehensive income

2.17.1. Insurance revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:

a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:

- amounts allocated to the loss component;
- repayments of investment components and policyholder rights to withdraw an amount;
- amounts of transaction-based taxes collected in a fiduciary capacity (i.e. the insurance tax);
- insurance acquisition expenses; and
- amounts related to the risk adjustment for non-financial risk (see (b));

b) changes in the risk adjustment for non-financial risk, excluding:

- changes included in insurance finance income (expenses);
- changes that relate to future coverage (which adjust the CSM); and
- amounts allocated to the loss component;

c) amounts of the CSM recognised for the services provided in the period;

d) experience adjustments – arising from premiums received in the period other than those that relate to future service; and

Insurance acquisition cash flows recovery in life insurance is determined by the portion of acquisition costs related to acquisition coverage units provided in the reporting period. The acquisition coverage units represent the amount of the expected premium during the coverage period for a group of contracts. The acquisition coverage units are reviewed and updated at each reporting date. In non-life insurance, the acquisition cash flows recovery is determined by the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA in life insurance, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

For groups of insurance contracts measured under the PAA in non-life insurance, the Company recognises insurance revenue based on unearned premium coverage units representing the premium earning over the coverage period of a group of contracts.

2.17.2. Insurance service expenses

Insurance service expenses include the following:

a) incurred claims and benefits, excluding investment components reduced by loss component allocations;
b) other incurred directly attributable expenses;
c) insurance acquisition cash flows amortisation;
d) changes that relate to past service – changes in the FCF relating to the LIC; and
e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses;

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenues, as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows in life insurance is based on the passage of time and in non-life insurance based on the unearned premium coverage units mentioned above.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

2.17.3. Net income (expenses) from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a) reinsurance expenses;

b) for groups of reinsurance contracts measured under the PAA, broker fees are included within

reinsurance expenses;

c) incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;

d) other incurred directly attributable expenses;
e) changes that relate to past service – changes in the FCF relating to incurred claims recovery; and
f) effect of changes in the risk of reinsurers' non-performance.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

For groups of reinsurance contracts held measured under the PAA (both life and non-life reinsurance), the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

There were no reinsurance contracts held by the Company in financial years 2023 and 2022 recognized using BBA or VFA approach.

2.17.4. Net investment result

Net investment result includes interest income from financial investments, net gains (losses) on FVTPL investments and impairment losses on investments.

Interest revenue calculated using the effective interest method is earned from the financial investments measured at amortized cost or FVOCI. Interest revenue from financial investments measured at FVTPL is calculated using the contractual interest rate. The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the effective interest rate to the gross carrying amount of the financial asset.

2.17.5. Net insurance finance result

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For contracts measured under the BBA, the main amounts within insurance finance income or expenses are:

- interest accreted on the FCF and the CSM; and
- the effect of changes in interest rates and other financial assumptions.

For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying assets (excluding additions and withdrawals).

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- interest accreted on the LIC; and
- the effect of changes in interest rates and other financial assumptions.

The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Company includes all insurance finance income or expenses for the period in the profit or loss. No amounts were recognized in OCI in financial years 2023 and 2022 related to insurance contracts.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF ACCOUNTING 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 or loss.

3.1 Judgements

3.1.1. Significant judgements in applying IFRS 17

a) Investment component – the Company distinguishes the investment component in claims and benefits in life insurance products measured under the BBA based on a surrender value if a product has this option.

b) Discount rates - the Company uses EIOPA's risk-free yield curves for discounting. The EIOPA risk free rate methodology considers an illiquidity premium in this curve, as input data used in creating the curve considers only the credit risk adjustment.

c) For investment component in products measured under the VFA, the Company uses a flat discount rate that is used also to project future investment income. The flat discount rate is estimated based on a historical yield of the underlying assets in these products.

The yield curves that were used to discount the estimates of future cash flows are as follows:

		2023					2022				
	Yield curve	1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 years	20 years	30 years
Life insurance:											
BBA	EIOPA	3,357%	2,323%	2,393%	2,406%	2,534%	3,176%	3,131%	3,092%	2,765%	2,730%
PAA	EIOPA	3,357%	2,323%	2,393%	2,406%	2,534%	3,176%	3,131%	3,092%	2,765%	2,730%
VFA	EIOPA	3,357%	2,323%	2,393%	2,406%	2,534%	3,176%	3,131%	3,092%	2,765%	2,730%
VFA	flat curve	3,000%	3,000%	3,000%	3,000%	3,000%	3,000%	3,000%	3,000%	3,000%	3,000%
Non-life insurance:											
BBA	EIOPA	3,357%	2,323%	2,393%	2,406%	2,534%	3,176%	3,131%	3,092%	2,765%	2,730%
PAA	EIOPA	3,357%	2,323%	2,393%	2,406%	2,534%	3,176%	3,131%	3,092%	2,765%	2,730%

d) Contract boundary – based on IFRS 17 requirements, the contract boundary of insurance contracts is in line with their coverage duration.

e) VFA eligibility – the Company classifies Unit linked insurance contracts as the insurance contract eligible for the VFA measurement. Their pool of underlying items is clearly identified. Amounts that the Company expects to pay to the policyholder constitute a substantial share of the fair value returns on the underlying items. The Company expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.

f) Onerous contracts – The Company classifies group of contracts as onerous based on the historical combined ratio of given portfolio (annual cohort) and expected development of loss ratio in the future. If this combined ratio is higher than 100%, then the given cohort is classified as onerous. Combined ratio is calculated as the sum of loss ratio and expense ratio. Loss ratio is taken from the previous year without exceptional impact of extreme claims if any occurred. Then this loss ratio is adjusted, if applicable, where the loss ratio is assumed to be decreasing with the duration of policy. Further adjustment of loss ratio is taken into account due to e.g. the increase of premium during renewal of policy. Expense ratio is calculated with directly attributable expenses of previous year.

g) Insufficient historical experience or adjustments of assumptions in non-life insurance – in the liability for incurred claims, the Company, if applicable, uses the adjustment of individual development factors or excludes some extreme data development.

3.1.2. Significant judgements in applying IFRS 9

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to IFRS 4 to apply the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17. The financial year 2022 is not restated.

a) Classification of financial instruments

The Company has made judgements in applying the business model criteria to its portfolio of debt instruments. The Company has also applied judgement as to whether designating debt instruments at FVTPL significantly reduces an accounting mismatch. For more information, refer to note 2.6.

b) Expected credit loss

Some judgements are required in applying the accounting requirements for measuring the ECL, such as determining criteria for a significant increase in credit risk (SICR); choosing appropriate models and assumptions for the measurement of the ECL. For more information, refer to Note 4.3.1.

3.2 Methods used and judgements applied in determining the IFRS 17 transition amounts

The Company performed a detailed analysis of its products to identify the possibility of using a full 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 impracticability.

The Company considers the full 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 includes:

- 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 previous accounting principles did not require such information; and
- Information on certain changes to assumptions and estimates, as they have not been documented on an ongoing basis.

The full 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.

The fair value approach has been applied to life insurance contracts recognized under the building blocks approach and the variable fee approach, and to a very small part of the non-life portfolio recognized under the building blocks approach.

For all other contracts, the full retrospective approach is applied based on the liability for remaining coverage, which previously included the provision for unearned premium and deferred acquisition cost.

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 measured 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 are 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 are not taken into consideration if they are beyond the contract boundary. The present value of future cash flows considered in the fair value measurement is consistent to a large extent with the present value determined under the IFRS 17 measurement model (fulfilment cashflows), e.g. the assumptions as described in note 3.3. For groups of contracts measured under the fair value approach with contracts issued more than one year apart, discount rates at initial recognition were determined at 1 January 2022 and not at the date of initial recognition.

Differences in the Company's approach to fair value measurement to IFRS 17 requirements for the measurement of the present value of fulfilment cashflows result in the inception of CSM at 1 January 2022.

Specifically, the Company's fair value measurement includes 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 takes 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. The key valuation input is the cost of equity parameter. The sensitivity to this parameter is shown in the table below:

in thousands of EUR	1 January 2022		
Life insurance	**Impact on fair value**	**Impact on CSM**	**Impact on equity, net of tax**
Cost of equity -1,0 p.p. decrease	-1 858	-1 858	1 468
Cost of equity +1,0 p.p. increase	1 858	1 858	-1 468
Non-life insurance			
Cost of equity -1,0 p.p. decrease	-15	-15	12
Cost of equity +1,0 p.p. increase	15	15	-12

For all contracts measured under the fair value approach, the Company used 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.

For all contracts measured using the fair value approach, the amount of financial income from, or financial cost of, insurance accumulated in other comprehensive income at 1 January 2022 was zero.

Amounts determined on transition to IFRS 17

For insurance contracts issued, an analysis of insurance revenue and the CSM by transition method is included in the following tables. For further reconciliations of CSM by transition method and approach, refer to Note 5.5. There were no reinsurance contracts held at transition date that resulted in recognition of CSM, as all reinsurance contracts held by the Company are measured using PAA approach.

2023		**Life insurance**		**Non-life insurance**		
in thousands of EUR	**BBA**	**PAA**	**VFA**	**BBA**	**PAA**	**Total**
Insurance contracts issued						
Insurance revenue						
New contracts and contracts measured under the full retrospective approach at transition	1 423	246	248	668	27 748	30 333
Contracts measured under the fair value approach at transition	4 992	0	6 054	707	0	11 753
	6 415	**246**	**6 302**	**1 375**	**27 748**	**42 086**
CSM as at 31 December						
New contracts and contracts measured under the full retrospective approach at transition	2 973	0	946	130	0	4 049
Contracts measured under the fair value approach at transition	7 741	0	9 018	0	0	16 759
	10 714	**0**	**9 963**	**130**	**0**	**20 807**

2022		**Life insurance**		**Non-life insurance**		
in thousands of EUR	**BBA**	**PAA**	**VFA**	**BBA**	**PAA**	**Total**
Insurance contracts issued						
Insurance revenue						
New contracts and contracts measured under the full retrospective approach at transition	409	274	79	324	25 898	26 985
Contracts measured under the fair value approach at transition	5 008	0	5 811	1 299		12 117
	5 417	**274**	**5 890**	**1 623**	**25 898**	**39 102**
CSM as at 31 December						
New contracts and contracts measured under the full retrospective approach at transition	1 260	0	379	195	0	1 834
Contracts measured under the fair value approach at transition	7 474	0	7 019	46	0	14 539
	8 734	**0**	**7 398**	**241**	**0**	**16 373**

3.3 Estimates and assumptions

3.3.1. Estimation of future insurance benefits in life insurance

Estimates and assumptions for liabilities for remaining coverage

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.

Other important indicators of long-term insurance contracts that the Company estimates 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. Refer also to the sensitivity analysis to these assumptions in Note 3.4.

- **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). The mortality tables are adjusted by sub-mortality in the modelling. The Company updated the sub-mortality 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.
- **Morbidity/loss ratio** – for modelling, the Company uses its own observed loss ratios of individual insurances in its portfolio, determined on the basis of a detailed loss analysis. For some insurance coverages (critical illnesses, disability) modelled based on incidence rates, the Company uses the most available morbidity table with experience ratios to adjust calculated morbidity to observed morbidity in own portfolio.
- **Lapse assumptions** - the Company uses its own observed lapse rates of individual insurances in the Company's portfolio for modelling lapsed policies. 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. Under IFRS 17 only the attributable costs are considered. The determination of administrative and acquisition cost assumptions is in accordance with the Company's internal regulation on cost allocation.
- **Cost inflation** – as of 31 December 2023, 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 published by the National Bank of Slovakia and the Ministry of Finance of the Slovak Republic.
- **Commissions** - the assumptions of commissions and clawbacks were set either on the basis of real commission schemes or based on the results of a commission analysis. There are used also experience factors to adjust the commission schemes to actually paid commissions.
- **Investment income**
  a. for traditional life products with profit sharing measured under the BBA, the investment income 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 periods. The value of the investment income and the value of the technical interest rate on the insurance contracts show that no share of the profit was granted by the Company for the period of 2023 and 2022.

  b. for traditional life products with investment component related to internal investment fund measured under the BBA, where the investment income is annually declared by the Company, the investment income is set as minimum from the previous historical declarations and the EIOPA risk free rate.

c. for products measured under the VFA, the investment income is set up based on historical yield of the underlying assets in these products.

Estimates and assumptions for liabilities for incurred claims

In life insurance, the Company estimates liabilities for both reported and not yet reported incurred claims.

The estimate of liability for reported claims is set up for each reported insured event separately. The liabilities containing investment component are divided into insurance and investment part which is estimated on the basis of the surrender value of the product. Each insured event is also classified into one from four categories based on an assumed duration of insured event's settlement. Each category has its own percentual release of future cashflow calculated according to the analysis of historical data.

The estimate of liabilities for incurred but not reported claims is calculated for two types of claims separately:
- main insurance – deaths, orphan's pension
- additional insurance - critical illness, hospitalization, sick leave, period of necessary treatment, daily benefit, permanent disability, convalescence, disability pension, waiver of premium

Estimates are performed by using the triangles of historical data for payments and liabilities for already reported claims. Triangles are built-up as the combination of year of occurrence of claim and year of reporting of claim. These input data are used for the calculation by the stochastic method Bootstrap. The calculation is performed in statistical software R using the BootChainLadder function of the package ChainLadder. Estimated liabilities for incurred but not reported claims are released by the same way as liabilities for the reported incurred claims.

3.3.2. Estimation of future insurance benefits in non-life insurance

Estimates in liabilities for incurred claims:

For most of lines of business the company uses a triangular scheme to calculate the best estimate of liabilities for claims not yet reported, using stochastic approach. For claims that have already been reported, the best estimate is determined individually with an assessment of each claim. For one line of business is LIC as a total performed by stochastic triangle method.

