Annual Report 2022

KOMUNÁLNA POISŤOVŇA
VIENNA INSURANCE GROUP

CONTENT

STATEMENT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and gentlemen,

we are in a prolonged and demanding period marked by many challenges. The pandemic of the past year has been compounded by others, both geopolitical and economic. The war in Ukraine, high inflation, rising raw material prices and scarcity of resources are new variables that are significantly influencing the insurance market conjuncture. Their long-term consequences for the development of our business cannot yet be quantified precisely, but the fact that Vienna Insurance Group has so far been able to cope with the challenges in the field of operational insurance very well gives us confidence.

Above all, our strength is our broad geographical and business diversification, which helps us to control inflation risk effectively. This also confirms that our largest markets in terms of volume are well-positioned thanks to the measures taken and the current pricing policy. The confirmation of an excellent ‚A+' rating with a stable outlook for VIG Group by Standard & Poor's is also positive news regarding our strength, stability and resilience. Last but not least, we are optimistic about the forecasts for the CEE region, which confirm its long-term growth potential.

Even in the challenging conditions of 2022 the Vienna Insurance Group managed to reach a historic volume of insurance premium. Double-digit premium growth was reported by all of VIG's insurance lines and segments, with the exception of single-premium life insurance. The most successful segment was motor liability insurance.

KOMUNÁLNA poisťovňa also contributed significantly to the entire group's positive results, with a profit before tax of EUR 3.85 million and written premiums of EUR 110 million, of which life insurance was EUR 28.6 million and non-life insurance EUR 81.4 million in the past year. Our insurance company was particularly successful in the motor insurance segment as well as in property and travel insurance. At the same time, we recorded good results in the risk life insurance segment, as well as in the regular-pay investment life insurance.

I am proud that, despite the difficult challenges that have arisen over the past year, VIG has not deviated from its strategic sustainability goals. We continued to strengthen our investments in renewable energy and green bonds while continuing to phase out existing insurance policies for coal projects. Neither have we neglected our philanthropic activities, in which we have been engaged since 2011 as part of Social Active Day. We started in the midst of a culminating financial and economic crisis, and I have no doubt that the need to help is still perceived today by every single VIG employee with even greater urgency than ever before.

Ladies and gentlemen,

I am convinced that our group is on the right path to achieving our objectives and strategy. On behalf of the entire supervisory board, I would therefore like to thank our clients for their trust, but I would also like to thank the entire team at KOMUNÁLNA poisťovňa for their day-to-day work, perseverance and loyalty. I am confident that we will get through this challenging period if we do not relent in our daily efforts.

Dr. Peter Thirring

INTRODUCTION BY THE CHAIRWOMAN OF THE MANAGING BOARD AND CEO

Dear shareholders and clients, business partners, colleagues,

after two challenging pandemic years marked by digitalization, the year 2022 was supposed to be, above all, a smooth continuation of the established trend. However, new variables have come into play – the socio-economic impacts of the pandemic, the military conflict in Ukraine, escalating prices, the energy crisis and high inflation. All of this redefined our priorities and goals, and so in addition to moving forward digitally, we needed to focus on further streamlining our operational and business processes. However, despite the many new challenges, it turned out that our company was on the right track, and we were able to gradually not only meet but also outperform the targets we had set.

The past year was, above all, a year of innovation for us. It confirmed that the need for income protection in difficult life situations is increasingly coming to the forefront of our clients' concerns, and the trend in the period ahead will continue to be primarily to reinsure large risks and increase the sums insured. That is why we have innovated our product portfolio and focused on new attractive life insurance riders. We have also completed the life insurance sales process with complete pre-contractual documentation in digital form.

In non-life insurance, we innovated our home and household insurance product to better reflect the long-term trend of rising property prices. We also continued to refresh our motor insurance rates to realistically reflect not only the claims performance of this segment but also the needs and potential of our clients. Following the pandemic period, we also redesigned our travel insurance product.

On the business area front, we did well in the non-life segment. Pleasingly, there was a recovery in sales of corporate property insurance, where we saw an increase in production of more than 50%, and also in sales of personal property insurance, where there was 40% growth. In life insurance, the trend in sales of risk insurance continues, and the results are building on 2021.

The year 2022 was also a year of fulfilling the principles of sustainability and social responsibility for KOMUNÁLNA poisťovňa. I am proud that we are a modern insurance company that views the issue of environmental protection sensitively and responsibly. This attitude is reflected in our continuous investments to increase operational efficiency and reduce our carbon footprint. I am also pleased to see that our social commitment and the level of involvement of our employees in CSR projects, which we also implement in cooperation with long-standing partners such as the Association of Towns and Municipalities of Slovakia and the Foundation for Children of Slovakia, is also growing.

Ladies and gentlemen,

we are looking forward to a jubilee year in which KOMUNÁLNA poisťovňa will mark its 30th anniversary on the Slovak market. I believe that for all of us, it will be not only an opportunity to take a look back but, above all, a reason to look into the future with optimism. Let it be a strong motivation for us to do everything we can to strengthen our position on the market and further deepen the satisfaction and trust of our clients, employees, and partners.

Ing. Slávka Miklošová

THE COMPANY

KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group is a commercial insurance company with a universal licence, which has operated in the Slovak insurance market since 1994. Its portfolio offers a wide range of insurance products and services in the areas life, accident, property and liability insurance as well as in business and industrial insurance.

The Company was incorporated on October 19, 1993 and officially commenced its operation on January 1, 1994. In a relatively short time, the company was able to offerand build strong partnerships with clients from the area of local governments, which is still one of the main pillars of its business.

It provides its services through a developed business network, which is divided into 7 directorates and 73 points of sale located in all regions of Slovakia. At the same time, KOMUNÁLNA poisťovňa is expanding its scope with the help of an external network of insurance intermediaries.

Following the acquisition in 2001, the shareholder structure changed. With this strategic step, KOMUNÁLNA poisťovňa has become part of the strong international financial and insurance group Vienna Insurance Group, the leading company in the insurance sector in Central and Eastern Europe. This has also been proven by the long-term positive ratings issued by internationally recognized rating agency Standard & Poor's.

Vienna Insurance Group (VIG) consists of 50 insurance companies in 30 countries with long tradition, strong brands and significant closeness to their clients. The more than 25,000 employees in the VIG take care of the day-to-day needs of more than 22 million customers. KOMUNÁLNA poisťovňa is able to draw on the shareholder´s experience and years of proven know-how of the Group, in particular with regards to innovation of products and services in order to be for the clients as attractive and advantageous as possible. That is why, when buying insurance, the company occupies a high ranking among the Slovak consumers in terms of brand awareness.

For general information about the company, advice on selecting from a wide range of personal, property, vehicle, business and industrial insurance and contacts for KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group representatives is also available on www.kpas.sk or info line 0800 11 22 22.

Company information

Business name:	KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group
Registered address:	Štefánikova 17, 811 05 Bratislava
Registration:	Companies' register of the District Court Bratislava I, Section: Sa, File no. 3345/B
Date of registration:	1. 1. 1994
Share capital:	EUR 18,532,240
Paid-up:	EUR 18,532,240
Number of shares:	5,582 ordinary, book-entry shares
Nominal value per share:	EUR 3,320
Shareholder structure:	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe 100%, 5,582 shares
Participations:	Slovexperta, s. r. o.: 15% GLOBAL ASSISTANCE SLOVAKIA, s.r.o.: 9%

Principal activities

The company's principal activities comprising insurance operations in the life and non-life insurance type, according to various lines of business, as follows:

Part A - Non-life insurance segment

1. Casualty insurance (including workplace injuries and occupational diseases)
    a) lump-sum claim pay-out,
    b) with claim pay-out having the nature of compensation,
    c) with combined claim pay-out,
    d) travellers,
    e) individual health insurance.

2. Illness insurance
    a) lump-sum claim pay-out,
    b) with claim pay-out having the nature of compensation,
    c) with combined claim pay-out,
    d) individual health insurance.

3. Damages insurance for road transport vehicles other than rail vehicles
    a) motor transport vehicles
    b) non-motor transport vehicles

7. Insurance of goods transportation in transit, including luggage and other property, irrespective of means of transport employed.

8. Damages insurance for other property than listed in items 3 through 7, resulting from
    a) fire,
    b) explosion,
    c) gale-force wind,
    d) natural elements other than gale wind,
    e) nuclear energy,
    f) landslide or land settlement.

9. Insurance of other damage to other property than stated in items 3 through 7, resulting from hail storm or frost, or other causes, e.g. theft, unless these causes are included in item 8.

10. Liability insurance
    a) for damages caused by operation of a motor vehicle,
    b) by a transport operator.

13. General liability insurance for other damages than those listed in items 10 through 12.

14. Loan insurance
    a) general insolvency,
    b) export loan,
    c) instalment loan,
    d) mortgage loan,
    e) agricultural loan.

15. Guarantee insurance
    a) direct warranties,
    b) indirect warranties.

16. Insurance of various financial losses resulting from
    a) carrying out occupation,
    b) insufficient income,
    c) inclement weather,
    d) loss of profits,
    e) fixed general expenses,
    f) unforeseen trading expenses
    g) loss of market value,
    h) loss of regular source of income,
    i) other indirect business financial loss,
    j) miscellaneous other than trading financial losses,
    k) miscellaneous financial losses.

18. Assistance services.

Part B - Life insurance segment

1. Insurance
    a) endowment, whole of life, whole of life or endowment, with the possibility of endowment with premium refund, insurance linked to capitalisation contracts,
    b) pension insurance,
    c) supplementary insurance taken out together with life insurance, in particular for personal injury cover, including inability to work, in the event of accidental death and against disability resulting from an accident or sickness.

2. Child birth insurance, child maintenance insurance and marriage insurance.

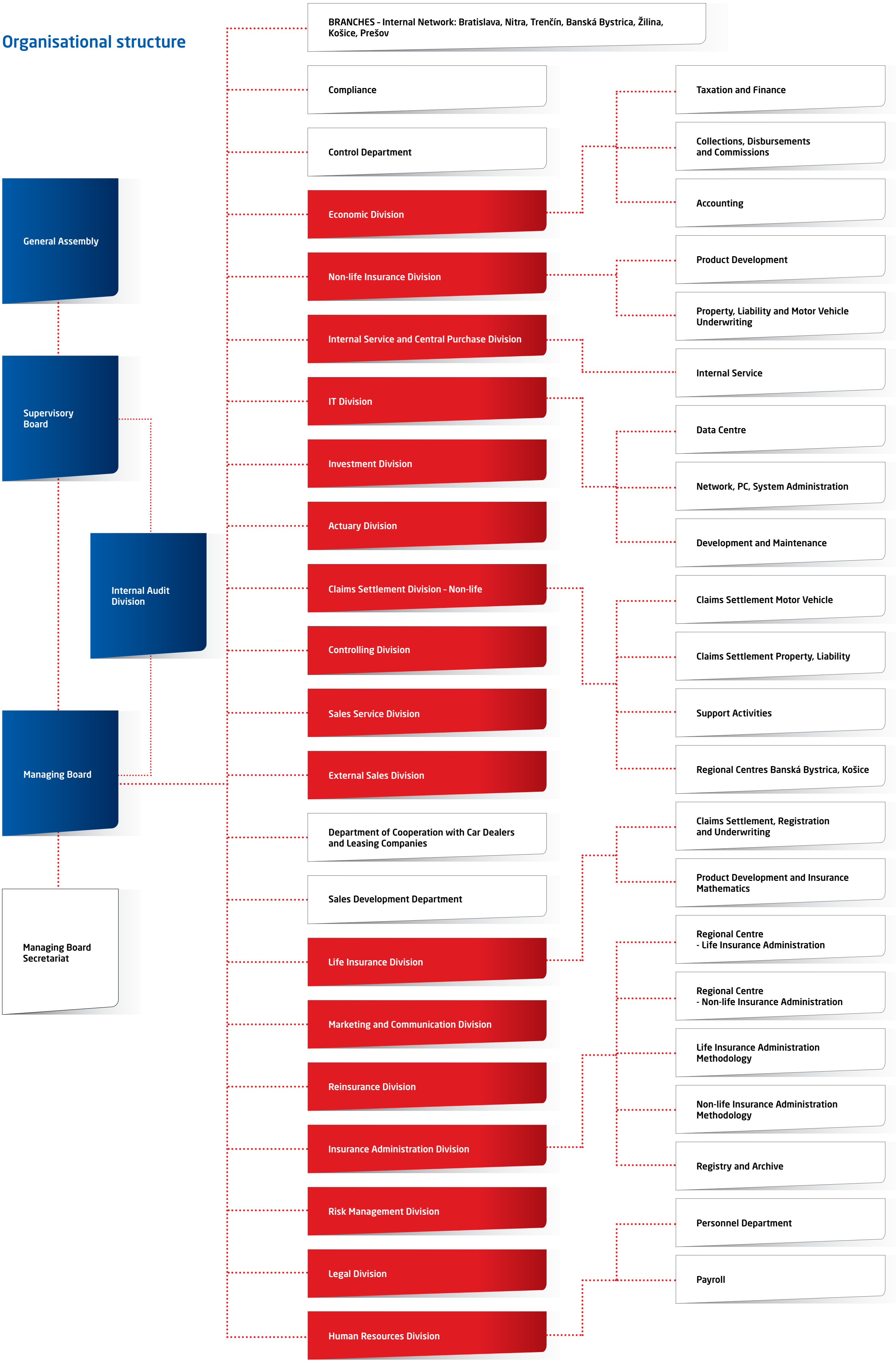
3. Insurance referred to in first paragraph, letters a) and b) and the second point is linked to investment funds.

6. Capitalisation operations based on actuarial calculations, where, in lieu of predetermined lump sum or periodic payments, obligations with specified duration and fixed amounts are taken over.

2. Performance of independent financial agent agenda in the following sectors:
   1. acceptance of deposits,
   2. provision of loans and consumer credits,

3. Conduct of reinsurance business for the non-life insurance segment.

Organisational structure



Supervisory Board

Dr. Peter Thirring – Chairman of the Supervisory Board
Hartwig Georg Löger – Deputy Chairman of the Supervisory Board
Mgr. Magdaléna Adamová – Member of the Supervisory Board
Ing. Jana Bibová – Member of the Supervisory Board
Mag. Christian Brandstetter – Member of the Supervisory Board
PhDr. Michal Kaliňák – Member of the Supervisory Board

Managing Board

Ing. Slávka Miklošová – Chairwoman of the Managing Board and CEO
JUDr. Zuzana Brožek Mihóková – Member of the Managing Board
RNDr. Milan Fleischhacker – Member of the Managing Board
Mgr. Blanka Hatalová – Member of the Managing Board
Ing. Igor Saxa – Member of the Managing Board

Procurement

JUDr. Ľuboš Tóth, LL.M, MBA

PART OF VIENNA INSURANCE GROUP

We are the leading insurance group in Central and Eastern Europe with the claim to be a stable and reliable partner for our target groups.

Vienna Insurance Group (VIG), headquartered in Vienna, is the leading insurance group throughout Central and Eastern Europe (CEE). Around 50 insurance companies in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The more than 25,000 employees in the VIG take care of the day-to-day needs of more than 22 million customers.

<u>From first mover to market leader in CEE</u>

VIG was one of the first European insurance groups to begin expanding into the markets of the CEE region after the fall of the Iron Curtain in 1989. Step by step, the Group established itself in new markets and has become the number one in the region. Vienna Insurance Group places an emphasis on Central and Eastern Europe as its home market and pursues a long-term strategy in the markets where it is represented. More than half of the total business volume and profit is generated in this region.

We pursue a long-term business strategy in our markets that is focused on sustainable profitability and continuous earnings growth.

<u>Expertise with local responsibility</u>

Vienna Insurance Group is synonymous with stability and expertise in providing its customers with financial protection against risks. Great importance is attached to a local multi-brand policy with regionally established brands and local entrepreneurship. Ultimately, the Group‘s success and closeness to its customers is down to the individual strengths of each brand and local know-how.

<u>Strong finances & credit rating</u>

Vienna Insurance Group has been awarded an A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor’s. VIG is listed in Vienna, Prague and Budapest. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG‘s shares. The remaining shares are in free float.

THE REPORT OF THE BOARD OF DIRECTORS

on economic results, business activities and company´s assets
as of December 31, 2022

For more than two years, developments in the area of financial stability have been largely influenced by events from the external environment. In 2022, the insurance market was still affected by the coronavirus pandemic and insurance companies continued the growing trend of digitization, for example in the form of online insurance or the use of mobile applications.
The corona crisis was replaced by other challenges with a significant impact on the global economic environment, such as the ongoing war conflict in Ukraine, the energy crisis and high inflation. Each of these factors affects new insurance solutions and their parameters and settings. The increase in prices and increased risk also causes the need to increase the insurance sums and adjust the insurance conditions on existing insurance contracts. It is these facts that have an effect on the fact that clients perceive the potential threat more intensively and are aware of the need for assurance, both in life and non-life insurance.

Total insurance premiums written by KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group booked for 2022 amounted to 110 million euros, comprising 28.6 million euros of life insurance and 81.4 million euros of non-life insurance premiums. In the highly competitive environment of the Slovak insurance market, in terms of production, the company was successful especially in the segment of motor insurance, property insurance for natural and legal persons as well as travel insurance. The company recorded positive sales trends in the risk life insurance segment.

The strategic direction of business activities continued to build on activities of the sales network from previous years, with a focus on growth of premiums written in strategic profitable product groups. Emphasis was placed on building our own distribution network sales teams, cost-effectiveness of insurance distribution and expanding the network of external partners with an emphasis on supporting smaller companies with the prospect of further growth. Co-operation with the municipal sphere continued through the strategic partnership with the Association of Towns and Municipalities of Slovakia. In order to maintain the existing portfolio of insurance contracts, the sales network focused intensive cross-selling and individual service meetings with clients on the occasion of the anniversary days of their insurance contract. The expansion of co-operation with car dealers with new partners and with selected leasing companies also continued. Within the company, remote communication tools were implemented in almost all product lines of life and non-life insurance and communication with the client via the digital tool e-KOMfort. During the year, our point of sale network was optimized with an emphasis on efficiency and especially accessibility for clients.

Insurance and Reinsurance

In the course of the year, KOMUNÁLNA poisťovňa created an attractive life insurance offer for its clients, which responded to legislative and market requirements. At the same time, obligations in the area of sustainable investment in currently sold life insurance products were supplemented by ascertaining the client´s preferences with environmental features through the established form on preferences in terms of sustainability.

In life insurance, it was mainly about modifying, improving and expanding the variability of existing products and insurance risks. A significant progress was the introduction of the digital conclusion of a large part of life insurance products, which practically meant speeding up the process of concluding insurance contracts, transparency and, in particular, the reduction of interventions during the final conclusion of insurance contracts. Personal insurance products are suitable for a wide range of age categories and provide comprehensive protection against possible adverse life situations through additional insurance risks.

During the year, the intention of constantly expanding the offer of insurance risks was translated into the launch of the sale of a new insurance rider – disability caused by illness or injury. The insurance rider offer is particularly attractive from the point of view of covering a wide range of critical illnesses and the statistically most common „diseases of civilization“ in Slovakia, such as oncological diseases, circulatory and vascular diseases and chronic diseases of internal organs. The company also continued to recalculate other selected accident insurance risks, where the amount of the premium was determined depending on the age of the insured person. At the same time, a new generation of group accident insurance for all age groups was launched, which provides the possibility of variable selection of insurance coverage according to the client´s wishes with an interesting discount and benefit system.

The company devoted a significant part of the year to the preparation of the new insurance rider – ProDoctor assistance services – thanks to which clients can consult their state of health, receive an above-standard examination and consult their treatment with several specialists. At the end of the year, the company also responded to the current market situation by increasing the technical interest rate on selected life insurance products to the level of 1.25 per cent.

In the area of non-life insurance, KOMUNÁLNA poisťovňa continued in 2022 to stabilize its portfolio of motor vehicle insurance with an emphasis on the use of micro-segmentation methods and a selective approach when underwriting fleet insurance, with the aim of ensuring the profitability of this LOB. Concerning the MTPL product, the segmentation model was updated, which brought a change in the risk rate of districts, in the adjustments of the intervals and coefficients for engine power and age categories. In addition to updating the segmentation in individual motor vehicle insurance, a regular review of existing fleet insurance contracts in MTPL and motor hull insurance was carried out.

In the area of other types of non-life insurance, there was a significant innovation of ProDomo - home, apartment and household product, where the scope of insurance coverage was increased, the limits of insurance payments were increased and the possibility of concluding new insurance riders was added. At the same time, a new travel insurance product – ProTravel – was introduced, which offers clients the possibility of combining different risks, higher insurance limits, attractive premium rates, new insurance riders and also a new provider of assistance services. As in the past, with these product changes, the company continued to improve the digitization of processes and at the same time, it contributed to increased sustainability and environmental protection by selling both of these products without the use of self-rewriting paper contracts.

As part of strategic partnerships, the company´s business activity focused on selling property insurance and liability insurance to members of the Association of Towns and Municipalities of Slovakia in the form of its product benefits.

Reinsurance as a risk management tool represents an important stabilizing factor of the company and the same time protects the clients of KOMUNÁLNA poisťovňa, its shareholders, as well as the company itself from unexpected damage events of an individual or catastrophic nature. The reinsurance program of KOMUNÁLNA poisťovňa is based on a combination of reinsurance contracts within a group cooperation with VIG Re zajišťovna and Vienna Insurance Group AG (Wiener Versicherung Gruppe). Both companies have an „A+“ rating with a stable outlook from the internationally recognised rating agency Standard & Poor’s. The most important external partners continue to include reinsurance companies Swiss Re (Germany), SCOR SE (France) and R+V VERSICHERUNG AG (Germany), whose financial strength and rating provide a sufficient guarantee of performance.
The effectiveness and scope of the reinsurance program coverage are analysed annually and reflect changes in the portfolio of life or non-life insurance products. They are supplemented by optional reinsurance as required. As part of natural disasters coverage, the company draws on the group reinsurance programme benefits, which provides coverage of up to 250-year-record losses, and also meets all requirements stipulated in the Solvency II Directive. Due to this fact, the scope, effectiveness and strategy of the reinsurance in 2022 did not change.
The parameters of the reinsurance program meet all the internal requirements of Vienna Insurance Group as well as the requirements of insurance supervision.

Claim settlement

In the area of life insurance, during 2022, KOMUNÁLNA poisťovňa placed special emphasis on the quality and speed of processing reported insurance claims. Thanks to the possibility of reporting insurance claims contactless via the website or electronically by e-mail, the duration and quality of the claim handling process have significantly improved. In the event that all the necessary documents were not submitted, an accelerated process was introduced to submit the additional documents needed to complete the claim handling process. The efficiency and safety of each part of the process and the detection of cases that showed signs of suspicious claims or unusual business operations were also ensured.

In claims settlement of the non-life insurance segment, KOMUNÁLNA poisťovňa continued to increase the quality and availability of services provided to clients during 2022 not only through internal employees, but also through a wide network of cooperating car repair shops. The development in the area of claims was influenced by the gradual normalization of the situation after the COVID-19 pandemic, increased mobility, a gradual increase in the number of reported claims, a significant increase in inflation and the associated increase in labour and material prices. The key activities of the insurance company were aimed at digitization, partial automation of processes as well as the improvement of their efficiency. The main emphasis was on the speed and quality of the claims handling process. Clients mostly used electronic and telephone forms of communication as well as claims reporting via the website.

Human Resources

Motivated employees are the key to the company´s success, which accurately expresses the basic approach of KOMUNÁLNA poisťovňa within human resource management processes, when it comes to creating the most suitable working environment and conditions for employees.

Following the results of the employee satisfaction survey, the company focused on improving and making the employee benefits program more attractive in 2022. It managed to include in the benefits program, what appeared at the top of the list of employee expectations and currently it offers various benefits and the possibility of choosing benefits according to the employee´s own preferences. KOMUNÁLNA poisťovňa also supported work flexibility, work-life balance, employee health and financial benefits. It particularly focused on the field of mental health, which resulted in the introduction of professional counselling and consultations in form of the new Counselling program for employees. The company welcomes the fact that employees are interested in this program and since its launch they have been using counselling and consultations of psychological, legal and financial nature.

