Annual Report 2021

KOMUNÁLNA POISŤOVŇA
VIENNA INSURANCE GROUP

Content

STATEMENT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Peter Thirring

Ladies and gentlemen,

we can now look back at the second year in a row, during which "the pandemic" was the most frequently inflected term. This was true for every language and country, including the 30 countries in which Vienna Insurance Group operates today. We entered 2021 with the conviction that we were ready for further challenges that the pandemic keeps bringing. Today, we can proudly say that our confidence was in place based on a thorough risk analysis and well-established crisis management.

Thanks to significant investments in digitization and the ability to respond promptly to changing conditions at the local level, we managed to follow up on the pre-crisis level in the first quarter of 2021, reaching levels of the same quarter in 2019. In all sectors, with the exception of single premium life insurance, Vienna Insurance Group recorded a continuous increase in premiums, and by the end of the year, we managed to meet our targets for 2021. Despite the difficult period of the ongoing pandemic the group has exceeded the target volume of 10 billion euros last year. The increase in premiums in the business insurance segment was the most significant factor driving this success within the VIG Group. However, the standard life insurance and vehicle accident insurance sectors grew as well in these challenging market conditions.

Last year, KOMUNÁLNA poisťovňa achieved an economic result of 3.25 mil. EUR of profit before tax and written premiums in the amount of 111.7 mil. EUR, of which life insurance amounted for 35.3 mil. EUR and non-life insurance for 76.4 mil. EUR. Our insurance company was successful especially in the segment of vehicle accident insurance as well as liability and property insurance. At the same time, we were doing well in the term life insurance segment.

However, 2021 was not just a year of stabilization of economic indicators. We also symbolically celebrated a decade of our philanthropic activities. We are proud that our employees in 22 countries, including top management, have dedicated more than 300,000 hours to volunteering over the past ten years. I believe that the balance sheet of the Social Active Day program, which emerged during the economic and financial crisis in 2011, will motivate us to an even greater level of commitment in the future.

The positive news from the end of last year is also the confirmation of the high "A +" rating with a stable outlook for the VIG group from the Standard & Poor's agency. We see it as proof that our long-term strategy, based on a high level of diversification, strict underwriting discipline and a conservative reinsurance policy, is the right way to maintain stability and resilience even in difficult market phases.

Ladies and gentlemen,

all the quantitative indicators mentioned above prove that the VIG group is a stable and reliable partner in all circumstances and at all levels. Above all, it is our employees who are behind this assessment. Through their commitment to the day-to-day performance of their tasks, they prove their loyalty not only to the VIG Group, but also to clients who rely on us in difficult situations. Therefore, I want to thank the entire team of KOMUNÁLNA poisťovna for determination, perseverance, and a well-done job. I would also like to thank our partners for their trust and support. With their help we managed to implement all the planned projects. I believe that, through our joint efforts, we will continue to work towards the other goals and commitments that naturally result from our leading position in the region of Central and Eastern Europe over the next 12 months.

INTRODUCTION BY THE CHAIRWOMAN OF THE MANAGING BOARD AND CEO

Ing. Slávka Miklošová

Dear shareholders and clients, business partners, colleagues,

the goals we set for 2021 were marked by cautious optimism stemming from the expected recovery of the insurance market in the second year of the global pandemic. Although it continues to significantly reduce our social and economic life, thanks to timely measures, it has not dealt a devastating blow to our industry. Instead, it was an impulse for a profound transformation benefiting all of us.

The first year of the pandemic has already highlighted the urgent need to speed up digitisation. With further investments, new solutions were added to streamline communication with our customers and simplify related processes, including internal ones. At the same time, we have intensively motivated our clients to opt for electronic communication, which brings greater comfort, saves money and time. In parallel with the introduction of changes and innovations, the demands on the expertise of our employees also increased. Therefore, throughout the year, we continued our educational activities to acquire and develop the necessary skills – whether in employee or managerial positions.

In 2021, we also took another important step. We have focused on innovations in our product portfolio, both in the area of life and non-life insurance. Our goal was to revise individual insurances to better reflect the changing needs of our clients. In addition to the innovation of the online version of vehicle compulsory contractual insurance, a new module for underwriting online vehicle accident insurance has been added to our offer. Thanks to the above-mentioned steps, the past year also stabilised the situation, which was reflected in the expected fulfillment of profit generation in all areas. We were particularly successful in the non-life insurance segment in the business area, especially in car insurance, where we achieved production growth of 56.4%, property and liability insurance for entrepreneurs 38.2%, and home and household insurance 14.5%.

However, for KOMUNÁLNA poisťovňa, the year 2021 was also marked by the strengthening of social responsibility and partnerships. We are proud that we have managed to reaffirm our long-term exclusive partnership with the Association of Towns and Municipalities of Slovakia for the next five years. We also continued to work with other long-standing partners, such as the Children of Slovakia Foundation and supported projects aimed at helping disadvantaged citizens and supporting community activities for children and youth.

In early August, the Wiener Städtische Versicherungsverein awarded us the Günter Geyer Silver Prize for Social Involvement, honouring our philanthropic activities. In the face of strong competition from 50 insurance companies in the 30 countries where the VIG Group currently operates, we have succeeded for the second time in the past five years. Along with the award, KOMUNÁLNA poisťovňa also received funds that will be distributed for the implementation of other charitable projects.

Last year, as a VIG Group, we commemorated the 10th anniversary of our Social Active Day employee program. I am pleased that during the jubilee year, we managed to significantly increase the level of involvement of our employees in volunteering activities. As part of the program, we implemented volunteer activities in several places throughout Slovakia during the year, and our goal is to increase our participation rate in these projects further.

Ladies and gentlemen,

let me thank all the employees of KOMUNÁLNA poisťovna for their great job, their commitment, and their sense of teamwork. At the same time, I wish all of us that 2022 be a continuation of the gradual recovery from the consequences of the pandemic, which still greatly affects both our private lives and society as a whole. I believe that the new year will be a year of opportunities, thanks to which KOMUNÁLNA poisťovňa will strengthen its position on the market and, together with it, will further deepen the trust and satisfaction of its customers and partners.

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 of life insurance, motor vehicle and property insurance for individuals, liability insurance as well as industrial risk 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 established strong ties to municipalities, which still constitute one of the cornerstones of our business.
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 consists of 50 insurance companies in 30 countries with long tradition, strong brands and significant closeness to their clients. KOMUNÁLNA poisťovňa is able to draw on the shareholder´s experience and years of proven know-how, 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 coverage 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.

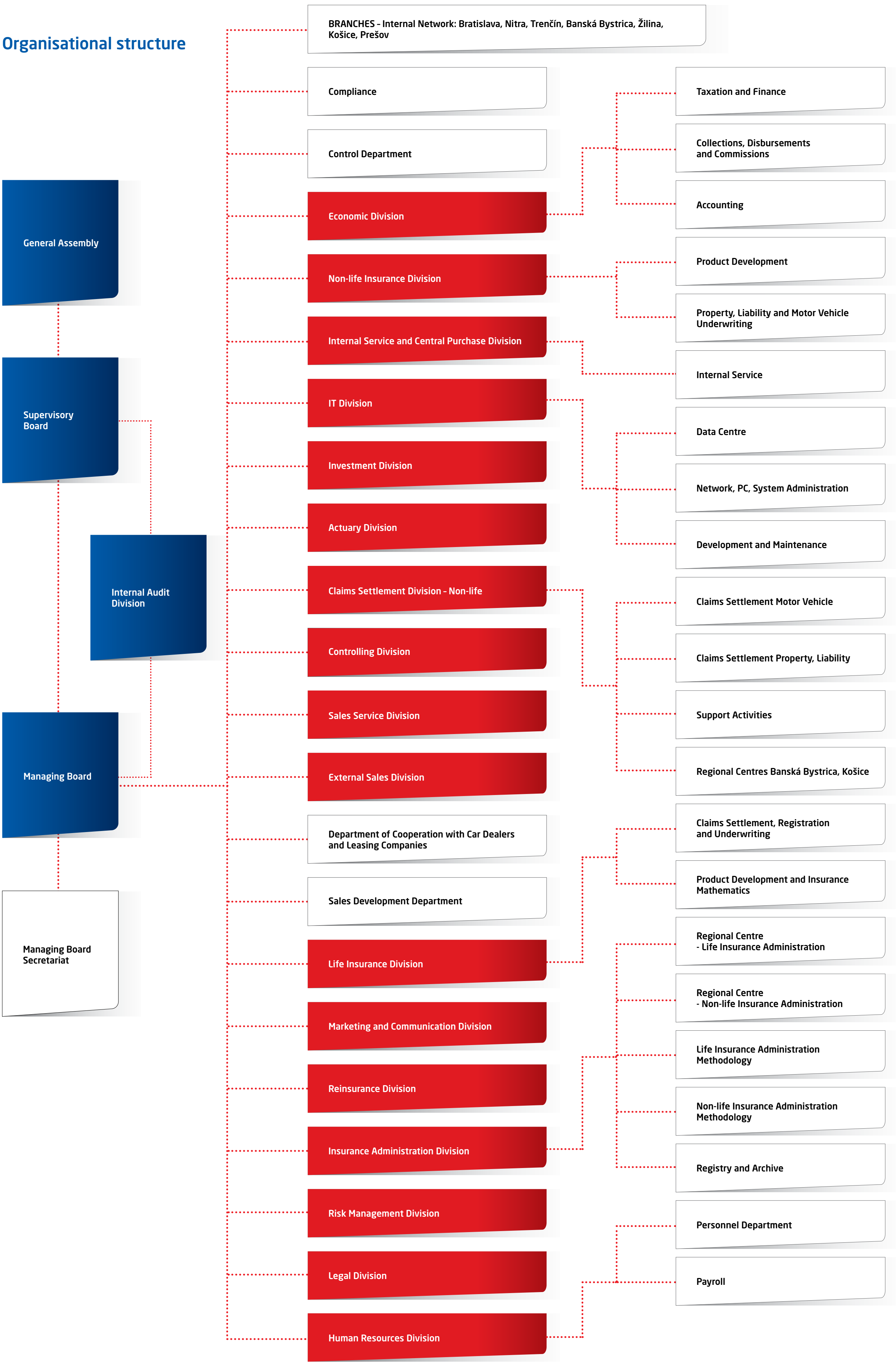
3. Insurance referred to in first paragraph, letters a) and b) and the second point is linked to investment funds.