At the reporting date, the Company estimates the final costs of settling all claims arising from insured events incurred, both reported and unreported. 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.

The estimate of liability for already reported claims is set up for each reported insured event separately and is valued on the basis of a qualified estimate of a claims adjuster and for some type of claims also includes costs related to settlement (e.g. for expert opinions, external inspections, etc.). In the event of a passive lawsuit where the claimant asserts the right to an insurance benefit from an insurance contract, a liability for payment from such a legal dispute is set up immediately after receiving the petition.

If the claimant asserts an obviously and undoubtedly ungrounded claim, no liability is set up. When litigation is completed, depending on the outcome of the dispute, the liability is either used for payment or released. The course of the legal dispute is also monitored, and depending on how the case proceeds, the amount of the liability is reviewed and adjusted on the basis of a qualified estimate of the Company's success in the dispute. If the case definitively develops in the Company's favour, the liability may exceptionally be released before the end of the dispute.

The estimate of liability for unreported claims 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.

The Company estimates insurance liabilities for not yet reported claims separately for these homogenous groups of contracts and for some groups of insurance also according to the type of claim taking into account time development of claims:

- MTPL insurance – bodily injury except of annuities;
- MTPL insurance – bodily injury - annuities;
- MTPL insurance – material damage;
- Liability insurance - except of extreme claims in insurance of liability of advocates (lawyers);
- Liability insurance – insurance of liability of advocates (lawyers), extreme claims;
- Motor hull insurance;
- Other property insurance – short-tail (insurance with short development of claims – home insurance, property insurance for SME, insurance of financial loss)
- Other insurance - long-tail (insurance with long development of claims - legal protection insurance, accident insurance, individual health insurance)

Estimates are performed on a yearly basis using the triangles of historical data for payments and liabilities for already reported claims. Triangles are built-up as the combination of year of occurrence of claim and year of reporting of claim.

For motor hull insurance the triangle of payments and recourses is used. The triangle is built-up with the year of occurrence and year of payment (closing). So thus, calculated estimated liabilities for incurred claims represent both liabilities for already reported claims, as well as liabilities for incurred but not reported claims.

The number of years used in the triangles differs for given classes. For long tail classes the company uses longer historical data than for short tail classes of products.

The Company uses the stochastic method Bootstrap for all groups except of extreme claims in liability of advocates and MTPL annuities. For these groups of contracts, the method based on frequency and average claim is used.

The Company estimates also share of reinsurance on liabilities. For already reported claims with quota share reinsurance, it is calculated as portion of amount of liability for reported claim. In excess of loss reinsurance, it is calculated as difference of amount of liability and cumulative payments for given reported claim and the priority given by the reinsurance contract.

The estimation of share of the reinsurer on the liability for not yet reported claims is done as a difference between the liabilities on gross of reinsurance and net of reinsurance basis.

The Company includes also estimate for the settlement of liabilities to the SIB 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 31 December 2023 (most recent available data at the time of valuation).

The Company uses also estimates of expected cashflows of liabilities for incurred claims.

For reported and incurred but not reported claims the Company uses the pattern derived from the analysis of liability changes from historical data for given class of contract (classes of contracts are the same as for the calculation of liability for unreported claims) taking into account the year of occurrence of claim.

For reported claims in MTPL annuities the individual pattern of payment of annuity is used for each claim (based on the expected remaining duration of given annuity).

In liabilities for incurred and unreported claims in MTPL annuities the average duration of annuities is used to calculate cashflows of liabilities.

Estimates and assumptions in liabilities for remaining coverage:

Modelling of cashflows for products modelled by BBA approach:

The determination of liabilities arising from long and short-term non-life insurance contracts depends on the Company's estimates. The estimated indicators are as follows:

- **Assumption of loss ratio** is estimated based on historical experience
- **Lapse rates** used in the projection of expected premium are coming from historical experience of cancellation of policies from previous year.
- **Expenses** (as percentage from premium) - the Company uses costs observed in its particular portfolio from the experience of previous year's administrative expenses, acquisition expenses including commission and other acquisition costs, settlement costs. The determination of administrative and acquisition cost assumptions is in accordance with the Company's internal regulation on cost allocation and only attributable expenses are taken into account.
- **Cost inflation** – as of 31 December 2023, 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. This inflation is applied on administrative expenses and claims.

Modelling of cashflows for products under PAA approach:

- **Assumption of loss ratio** for onerous annual cohorts is estimated based on historical experience of loss ratio and expected future development of loss ratio and premium renewal.
- **Lapse rates** used in the projection of expected premium are coming from historical experience of cancellation of policies from previous year.
- **Expenses** (as percentage from premium) - the Company uses costs observed in its particular portfolio from the experience of previous year's administrative expenses, acquisition expenses including commission and other acquisition costs, settlement costs. The determination of administrative and acquisition cost assumptions is in accordance with the Company's internal regulation on cost allocation and only attributable expenses are taken into account.

Expected future cashflows for premium are modelled as expected premiums to be invoiced to the end of insurance period of contracts. This premium is adjusted also by lapse rate. For profitable cohorts only acquisition costs are modelled as expected percentage above mentioned multiplied by premium expected to be invoiced after lapses. For onerous cohorts also other cashflows (expenses) – claims costs, settlement costs, administrative expenses and risk adjustment - are modelled /calculated as above mentioned assumptions (percentage) multiplied by expected future premiums decreased by lapses. For onerous cohorts loss component is calculated based on these cashflows.

3.3.3. Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. This is determined separately for life and non-life insurance contracts and allocated to groups of contracts based on the risk profiles of these groups.

The risk adjustment for non-financial risk is 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.

The risk adjustment in liabilities arising from insurance claims incurred is determined by the confidence interval used in Bootstrap for given group (class) of contracts.

The level of confidence interval for Motor hull insurance and short tail class of contracts is 80 % and for long-term lines of business is set to 90 %. The level of confidence interval used for life insurance is 80 %.

For risk adjustment for non-financial risk in reinsurance contracts, the Company uses 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.

The risk adjustment in the liabilities from the remaining insurance coverage, unlike the Solvency II risk margin, does not include the operational risk in the calculation and the confidence level is reduced from 99,5 % to 70 %.

For life products measured under the BBA and the VFA the Company uses four risk adjustment assumptions (to the mortality, the morbidity, the lapse assumptions and the costs) for each product to calculate the overall risk adjustment representing the confidence level of 70 %.

For non-life products the risk adjustment assumption is calculated as a risk adjustment ratio of the risk adjustment and premium for all non-life products.

3.4 Sensitivity analysis

The following tables present information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables and discount rates impact insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held (there are no reinsurance contracts measured under the BBA and the VFA). The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

2023 in thousands of EUR	FCF as at 31 December	CSM as at 31 December	Total	Impact on FCF	Impact on CSM	Total increase (decrease) in insurance contract liabilities	Remaining CSM	Impact on profit before income tax	Impact on equity, net of tax
Life insurance									
Net insurance contract liabilities at 31 December	**83 379**	**20 678**	**104 057**						
Mortality - 10% increase									
Net insurance contract liabilities				928	-820	108	19 858	-108	-85
Morbidity - 10% increase									
Net insurance contract liabilities				2 102	-1 928	174	18 749	-174	-137
Administration expenses - 10% increase									
Net insurance contract liabilities				3 828	-3 607	221	17 071	-221	-175
Administration expense inflation - 10% increase									
Net insurance contract liabilities				774	-742	32	19 936	-32	-25
Cancellation quota - 10% increase									
Net insurance contract liabilities				1 064	-708	356	19 970	-356	-281
Risk discount rate - 0,25 p.p. increase									
Net insurance contract liabilities				-760	-228	-989	20 449	989	781
Non-life insurance									
Net insurance contract liabilities at 31 December	**596**	**130**	**726**						
Risk discount rate - 0,25 p.p. increase									
Net insurance contract liabilities				-2	0	-2	130	2	1

2022 in thousands of EUR	FCF as at 31 December	CSM as at 31 December	Total	Impact on FCF	Impact on CSM	Total increase (decrease) in insurance contract liabilities	Remaining CSM	Impact on profit before income tax	Impact on equity, net of tax
Life insurance									
Net insurance contract liabilities at 31 December	**84 040**	**16 132**	**100 172**						
Mortality - 10% increase									
Net insurance contract liabilities				885	-786	99	15 346	-99	-78
Morbidity - 10% increase									
Net insurance contract liabilities				2 120	-1 988	132	14 144	-132	-104
Administration expenses - 10% increase									
Net insurance contract liabilities				4 015	-3 908	106	12 224	-106	-84
Administration expense inflation - 10% increase									
Net insurance contract liabilities				1 059	-1 058	1	15 074	-1	-1
Cancellation quota - 10% increase									
Net insurance contract liabilities				790	-360	430	15 772	-430	-340
Risk discount rate - 0,25 p.p. increase									
Net insurance contract liabilities				-838	-214	-1 052	15 918	1 052	831
Non-life insurance									
Net insurance contract liabilities at 31 December	**337**	**241**	**578**						
Risk discount rate – 0,25 p.p. increase									
Net insurance contract liabilities				-1	0	-1	241	1	1

For short-term insurance contracts under PAA approach, the Company discloses only the discount rate sensitivity, as the changes in other assumptions do not have significant impact on the insurance liabilities.

	2023				2022			
in thousands of EUR	LIC as at 31 December	Impact on LIC	Impact on profit before tax	Impact on equity	LIC as at 31 December	Impact on LIC	Impact on profit before tax	Impact on equity
Life insurance PAA								
Insurance contract liabilities at 31 December	46				50			
Reinsurance contract (assets) at 31 December	-131				-131			
Net contract liabilities at 31 December	**-85**				**-82**			
Discount rate - 0,25 p.p. increase								
Insurance contract liabilities		-0,2	0,2	0,1		-0,2	0,2	0,1
Reinsurance contract (assets)		0,3	-0,3	-0,3		0,3	-0,3	-0,2
Net contract liabilities		0,2	-0,2	-0,1		0,1	-0,1	-0,1
Non-life insurance PAA								
Insurance contract liabilities at 31 December	23 654				22 150			
Reinsurance contract (assets) at 31 December	-5 265				-4 094			
Net contract liabilities at 31 December	**18 389**				**18 055**			
Discount rate - 0,25 p.p. increase								
Insurance contract liabilities		-275	275	217		-239	239	189
Reinsurance contract (assets)		96	-96	-76		81	-81	-64
Net contract liabilities		-179	179	141		-158	158	125

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 amount of liabilities, 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 (Premium allocation approach)

(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 general 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.

The Company's reinsurance programme for MTPL liability insurance includes reinsurance of risk-based excess of loss, for particular underwriting year. The maximum own expense in MTPL liability insurance is EUR 700 thousand in 2023.

In MTPL insurance, during 2023 there was the increase of liability for one insured event in amount of EUR 2 million. The negative effect of this claim has been eliminated by reinsurance, as the insured event has already significantly exceeded the priority.

(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 liabilities for incurred claims not yet reported. 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 amount of liabilities for insurance benefits, it is likely that the outcome will differ from the originally determined liability. The liability related to these contracts constitutes the amount of the liabilities for incurred claims. 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 risk adjustment determined by the level of confidence interval in the Bootstrap method that takes into account uncertainty regarding the future development of such losses.

4.1.2. Long-term life insurance contracts (Building blocks approach and Variable fee approach)

(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 (Premium allocation approach)

(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 (Premium allocation approach and Building blocks approach)

(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's reinsurance programme for property insurance includes reinsurance of risk-based excess of loss. The maximum own expense in property insurance is EUR 350 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.

During the year 2023, reported claims due to the earthquake contributed to amount of liability for incurred claims in amount of EUR 0,2 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).

(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 liability for incurred but not reported claims for property-related insured events, the Company uses methods based on development triangles of incurred and reported losses, applying an appropriate risk adjustment determined by the level of confidence interval in the Bootstrap method to cover the insurance technical risk arising from potential future adverse development of insured events compared to the expected development.

4.1.5. 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:

Risk concentration	Before reinsurance		After reinsurance	
in %	2023	2022	2023	2022
Banská Bystrica region	11,00	10,41	10,34	9,91
Bratislava region	29,28	29,70	28,81	29,07
Košice region	13,12	13,11	13,12	13,02
Nitra region	9,47	9,68	9,74	10,03
Prešov region	11,56	11,24	11,83	11,44
Trnava region	9,99	10,33	10,3	10,69
Trenčín region	7,26	7,13	7,26	7,13
Žilina region	8,32	8,40	8,6	8,71
Total	**100,00**	**100,00**	**100,00**	**100,00**

The Company has no single client where the risk 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 or 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:

Insured amount in thousands of EUR	Number of insurance contracts before reinsurance 2023	Number of insurance contracts before reinsurance 2022	Number of insurance contracts after reinsurance 2023	Number of insurance contracts after reinsurance 2022
0,0 – 2,5	8 926	11 254	8 926	11 254
2,5 – 5,0	8 605	9 309	8 605	9 309
5,0 – 7,5	6 572	6 977	6 572	6 977
7,5 – 10,0	4 184	4 380	4 184	4 380
10,0 – 20,0	13 620	14 045	13 620	14 045
20,0 – 30,0	6 436	6 668	6 436	6 668
30,0 – 40,0	3 282	3 491	3 282	3 491
40,0 – 50,0	1 841	1 786	2 641	2 773
More than 50,0	3 790	3 563	2 990	2 576
31 December	**57 256**	**61 473**	**57 256**	**61 473**

The total amount of sums insured is EUR 976 million before reinsurance and EUR 901 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.

The Company mainly monitors interest rate risk, equity price risk, 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 or loss. The Company regularly analyses the balance of assets and liabilities, the changes in market interest rates and their impact on the value of assets and liabilities.