Diversity is another important topic of the Vienna Insurance Group. In KOMUNÁLNA poisťovňa, a high proportion of women among employees has been maintained for a long time, 44 per cent of management positions at the level of the board of directors and B -1 management are held by women.

In accordance with the personnel strategy, we support the development and education of employees by continuing the company´s management and employee education project with a focus on various topics including support for the transfer of work experience, employee development, involvement in changes, support for activity and team work.

Corporate Social Responsibility

KOMUNÁLNA poisťovňa perceives social responsibility as an important part of its operation on the market. The insurance company´s CSR activities are based on its basic set of values, which are respect for employees, co-workers and clients as well as the determination to support projects that help the community. The fact that a significant part of these activities contains a significant volunteer element and therefore direct involvement of employees is proof that these values are an integral part of the company´s DNA.

Concerning the area of social responsibility, support for children and young people as well as socially disadvantaged groups remained at the centre of activities of KOMUNÁLNA poisťovňa also in 2022.
From 2013, the company has been a partner for the Children and Young People-friendly Community Programme, implemented in co-operation with the Association of Towns and Municipalities of Slovakia, and the Foundation for Children of Slovakia. The program aims to build communities that take into account the needs of children and young people, and allow them to participate in the planning and implementation of activities for their surroundings. An important part of the program is the education of experts in local governments – representatives and employees of local governments, non-governmental organisations, teachers, educators, but also all those who are involved in a wide range of free-time activities with children and young people.

Last year, KOMUNÁLNA poisťovňa participated in the Spojme hlavy! (Let´s put our heads together) program of the Children of Slovakia Foundation, within which it financially supported 19 new projects throughout Slovakia. Their common feature was that from the initial phase, which was defining the needs of the community, up to the actual implementation, everything was directed by young people. Through the principles of subsidiarity and sustainability, this project contributes to build a better relationship of the new generation with the place where they live as well as their responsibility for its condition.

Since 2019, KOMUNÁLNA poisťovňa has been cooperating with the non-profit organisation Dom Svitania, where people with health disabilities work in a sheltered workshop. At the same time, the company supported 100 schools in the Požičaná planéta (Borrowed Planet) project – a comprehensive program of environmental upbringing, education and awareness for sustainable development, which was created in cooperation with the Faculty of Natural Sciences of the UKF in Nitra und the CA Požičaná planéta.

KOMUNÁLNA poisťovňa is a traditional partner of cities and municipalities not only in the field of insurance, but also in supporting life in the regions. Every year, it supports dozens of sports, cultural and social events organized by city and municipal councils for their communities.
One example of direct volunteer involvement of the company´s employees is the intern volunteer project Social Active Day, where they helped to improve the appearance and the premises of kindergartens, villages, foundations and social facilities.

Part of the insurance company´s approach in the area of social responsibility is also the area of environment and its sustainability for future generations. In terms of energy management, in addition to cost-effective financing, it focuses on environmental protection and when purchasing electricity, it cooperates on a long-term basis with energy providers, who provide supplies of „green energy“ produced primarily from renewable sources. An integral part of responsible energy management is also increasing the energy efficiency of its own buildings; therefore, the company continues renovations helping to achieve this goal.

Information Technologies and Digitization

In 2022, the company continued to meet the company strategic goals in the field of information technology by intensifying the support of sales activities and internal processes, with focus on increasing the quality of services provided and customer comfort.
In the area of information technologies of the Vienna Insurance Group companies in Slovakia, the functional joined back-office of KOOPERATIVA a KOMUNÁLNA continues its operation. Using the services of joint data centres and a centrally maintained insurance technical system provides synergy effects in implementation of new functionalities.

Increased support for remote work of employees in form of home-office continued during the year and in the post-pandemic period. This is also related to the provision of the IT environment, means of remote cooperation and communication and this was also reflected in the development of the sales process and providing services „contactless“ to clients and partners of the company.

The digitization of business processes was supported during 2022 by continuation of the ongoing development trend of digital product sales, through implementation of online product calculators, with digitally generated documentation and automatic importation into the actuarial system. The introduction of the CRM system on the Microsoft Dynamics 365 platform had a significant impact on the business and sales process. With regard to increasing process efficiency, improving data quality and speeding up the sales process to end customers and last but not least, in line with social and environmental responsibility, the insurance company strongly promoted the paperless sales model. In 2022, the postimplementation phase of the modernization of the main insurance-technical system continued (as a sub-project of the KING group project).

In terms of hardware infrastructure, the company continued in its strategy of infrastructure lifecycle management, by investing in the upgrades and replacement of server infrastructure, data repositories, network and security infrastructure to minimize operational risks, capacity requirements for process digitization and protection against cyber threats.

In the area of digitization, last year the insurance company focused on speeding up internal processes and streamlining communication with customers. It continued the gradual transition to a digital form of processing insurance contracts into the record system and it also focused on an active approach to obtaining consents with electronic communication, which for the client represents greater comfort, time savings and last but not least, a more environmentally friendly approach. The growing trend of digitization also had a positive impact on cost savings, with 15 per cent of documents sent to clients in electronic form out of the total volume of insurance documentation sent. At the same time, the possibility of electronic communication was also expanded for legal entities. The development of the provision of electronic services on the basis of „client´s consent to the use of electronic communication“ opens up space not only for two-way paperless communication, but also for the improvement and acceleration of services related to electronic contractual documentation, which can be used simply and efficiently thanks to this.

Risk Management

Risk management is an integral part of the company´s operative business. Risk management processes are directed towards assuring its financial strength and promoting its sustainable growth. Risk management processes consist of identification, quantification, design and eventual implementation of mitigation measures. The company´s risk management system is in accordance with the policy of the VIG group, which is consistent with requirements of the Solvency II regulation.

Based on its insurance activities, KOMUNÁLNA poisťovňa is naturally exposed to various types of risks, mainly insurance and financial risks, but also general risks arising from business activities, such as operational, reputation and strategic risks. To assess individual risks, the company uses quantitative assessment, qualitative assessment and assessment based on expert opinions. A risk that may have a material adverse effect on the financial position of the company and its results is considered material.

The company has implemented a comprehensive system of tools and measures aimed at monitoring and evaluating risks. It classifies the risks into 11 categories. The company manages all risks responsibly and carefully with the aim of reducing or eliminating them completely.
To qualify risks, the company uses the statutory standard formula (SF), with the exception of non-life underwriting risk, which is evaluated using the partial internal model (PIM). This model also adequately reflects credit spread risk after applying appropriate hedge modelling. The company uses expert opinion to assess liquidity risk, strategic risk, reputation risk and risk of legislative changes.

<u>Life underwriting risk</u>
Life underwriting risk is defined by the company as the risk of loss or adverse change in the value of insurance liabilities due to unreasonable assumptions and methods used for price and reserve pricing. The subcategories of life underwriting risk are risk of mortality, longevity risk, disability - morbidity risk, laps risk, expense risk, revision risk and life catastrophe risk. With regard to the structure of the life insurance portfolio, the standard formula used for the life underwriting risk is considered appropriate to reflect the underwriting activity while providing a conservative risk assessment.

<u>Health underwriting risk</u>
Health underwriting risk is defined by the company as a risk of an adverse change in the value of insurance liabilities due to unreasonable assumptions regarding pricing and reserves for health risk products. Major health underwriting risks include similar to life techniques (SLT) health underwriting risk, not similar to life techniques (NSLT) health underwriting risk and catastrophe risk of health insurance. The capital solvency requirement for health underwriting risk is calculated using the standard formula. Based on the exposure of the health insurance portfolio, the standard formula is considered to be appropriate.

<u>Non-life underwriting risk</u>
Non-life underwriting risk is the risk of an adverse change in the value of existing insurance liabilities due to insufficient premiums or insufficient technical reserves as well as the risk of future liabilities arising from the expected portfolio in the time horizon of one year. In case of anticipated future liabilities, the most significant risk is the frequency and severity of insurance claims.
The company evaluates non-life underwriting risk using the partial internal model that was approved on December 23, 2015 with effect from January 1, 2016. The reason for introducing the PIM is that the standard formula for the risk of premiums and reserves is based on average data at the European level, and therefore it does not adequately reflect the risks of non-life insurance in the company´s portfolio. On the other hand, PIM enables cash flow projection based on relevant company history, thus providing a direct link to business activity.

<u>Operational risk</u>
Operational risk is the risk of loss resulting from inadequacies or failures of internal processes, personnel and systems or from external events. The assessment of potential operational risks for the risk inventory process is based on frequency and severity estimates within the risk inventory process and the internal control system once a year. The value of the operational risk is determined by SF based on the premium volume and the value of the best estimates. The main risk factor for the company´s operational risk is defined by the volume of insurance premiums. Since the methodology does not represent a good overview of the operational risk, the company proceeded to their division into 12 individual risks, which were identified and evaluated together with experts from the company.

Insurance risk management as well as financial risk management, which includes, in particular, market risk, credit spread risk and liquidity risk, are described in more detail in the separate chapter in note 6 to the financial statements.

KOMUNÁLNA poisťovňa applied for the first time the temporary reduction of technical reserves (TM) in the reporting as of December 31, 2021, referred to in Article 308d of Directive 2009/138/EC in relation to obligations arising from insurance contracts, which are classified under the group of activities marked „30. Profit-sharing insurance“ according to Annex I letter D. „Liabilities arising from life insurance“ of the delegated EU regulation supplementing Directive 2009/138/EC and originated before January 1, 2016 and were valid on the date of application, i.e. as of July 23, 2021, including pure endowment life insurance, whole life insurance, whole life, endowment insurance with premium refund, pension insurance and have a technical interest rate guarantee from 1.9 per cent to 6.0 per cent.

The solvency position reported as of December 31, 2021 (with TM application) reached the level of 204.96 per cent. On the basis of the analyses carried out, including capital requirement forecasts, sensitivity and scenario testing, KOMUNÁLNA poisťovňa has a sufficient level of capital for the next 3 years and is well capitalized compared to the minimum threshold for capital requirement, which is set by law at 100 per cent and at 125 per cent by VIG. Capital management is described in the chapter Notes to the financial statements.

Financial Placements

Financial assets in 2022 reached a level of 271.45 million euros, with 51.12 million euros of this amount placed on behalf of the insured. The allocation of investments by asset class remained almost unchanged. Traditionally, the highest share of financial assets is held by debt securities. Thanks to the favourable situation on the money market, as a result of the increase of interest rates, space has opened up for a more efficient valorization of short-term liquidity. Further details are provided in the notes to the financial statements (note no. 12).

Income from Financial Assets and Assets Covering Reserves

In 2022, the company generated earnings from financial assets and assets covering reserves at the level of 6.15 million euros, mainly from debt securities. Further details are provided in the notes to the financial statements (note no. 22).

Profit Distribution Proposal

KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group posted a profit after tax of 2.761 million euros in 2022. The Managing Board proposes to the General Assembly to distribute the profit as follows:

Profit after tax	2 761 336,44 euros
Statutory reserve fund allocation	276 133,64 euros
Dividends	0 euros
Retained earnings	2 485 202,80 euros

The profit distribution will be submitted to the General Assembly for approval on March 29, 2023.

Other Important Information

No events occurred after the balance sheet date that could have a material effect on the presentation of events in the financial statements and annual report.

The company did not expend any finances on research and development.
During the accounting period 2022, the Company did not acquire its own shares, temporary certificates, business shareholdings and shares, or temporary certificates and shares in the parent company to its own portfolio.
The company does not have any organisational units abroad.

Estimated Development of the Entity

Long-term objective of KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group is to be a modern and stable company. It values the trust of its clients and business partners, which is something the company plans to reinforce again in 2023, by providing quality products and services. In order to ensure a high level of customer satisfaction, the company plans to continue to improve its co-operation with external partners.

The company‘s business strategy will be to monitor the achievement of quantitative and qualitative targets, through these key tools:

Short-Term Objectives

- increase in new production in commonly paid life insurance, especially in the risk life insurance segment
- gradual increase in the share of rides for insurance contracts in the insurance of persons in new business and in the life insurance portfolio within the company
- a substantial increase in property insurance for small and medium-sized enterprises
- increase in motor insurance with the assumption of maintaining and stability of the portfolio
- continuous increase in home and household insurance
- grow of market share in non-life insurance
- successful implementation of IFRS 17 and IFRS 9 and proper implementation of legislative changes in company´s processes
- introduction of a structured interview in the form of a Comprehensive service for the client, as a tool for identifying the client´s needs and concluding insurance according to the identified requirements

Medium-Term Objectives

- product innovation and focus on comprehensive solutions for clients
- digitization and electronation of sales and services
- implementation of the CRM system in the internal network to improve the quality of advice and customer satisfaction and more efficient work of the salespeople with their policy register
- launch of an innovated recruitment system, selection and on-boarding of new salespeople in the internal network
- strengthening and expanding co-operation with Association of Towns and Municipalities of Slovakia within the framework of the Exclusive Cooperation Agreement

Long-Term Objectives

- stable company growth in terms of customer numbers, insurance premiums and profit growth
- digital transformation
- activity and performance management in the sales network, aimed in particular at increasing new production in retail products segment and increasing the number of concluded insurance contracts per salesperson
- personal development plans and a dedicated hard and soft skills training program, especially for agents and middle management.
- training and developing the skills of back-office employees through organized training events, participation in specialist trainings, seminars and conferences on topical issues

KOMUNÁLNA poisťovňa is part of Vienna Insurance Group, which has already been the leader in the Slovak insurance market for several years. It sees this fact as a unique opportunity to share the experience of tens of thousands of experts of one of the largest international companies in Central and Eastern Europe. Globalized society and the free market have created and are creating situations, the solutions of which exceed the boarders of our country and be a part of an international group gives the insurance company the space to reflect the needs of all clients much more intensively and effectively.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board received from the Managing Board the annual financial statements as of 31.12.2022, including the 2022 economic result distribution proposal, Report of the Managing Board on economic results, business activities and assets of the company as of 31.12.2022, as well as the 2022 annual report, which the Supervisory Board studied and thoroughly reviewed.
As a result of this review, the Supervisory Board adopted unanimous resolution, approving the regular individual financial statement prepared by the Managing Board as of 31.12.2022, including the Annex, the economic result distribution proposal for the 2022 financial year, the report of the Managing Board on economic results, business activities and assets of the company at 31.12.2022, as well as the 2022 annual report.
The Supervisory Board concludes that it has exercised the opportunity, either in whole or in part, through its Chairman and Deputy-Chairman of the Supervisory Board to continuously, throughout the year, review the operations of the company's Managing Board. Consultations were held with individual Members of the Managing Board, who on the basis of accounting records and documents provided answers and explanations regarding the conduct of the company's business affairs.
In 2022, the company held one ordinary General Assembly Meeting and five meetings of the Supervisory Board (two meetings via online meeting and two meetings with the personal participation of the Supervisory Board and one in a combined form).
The Supervisory Board announces to the General Assembly, that the annual financial statements as of 31.12.2022 were audited by auditors KPMG Slovakia, s.r.o., that the Supervisory Board received the auditors' report, which it studied and reviewed and notes that this audit does not ultimately gives reason for objections.
The Supervisory Board hereby declares that it has nothing further to add to the auditors' report.
The Supervisory Board further informs that pursuant to § 18, par. 3) letter m) of the Articles of Association the General Assembly is authorized to approve contracts as per § 196a of the Commercial Code. In order to provide practical approach, the General Assembly authorises the Supervisory Board to enter into contracts as per § 196a of the Commercial Code.
In 2022 fiscal year, the company's Supervisory Board did not grant any permission to enter into contracts according to § 196a of the Commercial Code.

Bratislava, March 2023

Dr. Peter Thirring
Chairman of the Supervisory Board

AUDITOR'S REPORT

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

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Web www.kpmg.sk

Translation of the Independent Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group (the "Company"), which comprise:

- the statement of financial position as at 31 December 2022;

and, for the period then ended:

- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of district court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

KPMG

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

We have determined the following key audit matters:

Adequacy of life insurance contract liabilities

Life insurance contract liabilities as at 31 December 2022 EUR 148 930 thousand (31 December 2021: EUR 166 819 thousand).

Refer to Note 4.10 and 4.11 on pages 30 to 35 (Insurance premium and investment contracts; Classification of insurance contracts) and Notes 18 on pages 64 to 68 (Insurance liabilities and investment contracts with DPF and reinsurance assets) of the financial statements.

Key audit matter	Our response
Insurance liabilities represent the Company's single largest liability on its balance sheet. Measurement thereof is associated with significant estimation uncertainty as it requires management to exercise judgment and develop complex and subjective assumptions. These assumptions are used as inputs into a valuation model that uses standard actuarial methodologies. In addition, at each reporting date, the Company is required to perform a liability adequacy test (hereinafter, "LAT test") with an aim to determine whether its recognized life insurance contract liabilities are adequate. The test is based on the comparison of the management's current estimates of the present value of future cash flows arising from the in-force insurance contracts with the recognized amounts of the liabilities. In case the LAT test shows that the amounts of life insurance contract liabilities are insufficient compared to the estimated future cash flows, the entire deficiency is recognized in profit or loss.	Our procedures in the area, performed with the assistance of our own actuarial specialists, included, among others: • Evaluating the appropriateness of the methods and assumptions used by the Company in measuring life insurance liabilities (including the LAT test) against industry standards and relevant regulatory and financial reporting requirements; • Testing of the design, implementation, and operating effectiveness of selected controls within the Company's process for setting and updating actuarial assumptions, and also testing general IT controls associated with data collection, extraction and validation; • Performing a retrospective assessment of the Company's LAT test model outcome by comparing the prior year's cash flow predictions to the actual outcomes;

KPMG

The LAT test assumptions that we consider to have the most significant impact on the estimate are the discount rates used, policyholders' life expectancy and the lapse rates of the policies. Relatively minor changes in these assumptions can have a significant effect on the amounts of such liabilities. Relevance and reliability of data used in the Company's actuarial calculations were also our area of focus. Due to the above factors, we considered measurement of the life insurance liabilities to be our key audit matter.	• Assessing the results of the Company's experience studies, and, using those historical results to challenge the key non-market assumptions, such as lapse rates and life expectancy used in the LAT test; • Challenging the discount rate and inflation rate assumptions used in the LAT test by reference to publicly available market sources; • Assessing the Company's disclosures regarding life insurance contract liabilities against the requirements of the relevant financial reporting standards.

Measurement of non-life insurance contract liabilities

Non-life insurance contract liabilities as at 31 December 2022: EUR 63 028 thousand (31 December 2021: EUR 60 694 thousand).

Refer to Note 4.10 and 4.11 on pages 30 to 35 (Insurance premium and investment contracts; Classification of insurance contracts) and Notes 18 on pages 64 to 68 (Insurance liabilities and investment contracts with DPF and reinsurance assets) of the financial statements.

Key audit matter	Our response
Non-life insurance contract liabilities are represented primarily by liabilities associated with the obligatory motor third party liability, motor own damage and property portfolios. In measuring the above liabilities, particular complexity is associated with the assessment of the amount of the expected ultimate cost of claims incurred but not yet reported ('IBNR') as well as reported but not yet settled ('RBNS'). A range of methods may be used, and in many cases standard actuarial methods need adjustments specific to the circumstances and such adjustments also require the application of significant judgment. Management estimates the IBNR amounts using a complex model, with key assumptions including those in respect of the trends in bodily injury claims frequency and severity and the timeliness of recognition of incoming claim data. The completeness and accuracy of the data underlying the actuarial projections is also an area of our audit focus.	Our procedures in the area, performed with the assistance of our own actuarial specialists, included, among others: • Testing of the design, implementation, and operating effectiveness of selected controls within the actuarial process, including those over management's determination and approval actuarial assumptions; • Evaluating the methods and models used in the measurement of claim reserves against the requirements of the financial reporting standards and actuarial practices in the market; • Assessing whether key assumptions of claims frequency and severity used by the Company were properly extracted from its experience studies; • Reconciling the claims data underlying the actuarial projections to source systems and, on a sample basis, tracing the data to the underlying policy and claims documentation;

KPMG

Due to the above factors, we considered measurement of the non-life insurance contract liabilities to be our key audit matter.	• Obtaining and evaluating the lawyers' responses to our audit inquiry letters in respect of litigations related to policyholder claims, and also making corroborating inquiries of the Management Board and the Company general counsel regarding the policyholders' claims and litigations; • For a sample of RBNS claim reserves, challenging the recognized amounts by tracing them to the underlying Company evidence, such as loss adjustor reports, independent expert reports or other relevant documentation; • Using the Company's historical claims data and our own assumptions on future loss ratio, independently estimating IBNR reserves for selected product lines, which mainly relate to obligatory motor third party liability; • Evaluating the reasonableness of the IBNR and RBNS claim reserves by performing a comparison of the current year experience to previously expected results; • Assessing the Company's disclosures regarding non-life insurance contract liabilities against the relevant requirements of the financial reporting standards.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards as adopted by the European Union, and for such internal control as the statutory body 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, the statutory body 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 the statutory body 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.

Auditors' 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 auditors' 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 the statutory body;
- Conclude on the appropriateness of the statutory body'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 auditors' 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 auditors' 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 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 auditors' 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

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the financial statements, in our opinion, in all material respects:

- the other information given in the Annual Report for the year ended 31 December 2022 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of the Company on the basis of approval by the General Meeting of the Company held on 25 March 2021. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 5 years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the supervisory board of the Company, which was issued on 3 March 2023.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Company in conducting the audit.