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
Gábor Lehel – Deputy Chairman of the Supervisory Board (until May 31, 2021)
Hartwig Georg Löger – Deputy Chairman of the Supervisory Board (from June 16, 2021)
Mgr. Magdaléna Adamová – Member of the Supervisory Board
Ing. Jana Bibová – Member of the Supervisory Board
Mag. Christian Brandstetter – Member of the Supervisory Board
Mgr. Katarína Gáliková – Member of the Supervisory Board
Ing. Milan Muška – Member of the Supervisory Board (until June 15, 2021)
PhDr. Michal Kaliňák, PhD. – Member of the Supervisory Board (from June 16, 2021)
Mag. Dr. Claudia Ungar-Huber – Member of the Supervisory Board
Dipl. Ing. Doris Wendler – 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 focus on providing our customers in CEE with custom products and services tailored to their needs. Our strategy is geared towards long-term profitability and steady earnings growth, making us a reliable partner in rapidly changing times."

Over 25,000 employees work for Vienna Insurance Group, at around 50 companies in 30 countries. We develop insurance solutions in line with personal and local needs, which has made us the leader in the insurance industry in Central and Eastern Europe (CEE).

<u>Expertise and stability</u>
Vienna Insurance Group is an international insurance group headquartered in the Austrian capital. After the fall of the Iron Curtain in 1989, the Group expanded rapidly from a purely Austrian business into an international group. Vienna Insurance Group is synonymous with stability and expertise in providing financial protection against risks. Experience coupled with a focus on our core competence of providing insurance coverage, forms a solid and secure basis for the Group's 22 million-plus customers.

<u>Focus on Central and Eastern Europe</u>
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. The Group generates more than half of its total business volume in CEE and still sees scope for considerable growth in this region. The economic growth in CEE was on average twice as high as in Western Europe and the insurance density is still far below the EU average.

<u>Local market presence</u>
For Vienna Insurance Group, protecting customers financially against risk is a responsibility. The Group pursues a local multi-brand strategy based on established local brands as well as local management. Ultimately, the Group's success and closeness to its customers is down to the strengths of each individual brand and local know-how.

<u>Strong finances and credit rating</u>
Vienna Insurance Group has an A+ rating with stable outlook from the well-known rating agency Standard & Poor's. The Vienna Insurance Group is listed in both Vienna and Prague. 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, 2021

Also in 2021, the non-life insurance market was affected by the coronavirus pandemic, but the market recovered compared to the previous year. Insurance companies have responded to the pandemic situation with increased levels of digitization (for example in the form of online insurance or the use of mobile applications) as well as by covering of new types of risks (for example "COVID" travel insurance coverage). The reduction in mobility resulted in a lower number of reported claims, which had a positive effect on the profitability of non-life insurance.
Last year, several companies saw a renewed increase in interest in life insurance. This is related to the better availability of products that can be contracted remotely as well as concerns about a new coronavirus pandemic. Management in traditional life insurance has traditionally been based on investment income. Despite the persisting environment of low interest rates, the investment return was sufficient to cover the guaranteed interest rates.

Total insurance premiums written by KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group booked for 2021 amounted to 111.7 million euros, comprising 35.3 million euros of life insurance and 76.4 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 unit-linked product segment, motor hull insurance and the property insurance.
In terms of sales of banking products of our strategic partner Slovenská sporiteľňa, in 2021 we generated 82 loans secured by property mortgage totalling 6.52 million euros, 81 consumer loans for a total amount of 1.16 million euros and 829 direct debit instructions.
Strategic sales activities continued to build on sales activities from previous years, with a focus on growth of sales of strategic profit-generating 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. Strategic roles were formulated primarily to achieve planned sales goals, taking into account the difficult pandemic situation in Slovakia. 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

During the year, KOMUNÁLNA poisťovňa focused on ensuring compliance with legislative requirements regarding the provision of an informative document on the individual insurance components to a potential client. Considerable efforts have been made to disclose information on sustainability in the financial services sector, which will make the investment policy of our company clear to the clients and enable them to choose products with environmental properties.

In life insurance, it was mainly the launch of new products and the development and innovation of additional insurance risks. The company has expanded its portfolio with short-term risk insurance intended primarily for children and one-off investment insurance with an attractive underlying asset. 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. The offer of insurance risks has expanded with the new oncological disease rider and a significant change has also occurred in the critical disease rider, which resulted mainly in increasing the number of diseases and creating a benefit in form of a health care bonus. The recalculation of some insurance

risks continued, on the basis of which the amount of premium was determined depending on the age of the insured person.
At the same time, the company has made available a new generation of accident insurance for children and adults, which provides a possibility of variable choice of insurance coverage according to one's own ideas.

In non-life insurance, KOMUNÁLNA poisťovňa focused on stabilizing its portfolio of motor insurance products, emphasizing quality underwriting in form of segmentation and its regular updating with regards to sales and claims development in order to ensure the profitability of these products. A new risk model was proposed in MTPL insurance, which will be implemented in 2022. In addition to updating the segmentation in individual motor insurance, regular re-assessment of fleet insurance policies in MTPL and motor hull insurance was carried out. The company continued to improve the digitization of processes by innovating web applications for the contracting of MTPL and motor hull insurance products as well as by offering support for the implementation of self-inspections of motor vehicles before entering the insurance by insurance intermediaries.
In the non-life insurance segment, the insurance company focused on supporting the insurance of small and medium-sized enterprises by streamlining the processes related to the preparation of insurance offers by creating three underwriting points in the regions.
As part of strategic partnerships, the company focused on making its insurance conditions more attractive for members of the Association of Towns and Municipalities of Slovakia in form of 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 such as Swiss Re (Germany), Scor SE (France), SiriusPoint International (Sweden), etc., 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 of coverage, its effectiveness as well as the reinsurance strategy did not change in 2021.
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 life insurance segment, KOMUNÁLNA poisťovňa made progress in increasing the quality and availability of services provided to clients during 2021. Thanks to the possibility of reporting insurance claims contactless via the website or electronically by e-mail, despite the increase in the number of insurance claims, the length of the claims handling process was shortened, provided that the client submitted all the necessary documents. In case all documents were not handed over, the interval of contacting the client with a request to provide additional documents needed to resolve the insurance event was shortened. In dealing with claims, we placed a greater emphasis on the quality and speed of reported claims handling. The efficiency and safety of each part of the process and the detection of cases that showed signs of suspicious claims were also ensured.

In the non-life insurance segment, KOMUNÁLNA poisťovňa continued to increase the quality and availability of services provided to clients during 2021 not only through internal employees, but also through a wide network of cooperating car repair shops. The situation concerning claims was significantly affected by the COVID-19 pandemic, as a result of which the main emphasis was on the speed and quality of claim handling. The main activities were focused on digitalisation, partial automation of processes as well as their streamlining. Clients mostly used electronic and telephone forms of communication as well as claims reporting via the website.

Human Resources

In the area of human resources, management is focused on creating the most suitable working environment and conditions for employees. In 2021, we paid attention to the current needs of staffing, increasing the expertise of employees and also determining employee satisfaction.

Within the organisation of work, we focused on ensuring the functioning of the company in the demanding conditions of a pandemic situation. In this context, we regularly provided information and current guidelines for management and employees in cooperation with other specialist departments.

In connection with personnel strategy and development of the management culture, we focused on the education of the company´s management and employees, focusing on the currently changed conditions affecting the management. As part of the group-wide VIG project, we have also made available international e-learning with interesting and inspiring content for selected employees.

Diversity is also one of the most important topics of Vienna Insurance Group, which is why KOMUNÁLNA poisťovňa approved the concept of diversity in the company in 2021 in order to support the principles of diversity. The company has long maintained a high proportion of women employees and 41 per cent of management positions at the level of the Board of Directors and B-1 management are held by women.

Sales organisation of the company consists of three distribution channels - internal network, the Kontinuita network and an external network represented by a network of external brokerage companies and a network of cooperating car dealers. The head office, based in Bratislava, serves as a management and co-ordination centre, responsible for the overall results. The company provides services to clients at more than 76 points of sale in all regions of Slovakia. As of 31 December 2021, the internal network comprised 185 sales people. In parallel, there were almost 303 tied financial agents included in the structures of the internal network, the KONTINUITA network and the external network.

At the same time, the company cooperates with 276 independent financial agents, with their associated group of 2,500 specifically trained specialists in a subordinate financial agent position. This cooperation is organised by specialized external trade consultants operating across Slovakia in all regional towns except Trnava.

Corporate Social Responsibility

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 2021.

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 community activities. It includes the education of experts in local governments – representatives an employees of local governments, non-governmental organisations, teachers, educators, leisure workers etc.

KOMUNÁLNA poisťovňa has been developing its partnership with towns and municipalities in Slovakia not only through insurance of municipal property, but also by supporting sports, cultural, and social events organised by various communities.

The employees of KOMUNÁLNA poisťovňa also personally participated in the social responsibility activities. Within the so-called *Social Active Days* they visited kindergartens and primary schools, where they helped with the revitalisation of outdoor spaces. The insurance company has expanded its volunteer activities to include cooperation with a training school for guide and assistance dogs for people with disabilities, who can use dogs with special training as one of the compensatory aids. The company also supported the non-profit organisation Dom Svitania, where people with disabilities work in a sheltered workshop, with which KOMUNÁLNA poisťovňa has been cooperating since 2019.
The parent company also appreciated the insurance company´s systematic and long-lasting approach to social responsibility. In 2021, KOMUNÁLNA poisťovňa received the Günter Geyer Silver Award for social commitment. This award has been given by the Wiener Städtische Versicherungsverein, the main shareholder of Vienna Insurance Group, for outstanding contributions in the field of social responsibility since 2012.

Information Technologies and Digitization

In 2021, 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. Both companies use the services of joint data centres and a centrally maintained insurance technical system, which provides synergy effects in implementation of new functionalities.
The continuation of the pandemic situation in 2021 posed the same challenge as in 2020 in term of increased support for remote work of employees in form of home-office and related security of the IT environment, means of remote cooperation and communication and in terms of developing sales and providing services „contactless“ to clients and partners of the company.
The digitization of business processes was supported during 2021 by continuation of the ongoing development trend of digital product sales, through implementation of online product calculators, with generation of digital documentation, and automatic importation into the actuarial system. In view of the pandemic situation and the reduction in the mobility of the population, the "remote" selling model was strongly promoted. 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.
Another important element for the digital transformation of the company was the support and motivation of clients to activate and use the e-KOMfort client portal and the intensive support of the transition to digital communication with clients. A module for actively solving service requests from clients was launched in client portal.
In 2021, the multi-year-project for modernization of the main insurance and technical system, as a sub-project of the group KING project, continued and was successfully completed. The project objective is comprehensive replacement of a system built on outdated technologies by transferring it to a standard modern architecture, and aligning its capacity with modern trends and needs.
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.
The long-term goal based on the needs of clients is the continuous development of the company toward digitalisation of processes as well as the elimination of paper documents within the company, which also allows us to take an increasingly environmentally friendly approach.
One of the forms is the process of e-mail and SMS notifications in the form of a reminder about the approaching payment deadline as well as about a late payment. This process help our clients, which also resulted in a reduction in the number of cases of termination of the insurance relationship due to non-payment of insurance premiums. The development of the provision of electronic services to

clients of the basis of their consent to the use of electronic communication opens up space not only for two-way paperless communication but also for improving and accelerating services related to electronic contractual documentation, which can be used easily and efficiently.