Insurance contracts with a guaranteed interest rate are subjected to the highest risk exposure. Change in interest rates has impact on valuation of the insurance contract assets and liabilities. The impact of an interest rate change on these positions is described below.

The Company manages interest rate risk primarily by matching the timing of cash flows from debt instruments with the timing of cash flows from insurance and reinsurance contracts. The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and the insurance contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in interest rates. The mean duration of insurance liabilities is determined by means of projecting expected cash flows from the contracts. The mean duration of the assets is calculated in a consistent manner. Any gap between the mean duration of the assets and the mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

A maturity analysis of financial investments and insurance contract liabilities is included in the Note 4.4. An interest rate sensitivity analysis is included below.

The following table presents analysis of how a possible shift in market interest rates might impact the balances of contracts within the scope of IFRS 17 and financial assets, as well as the net impact on profit or loss and equity. The Company's other financial assets and liabilities are not significantly sensitive to interest rates.

in thousands of EUR		0,25% increase in interest rates				0,25% decrease in interest rates			
Balances at 31 December 2023	**Net balance subject to interest rate sensitivity**	**Net insurance contracts balance (decrease)**	**Financial investments (decrease)**	**Impact on profit before income tax**	**Impact on equity, net of tax**	**Net insurance contracts balance increase**	**Financial investments increase**	**Impact on profit before income tax**	**Impact on equity, net of tax**
Financial investments	70 747		-815	-682	-644		831	696	657
Insurance and reinsurance contracts	123 087	-1 169		1 169	924	1 206		-1 206	-953

in thousands of EUR		0,25% increase in interest rates				0,25% decrease in interest rates			
Balances at 31 December 2022	**Net balance subject to interest rate sensitivity**	**Net insurance contracts balance (decrease)**	**Financial investments (decrease)**	**Impact on profit before income tax**	**Impact on equity, net of tax**	**Net insurance contracts balance increase**	**Financial investments increase**	**Impact on profit before income tax**	**Impact on equity, net of tax**
Financial investments	40 906		-552	-552	-436		565	565	446
Insurance and reinsurance contracts	118 724	-1 212		1 212	957	1 252		-1 252	-989

Only the debt instruments measured at FVTPL and FVOCI are subject to interest rate risk. The valuation of other financial investments of the Company is not significantly sensitive to interest rate changes.

Only the LIC portion of insurance contract liabilities measured under PAA approach is sensitive to interest rate changes.

4.2.2. Currency risk

In 2023 and 2022, the Company did not have significant financial assets and liabilities sensitive to currency risks with an impact on the profit or loss.

4.2.3. Equity price risk

Equity risk is the risk that the fair value of a financial asset may change for reasons other than interest rate or currency changes.

The company does not have direct investments in shares, but only in mutual funds that also invest in shares. The company is exposed to risk of changes in the price of mutual funds share units. Internal rules for investing in funds are governed by the internal standard Risk tolerance, as well as legislative restrictions. Equity risk does not have material impact on the Company's equity, as most of the financial investments subject to this risk cover liabilities from insurance contracts, and the change in the value of these investments would be largely reflected in the value of liabilities from insurance contracts.

4.3 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.

4.3.1. Credit risk for financial instruments

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. Compliance with limits is reviewed at least every quarter and future investments are also planned with regard to concentration, rating and duration.

Risk department monitors whether credit limits are exceeded. The Company's policy is to invest in high quality, liquid (i.e. investment grade) financial instruments. The Company does not use derivative instruments to manage credit risk.

Measurement of ECL

IFRS 9 requires that a loss allowance is recognized at an amount equal to 12-month expected credit loss (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 generally recognizes expected loss allowances at an amount equal to lifetime ECL, except for the following cases where 12-month ECL is recognized:

- Debt securities with low credit risk at the reporting date. This requirement is considered to be met when the rating of a security meets the general definition of an "investment level"; and
- Other financial investments 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 (quantitative criteria: e.g. number of days of delay, decrease of rating; and qualitative criteria: e.g. existence of a repayment schedule or forbearance). The Company assesses whether a significant increase in credit risk occurs no later than 30 days after the asset was due.

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 (sovereign or corporate) 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 and industry. 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.

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 Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- delay of 90 days or more,
- declaration of debtor's bankruptcy or restructuring
- rating assessment „D" (default) of the issuer from one of the three largest rating agencies (Standard & Poors, Moody's, Fitch).

The approach to the calculation of loss allowances is determined based on the Stage class. 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.

The Company uses external credit risk ratings to assess credit risk as for all debt instruments held external credit risk ratings are available. The credit ratings are calibrated such that the risk of default increases exponentially at each higher risk grade.

Significant increase of credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument 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 both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company also reviews changes in bond yields and spreads together with available press information about issuers.

Where external credit ratings are not available, the Company allocates each exposure to stage based on data that is determined to be predictive of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections and available regulatory and press information about debtors) and applies experienced credit judgement and decides on SICR and staging at the ALCO.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Company considers this to be Baa3 (Moody’s scale) / BBB- (S&P scale) or higher ratings.

The Company identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed on an individual instrument basis as described above. However, if the Company identifies a key driver that is not considered in the individual assessment on a timely basis, then the Company will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to the whole or part of a portfolio. This may lead to the Company concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL after 3 months with no SICR observed (probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently).

Incorporation of forward-looking information

The Company incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since initial recognition, particularly considering CDS, credit spreads, expected changes in the industry and the general economic environment. Based on available information ALCO decides both on staging and/or the amount of loss allowances.

Credit risk exposure by credit rating

The tables below provide information regarding the credit risk exposure of the company by classifying assets according to the Company's credit ratings of counterparties.

Carrying amount of financial investments at amortized cost in thousands of EUR		2023			2022
Moody's scale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Aaa	2 001	0	0	2 001	0
Aa	2 992	0	0	2 992	1 999
A	51 656	0	0	51 656	69 046
Baa	9 246	0	0	9 246	13 989
Ba	1 022	0	0	1 022	1 039
Unclassified	2 025	0	50	2 076	2 080
Total gross carrying amount	**68 942**	**0**	**50**	**68 993**	**88 153**
Expected credit loss/Valuation allowance	-51	0	-41	-92	-210
Total net carrying amount	**68 892**	**0**	**10**	**68 901**	**87 943**

In the category "Unclassified" are included:

- One loan, granted to a former Company employee, as of 31 December 2023 credit impaired with lifetime ECL (with gross carrying amount of EUR 50 thousand), and
- One corporate bond in the amount of EUR 2 025 thousand, with maturity in 2026 and with no rating assigned. All contractual cash flows from this bond have always been paid on time and in full and there is no sign of deteriorating credit quality. For investments without an external rating, PD for the 'All Rated' category in the Moody's table is used, which is roughly comparable with PD value in the lower BB area and thus represents a conservative approach.

Impairment of financial assets at amortized cost in thousands of EUR		2023			2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Valuation allowance**
January 1	0	210	0	210	0
Adjustment on initial application of IFRS 9	46	-210	0	-164	0
January 1, adjusted	**46**	**0**	**0**	**46**	**0**
New investments in the period	7	0	0	7	0
Changes due to derecognition/write-off	-1	0	0	-1	0
Movement between 12-month and lifetime ECL	-1	0	1	0	0
Net remeasurement of expected credit losses	0	0	40	40	210
December 31	**51**	**0**	**41**	**92**	**210**

Fair value of financial investments at FVOCI					
in thousands of EUR		2023			2022
Moody's scale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
A	5 074	0	0	5 074	0
Baa	4 346	0	0	4 346	0
Total net amount	**9 420**	**0**	**0**	**9 420**	**0**

Impairment of financial assets at FVOCI					
in ths. EUR		2023			2022
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Valuation allowance**
January 1	0	0	0	0	0
Adjustment on initial application of IFRS 9	8	0	0	8	0
January 1, adjusted	8	0	0	8	0
Changes due to derecognition/write-off	-2	0	0	-2	0
December 31	**6**	**0**	**0**	**6**	**0**

Mutual funds allocated to unit-linked life insurance contracts are reported as a part of balance sheet position Financial investments, under the item Underlying assets of contracts measured under VFA. Mutual funds offered by the Company have not been assigned a rating by a listed rating agency. Changes in the value of underlying assets are reflected in the same amount by a change in the Insurance contracts liabilities.

Total credit risk exposure for financial investments designated at FVTPL is EUR 61 326 thousand (2022: EUR 40 907 thousand).

4.3.2. Credit risk for insurance and reinsurance contracts and other receivables

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder.

The Company has credit risk arising from reinsurance contract assets. Other credit risks arising from insurance operations are not considered to be significant.

The Company monitors the creditworthiness of reinsurers based on the external credit ratings on quarterly basis. If external rating is not available, the Company monitors the Solvency ratios of the reinsurer and PD is derived based on The Solvency II standard formula methodology. The Company set limits for the average rating of reinsurers (set out in the 'Risk Tolerance' internal standard). The minimum tolerated average rating of reinsurance contract assets is set at A- level.

The table represents the maximum exposure to credit risk (considering the ability to set off, where applicable, under the reinsurance contracts). Insurance receivables and recourses as part of the Insurance contract liabilities are not rated.

Reinsurance and insurance contracts credit risk exposure in thousands of EUR	31 December 2023	31 December 2022
Reinsurance contract assets	5 342	4 152
Reinsurance contract liabilities	-133	-120
Insurance receivables	1 143	998
Recourses	709	661
Maximum credit risk exposure	**7 061**	**5 691**

Exposures to individual policyholders and groups of policyholders are collected within the ongoing collection process.

For the balance sheet item *Receivables*, a simplified approach for calculation of impairment is adopted, where impairment losses are recognized at an amount equal to lifetime expected credit losses for almost all overdue receivables. The Company applies strict criteria for assessing the risk level of these receivables. The Company sets up valuation allowances either individually (for higher-value receivables), or on a portfolio basis.

The receivables from commissions, fees and other receivables are not rated. Assessment based on the maturity and their age structure proved to be the most relevant for the Company, as outlined by the table below.

Receivables in thousands of EUR	2023			
Days overdue	**Commissions and fees**	**Prepayments and deposits**	**Other receivables**	**Total**
Not overdue	32	283	253	567
Up to 3 months	23	0	16	38
From 3 months to 1 year	34	0	27	62
From 1 to 5 years	269	0	14	283
Over 5 years	1 624	0	82	1 706
Total gross carrying amount	**1 982**	**283**	**391**	**2 656**
Expected credit loss	-1 670	0	-96	-1 765
Total	**312**	**283**	**296**	**891**

	2022			
Days overdue	**Commissions and fees**	**Prepayments and deposits**	**Other receivables**	**Total**
Not overdue	17	211	156	384
Up to 3 months	3	0	2	5
From 3 months to 1 year	186	0	2	188
From 1 to 5 years	256	0	14	270
Over 5 years	1 855	0	83	1 939
Total gross carrying amount	**2 316**	**211**	**257**	**2 785**
Valuation allowance	-2 008	0	-82	2 090
Total	**308**	**211**	**175**	**695**

Impairment of receivables in thousands of EUR	2023			
	Commissions and fees	**Prepayments and deposits**	**Other receivables**	**Total**
January 1	**2 008**	**0**	**82**	**2 090**
Net remeasurement of expected credit losses	-339	0	14	-325
December 31	**1 670**	**0**	**96**	**1 765**

	2022			
	Commissions and fees	Prepayments and deposits	Other receivables	Total
January 1	**2 511**	**0**	**89**	**2 600**
Changes in valuation allowance	-503	0	-7	-510
December 31	**2 008**	**0**	**82**	**2 090**

4.4 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 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 following tables present the estimated amount and timing of the remaining contractual undiscounted cash flows arising from financial assets as well as from insurance, financial and lease liabilities. When debt securities mature, the proceeds that are not needed to meet liability cash flows will be reinvested.

Expected cash flows (undiscounted)

31. December 2023 in thousands of EUR	Carrying amount	On demand	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Cash and cash equivalents	2 079	2 079	0	0	0			0	0	2 079
Debt securities	127 310	0	14 123	15 956	19 421	14 605	10 221	44 884	32 806	152 016
Mortgage bonds	5 881		124	124	124	2 124	103	4 261	0	6 860
Loans and borrowings	10	0	10	10	10	10	10	6	0	55
Term deposits	6 448	0	6 448	0	0	0	0	0	0	6 448
Underlying assets of contracts measured under VFA	30 058	30 058	0	0	0	0	0	0	0	30 058
Mutual funds	919	919	0	0	0	0	0	0	0	919
Receivables	891	0	399	0	0	312	180	0	0	891
Total financial assets	**173 596**	**33 057**	**21 104**	**16 090**	**19 555**	**17 052**	**10 513**	**49 151**	**32 806**	**199 327**

31. December 2022 in thousands of EUR	Carrying amount	On demand	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Cash and cash equivalents	3 827	3 827	0	0	0			0	0	3 827
Debt securities	121 764	0	6 340	13 575	21 408	19 821	16 446	45 905	21 407	144 903
Mortgage bonds	7 030		1 158	124	124	124	2 124	4 364	0	8 018
Loans and borrowings	55	0	10	10	10	10	10	16	0	65
Term deposits	0	0	0	0	0	0	0	0	0	0
Underlying assets of contracts measured under VFA	26 791	26 791	0	0	0	0	0	0	0	26 791
Mutual funds	12 093	12 093	0	0	0	0	0	0	0	12 093
Receivables	695	0	206	0	0	308	0	180	0	695
Total financial assets	**172 256**	**42 711**	**7 714**	**13 709**	**21 542**	**20 264**	**18 579**	**50 465**	**21 407**	**196 391**

All mutual funds, as well as underlying assets of contracts measured under VFA are payable on demand.