In addition to the statutory audit services and services disclosed in the Annual Report or the financial statements of the Company, we did not provide any other services to the Company or accounting entities controlled by the Company.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Martin Kršjak
License UDVA No. 990

Bratislava, 6 March 2023

KOMUNÁLNA poisťovňa, a.s.
Vienna Insurance Group

Financial Statements at 31 December 2022
prepared in accordance with
International Financial Reporting Standards,
as adopted by the European Union

ANNUAL FINANCIAL STATEMENTS AND COMMENTS

Statement of financial position

(All amounts are in thousands of EUR, unless otherwise noted)

ASSETS	Note	31 December 2022	31 December 2021
Property, plant and equipment	7	10 757	9 939
Investment property	8	1 120	1 075
Intangible assets	9	5 116	4 693
Right-of-use assets	10	3 179	3 525
Financial assets			
Equity securities:			
- available for sale	12	20 686	30 822
- at fair value through profit or loss	12	35 045	41 149
Debt securities:			
- at amortised cost	12	42 738	42 725
- available for sale	12	126 449	158 826
- at fair value through profit or loss	12	21 699	23 142
Loans provided	12	5 080	4 695
Term deposits			
Reinsurance assets	11	37 665	35 586
Deferred acquisition costs	14	9 718	8 082
Receivables, including insurance receivables	13	7 950	6 547
Deferred tax asset	20	7 253	-
Income tax assets		-	12
Cash and cash equivalents	15	9 230	7 172
Total assets		**343 685**	**377 989**
Equity			
Share capital	16	18 532	18 532
Share premium	16	15 326	15 326
Legal reserve fund	17	3 431	3 166
Securities revaluation	17	-12 465	12 521
Retained earnings	17	27 819	25 323
Total equity		**52 643**	**74 868**
Liabilities			
Liabilities from insurance contracts	18	210 335	216 406
Liabilities from investment contracts with DP	18	33 385	40 198
Deferred tax liability	20	-	1 609
Trade and other liabilities	19	46 724	44 907
Income tax liabilities		598	-
Total liabilities		**291 042**	**303 120**
Total equity and liabilities		**343 685**	**377 989**

Ing. Slávka Miklošová
Chairman of the Board of Directors
and CEO

RNDr. Milan Fleischhacker
Member of the Board of Directors

Statement of comprehensive income

(All amounts are in thousands of EUR, unless otherwise noted)

	Note	2022	2021
Insurance premium earned from insurance contracts	21	98 185	92 641
Insurance premium earned from investment contracts with DPF	21	9 321	16 710
Insurance premium earned ceded to reinsurers	21	-21 493	-21 290
Net insurance premium earned		**86 013**	**88 061**
Net income from financial investment	22	6 150	6 703
Commissions from reinsurers		4 462	5 777
Net realised gains from financial assets	23	262	-95
Impairment of debt securities available for sale	23	-1 500	-
Net fair value revaluation gain/loss on financial investments	23	-7 933	3 049
Other income	24	551	408
Net income		**88 005**	**103 903**
Insurance benefits	25	-8 484	-16 642
Benefits from investment contracts with DPF	25	-9 571	-19 009
Insurance benefits ceded to reinsurers	25	204	59
Insurance claims and claim handling costs	25	-45 938	-46 771
Insurance claims and claim handling costs ceded to reinsurers	25	13 760	14 152
Net insurance claims and benefits		**-50 029**	**-68 211**
Insurance contracts acquisition costs	26	-24 268	-22 157
Marketing and administrative expenses	26	-7 679	- 7 630
Other operating expenses	26	-2 181	- 2 655
Expenses		**-84 157**	**-100 653**
Profit before tax		**3 848**	**3 250**
Income taxes, including special levy from profit	28	-1 087	-604
Profit after tax		**2 761**	**2 646**
Other comprehensive income/loss (items which may be reclassified to profit or loss)			
Gains/(losses) from revaluation of financial assets available for sale and realised gain transfers to profit or loss, net of	17	-33 069	-5 875
Deferred tax on revaluation of financial assets available for sale and transfers to net profit on sale	17	8 083	1 436
Other comprehensive income/loss Total, net of tax		**-24 986**	**-4 439**
Total comprehensive income		**-22 225**	**-1 793**

Statement of changes in equity

(All amounts are in thousands of EUR, unless otherwise noted)

	Note	Share capital	Share premium	Legal reserve fund	Revaluation reserve of securities available for sale	Retained earnings	Equity Total
Balance as at 1 January 2021		**18 532**	**15 326**	**2 941**	**16 960**	**22 902**	**76 661**
Profit after tax		-	-	-	-	2 646	2 646
Other comprehensive income		-	-	-	-4 439	-	- 4 439
Total comprehensive income		**-**	**-**	**-**	**- 4 439**	**2 646**	**- 1 793**
Fund contribution		-	-	225	-	-225	-
Dividends paid		-	-	-	-	-	-
Balance as at 31 December 2021		**18 532**	**15 326**	**3 166**	**12 521**	**25 323**	**74 868**
Profit after tax		-	-	-	-	2 761	2 762
Other comprehensive income		-	-	-	-24 986	-	-24 986
Total comprehensive income		**-**	**-**	**-**	**-24 986**	**2 762**	**- 22 224**
Fund contribution		-	-	265	-	-265	-
Dividends paid		-	-	-	-	-	-
Balance as at 31 December 2022		**18 532**	**15 326**	**3 431**	**-12 465**	**27 819**	**52 643**

Statement of cash flows

(All amounts are in thousands of EUR, unless otherwise noted)

	Note	2022	2021
Cash flows from operating activities	29	1 382	606
Income tax paid		-1 256	-2 251
Interest received		6 002	6 536
Net cash flows from operating activities		**6 128**	**4 891**
Cash flows from investment activities			
Dividends received		77	59
Purchase of tangible assets, intangible assets and investment property	7, 8, 9	-3 448	-3 689
Net cash flows from investment activities		**-3 371**	**-3 630**
Cash flows from financing activities			
Lease contracts		-699	-931
Net cash flows from financing activities		**-699**	**-931**
Decreases / Increases in cash and cash equivalents		2 058	330
Cash and cash equivalents at the beginning of the year		7 172	6 842
Cash and cash equivalents at the end of the year	15	**9 230**	**7 172**

(All amounts are in thousands of EUR, unless otherwise noted)

1. General information

KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group ("the Company") was established on 19 October 1993 and incorporated in the Commercial Register on 1 January 1994. The Company obtained a license to perform insurance activities on 12 November 1993.

The Company has been in the insurance business since 1993. It specialises in insurance of all categories of properties, third party liabilities and other interests, plus insurance of individuals and foreign interests.

The Company's shareholders as at 31 December 2022 were as follows:

	Share in the registered capital		Voting rights
	ths.	%	%
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	18 532	100	100

The Company's shareholders as at 31 December 2021 were as follows:

	Share in the registered capital		Voting rights
	ths.	%	%
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	18 532	100	100

The ultimate parent and controlling company is Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung, Schottenring 30, 1010 Vienna, Austria.

As at 31 December 2022, the average number of the Company's employees was 382 of which 5 were in managing positions (as at 31 December 2021: 396 of which 5 were in managing positions).

The Company's statutory representatives were as follows:

Board of Directors:	as at 31 December 2022	as at 31 December 2021
Chairman:	Ing. Slávka Miklošová	Ing. Slávka Miklošová
Members:	Mgr. Blanka Hatalová JUDr. Zuzana Brožek Mihóková RNDr. Milan Fleischhacker Ing. Igor Saxa	Mgr. Blanka Hatalová JUDr. Zuzana Brožek Mihóková RNDr. Milan Fleischhacker Ing. Igor Saxa

Supervisory Board:	as at 31 December 2022	as at 31 December 2021
Chairman:	Dr. Peter Thirring	Dr. Peter Thirring
Vice-chairman:	Hartwig Löger	Gábor Lehel (until 31 May 2021) Hartwig Löger (from 16 June 2021)

Members:	Ing. Jana Bibová Mag. Christian Brandstetter Mgr. Magdaléna Adamová PhDr. Michal Kaliňák, Phd.	Ing. Jana Bibová Mag. Christian Brandstetter Mgr. Katarína Gáliková (until 31 December 2021) Ing. Milan Muška (until 15 June 2021) Mgr. Magdaléna Adamová Mag. Dr. Claudia Ungar-Huber (until 31 December 2021) Dipl. Ing. Doris Wendler (until 31 December 2021) PhDr. Michal Kaliňák, Phd. (from 16 June 2021)

The Company address:

KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group
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811 05 Bratislava, Slovak Republic
Identification number: 31 595 545
Tax identification number: 2022097089

These financial statements have been prepared in accordance with Article 17a), paragraph 1, of Accounting Act 431/2002, as amended, and in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") on the going concern assumption. These financial statements were approved by the Board of Directors on 8 March 2023.

The Company is part of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. Consolidated financial statements will be prepared in accordance with IFRS by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria (Address of the register court: Handelsgericht Wien, 1030 Vienna, Marxergasse 1a, DVR: 0000550922).

The financial statements were prepared on the basis of the historical cost principle, with the exception of financial assets available for sale and financial assets at fair value through the statement of profit or loss.

The preparation of financial statements in accordance with IFRS requires use of certain accounting estimates. It also requires the management to make certain judgements about the application of the Company's accounting policies. Areas which require a higher degree of judgement, complex areas, or areas where assumptions and estimates are material for the financial statements are disclosed in Note 5.

All amounts in the notes are presented in thousands of EUR, unless otherwise stated.

2. Adoption of new or revised standards and interperetations

The Company applied all IFRS and its interpretations as adopted by European Union ("EU") as at 31 December 2022.

3. New accounting standards which have not been early applied by the Company

The following new standards and interpretations have been issued and are mandatory for annual periods beginning on or after 1 January 2023 have not been early applied by the Company.

IFRS 17, Insurance contracts (effective for annual periods beginning on or after 1 January 2023).

and

IFRS 9, Financial Instruments: classification and measurement (effective in EU for annual accounting periods beginning on or after 1 January 2018 except for insurance companies which may benefit from the exemption and apply this standard from 2023).
The Company meets all the requirements for a temporary exemption of IFRS implementation, as the percentage of the total carrying amount of insurance liability, related to the total carrying amount of all liabilities was higher than 90%. The fulfilment of the SPPI criteria and the analysis of assets, which represent only interest and principal payments, according to the rating, is stated in Note 12.

More information on the expected impact of IFRS 17 and IFRS 9 standards is provided in chapter 3.1 – 3.2.

The Company does not expect a significant impact with other accounting standards not yet applied.

3.1. Estimated impact of the adoption of IFRS 17 and IFRS 9

The Company has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 will have on its separate financial statements. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of the Company's total equity is estimated to be a decrease by EUR 12.3 mil. As at 1 January 2022, as summarised below.

Estimated increase in the Company's total equity (in millions of EUR)	Note	1 January 2022
Adjustments due to adoption of IFRS 17		
Life contracts	3.2 (v)	-28.1
Non-life contracts	3.2 (vi)	0.2
		27.9
Adjustments due to adoption of IFRS 9		
Classification of financial assets	3.3 (i)	11.6
Impairment of financial assets	3.3 (ii)	0.0
		11.6
Deferred tax impacts		**4.0**
Estimated impact of adoption of IFRS 17 and IFRS 9, after tax		**-12.3**

The assessment above is preliminary because not all of the transition work has been finalised. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2022 may change because:

- the Company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;

- although parallel runs were carried out in the second half of 2022, the new systems and associated controls in place have not been operational for a more extended period;
- the Company has not finished the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finishes its first financial statements that include the date of initial application.
- The Company has not finished setting up the model for calculating the risk premium and value of options and guarantees;

3.2. IFRS 17 Insurance contracts

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

(i) Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with DPF.

When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

(ii) Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into Groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different Company entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e., by year of issue) and each annual cohort into three groups:

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

Contracts within a portfolio that would fall into different Groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same Company. This will apply to contracts issued in the EU that are required by regulation to be priced on a gender-neutral basis.

When a contract is recognised, it is added to an existing Company of contracts or, if the contract does not qualify for inclusion in an existing Company, it forms a new Company to which future contracts may be added. Groups of reinsurance contracts are established such that each Company comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on Groups of profitable contracts, which are generally deferred as a CSM, against losses on Groups of onerous contracts, which are recognised immediately (see (v) and (vi)). Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e., portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

(iii) Contract boundaries

Under IFRS 17, the measurement of a Company of contracts includes all of the future cash flows within the boundary of each contract in the Company. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Some term life and critical illness contracts issued by the Company have annual terms that are guaranteed to be renewable each year. Currently, the Company accounts for these contracts as annual contracts. Under IFRS 17, the cash flows related to future renewals (i.e., the guaranteed renewable terms) of these contracts will be within the contract boundary. This is because the Company does not have the practical ability to reassess the risks of the policyholders at individual contract or portfolio level.

Investment contracts with DPF

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Company to deliver cash at a present or future date. The Company has no substantive obligation to deliver cash if it has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

(iv) Measurement - Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how the Company will apply the measurement model, see (v).

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items; they are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Premium Allocation Approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. For an explanation of how the Company will apply the PAA, see (vi).

The Company expects that it will apply the PAA to all contracts in the Non-life segment because the following criteria are expected to be met at inception.

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the Company is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.
- Temporary group term life insurance contracts

(v) Measurement – Life contracts

Insurance contracts and investment contracts with DPF

On initial recognition, the Company will measure a Company of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a Company of contracts do not reflect the Company's non-performance risk.

- The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company will use stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for variables such as interest rates and equity returns.
- All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts. Cash flows that vary based on the returns on any underlying items will be adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity. When the present value of future cash flows is estimated by stochastic modelling, the cash flows will be discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

- The risk adjustment for non-financial risk for a Company of contracts, determined separately from the other estimates, is the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.
- The CSM of a Company of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a Company of contracts, the Company is not onerous if the total of the following is a net inflow:
  (a) the fulfilment cash flows;
  (b) any cash flows arising at that date; and
  (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the Company (including assets for insurance acquisition cash flows; see below).

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the Company is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue (see (viii)).

Subsequently, the carrying amount of a Company of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- The fulfilment cash flows of Groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the Company is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the Company of contracts that has not yet been recognised in profit or loss because it relates to future service.

Reinsurance contracts

The Company will apply the same accounting policies to measure a Company of reinsurance contracts, with the following modifications.

The carrying amount of a Company of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises

(a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and

(b) any remaining CSM at that date.

The Company will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in the insurance service result in profit or loss.

(All amounts are in thousands of EUR, unless otherwise noted)

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Company to the reinsurer.

The CSM of a Company of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Company will:

- recognise any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it relates to insured events that occurred before the purchase of the Company; and
- recognise income when it recognises a loss on initial recognition of onerous underlying contracts if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

The CSM is adjusted subsequently only for specified amounts and is recognised in profit or loss as services are received.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a Company of contracts that are directly attributable to the portfolio of contracts to which the Company belongs. Under IFRS 17, for Life contracts, insurance acquisition cash flows are allocated to Groups of contracts using systematic and rational methods based on the total premiums for each Company.

Impact assessment

The increase in the liabilities for Life contracts on transition to IFRS 17 can mainly be attributed to the following.

Changes from IFRS 4	**Impact on equity on transition to IFRS 17**
The estimates of the present value of future cash flows will increase as a result of (a) the inclusion of all discretionary benefits in the estimates of the future cash flows in measuring the liabilities for investment contracts with DPF (see (i)) and (b) a reduction in the discount rates because of the IFRS 17 requirements to measure future cash flows using current discount rates.	Decrease
The risk adjustment for non-financial risk under IFRS 17 will be lower than the risk margin under IFRS 4 as a result of (a) recalibration of the measurement techniques to conform with the IFRS 17 requirements, (b) exclusion of financial risk and general operational risk from the IFRS 17 risk adjustment for non-financial risk	Increase
A CSM, determined using the transition approaches described under (ix), will be recognised for the unearned profit for these contracts.	Decrease

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of EUR 28.1 million as at 1 January 2022.

(vi) Measurement – Non-Life contracts

On initial recognition of each Company of Non-life insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Company will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a Company of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Company will recognise the liability for incurred claims of a Company of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates).
The Company will apply the same accounting policies to measure a Company of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Impact assessment

Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for Non-life contracts.

Changes from IFRS 4	**Impact on equity on transition to IFRS 17**
Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Company does not currently discount such future cash flows.	Increase
IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non- financial risk. This is not explicitly allowed currently.	Decrease
Capitalization of eligible insurance acquisition cash flows other than initial commissions.	Increase

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of EUR 0.2 million at 1 January 2022.

(vii) Measurement – Significant judgements and estimates

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.
Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to group of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Company will generally allocate insurance acquisition cash flows to group of contracts based on the total premiums for each group, claims handling costs

based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts in each group.

Discount rates

for The Company will generally determine risk-free discount rates using the observed mid-price swap yield curves published by EIOPA to use for Solvency II. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. To reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. They will be determined separately for the Life and Non-life contracts and allocated to group of contracts based on an analysis of the risk profiles of the groups. They take into account the diversification benefits between the Company's entities, which shall be determined using a correlation matrix.

The risk adjustments for non-financial risk will be determined using the following techniques.

- Liabilities for incurred claims of Non-life contracts: Cost of Capital, “CoC”.
- Life contracts: CoC.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company will apply these techniques both gross and net of reinsurance and derive the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a cost of capital technique, the Company will determine the risk adjustment for non-financial risk by applying a cost of capital rate to the amount of capital required for each future reporting date and discounting the result using risk-free rates adjusted for illiquidity, consistently with the Company’s current practice. The required capital will be determined by estimating the probability distribution of the present value of future cash flows from the contracts at each future reporting date and calculating the capital that the Company would require to meet its contractual obligations to pay claims and expenses arising over the duration of the contracts at a 99.5 percent confidence level. The cost of capital rate represents the additional reward that investors would require for exposure to the non-financial risk. The Company’s weighted-average cost of capital rate is 6 percent at 1 January 2023 and 2022.

CSM

The CSM of a Company of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the Company, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the Company, determined by considering for each contract the quantity of the benefits provided and its expected coverage period, for discounting a current yield curve is used. The coverage units will be reviewed and updated at each reporting date.

The Company will determine the quantity of the benefits provided under each contract as follows.

Product	Product group	Basis for determining quantity of benefits provided
First insurance	Long-term insurance contracts with DPF – Pension insurance	prime rate = risk insurance + supplementary insurance = weighted risk insurance
	Investment contracts with DPF - Deposit insurance	
	Long-term insurance contracts with DPF – Dowry insurance	
	Long-term insurance contracts with DPF – Mixed insurance	
	Long-term insurance contracts without DPF – Index linked insurance	
	Long-term insurance contracts without DPF –unit linked	
	Long-term insurance contracts with DPF - Funeral insurance	
	Long-term insurance contracts without DPF – Risk life insurance	prime rate = risk supplementary insurance = weighted risk insurance
Reinsurance	Life reinsurance Surplus	prime rate = risk supplementary insurance = weighted risk insurance

(viii) Presentation and disclosure

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Company's separate financial statements.

Under IFRS 17, portfolios of insurance contracts and investment contracts with DPF that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related Company of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into
(a) an insurance service result, comprising insurance revenue and insurance service expenses; and
(b) insurance finance income or expenses.

Amounts from reinsurance contracts will be presented separately.
The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 (see (C)) will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Investment components will not be included in insurance revenue and insurance service expenses under IFRS 17. As a result, the Company expects a significant reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Company will identify the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. The Company has identified that its universal life, participating and non-participating whole-life contracts contain an investment component, determined as the surrender value specified in the contractual terms less any accrued fees.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Company will present them on a net basis as ‘net expenses from reinsurance contracts’ in the insurance service result, but information about these will be included in the disclosures.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of Groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of Groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For Life risk and Life savings contracts, the Company will choose to disaggregate insurance finance income or expenses between profit or loss and OCI. This is expected to reduce accounting mismatches in profit or loss, considering that many of the supporting financial assets will be debt investments measured at FVOCI under IFRS 9 (Note 2.2.2 (i)). The amount included in profit or loss will be determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the Company of contracts. The systematic allocation will be determined using the following rates:

- Life risk contracts: the discount rates determined on initial recognition of the group of contracts; and
- Life savings contracts: for insurance finance income or expenses arising from the estimates of future cash flows, a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the Company of contracts at a constant rate (i.e., the effective yield); and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts.

If the Company derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract will be reclassified to profit or loss as a reclassification adjustment.

For Participating and Non-life contracts, the Company will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17.

(All amounts are in thousands of EUR, unless otherwise noted)

There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF (see (i)). Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

(ix) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Company will:

- identify, recognise and measure each Company of insurance contracts, reinsurance contracts and investment contracts with DPF as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts);
- recognise any resulting net difference in equity. The carrying amount of goodwill from previous business combinations will not be adjusted

If it is impracticable to apply a full retrospective approach to a Company of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the modified retrospective approach and the fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

Insurance contracts, reinsurance contracts and investment contracts with DPF

The Company will apply the full retrospective approach to all Non-life contracts and the following approaches to Life contracts on transition to IFRS 17.

Product	Product group	Life contracts approach
First insurance	Long-term insurance contracts with DPF – Pension insurance	year of issue 2019 and later: Fair value method year of issue 2020 and forward: Complete retrospective method
	Investment contracts with DPF - Deposit insurance	
	Long-term insurance contracts with DPF – Dowry insurance	
	Long-term insurance contracts with DPF – Mixed insurance	
	Long-term insurance contracts without DPF – index linked	
	Long-term insurance contracts without DPF – Risk life insurance	
	Short-term insurance contracts without DPF – Risk life insurance	
	Long-term insurance contracts without DPF – unit linked	
	Long-term insurance contracts with DPF - Funeral insurance	
Reinsurance	Life Reinsurance Surplus	year of issue 2019 and later: Fair value method year of issue 2020 and forward: Complete retrospective method
	Quota Reinsurance of accident	
	Reinsurance by loss excess of accident	
	Optional Reinsurance /Fronting life reinsurance	

The Company considers the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons. Such information includes for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying Groups of contracts;
  - information about historical cash flows (including insurance acquisition cash flows and other cash flows incurred before the recognition of the related contracts) and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to Groups of contracts, because the Company's current accounting policies do not require such information; and
  - information about certain changes in assumptions and estimates because they were not documented on an ongoing basis.
- The full retrospective approach requires assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items required for identifying direct participating contracts;
  - assumptions about discount rates, and
  - assumptions about the risk adjustment for non-financial risk because the Company was not subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2016.

Fair value approach

Under the fair value approach, the CSM (or the loss component) at 1 January 2022 will be determined as the difference between the fair value of a Company of contracts at that date and the fulfilment cash flows at that date. The Company will measure the fair value of the contracts as the sum of (a) the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and (b) an additional margin, determined using a confidence level technique.

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary (see (iii)). Therefore, the cash flows related to expected future renewals of insurance contracts will not be considered in determining the fair value of those contracts if they are outside the contract boundary. The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows.

Differences in the Company's approach to measuring fair value from the IFRS 17 requirements for measuring fulfilment cash flows will give rise to a CSM at 1 January 2022. In particular, in measuring fair value the Company will include a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require assuming the obligations to service the insurance contracts. In determining this margin, the Company will consider certain costs that are not directly attributable to fulfilling the contracts (e.g. general overheads) and certain risks that were not reflected in the fulfilment cash flows (e.g. general operational risk), among other factors that a market participant would consider.

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

- how to identify groups of contracts;
- whether a contract meets the definition of a direct participating contract;

- how to identify discretionary cash flows for contracts without direct participation features; and
- whether an investment contract meets the definition of an investment contract with DPF.

Some groups of contracts measured under the fair value approach will contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition will be determined at 1 January 2022 instead of at the date of initial recognition.
For all contracts measured under the fair value approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 will be determined to be zero.

3.3. IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

(i) Financial assets – Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortised cost, FVOCI and FVTPL – and eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

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

Impact assessment

IFRS 9 will affect the classification and measurement of financial assets held at 1 January 2023 as follows.

- Financial assets designated as at FVTPL under IAS 39 will also be measured at FVTPL under IFRS 9.
- Debt investments that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances. The Company will measure these debt instruments under IFRS 9 as FVOCI.

- Bonds classified under IAS 39 as held to maturity or loans and receivables at amortized cost under IAS 39. According to IFRS 9, these investments will be valued as FVOCI.
- Loans that are measured at amortized cost under IAS 39 will also be measured at amortized cost under IFRS 9.
- Mutual funds, ETFs and special funds classified as available for sale under IAS 39 will be measured as FVTPL in IFRS 9 with an impact on the statement of profit or loss in related year.

Equity instruments with a share in the share capital of up to 20% represent investments held for non-current strategic purposes and as at 1 January 2022, under IFRS 9, they will be valued as FVOCI without the possibility of recycling. All fair value gains and losses will subsequently be transferred to OCI, no impairment losses will be recognized in the income statement, and no gains or losses will be reclassified to gain or loss on the sale of these investments.

As at 1 January 2023, approximately 19% and as at 1 January 2022, approximately 15%of the financial assets of the Company were measured at amortized cost before the transition to IFRS 9, and after the transition to IFRS 9, the majority of these assets will be measured as FVOCI. This will cause a significant impact on the overall equity of the Company. The Company estimates that after the adoption of IFRS 9, the impact of these changes (before tax) will increase the Company's equity by EUR 11.6 million as at 1 January 2022.

(ii) Financial assets – Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Company's financial assets measured at amortised cost, debt investments at FVOCI.

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

The Company will measure loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date, which the Company considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'; or debt securities for which credit risk has not increased significantly since initial recognition, and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information. As a backstop, the Company will consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The key inputs into the measurement of ECL are the term structures of the PD, LGD and EAD. ECL for financial assets for which credit risk has not significantly increased are calculated by multiplying the 12-month PD by the respective LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by the respective LGD and EAD.

For ECL determination a unique internal model VIG Group is used.

To determine lifetime and 12-month PDs, the Company will use the PD tables supplied by S&P Global Ratings based on the default history of obligors in the same industry and geographic region with the same credit rating. The Company will adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs will be recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information. Changes in the rating for a counterparty or exposure will lead to a change in the estimate of the associated PD.

LGD is the extent of probable loss in case of default. To determine the LGD, the parameters used for the purposes of internal risk assessment and reporting in the VIG group will be used.

EAD represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount at the time of default.

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped based on shared risk characteristics, which include:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings will be subject to regular review to ensure that exposures within a particular Company remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company will use to derive the default rates of its portfolios. This includes the PDs provided in the Standard&Poor's default study.