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.

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, with the exception of non-life underwriting risk, which is evaluated using the partial internal ariSE model. 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 about price and reserve pricing. The subcategiries of life underwriting risk are risk of mortality, longevity risk, disability-morbidity risk, lapse risk, life expense risk, life revision risk, life catastrophe risk and life concentration 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 inadequate premiums, technical provisions and as a consequence of catastrophic events. 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 defined by the company as:

- risk of an adverse change in the value of existing insurance liabilities due to insufficient premiums or insufficient technical provisions, as well as
- risk of future liabilities arising from the expected portfolio over a time horizon of 1 year.

In the case of anticipated future liabilities, the most significant risk is the frequency and severity of claims.

The company evaluates non-life risk using the partial internal ariSE (PIM) model that was approved on December 23, 2015 with effect from January 1, 2016. The reason for introducing the ariSE system is that the standard formula does not adequately reflect the non-life insurance risks.

<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 and is evaluated using the standard formula.

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.

As of December 31, 2020 KOMUNÁLNA reported a solvency ratio of 165.64 per cent. Due to the fact that the company´s solvency ratio is sensitive to developments in the financial markets due to the structure of its insurance assets and liabilities, the company has been using volatility correction for the risk-free interest rate curve since 30 June 2020 and also due to unstable developments on the financial markets as well as the COVID-19 pandemic and the unpredictable impact on the company's own funds in the Solvency II regime, a temporary reduction of technical reserves will be applied for the first time as of 31 December 2021 pursuant to § 204 of Act no. 39/2015 Coll. on Insurance and on amendments to certain acts. 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 2021 reached a level of 301.4 million euros, with 58 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. We slightly increased the volume of loans due to participation in group syndicated secured loans. Further details are provided in the notes to the financial statements (note no. 12).

Income from Financial Assets and Assets Covering Reserves

In 2021, the company generated earnings of 6.7 million euros from financial assets, 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 2.646 million euros in 2021. The Managing Board proposes to the General Assembly to distribute the profit as follows:

Profit after tax	2 646 434.23 euros
Statutory reserve fund allocation	264 643.42 euros
Dividends	0 euros
Retained earnings	2 381 790.81 euros

The profit distribution will be submitted to the General Assembly for approval on March 30, 2022.

Other Important Information

After the date of preparation of the financial statements, a war conflict arose between Russia and Ukraine.

Based on the currently available information and the analysis performed by us, we do not anticipate a direct significant negative impact of the conflict on the Company, its activities, financial situation and operating result. The longer-term effects of the conflict are difficult to determine and the Company is closely monitoring the situation and will respond to mitigate any potential impact.

In addition to the above, there were no events 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 2021, 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 2022, 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:

<u>Short-Term Objectives</u>

- 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

<u>Medium-Term Objectives</u>

- product innovation and focus on comprehensive solutions for clients
- digitization and electronization of sales and services
- successful implementation of IFRS 17 and IFRS 9 and proper implementation of legislative changes in company´s processes
- 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. We see this as an exceptional opportunity to be a member of a successful transnational family. At the same time, it is a commitment and a strong motivation for us to contribute to the growth of the entire group and the satisfaction of all our clients with our results in the coming years.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board received from the Managing Board the annual financial statements as of 31.12.2021, including the 2021 economic result distribution proposal, Report of the Managing Board on economic results, business activities and assets of the company as of 31.12.2021, as well as the 2021 annual report, which the Supervisory Board studíed and thoroughly reviewed.
As a result of this review, the Supervísory Board adopted unanimous resolution, approving the regular índividual fínancial statement prepared by the Managing Board as of 31.12.2021, including the Annex, the economic result distribution proposal far the 2021 financial year, the report of the Managing Board on economic results, business activities and assets of the company at 31.12.2021, as well as the 2021 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 2021, the company held one ordinary General Assembly Meeting, two extraordinary General Assembly Meeting and five meetíngs of the Supervisory Board (four meetings via online meeting and one meeting with the persona! participation of the Supervisory Board).
The Supervisory Board announces to the General Assembly, that the annual financial statements as of 31.12.2021 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 2021 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 2022

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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Internet: 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 2021; 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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.

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Key Audit Matters

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

We have determined the following key audit matters:

Adequacy of life insurance contract liabilities

Life insurance contract liabilities as at 31 December 2021: EUR 166 819 thousand (31 December 2020: EUR 174 120 thousand).

Refer to Note 4.10 and 4.11 on pages 18 to 23 (Insurance premium and investment contracts; Classification of insurance contracts) and Notes 18 on pages 50 to 55 ((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. 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.	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; • 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.

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Due to the above factors, we considered measurement of the life insurance liabilities to be our key audit matter.

Measurement of non-life insurance contract liabilities

Non-life insurance contract liabilities as at 31 December 2021: EUR 60 694 thousand

(31 December 2020: EUR 50 904 thousand).

Refer to Note 4.10 and 4.11 on pages 18 to 23 (Insurance premium and investment contracts; Classification of insurance contracts) and Notes 18 on pages 50 to 55 (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. Due to the above factors, we considered measurement of the non-life insurance contract liabilities to be our key audit matter.	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; • 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

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	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 International Financial Reporting 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

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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 2021 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 4 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 the same date as the date of this report.

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

Slovenská komora audítorov SKAU Č.licencie 96 KPMG Slovensko spol. s r.o.

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

Bratislava, 10 March 2022

KOMUNÁLNA poisťovňa, a.s.
Vienna Insurance Group

Financial Statements at 31 December 2021
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 2021	31 December 2020
Property, plant and equipment	7	9,939	9,684
Investment property	8	1,075	1,051
Intangible assets	9	4,693	4,298
Right-of-use assets	10	3,525	3,263
Financial assets			
Equity securities:			
- held for sale	12	30,822	30,848
- at fair value through profit or loss	12	41,149	38,420
Debt securities:			
- at amortised cost	12	42,725	45,799
- held for sale	12	158,826	159,476
- at fair value through profit or loss	12	23,142	26,420
Loans provided	12	4,695	3,756
Reinsurance assets	11	35,586	31,941
Deferred acquisition costs	14	8,082	7,073
Receivables, including insurance receivables	13	6,547	6,723
Income tax assets		12	-
Cash and cash equivalents	15	7,172	6,842
Total assets		**377,989**	**375,594**
Equity			
Share capital	16	18,532	18,532
Share premium	16	15,326	15,326
Legal reserve fund	17	3,166	2,941
Remeasurement of securities	17	12,521	16,960
Retained earnings	17	25,323	22,902
Total equity		**74,868**	**76,661**
Liabilities			
Liabilities from insurance contracts	18	216,406	211,597
Liabilities from investment contracts with DPF	18	40,198	40,198
Deferred tax liability	20	1,609	3,803
Trade and other liabilities	18	44,907	42,458
Income tax liabilities		-	877
Total liabilities		**303,120**	**298,933**
Total equity and liabilities		**377,989**	**375,594**

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

RNDr. Milan Fleischhacker
Member of the Board of Directors

Statement of comprehensive income

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

	Note	2021	2020
Insurance premium earned from insurance contracts	21	92,641	98,154
Premium from investment contracts with DPF earned	21	16,710	24,030
Insurance premium earned ceded to reinsurers	21	(21,290)	(22,494)
Net insurance premium earned		**88,061**	**99,690**
Net income from financial investment	22	6,703	6,290
Commissions from reinsurers		5,777	6,074
Net realised gains from financial assets	23	(95)	(188)
Impairment of debt securities available for sale	23	-	(500)
Net fair value revaluation gain on financial investments	23	3,049	(591)
Other income	24	408	554
Net income		**103,903**	**111,329**
Insurance benefits	25	(16,642)	(18,463)
Benefits from investment contracts with DPF	25	(19,009)	(24,596)
Insurance benefits ceded to reinsurers	25	59	60
Insurance claims and claim handling costs	25	(46,771)	(46,277)
Insurance claims and claim handling costs ceded to reinsurers	25	14,152	14,954
Net insurance claims and benefits		**(68,211)**	**(74,322)**
Insurance contracts acquisition costs	26	(22,157)	(21,040)
Marketing and administrative expenses	26	(7,630)	(8,442)
Other operating expenses	26	(2,655)	(4,475)
Expenses		**(100,653)**	**(108,279)**
Profit before tax		**3,250**	**3,050**
Income taxes, including special levy from profit	28	(604)	(799)
Profit after tax		**2,646**	**2,251**
Other comprehensive income/loss (items which can 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	(5,875)	5,709
Deferred tax on revaluation of financial assets available for sale and transfers to net profit on sale	17	1,436	(1,395)
Other comprehensive income/loss, net of tax		**(4,439)**	**4,314**
Total comprehensive income		**(1,793)**	**6,565**

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	Total equity
As at 1 January2020		**18,532**	**15,326**	**2,941**	**12,646**	**20,651**	**70,096**
Profit after tax		-	-	-	-	2,251	2,251
Other comprehensive income		-	-	-	4,314	-	4,314
Total comprehensive income		**-**	**-**	**-**	**4,314**	**2,251**	**6,565**
Dividends paid		-		-	-	-	-
As at 31 December 2020		**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		-	-	-	-	-	-
As at 31 December 2021		**18,532**	**15,326**	**3,166**	**12,521**	**25,323**	**74,868**

Statement of cash flows

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

	Note	2021	2020
Cash flows from operating activities	29	606	(4,986)
Income tax paid		(2,251)	(391)
Interest received		6,536	6,299
Net cash flows from operating activities		**4,891**	**922**
Cash flows from investment activities			
Dividends received		59	53
Purchase of tangible assets, intangible assets and investment property	7, 8, 9	(3,689)	(3,413)
Net cash flows from investment activities		**(3,630)**	**(3,360)**
Cash flows from financing activities			
Lease contracts		(931)	(939)
Net cash flows from financing activities		**(931)**	**(939)**
Decreases / Increases in cash and cash equivalents		330	(3,377)
Cash and cash equivalents at the beginning of the year		6,842	10,219
Cash and cash equivalents at the end of the year	15	**7,172**	**6,842**

From interest received for year 2021 in the amount of EUR 6,536 ths. (2020: 6,299 ths.) interest attributable to clients is in the amount of EUR 268 ths. (2020: 353 ths.).

(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 2021 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 2020 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 2021, the average number of the Company's employees was 396 of which 5 were in managing positions (as at 31 December 2020: 406 of which 5 were in managing positions).