Expected cash flows (undiscounted)									
31. December 2023 in thousands of EUR	Carrying amount	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Insurance contract liabilities:									
Life insurance									
BBA	61 662	4 571	4 107	4 833	5 037	4 496	18 732	24 637	66 413
PAA	47	33	8	2	3	0	0	0	46
VFA	45 122	83	15	636	1 037	1 346	15 816	33 785	52 718
Total life insurance contract liabilities	**106 830**	**4 687**	**4 130**	**5 472**	**6 076**	**5 842**	**34 548**	**58 422**	**119 177**
Non-life insurance									
BBA	726	324	91	84	1	0	0	0	500
PAA	35 744	7 751	3 960	2 967	2 158	1 561	4 046	3 716	26 160
Total non-life insurance contract liabilities	**36 470**	**8 075**	**4 051**	**3 051**	**2 159**	**1 561**	**4 046**	**3 716**	**26 660**
Total insurance contract liabilities	**143 300**	**12 762**	**8 181**	**8 523**	**8 235**	**7 403**	**38 594**	**62 139**	**145 837**
Reinsurance contract liabilities:									
Life insurance PAA	84	97	-5	-4	-5	-1	0	0	83
Non-life insurance PAA	49	49	0	0	0	0	0	0	49
Total reinsurance contract liabilities	**133**	**145**	**-5**	**-4**	**-5**	**-1**	**0**	**0**	**131**
Trade and other liabilities	**5 512**	**5 512**	**0**	**0**	**0**	**0**	**0**	**0**	**5 512**
Lease liabilities	**2 464**	**469**	**406**	**555**	**713**	**493**	**0**	**0**	**2 635**

31. December 2022 in thousands of EUR	Carrying amount	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Insurance contract liabilities:									
Life insurance									
BBA	61 901	4 887	4 055	4 185	4 784	4 897	19 894	27 977	70 679
PAA	49	33	12	3	1	0	0	0	49
VFA	39 906	228	-55	411	786	986	12 226	34 436	49 018
Total life insurance contract liabilities	**101 857**	**5 148**	**4 012**	**4 599**	**5 571**	**5 883**	**32 120**	**62 413**	**119 747**
Non-life insurance									
BBA	578	47	42	79	2	0	0	0	171
PAA	32 657	8 173	3 425	2 123	2 567	1 961	3 196	3 444	24 889
Total non-life insurance contract liabilities	**33 234**	**8 220**	**3 468**	**2 202**	**2 569**	**1 961**	**3 196**	**3 444**	**25 060**
Total insurance contract liabilities	**135 091**	**13 368**	**7 480**	**6 801**	**8 140**	**7 844**	**35 316**	**65 858**	**144 806**
Reinsurance contract liabilities:									
Life insurance PAA	79	88	-6	-3	-1	0	0	0	78
Non-life insurance PAA	41	41	0	0	0	0	0	0	41
Total reinsurance contract liabilities	**120**	**129**	**-6**	**-3**	**-1**	**0**	**0**	**0**	**119**
Trade and other liabilities	**6 653**	**6 653**	**0**	**0**	**0**	**0**	**0**	**0**	**6 653**
Lease liabilities	**2 839**	**437**	**474**	**406**	**555**	**713**	**493**	**0**	**3 077**

	2023		2022	
in thousands of EUR	Carrying amount	Amounts payable on demand	Carrying amount	Amounts payable on demand
Insurance contract liabilities:				
Life insurance				
BBA	61 662	43 597	61 901	45 294
VFA	45 122	48 668	39 906	45 054
Total at 31. December	**106 784**	**92 265**	**101 807**	**90 348**

The amounts payable on demand represent the policyholders' account surrender values at the reporting date.

4.5 Capital management

Through capital management, the Company provides for sufficient funds for the performance of its activities. The capital management objective is to comply with the insurance capital requirements that regulator requires in accordance with legislative requirements (in particular, with the Slovak Insurance Industry Act and Commission Delegated Regulation (EU) 2015/35) and to safeguard the Company's ability to continue as a going concern.

The Company's capital is defined as capital and reserves as presented on the balance sheet. The local insurance regulator specifies the minimum amount and type of capital that must be held in addition to insurance liabilities. The minimum required capital must be maintained at all times throughout the year. According to the results of the ORSA assessments for 2023, the Company is sufficiently capitalized to cover the risks arising from its current as well as planned business activities. The ORSA stress tests showed that the Company's capital position is strong and no capital increase is required in any of the scenarios.

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 for the whole period.

More detailed information is published in the Solvency and Financial Status Report on the Company's website.

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	2023	2022
Funds in bank current accounts	2 079	3 814
Expected credit loss	- 2	0
Cash equivalents	2	13
31 December – total	**2 079**	**3 827**

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-	Without rating	Total
31 December 2023	73	1 993	13	**2 079**
31 December 2022	973	2 799	42	**3 814**

Funds in bank current accounts are fully available for the Company's use. First time application of IFRS 9 resulted in recognizing of expected credit loss impairment of EUR 3 thousand on 1 January 2023.

5.2 Financial investments

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

in thousands of EUR	2023	2022
Financial investments at amortized cost (AC)		
Government bonds	37 153	39 312
Mortgage bonds	4 000	7 030
Corporate bonds	21 291	41 546
Loans and borrowings	10	55
Term deposits	6 448	0
Total AC at 31. December	**68 901**	**87 943**
Financial investments at fair value through profit or loss		
FVTPL – Mandatory:		
Mutual funds (open-end)	919	12 093
Underlying assets of contracts measured under VFA (open-end mutual funds)	30 058	26 791
FVTPL – Designated:		
Government bonds (quoted, fixed interest rate)	33 641	16 803
Corporate bonds (quoted, fixed interest rate)	25 804	24 103
Mortgage bonds	1 881	0
Total FVTPL at 31 December	**92 304**	**79 791**
Financial investments at fair value through OCI		
Corporate bonds (quoted, fixed interest rate)	9 420	0
Total FVOCI at 31 December	**9 420**	**0**
Total financial investments at 31 December	**170 626**	**167 734**

Financial investments at amortized cost (AC)

In 2023, the Company acquired government and corporate bonds in the total amount of EUR 11 763 thousand (2022: EUR 15 614 thousand). The Company also invested in term deposits in total amount of EUR 6 450 thousand. (2022: There were no investments in term deposits).

As of 31 December 2023, the fair value of financial investments at amortized cost amounted to EUR 65 453 thousand (31 December 2022: EUR 81 138 thousand).

Financial investments at fair value through profit or loss (FVTPL)

In 2023, the Company acquired government and corporate bonds in the amount of EUR 8 533 thousand (2022: EUR 15 272 thousand). The Company also sold government and corporate bonds in the amount of EUR 14 139 thousand (2022: EUR 7,739 thousand).

The FVTPL portfolio also includes investments in mutual funds. The Company makes these investments both on its own behalf, as well as in the mutual funds allocated to unit-linked life insurance contracts. The mutual funds held on behalf of the insured are also referred to as the "Underlying assets of contracts measured under VFA". Throughout the year 2023, the Company reduced its exposure to the mutual funds held on its own behalf and sold them in amount of EUR 11 404 thousand (2022: EUR 0).

Financial investments at fair value through OCI (FVOCI)

There were no significant sales or acquisitions within this portfolio in 2023. As of 31 December 2023, the portfolio consisted mainly of debt instruments reclassified from other categories on 1 January 2023.
The following table provides an overview of financial investments classified according to the method for determining their fair value. The fair value of financial investments is shown including the accrued interest income. The fair value of the loans is calculated using the discounted future cash flows method.

Fair value and carrying amount of financial investments			31.12.2023		
in thousands of EUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
At amortized cost (AC)	**68 901**	**65 453**	**52 160**	**13 283**	**10**
Debt securities	58 444	55 125	52 160	2 965	0
Mortgage bonds	4 000	3 865	0	3 865	0
Loans and borrowings	10	10	0	0	10
Term deposits	6 448	6 453	0	6 453	0
Financial assets for which the carrying amount equals the fair value	**101 725**	**101 730**	**61 078**	**40 652**	**0**
At fair value through profit or loss (FVTPL)	**92 304**	**92 304**	**53 780**	**38 525**	**0**
Debt securities	59 446	59 446	53 780	5 666	0
Mortgage bonds	1 881	1 881	0	1 881	0
Underlying assets of contracts measured under VFA (open-end mutual funds)	30 058	30 058	0	30 058	0
Mutual funds (open-end)	919	919	0	919	0
At fair value through OCI (FVOCI)	**9 420**	**9 426**	**7 299**	**2 127**	**0**
Debt securities	9 420	9 426	7 299	2 127	0
Total financial investments	**170 626**	**167 183**	**113 238**	**53 935**	**10**

Fair value and carrying amount of financial investments			31.12.2022		
in thousands of EUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
At amortized cost (AC)	**87 943**	**81 138**	**67 105**	**13 978**	**55**
Debt securities	80 858	74 604	67 105	7 500	0
Mortgage bonds	7 030	6 479	0	6 479	0
Loans and borrowings	55	55	0	0	55
Term deposits	0	0	0	0	0
Financial assets for which the carrying amount equals the fair value	**79 791**	**79 791**	**36 763**	**43 028**	**0**
At fair value through profit or loss (FVTPL)	**79 791**	**79 791**	**36 763**	**43 028**	**0**
Debt securities	40 906	40 906	36 763	4 143	0
Mortgage bonds	0	0	0	0	0
Underlying assets of contracts measured under VFA (open-end mutual funds)	26 791	26 791	0	26 791	0
Mutual funds (open-end)	12 093	12 093	0	12 093	0
At fair value through OCI (FVOCI)	**0**	**0**	**0**	**0**	**0**
Debt securities	0	0	0	0	0
Total financial investments	**167 734**	**160 930**	**103 868**	**57 006**	**55**

The fair value of debt securities and mortgage bonds 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).

As mutual funds are not actively traded on a stock exchange, their fair values are determined as Level 2 fair values. Individual management companies constitute the secondary market and perform the measurement of funds. Fair value of the loans is determined using a Level 3 measurement.

5.3 Receivables

in thousands of EUR	2023	2022
Commissions and fees	1 982	2 316
Valuation allowances for commissions and fees	-1 670	-2 008
Prepayments	103	31
Deposits	180	180
Other receivables	391	257
Valuation allowances for other receivables	-96	-82
31 December – total	**891**	**695**

Receivables from commissions and fees cannot be directly attributed to the portfolios of insurance contracts, as the commission schemes are mutually dependent on different products. The net carrying amount of these receivables amounting to EUR 312 thousand is not material.

For further information regarding valuation allowances of these receivables, refer to section 4.3.2 Credit risk.

5.4 Income tax receivables and liabilities

Receivables and liabilities related to income tax due

At 31 December 2023, the Company had a receivable related to advance payments on corporate income tax of EUR 820 thousand (2022: corporate income tax liability of EUR 408 thousand).

In 2023 and 2022, the Company's profit for the year was less than EUR 3 million, therefore the Company was not obliged to pay the Special levy on business in regulated industries (as per Act No. 235/2012 Coll. On Special Levy on Enterprising in Regulated Areas and on Amendments and Supplements to Certain Laws).

in thousands of EUR	2023	2022
Corporate income tax due	0	-877
Advance payments on corporate income tax	820	469
Current tax assets/(liabilities) due at 31 December	**820**	**-408**

Deferred tax receivables and deferred tax liabilities

Deferred tax assets and liabilities were offset at 31 December 2023, 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:

	2023		2022	
in thousands of EUR	**Tax base**	**Deferred tax**	**Tax base**	**Deferred tax**
The temporary difference increased from application of IFRS 17	172	36	258	54
The temporary difference increased from application of IFRS 9	-136	-28	0	0
The liabilities that decrease the tax base only when paid and from other liabilities	1 309	275	1 599	336
thereof from commissions	1 264	265	1 491	313
The tax non-deductible addition of provisions	1 240	260	854	179
thereof from commissions	550	115	231	49
The temporary difference between the book value of tangible assets and their tax base	56	12	-96	-20
Tax loss to be utilized during subsequent periods	2 306	484	0	0
The securities measured at FVOCI	489	103	0	0
Deferred tax asset at 31 December		**1 142**		**549**

As the Company expects to generate sufficient taxable profits in the future periods against which temporary differences can be utilized, a deferred tax asset could be recognized. This expectation is based on the approved budget for next years, and is also supported by the preliminary results of Q1 2024.

In financial years 2023 and 2022, the Company's profit before tax did not exceed the established threshold that would lead to the special levy payment obligation. Therefore, 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 asset during the year were as follows:

in thousands of EUR	2023	2022
Deferred income tax asset at 1 January	**549**	**1 127**
Adjustment on initial application of IFRS 9	181	0
Deferred income tax at 1 January, adjusted	**730**	**1 127**
Deferred tax change recognized in the statement of profit or loss	533	-577
Deferred tax change recognized in the statement of other comprehensive income	-121	0
Deferred income tax at 31 December	**1 142**	**549**

5.5 Insurance contract assets and liabilities

An analysis of the amounts presented on the balance sheet for both insurance and reinsurance contracts is included in the table below, along with the presentation of current and non-current portions of the balances:

At 31 December 2023	Life insurance			Non-life insurance				
in thousands of EUR	BBA	PAA	VFA	BBA	PAA	Total	Current portion	Non-current portion
Insurance contract liabilities	61 662	47	45 122	726	35 744	143 300	26 442	116 859
Insurance contract (assets)	-2 727	0	0	0	-5	-2 732	-913	-1 819
Net carrying amount insurance contract liabilities	**58 935**	**47**	**45 122**	**726**	**35 739**	**140 568**	**25 528**	**115 040**
Reinsurance contract liabilities	0	84	0	0	49	133	146	-14
Reinsurance contract (assets)	0	-20	0	0	-5 322	-5 342	-461	-4 881
Net carrying amount reinsurance contract (assets)/liabilities	**0**	**64**	**0**	**0**	**-5 274**	**-5 210**	**-315**	**-4 895**

At 31 December 2022	Life insurance			Non-life insurance				
in thousands of EUR	BBA	PAA	VFA	BBA	PAA	Total	Current portion	Non-current portion
Insurance contract liabilities	61 901	49	39 906	578	32 657	135 091	25 444	109 647
Insurance contract (assets)	-1 635	0	0	0	-56	-1 691	-579	-1 112
Net carrying amount insurance contract liabilities	**60 267**	**49**	**39 906**	**578**	**32 600**	**133 400**	**24 865**	**108 535**
Reinsurance contract liabilities	0	79	0	0	41	120	130	-10
Reinsurance contract (assets)	0	-20	0	0	-4 132	-4 152	-292	-3 860
Net carrying amount reinsurance contract (assets)/liabilities	**0**	**59**	**0**	**0**	**-4 091**	**-4 032**	**-162**	**-3 870**

Life insurance: The increase in Insurance contract liabilities in year 2023 was mainly driven by the development of interest rates, as well as due to the increase in the investment component as a result of appreciation of the VFA underlying assets.