Impact assessment

The Company estimates that application of the IFRS 9 impairment requirements will result in additional loss allowances. The recognition of additional loss allowances on adoption of IFRS 9 mainly relates to debt investments measured at FVOCI, but this will not affect the Company's total equity. This is because, for these investments, the recognition of loss allowances will not reduce the carrying amount of the investments, which is their fair value; instead, the recognition of impairment losses in profit or loss will give rise to an equal and opposite gain in OCI. As at 1 January 2022, the Company estimates that the application of the IFRS 9 impairment requirements to these investments will result in a transfer (before tax) from retained earnings to the fair value reserve of EUR 0.3 mil.

The Company's total equity is impacted by the IFRS 9 impairment requirements only to the extent of any loss allowances on financial assets measured at amortised cost. As at 1 January 2022, the Company estimates that, on adoption of IFRS 9, the impact of these changes (before tax) is a reduction in the Company's total equity of EUR 10 ths.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively, except as described below.

- The comparative period will be restated. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2023; however, the Company will elect to apply the classification overlay in IFRS 17 to financial assets derecognised in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.
- The following assessments have to be made on the basis of the facts and circumstances that exist at 1 January 2023:
  - the determination of the business model within which a financial asset is held;
  - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
  - the designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a financial asset has low credit risk, then the Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

(All amounts are in thousands of EUR, unless otherwise noted)

IFRS 9 adoption

As at 31 December 2022	Assets which are not just principal and debt payments (SPPI)		Assets which are just principal and debt payments (SPPI)	
	Fair value	Profit/loss from fair value revaluation	Fair value	Profit/loss from fair value revaluation
Securities at amortised cost:				
Government bonds	-	-	35 147	-8 052
Corporate bonds	-	-	558	-172
Financial bonds	-	-	-	-
Mortgage bonds	-	-	7 599	-2 606
Total	**-**	**-**	43 304	-10 830
Securities available for sale:				
Government bonds	-	-	57 980	-16 807
Corporate bonds	-	-	38 510	-7 589
Financial bonds	-	-	15 307	-1 695
Mortgage bonds	-	-	14 652	-3 071
Mutual fonds	17 590	-3 907	-	-
Total	17 590	-3 907	126 449	-29 162
Securities at fair value through profit or loss:				
Government bonds	-	-	-	-
Corporate bonds	3 984	-244	435	-6
Financial bonds	-	-	-	-
Mortgage bonds	-	-	634	-72
Mutual fonds	1 246	-339	-	-
Total	5 230	-583	1 069	-78
Financial allocation on behalf of the insured:				
Bonds	12 594	-822	4 052	-301
Mutual fonds	33 799	-7 658	-	-
Total	46 393	-8 480	4 052	-301
Loans and receivables				
Loans	-	-	4 290	-860
Other receivables	-	-	1 047	-
Total	**-**	**-**	**5 337**	**-860**

(All amounts are in thousands of EUR, unless otherwise noted)

As at 31 December 2021	Assets which are not just principal and debt payments (SPPI)		Assets which are just principal and debt payments (SPPI)	
	Fair value	Profit/loss from fair value revaluation	Fair value	Profit/loss from fair value revaluation
Securities At amortised cost:				
Government bonds	-	-	43 190	-2 516
Corporate bonds	-	-	729	-25
Financial bonds	-	-	-	-
Mortgage bonds	-	-	10 203	-177
Total	**-**	**-**	**54 122**	**-2 718**
Securities available for sale:				
Government bonds	-	-	74 446	-4 194
Corporate bonds	-	-	54 129	-1 323
Financial bonds	3 149	9	11 366	-221
Mutual fonds	-	-	15 736	-852
Mortgage bonds	27 726	706	-	-
Total	**30 876**	**715**	**155 677**	**-6 590**
Securities at fair value through profit or loss:				
Government bonds	-	-	-	-
Corporate bonds	3 555	496	365	1
Financial bonds	-	-	-	-4
Mutual fonds	-	-	634	-3
Mortgage bonds	2 302	197	-	-
Total	**5 857**	**693**	**999**	**-6**
Financial allocation on behalf of the insured:				
Bonds	14 088	-243	4 500	-139
Mutual fonds	38 847	909	-	-
Total	**52 935**	**666**	**4 500**	**-139**
Loans and receivables				
Loans	-	-	4 765	-62
Other receivables	-	-	1 222	-
Total	**-**	**-**	**5 987**	**-62**

(All amounts are in thousands of EUR, unless otherwise noted)

As at 31 December 2022	Gross carrying amount (IAS 39) of assets which are just principal and debt payments, by rating					
	AAA	**AA**	**A**	**BBB**	**BB-D**	**No rating**
Securities at amortised cost						
Government bonds	2 044	-	32 910	-	-	-
Corporate bonds	-	-	744	-	-	-
Financial bonds	-	-	-	-	-	-
Mortgage bonds	-	7 040	-	-	-	-
Total	2 044	7 040	33 654	**-**	**-**	**-**
Securities available for sale						
Government bonds	-	755	48 408	5 749	3 067	-
Corporate bonds	-	372	5 603	21 668	5 895	4 973
Financial bonds	-	971	5 571	8 765	-	
Mortgage bonds	5 994	5 525	-	3 132	-	-
Mutual funds	-	-	-	-	-	-
Total	5 994	7 623	59 583	39 314	8 962	4 973
Securities at fair value through profit or loss						
Government bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	43	-	391
Financial bonds	-	-	-	-	-	-
Mortgage bonds	-	-	-	634	-	-
Mutual funds	-	-	-	-	-	-
Total	**-**	**-**	**-**	677	-	391
Financial allocation on behalf of the insured:						
Bonds	-	-	-	2 430	-	1 623
Mutual fonds	-	-	-	-	-	-
Total	-	-	-	2 430	-	1 623
Loans and receivables						
Loans	-	-	-	1 685	1 873	1 522
Other receivables	-	-	-	-	-	1 047
Total	**-**	**-**	**-**	**1 685**	**1 873**	**2 569**

(All amounts are in thousands of EUR, unless otherwise noted)

As at 31 December 2021	Gross carrying amount (IAS 39) of assets which are just principal and debt payments, by rating					
	AAA	**AA**	**A**	**BBB**	**BB-D**	**No rating**
Securities at amortised cost						
Government bonds	2 053	-	32 892	-	-	-
Corporate bonds	-	-	743	-	-	-
Financial bonds	-	-	-	-	-	-
Mortgage bonds	-	7 038	-	-	-	-
Total	**2 053**	**7 038**	**33 635**	**-**	**-**	**-**
Securities available for sale						
Government bonds	-	1 004	62 943	6 835	3 664	-
Corporate bonds	-	501	3 583	38 429	4 764	6 853
Financial bonds	-	-	2 559	8 807	-	
Mortgage bonds	5 833	7 310	-	2 389	204	-
Mutual funds	-	-	-	-	-	-
Total	**5 833**	**8 815**	**69 085**	**56 460**	**8 632**	**6 853**
Securities at fair value through profit or loss						
Government bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	365
Financial bonds	-	-	-	-	-	-
Mortgage bonds	-	-	-	-	-	-
Mutual funds	-	-	-	-	634	-
Total	**-**	**-**	**-**	**-**	**634**	**365**
Financial allocation on behalf of the insured:						
Bonds	-	-	-	-	2 428	2 072
Mutual fonds	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**2 428**	**2 072**
Loans and receivables						
Loans	-	-	-	1 738	1 920	1 037
Other receivables	-	-	-	-	-	1 222
Total	**-**	**-**	**-**	**1 738**	**1 920**	**2 259**

4. Significant accounting policies

4.1. Foreign currency translation

(i) Functional and presentation currencies of the financial statements

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (EUR) which is the Company's functional and presentation currencies.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the NBS/ECB exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end NBS/ECB exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss.

Differences from the translation of non-monetary financial assets and liabilities are recognised as part of the gain or loss from changes in fair value. Differences from the translation of non-monetary financial assets, such as equity securities classified as available for sale, are included in other comprehensive income as part of the revaluation reserve of securities available for sale.

4.2. Property, plant and equipment

(i) Acquisition cost

Tangible assets primarily comprise real estate assets. Tangible assets are carried at cost, less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of profit or loss in the reporting period in which they are incurred.

(ii) Depreciation

Land and assets under construction are not depreciated. Depreciation of other assets is calculated using the straight-line method, from the difference between their cost and residual value over their estimated useful lives.

The estimated useful lives of individual classes of assets are as follows:

Buildings	30 - 50 years
Motor vehicles and computers	4 - 6 years
Office equipment and furniture	4 - 15 years

The assets' residual values and useful lives are reviewed at each balance-sheet date and adjusted, if necessary.

Gains or losses from the disposal of assets are calculated as the difference between proceeds from sale and the carrying value of the assets, and are included in profit or loss.

4.3. Investment property

Investment property comprises freehold office buildings in ownership of the Company, held for long-term rental yields, and not occupied by the Company. Investment property is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure which is directly attributable to the acquisition of the items. For depreciation, see Note 4.2 (ii). In case the part of a building rented to a third party is insignificant, the whole asset is stated as a tangible asset. In case the part of building rented to a third party is significant, one part of the building is divided by the use between Investment property and Property, plant and equipment.

4.4. Intangible assets

Costs incurred for acquisition of computer software licences and commencement of use are capitalised. Amortisation is calculated using the straight-line method to allocate the cost of licenses over the estimated useful lives, not exceeding ten years.

All intangible assets are stated at cost less accumulated amortisation and impairment losses. Acquisition cost comprises all expenses directly incurred to acquire the assets. Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the Company and the amount of the expenditure can be measured reliably. Expenditure on all other repairs and maintenance is charged to Statement of profit or loss in the accounting period in which incurred.

4.5. Financial assets

Regular purchases and sales of financial assets are recognised on the trade date; it is the date when the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, except for financial assets at fair value through profit or loss.

Financial assets are derecognised from the balance sheet when the rights to receive cash flows from them have expired, or when they have been transferred together, with all risks and rewards of ownership, to another entity.

Financial assets are classified into the following four categories, depending on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at their initial recognition, and revaluates them at each balance-sheet date.

Financial assets at fair value through profit or loss represent financial assets which the Company designates at fair value through profit or loss at initial recognition. Financial assets at fair value through profit or loss are those which are being managed, and whose performance is evaluated on a fair value basis in line with the Company's investment strategy.

Loans and receivables are non-derivative financial assets with fixed payments that are not listed on an active market. This category does not include assets that the Company intends to sell in the short term, or designated as at fair value through profit or loss, or as available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments, and fixed maturities that the Company has the intention and ability to hold to maturity.

Financial assets available for sale are non-derivative financial assets, that are either designated in this category or not classified in any other category.

Financial assets available for sale, and financial assets at fair value through profit or loss, are subsequently valued at fair value. Held-to-maturity financial investments, and loans and receivables, are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses, arising from changes in the fair value of financial assets at fair value through profit or loss category are included in the statement of profit or loss, in the period in which they arise. Unrealised gains and losses, arising from changes in fair value of financial assets available for sale, are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified into the statement of profit or loss as Net realised gains or loss from financial investments, or in impairment of debt securities available for sale (Note 23 c).

Interest on securities available for sale, calculated using the effective interest method, is recognised as income in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss when the Company's right to receive payments is established, and inflow of economic benefits is probable. Both are included in the Net financial investment income line.

The fair value of listed financial assets is based on their current bid prices at the balance sheet date of financial statements. If the market for a specific financial asset is not active, the Company establishes fair value by use of valuation techniques. These valuation techniques include, for example, the use of recently realised transactions under normal conditions, reference to other financial instruments that are substantially the same, discounted cash flow analysis, and option pricing models, with maximum use of market inputs and minimum inputs that are specific for the Company.

4.6. Impairment of assets

(i) Financial assets at amortised cost

The Company reassesses, at each balance-sheet 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 is impaired, and impairment losses are incurred, only if there is objective evidence of impairment, as a result of one or more events that have occurred after the initial recognition of the asset (a loss event), and if the loss event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset is impaired includes:

- Significant financial problems of the debtor or issuer;
- A breach of contractual conditions, such as a default in payments;
- A creditor, due to legal or economic reasons related to the debtor's financial problems, gives the debtor a discount which was originally not intended to be provided;
- It becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganisation
- Termination of the active market for the given financial asset due to financial difficulties;
- Identifiable data indicating that there is a measurable decrease in the estimated future cash flow from financial assets since the initial recognition of those assets, although the decrease cannot yet be matched to individual financial assets in the group, including:
  - adverse changes in the solvency of issuers or debtors in the group, or
  - national or local economic conditions which correlate with defaults on assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics (categorised by asset type, industrial sector, territory, maturity and similar relevant factors) and collectively assesses them for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows in a group of financial assets, that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets in the group, and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data, to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not currently exist.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, or held-to-maturity investments, the amount of loss is measured as the difference between the asset's carrying amount, and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognised in the statement of profit or loss. If a held-to-maturity investment or loan has a variable interest rate, then the discount rate for measuring any impairment loss is the current contractual interest rate. The Company may also determine the amount of an impairment loss for a financial asset as the difference between the fair value of the financial asset based on its market price, and the carrying amount of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), then the previously recognised impairment loss is reversed by adjusting the allowance account in the statement of profit or loss, but only up to the amount of previously recognised impairment loss.

(ii) Financial assets at fair value

The Company assesses at each balance-sheet date whether there is objective evidence that a financial asset is impaired, including, in case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for financial assets available for sale, the cumulative loss is removed from 'other comprehensive income' and recognised in profit or loss. Cumulative loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed, and subsequent revaluation gains are recognised in other comprehensive income. Impairment losses on debt securities are recognised in the statement of profit or loss. If there is an increase in the fair value of a security in a subsequent period, and this increase is objectively related to an event that occurred after the impairment was recognised in the statement of profit or loss, the impairment loss will be derecognised from the statement of profit or loss but only up to the amount of the impairment loss recognised for the financial assets.

(iii) Impairment of other non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events, or changes in circumstances, indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired non-financial assets are reviewed regularly, at the balance sheet date, to determine whether or not the impairment allowance can be released.

4.7. Offsetting the financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of 3 months or less, and bank loans.

4.9. Share capital

Ordinary shares are classified as equity. Additional costs directly attributable to the issue of new shares of the Company are shown in equity net of tax, as a deduction from the proceeds.

4.10. Insurance and investment contracts with DPF

The Company enters into contracts that transfer insurance risk or financial risk, or both.

Contracts in which the Company assumes significant insurance risk of a third party (policyholder), and agrees to compensate the third party if a specified uncertain event (insurance event) has an adverse effect on the third party, are classified as insurance contracts.

Insurance risk is significant if the occurrence of an insurance event forces the Company to incur claims related losses which are at least 5% higher than losses if the insurance event does not occur.

A number of insurance and investment contracts contain a discretionary participation ("discretionary participation feature", DPF). DPF entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses that are contractually based on Company's decision. Benefits depend on:
- Realised and/or unrealised investment returns on a specified pool of assets held by the Company, or
- Profit or loss of the Company that issues the contract.

The Company recognises a discretionary participation contained in a contract as a liability. All investment contracts concluded by the Company are with DPF.

4.11. Classification of insurance and investment contracts with DPF

a) Recognition and measurement

Insurance contracts that the Company concludes are classified into the following four categories, depending on the duration of contract and whether or not the terms and conditions are fixed or not.

(i) Short-term insurance contract

This category includes insurance contracts that belong to the Company's portfolio of insurance of property, liability (as well as insurance contracts concerning responsibility for damages caused by a motor vehicle, including compulsory Motor Third Party Liability Insurance), accident insurance and other short-term contracts within life and non-life insurance.

Liability insurance contracts protect the Company's customers against the risk of causing harm to a third party as a result of their legitimate activities. The typical protection offered is insurance of individuals or businesses that may become liable to pay compensation to a third party for bodily harm or property damage. Property insurance contracts compensate the Company's customers in case of theft or damage suffered to their properties.

Accident insurance contracts compensate the Company's customers if their health is harmed as a consequence of injury.

Short-term insurance contracts protect the Company's customers from the consequences of events (such as death or deterioration of health), that would affect the ability of the customer or his dependants to maintain their current level of income.

Revenue

Premium written contains premium from contracts issued during the year (or during the previous years), excluding tax related to premium. Premium written is recorded as a revenue when due. The portion of premium that relates to unexpired risks at the balance sheet date is reported as the unearned premium reserve.

Unearned premium reserve

Unearned premium reserve contains a proportional part of unearned premium, which will be earned in the following financial periods. It is quantified for each insurance contract separately using the pro rata temporis (365-days basis) method, and is adjusted as a result of any variances related to risk that occur during the time period set in the insurance contract. Part of the unearned premium reserve may include a reserve for unexpired risks, which is based on a non-life insurance sufficiency test, assessing the appropriateness of accrued acquisition costs and the adequacy of insurance premiums to cover all future claims arising from related insurance contracts.

Insurance events

Insurance costs are recognised in profit or loss in the reporting period in which they are incurred, on the basis of estimated liabilities required to compensate insurance to those insured. They include direct and indirect costs to settle the insurance claims, and they result from the events which have occurred until the balance sheet date, including those which were not yet reported to the Company.

Claims and benefits provision

As at the balance sheet date, the Company creates technical reserves for insurance benefits or claims, at an amount estimated to settle the obligations from insurance events that have occurred by the end of the reporting period, and expected claims handling costs.

A provision for insurance claims from insurance events reported until the end of the reporting period, but not yet settled in this period (RBNS), considers all available information related to the relevant insurance event when it is initially recognised. The provision is adjusted when new or additional information regarding this insurance event is obtained. The Company does not discount liabilities for future benefits except for RBNS provision paid in the form of annuities.

The mathematical and statistical methods based on the Chain-Ladder method (the ladder method), either the standard procedure or the modified Cape-Cod method, are used to calculate the technical reserve for claims incurred but not reported in the current accounting period (IBNR). When calculating the reserve, caution is exercised with an emphasis on the sufficiency of the reserve (where applicable, the tail factor is used, and the cash flows are not discounted).

These methods use historical experience in the development of insurance claims, and it is anticipated that these patterns will repeat. Actual development can be different due to the following reasons:

- Economic, legal, political and social trends,
- A change in the settlement procedures for insurance events,
- A change in the portfolio of products other than life insurance and
- Occasional fluctuations, including excessive losses.

If any of these reasons are known and can be identified, modifications of the formula for calculating insurance provisions may be required.

Provision for liabilities to the SKP
During 2021, the Company created a provision for the expected deficit of the Slovak Insurers' Bureau's own assets. The SKP determined the amount of the liability based on the expected deficit and market share according to the number of insured motor vehicles as of the last day of the previous calendar quarter in the given segment. The status of SKP's statutory insurance liability was determined according to the valuation of individual risks in the statutory insurance liability from Deloitte Advisory in the lower estimate.

Payment of insurance premium portion

Pursuant to the Article 68 of Act no. 39/2015 on insurance and on the amendment of certain laws, the Company is obliged to transfer 8% of the premium received from compulsory motor third party liability insurance from the activities performed in the territory of Slovak Republic for the previous calendar year by the end of February of the relevant year to a special account of Ministry of the Interior of Slovak Republic. The Company recognises a contribution in the technical costs of non-life insurance (Note 26c).

The payment of the portion of the premium is accrued for the upcoming reporting period in the same way as the written premium to which the received premium relates.

Insurance tax

Insurance tax, introduced on 1 January 2019 by the Act no. 213/2018 Coll. on insurance tax and on the amendment of certain laws, is an indirect tax and applies to non-life insurance products, with the exception of compulsory motor third party liability. The tax rate is at 8%, the tax base is the amount of premiums received net of tax. The insurance tax is due by the end of the calendar month following the end of the tax period, which is the calendar quartal. Insurance tax is not part of the income from written premiums, but represents a liability to the tax authority.

(ii) Long-term insurance contracts with fixed, guaranteed terms and with DPF

Long-term insurance contracts mainly include universal life insurance (for example death, endowment, serious sicknesses, accident, invalidity etc.) for periods longer than one year. Some contracts include a discretionary participation feature (DPF).

Revenue

Premiums written are recognised as revenue when they become due. Premiums are shown gross before the deduction of insurance commissions. That part of the premium, which relates to risks not expired at the balance sheet date (unearned premium), is recognised as the unearned premium reserve.

Insurance claims

Insurance claims include payments when reaching a certain age, pension benefits, payments of the surrender value, death benefits, and profit share payments. Payments when reaching a certain age and pension benefits are recognised as an expense when due. Surrender values are recognised as an expense when paid. Death benefits are recognised as an expense when the insured event is reported. Liabilities due to insurance claims are considered as provisions.

Claims and benefits provision

The amount of provision is determined as the aggregate sum of claims or benefits calculated for particular insurance events, and includes claim handling costs (including liquidation costs). If the settlement is provided in the form of a pension, the provision is estimated using an actuarial method.

The amount of provision for losses incurred but not yet reported (IBNR) is calculated using actuarial methods. The 'Chain-Ladder' method is used for this calculation. The calculation of provision is prudent (future cash flows are undiscounted), with emphasis on the adequacy of the provision.

Life insurance reserve

The reserve for life insurance is an aggregate of claims and benefits calculated by actuarial methods, according to individual life insurance contracts. The provision comprises mathematical provision for each policy, provision for claim handling costs, and provision for share in future profits. The reinsurer has no share in a life provision, given that valid reinsurance conditions stipulate that only the risk premium is reinsured.

The same mortality tables and technical interest rate as those used for the premium calculation are used for estimating these provisions. The Company applies the Zillmer method for substantially the whole portfolio of insurance contracts (contracts which from their inception were recorded in system KOOP SQL, i.e. after 2005). Negative balances of reserves of individual life insurance contracts are replaced by nil balances and recognised as accrued acquisition costs of on the asset sides. For other insurance contracts (such as those recorded in other IT administration systems upon inception), the Company recognises a non-Zillmerized provision.

Reserve for DPF

In the case of contracts with DPF, the policyholder has the right to a share in surplus in the form of additional benefits. The provision is determined by the management of the Company, on the basis of investment income and profits from the portfolio of these contracts. The DPF is recognised as a liability.

iii) Long-term contracts with no fixed terms

These contracts insure human life events (for example, death or endowment) over a period longer than one year. This group includes unit-linked life insurance and index-linked insurance.

Premium written is recognised as revenue when paid. Part of the premium that relates to risk in future periods after date of balance sheet closing (unearned premium), is shown as part of the reserves for long term contracts.

The amount of liabilities arising from these insurance contracts is adjusted for the change in fair value of linked investment units, the amount of liability is linked to fair value of these investment units, and is decreased by administrative costs which represents the Company's revenue, and by realised withdrawals.

Long-term unit-linked or index-linked contracts contain embedded derivatives which represent the relationship between the insurance benefit, and the fair value of units in the linked investment fund. This embedded derivative meets the definition of an insurance contract, and is therefore not unbundled from the host contract, and it is not accounted for individually.

iv) Investment contracts with discretionary participation features (DPF)

In this product group, the Company also includes single paid premium life insurance policies, sold together with life insurance products under “Mimoriadne Poistne Invest”. Single premium contracts with death benefits in “Projekt Istota” products also belong to this group.

The amount of liabilities from these contracts is adjusted for attributed surplus, and is decreased by administrative fees and fees for surrender of the contract (which represent the Company's revenues), and by realised withdrawals.

Long-term OPU contracts are investment contracts with a DPF, where the policyholder has the right to a surplus in the form of additional interest, as determined by the management of the Company, on the basis of investment income and profits from portfolio of these contracts.

In case of OPU (Personal Insurance Account) contracts, revenue is settled at the moment of the premium settlement.

b) Embedded derivatives in insurance contracts

The Company does not separately record embedded derivatives that meet the definition of an insurance contract, or embedded options to surrender insurance contracts for a fixed amount (or based on a fixed amount and an interest rate).

c) Deferred acquisition costs of insurance contracts

The costs for acquisition of insurance contracts include direct and indirect costs incurred in connection with concluding the insurance contracts. Acquisition costs incurred in the current reporting period and relating to the revenues of future reporting periods are deferred.