The Company's statutory representatives were as follows:

Board of Directors:	as at 31 December 2021	as at 31 December 2020
Chairman:	Ing. Slávka Miklošová	Ing. Slávka Miklošová
Members:	Mgr. Blanka Hatalová JUDr. Zuzana Brožek Mihóková RNDr. Milan Fleischacker Ing. Igor Saxa	Mgr. Blanka Hatalová JUDr. Zuzana Brožek Mihóková RNDr. Milan Fleischacker Ing. Peter Polakovič (until 31 August 2020) Ing. Igor Saxa (from 1 November 2020)

Supervisory Board:	as at 31 December 2021	as at 31 December 2020
Chairman:	Dr. Peter Thirring	Dr. Peter Thirring
Vice-chairman:	Gábor Lehel (until 31 May 2021) Hartwig Löger (from 16 June 2021)	Dr. Judit Havasi (until 10 June 2020) Gábor Lehel (from 11 June 2020)
Members:	Ing. Jana Bibová Mag. Christian Brandstetter Mgr. Katarína Gáliková Ing. Milan Muška (until 15 June 2021)	Ing. Jana Bibová Mag. Christian Brandstetter Mgr. Katarína Gáliková Ing. Milan Muška

Mgr. Magdaléna Adamová
Mag. Dr. Claudia Ungar-Huber
Dipl. Ing. Doris Wendler
PhDr. Michal Kaliňák, Phd.
(from 16 June 2021)

Mgr. Magdaléna Adamová
Mag. Dr. Claudia Ungar-Huber
Dipl. Ing. Doris Wendler

The Company address:

KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group
Štefánikova 17,
811 05 Bratislava, Slovak Republic
Identification number: 31 595 545
Tax identification number: 2021097089

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 on 10 March 2022.

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 interpretations

The Company applied all IFRS and its interpretations as adopted by European Union ("EU") as at 31 December 2021.

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 2022 have not been early applied by the Company.

IFRS 17, Insurance contracts (effective for annual periods beginning on or after 1 January 2023).
IFRS 17 replaces IFRS 4, which was adopted as a temporary standard in 2004. IFRS 4 allowed companies to account for insurance contracts under national accounting standards, resulting in a large number of different approaches. IFRS 17 addresses the comparability problems caused by IFRS 4 and requires that all insurance contracts be accounted for consistently, for the benefit of both investors and insurance companies. Insurance liabilities will be recognised at their present value instead of their historical value. The Company analyses the impact of the amendments to this standard on its financial statements and expects that the standard, when initially applied, will have a significant impact on its financial statements as the Company operates in the insurance business.

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 Company expects an increase in impairment allowances for loans and debt securities upon applying IFRS 9, as this standard introduces a new model for accounting of impairment allowances, the ECL- model (Expected Credit Losses). Under the new rules, based on the ECL the Company will be obliged to recognise an impairment allowance immediately after the receivable occurred, i.e. the receivable is not overdue nor shows other indications of impairment. A reasonable estimate of this increase in impairment allowances cannot be performed, as it cannot be reliably foreseen what information about future events, including macroeconomic assumptions and probabilities allocated to alternative macroeconomic forecasts, will be relevant as of 1 January 2023, when the effect of applying the standard will be recognised in the opening balance of retained earnings. The Company is currently assessing other aspects of the new standard and their impact on its financial statements, the fulfilment of the SPPI criteria and the analysis of assets, which represent only interest and principal payments, according to the rating, stated below.

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

IFRS 9 implementation

As at 31 December 2021	Assets which present other than principal and interest payments (SPPI)		Assets which only present principal and interest payments (SPPI)	
	Fair value	**Profit / loss from change of FV for the year**	**Fair value**	**Profit / loss from change of FV for the year**
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 held for sale:				
- Government bonds	-	-	74,446	(4,194)
- Corporate bonds	-	-	54,129	(1,323)
- Financial bonds	3,149	9	11,366	(221)
- Mortgage bonds	-	-	15,736	(852)
- Mutual funds	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)
- Mortgage bonds	-	-	634	(3)
- Mutual funds	2,302	197	-	-
Total	**5,857**	**693**	**999**	**(6)**
Financial position on behalf of the insured:				
- Bonds	14,088	(243)	4,500	(139)
- Mutual funds	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 2020	Assets which present other than principal and interest payments (SPPI)		Assets which only present principal and interest payments (SPPI)	
	Fair value	Profit / loss from change of FV for the year	Fair value	Profit / loss from change of FV for the year
Securities at amortised cost:				
- Government bonds	-	-	49,138	(9)
- Corporate bonds	-	-	398	13
- Financial bonds	-	-	-	-
- Mortgage bonds	-	-	10,379	(216)
Total	**-**	**-**	**59,915**	**(212)**
Securities held for sale:				
- Government bonds	-	-	77,027	3,632
- Corporate bonds	-	-	54,390	735
- Financial bonds	3,152	(7)	8,188	37
- Mutual funds	-	-	16,718	204
- Mortgage bonds	28,611	1,108	-	-
Total	**31,763**	**1,101**	**156,323**	**4,608**
Securities at fair value through profit or loss:				
- Government bonds	-	-	-	-
- Corporate bonds	1,878	189	386	(3)
- Financial bonds	-	-	-	(153)
- Mutual funds	-	-	396	-
- Mortgage bonds	2,167	211	-	-
Total	**4,045**	**400**	**782**	**(156)**
Financial position on behalf of the insured:				
- Bonds	15,513	156	8,247	(859)
- Mutual funds	36,253	1,334	-	-
Total	**51,766**	**1,490**	**8,247**	**(859)**
Loans and receivables				
- Loans	-	-	3,756	-
- Other receivables	-	-	1,252	-
Total	**-**	**-**	**5,008**	**-**

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

As at 31 December 2021	Gross carrying amount (IAS 39) of assets which only present principal and interest payments, by rating					
	AAA	**AA**	**A**	**BBB**	**BB-D**	**Not rated**
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 held 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	-	-
- Mutual funds	5,833	7,310	-	2,389	204	-
- Mortgage bonds	-	-	-	-	-	-
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	-	-	-	-	-	-
- Mutual funds	-	-	-	-	-	-
- Mortgage bonds	-	-	-	-	634	-
Total	**-**	**-**	**-**	**-**	**634**	**365**
Financial position on behalf of the insured:						
- Bonds	-	-	-	-	2,428	2,072
- Mutual funds	-	-	-	-	-	-
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**

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

As at 31 December 2020	**Gross carrying amount (IAS 39) of assets which only present principal and interest payments, by rating**					
	AAA	**AA**	**A**	**BBB**	**BB-D**	**Not rated**
Securities at amortised cost:						
- Government bonds	2,061	-	36,316	-	-	-
- Corporate bonds	-	-	-	386	-	-
- Financial bonds	-	-	-	-	-	-
- Mortgage bonds	-	7,036	-	-	-	-
Total	**2,061**	**7,036**	**36,316**	**386**	**-**	**-**
Securities held for sale:						
- Government bonds	-	-	66,098	7,030	3,899	-
- Corporate bonds	-	-	7,364	33,659	7,008	6,360
- Financial bonds	-	-	3,806	4,382	-	
- Mutual funds	6,075	7,817	-	2,619	207	-
- Mortgage bonds	-	-	-	-	-	-
Total	**6,075**	**7,817**	**77,268**	**47,690**	**11,114**	**6,360**
Securities at fair value through profit or loss:						
- Government bonds	-	-	-	-	-	-
- Corporate bonds	-	-	-	-	-	386
- Financial bonds	-	-	-	-	-	-
- Mutual funds	-	-	-	-	396	-
- Mortgage bonds	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**396**	**386**
Financial position on behalf of the insured:						
- Bonds	-	-	2,362	-	2,703	3,181
- Mutual funds	-	-	-	-	-	-
Total	**-**	**-**	**2,362**	**-**	**2,703**	**3,181**
Loans and receivables						
- Loans	-	-	-	1,790	1,966	-
- Other receivables	-	-	-	-	-	1,252
Total	**-**	**-**	**-**	**1,790**	**1,966**	**1,252**

Prepayment features with negative compensation - amendment to IFRS 9 (the amendment was issued on 12 October 2017 and is effective for annual periods beginning on or after 1 January 2019 except for insurance companies which may benefit from the exemption and apply this standard from 2023).

These amendments address concerns raised on accounting for financial assets which include contractual prepayment option. In particular, the concern was related to how a company would classify and measure debt instruments if the borrower was permitted to prepay the instrument at an amount lower than the outstanding principal and interest owed. Such prepayment is often called a prepayment with 'negative compensation'. If applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. The amendments allow the companies to measure financial assets with negative compensation and prepayment option at amortised cost. The Company does not expect that the amendment will have a material impact on the financial statements, as the Company does not own prepayable financial assets with negative compensation.

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions – beyond 30 June 2021 (Effective for annual periods beginning on or after 1 April 2021).

The amendment extends the use of the practical expedient to recognise COVID-19-Related Rent Concessions, which simplifies charging of rent as a direct consequence of COVID-19. The original procedure was issued in May 2020 which was applied in the Company's financial statements for the year ended 2021.

Amendment to IAS 16 Property, plant and equipment property, plant and equipment – Proceeds before intended use (effective for annual periods beginning on or after 1 January 2022).
The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2. The Company currently analyses the impact of the amendments on its financial statements.

Amendments to IAS 37 Provisions, contingent liabilities and contingent assets - Onerous contracts – cost of fulfilling a contract (effective for annual periods beginning on or after 2022).
In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The Company currently analyses the impact on its financial statements.

Amendment to IFRS 9 Financial Instruments
The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Company currently analyses the impact of the standard on its financial statements.

Amendment to Illustrative Examples accompanying IFRS 16 Leases
The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement. The Company currently analyses the impact of the standard on its financial statements.

Amendment to IAS 41 Agriculture
The improvements remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows. The Company currently analyses the impact of the standard on its financial statements.

Annual Improvements to IFRS Standards 2018 – 2021 (Effective for annual periods beginning on or after 1 January 2023):

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company currently analyses the impact of the standard on its financial statements. However, the quantitative impact of the adoption of the Amendments can only be assessed in the year of initial application of the Amendments, as this will depend on the transfer of asset or businesses to the associate or joint venture that take place during that reporting period.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).
The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The Company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments
The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

The Company currently analyses the impact of annual improvements on its financial statements.

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 24 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.

The written premium from OPU (personal insurance account) insurance contracts is recognised when paid.

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 amo1.,mt 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 2021, 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% (2020: 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 {2020: 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 2020, 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. 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.

To this date, the Company has not had a significant impact on the activities and management of the COVID 19 pandemic.