The Insurance contract assets were positively impacted by the favourable new business development.

Non-life insurance: The increase in Insurance contracts liabilities in 2023 was mainly driven by new business in MTPL insurance.

5.5.1. Life insurance – Insurance contracts issued – portfolios: BBA, PAA

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	2023					2022				
	LRC		LIC for contracts under PAA			LRC		LIC for contracts under PAA		
in thousands of EUR	Excluding loss comp.	LIC for contracts not under PAA	Present value of FCFs	Risk adj. for non-fin. risk	Total	Excluding loss comp.	LIC for contracts not under PAA	Present value of FCFs	Risk adj. for non-fin. risk	Total
Insurance contract liabilities as at 1 January	60 323	1 578	47	2	**61 951**	77 983	1 795	37	1	**79 816**
Insurance contract assets as at 1 January	-2 130	495	0	0	**-1 635**	-2 058	294	0	0	**-1 764**
Net carrying amount insurance contract liabilities as at 1 January	58 194	2 073	47	2	**60 316**	75 924	2 089	37	1	**78 052**
Insurance revenue	-6 661	0	0	0	**-6 661**	-5 691	0	0	0	**-5 691**
Insurance service expenses										
Incurred claims and other directly attributable expenses	0	4 580	147	2	**4 729**	0	4 024	177	2	**4 203**
Changes that relate to past service	0	-241	-17	-2	**-261**	0	-146	12	-1	**-135**
Insurance acquisition cash flows amortisation	892	0	0	0	**892**	602	0	0	0	**602**
Insurance service expenses	892	4 339	130	-1	**5 361**	602	3 878	189	1	**4 670**
Insurance service result	-5 768	4 339	130	-1	**-1 300**	-5 089	3 878	189	1	**-1 021**
Finance expenses from insurance contracts issued	3 719	31	1	0	**3 752**	-13 586	-182	-2	0	**-13 770**
Total amounts recognised in comprehensive income	-2 049	4 370	131	-1	**2 452**	-18 675	3 696	187	1	**-14 791**
Investment components	-6 364	6 364	0	0	**0**	-6 857	6 857	0	0	**0**
Cash flows										
Premiums received	9 465	0	0	0	**9 465**	9 382	0	0	0	**9 382**
Claims and other directly attributable expenses paid	0	-10 750	-134	0	**-10 884**	0	-10 570	-176	0	**-10 746**
Insurance acquisition cash flows	-2 367	0	0	0	**-2 367**	-1 579	0	0	0	**-1 579**
Total cash flows	7 098	-10 750	-134	0	**-3 787**	7 802	-10 570	-176	0	**-2 944**
Insurance contract liabilities as at 31 December	60 081	1 581	44	2	**61 709**	60 323	1 578	47	2	**61 951**
Insurance contract assets as at 31 December	-3 202	475	0	0	**-2 727**	-2 130	495	0	0	**-1 635**
Net carrying amount insurance contract liabilities as at 31 December	**56 879**	**2 057**	**44**	**2**	**58 982**	**58 194**	**2 073**	**47**	**2**	**60 316**

Life insurance – Insurance contracts issued – portfolios: BBA

Reconciliation of the measurement components of insurance contract balances

	2023						2022					
			CSM						CSM			
in thousands of EUR	Present value of FCFs	Risk adjust. For non-financial risk	Contracts under the fair value transition approach	All other contracts	CSM	Total	Present value of FCFs	Risk adjust. For non-financial risk	Contracts under the fair value transition approach	All other contracts	CSM	Total
Insurance contract liabilities as at 1 January	55 363	535	6 003	0	6 003	**61 901**	70 414	904	8 459	0	8 459	**79 778**
Insurance contract assets as at 1 January	-4 578	213	1 470	1 260	2 731	**-1 635**	-3 884	199	1 920	0	1 920	**-1 764**
Net carrying amount insurance contract liabilities as at 1 January	50 785	747	7 474	1 260	8 734	**60 267**	66 530	1 104	10 379	0	10 379	**78 014**
Changes that relate to current service:												
CSM recognised for the services provided	125	0	-1 024	-279	-1 303	**-1 178**	213	0	-992	-81	-1 073	**-860**
Change in the risk adjustment for non-financial risk	0	109	0	0	0	**109**	0	119	0	0	0	**119**
Experience adjustments	109	0	0	0	0	**109**	-72	0	0	0	0	**-72**
Changes that relate to future service:												
Changes in estimates that adjust the CSM	-1 242	-200	1 298	144	1 441	**0**	2 122	-227	-1 872	-23	-1 895	**0**
Contracts initially recognised in the period	-1 887	122	0	1 765	1 765	**0**	-1 445	95	0	1 350	1 350	**0**
Changes that relate to past service:												
Changes in the FCF relating to the LIC	-188	-53	0	0	0	**-241**	-99	-47	0	0	0	**-146**
Insurance service result	-3 082	-22	274	1 630	1 904	**-1 201**	719	-60	-2 864	1 246	-1 618	**-959**
Finance expenses from insurance contracts issued	3 566	108	-7	83	77	**3 750**	-13 444	-296	-42	14	-28	**-13 768**
Total amounts recognised in comprehensive income	483	86	267	1 713	1 980	**2 549**	-12 725	-356	-2 906	1 260	-1 645	**-14 727**
Cash flows												
Premiums received	9 218	0	0	0	0	**9 218**	9 107	0	0	0	0	**9 107**
Claims and other directly attributable expenses paid	-10 750	0	0	0	0	**-10 750**	-10 570	0	0	0	0	**-10 570**
Insurance acquisition cash flows	-2 349	0	0	0	0	**-2 349**	-1 558	0	0	0	0	**-1 558**
Total cash flows	-3 881	0	0	0	0	**-3 881**	-3 020	0	0	0	0	**-3 020**
Insurance contract liabilities as at 31 December	54 752	518	6 392	0	6 392	**61 662**	55 363	535	6 003	0	6 003	**61 901**
Insurance contract assets as at 31 December	-7 365	315	1 349	2 973	4 322	**-2 727**	-4 578	213	1 470	1 260	2 731	**-1 635**
Net carrying amount insurance contract liabilities as at 31 December	**47 387**	**833**	**7 741**	**2 973**	**10 714**	**58 935**	**50 785**	**747**	**7 474**	**1 260**	**8 734**	**60 267**

5.5.2. Life insurance – Insurance contracts issued – portfolios: VFA

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	2023			2022		
	LRC			LRC		
in thousands of EUR	Excluding loss comp.	LIC for contracts not under PAA	Total	Excluding loss comp.	LIC for contracts not under PAA	Total
Insurance contract liabilities as at 1 January	34 917	4 988	**39 906**	35 039	5 181	**40 220**
Insurance revenue	-6 302	0	**-6 302**	-5 890	0	**-5 890**
Insurance service expenses						
Incurred claims and other directly attributable expenses	0	4 205	**4 205**	0	4 186	**4 186**
Changes that relate to past service	0	-311	**-311**	0	35	**35**
Insurance acquisition cash flows amortisation	382	0	**382**	375	0	**375**
Insurance service expenses	382	3 894	**4 275**	375	4 220	**4 595**
Insurance service result	-5 921	3 894	**-2 027**	-5 515	4 220	**-1 295**
Finance expenses from insurance contracts issued	2 485	113	**2 598**	-4 250	-344	**-4 594**
Total amounts recognised in comprehensive income	-3 436	4 007	**571**	-9 765	3 876	**-5 888**
Investment components	-4 911	4 911	**0**	-4 904	4 904	**0**
Cash flows						
Premiums received	13 959	0	**13 959**	14 885	0	**14 885**
Claims and other directly attributable expenses paid	0	-8 976	**-8 976**	0	-8 973	**-8 973**
Insurance acquisition cash flows	-337	0	**-337**	-339	0	**-339**
Total cash flows	13 621	-8 976	**4 645**	14 547	-8 973	**5 574**
Insurance contract liabilities as at 31 December	**40 191**	**4 930**	**45 122**	**34 917**	**4 988**	**39 906**

Life insurance – Insurance contracts issued – portfolios: VFA

Reconciliation of the measurement components of insurance contract balances

	2023						2022					
			CSM						CSM			
in thousands of EUR	Present value of FCFs	Risk adjust. for non-financial risk	Contracts under the fair value transition approach	All other contracts	CSM	Total	Present value of FCFs	Risk adjust. for non-financial risk	Contracts under the fair value transition approach	All other contracts	CSM	Total
Insurance contract liabilities as at 1 January	31 513	995	7 019	379	7 398	**39 906**	27 076	1 276	11 868	0	11 868	**40 220**
Changes that relate to current service:												
CSM recognised for the services provided	58	0	-1 023	-82	-1 106	**-1 048**	42	0	-709	-23	-732	**-689**
Change in the risk adjustment for non-financial risk	0	25	0	0	0	**25**	0	33	0	0	0	**33**
Experience adjustments	-694	0	0	0	0	**-694**	-673	0	0	0	0	**-673**
Changes that relate to future service:												
Changes in estimates that adjust the CSM	-3 364	27	3 022	315	3 337	**0**	4 308	-259	-4 140	91	-4 049	**0**
Contracts initially recognised in the period	-356	22	0	333	333	**0**	-329	18	0	311	311	**0**
Changes that relate to past service:						**0**						**0**
Changes in the FCF relating to the LIC	-225	-86	0	0	0	**-311**	105	-70	0	0	0	**35**
Insurance service result	-4 580	-12	1 999	566	2 565	**-2 027**	3 453	-278	-4 849	379	-4 470	**-1 295**
Finance expenses from insurance contracts issued	2 594	4	0	0	0	**2 598**	-4 591	-3	0	0	0	**-4 594**
Total amounts recognised in comprehensive income	-1 986	-8	1 999	566	2 565	**571**	-1 138	-281	-4 849	379	-4 470	**-5 888**
Cash flows												
Premiums received	13 959	0	0	0	0	**13 959**	14 885	0	0	0	0	**14 885**
Claims and other directly attributable expenses paid	-8 976	0	0	0	0	**-8 976**	-8 973	0	0	0	0	**-8 973**
Insurance acquisition cash flows	-337	0	0	0	0	**-337**	-339	0	0	0	0	**-339**
Total cash flows	4 645	0	0	0	0	**4 645**	5 574	0	0	0	0	**5 574**
Insurance contract liabilities as at 31 December	**34 172**	**986**	**9 018**	**946**	**9 963**	**45 122**	**31 513**	**995**	**7 019**	**379**	**7 398**	**39 906**

2023: Significant changes in CSM are mainly generated by changes in estimates that relate to future service. The increase of 3 337 tEUR in the item *Changes in estimates that adjust the CSM* mainly results from change in non-financial assumptions (+1 861 tEUR) due to the decrease of both inflation and loss ratio/morbidity. The remaining positive impact was mainly influenced by extraordinary insurance premiums, which were previously not expected and thereby increased future expected fees. The difference in expected insurance premiums and written premiums for 2023 amounted to EUR 1 483 thousand.

2022: The negative change of -4 049 thousand EUR in *Changes in estimates that adjust the CSM* was mainly influenced by a significant increase in the discount curve. Together with the shift of the portfolio in time, the financial impact was -4 602 tEUR. Furthermore, due to extraordinary insurance premiums, difference in expected insurance premiums and written premiums had a positive impact of +2,103 tEUR. On the other hand, change in non-financial assumptions caused a decrease of tEUR -853. The main drivers of the decrease were significant increase in inflation and the adjustment of the loss ratio/morbidity assumptions, which were partly offset by the decrease in the lapse assumptions.