Non-life insurance
Deferred acquisition costs in non-life insurance are calculated from the total amount of acquisition costs of the current reporting period, and is divided into current and future reporting periods in the same proportion as the technical provision for unearned premium.

Long-term insurance contracts with fixed or guaranteed contractual terms
Due to the Zillmer method of life reserves being used, acquisition costs in life-insurance are deferred. For the remaining portion of portfolios, for which life insurance reserve is calculated and accounted net, the actual acquisition costs are deferred over the average life of the life insurance contracts.

Long-term contracts with no fixed terms – unit-linked
Deferred acquisition costs for unit-linked contracts, where actuarial funding is used, represent the calculated acquisition costs relating to commissions accrued over 10 years. The balance sheet shows the total amount of unrecognised accruals, calculated as at the reporting date of the financial statements for each insurance contract separately.

Long-term insurance contracts without fixed terms - index-linked
Accrued acquisition costs are not created for index-linked contracts.

d) Liability adequacy test

Liability adequacy test in life insurance

For the purposes of liability adequacy testing, the Company uses a method consistent with the VIG group's approach, which is based on Market Consistent Embedded Value (MCEV).

The best estimate of liabilities is calculated as follows:

The carrying value of the provision, net of deferred acquisition costs, and gross of reinsurance
plus Difference between IFRS and statutory value of the financial assets used in VIF calculations (present value of future expected profits from existing stock, value of in-force business)
minus SPVFP (Stochastic present value of future profits).

The Company used the Solvency II yield curve (according to EIOPA), as of 31 December 2022, to discount future cash flows.

In the liability adequacy test, all life insurance policies were tested, including investment products and corresponding riders with long contract boundaries. The non-adequacy is tested on the level of life portfolios as a whole.

In case of non-adequacy, the Company creates an additional reserve. Non-adequacy of reserves is reported within the expenses of the relevant accounting period.

Liability adequacy test in non-life insurance

The non-life adequacy testing method is consistent with the VIG approach, which is based on the Market Consistent Embedded Value (MCEV).

Liability adequacy in non-life insurance is tested gross of reinsurance, as the adequacy of the unearned premium reserve and claims reserve, according to MCEV methodology. The carrying value of technical reserves is compared to best estimates, according to MCEV (consistent with the undiscounted value of the best estimate of technical reserve, from the calculation for Solvency II purposes). For the purpose of the unearned premium reserve adequacy test, the carrying value of the reserve is reduced by deferred acquisition costs. For the purpose of the claims reserve adequacy test, the carrying value of RBNS and IBNR is decreased by the value of recourse receivable. The liability non-adequacy test is performed on the whole portfolio of non-life contracts.

e) Reinsurance assets

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Only the rights arising from contracts where substantial insurance risk is transferred are recognised as reinsurance assets.

Reinsurance assets depend on expected claims, and claims arising from reinsured insurance contracts. Reinsurance assets are valued on the same basis as the provisions created for the respective reinsured insurance contracts, and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily reinsurance (ceded premiums) arising from reinsurance contracts, which are recognised as an expense on the same basis as the reported premiums for related insurance contracts, and reinsurers 'deposits to cover future reinsurers' liabilities.

The Company assesses its reinsurance assets for impairment at the balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount, and recognises an impairment loss in profit or loss. The Company gathers objective evidence that a reinsurance asset is impaired, using the same process adopted for financial assets carried at amortised cost. The impairment loss is also calculated following the same methods as used for these financial assets. These processes are described in Note 4.6.

f) Receivables and payables related to insurance contracts and investment contracts with DPF

Receivables and payables from insurance contracts and investment contracts include amounts due to and from insurance contract holders, agents and brokers. If there is objective evidence of an impairment to an insurance contract receivable, the carrying value of the insurance receivable is reduced to its recoverable amount, and the loss is recognised in profit or loss. The Company uses the same objective indicators of impairment as those described in Note 4.6.

4.12. Deferred income tax

Deferred income tax is calculated using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the balance sheet date, and that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

4.13. Employee benefits

(i) Unfunded defined benefit plan

The Company pays benefits to its employees in accordance with the Labour Code and the "Employee Benefits Program". The Company pays contributions to state and private pension insurance plans.

During the year, the Company pays contributions to compulsory health, sickness, pension, accident insurance, insurance to the solidarity reserve fund, as well as contributions to the guarantee fund and unemployment insurance in the level of 35.2% (2021: 35.2%) of gross wages, up to the amount of the monthly wage stipulated by the relevant legislation, while the employee contributes with further 13.4% to the relevant insurance {2021: 13.4%). The cost of these contributions is charged to the income statement in the same period as the related labour costs.

4.14. Provisions for legal claims

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not created for future operating losses.

4.15. Revenue recognition

(i) Net interest income

Interest income from financial assets is recognised as revenue using the effective interest method. Interest income is booked to profit or loss as net income from financial investments, except for interest income from financial investments at fair value through profit or loss, which are recognised in net unrealised gains from revaluation of financial investments at fair value.

(ii) Dividend income

Dividend income is recognised in the period when the Company acquires a right to receive a dividend, and the probability of receiving it is sufficiently high.

4.16. Leases

The Company assesses whether a contract contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time, in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The Company considers a contract to be a lease if it meets all of the following conditions:
- There is an identified asset, whether explicit or implicit
- The lessee obtains substantially all economic benefits from the use of the identified asset
- The lessee has the right to control the use of the identified property.

This accounting method shall be used for contracts concluded after 1 January 2019.

The Company applied the exemption, and applied the new IFRS 16 to all contracts it concluded prior to 1 January 2019, and identified them as leases under IAS 17 and IFRIC 4 (grandfathering the definition of lease on transition). This means that it does not reassess leases, that have been classified as leases under IAS 17, as to whether they meet the new definition of leases under IFRS 16.

The Company recognises the right-of-use assets and lease liabilities at the commencement of the lease. The initial value of the right-of-use assets is determined as the sum of the initial value of the lease obligation, the rent payments made before or on the commencement date of the lease, and the initial direct cost to the lessee, less any lease incentives received.
In determining the lease term, the duration of the agreed lease term as well as the possibilities of its early termination or extension are considered.

Right-of-use assets are depreciated on a straight-line basis over the lease term, from the commencement of the lease to its termination.

Depreciation begins on the date of commencement of the lease. The assessment of possible impairment of the right to use property is carried out in a similar way to the assessment of impairment of property, plant and equipment, as described in accounting policy 4.6 above.

Lease liabilities are initially measured on the date when the leased asset is made available to the lessee (the lease commencement date). Leases are initially measured at present value of the lease payments over the lease term, that were not paid at initial measurement using the discount rate, which is the incremental borrowing rate of 12%. Lessee's incremental borrowing rate is determined on the basis of available financial information relating to the Company. Subsequent revaluation of lease obligation is made in the event of a change in the terms of the contract (e.g. a change in the lease term due to the option to extend or prematurely terminate the contract, a change in lease payment based on a change in the index, or exercise of the call option, etc.). Any subsequent reassessment of lease obligation will also affect the measurement of the right-of-use asset.

4.17. Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the period when the dividend distribution has been approved by the Company's general meeting of shareholders.

4.18. Recourse receivables

Recourse receivables represent the Company's estimates of receivables against third parties responsible for claims compensated under issued insurance policies. It is calculated using actuarial methods. The chain-ladder method is used, either as the Standard method, or with use of a tail factor.

5. Significant accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in future periods. Estimates and judgements are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates and assumptions, for example the risk of significant adjustment of the carrying values of assets and liabilities during the following reporting period, are described below.

(i) Liability arising from claims made under insurance contracts in non-life insurance

The estimation of ultimate liability, arising from claims made under insurance contracts, is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of liability that the Company will ultimately pay for such claims.

The main source of uncertainty in regard to non-life insurance is legislation that allows the policyholder to announce the claim until the period for claim announcement expires. This period normally takes a few years from occurrence of claims, and the Company considers this risk in calculating IBNR. The Company regularly monitors and evaluates historical data and assumptions in the calculation, considering the possible impact of the current pandemic situation on the development of claims during 2021, and uses them to determine the final estimate of liabilities.

Motor vehicle insurance consists of motor third party liability insurance and CASCO insurance. CASCO also includes claims for damage to health. The settlement of claims related to the occurrence of damage to health takes longer, and the estimation of the amount of indemnity is therefore much more complicated. The Company takes this risk into account when creating IBNR. When annuities are paid out of MTPL, the RBNS annuity reserve is created, as a sum of the present value of expected payments, taking into account the assumptions included in the calculation, such as mortality (use of mortality tables), discount rate, expected wages and pension benefits, estimate of the cost of the insurance undertaking, and other factors affecting the amount of the annuity paid. The sensitivity of this provision to changes in interest rate and mortality is set out in Chapter 18.2 c).

(ii) Estimate of future insurance benefits arising from long-term insurance and investment contracts with DPF

The amount of liabilities arising from long-term insurance contracts depends on estimates that the Company makes regarding the expected number of deaths each year, in which the Company is exposed to insurance risk. These estimates are based on standard mortality tables that reflect the latest historical mortality experience, adjusted if necessary, by the Company's own experience. All investment contracts are classified as investment contracts with DPF.

The main sources of uncertainty include epidemics, such as extensive lifestyle changes, such as dietary changes or smoking, and other events which could result in future mortality being significantly worse than in the past, in age groups for which the Company is exposed to significant risk that a client will die. On the other hand, ongoing improvements in medical care and social conditions may result in prolonging the lives of the Company's customers, compared to expected lifespans, which the Company takes into consideration when making its estimates of liabilities and future insurance benefits from insurance contracts for reaching a certain age. For contracts insuring endowment up to a certain age, the expected mortality improvements are appropriately factored in estimating the amount of liabilities from long-term insurance contracts. The sensitivity of the provision to changes in assumptions is set out in Chapter 18.1.

6. Insurance and financial risk management

The Company concludes contracts that transfer insurance risk or financial risk, or both. This section summarises these risks and the manner in which the Company manages them.

6.1. Insurance risk

The risk of insurance contracts relates to the fact that it is not clear whether or when an insurance event will occur, or how big the related claim will be. It is evident from the nature of an insurance contract that such risk is random and cannot be predicted.

In case of insurance contracts that were valued using probability theory, the main risk the Company faces is that the amount of insurance claims may be higher than the related insurance provisions. This may occur if the amount or significance (as to the amount of insurance claim) of insured events is higher than originally assumed. Insured events are random, and the actual number and amount of claims and benefits will vary from year to year, from the level calculated using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. The Company has developed its own insurance underwriting strategy to diversify the type of insurance risks accepted, and has worked within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors affecting insurance risk include insufficient diversification of risk in view of its type and size, geographical location, and industrial sector.

6.1.1 Risk management in life insurance

i) Volume and significance (in terms of size) of insurance claims

For insurance contracts with death being an insurance risk, the most significant factors that might increase the overall frequency of claims include epidemics or lifestyle changes, such as eating habits, smoking, or lack of exercise, which result in earlier or higher number of claims than expected. For insurance contracts where the insured risk is endowment, the most significant factors are progress in medical sciences, and improvements in social conditions prolonging the length of life. For the time being, these risks do not affect the Company significantly.

For contracts with DPF, the insurance risk is also affected by the policyholders' right to pay lower or zero future insurance premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholder's behaviour. Provided that policyholders make reasonable decisions, the overall insurance risk may be increased by such behaviour. For example, it is likely that policyholders whose health has deteriorated significantly will be less willing to terminate contracts covering risk of death than those staying in good health.

The Company manages these risks through its underwriting strategy, and adequate reinsurance arrangements. A medical check is required, depending on the amount of the insurance sum for death or disability benefits. A medical check is required when the insurance sum is higher than EUR 50,000. If the insurance sum is lower than EUR 50,000, it is sufficient to fill in a questionnaire related to the insurance agreement.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified, in terms of the type of risk, and the level of insured benefits. For example, the Company balances death risk and endowment risk through its portfolio. Medical selection is also included in the Company's underwriting procedures, with premiums reflecting flexibly the state of health and the medical history of the applicant.

The Company has a retention limit in the amount of EUR 70,000 on any single life insured, and EUR 35,000 on any single life insured against sub-standard risks. The Company reinsures excess of insurance benefit over EUR 70,000, or over EUR 35,000 for the risk of death and permanent disability. The reinsurance capacity is in the amount of EUR 400,000 for standard and sub-standard risks. The Company does not have any reinsurance in place for endowment contracts.

(All amounts are in thousands of EUR, unless otherwise noted)

Concentration of insurance risk before reinsurance

	Total insurance coverage within certain group	
Insurance coverage per insurance contract	**31 December 2022**	**31 December 2021**
Up to EUR 10,000	228 386	232 752
EUR 10,000 - EUR 15,000	40 277	42 041
EUR 15,000- EUR 30,000	48 775	48 620
EUR 30,000 - EUR 300,000	52 140	55 846
Over EUR 300,000	1 575	1 575
Total	371 153	380 834

Concentration of insurance risk after reinsurance

	Total insurance coverage within certain group	
Insurance coverage per insurance contract	**31 December 2022**	**31 December 2021**
Up to EUR 10,000	216 975	221 341
EUR 10,000 - EUR 15,000	33 899	35 663
EUR 15,000- EUR 30,000	42 718	42 563
EUR 30,000 - EUR 300,000	41 497	45 203
Over EUR 300,000	1 575	1 575
Total	336 664	346 346

Gross premiums written on life insurance amounted to EUR 28,53 mil. (2021: EUR 35,27 mil.), of which extraordinary premiums amount to EUR 3,51 million (2021: EUR 7.28 million). Extraordinary premiums were concentrated in 5 natural persons (2021: 5 persons). The extraordinary insurance premium mainly concerns contracts that do not carry a significant insurance risk and are classified as investment contracts with DPF.

ii) Estimates of future cash flows from insurance contracts

The uncertainty of future claims payment from long-term insurance contracts is linked to the unpredictability of long-term changes in mortalities, and changes in policyholders' behaviour. The Company uses different mortality tables for different types of insurance (death, miscellaneous insurance, pension). The Company also uses statistics on contract cancellations to understand the difference between actual and estimated cancellations. Statistical methods for assessing proper cancellation are used. For contracts with an option to use an annuity payment, the level of insurance risk also depends on the number of policyholders who exercise such an option. This relates directly to the current interest rates, and interest rates which are granted in annuity payments. Assumptions about the expected rate of acceptance of the annuity payment option are based on historical experience.

6.1.2 Risk management in non-life insurance

i) Amount and significance (in relation to amount) of insurance claims

The underwriting strategy is part of the risk underwriting process, which considers the Company's planned underwriting performance, mainly in other non-life insurance and actuarial risks. The plan specifies types of insurance that will be offered during the period, and is focused on target customer groups. After approval by the Board of Directors, this strategy is further developed to include individual types of underwriting, and limits for individual underwriters (level and type of insurance, territory and industry). The purpose is to ensure that underwritten risks are properly diversified in the insurance portfolio. Insurance contracts with unfavourable claim development are reviewed annually (business property insurance and liability insurance) by underwriting officials, who are authorised to refuse renewal of a contract or change its terms on renewal, or refuse its extension.

Actuarial risk management is regulated by individual insurance product methodologies that include underwriting competencies and powers.

(All amounts are in thousands of EUR, unless otherwise noted)

Based on these instructions:

- Insurance contracts for selected products can only be offered through the Central Non-Life Insurance Desk, regardless of the amount of premium under respecting the applicable reinsurance conditions,
- it is possible to prepare an over limit offer of property or liability insurance only through the non-life insurance underwriting department, while the over limit offer is considered to be:

- for property insurance, every proposal where the total insured amount is more than EUR 3,340,000 (for high-risk industries, every proposal where the total insured amount is more than EUR 1,670,000),
- for liability insurance, every proposal where the total insured amount is more than EUR 670,000.

For business property insurance, particularly for those businesses involved in industrial production, the Company uses risk management methodologies and techniques, applied in determining risks and analysing losses, or potential losses, prior to risk underwriting through modelling claim scenarios. It also cooperates with reinsurers and other coinsurance companies regarding risk diversification.

Concentration of insurance risk as at 31 December 2022 before reinsurance

Total insurance coverage within group in ths.

	0 – 300	300 – 600	600 – 1 000	1 000-1 500	over 1 500	Total
Property insurance	4 318 061	779 473	846 765	780 884	12 660 292	19 385 475
Accountability insurance	340 900	50 554	66 753	6 350	65 436	529 992
CASCO	2 328 105	15 433	-	-	-	2 343 538
PZP	10 314	996	-	-	1 296 260 720	1 296 260 720
Other	54 233	-	-	-	-	54 233
Total	7 041 299	845 460	913 518	787 234	1 308 986 448	1 318 573 958

Concentration of insurance risk as at 31 December 2021 before reinsurance

Total insurance coverage within group in ths.

	0 – 300	300 – 600	600 – 1 000	1 000-1 500	over 1 500	Total
Property insurance	4 135 161	822 268	832 109	758 176	13 098 312	19 646 026
Accountability insurance	338 680	66 454	53 598	4 970	47 035	510 737
CASCO	2 098 605	13 802	-	-	-	2 112 407
PZP	-	-	-	-	1 346 724 440	1 346 724 440
Other	57 418	-	-	-	-	57 418
Total	**6 629 864**	**902 524**	**885 707**	**763 146**	**1 359 869 787**	**1 369 051 028**

Concentration of insurance risk as at 31 December 2022 after reinsurance

Total insurance coverage within group in ths.

	0 – 300	300 – 600	600 – 1 000	1 000 - 1 500	over 1 500	Total
Property insurance	4 317 961	779 473	814 765	628 818	1 292 342	7 833 359 351
Accountability insurance	176 363	21 077	41 440	3 890	42 029	285 071
CASCO	2 328 105	15 433	-	-	-	2 343 538
PZP	-	-	-	-	608 288 400	608 288 400
Other	54 233	-	-	-	-	54 233
Total	6 876 935	**815 983**	**856 205**	**632 708**	**609 622 771**	**618 804 601**

(All amounts are in thousands of EUR, unless otherwise noted)

Concentration of insurance risk as at 31 December 2021 after reinsurance

Total insurance coverage within group in ths.

	0 – 300	300 – 600	600 – 1 000	1 000 – 1 500	over 1 500	Total
Property insurance	4 135 058	822 268	816 140	606 541	1 514 008	**7 894 015**
Accountability insurance	169 340	33 227	26 799	2 485	23 518	**255 369**
CASCO	2 098 605	13 802	-	-	-	**2 112 407**
PZP	-	-	-	-	673 362 220	**673 362 220**
Other	57 418	-	-	-	-	**57 418**
Total	6 460 421	**869 297**	**842 939**	**609 026**	**674 899 746**	**683 681 429**

Insurance risks with low frequency and material impact

Natural disasters, to which the Company is exposed, are the most significant risk in this area. In recent years, damages to property have more and more often been caused by floods or inundations - as a result of water spills, tides, rains or snow melt. To reduce the risk of claims due to floods, the Company implements maximum claim limits - not exceeding EUR 3,320 ths. for individual claim events during one insurance period. This sublimit is applied to asset contracts, from a certain amount of the insured amount, according to product methodology, to the amount of specified percentage and participation.

ii) Estimates of future claims

Claims are paid to the insured on a claims occurrence basis. The Company is responsible for claim settlements if the claim occurred within the contractual period, even if the insurance event was reported after the contract expiration. Due to this fact, claims are settled over a longer period of time, and a significant part of reserves are represented by incurred but not yet reported claims (IBNR). There are many parameters that affect the amount and timing of claim settlements.

The estimated cost of a claim includes all costs related to settling the liability.

6.2. Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities, insurance liabilities, and reinsurance assets and liabilities. In particular, a key financial risk is that proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are market, credit, and liquidity risk. The most important components of market risk are interest rate risk, currency risk, price risk and interest risk.
The risk management function within the Company is carried out in respect of financial, operational and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risk stays within these limits. Operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

In general, the risk management program is focused on the unpredictability of situations in the financial markets, and seeks to minimise any potential adverse effect on the financial results of the Company.

6.2.1 Liquidity risk

The underlying principle of assets and liabilities management is to invest in such securities that, by their nature, correspond to the insurance contracts and investment contracts, with DPF covered by them. The Company approaches insurance contracts for life and non-life insurance differently.

For non-life insurance, the Company purchases debt securities with short-term and mid-term maturity, mainly with variable interest rates, while taking into account that insurance contracts for non-life insurance are considered short-term, with a maturity within one year. Therefore, the Company manages the securities portfolio in such a way as to make the respective cash inflows cover claims arising from liabilities from insurance contracts at all months

(All amounts are in thousands of EUR, unless otherwise noted)

For life insurance, the Company matches the cash flows from financial assets and insurance contracts in individual years in such a way, that the present value of cash flows from financial assets will be sufficient to cover the present value of future liabilities from these insurance contracts and investment contracts with DPF in following years. Company management evaluates the ability to cover cash flows on a quarterly basis, and makes decisions about the allocation of assets with respect to their matching liabilities. The Company also ensures that the achieved income from such financial assets exceeds interest rates guaranteed in insurance contracts.

The Company is exposed to daily calls on its available funds, mainly due to insurance operations (insurance claims). Liquidity risk is the risk that sufficient funds will not be available at a reasonable cost to cover due liabilities from insurance contracts. The Company has set limits to maintain a sufficient amount of cash equivalents to cover all due liabilities.

The table below summarises the expected contractual undiscounted cash flows of financial and insurance assets and liabilities. The expected cash flows from liabilities in insurance contracts are presented, based on analysis of amounts due recognised in the balance sheet.

		Expected cash flows						
31 December 2022	**As per statement of financial position**	**0 - 1 year**	**1 - 5 years**	**5 - 10 years**	**10 - 15 years**	**15 - 20 years**	**>20 years**	**Total**
Assets								
Financial assets at amortised cost								
- fixed interest rate	45 742	4 846	24 768	19 222	6 529	72	1 379	56 816
- Loans provided	5 080	211	2 385	3 239	-	-	-	5 835
Financial assets available for sale								
- fixed interest rate	123 567	11 562	55 401	67 389	14 481	1 802	9 880	160 515
- floating interest rate	2 881	71	278	3 138	-	-	-	3 487
Financial assets at fair value through profit or loss								
- fixed interest rate	21 699	5 227	19 160	-	-	-	-	24 387
- floating interest rate								
Equity securities*	55 731	55 731	-	-	-	-	-	55 731
Reinsurance assets	37 665	14 017	8 908	6 969	5 010	915	1 846	37 665
Receivables** (note 13)	7 646	6 634	1 012	-	-	-	-	7 646
Cash and cash equivalents	6 226	6 226	-	-	-	-	-	6 226
Total	**306 237**	**104 525**	**111 912**	**99 957**	**26 020**	**2 789**	**13 105**	**358 308**
Liabilities								
Insurance and investment contracts with DPF before reinsurance	243 720	107 877	71 728	41 878	28 949	21 710	27 375	299 517
Trade and other liabilities (note 19)	46 724	29 264	9 594	3 606	1 956	742	1 562	**46 724**
Total	**290 444**	**137 141**	**81 322**	**45 484**	**30 905**	**22 452**	**28 937**	**346 241**

•Equity securities do not have a defined maturity date, and therefore the Company presents them at a maturity interval of 0 - 1 year.

•• Receivables include receivables arising from insurance and reinsurance contracts, and trade receivables. For more details on receivables see Note 13.

(All amounts are in thousands of EUR, unless otherwise noted)

The Company plans to cover the liabilities excessing assets due within one year by actively managing the Company's net operating income.