(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 COVID, SARS, 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

Insurance coverage per insurance contract	Total insurance coverage within certain group 31 December 2021	31 December 2020
Up to EUR 10,000	232,752	240,570
EUR 10,000 - EUR 15,000	42,041	43,785
EUR 15,000- EUR 30,000	48,620	50,955
EUR 30,000 - EUR 300,000	55,846	55,028
Over EUR 300,000	1,575	2,376
Total	**380,834**	**392,714**

Concentration of insurance risk after reinsurance

Insurance coverage per insurance contract	Total insurance coverage within certain group 31 December 2021	31 December 2020
Up to EUR 10,000	221,341	228,776
EUR 10,000 - EUR 15,000	35,663	37,142
EUR 15,000- EUR 30,000	42,563	44,608
EUR 30,000 - EUR 300,000	45,203	45,700
Over EUR 300,000	1,575	2,376
Total	**346,346**	**358,602**

Gross premiums written on life insurance amounted to EUR 35,27 mil. (2020: EUR 46.8 mil.), of which extraordinary premiums amount to EUR 7.28 million (2020: EUR 9.2 million). Extraordinary premiums were concentrated in 5 natural persons (2020: 20 persons).

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 2021 before reinsurance

Total insurance coverage within certain group v 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 2020 before reinsurance

Total insurance coverage within certain group v ths.

	0 – 300	**300 – 600**	**600 – 1,000**	**1,000-1 500**	**over 1,500**	**Total**
Property insurance	4,055,591	840,689	856,527	760,330	12,818,845	**19,331,982**
Accountability insurance	328,527	58,954	50,626	4,920	46,813	**489,840**
CASCO	1,925,080	13,186	-	-	-	**1,938,266**
PZP	-	-	-	-	1,375,944,640	**1,375,944,640**
Other	63,471	-	-	-	-	**63,471**
Total	**6,372,669**	**912,828**	**907,152**	**765,250**	**1,388,810,298**	**1,397,768,199**

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

Concentration of insurance risk k 31 December 2021 after reinsurance

Total insurance coverage within certain group v 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**

Concentration of insurance risk k 31 December 2020 after reinsurance

Total insurance coverage within certain group v ths.

	0 – 300	300 – 600	600 – 1 000	1 000 – 1 500	over 1,500	Total
Property insurance	4,055,491	840,689	824,527	608,264	1,450,895	**7,779,866**
Accountability insurance	164,264	29,477	25,313	2,460	23,406	**244,920**
CASCO	1,925,080	13,186	-	-	-	**1,938,265**
PZP	-	-	-	-	687,972,320	**687,972,320**
Other	63,471	-	-	-	-	**63,471**
Total	**6,208,305**	**883,351**	**849,840**	**610,724**	**689,446,621**	**697,998,842**

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.

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

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

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 2021	**Amount in the balance sheet**	**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	1,394	55,784
- Loans provided	4,695	202	2423	2,827	0	0	0	5,452
Financial assets held 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**

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

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.

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 2020	**Amount in the balance sheet**	**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	45,799	6,891	21,258	19,456	7,220	5,225	-	60,050
- Loans provided	3,756	190	760	3,435	-	-	-	4,385
Financial assets held for sale								
- fixed interest rate	159,476	5,737	39,951	78,251	24,197	6,754	7,980	162,870
- floating interest rate	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss								
- fixed interest rate	26,358	3,809	17,246	7,367	-	-	-	28,422
- floating interest rate	-	-	-	-	-	-	-	-
Equity securities	69,268	69,268	-	-	-	-	-	69,268
Reinsurance assets	31,941	13,654	8,051	5,330	3,038	656	1,212	31,941
Receivables (Note 13)	6,035	5,022	1,013	-	-	-	-	6,035
Cash and cash equivalents	6,842	6,842	-	-	-	-	-	6,842
Total	**349,475**	**111,413**	**88,279**	**113,839**	**34,455**	**12,635**	**9,192**	**369,813**
Liabilities								
Insurance and investment contracts with DPF before reinsurance	251,795	94,125	64,238	43,053	28,693	24,592	43,301	298,002
Trade and other liabilities (Note 19)	42,458	27,307	8,551	3,015	1,868	602	1,115	42,458
Total	**294,253**	**121,432**	**72,789**	**46,068**	**30,561**	**25,194**	**44,416**	**340,460**

•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.

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

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 0.5% to 6% (in 2020 from 0.5% to 6%).

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

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.

	Change +/- 50 Bb	
as at 31 December 2021	**Impact on profit or loss**	**Impact on other comprehensive income**
Financial assets		
Bonds held to maturity	-	-
Securities held for sale	-	-/+ 5,523
Securities at fair value through profit or loss	-/+ 81	-

as at 31 December 2020	**Impact on profit or loss**	**Impact on other comprehensive income**
Financial assets		
Bonds held to maturity	-	-
Securities held for sale	-	-/+ 6,020
Securities at fair value through profit or loss	-/+ 59	-

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 2021. 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 2021, equity securities totalled EUR 71,971 ths. (2020: EUR 69,268 ths.). If their market price decreased or increased by 10%, impact on share capital would be decreased or increased by EUR 3,082 ths. (2020: EUR 3,085 ths.) and impact on profit would be decreased or increased by EUR 230 ths. (2020: EUR 217 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.

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

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.

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 2021/ Standard & Poor's rating

	Debt securities						
Credit risk	**Through profit or loss**	**Avail-able for sale**	**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	-	-	-
Not rated	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.

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

31 December 2020/ Standard & Poor's rating

Credit risk	Debt securities: Through profit or loss	Debt securities: Avail-able for sale	Debt securities: At amortised cost	Loans provided	Receivables, including insurance receivables*	Reinsurance assets	Cash and cash equivalents
AAA	-	6,075	2,061	-	-	-	-
AA+	-	-	-	-	-	-	-
AA	-	7,817	2,010	-	-	473	-
AA-	-	-	5,026	-	-	1,358	-
A+	2,363	491	-	-	-	29,713	-
A	-	61,998	24,377	-	-	63	3,367
A-	17,390	14,780	11,939	-	-	-	1,964
BBB+	-	23,167	-	-	-	-	-
BBB	-	24,275	-	-	-	-	801
BBB-	-	3,400	386	1,790	-	-	706
BB+	-	3,956	-	-	-	-	-
BB	3,099	3,258	-	-	-	-	-
BB-	-	3,899	-	1,966	-	-	-
Not rated	3,568	6,360	-	-	6,035	334	3
Total	**26,420**	**159,476**	**45,799**	**3,756**	**6,035**	**31,941**	**6,842**

* Receivables and insurance receivables do not include non-financial assets. Non-financial assets in the amount of EUR 688 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 2021	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	7,172	-	-	-	-	-	**7,172**
Debt securities at amortised cost	42,725	-	-	-	-	-	**42,725**
Loans provided	4,695	-	-	-	-	-	**4,695**
Debt securities held 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.

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 2020	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	6,842	-	-	-	-	-	**6,842**
Debt securities at amortised cost	45,799	-	-	-	-	-	**45,799**
Loans provided	3,756	-	-	-	-	-	**3,756**
Debt securities held for sale	159,476	-	-	-	-	-	**159,476**
Debt securities at fair value through profit or loss	26,420	-	-	-	-	-	**26,420**
Receivables including insurance receivables *	3,275		1,877	180	53	650	**6,035**
Reinsurance assets	31,941	-	-	-	-	-	**31,941**
Total	**277,509**	**-**	**1,877**	**180**	**53**	**650**	**280,269**

* 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 688 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 2021	31 December 2020
Impairment allowance for receivables from the insured		
At the beginning of the year	4,021	3,181
Creation	933	1,726
Use/release	-1,264	-886
At the end of the year	**3,690**	**4,021**
Impairment allowance for receivables from agents and intermediaries		
At the beginning of the year	4,486	4,457
Creation	7	29
Use/release	-4,389	-
At the end of the year	**104**	**4,486**
Impairment allowance for other receivables		
At the beginning of the year	378	378
Creation	1	-
Use/release	-	-
At the end of the year	**379**	**378**

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.

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

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 2021, in accordance with the Act on Insurance No. 39/2015 as amended on 3 February 2015, effective from 1 January 2016.

7. Property, plant and equipment

	Land	Buildings and structures	Equipment, motor vehicles and other assets	Total
As at 1 January 2020				
Acquisition cost	505	10,464	4,360	15,329
Accumulated depreciation and impairment allowances	-	(3,333)	(2,840)	(6,173)
Net book value	**505**	**7,131**	**1,520**	**9,156**
Year ended 31 December 2020				
At the beginning of the year	505	7,131	1,520	9,156
Additions	-	816	417	1,233
Disposals	-	-	(170)	(170)
Decrease in accumulated depreciation	-	-	170	170
Charge for the year	-	(241)	(464)	(706)
Net book value at the end of the period	**505**	**7,706**	**1,473**	**9,684**
As at 31 December 2020				
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**
Period 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**

Depreciation in 2021, in the amount of EUR 484 ths. (2020: 464 ths.) are charged to the costs of marketing and administrative expenses and depreciation in the amount of EUR 218 ths. (2020: 241 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 23,954 ths. (2020: 23,996 ths.).

Buildings and land are not recognised in the Company's statement of financial position at fair value. As at 31 December 2021, the fair value of investment property is in the amount of 9,784 ths. (31 December 2020: 9,602 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 2020			
At the beginning of the year	67	952	1,019
Additions	-	34	34
Disposals	-	-	-
Decrease in accumulated depreciation	-	-	-
Charge for the year	-	(2)	(2)
Net book value at the end of the period	**67**	**984**	**1,051**
As at 31 December 2020			
Acquisition cost	67	1,492	1,559
Accumulated depreciation and impairment allowances	-	(508)	(508)
Net book value	**67**	**984**	**1,051**
Period ended as at 31 December 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	0	(547)	(547)
Net book value	**67**	**1,008**	**1,075**

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 2021 was in the amount of EUR 1,838 ths. (31 December 2020: 1,827 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 2021, rental income amounted to EUR 107 ths. (2020: 115 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 2020	
Acquisition cost	9,144
Accumulated depreciation and impairment allowances	(5,263)
Net book value	**3,881**
Year ended as at 31 December 2020	
At the beginning of the year	3,881
Additions	1,421
Disposals	(75)
Decrease in accumulated depreciation	75
Amortisation	(1,004)
Net book value at the end of the period	**4,298**
As at 31 December 2020	
Acquisition cost	10,490
Accumulated depreciation and impairment allowances	(6,192)
Net book value	**4,298**
Period 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**
Acquisition cost	11,940
Accumulated depreciation and impairment allowances	(7,247)
Net book value	**4,693**

Amortisation in the amount of EUR 1,055 ths. (2020: 1,004 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 2020			
At the beginning of the year	3,473	-	3,473
Additions	582	142	724
Disposals	(94)	(65)	(159)
Decrease in accumulated depreciation	94	65	159
Amortisation	(811)	(123)	(934)
Net book value at the end of the period	**3,244**	**19**	**3,263**
As at 31 December 2020			
Acquisition cost	4,735	77	4,812
Accumulated depreciation and impairment allowances	(1,491)	(58)	(1,549)
Net book value	**3,244**	**19**	**3,263**
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**

Depreciation in the amount of EUR 803 ths. (2020: 811 ths.) was charged to acquisition costs and depreciation in the amount of EUR 145 ths. (2020: 123 ths.) is charged to marketing and administrative expenses.