5.5.3. Non-life insurance – Insurance contracts issued – portfolios: BBA, PAA

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	2023						2022					
	LRC			LIC for contracts under PAA			LRC			LIC for contracts under PAA		
in thousands of EUR	Excluding loss comp.	Loss comp.	LIC for contracts not under PAA	Present value of FCFs	Risk adj. for non-fin. Risk	Total	Excluding loss comp.	Loss comp.	LIC for contracts not under PAA	Present value of FCFs	Risk adj. for non-fin. Risk	Total
Insurance contract liabilities as at 1 January	9 575	1 228	301	20 987	1 145	**33 234**	8 658	561	369	19 532	1 155	**30 275**
Insurance contract assets as at 1 January	-75	0	0	18	0	**-56**	-28	0	0	2	0	**-26**
Net carrying amount insurance contract liabilities as at 1 January	9 500	1 228	301	21 005	1 145	**33 178**	8 630	561	369	19 535	1 155	**30 249**
Insurance revenue	-29 123	0	0	0	0	**-29 123**	-27 521	0	0	0	0	**-27 521**
Insurance service expenses:												
Incurred claims and other directly attributable expenses	0	-1 497	1 500	22 707	486	**23 196**	0	-2 251	1 480	21 474	539	**21 242**
Changes that relate to past service	0	0	-34	-521	-516	**-1 071**	0	0	-52	2 303	-340	**1 911**
Losses on onerous contracts and reversals of those losses	0	1 823	0	0	0	**1 823**	0	3 002	0	0	0	**3 002**
Insurance acquisition cash flows amortisation	4 242	0	0	0	0	**4 242**	3 746	0	0	0	0	**3 746**
Insurance service expenses	4 242	326	1 465	22 186	-30	**28 190**	3 746	751	1 428	23 776	200	**29 901**
Insurance service result	-24 881	326	1 465	22 186	-30	**-933**	-23 775	751	1 428	23 776	200	**2 380**
Finance expenses from insurance contracts issued	6	93	3	1 104	94	**1 300**	-9	-84	-18	-2 947	-210	**-3 269**
Total amounts recognised in comprehensive income	-24 875	420	1 469	23 291	64	**368**	-23 784	667	1 409	20 829	-10	**-889**
Cash flows												
Premiums received	30 771	0	0	0	0	**30 771**	28 769	0	0	0	0	**28 769**
Claims and other directly attributable expenses paid	0	0	-1 483	-21 850	0	**-23 333**	0	0	-1 477	-19 359	0	**-20 836**
Insurance acquisition cash flows	-4 519	0	0	0	0	**-4 519**	-4 115	0	0	0	0	**-4 115**
Total cash flows	26 252	0	-1 483	-21 850	0	**2 919**	24 654	0	-1 477	-19 359	0	**3 818**
Insurance contract liabilities as at 31 December	10 912	1 647	286	22 416	1 208	**36 470**	9 575	1 228	301	20 987	1 145	**33 234**
Insurance contract assets as at 31 December	**-35**	**0**	**0**	**30**	**0**	**-5**	**-75**	**0**	**0**	**18**	**0**	**-56**
Net carrying amount insurance contract liabilities as at 31 December	**10 877**	**1 647**	**286**	**22 446**	**1 208**	**36 465**	**9 500**	**1 228**	**301**	**21 005**	**1 145**	**33 178**

Non-life insurance – Insurance contracts issued – portfolios: BBA

Reconciliation of the measurement components of insurance contract balances

	2023						2022					
			CSM						CSM			
in thousands of EUR	Present value of FCFs	Risk adjust. For non-financial risk	Contracts under the fair value transition approach	All other contracts	CSM	Total	Present value of FCFs	Risk adjust. For non-financial risk	Contracts under the fair value transition approach	All other contracts	CSM	Total
Insurance contract liabilities as at 1 January	267	70	46	195	241	**578**	280	81	171	0	171	**533**
Changes that relate to current service:												
CSM recognised for the services provided	0	0	0	-54	-54	**-54**	0	0	-22	-65	-87	**-87**
Change in the risk adjustment	0	7	0	0	0	**7**	0	7	0	0	0	**7**
Experience adjustments	323	0	0	0	0	**323**	80	0	0	0	0	**80**
Changes that relate to future service:												
Changes in estimates that adjust the CSM	254	-1	-46	-208	-253	**0**	137	2	-103	-36	-139	**0**
Changes in estimates that result in onerous contract losses or reversals of those losses	53	0	0	0	0	**53**	0	0	0	0	0	**0**
Contracts initially recognised in the period	-199	8	0	190	190	**0**	-305	8	0	298	298	**0**
Changes that relate to past service:												
Changes in the FCF relating to the LIC	-4	-30	0	0	0	**-34**	-28	-25	0	0	0	**-52**
Insurance service result	428	-16	-46	-71	-117	**295**	-116	-8	-125	197	72	**-52**
Finance expenses from insurance contracts issued	2	1	0	6	6	**9**	-22	-3	-1	-2	-3	**-28**
Total amounts recognised in comprehensive income	430	-15	-46	-65	-111	**304**	-138	-11	-126	195	69	**-80**
Cash flows												
Premiums received	1 540	0	0	0	0	**1 540**	1 856	0	0	0	0	**1 856**
Claims and other directly attributable expenses paid	-1 483	0	0	0	0	**-1 483**	-1 477	0	0	0	0	**-1 477**
Insurance acquisition cash flows	-213	0	0	0	0	**-213**	-255	0	0	0	0	**-255**
Total cash flows	-156	0	0	0	0	**-156**	124	0	0	0	0	**124**
Insurance contract liabilities as at 31 December	**540**	**56**	**0**	**130**	**130**	**726**	**267**	**70**	**46**	**195**	**241**	**578**

5.5.4. Impact of contracts recognised in the year – portfolios: BBA, VFA

2023	Contracts issued						
	Life insurance				Non-life insurance		
	BBA		VFA		BBA		
in thousands of EUR	Profitable contracts	Onerous contracts	Profitable contracts	Onerous contracts	Profitable contracts	Onerous contracts	Total
Estimates of the present value of future cash outflows							
– Insurance acquisition cash flows	2 628		283		158	0	3 070
– Claims and other directly attributable expenses	4 328		4 819		848	1	9 996
Estimates of the present value of future cash outflows	6 957		5 103		1 006	1	13 066
Estimates of the present value of future cash (inflows)	-8 844		-5 458		-1 205	-1	-15 508
Risk adjustment for non-financial risk	122		22		8	0	152
CSM	1 765		333		190	0	2 289
Losses on onerous contracts at initial recognition	**0**	**-**	**0**	**-**	**0**	**0**	**0**

2022	Contracts issued						
	Life insurance				Non-life insurance		
	BBA		VFA		BBA		
in thousands of EUR	Profitable contracts	Onerous contracts	Profitable contracts	Onerous contracts	Profitable contracts	Onerous contracts	Total
Estimates of the present value of future cash outflows							
– Insurance acquisition cash flows	1 787		202		160	4	2 153
– Claims and other directly attributable expenses	3 492		3 446		853	19	7 810
Estimates of the present value of future cash outflows	5 279		3 648		1 013	22	9 963
Estimates of the present value of future cash (inflows)	-6 724		-3 977		-1 319	-22	-12 043
Risk adjustment for non-financial risk	95		18		8	0	121
CSM	1 350		311		298	0	1 959
Losses on onerous contracts at initial recognition	**0**	**-**	**0**	**-**	**0**	**0**	**0**

5.5.5. Expected recognition of the contractual service margin

in thousands of EUR	Life insurance		Non-life insurance	
Number of years until expected to be recognised	**BBA**	**VFA**	**BBA**	**Total CSM for insurance contracts issued**
As at 31 December 2023				
1	1 220	1 008	54	2 282
2	1 137	935	54	2 126
3	1 004	861	22	1 886
4	884	788	0	1 671
5	784	725	0	1 509
6-10	2 848	2 787	0	5 635
>10	2 838	2 860	0	5 698
Total	10 714	9 963	130	20 807
As at 31 December 2022				
1	1 004	719	87	1 809
2	941	670	87	1 697
3	837	621	66	1 524
4	743	572	1	1 316
5	660	525	0	1 185
6-10	2 368	2 037	0	4 405
>10	2 181	2 255	0	4 436
Total	8 734	7 398	241	16 373

As of 31 December 2023 and 31 December 2022, there were only reinsurance contracts held accounted for under the PAA approach. Therefore, no CSM is expected to be recognised in the upcoming years for the reinsurance contracts.

5.5.6. Gross claims development – Life insurance

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis, as well as on a net of reinsurance basis as at 31 December 2023.

	Accident year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs*											
At end of accident year	14 037	15 617	14 256	14 657	15 056	15 909	14 600	14 234	20 013	20 215	
1 year later	14 105	15 235	14 198	14 521	15 073	15 678	14 232	14 715	20 128	0	
2 years later	14 269	15 235	14 314	14 600	14 939	15 627	14 309	14 718	0	0	
3 years later	14 239	15 375	14 353	14 506	14 860	15 657	14 249	0	0	0	
4 years later	14 107	15 230	14 132	14 224	14 635	15 459	0	0	0	0	
5 years later	13 833	14 964	13 979	14 173	14 643	0	0	0	0	0	
6 years later	13 814	14 995	13 967	14 147	0	0	0	0	0	0	
7 years later	13 806	15 007	13 937	0	0	0	0	0	0	0	
8 years later	13 795	15 021	0	0	0	0	0	0	0	0	
9 years later	13 786	0	0	0	0	0	0	0	0	0	
Current estimate of ultimate claim costs	13 786	15 021	13 937	14 147	14 643	15 459	14 249	14 718	20 128	20 215	156 303
Cumulative gross claims and other directly attributable expenses paid	-13 478	-14 574	-13 573	-13 830	-14 265	-14 894	-13 670	-14 074	-19 175	-18 485	-150 019
Gross cumulative claims liabilities – accident years from 2014 to 2023	308	447	364	316	377	565	579	644	953	1 730	6 284
Gross cumulative claims liabilities - prior accident years											1 173
Effect of discounting											-609
Effect of risk adjustment margin for non-financial risk											185
Gross LIC for the contracts issued											**7 033**

* Gross of reinsurance, undiscounted, inclusive of other directly attributable expenses. For accident years before and including the year 2021, only other directly attributable expenses related to claims management without directly attributable administrative costs are included.

5.5.7. Net claims development – Life insurance

	Accident year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs*											
At end of accident year	13 902	15 546	14 216	14 614	15 032	15 893	14 564	14 179	19 994	20 174	
1 year later	13 972	15 105	14 135	14 451	15 024	15 645	14 196	14 703	20 109	0	
2 years later	14 134	15 098	14 247	14 522	14 888	15 585	14 251	14 709	0	0	
3 years later	14 094	15 233	14 282	14 430	14 812	15 584	14 191	0	0	0	
4 years later	13 979	15 104	14 081	14 167	14 595	15 392	0	0	0	0	
5 years later	13 738	14 855	13 936	14 117	14 603	0	0	0	0	0	
6 years later	13 719	14 886	13 925	14 090	0	0	0	0	0	0	
7 years later	13 711	14 897	13 894	0	0	0	0	0	0	0	
8 years later	13 700	14 912	0	0	0	0	0	0	0	0	
9 years later	13 691	0	0	0	0	0	0	0	0	0	
Current estimate of ultimate claim costs, net of reinsurance	13 691	14 912	13 894	14 090	14 603	15 392	14 191	14 709	20 109	20 174	155 767
Cumulative net claims and other directly attributable expenses paid	-13 383	-14 465	-13 530	-13 774	-14 227	-14 878	-13 616	-14 070	-19 164	-18 485	-149 592
Net cumulative claims liabilities – accident years from 2014 to 2023	308	447	364	316	377	514	575	639	945	1 689	6 175
Net cumulative claims liabilities -prior accident years											1 150
Effect of discounting											-605
Effect of risk adjustment margin for non-financial risk											182
Net LIC for the contracts issued											**6 902**

* Net of reinsurance, undiscounted, inclusive of other directly attributable expenses. For accident years before and including the year 2021, only other directly attributable expenses related to claims management without directly attributable administrative costs are included.

5.5.8. Gross claims development – Non-life insurance

	Accident year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs*											
At end of accident year	11 281	11 751	13 853	15 304	16 030	17 383	14 040	14 155	22 437	24 510	
1 year later	11 544	11 280	14 272	15 290	16 346	17 798	14 092	14 123	23 141	0	
2 years later	11 006	10 970	14 364	14 608	15 674	17 093	13 837	15 287	0	0	
3 years later	10 302	10 458	13 868	13 750	15 528	16 263	13 185	0	0	0	
4 years later	10 312	10 747	13 559	13 496	15 467	15 852	0	0	0	0	
5 years later	11 634	10 717	13 783	13 582	15 461	0	0	0	0	0	
6 years later	11 674	10 867	16 075	13 555	0	0	0	0	0	0	
7 years later	11 087	10 823	16 093	0	0	0	0	0	0	0	
8 years later	11 223	10 125	0	0	0	0	0	0	0	0	
9 years later	11 319	0	0	0	0	0	0	0	0	0	
Current estimate of ultimate claim costs	11 319	10 125	16 093	13 555	15 461	15 852	13 185	15 287	23 141	24 510	158 529
Cumulative gross claims and other directly attributable expenses paid	-9 963	-9 596	-13 021	-13 243	-14 270	-15 173	-12 230	-11 968	-20 523	-18 730	-138 718
Gross cumulative claims liabilities – accident years from 2014 to 2023	1 355	529	3 072	312	1 191	679	955	3 319	2 618	5 780	19 811
Gross cumulative claims liabilities -prior accident years											5 948
Effect of discounting											-3 072
Effect of risk adjustment margin for non-financial risk											1 252
Gross LIC for the contracts issued											**23 940**

* Gross of reinsurance, undiscounted, inclusive of other directly attributable expenses. For accident years before and including the year 2021, only other directly attributable expenses related to claims management without directly attributable administrative costs are included.