		Expected cash flows						
31 December 2021	**As per statement of financial position**	**0 - 1 year**	**1 - 5 years**	**5 - 10 years**	**10 - 15 years**	**15 - 20 years**	**>20 years**	**Total**
Assets								
Financial assets at amortised cost								
- fixed interest rate	42 725	1 982	25 668	16 848	6 755	3 137	1394	55 784
- Loans provided	4 695	202	2423	2 827	0	0	0	5 452
Financial assets available for sale								
- fixed interest rate	158 826	12 755	53 990	69 516	13 881	6 325	10 040	166 507
- floating interest rate	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss								
- fixed interest rate	23 142	227	21 253	3 134	-	-	-	24 614
- floating interest rate	-	-	-	-	-	-	-	-
Equity securities	71 971	71 971	-	-	-	-	-	71 971
Reinsurance assets	35 586	13 147	9 452	6 315	4 556	792	1 324	35 586
Receivables (note 13)	5 858	4 836	1 022	-	-	-	-	5 858
Cash and cash equivalents	7 172	7 172	-	-	-	-	-	7 172
Total	**350 117**	**112 292**	**113 808**	**98 640**	**25 192**	**10 254**	**12 758**	**372 944**
Liabilities								
Insurance and investment contracts with DPF before reinsurance	256 604	97 354	72 909	41 949	29 559	23 887	36 518	302 176
Trade and other liabilities (note 19)	44 908	31 056	9 462	3 688	-	702	-	**44 908**
Total	**301 512**	**128 410**	**82 371**	**45 637**	**29 559**	**24 589**	**36 518**	**347 084**

• Equity securities do not have a defined maturity date, and therefore the Company presents them at a maturity interval of 0 - 1 year.

•• Receivables include receivables arising from insurance and reinsurance contracts, and trade receivables. For more details on receivables see Note 13.

6.2.2 Market risk

i) Interest rate risk

The interest rate risk is a risk that future cash flows from a financial asset will fluctuate due to changes in the market interest rate. Insurance and investment contracts, with fixed and guaranteed conditions, give rise to claims and benefits that have been fixed and guaranteed at the inception of the contract. The financial component of these claims is usually a fixed interest rate and, therefore, the Company's main financial risk in respect of these contracts is the risk that interest and capital gains on financial assets that cover insurance and investment contracts will be insufficient to pay premiums when due. In life provisions, the Company uses the Cash Flow Matching method for the management of interest rate risk. Market risk is managed through monitoring of market values of financial assets, calculations of Value at Risk, sensitivity analysis, and stress-tests. For these calculations Market Risk Analyser is used, which is part of the SimCorp system. The objective of risk management is to minimise the negative impact of market risks on the Company's comprehensive income statement. The Company guarantees the technical interest rate in life insurance from 0.0% to 5.5% (in 2021 from 0.5% to 6%).

Sensitivity analysis

The results of sensitivity analysis on the carrying value of financial assets and liabilities to a change in interest rate, have an impact on profit or loss and share capital of the Company by 50 basis points (Bp). Convexity of bonds is not considered.

(All amounts are in thousands of EUR, unless otherwise noted)

	Change +/- 50 Bb	
as at 31 December 2022	**Impact on profit or loss**	**Impact on other comprehensive income**
Financial assets		
Bonds held to maturity	-	-
Securities available for sale	-	-/+ 3 538
Securities at fair value through profit or loss	-/+ 63	-

as at 31 December 2021	**Impact on profit or loss**	**Impact on other comprehensive income**
Financial assets		
Bonds held to maturity	-	-
Securities available for sale	-	-/+ 5 523
Securities at fair value through profit or loss	-/+ 81	-

Sensitivity of insurance liabilities affected by change of interest rate is described in Note 18.2 c).

(ii) Currency risk

The Company is not exposed to currency risk as at 31 December 2022. In general, the Company invests in assets denominated in currencies in which the Company's liabilities are also denominated, this mitigating the currency risk arising from the nature of its business activities. Currency risk arises mainly from securities and liabilities denominated in other currencies. The Company considers the impact of any increase / decrease in the value of foreign exchange rates by 10%, in which the assets and liabilities are denominated, as insignificant, since the vast majority of assets and liabilities are denominated in euro.

(iii) Price risk

The price risk is the risk of a change in the fair value of financial instruments, from movements in market variables, other than changes in interest rates and currency exchange rates. The Company is exposed to price risk due to its investment in equity securities, and the risk is mainly exposed to movements in prices of securities affected by developments in equity markets. The Company manages the risk by monitoring the sensitivity of profits to that risk.

The outcome of sensitivity analysis shows an impact on the Company's profit and equity from changes in the market price of equity securities. At 31 December 2022, equity securities totalled EUR 55 371 ths. (2021: EUR 71 971 ths.). If their market price decreased or increased by 10%, impact on share capital would be decreased or increased by EUR 1 759 ths. (2021: EUR 3 082 ths.) and impact on profit would be decreased or increased by EUR 125 ths. (2021: EUR 230 ths.). The impact of price risk on profit and equity is not significant for equity securities, or the related unit linked life insurance, as the relevant liabilities are affected equally.

6.2.3 Credit risk

Credit risk is the risk of loss, or of adverse change in financial position, resulting from fluctuations in the credit quality of securities' issuers and subsequent changes in the market price of the asset, counterparty and any obligors to which the Company is exposed, such as counterparty default or credit spread risk.

Exposures to credit risk relate in particular to:

- risk mitigation contracts, including reinsurance contracts,
- bank cash as defined in Article 6, item F of Council Directive 91/674 / EEC,
- receivables from intermediaries,
- debts of policyholders,
- other receivables that carry the risk of counterparty default,
- debt securities.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains responsible for the payment to the policyholder. The Company reviews the creditworthiness of reinsurers in cooperation with its main shareholder.

(All amounts are in thousands of EUR, unless otherwise noted)

The Company uses several tools to manage insurance receivables from the insured, one of them being the reminder process for overdue receivables that is carried out at regular intervals.

If unsuccessful, the Company takes other measures, using a multi-stage collection process (intervention activities, judicial, and execution enforcement). In addition, the Company monitors receivables on a monthly basis, by checking their payments and ageing structure. Based on this, the default risk is assessed and the value of impaired receivables is reduced by setting up an impairment allowance.

For the credit risk of debt securities, the Company has defined in the investment and risk strategy limits on the rating, type of investment, concentration risk and risk of the issuer's domicile. These are regularly reassessed in cooperation with the Company's ultimate shareholder.

Financial assets of the Company by categories based on Standard & Poor's rating:

31 December 2022/ Rating Standard & Poor's

	Debt securities							
Credit risk	**Through profit or loss**	**For sale**	**At amortised cost**	**Loans provided**	**Term deposits**	**Receivables including insurance receivables***	**Reinsurance assets**	**Cash and cash equivalents**
AAA	-	5 994	2 044	-	-	-	-	-
AA+	-	5 525	2 010	-	-	-	-	-
AA	-	755	-	-	-	-	-	-
AA-	-	1 343	5 030	-	-	-	1 433	-
A+	16 578	926	744	-	-	-	35 430	-
A	-	48 654	25 588	-	1 001	-	263	4 445
A-	-	10 002	7 323	-	2 004	-	66	301
BBB+	-	13 053	-	-	-	-	-	-
BBB	3 107	24 502	-	-	-	-	-	365
BBB-	-	1 760	-	1 685	-	-	-	-
BB+	-	4 395	-	-	-	-	-	1 114
BB	-	3 067	-	-	-	-	-	-
BB-	-	-	-	1 873	-	-	-	-
No rating	2 014	6 473	-	1 522	-	7 952	472	2
Total	**21 699**	**126 449**	**42 739**	**5 080**	**3 004**	**7 952**	**37 665**	**6 226**

* Receivables and insurance receivables do not include non-financial assets. Non-financial assets in the amount of EUR 306 ths. consist of advance payments, accrued expenses and deferred income.

(All amounts are in thousands of EUR, unless otherwise noted)

31 December 2021/ Rating Standard & Poor's

Credit risk	Debt securities: Through profit or loss	Debt securities: For sale	Debt securities: At amortised cost	Loans provided	Receivables, including insurance receivables*	Reinsurance assets	Cash and cash equivalents
AAA	-	5 833	2 053	-	-	-	-
AA+	-	7 310	2 010	-	-	-	-
AA	-	1 004	0	-	-	6	-
AA-	-	501	5 028	-	-	2 038	-
A+	-	0	743	-	-	32 723	-
A	17 643	61 860	25 579	-	-	319	2 661
A-	-	7 224	7 312	-	-	84	652
BBB+	-	28 562	-	-	-	-	901
BBB	-	28 169	-	-	-	-	555
BBB-	-	2 878	-	1 738	-	-	-
BB+	-	1 584	-	-	-	-	2 401
BB	3 063	7 048	-	-	-	-	-
BB-	-	0	-	1 920	-	-	-
No rating	2 436	6 853	-	1 037	6 546	417	2
Total	**23 142**	**158 826**	**42 725**	**4 695**	**6 546**	**35 586**	**7 172**

* Receivables and insurance receivables do not include non-financial assets. Non-financial assets in the amount of EUR 689 ths. consist of advance payments, accrued expenses and deferred income.

The table below shows the analysis of maximum exposure to credit risk arising from financial assets:

As at 31 December 2022	Not past due nor impaired	Individually impaired (Analysis by maturity): Not past due	0 – 3 months	3 – 6 months	6 months – 1 rok	More than 1 year	Total
Cash and cash equivalents	6 226	-	-	-	-	-	**6 226**
Debt securities at amortised cost	42 738	-	-	-	-	-	**42 738**
Loans provided	5 080	-	-	-	-	-	**5 080**
Debt securities available for sale	126 449	-	-	-	-	-	**126 449**
Debt securities at fair value through profit or loss	21 699	-	-	-	-	-	**21 699**
Term deposits	3 004	-	-	-	-	-	**3 004**
Receivables, including insurance receivables*	4 335	-	2 402	268	248	393	7 646
Reinsurance assets	37 665	-	-	-	-	-	**37 665**
Total	**247 196**	**-**	**2 402**	**268**	**248**	**393**	**250 507**

* Receivables and insurance receivables do not include non-financial assets. Non-financial assets in the amount of EUR 306 ths. consist of advance payments, accrued expenses and deferred income.

Management has estimated impairment allowance for receivables based on historical experience with collection patterns.

(All amounts are in thousands of EUR, unless otherwise noted)

As at 31 December 2021	Not past due nor impaired	Not past due	Individually impaired (Analysis by maturity) 0 – 3 months	3 – 6 months	6 months – 1 rok	More than 1 year	Total
Cash and cash equivalents	7 172	-	-	-	-	-	**7 172**
Debt securities at amortised cost	42 725	-	-	-	-	-	**42 725**
Loans provided	4 695	-	-	-	-	-	**4 695**
Debt securities available for sale	158 826	-	-	-	-	-	**158 826**
Debt securities at fair value through profit or loss	23 142	-	-	-	-	-	**23 142**
Receivables, including insurance receivables*	3 160		1 874	268	100	456	5 858
Reinsurance assets	35 586	-	-	-	-	-	**35 586**
Total	**275 306**	**-**	**1 874**	**268**	**100**	**456**	**278 004**

* Receivables from insured are reported as collectively impaired, this category has been adjusted for non-financial assets. Non-financial assets in the amount of EUR 689 ths. consists of advances provided, deferred costs and deferred income.

The majority of above-mentioned receivables in "Neither past due nor impaired" represent reinsurance receivables from related parties and recourse receivables.

Financial assets are presented net of impairment allowances and their movements were as follows:

Period ended	31 December 2022	31 December 2021
Impairment allowance for receivables from the insured		
At the beginning of the year	3 690	4 021
Creation	1 333	933
Use/release	-1 361	-1 264
At the end of the year	**3 662**	**3 690**
Impairment allowance for receivables from agents and intermediaries		
At the beginning of the year	104	4 486
Creation	66	7
Use/release	-	-4 389
At the end of the year	**170**	**104**
Impairment allowance for other receivables		
At the beginning of the year	379	378
Creation	-	1
Use/release	-	-
At the end of the year	**379**	**379**

The Company wrote off uncollectible commission receivables, which were all older than 3 years. A 100% impairment allowance has been created on receivables. The impact on profit or loss was therefore neutral.

6.3. Capital management

The Company secures sufficient resources for its business activities, maximises the rate of return for shareholders, and secures financial stability by managing its capital. The Company meets the capital requirements under Solvency II.

More detailed information about the Company's solvency will be disclosed in the Solvency and financial situation report for the year 2022, in accordance with the Act on Insurance No. 39/2015 as amended on 3 February 2015, effective from 1 January 2016.

(All amounts are in thousands of EUR, unless otherwise noted)

7. Property, plant and equipment

	Land	Buildings and structures	Equipment, motor vehicles and other assets	Total
As at 1 January 2021				
Acquisition cost	505	11 279	4 607	16 391
Accumulated depreciation and impairment allowances	-	-3 573	-3 134	-6 707
Net book value	**505**	**7 706**	**1 473**	**9 684**
Year ended 31 December 2021				
At the beginning of the year	505	7 706	1 473	9 684
Additions	-	665	301	966
Disposals	-	-	-236	-236
Decrease in accumulated depreciation	-	-	227	227
Charge for the year	-	-218	-484	-702
Net book value at the end of the period	**505**	**8 153**	**1 281**	**9 939**
As at 31 December 2021				
Acquisition cost	505	11 944	4 672	17 121
Accumulated depreciation and impairment allowances	0	-3 791	-3 391	-7 182
Net book value	**505**	**8 153**	**1 281**	**9 939**
Period ended 31 December 2022				
At the beginning of the year	505	8 153	1 281	9 939
Additions	-	866	681	1 547
Disposals	-	-	-1 563	-1 563
Decrease in accumulated depreciation	-	-	1 528	1 528
Charge for the year	-	-240	-455	-695
Net book value at the end of the period	**505**	**8 780**	**1 472**	**10 757**
As at 31 December 2022				
Acquisition cost	505	12 810	3 790	17 105
Accumulated depreciation and impairment allowances	-	-4 031	-2 318	-6 349
Net book value	**505**	**8 780**	**1 472**	**10 757**

Depreciation in 2022, in the amount of EUR 455 ths. (2021: 484 ths.) are charged to the costs of marketing and administrative expenses and depreciation in the amount of EUR 240 ths. (2021: 218 ths.) are part of net income from financial investments (Note 23). Tangible and intangible assets are insured against usual risks in the sum insured of EUR 23,985 ths. (2021: 23,954 ths.).

Buildings and land are not recognised in the Company's statement of financial position at fair value. As at 31 December 2022, the fair value of investment property is in the amount of 11 438 ths. (31 December 2021: 9,784 ths.) and was determined based on an independent expert opinion. For value determination, the method of positional differentiation was used, calculated as the multiple of the technical value of buildings and the coefficient of positional differentiation expressing the impact of area and other factors on the general value in terms of place and time (e.g. location of property, type of property, engineering infrastructure, etc.). According to the fair value hierarchy stipulated in IFRS 13, it is included in level 3.

(All amounts are in thousands of EUR, unless otherwise noted)

8. Investment property

	Land	Buildings and structures	Total
As at 1 January 2021			
At the beginning of the year	67	984	1 051
Additions	-	63	63
Disposals	-	-	-
Decrease in accumulated depreciation	-	-	-
Charge for the year	-	-39	-39
Net book value at the end of the period	**67**	**1 008**	**1 075**
As at 31 December 2021			
Acquisition cost	67	1 555	1 622
Accumulated depreciation and impairment allowances	-	-547	-547
Net book value	**67**	**1 008**	**1 075**
Period ended as at 31 December 2022			
At the beginning of the year	67	1 008	1 075
Additions	-	77	77
Disposals	-	-	-
Decrease in accumulated depreciation	-	-	-
Charge for the year	-	-32	-32
Net book value at the end of the period	**67**	**1 053**	**1 120**
As at 31 December 2022			
Acquisition cost	67	1 632	1 699
Accumulated depreciation and impairment allowances	-	-579	-579
Net book value	**67**	**1 053**	**1 120**

Investment property is not presented on the Company's balance sheet at its fair value. The fair value of investment property as at 31 December 2022 was in the amount of EUR 2 167 ths. (31 December 2021: 1 838 ths.) and was determined by independent expert's report. For determination of values, the method of positional differentiation was calculated as the technical value of buildings, and the coefficient of positional differentiation, expressing the influence of the area and other factors on the general value, at the time (e.g. real estate type and location, engineering networks etc.) It is classified at level 3 according to the fair value hierarchy under IFRS 13.

In 2022, rental income amounted to EUR 126 ths. (2021: 107 ths.). This amount represents only rent from the property. All operating costs are immediately recharged to the tenants and the company does not bear the costs associated with the lease. Investment property is calculated on the basis of the percentage of leased area.

(All amounts are in thousands of EUR, unless otherwise noted)

9. Intangible assets

	Acquired software and other intangible assets
As at 1 January 2021	
Acquisition cost	10 490
Accumulated depreciation and impairment allowances	-6 192
Net book value	**4 298**
Year ended as at 31 December 2021	
At the beginning of the year	4 298
Additions	1 450
Disposals	-
Decrease in accumulated depreciation	-
Amortisation	-1 055
Net book value at the end of the period	**4 693**
As at 31 December 2021	
Acquisition cost	11 940
Accumulated depreciation and impairment allowances	-7 247
Net book value	**4 693**
Period ended as at 31 December 2022	
At the beginning of the year	4 693
Additions	1 506
Disposals	-
Decrease in accumulated depreciation	-
Amortisation	-1 083
Net book value at the end of the period	**5 116**
Acquisition cost	13 446
Accumulated depreciation and impairment allowances	-8 330
Net book value	**5 116**

Amortisation in the amount of EUR 1 083 ths. (2021: 1,055 ths.) was charged to marketing and administrative expenses.

(All amounts are in thousands of EUR, unless otherwise noted)

10. Right-of-use assets

	Right-of-use asset - retail space	Right-of-use asset - information technologies	Total
Year ended as at 31 December 2021			
At the beginning of the year	3 244	19	3 263
Additions	1 084	126	1 210
Disposals	-274	-203	-477
Decrease in accumulated depreciation	274	203	477
Amortisation	-803	-145	-948
Net book value at the end of the period	**3 525**	**-**	**3 525**
As at 31 December 2021			
Acquisition cost	5 545	-	5 545
Accumulated depreciation and impairment allowances	-2 020	-	-2 020
Net book value	3 525	-	3 525
Year ended as at 31 December 2022			
At the beginning of the year	3 525	-	3 525
Additions	352	-	352
Disposals	-420	-	-420
Decrease in accumulated depreciation	420	-	420
Amortisation	-698	-	-698
Net book value at the end of the period	3 179	-	3 179
As at 31 December 2022			
Acquisition cost	5 477	-	5 477
Accumulated depreciation and impairment allowances	-2 298	-	-2 298
Net book value	**3 179**	**-**	**3 179**

Depreciation in the amount of EUR 698 ths. (2021: 803 ths.) was charged to acquisition costs.

The Company leases office and retail space. The average remaining lease term is 57 months (2021: 56 months).

An overview of liabilities from the lease of office and retail space by remaining maturity is in the following table:

	as at 31 December 2022	as at 31 December 2021
Less than 1 year	679	744
1 – 5 years	2 444	2 671
More than 5 years	89	144
	3 212	**3 559**

(All amounts are in thousands of EUR, unless otherwise noted)

The following table summarises the lease-related transactions recognised in profit or loss:

	as at 31 December 2022	as at 31 December 2021
Interest expense	16	22
Variable rental costs which are not included in the lease liability measurement	91	70
Short-term rental costs	93	109
Costs of low-value tangible assets rental except for short-term rental costs on low-value tangible assets	5	76

Interest expense on lease liabilities is recognised in Net realised gains from financial investment in the statement of profit or loss, and other comprehensive income.
The following table summarises the lease transactions recognised in the statement of cash flows:

	as at 31 December 2022	as at 31 December 2021
Total rental payment	715	953

Payments for principal leases in the amount of EUR 699 ths. (2021: 931 ths.) are recognised in the statement of cash flows, as cash flows from financing activities. Interest payments on lease liabilities in the amount of EUR 16 ths. (2021: 22 ths.) are recognised as cash flows from operating activities in the statement of cash flows.

11. Reinsurance assets

As at	**31 December 2022**	**31 December 2021**
Reinsurers’ share in insurance liabilities	37 665	35 586
Total reinsurance assets	**37 665**	**35 586**
Current	14 017	13 147
Non-current	23 648	22 439

The Company classifies reinsurance assets to current and non-current by maturity of gross provisions. The amounts due from reinsurers, in respect of claims already paid by the Company on insurance contracts that are reinsured, are included in Receivables (Note 13).

(All amounts are in thousands of EUR, unless otherwise noted)

12. Financial instruments by categories

For the purpose of measurement, IAS 39 Financial Instruments: Recognition and measurement, stipulates the following categories of financial instruments: (a) loans and receivables; (b) assets available for sale; (c) assets held to maturity; (d) assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss has two subcategories: (i) assets voluntarily classified into this category at the time of acquisition and (ii) assets held for trading. Insurance and reinsurance contracts are not in scope of IAS 39, and are in scope of IFRS 4 Insurance Contracts.

The following table provides an asset classification as at 31 December 2022 for disclosure purposes under IFRS 7, Financial Instruments: Disclosures, and the measurement categories determined in compliance with IAS 39, Financial Instruments: Recognition and Measurement.

	Loans and receivables	Assets available for sale	FVTPL classified voluntarily on acquisition	Assets held to maturity	Total amount
Equity securities:					
- available for sale	-	20 686	-	-	**20 686**
- at fair value through profit or loss	-	-	35 045	-	**35 045**
Debt securities:					
- at amortised cost	14 206	-	-	28 532	**42 738**
- available for sale	-	126 449	-	-	**126 449**
- at fair value through profit or loss	-	-	21 699	-	**21 699**
Loans provided:					
Loans provided	5 080	-	-	-	**5 080**
Term deposits	3 004	-	-	-	**3 004**
Receivables excluding insurance receivables *	1 012	-	-	-	**1 012**
Cash and cash equivalents	6 226	-	-	-	**6 226**

* Receivables include trade receivables and other receivables. For more details on Receivables, see Note 13.

The following table provides a reconciliation of asset categories as at 31 December 2021, for the purposes of disclosure under IFRS 7 Financial Instruments: disclosure, and the measurement categories defined by IAS 39 Financial Instruments: Recognition and measurement.

	Loans and receivables	Assets available for sale	FVTPL classified voluntarily on acquisition	Assets held to maturity	Total amount
Equity securities:					
- available for sale	-	30 822	-	-	**30 822**
- at fair value through profit or loss	-	-	41 149	-	**41 149**
Debt securities:					
- at amortised cost	14 204	-	-	28 521	**42 725**
- available for sale	-	158 826	-	-	**158 826**
- at fair value through profit or loss	-	-	23 142	-	**23 142**
Loans provided:					
Loans provided	4 695	-	-	-	**4 695**
Receivables excluding insurance receivables *	1 222	-	-	-	**1 222**
Cash and cash equivalents	7 172	-	-	-	**7 172**

* Receivables include trade receivables and other receivables. For more details on Receivables, see Note 13.

(All amounts are in thousands of EUR, unless otherwise noted)

	31 December 2022			31 December 2021		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Equity securities:						
- available for sale	-	20 686	**20 686**	7 127	23 694	**30 822**
- at fair value through profit or loss	-	35 045	**35 045**	-	41 149	**41 149**
Debt securities:						
- at amortised cost	-	42 738	**42 738**	-	42 725	**42 725**
- available for sale	6 058	120 391	**126 449**	8 898	149 928	**158 826**
- at fair value through profit or loss	4 959	16 740	**21 699**	-	23 142	**23 142**
Loans provided	-	5 080	**5 080**	-	4 695	**4 695**
Term deposits	3 004	-	**3 004**	-	-	**-**

The short-term portion of debt securities represents the carrying amount of bonds, including aliquot interest income with a residual maturity of up to one year.

For equity securities, the short-term portion represents equity securities that serve to cover non-life insurance technical reserve and the long-term portion represents equity securities that serve to cover life insurance technical provision.

Fair value of financial instruments

Fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability in a regular transaction between independent market participants, at the measurement date.

Fair value measurements are analysed in the fair value hierarchy as follows: (i) level one are measurements at listed prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), and (iii) level three measurements are valuations not based on observable market data (i.e. unobservable inputs). Management applies judgement in the categorising of financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value of the financial instrument.