The Company leases office and retail space. The average remaining lease term is 56 months (2020: 48 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 2021	as at 31 December 2020
Less than 1 year	744	735
1 – 5 years	2,671	2,545
More than 5 years	144	-
	3,559	3,280

(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 2021	as at 31 December 2020
Interest expense	22	25
Variable rental costs which are not included in the lease liability measurement	70	57
Short-term rental costs	109	172
Costs of low-value tangible assets rental except for short-term rental costs on low-value tangible assets	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 2021	as at 31 December 2020
Total rental payment	953	964

Payments for principal leases in the amount of EUR 931 ths. (2020: 939 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 22 ths. (2020: 25 ths.) are recognised as cash flows from operating activities in the statement of cash flows.

11. Reinsurance assets

As at	31 December 2021	31 December 2020
Reinsurers' share in insurance liabilities	35,586	31,941
Total reinsurance assets	**35,586**	**31,941**
Current	13,147	13,654
Non-current	22,439	18,287

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 2021 for disclosure purposes under IFRS 7, Financial Instruments: Disclosures, and the measurement categories determined in compliance with IAS 39, Financial Instruments: Recognition and Measurement.

In ths. of EUR	Loans and receivables	Assets available for sale	FVTPL classified voluntarily on acquisition	Assets held to maturity	Total amount
Equity securities:					
- held 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**
- held 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.

The following table provides a reconciliation of asset categories as at 31 December 2020, for the purposes of disclosure under IFRS 7 Financial Instruments: disclosure, and the measurement categories defined by IAS 39 Financial Instruments: Recognition and measurement.

In ths. of EUR	Loans and receivables	Assets available for sale	FVTPL classified voluntarily on acquisition	Assets held to maturity	Total amount
Equity securities:					
- held for sale	-	30,848	-	-	**30,848**
- at fair value through profit or loss	-	-	38,420	-	**38,420**
Debt securities:					
- at amortised cost	14,588	-	-	31,210	**45,799**
- held for sale	-	159,476	-	-	**159,476**
- at fair value through profit or loss	-	-	26,420	-	**26,420**
Loans provided:					
loans provided	3,756	-	-	-	**3,756**
Receivables excluding insurance receivables *	1,252	-	-	-	**1,252**
Cash and cash equivalents	6,842	-	-	-	**6,842**

* 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 2021			31 December 2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Equity securities:						
- held for sale	7,127	23,694	**30,822**	6,252	24,596	**30,848**
- at fair value through profit or loss	-	41,149	**41,149**	2,164	36,256	**38,420**
Debt securities:						
- at amortised cost	-	42,725	**42,725**	4,637	41,162	**45,799**
- held for sale	8,898	149,928	**158,826**	1,533	157,943	**159,476**
- at fair value through profit or loss	-	23,142	**23,142**	2,363	24,057	**26,420**
Loans provided	-	4,695	**4,695**	-	3,756	**3,756**

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.

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

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 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 held 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**

As at 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
At fair value through profit or loss	34,458	10,501	19,880	64,840
Of which:				
- Debt securities	-	6,540	19,880	26,420
- Equity securities	34,458	3,962	-	38,420
Securities held for sale	143,978	43,618	2,728	190,323
Of which:				
- Debt securities	115,367	43,618	491	159,476
- Equity securities	28,611	-	2,237	30,848
Total	**178,436**	**54,113**	**20,608**	**255,163**

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 3,096 ths. (2020: 2,444 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 2021	**Fair value 31 December 2020**	**Valuation technique**	**Input parameters**
Level 2 assets:				
Bonds available for sale	42,774	43,618	Discounted cash flows	Yield curve of government (spread)
Bonds at fair value through profit or loss	5,499	6,540	Discounted cash flows	Yield curve of government (spread)
Equity securities	4,376	3,962	Expert valuation	Subjective expectations

During the year, there were no changes in the valuation technique for Level 2 fair value securities (2020: no change).

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

The description of valuation technique and input parameters for Level 3 measurements as at 31 December 2021 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)	0.39% - 1.39 % (0.83%)	± 0.5%	± 289
- available for sale	-	-	-	-	-	-

The description of valuation technique and input parameters for level 3 measurements as at 31 December 2020 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	19,880	Discounted cash flows	Yield curve of government (spread)	0.32% - 1.68% (1.00%)	± 0.5% p.a.	±378
- available for sale	491	Discounted cash flows	Yield curve of government (spread)	19.06%	± 0.5% p.a.	±2

There were no changes in valuation techniques used to measure securities falling into level 3 fair value measurements during the year (2020: 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.

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

The change in financial instruments at level 3 during the year 2021 was as follows:

	Bonds held for sale	Bonds at fair value through profit or loss	Total
As at 1 January 2021			
Total gains and losses	491	19,880	20,371
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**
Unrealised gains and losses on securities recognised in profit or loss owned as at 31 December 2021	-	108	108

Level 3 only involves debt securities, movements in 2020 were as follows:

	Bonds held for sale	Bonds at fair value through profit or loss	Total
As at 1 January 2020			
Total gains and losses	-	17,046	17,046
of which in profit or loss	(500)	(623)	(1,123)
of which in other comprehensive income and losses	-	-	-
Purchases	-	-	-
Disposals, payments of principal and interest	-	-	-
Transfers from Level 3 to Level 2	-	-	-
Transfers to Level 3	991	3,457	4,448
Net book value at the end of the year	**491**	**19,880**	**20,371**
Unrealised gains and losses on securities recognised in profit or loss owned as at 31 December 2020	(500)	(623)	(1,123)

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.

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

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 2021				31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Assets								
Debt securities at amortised cost	25,063	29,059	-	42,725	28,942	30,972	-	45,799
Of which: held to maturity*	25,063	10,203	-	28,521	28,942	10,593	-	31,210
Debt securities classified as loans	-	18,856	-	14,204	-	20,593	-	14,589
Loans provided	-	-	4,695	4,695	-	-	3,756	3,756
Cash and cash equivalents held for a client covering insurance contracts with no fixed contract terms	-	521	-	521	-	575	-	575
Cash and cash equivalents	2	7,170	-	7,172	3	6,264	-	6,267
Trade liabilities**	-	1,259	-	1,259	-	1,370	-	1,370

* 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 2021	As at 31 December 2020
Receivables from insurance and reinsurance contracts:		
- from the insured	6,891	7,275
- Impairment allowance for receivables from the insured	(3,690)	(4,021)
- from agents and intermediaries	158	4,517
- impairment allowances for receivables from agents and intermediaries	(104)	(4,486)
- from reinsurers	64	22
- impairment allowances for receivables from reinsurers	-	-
Other receivables (financial):		
- trade receivables	422	413
- other assets	479	519
- Impairment allowance for other receivables	(368)	(368)
Recourse receivable	2,006	2,164
Receivables, including insurance receivables	**5,858**	**6,035**
Other receivables (non-financial):		
- advances provided	179	174
- impairment allowances for advance payments	(11)	(11)
- deferred expenses	113	105
- accrued income	408	420
Total receivables including insurance receivables	**6,547**	**6,723**
Short-term portion	5,524	5,710
Long-term portion	1,022	1,013

The estimated fair values of loans and receivables do not significantly differ from their carrying values, considering impairment allowances.

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

The reconciliation of changes in deferred acquisition costs in 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
As at 1 January	7,073	7,968
Change of deferred commissions (Note 26.1 a)	7,460	4,005
Amortisation of deferred commissions (Note 26.1 a)	(6,451)	(4,818)
Amortisation of deferred non-life insurance levy	-	(81)
As at 31 December	**8,082**	**7,073**
Short-term portion	6,280	5,228
Long-term portion	1,802	1,845

15. Cash and cash equivalents

As at	**31 December 2021**	**31 December 2020**
Cash accounts and cash on hand	6,651	6,267
Cash and cash equivalents held for a client covering insurance contracts with no fixed contract terms	521	575
Total	**7,172**	**6,842**

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

16. Share capital

	Number of ordinary shares	Ordinary shares (in ths.)
As at 1 January 2020	5,582	18,532
As at 31 December 2020	5,582	18,532
As at 31 December 2021	5,582	18,532

17. Legal reserve fund a other equity

As at	31 December 2021	31 December 2020
Legal reserve fund and other funds	3,166	2,941
Revaluation reserve for financial assets available for sale	12,521	16,960
Share premium	15,326	15,326
Retained earnings and profit for the period	25,323	22,902
Total	**56,336**	**58,129**

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

The profit for 2020 in the amount of EUR 2 251 ths. (2019: EUR 1,106 ths.) was approved by the General Meeting on 25 March 2021 (2019: 10 June 2020) and was recorded as follows:

As at	Profit or loss 2021 (proposal)	Profit or loss 2020	Profit or loss 2019
Transfer to retained earnings	2,381	2,026	1,106
Transfer to legal reserve fund	265	225	-
Dividends paid to shareholders	-	-	-
Total	**2,646**	**2,251**	**1,106**

No dividends were paid in the year 2021, or in the year 2020.
The Board of Directors suggests the transfer of profit for 2021 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 2020	**12,646**
Revaluation – gross	5,714
Revaluation – tax (Note 20)	(1,396)
Transfers to net profit on sale – gross	(5)
Transfers to net profit on sale – tax (Note 20)	1
As at 31 December 2020	**16,960**
Revaluation – gross	(5,905)
Revaluation – tax (Note 20)	1,443
Transfers to net profit on sale – gross (Note 23)	30
Transfers to net profit on sale – tax (Note 20)	(7)
As at 31 December 2021	**12,521**

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

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

Gross	As at 31 December 2021	As at 31 December 2020
Short-term insurance contract:		
- claims reported and claim handling costs	47,770	39,957
- claims incurred but not reported	11,019	10,947
- SKP provision	1,905	-
Total claims	60,694	50,904
- unearned premiums	29,091	26,626
Total short-term insurance contract	89,785	77,530
Long-term insurance and investment contracts:		
- insurance contracts with fixed and guaranteed terms and with discretionary participation (DPF)	64,039	66,840
- insurance contracts with no fixed terms – linked to Mutual funds and bonds	64,406	67,082
- investment contracts with DPF	38,374	40,198
Total liabilities from insurance and investment contracts - gross	166,819	174,120
Total liabilities from insurance and investment contracts	256,604	251,650