5.5.9. Net claims development – Non-life insurance

	Accident year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs*											
At end of accident year	11 281	11 751	13 853	15 304	16 030	17 204	14 040	13 858	22 202	24 295	
1 year later	11 544	11 280	14 272	15 290	16 046	17 613	14 052	13 955	22 938	0	
2 years later	11 006	10 970	14 364	14 608	15 374	16 916	13 749	13 551	0	0	
3 years later	10 302	10 458	13 868	13 750	15 209	16 112	13 178	0	0	0	
4 years later	10 312	10 097	13 559	13 474	15 151	15 711	0	0	0	0	
5 years later	11 545	10 004	13 367	13 510	15 154	0	0	0	0	0	
6 years later	11 556	10 414	13 442	13 480	0	0	0	0	0	0	
7 years later	10 840	10 301	13 649	0	0	0	0	0	0	0	
8 years later	10 914	10 050	0	0	0	0	0	0	0	0	
9 years later	10 874	0	0	0	0	0	0	0	0	0	
Current estimate of ultimate claim costs, net of reinsurance	10 874	10 050	13 649	13 480	15 154	15 711	13 178	13 551	22 938	24 295	152 879
Cumulative net claims and other directly attributable expenses paid	-9 963	-9 596	-13 021	-13 243	-14 270	-15 038	-12 230	-11 969	-20 496	-18 706	-138 533
Net cumulative claims liabilities – accident years from 2014 to 2023	911	454	628	237	884	672	949	1 582	2 441	5 589	14 346
Net cumulative claims liabilities -prior accident years											5 237
Effect of discounting											-1 885
Effect of risk adjustment margin for non-financial risk											977
Net LIC for the contracts issued											**18 675**

* Net of reinsurance, undiscounted, inclusive of other directly attributable expenses. For accident years before and including the year 2021, only other directly attributable expenses related to claims management without directly attributable administrative costs are included.

5.6 Reinsurance contract assets and reinsurance contract liabilities

5.6.1. Life insurance – Reinsurance contracts held – portfolios: PAA

Reconciliation of the remaining coverage and incurred claims

	2023					2022				
	Remaining coverage		Incurred claims for contracts under the PAA			Remaining coverage		Incurred claims for contracts under the PAA		
in thousands of EUR	Excluding loss-recovery component	Loss-recovery component	Present value of FCFs	Risk adj. For non-fin. Risk	Total	Excluding loss-recovery component	Loss-recovery component	Present value of FCFs	Risk adj. For non-fin. Risk	Total
Reinsurance contract (liabilities) as at 1 January	-190	0	108	3	**-79**	-227	0	107	2	**-119**
Reinsurance contract assets as at 1 January	0	0	20	0	**20**	0	0	20	0	**20**
Net carrying amount reinsurance contract assets/(liabilities) as at 1 January	-190	0	128	3	**-59**	-227	0	127	2	**-99**
Net income (expenses) from reinsurance contracts held:										
Reinsurance expenses	-222	0	0	0	**-222**	-207	0	0	0	**-207**
Incurred claims recovery	0	0	20	2	**22**	0	0	19	2	**21**
Adjustments to assets for incurred claims	0	0	-9	-2	**-12**	0	0	24	-1	**23**
Net income (expenses) from reinsurance contracts held	-222	0	10	0	**-211**	-207	0	42	1	**-163**
Finance income from reinsurance contracts held	0	0	1	0	**1**	0	0	-4	0	**-4**
Total amounts recognised in comprehensive income	-222	0	11	0	**-210**	-207	0	39	1	**-167**
Cash flows										
Premiums paid	217	0	0	0	**217**	244	0	0	0	**244**
Amounts received	0	0	-12	0	**-12**	0	0	-37	0	**-37**
Total cash flows	**217**	**0**	**-12**	**0**	**205**	**244**	**0**	**-37**	**0**	**207**
Reinsurance contract liabilities as at 31 December	-195	0	108	3	**-84**	-190	0	108	3	**-79**
Reinsurance contract assets as at 31 December	0	0	20	0	**20**	0	0	20	0	**20**
Net carrying amount reinsurance contract assets/(liabilities) as at 31 December	**-195**	**0**	**128**	**3**	**-64**	**-190**	**0**	**128**	**3**	**-59**

5.6.2. Non-life insurance – Reinsurance contracts held – portfolios: PAA

Reconciliation of the remaining coverage and incurred claims

	2023					2022				
	Remaining coverage		Incurred claims for contracts under the PAA			Remaining coverage		Incurred claims for contracts under the PAA		
in thousands of EUR	Excluding loss-recovery component	Loss-recovery component	Present value of FCFs	Risk adj. For non-fin. Risk	Total	Excluding loss-recovery component	Loss-recovery component	Present value of FCFs	Risk adj. For non-fin. Risk	Total
Reinsurance contract (liabilities) as at 1 January	-39	0	-2	0	**-41**	0	0	-3	0	**-3**
Reinsurance contract assets as at 1 January	36	0	3 814	282	**4 132**	44	0	2 080	188	**2 312**
Net carrying amount reinsurance contract assets/(liabilities) as at 1 January	-3	0	3 812	282	**4 091**	44	0	2 077	188	**2 309**
Net income (expenses) from reinsurance contracts held:										
Reinsurance expenses	-1 257	0	0	0	**-1 257**	-1 066	0	0	0	**-1 066**
Incurred claims recovery	0	0	185	68	**253**	0	0	231	103	**334**
Adjustments to assets for incurred claims	0	0	829	-96	**732**	0	0	2 678	55	**2 734**
Net income (expenses) from reinsurance contracts held	-1 257	0	1 013	-28	**-271**	-1 066	0	2 910	158	**2 002**
Finance income from reinsurance contracts held	0	0	196	21	**217**	0	0	-921	-63	**-985**
Total amounts recognised in comprehensive income	-1 257	0	1 209	-7	**-54**	-1 066	0	1 988	95	**1 017**
Cash flows										
Premiums paid	1 269	0	0	0	**1 269**	1 018	0	0	0	**1 018**
Amounts received	0	0	-32	0	**-32**	0	0	-253	0	**-253**
Total cash flows	**1 269**	**0**	**-32**	**0**	**1 237**	**1 018**	**0**	**-253**	**0**	**765**
Reinsurance contract liabilities as at 31 December	-47	0	-1	0	**-49**	-39	0	-2	0	**-41**
Reinsurance contract assets as at 31 December	56	0	4 990	276	**5 322**	36	0	3 814	282	**4 132**
Net carrying amount reinsurance contract assets/(liabilities) as at 31 December	**9**	**0**	**4 989**	**276**	**5 274**	**-3**	**0**	**3 812**	**282**	**4 091**

5.7 Property, plant and equipment, incl. right-of use assets

An overview of movements in the right of use assets and property, plant and equipment for the years 2023 and 2022 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 2023	2 888	216	757	1 153	367	957	6 338
Additions	0	0	0	100	82	55	237
Disposals	-11	0	-19	-584	-192	-196	-1 002
Transfers to assets held for sale	0	-138	-308	0	0	0	-446
31 December 2023	**2 877**	**78**	**430**	**669**	**257**	**816**	**5 127**
Accumulated depreciation							
1 January 2023	40	0	28	964	321	314	1 667
Additions	480	0	20	99	48	115	761
Disposals	0	0	-19	-584	-192	-196	-991
Transfers to assets held for sale	0	0	-11	0	0	0	-11
31 December 2023	**520**	**0**	**18**	**479**	**177**	**233**	**1 427**
Net book value at 31 December 2023	**2 357**	**78**	**412**	**190**	**80**	**583**	**3 700**

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 assets held for sale	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 assets held for sale	0	0	0	0	0	0	0
31 December 2022	**40**	**0**	**28**	**964**	**321**	**314**	**1 667**
Net book value at 31 December 2022	**2 848**	**216**	**729**	**189**	**46**	**643**	**4 671**

The recognized right-of-use buildings are mainly attributable to the rented premises in Digital Park, Bratislava.

At 31 December 2023, the Company reports fully depreciated non-current tangible assets at the acquisition cost of EUR 535 thousand (31 December 2022: EUR 1 333 thousand), which are still in use. These assets are primarily furniture, computers and other equipment and motor vehicles.

The Company is insured by MTPL insurance, which covers the risks of damage to health and death up to EUR 5 240 thousand. Property and loss-of-profit damages are insured 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 2023, the Company had professional liability insurance and its operating real estate was insured with third parties up to a total insured amount of EUR 911 thousand (2022: EUR 1 785 thousand) against damages due to natural disasters. The insurance premium totalled EUR 2 thousand (2022: EUR 2 thousand).

5.8 Intangible assets

An overview of changes in intangible assets in 2023 and 2022 is as follows:

	Software and licenses	
in thousands of EUR	**2023**	**2022**
Acquisition cost		
1 January	10 617	10 067
Additions	684	902
Disposals	-379	-352
31 December	**10 922**	**10 617**
Accumulated amortization		
1 January	7 145	6 301
Additions	621	844
Disposals	0	0
31 December	**7 766**	**7 145**
Net book value at 31 December	**3 156**	**3 471**

In 2023, the Company acquired software in the total value of EUR 684 thousand (2022: EUR 902 thousand) and put into use software in the total amount of EUR 907 thousand (2022: EUR 576 thousand).

At 31 December 2023, the Company reports fully amortized intangible assets at the acquisition cost of EUR 1 656 thousand which is still in use (2022: EUR 1 655 thousand).

The residual value of intangible assets also includes the cost of acquiring new intangible assets that were not yet put into use at 31 December 2023. This cost totals EUR 155 thousand (31 December 2022: EUR 757 thousand).

Insurance software is a significant part of the intangible assets. The amortization period for this software has been prolonged till 2028. At 31 December 2023, the residual value of this software is EUR 1 709 thousand (31 December 2022: EUR 1 702 thousand) and its expected remaining useful life is until 2028.

5.9 Deferred expenses

Deferred expenses mainly consist of prepaid fire service levies in amount of EUR 630 thousand (2022: EUR 550 thousand).

5.10 Assets held for sale

in thousands of EUR	2023	2022
1 January	**142**	**4 694**
Disposals	(142)	(4 694)
Transfers	435	142
31 December	**435**	**142**

In 2023, the Company sold real estates at Košická 58 in Bratislava. It also decided to sell real estate at Farská 6 in Nitra. As a result, this real estate was reclassified from *Property, plant and equipment* to *Assets held-for-sale* according to IFRS 5, in the total amount of EUR 435 thousand.

As of 31 December 2023, the Company's Assets held for sale were insured by third parties, with a total insured amount of EUR 1 055 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 1 thousand in 2023.

In 2022, the Company sold real estates at Mlynské Nivy 6 and Grösslingova 62 in Bratislava.
The gains from these sales in 2023 and 2022 are reported within Other income (refer to Note 5.18.1).

5.11 Equity and equity management

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

The item *Capital reserve* mainly comprises the legal reserve fund (31 December 2023: EUR 2 484 thousand, same as in prior year). In 2023, 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 for the year for 2022 on 23 June 2023. The approved distribution for the 2022 profit and the proposal of the Board of Directors for the distribution of the 2023 loss are presented below:

in thousands of EUR	Proposal for distribution of the 2023 loss	Distribution of the 2022 profit
Profit/(loss) for the year, after tax	-2 415	583*
Retained earnings	-2 415	583

*Approved Profit for the year 2022 prior to the IFRS 17 restatement

No dividends were approved or paid in 2023 and 2022.

At 1 January 2023, the Company recognized for the first time amounts in the item *Revaluation reserve* amounting to EUR -1 904 thousand, fully attributable to the valuation differences in financial investments measured at fair value through OCI as a result of the first-time adoption of IFRS 9 (refer also to Note 2.2.2).

As of 31 December 2023, total accumulated valuation losses due to the investments in debt securities measured at FVOCI in the item Revaluation reserve amounted to EUR -1 447 thousand.

5.12 Trade and other liabilities

in thousands of EUR	2023	2022
Unallocated payments from the insured and premium overpayments	1 650	2 090
Liabilities to insurance intermediaries	1 264	1 491
8% mandatory levy from MTPL insurance premiums received	1 407	1 294
8% insurance tax on non-life insurance	259	252
Liabilities to suppliers	712	1 203
Liabilities to tax administrators (other than corporate income tax)	155	211
Other liabilities	67	113
31 December – total	**5 512**	**6 653**

At 31 December 2023, the Company had no overdue liabilities.

5.13 Short-term employee benefits

in thousands of EUR	2023	2022
Wages and salaries	329	291
Social fund	6	6
Social and health insurance institutions	196	177
Other	3	2
31 December – total	**534**	**476**

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 2023, social fund appropriations totalled EUR 63 thousand (2022: EUR 62 thousand). The amount of EUR 49 thousand was used for staff catering (2022: EUR 44 thousand), and EUR 14 thousand was used for other purposes (2022: EUR 15 thousand).

5.14 Lease liabilities

In December 2022, the Company's headquarter moved to leased premises in Einsteinova, Bratislava. The recognized lease liabilities are mainly attributable to this lease.

in thousands of EUR	2023	2022
Total lease liabilities at 31 December	**2 464**	**2 838**
thereof current	414	394
thereof non-current	2 050	2 445
Amounts recognised in profit or loss:		
Interest expense on lease liabilities	67	6

The cash outflows related to the principal portion of the lease liability and the related interest are presented separately within financing activities in the statement of cash flows.

5.15 Provisions

in thousands of EUR	2023	2022
Short-term provisions	**1 193**	**809**
Unused holiday and compulsory contributions to social and health insurance	223	246
Remuneration provision	138	102
Unpaid commissions to insurance intermediaries	396	92
Other short-term provisions	437	369
Long-term provisions	**266**	**288**
Provision for litigation	215	215
Others	51	73
Total provisions at 31 December	**1 459**	**1 097**

Other short-term provisions mainly include provisions for remuneration of the BoD and Supervisory Board members and a provision for the costs related to the preparation and audit of the financial statements.

5.16 Insurance service result

An analysis of insurance revenue, insurance service expenses and net result from reinsurance contracts held for 2023 and 2022 is included in the following tables. Additional information on amounts recognised in profit or loss is included in the reconciliations in Notes 5.5 and 5.6. There were no amounts recognized in OCI from insurance or reinsurance contracts in 2023 and 2022.