Financial assets at fair value

Continuous fair value measurements are those for which accounting standards either require or permit fair value measurements in the balance sheet at the end of each reporting period. These valuations are analysed according to the fair value hierarchy as follows:

As at 31 December 2022	Level 1	Level 2	Level 3	Total
At fair value through profit or loss	30 001	10 165	16 578	56 744
Of which:				
- Debt securities	-	5 121	16 578	21 699
- Equity securities	30 001	5 044	-	35 045
Securities available for sale	107 490	35 049	1 500	144 039
Of which:				
- Debt securities	89 899	35 049	1 500	126 448
- Equity securities	17 591	-	-	17 591
Total	**137 491**	**45 214**	**18 078**	**200 783**

(All amounts are in thousands of EUR, unless otherwise noted)

As at 31 December 2021	Level 1	Level 2	Level 3	Total
At fair value through profit or loss	36 773	9 875	17 643	64 291
Of which:				
- Debt securities	-	5 499	17 643	23 142
- Equity securities	36 773	4 376	-	41 149
Securities available for sale	143 779	42 774	-	186 552
Of which:				
- Debt securities	116 052	42 774	-	158 826
- Equity securities	27 726	-	-	27 726
Total	**180 552**	**52 649**	**17 643**	**250 843**

In addition to the above, the portfolio of securities intended for sale also includes equity securities reported at acquisition cost in the amount of EUR 12 ths. (2021: 3 096 ths.). These are a non-marketable security representing a share in VIG FUND, a.s., for which there is no significant difference between the market price and the cost.

Level 2 description of valuation techniques and input parameters for valuation are as follows:

	Fair value 31 December 2022	Fair value 31 December 2021	Valuation technique	Input parameters
Level 2 assets:				
Bonds available for sale	35 049	42 774	Discounted cash flows	Yield curve of government (spread)
Bonds at fair value through profit or loss	5 121	5 499	Discounted cash flows	Yield curve of government (spread)
Equity securities	5 044	4 376	Published price	Published price

During the year, there were no changes in the valuation technique for Level 2 fair value securities (2021: no change).

The description of valuation technique and input parameters for Level 3 measurements as at 31 December 2022 is as follows:

	Fair value	Valuation technique	Input parameters - description	Input parameters - (weighted average)	Possible change of parameter	Fair value sensitivity
Level 3 assets at fair value:						
Bonds:						
- at fair value through profit or loss	17 643	Discounted cash flows	Yield curve of government(spread)	1,96 % - 5,17 % (3,71 %)	± 0,5%	± 180
- available for sale	1 500			1,96 % - 5,17 % (3,71 %)	± 0,5%	± 180

The description of valuation technique and input parameters for Level 3 measurements as at 31 December 2021 is as follows:

(All amounts are in thousands of EUR, unless otherwise noted)

	Fair value	Valuation technique	Input parameters - description	Input parameters - (weighted average)	Possible change of parameter	Fair value sensitivity
Level 3 assets at fair value:						
Bonds:						
- at fair value through profit or loss	17 643	Discounted cash flows	Yield curve of government (spread)	0,39 % - 1,39 % (0,83 %)	± 0,5% p.a.	±289
- available for sale	-	-	-	-	-	-

There were no changes in valuation techniques used to measure securities falling into level 3 fair value measurements during the year (2021: no changes).

Sensitivity of fair value in the above table represents the change in fair value due to increase or decrease of the relevant input parameter. A positive shift in debt securities yield curve and/or an increase in the spread would result in a decrease in fair value of debt securities.

Depending on the financial asset, market prices are determined based on documents from the parent company using the investment management information system - SimCorp Dimension, from the depositary, published by the fund manager or from a public source. If there is no market price, the theoretical price based on bonds with similar issuance conditions, an issue spread, or an expert estimate shall be used.

The change in financial instruments at level 3 during the year 2022 is as follows:

	Bonds held for sale	Bonds at fair value through profit or loss	Total
As at 1 January 2022	-	17 643	17 643
Total gains and losses			
of which in profit or loss	-1 465	-1 065	-2 531
of which in other comprehensive income and losses	-179	-	-179
Purchases	-	-	-
Disposals, payments of principal and interest	-	-	-
Transfers from Level 3 to Level 2	-	-	-
Transfers to Level 3	3 144	-	3 144
Net book value at the end of the year	**1 500**	**16 578**	**18 078**
Unrealised gains and losses on securities recognised in profit or loss owned as at 31 December 2022	-	-1 443	-1 443

Level 3 only involves debt securities only, movements in 2021 were as follows:

	Bonds available for sale	Bonds at fair value through profit or loss	Total
As at 1 January 2021	491	19 880	20 371
Total gains and losses			
of which in profit or loss	51	142	193
of which in other comprehensive income and losses	-41	-	-41
Purchases	2 379	-	2 379
Disposals, payments of principal and interest	-2 880	-2 379	-5 259
Transfers from Level 3 to Level 2	-	-	-
Transfers to Level 3	-	-	-
Net book value at the end of the year	**-**	**17 643**	**17 643**

(All amounts are in thousands of EUR, unless otherwise noted)

Unrealised gains and losses on securities recognised in profit or loss owned as at 31 December 2021	-	108	108

Valuation processes of financial assets at Level 3 fair value

Debt securities at Level 3 are valued at theoretical market value, which is calculated using the discounted cash flow method, where the input parameters are the yield curve of government bonds, and credit spread, which is determined by professional estimate, taking into account the credit spread of the issuer, the seniority of the debt and the marketability of the individual issue. The level 3 spread is determined on the basis of input parameters not observable in an active market.

Depending on the financial asset, market prices are determined based on documents from the parent company using the investment management information system - SimCorp Dimension, from the depositary, published by the fund manager or from a public source. If there is no market price, a theoretical estimated price is used.

Assets and liabilities not measured at fair value for which fair value is disclosed

Disclosed fair value of financial instruments analysed by fair value hierarchy:

	31 December 2022				31 December 2021			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Assets								
Debt securities at amortised cost	21 524	21 780	-	42 738	25 063	29 059	-	42 725
Of which: held to maturity*	21 524	7 599	-	28 532	25 063	10 203	-	28 521
Debt securities classified as loans	-	14 181	-	14 206	-	18 856	-	14 204
Loans provided	-	-	4 290	5 080	-	-	4 695	4 695
Cash and cash equivalents held for a client covering insurance contracts with no fixed contract terms	-	-	3 004	3 004				
Cash and cash equivalents	-	671	-	671	-	521	-	521
	1	5 554	-	5 554	2	7 170	-	7 172
Trade liabilities**								
Trade liabilities**	-	1 507	-	1 507	-	1 259	-	1 259

* Bonds held to maturity at the time of classification to 'held-to-maturity' were actively traded.

** Trade liabilities include liabilities to suppliers and passive litigations.

Fair value of financial assets was determined using the discounted cash flows technique. The discount rate was estimated as interest rate for which the borrower could have borrowed, at the balance sheet date.

Fair value of financial instruments classified in Level 1 represents the valuation at market price (without adjustment) from an active market with identical assets. Fair value of financial instruments classified in Level 2 was determined using the discounted cash flow technique, while all significant input parameters are observable for the asset either directly as prices or indirectly as deducted from prices. The fair value of financial instruments classified in Level 3 has been determined by a valuation technique whose input parameters are not deducible from market data, which means that there are subjectively determined input parameters influencing the valuation of assets. The discount rate was estimated as the interest rate at which the borrower could borrow as at the balance sheet date.

(All amounts are in thousands of EUR, unless otherwise noted)

13. Receivables

	As at 31 December 2022	As at 31 December 2021
Receivables from insurance and reinsurance contracts:		
- from the insured	7 341	6 891
- Impairment allowance for receivables from the insured	-3 662	-3 690
- from agents and intermediaries	258	158
- impairment allowances for receivables from agents and intermediaries	-170	-104
- from reinsurers	984	64
- impairment allowances for receivables from reinsurers	-	-
Other receivables (financial):		
- trade receivables	361	422
- other assets	748	479
- Impairment allowance for other receivables	-368	-368
Recourse receivable	2 154	2 006
Receivables, including insurance receivables	**7 646**	**5 858**
Other receivables (non-financial):		
- advances provided	186	179
- impairment allowances for advance payments	-11	-11
- deferred expenses	131	113
- accrued income	-	408
Total receivables including insurance receivables	**7 952**	**6 547**
Short-term portion	6 940	5 524
Long-term portion	1 012	1 022

The estimated fair values of loans and receivables do not significantly differ from their carrying values, considering impairment allowances. According to the hierarchy of values established by IFRS 13, it is included in level 3.

Concentration of credit risk in relation to loans and receivables is insignificant, as the Company has a large number of various debtors (Note 6.2.3).

14. Deferred acquisition costs

Balance as at	**31 December 2022**	**31 December 2021**
Deferred acquisition costs	8 697	8 082
Deferred special levy of MTPL	1 021	-
Total	**9 718**	**8 082**

The following table shows the development of deferred acquisition costs during 2022 and 2021:

	31 December 2022	**31 December 2021**
Balance as at 1 January	8 082	7 073
Creation of deferred commissions (Note 26.1 a)	7 111	7 460
Amortisation of deferred commissions (Note 26.1 a)	-6 514	-6 451
Balance as at 31 December	**8 679**	**8 082**
Short-term portion	7 039	6 280
Long-term portion	1 640	1 802

(All amounts are in thousands of EUR, unless otherwise noted)

15. Cash and cash equivalents

As at	31 December 2022	31 December 2021
Cash accounts and cash on hand	5 555	6 651
Term deposits with maturity up to 3 months	3 004	-
Cash and cash equivalents held for a client covering insurance contracts with no fixed contract terms	671	521
Total	**9 230**	**7 172**

16. Share capital

	Number of ordinary shares	Ordinary shares (in ths.)
Balance as at 1 January 2021	5 582	18 532
Balance as at 31 December 2021	5 582	18 532
Balance as at 31 December 2022	5 582	18 532

17. Legal reserve fund and other equity components

As at	31 December 2022	31 December 2021
Legal reserve fund and other funds	3 431	3 166
Revaluation reserve for financial assets available for sale	-12 465	12 521
Share premium	15 326	15 326
Retained earnings and profit for the period	27 820	25 323
Total	**34 112**	**56 336**

The legal reserve fund is set up to cover possible future losses, and it is not intended for distribution.

The profit for 2021 in the amount of EUR 2 646 ths. (2019: EUR 2 251 ths.) was approved by the General Meeting on 30 March 2022 and was recognised as follows:

As at	Profit or loss 2022 (proposal)	Profit or loss 2021
Transfer to retained earnings	2 485	2 381
Transfer to legal reserve fund	276	265
Dividends paid to shareholders	-	-
Total	**2 761**	**2 646**

No dividends were paid in the year 2022, or in the year 2021.
The Board of Directors suggests the transfer of profit for 2022 to retained earnings, after the legal reserve fund is replenished.

Movements in the revaluation reserve for financial assets available for sale are as follows:

As at 1 January 2021	**16 960**
Revaluation – gross	-5 905
Revaluation – tax (Note 20)	1 443
Transfers to net profit on sale – gross	30
Transfers to net profit on sale – tax (Note 20)	-7
As at 31 December 2021	**12 521**
Revaluation – gross	-33 579
Revaluation – tax (Note 20)	8 208
Transfers to net profit on sale – gross (Note 23)	510
Transfers to net profit on sale – tax (Note 20)	-125
As at 31 December 2022	**-12 465**

(All amounts are in thousands of EUR, unless otherwise noted)

18. Liabilities from insurance contracts and investment contracts with DPF and reinsurance assets

Gross	As at 31 December 2022	As at 31 December 2021
Short-term insurance contract:		
- claims reported and claim handling costs	48 122	47 770
- claims incurred but not reported	13 094	11 019
- SKP provision	1 812	1 905
Total claims	**63 028**	**60 694**
- unearned premiums	31 762	29 091
Total short-term insurance contract	**94 790**	89 785
Long-term insurance and investment contracts:		
- insurance contracts with fixed and guaranteed terms and with discretionary participation (DPF)	58 893	64 039
- insurance contracts with no fixed terms – linked to Mutual funds and bonds	56 652	64 406
- investment contracts with DPF	33 385	38 374
Total liabilities from insurance and investment contracts - gross	148 930	166 819
Total liabilities from insurance and investment contracts	**243 720**	**256 604**

Reinsurer's share	As at 31 December 2022	As at 31 December 2021
Short-term insurance contract:		
- claims reported and claim handling costs	24 236	23 551
- claims incurred but not reported	6 238	5 214
- unearned premiums	6 990	6 784
Long-term insurance and investment contracts		
- insurance contracts with fixed and guaranteed terms	75	21
- insurance contracts with no fixed and guaranteed terms	38	15
- investment contracts with DPF	1	1
Total Reinsurer's share in liabilities from insurance and investment contracts	37 578	35 586

Net	As at 31 December 2022	As at 31 December 2021
Short-term insurance contract:		
- claims reported and claim handling costs	23 886	24 219
- claims incurred but not reported	6 856	5 805
- SKP provision	1 812	1 905
- unearned premiums	24 772	22 307
Long-term insurance and investment contracts:		
- insurance contracts with fixed and guaranteed terms and with discretionary participation (DPF)	58 818	64 018
- insurance contracts with no fixed terms – linked to Mutual funds	56 614	64 391
- investment contracts with DPF	33 384	38 373
Total liabilities from insurance and investment contracts - net	**206 142**	**221 018**

(All amounts are in thousands of EUR, unless otherwise noted)

18.1 Short-term insurance contract – assumptions, changes and sensitivity analysis

Process of determining assumptions

The Company uses various statistical methods and assumptions to estimate the final cost of insurance claims. The Company generally uses the Chain-ladder method, which is used mainly for stable insurance products with stable future developments.

The Chain-ladder method involves the analysis of historical claims development factors, and the selection of estimated development factors, based on historical patterns. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully closed.

Analysis of claim provisions – before reinsurance

Reporting period	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:											
– At the end of the reporting period	37 867	39 730	40 164	47 910	52 624	56 100	53 573	54 335	38 532	49 063	
– One year later	35 683	38 904	36 455	46 994	51 792	55 733	53 730	53 854	10 022		
– Two years later	34 618	35 542	36 120	44 192	51 510	55 787	54 748	46 850			
– Three years later	34 196	35 245	37 083	44 863	51 756	57 839	54 794				
– Four years later	33 714	34 949	37 153	44 139	52 315	56 644					
– Five years later	33 612	35 027	37 025	44 810	51 760						
– Six years later	33 735	35 395	37 496	44 361							
– Seven years later	34 317	35 742	36 795								
– Eight years later	35 032	35 303									
– Nine years later	34 954										
Current estimate of cumulative claims	34 954	35 303	36 795	44 361	51 760	56 644	54 794	46 850	10 022	49 063	420 547
Cumulative payments of claims	- 33 842	- 33 380	- 35 270	- 40 470	- 46 180	- 52 140	- 45 669	-43 142	-4 005	- 30 502	-364 601
Liabilities for years 2013 - 2022	1 112	1 923	1 525	3 891	5 580	4 504	9 125	3 708	6 017	18 561	55 946
Liabilities attributable to periods before 2013											5 175
Total liability recognised in the balance sheet											**61 121**

Part of non-life insurance liabilities are liabilities for annuities, mainly in the compulsory insurance business. These liabilities are life insurance liabilities and their size is sensitive to changes in interest rate and mortality. The sensitivity of the technical reserve to changes in these parameters is shown in the following table:

Sensitivity

- applied on RBNS for MTPL annuity (EUR 9 949 ths.)

Sensitivity	Total liability (in ths. of EUR)	Change in %
Basic scenario	61 121	
- Mortality decrease by 10%	61 443	0.53%
- Shift of discount curve up (+100 points)	60 431	-1.13%
- Shift of discount curve down (-100 points)	62 673	2.54%

(All amounts are in thousands of EUR, unless otherwise noted)

Analysis of claim provisions – after reinsurance

Reporting period	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate claims costs:											
– At the end of the reporting period	8 818	8 545	9 857	11 758	9 737	7 544	8 984	5 331	6 858	7 216	
– One year later	15 234	15 396	18 583	21 131	18 380	15 412	16 428	10 067	13 117		
– Two years later	13 561	15 217	18 297	20 938	17 916	15 910	16 433	9 121			
– Three years later	13 637	15 366	18 248	22 592	19 655	17 069	17 607				
– Four years later	13 990	15 568	18 146	21 812	19 774	17 556					
– Five years later	14 088	15 715	18 029	22 048	19 887						
– Six years later	14 240	15 611	18 285	22 134							
– Seven years later	14 463	16 010	18 098								
– Eight years later	14 540	15 971									
– Nine years later	14 476										
Current estimate of cumulative claims	14 476	15 971	18 098	22 134	19 887	17 556	17 607	9 121	13 117	7 216	
Cumulative payments of claims	-13 724	-14 979	-16 933	-20 329	-15 495	-13 706	-13 594	-7 523	-8 192	-3 027	
Liabilities for years 2013 - 2022	752	992	1 165	1 805	4 392	3 850	4 013	1 598	4 925	4 189	
Liabilities attributable to periods before 2013											2 793
Total liability recognised in the balance sheet											30 474

18.2. Long-term insurance and investment contracts – assumptions, changes and sensitivity analysis

a) Process of determining assumptions by the Company

For long-term insurance contracts, the estimates of assumptions are made in two phases. When designing products, the Company sets out assumptions regarding future mortality, illnesses, disability, voluntary termination of the insurance policy, technical interest rate and investment income, plus initial and administrative costs. These assumptions are then used to calculate liabilities over the full duration of insurance or investment contract. When setting assumptions, they are adjusted by a certain degree of caution.

Subsequently, the assumptions are reviewed at each balance sheet date, when it is assessed whether the technical reserves created are adequate, considering the present assumption values. If, due to changes in assumptions, it is assessed that the technical reserves created are not sufficient to cover liabilities, the Company completes the provisions for existing insurance contracts based on the Provision Sufficiency Test. Positive changes in assumptions are not considered, i.e. the created technical provisions are not reduced in case of sufficient provisions. The revaluation of any provision for insufficiency is reported in total costs with a change in technical provisions.

Basic assumptions used by Company are as follows:

- Yield curve

As at 31 December 2022, the yield curve used for LAT was the risk-free interest rate curve, published by EIOPA. The same discount rate curve is used for Solvency II purposes.

- Mortality

The Company uses a suitable standard mortality table according to the type of contract. The company will review its experience over previous years, and use statistical methods to adjust mortality rates in the mortality table, to reflect the best estimate of mortality for that year. Based on identified trends, the data is adjusted for life insurance contracts to reflect future mortality improvements.

(All amounts are in thousands of EUR, unless otherwise noted)

- Duration

The Company reviews its experience from previous years, and determines the appropriate persistency rate using statistical methods. The duration rate varies depending on the type of product, and the duration of the insurance or investment contract. Based on observed trends, the persistency rate data is adjusted to reflect the best estimate of future persistency rates, that would consider the behaviour of current insured.

- Renewal expense level and inflation

The current level of expense is taken as an appropriate expense base. Inflation of expenses is considered to be accounted for by an increase of the insurance portfolio. The inflation used in the cash flow projection is consistent with the yield curve used.

- Tax

It has been assumed that current tax legislation and rates will continue unaltered.

b) Result of Liability adequacy test (LAT)

The Liability adequacy test did not show deficiency as at 31 December 2022 (2021: no deficiency). Insufficiency is part of the life reserve. The methodology of Liability adequacy test is disclosed in Note 4.11 d).

c) Change in assumptions and sensitivity analysis

Subsequent changes in assumptions such as a 10% change in mortality, a 1% pa change in return on investment and a discount rate, a 10% change in the level of administrative expenses, a 10% change in the cancellation rate will not cause a change in the amount of insurance liabilities as a result of their adequacy test.

In the liability adequacy test, Market Consistent Embedded Value (MCEV) methodology compares the amount of technical provisions with the best estimate of liabilities. The best estimate of liabilities is derived from the present value of future profits (PVFP).

The table below shows the sensitivity of the best estimate of liabilities (BE) to change in significant assumptions. The biggest impact on BE would be a change in the cancellation rate assumption, and a change in the yield curve and a discount rate (EUR -3 339 ths. and -6 908 ths.). For other assumptions, we do not expect any significant changes in BE from the situation at the end of the last closed reporting period.

The analysis is based on a change in one assumption, while other assumptions are considered constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be mutually correlated.

As at 31 December 2022	Value of future cash flows (in ths. EUR)	Change to the best estimate (in ths. EUR)	Percentage change (in %)
The best estimate of future cash flows	13 262		
Death +10%	12 778	-484	-3.65
Death-10%	13 758	496	3.74
Lapse rate +10%	12 310	-952	-7.18
Lapse rate -10%	13 277	15	0.11
Expenses +10%	9 923	-3 339	-25.18
Expenses -10%	14 182	920	6.94
Risk-free interest rate +1%	19 212	5 950	44.87
Risk-free interest rate –1%	6 354	-6 908	-52.09

(All amounts are in thousands of EUR, unless otherwise noted)

As at 31 December 2021	Value of future cash flows (in ths. EUR)	Change to the best estimate (in ths. EUR)	Percentage change (in %)
The best estimate of future cash flows	7 044		
Death +10%	6 575	-469	-6,66
Death-10%	7 524	480	6,81
Lapse rate +10%	6 433	-611	-8,67
Lapse rate -10%	7 707	663	9,41
Expenses +10%	4 999	-2 045	-29,03
Expenses -10%	9 089	2 045	29,03
Risk-free interest rate +1%	10 051	3 007	42,69
Risk-free interest rate –1%	3 161	-3 883	-55,12

As at 31 December 2022, the value of the statutory reserve net of accruals of acquisition costs amounted to EUR 147 290 ths. (2021: EUR 165,017 ths.).

At the level of the insurance contract, products that account for more than 73% of the portfolio (based on the volume of the reserve), with respect to the total number of contracts were modelled. The remaining products were modelled through extrapolation of existing models, under individual insurance contracts, and a small portion of the portfolio was considered through scaling. For the purpose of the liability adequacy test, life insurance contracts, including supplementary insurance, are modelled.