Reinsurer's share	As at 31 December 2021	As at 31 December 2020
Short-term insurance contract:		
- claims reported and claim handling costs	23,551	19,438
- claims incurred but not reported	5,214	5,341
- unearned premiums	6,784	6,972
Long-term insurance and investment contracts		
- insurance contracts with fixed and guaranteed terms	21	37
- insurance contracts with no fixed and guaranteed terms	15	22
- investment contracts with DPF	1	1
Total Reinsurer's share in liabilities from insurance and investment contracts	35,586	31,811

Net	As at 31 December 2021	As at 31 December 2020
Short-term insurance contract:		
- claims reported and claim handling costs	24,219	20,519
- claims incurred but not reported	5,805	5,606
- SKP provision	1,905	-
- unearned premiums	22,307	19,654
Long-term insurance and investment contracts:		
- insurance contracts with fixed and guaranteed terms and with discretionary participation (DPF)	64,018	66,803
- insurance contracts with no fixed terms – linked to Mutual funds	64,391	67,060
- investment contracts with DPF	38,373	40,198
Total liabilities from insurance and investment contracts - net	219,106	219,840

(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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	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	41,887	
– One year later	35,683	38,904	36,455	46,994	51,792	55,733	53,730	53,854	36,719		
– Two years later	34,618	35,542	36,120	44,192	51,510	55,787	54,748	55,101			
– Three years later	34,196	35,245	37,083	44,863	51,756	57,839	55,368				
– Four years later	33,714	34,949	37,153	44,139	52,315	57,660					
– Five years later	33,612	35,027	37,025	44,810	52,922						
– Six years later	33,735	35,395	37,496	45,244							
– Seven years later	34,317	35,742	38,188								
– Eight years later	35,032	35,687									
– Nine years later	35,116										
Current estimate of cumulative claims	35,116	35,687	38,188	45,244	52,922	57,660	55,368	55,101	36,719	41,887	**453,893**
Cumulative payments of claims	(33,224)	(34,494)	(35,707)	(43,192)	(48,788)	(51,673)	(49,382)	(47,269)	(30,790)	(25,451)	**(399,971)**
Liabilities for years 2012 – 2021	1,892	1,193	2,481	2,052	4,134	5,987	5,986	7,832	5,929	16,436	**53,922**
Liabilities attributable to periods before 2012											**4,790**
Total liability recognised in the balance sheet											**58,712**

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 8,694 ths.)

Sensitivity	**Total liability (in ths. of EUR)**	**Change in %**
Basic scenario	58,712	
- Mortality decrease by 10%	59,040	0.56%
- Shift of discount curve up (+100 points)	57,970	-1.26%
- Shift of discount curve down (-100 points)	58,902	0.32%

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

Analysis of claim provisions – after reinsurance

Reporting period	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:											
– At the end of the reporting period	27,444	30,912	31,619	38,053	40,866	46,363	46,029	45,351	33,201	35,029	
– One year later	18,291	23,670	21,059	28,411	30,661	37,353	38,318	37,426	26,652		
– Two years later	18,792	21,981	20,903	25,895	30,572	37,871	38,838	38,668			
– Three years later	19,175	21,608	21,717	26,615	29,164	38,184	38,299				
– Four years later	18,601	20,959	21,585	25,993	30,503	37,886					
– Five years later	18,401	20,939	21,310	26,781	30,874						
– Six years later	18,497	21,155	21,885	26,959							
– Seven years later	18,505	21,279	22,178								
– Eight years later	19,679	21,147									
– Nine years later	19,759										
Current estimate of cumulative claims	19,759	21,147	22,178	26,959	30,874	37,886	38,299	38,668	26,652	35,029	**297,452**
Cumulative payments of claims	(18,215)	(20,912)	(20,888)	(26,251)	(28,670)	(36,504)	(36,103)	(34,196)	(24,219)	(22,903)	**(268,862)**
Liabilities for years 2012 - 2021	1,544	235	1,290	708	2,204	1,382	2,196	4,472	2,433	12,126	**28,590**
Liabilities attributable to periods before 2012											**1,428**
Total liability recognised in the balance sheet											**30,018**

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 2021, 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 2021 (2020: 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 -2,045 ths. a -3,883 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.

	Value of future cash flows (in ths. EUR)	Change to the best estimate (in ths. EUR)	Percentage change (in %)
As at 31 December 2021			
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)

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

As at 31 December 2020	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	5,798		
Death +10%	5,147	(650)	(11.21)
Death-10%	6,471	673	11.61
Lapse rate +10%	5,680	(118)	(2.04)
Lapse rate -10%	5,897	99	1.71
Expenses +10%	3,583	(2,215)	(38.20)
Expenses -10%	6,197	400	6.90
Risk-free interest rate +1%	9,332	3,534	60.95
Risk-free interest rate –1%	1,180	(4,618)	(79.65)

As at 31 December 2021, the value of the statutory reserve net of accruals of acquisition costs amounted to EUR 165,017 ths. (2020: EUR 172,275 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.

18.3. 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 2021			As at 31 December 2020		
Period	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Claims reported	39,957	(19,437)	20,520	36,091	(17,513)	18,578
Claims incurred but not reported	10,947	(5,341)	5,606	9,682	(4,703)	4,979
Total at the beginning of the year	**50,904**	**(24,778)**	**26,126**	**45,773**	**(22,216)**	**23,557**
Claims paid during the year	(36,721)	10,295	(26,425)	(40,544)	12,261	(28,283)
Increase in liabilities from insurance contracts						
Due to claims occurred	44,529	(14,211)	30,317	45,675	(14,823)	30,852
Total as at the end of the year	**58,712**	**(28,694)**	**30,018**	**50,904**	**-24,778**	**26,126**
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 as at the end of the year	**58,712**	**(28,694)**	**30,018**	**50,904**	**(24,778)**	**26,126**

b) Provisions for unearned premiums from short-term contracts

	As at 31 December 2021			As at 31 December 2020		
Period	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	26,625	(6,972)	19,653	27,732	(7,967)	19,765
Creation during the year	66,176	(15,432)	50,744	63,737	(18,311)	45,426
Use during the year	(63,710)	15,620	(48,090)	(64,844)	19,306	(45,538)
Total as at the end of the year	**29,091**	**(6,784)**	**22,307**	**26,625**	**(6,972)**	**19,653**

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

c) Long-term insurance contracts

Period as at	31 December 2021	31 December 2020
At the beginning of the year	66,722	69,856
Premium written	9,545	10,780
Risk premium, expense part of premium and consumed premium	(4,438)	(5,114)
Use of reserve due to payment of claims in case of death, surrender or other reason for termination of a contract during the year	(10,183)	(11,160)
Interest credited and revaluation of long-term insurance contracts	2,219	2,456
Change in LAT provision	-	-
Changes in reserve for insurance claims	309	52
Changes in unearned premium reserve	(121)	(134)
Risk premium, expense part of premium and consumed premium	(14)	(14)
Total as at the end of the year	64,039	**66,722**

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

Period as at	31 December 2021 IL/UL	31 December 2021 Istota fund	31 December 2020 IL/UL	31 December 2020 Istota fund
At the beginning of the year	62,280	4,807	63,545	5,210
Invested premium	8,951	-	11,591	-
Fees deducted from accounts of clients	(4,228)	-	(2,301)	-
Use of reserve due to payment of claims in case of death, surrender or other reason for termination of a contract during the year	(11,691)	(395)	(9,998)	(427)
Fund Istota transfer	-	-	-	-
Changes in reserve for insurance claims	538	0	(50)	-
Changes in unearned premium reserve	1	0	(1)	-
Interest credited and revaluation of long-term insurance contracts without DPF	4,143	0	(506)	(24)
Total as at the end of the year	**59,994**	**4,412**	**62,280**	**4,807**

e) Long-term investment contracts with DPF

Period as at	31 December 2021	31 December 2020
At the beginning of the year	40,311	40,280
Premium written	16,767	23,929
Fees deducted from accounts of clients	(150)	(132)
Use of reserve due to payment of claims in case of death, surrender or other reason for termination of a contract during the year	(19,024)	(24,423)
Interest and revaluation of long-term investment contracts with DPF	359	658
Changes in reserve for insurance claims	111	-1
Changes in unearned premium reserve	-	-
Changes in allocated profit shares	-	-
Total as at the end of the year	**38,374**	**40,311**

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 2021	31 December 2020
Amounts due to related parties (Note 31)	1,791	722
Insurance and reinsurance liabilities		
- from the insured	6,441	6,453
- from agents and intermediaries	1,659	1,200
- from reinsurers	690	1,779
Reinsurance deposit (Note 31)	23,640	21,986
Lease liabilities	3,559	3,280
Trade liabilities	1,259	1,370
Total financial and insurance liabilities	**39,039**	**36,790**
Liabilities to employees	1,792	1,605
Social insurance and other tax liabilities	1,391	1,276
Liabilities towards Ministry of Interior of the Slovak Republic	2,686	2,787
Total	**44,908**	**42,458**
Short-term portion	28,422	28,422
Long-term portion	14,036	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 2021	31 December 2020
Balance as at 1 January	11	22
Creation	59	53
Drawing	(59)	(64)
Balance as at the end of the period	**11**	**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 2021	31 December 2020
Deferred tax assets		
- to be recovered after 12 months	1,618	885
- to be recovered within 12 months	1,509	1,462
Deferred tax liabilities		
- to be recovered after 12 months	(4,736)	(6,150)
- to be recovered within 12 months	-	-
Total	**(1,609)**	**(3,803)**

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

Deferred tax movements are as follows:

Period as at	31 December 2021	31 December 2020
At the beginning of the year	(3,803)	(2,998)
Income/ (expense) recognised in profit or loss	758	590
Tax charged to other comprehensive income (Note 17)	1,436	(1,395)
Balance at the end of the period	**(1,609)**	**(3,803)**

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 2020	**1,293**	**98**	**338**	**1,729**
Recognised as credit/debit in profit or loss	169	292	157	618
As at 31 December 2020	**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**

Deferred tax liability:

	Revaluation of assets available for sale	Charge for the year of property, plant and equipment	Interest on late payment, other	Total
As at 1 January 2020	**1,751**	**651**	**-**	**2,402**
Recognised in other comprehensive income	2,339	-	-	2,339
Recognised as credit/debit in profit or loss	-	(13)	-	(13)
As at 31 December 2020	**4,090**	**638**	**-**	**4,728**
Recognised in other comprehensive income	1,395	-	-	1,395
Recognised as credit/debit in profit or loss	-	28	-	28
As at 31 December 2021	**5,485**	**666**	**-**	**6,151**