2023	Life insurance			Non-life insurance		
in thousands of EUR	BBA	PAA	VFA	BBA	PAA	Total
Insurance revenue Amounts relating to the changes in the LRC:						
- Expected incurred claims and other directly attributable expenses	4 352		4 776	1 133		**10 261**
- Change in the risk adjustment for non-financial risk for the risk expired	-49		52	11		**14**
- CSM recognised for the services provided	1 178		1 048	54		**2 279**
- Experience adjustments – arising from premiums received in the period other than those that relate to future service	59		45	-12		**93**
Insurance acquisition cash flows recovery	874		382	189		**1 445**
Insurance revenue from contracts not measured under the PAA	**6 415**		**6 302**	**1 375**		**14 092**
Insurance revenue from contracts measured under the PAA		**246**			**27 748**	**27 994**
Total insurance revenue	**6 415**	**246**	**6 302**	**1 375**	**27 748**	**42 086**
Insurance service expenses:						
Incurred claims and other directly attributable expenses	-4 580	-149	-4 205	-1 463	-21 733	**-32 130**
Changes that relate to past service – changes in the FCF relating to the LIC	241	20	311	34	1 037	**1 643**
Losses on onerous contracts and reversal of those losses	0	0	0	-53	-1 770	**-1 824**
Insurance acquisition cash flows amortisation	-874	-18	-382	-189	-4 054	**-5 516**
Total insurance service expenses	**-5 214**	**-147**	**-4 275**	**-1 670**	**-26 520**	**-37 826**
Net income (expenses) from reinsurance contracts held:						
Reinsurance expenses – contracts measured under the PAA		-222			-1 257	**-1 478**
Incurred claims recovery		22			253	**275**
Changes that relate to past service – changes in the FCF relating to incurred claims recovery		-12			732	**721**
Total net income (expenses) from reinsurance contracts held		**-211**			**-271**	**-482**
Total insurance service result	**1 201**	**-112**	**2 027**	**-295**	**957**	**3 777**

2022		Life insurance		Non-life insurance		
in thousands of EUR	BBA	PAA	VFA	BBA	PAA	Total
Insurance revenue **Amounts relating to the changes in the LRC:**						
- Expected incurred claims and other directly attributable expenses	4 046		4 704	1 390		10 141
- Change in the risk adjustment for non-financial risk for the risk expired	-63		49	13		-1
- CSM recognised for the services provided	860		689	87		1 636
- Experience adjustments – arising from premiums received in the period other than those that relate to future service	-6		72	-10		56
Insurance acquisition cash flows recovery	580		375	143		1 098
Insurance revenue from contracts not measured under the PAA	**5 417**		**5 890**	**1 623**		**12 930**
Insurance revenue from contracts measured under the PAA		**274**			**25 898**	**26 173**
Total insurance revenue	**5 417**	**274**	**5 890**	**1 623**	**25 898**	**39 102**
Insurance service expenses:						
Incurred claims and other directly attributable expenses	-4 024	-179	-4 186	-1 480	-19 762	-29 631
Changes that relate to past service – changes in the FCF relating to the LIC	146	-11	-35	52	-1 963	-1 811
Losses on onerous contracts and reversal of those losses	0	0	0	-1	-3 001	-3 002
Insurance acquisition cash flows amortisation	-580	-22	-375	-143	-3 603	-4 723
Total insurance service expenses	**-4 458**	**-212**	**-4 595**	**-1 571**	**-28 330**	**-39 166**
Net income (expenses) from reinsurance contracts held:						
Reinsurance expenses – contracts measured under the PAA		-207			-1 066	-1 273
Incurred claims recovery		21			334	355
Changes that relate to past service – changes in the FCF relating to incurred claims recovery		23			2 734	2 757
Total net income (expenses) from reinsurance contracts held		**-163**			**2 002**	**1 839**
Total insurance service result	**959**	**-101**	**1 295**	**52**	**-430**	**1 774**

5.17 Investment result and insurance finance result

An analysis of net investment income and net insurance finance expenses by type of insurance is presented below:

2023 in thousands of EUR	Life insurance	Non-life insurance	Total
Interest revenue - the effective interest method	**868**	**787**	**1 655**
- interest income from bonds	943	742	1 685
- discount/premium	-132	-11	-143
- interest income from fixed-term deposits	55	55	110
- interest income from loans	1	1	3
Interest income from financial investments measured at FVTPL	**1 247**	**602**	**1 849**
Net gains on FVTPL investments	**4 218**	**305**	**4 523**
- remeasurement of bonds, gains from the sale of bonds	1 951	280	2 231
- remeasurement, income from mutual funds	160	25	185
- underlying assets of contracts measured under VFA	2 107	0	2 107
Net impairment losses	**-109**	**-107**	**-216**
Total net investment income (expenses)	**6 224**	**1 587**	**7 811**
Finance income (expenses) from insurance contracts issued			
Accretion of interest and the effect of changes in interest rates	-3 865	-1 300	-5 165
Changes in value of underlying assets of contracts measured under the VFA	-2 485	0	-2 485
Finance income (expenses) from insurance contracts issued	**-6 349**	**-1 300**	**-7 650**
Finance income (expenses) from reinsurance contracts held			
Accretion of interest and the effect of changes in interest rates	1	217	218
Finance income from reinsurance contracts held	**1**	**217**	**218**
Net insurance finance result	**-6 348**	**-1 084**	**-7 432**
Summary of the amounts recognised in profit or loss			
Net investment income (expenses) – underlying assets	2 107	0	2 107
Net investment income (expenses) – other investments	4 118	1 587	5 705
Net insurance finance result	-6 348	-1 084	-7 432
Net investment and insurance finance result	**-124**	**503**	**380**
Summary of the amounts recognised in OCI			
Net investment income – other investments	**310**	**268**	**578**

2022

in thousands of EUR	Life insurance	Non-life insurance	Total
Interest revenue - the effective interest method	**1 644**	**357**	**2 001**
- interest income from bonds	1 681	299	1 981
- discount/premium	-66	28	-37
- interest income from fixed-term deposits	0	0	0
- interest income from loans	29	29	58
Interest income from financial investments measured at FVTPL	**414**	**479**	**893**
Net losses on FVTPL investments	**-10 544**	**-3 452**	**-13 996**
- remeasurement of bonds, gains from the sale of bonds	-5 406	-3 115	-8 521
- remeasurement, income from mutual funds	-851	-338	-1 188
- underlying assets of contracts measured under VFA	-4 287	0	-4 287
Net impairment losses	**-289**	**-289**	**-578**
Total net investment income (expenses)	**-8 775**	**-2 905**	**-11 679**
Finance income (expenses) from insurance contracts issued			
Accretion of interest and the effect of changes in interest rates	14 114	3 269	17 383
Changes in value of underlying assets of contracts measured under the VFA	4 250	0	4 250
Finance income (expenses) from insurance contracts issued	**18 364**	**3 269**	**21 633**
Finance income (expenses) from reinsurance contracts held			
Accretion of interest and the effect of changes in interest rates	-4	-985	-988
Finance income from reinsurance contracts held	**-4**	**-985**	**-988**
Net insurance finance result	**18 360**	**2 285**	**20 645**
Summary of the amounts recognised in profit or loss			
Net investment income (expenses) – underlying assets	-4 287	0	-4 287
Net investment income (expenses) – other investments	-4 488	-2 905	-7 392
Net insurance finance result	18 360	2 285	20 645
Net investment and insurance finance result	**9 586**	**-620**	**8 965**
Summary of the amounts recognised in OCI			
Net investment income – other investments	**0**	**0**	**0**

5.18 Other income and expenses

5.18.1. Other income

in thousands of EUR	2023	2022
Other income arising from insurance contracts	78	73
Income from the sale of non-current assets	45	453
Rental income	3	104
Other financial income	0	84
Total other income	**126**	**714**

5.18.2. Other expenses

An analysis of the expenses incurred in the reporting period is included in the table below:

in thousands of EUR	2023	2022
Insurance service expenses	**37 826**	**39 166**
Other operating expenses	**7 168**	**6 134**
	44 995	**45 300**
Claims and insurance benefits	19 469	21 551
Losses on onerous groups of contracts and subsequent releases	327	751
Commissions	10 550	8 443
Employee benefit expenses	7 162	7 088
- thereof statutory old age insurance	821	807
- other statutory social insurance	685	673
Depreciation and amortisation	867	1 004
Audit, legal and other professional fees	405	247
IT costs (other than depreciation)	2 035	1 814
Advertising costs	553	644
Leases	479	40
Levy - 8% from MTPL	1 327	1 254
VAT	898	845
Other	2 633	2 929
	46 702	**46 610**
Amounts attributed to insurance acquisition cash flows incurred during the year	-7 224	-6 033
Amortisation of insurance acquisition cash flows	5 516	4 723
Total	**44 995**	**45 300**

In 2023, the Company reports cost of services related to the audit of its financial statements in the amount of EUR 173 thousand (2022: EUR 102 thousand). This amount includes invoiced costs of EUR 117 thousand and the provision set up for costs related to the completion of the audit of the financial statements in the amount of EUR 56 thousand (net of VAT). Cost of non-audit services provided by the Company's auditor amounted to EUR 1 thousand in 2023 (2022: nil).

5.19 Income tax

in thousands of EUR	2023	2022
Current income tax	-41	-908
Withholding tax	-20	0
Deferred tax change	533	-577
Total tax income/(expense)	**471**	**-1 486**

Explanation of the difference between the Company's total corporate income tax income/(expense) and the theoretical tax for 2023 and 2022:

	2023		2022	
	Tax base	Income tax	Tax base	Income tax
Profit/(loss) for the current accounting period before taxes*	**-2 886**		**5 320***	
- of which: theoretical corporate income tax of 21%		606		-1 117
Adjustments in IFRS bridge	161	-34	-37	8
Write Off Receivables	184	-39	455	-96
Other tax non-deductible items (permanent differences)	472	-99	794	-167
Other tax-deductible items (permanent differences)	-41	9	-45	10
Tax for the previous accounting period	195	-41	150	-31
Other items	-328	69	438	-92
Total corporate income tax		**471**		**-1 486**
Effective tax rate		**16%**		**28%**

*Restated profit before taxes 2022

The amount of Other tax non-deductible items (permanent differences) mainly includes various representation and event costs. In addition to that, in 2022 there was a permanent difference related to a sale of property in the amount of EUR 387 thousand.

5.20 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 entities under common control
- Wüstenrot Technology GmbH (business name until 20 December 2022: Wüstenrot Datenservice GmbH)
- Wüstenrot InHouse Broker s.r.o.
- Wüstenrot Reality s.r.o.
- Spängler IQAM Invest GmbH
- Bausparkasse Wüstenrot AG

Company key management
- members of the Supervisory Board
- members of the Board of Directors

Transactions with Company shareholders and other entities under common control:

	2023		
in thousands of EUR	Wüstenrot stavebná sporiteľňa, a.s. (shareholder)	Wüstenrot Versicherungs-AG (shareholder)	Other entities under common control
Financial investments	0	0	955
Other receivables	23	0	31
Total assets at 31 December	**23**	**0**	**986**
Reinsurance liabilities	0	0	0
Other liabilities	0	0	506
Total liabilities at 31 December	**0**	**0**	**506**
Reimbursement of costs of insurance benefits incurred by reinsurers	0	0	0
Fee and commission income	0	8	114
Investment income	0	0	0
Other income	657	0	8
Total revenues	**657**	**8**	**122**
External liquidation costs	0	32	0
Premiums ceded to reinsurers	0	0	0
Operating expenses	83	3	1 700
Total expenses	**83**	**35**	**1 700**

	2022		
in thousands of EUR	Wüstenrot stavebná sporiteľňa, a.s. (shareholder)	Wüstenrot Versicherungs-AG (shareholder)	Other entities under common control
Financial investments	0	0	705
Other receivables	35	0	30
Total assets at 31 December	**35**	**0**	**735**
Reinsurance liabilities	0	170	0
Other liabilities	0	0	546
Total liabilities 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	611	0	7
Total revenues	**620**	**71**	**181**
External liquidation costs	0	20	0
Premiums ceded to reinsurers	0	235	0
Operating expenses	249	3	1 859
Total expenses	**249**	**258**	**1 859**

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 2023, their value totalled EUR 24 259 thousand (31 December 2022: EUR 23 223 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 2023 amounted to EUR 333 thousand (2022: EUR 655 thousand). At 31 December 2023, the software's net book value was EUR 1 709 thousand (31 December 2022: EUR 1 702 thousand).

The largest part of operating expenses in related party transactions consists of cost for software maintenance, amounting to EUR 1 679 thousand (2022: EUR 1 574 thousand).

Transactions with the Board of Directors

in thousands of EUR	2023	2022
Short-term employee benefits	429	321
- thereof other statutory social insurance	54	42
Post-employment benefits	24	16
- thereof statutory old age insurance	24	16
Total	**453**	**338**

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

As of 31 December 2023, the Company set up a short-term provision of EUR 155 thousand for remuneration of BoD members for the performance of their function (31 December 2022: EUR 182 thousand).
At 31 December 2023, unpaid salaries to BoD members totalled EUR 19 thousand (2022: EUR 10 thousand).

Transactions with the Supervisory Board

in thousands of EUR	2023	2022
Supervisory board remuneration	23	30

As of 31 December 2023, the Company set up a short-term provision of EUR 23 thousand for remuneration of Supervisory Board members for the performance of their function (31 December 2022: EUR 27 thousand).

5.21 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.

5.22 Subsequent events after the reporting date

The sale of property in Nitra recognized as Asset held for sale as of 31 December 2023 was closed with a net gain in May 2024.

From 31 December 2023 until the date on which these financial statements have been approved, there were no subsequent events with a significant impact on the true and fair presentation that would require an adjustment or recognition in these financial statements.

Bratislava, 5 June 2024

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.

Mgr. Peter Rusnák
Member
of the Board of Directors
Wüstenrot poisťovňa, a.s.

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

Ing. Martina Baánová
Director
of the Economic Section
Wüstenrot poisťovňa, a.s.

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