1.3. Movements in liabilities from insurance, investment and reinsurance contracts

a) Insurance benefits and costs of settling insurance benefits from short-term contracts

	As at 31 December 2022			As at 31 December 2021		
Period	**Gross**	**Re-insurance**	**Net**	**Gross**	**Re-insurance**	**Net**
Claims reported	47 693	-23 480	24 213	39 957	-19 437	20 520
Claims incurred but not reported	11 019	-5 214	5 805	10 947	-5 341	5 606
Total at the beginning of the year	**58 712**	**-28 694**	**30 018**	**50 904**	**-24 778**	**26 126**
Claims paid during the year	-36 721	10 295	-26 425	-36 721	10 295	-26 425
Increase in liabilities from insurance contracts Due to claims occurred	39 131	-12 074	27 056	44 529	-14 211	30 317
Total as at the end of the year	**61 122**	**-30 473**	**30 649**	**58 712**	**-28 694**	**30 018**
Claims reported	48 028	-24 235	23 793	47 693	-23 480	24 213
Claims incurred but not reported	13 094	-6 238	6 856	11 019	-5 214	5 805
Total as at the end of the year	**61 122**	**-30 473**	**30 649**	**58 712**	**-28 694**	**30 018**

b) Provisions for unearned premiums from short-term contracts

	As at 31 December 2022			As at 31 December 2021		
Period	**Gross**	**Re-insurance**	**Net**	**Gross**	**Re-insurance**	**Net**
At the beginning of the year	29 091	-6 784	22 307	26 625	-6 972	19 653
Creation during the year	70 858	-15 594	55 264	66 176	-15 432	50 744
Use during the year	-68 187	15 388	-52 799	-63 710	15 620	-48 090
Total at the end of the year	**31 762**	**-6 990**	**24 772**	**29 091**	**-6 784**	**22 307**

(All amounts are in thousands of EUR, unless otherwise noted)

c) Long-term insurance contracts

Period as at	31 December 2022	31 December 2021
At the beginning of the year	64 039	66 722
Premium written	8 747	9 545
Risk premium, expense part of premium and consumed premium	-4 182	-4 438
Use of reserve due to payment of claims in case of death, surrender or other reason for termination of a contract during the year	-11 607	-10 183
Interest and revaluation of long-term insurance contracts	1 997	2 219
Changes in reserve for insurance claims	77	309
Changes in unearned premium reserve	-160	-121
Change in profit shares	-18	-14
Total at the end of the year	**58 893**	**64 039**

d) Long-term insurance contracts with DPF linked to mutual funds and bonds

Period as at	31 December 2022 IL/UL	31 December 2022 Fond Istoty	31 December 2021 IL/UL	31 December 2021 Fond Istoty
At the beginning of the year	59 995	4 412	62 280	4 807
Invested premium	10 287	-	8 951	-
Fees deducted from accounts of clients	-4 985	-	-4 228	-
Use of reserve due to payment of claims in case of death, surrender or other reason for termination of a contract during the year	-6 697	-363	-11 691	-395
Changes in reserve for insurance claims	-579	-	538	-
Changes in unearned premium reserve	3	-	1	-
Interest credited and revaluation of long-term insurance contracts without DPF	-5 421	-	4 143	-
Total as at the end of the year	**52 603**	**4 049**	**4 412**	**4 412**

e) Long-term investment contracts with DPF

Period as at	31 December 2022	31 December 2021
At the beginning of the year	38 374	40 311
Invested premium	9 351	16 767
Fees deducted from accounts of clients	59	-150
Use of reserve due to payment of claims in case of death, surrender or other reason for termination of a contract during the year	-14 575	-19 024
Fund Istota transfer	275	359
Changes in reserve for insurance claims	-99	111
Changes in unearned premium reserve	-	-
Interest credited and revaluation of long-term insurance contracts without DPF	-	-
Total as at the end of the year	**33 385**	**38 374**

The data on premiums received, and use of the reserve for disbursement in the event of death, surrender or other termination of the contract during the year, as shown in the tables above, represent the Company's real cash flows, net of premiums settled using benefits from discontinued other insurance or investment contracts.

The distribution of the movement of liabilities from long-term insurance contracts is subject to product breakdown (premiums and investment contracts with DPF, which also allow the creation of a UL reserve, and insurance contracts without DPF, which also allow the creation of a provision with guaranteed improvement and these contracts are entirely included in the relevant item in the Note 18 according to their classification), and thus the final balances of liabilities differ compared to the breakdown in Note 18.

(All amounts are in thousands of EUR, unless otherwise noted)

19. Trade and other liabilities

As at	31 December 2022	31 December 2021
Amounts due to related parties (Note 31)	2 559	1 791
Insurance and reinsurance liabilities		
- from the insured	5 257	6 441
- from agents and intermediaries	2 553	1 659
- from reinsurers	876	690
Reinsurance deposit (Note 31)	24 810	23 640
Lease liabilities	3 212	3 559
Trade liabilities	1 507	1 259
Total financial and insurance liabilities	**40 774**	**39 039**
Liabilities to employees	1 736	1 792
Social insurance and other tax liabilities	1 549	1 391
Liabilities towards Ministry of Interior of the Slovak Republic	2 665	2 686
Total	**46 724**	**44 908**
Short-term portion	29 264	28 422
Long-term portion	17 460	14 036

The liabilities to sovereign includes an obligation arising from § 68 of the Insurance Act No. 39/2015 Coll., as amended, requiring the Company to transfer a part of its insurance (8%) to fire-fighters and emergency medical units.

The Company does not recognise overdue liabilities in the current or previous reporting periods. Liabilities to employees also include jubilee payments and provision for severance pay.

Amount of social fund liabilities included in payables to employees:

	31 December 2022	31 December 2021
Balance as at 1 January	11	11
Creation	61	59
Drawing	-54	-59
Balance as at the end of the period	**18**	**11**

20. Deferred income tax

Deferred tax assets and liabilities are offset if the Company has the legal right to offset current tax assets against current tax liabilities, and provided that the deferred tax assets and liabilities fall under the same tax authority.

The amounts after offset are as follows:

	31 December 2022	31 December 2021
Deferred tax assets		
- to be recovered after 12 months	6 233	1 618
- to be recovered within 12 months	1 721	1 509
Deferred tax liabilities		
- to be recovered after 12 months	-701	-4 736
- to be recovered within 12 months	-	-
Total	**7 253**	**-1 609**

(All amounts are in thousands of EUR, unless otherwise noted)

Deferred tax movements are as follows:

Period as at	31 December 2022	31 December 2021
At the beginning of the year	-1 609	-3 803
Income/ (expense) recognised in profit or loss	780	758
Tax charged to other comprehensive income (Note 17)	8 082	1 436
Balance at the end of the period	**7 253**	**-1 609**

The movements in deferred tax assets and liabilities during the year, before offsetting of balances within the tax authority are as follows:

Deferred tax asset:

	IBNR	Impairment allowances for receivables	Other	Total
As at 1 January 2021	**1 462**	**390**	**495**	**2 347**
Recognised as credit/debit in profit or loss	46	-139	873	780
As at 31 December 2021	**1 508**	**251**	**1 368**	**3 127**
Recognised as credit/debit in profit or loss	213	297	285	795
As at 31 December 2022	**1 721**	**548**	**1 653**	**3 922**

Deferred tax liability:

	Revaluation of assets available for sale	Charge for the year of property, plant and equipment	Other	Total
As at 1 January 2021	**5 485**	**666**	**-**	**6 151**
Recognised in other comprehensive income	- 1 435	-	-	-1 435
Recognised as credit/debit in profit or loss	-	20	-	20
As at 31 December 2021	**4 050**	**686**	**-**	**4 736**
Recognised in other comprehensive income	-8 082	-	-	-8 082
Recognised as credit/debit in profit or loss	-	15	-	15
As at 31 December 2022	**-4 032**	**701**	**-**	**-3 331**

Deferred income tax, recognised in comprehensive income in 2022 and 2021, relates to the revaluation reserve on the fair value of financial assets available for sale.

(All amounts are in thousands of EUR, unless otherwise noted)

21. Net insurance premium earned

	31 December 2022	31 December 2021
Long-term insurance contracts with fixed and guaranteed terms		
- Premium written	10 585	13 694
- change in reserve for unearned premium	157	120
Long-term insurance contracts with no fixed terms		
- Premium written	8 668	4 872
Long-term investment contracts with DPF		
- Premium written	9 321	16 710
Short-term insurance contract		
- Premium written	81 445	76 420
- change in reserve for unearned premium	-2 670	-2 465
Insurance premium earned from contracts	**107 506**	**109 351**
Long-term reinsurance contracts		
- premium ceded to reinsurers	-291	-134
- change in reserve for unearned premium	-7	-1
Short-term reinsurance contracts		
- premium ceded to reinsurers	-21 401	-20 967
- change in reserve for unearned premium	206	-188
Premium ceded to reinsurers from insurance contracts	**-21 493**	**-21 290**
Net insurance premium earned	**86 013**	**88 061**

22. Income from financial investment

	31 December 2022	31 December 2021
Interest income from financial investment at amortised cost	1 983	2 000
Interest income from financial investment available for sale	3 564	4 214
Interest income from cash and cash equivalents	9	-
Foreign exchange rates differences	71	108
Other income from financial investments	77	59
Other interest income	446	322
Total	**6 150**	**6 703**

23. Net income from financial investment

a) Net realised gains from financial investments

	31 December 2022	31 December 2021
Gains on sale of debt securities and unit certificates available for sale	510	30
- of which realised Revaluation	*510*	*30*
Losses on debt securities at fair value through profit or loss	-16	-2
Other realised gains	-233	-123
Total	**261**	**-95**

Net gains from fair value revaluation of financial investments

	31 December 2022	31 December 2021
Net gains/(losses) from equities at fair value through profit or loss (of which interest income 2022: EUR 2022: 227 ths.; 2021: EUR 267 ths.)	-7 933	3 049
Total	**-7 933**	**3 049**

(All amounts are in thousands of EUR, unless otherwise noted)

b) Impairment of securities available for sale

	31 December 2022	31 December 2021
Impairment of securities available for sale	-1 500	-
Total	**-1 500**	**-**

The Company owns a bond ISIN XS1521039054 issued by Gazprom with a nominal value of EUR 3 million. As at 30 June 2022, the Company reduced the value of this bond to 50% of the nominal value based on a decision of VIG group effective for all subsidiaries.

24. Other income

	31 December 2022	31 December 2021
Rental income	126	107
Other	425	301
Total other income	**551**	**408**

25. Insurance claims and benefits

a) Insurance benefits from long-term insurance and investment contracts

	31 December 2022	31 December 2021
Long-term insurance contracts with fixed or guaranteed terms:		
- life benefits from insurance contracts	21 384	23 823
- life benefits from investment contracts with DPF	14 560	19 009
- life benefits - reinsurance	-127	-81
- increase/(decrease) in liabilities from insurance contracts (Note 18)	-12 900	-9 443
- increase/(decrease) in liabilities from investment contracts with DPF (Note 18)	-4 989	2 262
- increase/(decrease) in liabilities (Note 18) reinsurance	-77	22
Total insurance benefits	**17 851**	**35 592**

b) Claims from short-term insurance contracts

	31 December 2022			31 December 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Insurance claims and claim handling costs	43 129	-11 962	31 167	36 562	-10 280	26 282
Change in claim provisions	2 281	-1 798	483	7 898	-3 872	4 026
Contribution to SKP	621	-	621	405	-	405
Change in the provision for the SKP deficit	-93	-	-93	1 905	-	1 905
Total insurance claims and claim handling costs	**45 938**	**-13 760**	**32 178**	**46 770**	**-14 152**	**32 618**

(All amounts are in thousands of EUR, unless otherwise noted)

26. Other expenses

26.1. Other expenses by function

a) Expenses for the acquisition of insurance contracts

	31 December 2022	31 December 2021
Change in deferred acquisition costs (Note 14)	-598	-1 009
Change in accrued costs from the MTPL levy	-1 039	-
Right-of-use assets depreciation	698	803
Acquisition costs recognised in profit or loss for the year	25 207	22 363
Total expenses for the acquisition of insurance contracts	**24 268**	**22 157**

In 2022, commissions from reinsurers are agreed in contracts with reinsurers, and amounted to EUR 4 462 ths., in 2021 in the amount of EUR 5,777 ths.

b) Marketing and administrative expenses

	31 December 2022	31 December 2021
Marketing and other administrative expenses	6 141	5 946
Depreciation of tangible assets (Note 7 and 8)	-	484
Right-of-use assets depreciation – information technologies (Note 10)	455	145
Amortisation of intangible assets (Note 9)	1 083	1055
Total marketing and administrative expenses	**7 679**	**7 630**

c) Other operating expenses

	31 December 2022	31 December 2021
Change in impairment allowances for receivables and written-off receivables	521	-40
8% contribution to Ministry of Interior of the Slovak Republic	2 665	2 686
Taxes	29	29
Fees	301	236
Accrued costs of MTPL levy	-1 039	-
Other	-296	-256
Total other operating expenses	**2 181**	**2 655**

26.2. Other dexpenses by nature

	31 December 2022	31 December 2021
Employee benefit expenses (Note 28)	10 761	10 780
Commissions for external agents	14 255	12 441
8% contribution	2 665	2 686
Marketing and administrative expenses	275	279
Change in impairment allowances for receivables and written-off receivables	521	-40
Services	2 088	2 286
Audit	143	116
Materials	1221	922
Rent	98	126
Charge for the year (Note 7, 8, 9 and 10)	2 236	2 487
Change of deferred acquisition costs (Note 14)	-1 637	-1 009
Other	788	844
Contribution to staff luncheon tickets benefit	375	306
Insurance costs	60	63

(All amounts are in thousands of EUR, unless otherwise noted)

Membership fees	279	155
Total expenses	**34 128**	**32 442**

Services provided by statutory auditor to the Company in 2022 were as follows:

- Statutory audit of financial statements and Group reporting package in the amount of EUR 110 ths.
- Audit of Solvency 2 in the amount of EUR 32 ths.

27. Employee benefit expenses

	31 December 2022	31 December 2021
Wages, salaries and termination benefits	8 078	8 102
Social and health care costs	1 384	1 377
Other costs - pension insurance	1 299	1 301
Total	**10 761**	**10 780**

28. Income tax

	31 December 2022	31 December 2021
Current tax	1 704	1 225
Deferred tax (Note 20)	-779	-758
Special levy	162	136
Total tax	**1 087**	**604**

The income tax rate in 2022 was 21% (2021: 21%}. The special levy rate in regulated industries was 4,356% from profit over EUR 3 million (2021: 4,356% from profit over EUR 3 million).

	2022	2021
Income tax rate	21.000%	21.000%
Rate of special levy after considering the eligibility of the cost of levy in the calculation of income tax *	3.441%	3.441%
Total tax rate**	**24.441%**	**24.441%**
Effective tax rate	**28.25%**	**18.58%**

* * The special levy rate, after income tax expense calculation, is calculated as follows:4.356 %-(21%*4.356%)
** The tax rate used to calculate deferred tax and revaluation differences through the profit or loss is calculated as follows: 4.356 %-(21%*4.356%)

Transfer from theoretical to booked income tax:

	31 December 2022	31 December 2021
Profit before tax	3 848	3 250
Income tax calculated using the income tax rate and the special levy rate in regulated industries	940	794
Tax non-deductible expenses	2 164	2 624
Income which is not subject to taxation	-1 150	-2 143
Change in income tax rate	-	-
Other	-867	-671
Tax expense	**1 087**	**604**

(All amounts are in thousands of EUR, unless otherwise noted)

29. Cash flows from operating activities

	31 December 2022	31 December 2021
Profit before tax	**3 848**	**3 250**
Depreciation of property, plant and equipment and amortisation of intangibles assets	2 508	2 744
Disposal of property, plant and equipment and intangible assets	-	9
Interest income	-6 002	-6 536
Movements in financial assets – Securities at amortised cost	-13	3 074
Movements in financial assets – securities available for sale	9 444	-5 199
Movements in financial assets – securities at fair value through profit or loss	7 547	549
Movements in financial assets – Loans provided	-385	-939
Movements in receivables and loans	-1 481	118
Movements in deferred acquisition costs	-1 636	-1 009
Movements in reinsurance assets	-2 079	-3 645
Movements in liabilities from insurance contracts and investment contracts with DPF	-12 884	4 809
Movements in other liabilities	2 515	3 381
Net cash from operating activities	**1 382**	**606**

The Company classifies cash flows from the sale and purchase of financial assets as cash flows from operations.

30. Contingent liabilities

The Company does not record any contingent liabilities.

31. Related party transactions

Related parties with significant transactions were as follows:

Parent company :
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG AG)

Companies under common control (members of VIG):
GLOBAL ASSISTANCE SLOVAKIA, s.r.o., KKB Real Estate SIA, KOOPERATIVA POISŤOVŇA, a.s., NNC Real Estate sp. z o.o., Slovexperta, s.r.o., VIG Re a.s., VIG Fund, a.s.,

Reinsurance with related parties according to concluded contracts represents obligatory reinsurance, which is proportional and non-proportional, and facultative reinsurance.

Proportional reinsurance includes quota share property insurance, quota share and excess of loss reinsurance of professional indemnity, plus accident and motor third party obligatory insurance. The risks of death and permanent disability within the life insurance are covered by reinsurance.

Non-proportional reinsurance includes excess of loss treaty, which covers natural disasters, and contracts for property insurance, professional indemnity, plus accident and motor third party liability insurance.

a) Receivables and liabilities from related party transactions

Receivables and liabilities from related party transactions are set out in the following table:

	VIG AG	Kooperativa	Other sister companies
31 December 2022			
Reinsurance receivables	139	14	521
Active reinsurance receivables	-	-	-
Reinsurance assets	24 810	428	9 703

(All amounts are in thousands of EUR, unless otherwise noted)

	VIG AG	Kooperativa	Other sister companies
Loans provided	-	-	5 081
Equity shares	-	-	3 096
Other	5	39	-
Total receivables	**24 954**	**481**	**18 401**
Reinsurance liabilities	792	22	1 398
Active reinsurance liabilities	-	1 978	-
Deposits with reinsurers	24 810	-	-
Other	278	39	30
Subordinated debt	-	-	-
Total liabilities	**25 880**	**2 039**	**1 428**
31 December 2021	-	-	-
Reinsurance receivables	-	115	-
Reinsurance assets	23 640	342	7 987
Loans provided	-	-	4 695
Equity shares	-	-	3 096
Other	7	39	-
Total receivables	**23 647**	**496**	**15 778**
Reinsurance liabilities	680	46	878
Active reinsurance liabilities	-	2 072	-
Deposits with reinsurers	23 640	-	-
Other	119	40	28
Subordinated debt	-	-	-
Total liabilities	**24 439**	**2 158**	**906**

Deposits with reinsurers are linked to 3-month Euribor, plus 0.5% p.a. The amount of reinsurance deposit depends on the reinsurer's share in technical provisions. The contract is concluded for a definite period (one year), and is automatically renewed unless a termination request is made.

b) Related party transactions

Transactions with related parties as at 31 December 2022 are as follows:

	VIG AG	Kooperativa	Other sister companies
Insurance claims - Reinsurer's share and reinsurance commission	13 262	201	2 599
Premium written from active reinsurance	-	1 521	-
Dividends received	-	-	77
Other sales	86	49	5
Total sales	**13 348**	**1 771**	**2 681**
Reinsurance premium	15 092	349	5 552
Insurance claims from active reinsurance	-	1 330	-
Subordinated debt interest	-	-	-
Other services purchase	631	8	1 496
Total purchases	**15 723**	**1 687**	**7 048**

(All amounts are in thousands of EUR, unless otherwise noted)

As at 31 December 2021, income and expenses from related party transactions were as follows:

	VIG AG	Kooperativa	Other sister companies
Insurance claims - Reinsurer's share and reinsurance commission	12 876	211	2 713
Premium written from active reinsurance	-	1 818	-
Dividends received	-	-	59
Other sales	86	47	5
Total sales	**12 962**	**2 076**	**2 777**
Reinsurance premium	15 273	351	5 054
Claims paid from active reinsurance	-	1 017	-
Subordinated debt interest	-	-	-
Purchases of other services	306	9	1 407
Total purchase	**15 579**	**1 377**	**6 461**

c) Remuneration of the Company's statutory bodies

Remuneration of members of the Board of directors of the Company:

	2022	2021
Salaries and other short-term employee benefits	1 070	971
Retirement benefits	73	70
Social charges	140	161
	1 283	**1 202**

Remuneration of the Supervisory Board of the Company:

	2022	2021
Salaries and other short-term employee benefits	61	83
Retirement benefits	4	5
Social charges	3	6
	68	**94**

32. Events after the end of the reporting period

There were no other events that would significantly affect the Company's financial position after the reporting period.

COMPANY DIRECTORY

CITY	ADDRESS	PHONE NUMBER
Bánovce nad Bebravou	Záfortňa 7/538	038/760 59 66
Banská Bystrica	Horná 25	048/415 39 54, 431 54 50
Banská Štiavnica	Dolná 6	045/692 15 50
Bardejov	Dlhý rad 30	054/472 84 69, 474 44 80, 321 44 16
Bratislava	Štefánikova 17	02/482 105 44
Bratislava	Košická 40	02/501 009 53-55
Bratislava	Znievska 1/A	02/536 312 24, 482 105 09
Brezno	Námestie gen. M. R. Štefánika 21	048/611 11 17
Bytča	1. mája 1/A	041/541 08 56, 553 26 38
Čadca	Kukučínova 3223/1D	041/432 76 00
Detva	M. R. Štefánika 61	045/693 13 70
Dolný Kubín	Na Sihoti 2225	043/552 65 61-2
Dunajská Streda	Námestie Ármina Vámberyho 42/5	031/551 66 14
Dunajská Streda	Kukučínova 5791/47	031/321 44 52
Humenné	Námestie slobody 4	057/775 61 98
Kežmarok	Hviezdoslavova 15	052/321 44 41
Komárno	Tržničné námestie 3	035/773 23 01
Košice	Hlavná 62	055/682 25 61-62, 682 25 51-52
Košice	Moyzesova 38 (areál GLASIC)	055/720 27 10-2
Kráľovský Chlmec	Hlavná 2818	056/321 44 22
Krupina	Československej armády 484	045/693 13 69
Levice	Pionierska 1	036/631 37 65, 631 67 65
Levice	Nám. Hrdinov 7/8	036/622 30 37
Levoča	Vetrová 14	053/489 74 57
Liptovský Hrádok	SNP 582	044/522 31 33, 563 08 69
Liptovský Mikuláš	Belopotockého 2	044/551 43 09, 522 11 03, 439 40 04
Lučenec	Tomáša Garrigue Masaryka 8	047/433 36 55
Malacky	Záhorácka 100	0948/238 991, 0902 315 139
Martin	Francisciho 6	043/423 93 00, 413 50 69, 423 78 35
Michalovce	Štefánikova 2A	056/642 62 16
Myjava	Partizánska 17A (súp. č. 291)	034/321 44 72
Námestovo	Hviezdoslavovo námestie 213	043/552 30 25
Námestovo	Hviezdoslavova 13/5	0911 012 457
Nitra	Kupecká 7	037/651 58 81-2
Nové Mesto nad Váhom	Hurbanova 772/29	032/771 04 15
Nové Mesto nad Váhom	Ulica ČSL. armády 80/18	0907 755 254
Nové Zámky	M. R. Štefánika 45	035/640 11 92, 642 09 61
Partizánske	Nitrianska 2014	038/321 44 25
Pezinok	M. R. Štefánika 11/6	033/321 99 46
Piešťany	Teplická 63	033/774 03 58
Poprad	Námestie svätého Egídia 7	052/772 36 28
Považská Bystrica	Centrum 2304 (Polyf. objekt Tri veže)	042/432 78 19
Prešov	Hlavná 45	051/772 16 20, 758 17 44
Prievidza	M. Mišíka 20D (súp. č. 2671)	046/543 01 81, 0905 968 844
Púchov	Moravská 3/682	042/321 44 37, 0907/240 791
Revúca	Muránska 1331/4	058/326 01 00
Rimavská Sobota	Svätoplukova 24	047/563 14 18
Rožňava	Štítnická 7	058/733 14 12, 732 55 22
Ružomberok	Dončova 27	044/432 54 79
Sabinov	Prešovská ul. 20 B	051/321 44 48
Senec	Námestie 1. mája 27	02/442 504 16, 442 504 24
Senica	Námestie Oslobodenia 9/21	034/651 04 93
Sereď	Námestie Slobody 1193	031/789 63 52
Skalica	Potočná 284/14	034/664 69 27
Snina	Strojárska 4023 – OC PSO	057/321 44 13
Sobrance	Štefánikova 31/2	056/321 44 29
Spišská Nová Ves	Ing. Kožucha 8	053/442 87 35
Stará Ľubovňa	Námestie svätého Mikuláša 26	052/482 21 75, 321 44 53
Stropkov	Hlavná 60	054/326 01 04
Svidník	Stropkovská 568 (OC Austin Park)	054/321 44 18
Šaľa	Hlavná 44	031/321 44 54
Šamorín	Gazdovský rad 39/A	031/552 74 34
Štúrovo	Hlavná 31	036/321 44 31
Topoľčany	Sv. Cyrila a Metoda 18	038/532 04 46
Trebišov	M. R. Štefánika 3866	056/672 35 14

Trenčín	Palackého 11	032/743 11 65, 744 20 13
Trnava	Hornopotočná 1	033/551 28 23-4
Veľký Krtíš	Banícka 16	047/483 16 70
Vráble	Levická 174	037/783 37 40
Vranov nad Topľou	Janka Kráľa 140	057/442 37 28
Zvolen	T.G. Masaryka 955/8	045/532 30 97
Žiar nad Hronom	Štefana Moysesa 70	045/326 01 02
Žilina	Jána Milca 807/1	041/562 41 33, 562 56 10, 562 32 91