Deferred income tax, recognised in comprehensive income in 2021 and 2020, 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 2021	31 December 2020
Long-term insurance contracts with fixed and guaranteed terms		
- Premium written	13,694	11,871
- change in reserve for unearned premium	120	135
Long-term insurance contracts with no fixed terms		
- Premium written	4,872	10,849
Long-term investment contracts with DPF		
- Premium written	16,710	24,030
Short-term insurance contract		
- Premium written	76,420	74,192
- change in reserve for unearned premium	(2,465)	1,107
Insurance premium earned from contracts	**109,351**	**122,184**
Long-term reinsurance contracts		
- premium ceded to reinsurers	(134)	(587)
- change in reserve for unearned premium	(1)	12
Short-term reinsurance contracts		
- premium ceded to reinsurers	(20,967)	(20,924)
- change in reserve for unearned premium	(188)	(995)
Premium ceded to reinsurers from insurance contracts	(21,290)	(22,494)
Net insurance premium earned	**88,061**	**99,690**

22. Income from financial investment

	31 December 2021	31 December 2020
Interest income from financial investment at amortised cost	2,000	2,192
Interest income from financial investment available for sale	4,214	3,723
Interest income from cash and cash equivalents	-	-
Foreign exchange rates differences	108	(62)
Other income from financial investments	59	53
Other interest income	322	384
Total	**6,703**	**6,290**

23. Net income from financial investment

a) Net realised gains from financial investments

	31 December 2021	31 December 2020
Gains on sale of debt securities and unit certificates available for sale	30	5
- of which realised Revaluation	*30*	*5*
Losses on debt securities at fair value through profit or loss	(2)	-
Other realised gains	(123)	(193)
Total	**(95)**	**(188)**

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

b) Net gains from fair value revaluation of financial investments

	31 December 2021	31 December 2020
Net gains/(losses) from equities at fair value through profit or loss (of which interest income 2021: EUR 2021: 267 ths.; 2020: EUR 303 ths.)	3,049	(591)
Total	**3,049**	**(591)**

c) Impairment of securities available for sale

	31 December 2021	31 December 2020
Impairment of securities available for sale	-	(500)
Total	**-**	**(500)**

As at 31 December 2021, the price of the NOVAGR 5 07/27/21 - SK4120011933 bond was set at 0% of the nominal value for positions in own books (at own risk). The guarantor of the bond and the 100% owner of the issuer Nova Green Finance, a. s. is Arca Capital Slovakia, a. s., which has liquidity problems (as at the balance sheet date, it did not pay out its issued bond ARCACA 7/08/12/20 - SK4120010927 due on 12 August 2021). Also, the audited financial statements of the issuer or guarantor as of 30 June 2021 or later are not available to assess their financial situation after Covid-19 outbreak and its impact on the economy. The market for bond SK4120011933 and SK4120011925 is inoperative and does not provide any information on price of the bond. Therefore, a price of 0% was used to value the bond as at 31 December 2021 for positions in own books.

„Arca Capital Slovakia, a. s. filed a proposal to authorize its restructuring, which was granted by the Bratislava I District Court. The Company receivables arising from the issuers’ bond ownership from the Arca Capital Slovakia, a.s. group were registered for restructuring on 11 May 2021. These were fully acknowledged by the restructuring authority. On 23 November 2021, a meeting of Arca Capital Slovakia, a. s. took place. Despite the fact that the creditors present by an absolute majority of votes voted in favour of the restructuring plan of the debtor Arca Capital Slovakia, a. s., this plan was not approved. This is due to the fact that the restructuring plan was not approved in all groups of creditors, which is one of the criteria of the Bankruptcy and Restructuring Act. Approvement of the restructuring plan now depends on the court's decision. Subsequently, Arca Capital Slovakia, a.s. filed a proposal to the Bratislava I District Court to approve the restructuring plan. Pursuant to the provisions of Section 153 of the Bankruptcy and Restructuring Act, the court should either approve the restructuring plan or reject the submitted restructuring plan within 15 calendar days from the delivery of the proposal. To the date, the court has not yet issued a resolution, probably due to a change of the judge and the related familiarisation with the file agenda before issuing a resolution. Based on the above, the Company has a receivable from Arca Capital Slovakia, a. s., in the amount of EUR 0."

24. Other income

	31 December 2021	31 December 2020
Rental income	107	115
Other	301	439
Total other income	**408**	**554**

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

25. Insurance claims and benefits

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

	31 December 2021	31 December 2020
Long-term insurance contracts with fixed or guaranteed terms:		
- life benefits from insurance contracts	23,823	23,235
- life benefits from investment contracts with DPF	19,009	24,596
- life benefits - reinsurance	(81)	(161)
- increase/(decrease) in liabilities from insurance contracts (Note 18)	(9,443)	(4,801)
- increase/(decrease) in liabilities from investment contracts with DPF (Note 18)	2,262	29
- increase/(decrease) in liabilities (Note 18) reinsurance	22	101
Total insurance benefits	**35,592**	**42,999**

b) Claims from short-term insurance contracts

	31 December 2021			31 December 2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Insurance claims and claim handling costs	36,562	(10,280)	26,282	40,321	(12,278)	28,043
Change in claim provisions	7,898	(3,872)	4,026	5,499	(2,676)	2,823
Contribution to SKP	405	-	405	457	-	457
Change in the provision for the SKP deficit	1,905	-	1,905			
Total insurance claims and claim handling costs	**46,770**	**(14,152)**	**32,618**	**46,277**	**(14,954)**	**31,323**

26. Other expenses

26.1. Other expenses by function

a) Expenses for the acquisition of insurance contracts

	31 December 2021	31 December 2020
Change in deferred acquisition costs (Note 14)	(1,009)	813
Right-of-use assets depreciation	803	811
Acquisition costs recognised in profit or loss for the year	22,363	19,416
Total expenses for the acquisition of insurance contracts	**22,157**	**21,040**

In 2021, commissions from reinsurers are agreed in contracts with reinsurers, and amounted to EUR 5,777 ths., in 2020 in the amount of EUR 6,074 ths.

b) Marketing and administrative expenses

	31 December 2021	31 December 2020
Marketing and other administrative expenses	5,946	6,850
Depreciation of tangible assets (Note 7 and 8)	484	465
Right-of-use assets depreciation – information technologies (Note 10)	145	123
Amortisation of intangible assets (Note 9)	1055	1,004
Total marketing and administrative expenses	**7,630**	**8,442**

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

c) Other operating expenses

	31 December 2021	31 December 2020
Change in impairment allowances for receivables and written-off receivables	(40)	1,581
8% contribution to Ministry of Interior of the Slovak Republic	2,686	2,869
Taxes	29	31
Fees	236	174
Other	(256)	(180)
Total other operating expenses	**2,655**	**4,475**

26.2. Other expenses by nature

	31 December 2021	31 December 2020
Employee benefit expenses (Note 28)	10,780	9,842
Commissions for external agents	12,441	11,224
8% contribution	2,686	2,869
Marketing and administrative expenses	279	220
Change in impairment allowances for receivables and written-off receivables	(40)	1,581
Services	2,286	2,554
Audit	116	105
Materials	922	845
Rent	126	181
Charge for the year (Note 7, 8, 9 and 10)	2,487	2,403
Change of deferred acquisition costs (Note 14)	(1,009)	813
Other	844	794
Contribution to staff luncheon tickets benefit	306	301
Insurance costs	63	65
Membership fees	155	160
Total expenses	**32,442**	**33,957**

Services provided by statutory auditor to the Company in 2021 were as follows:

- Statutory audit of financial statements and Group reporting package in the amount of 79 ths.
- Audit of Solvency II statements amounted to EUR 32 ths. And Selected procedures for technical provisions in the amount of EUR 5 ths.

27. Employee benefit expenses

	31 December 2021	31 December 2020
Wages, salaries and termination benefits	8,102	7,383
Social and health care costs	1,377	1,259
Other costs - pension insurance	1,301	1,200
Total	**10,780**	**9,842**

28. Income tax

	31 December 2021	31 December 2020
Current tax	1,225	1,389
Deferred tax (Note 20)	(758)	(590)
Special levy	136	-
Tax total	**604**	**799**

The income tax rate in 2021 was 21% (2020: 21%}. The special levy rate in regulated industries was 4,356% from profit over EUR 3 million (2020: 6,540% from profit over EUR 3 million).

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

	2021	2020
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 *	4.356%	6.540%
Total tax rate**	**25.356%**	**27.540%**
Effective tax rate	**18.58%**	**26.197%**

* * 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 2021	31 December 2020
Profit before tax	3,250	3,050
Income tax calculated using the income tax rate and the special levy rate in regulated industries	794	641
Tax non-deductible expenses	2,624	1,182
Income which is not subject to taxation	(2,143)	(581)
Change in income tax rate	-	-
Other	(671)	(443)
Tax expense	**604**	**799**

29. Cash flows from operating activities

	31 December 2021	31 December 2020
Profit before tax	**3,250**	**3,050**
Depreciation of property, plant and equipment and amortisation of intangibles assets	2,744	2,646
Disposal of property, plant and equipment and intangible assets	9	-
Interest income	(6,536)	(6,299)
Subordinated debt interest	-	-
Movements in financial assets – Securities at amortised cost	3,074	2,915
Movements in financial assets – securities available for sale	(5,199)	(10,989)
Movements in financial assets – securities at fair value through profit or loss	549	(1,049)
Movements in financial assets – Loans provided	(939)	87
Movements in receivables and loans	118	4,197
Movements in deferred acquisition costs	(1,009)	895
Movements in reinsurance assets	(3,645)	(1,597)
Movements in liabilities from insurance contracts and investment contracts with	4,809	(602)
Movements in other liabilities	3,381	1,760
Net cash from operating activities	**606**	**(4,986)**

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.

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

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 2021			
Reinsurance receivables	-	-	-
Active 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**
31 December 2020			
Reinsurance receivables	-	-	-
Reinsurance assets	21,896	185	6,631
Loans provided	-	-	3,756
Equity shares	-	-	2,238
Other	7	38	-
Total receivables	**21,903**	**223**	**12,625**
Reinsurance liabilities	154	61	403
Active reinsurance liabilities	-	1,576	-
Deposits with reinsurers	21,986	-	-
Other	36	39	29
Subordinated debt	-	-	-
Total liabilities	**22,176**	**1,676**	**432**

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

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 2021 are 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
Insurance claims from active reinsurance	-	1,017	-
Subordinated debt interest	-	-	-
Other services purchase	306	9	1,407
Total purchases	**15,579**	**1,377**	**6,461**

As at 31 December 2020, income and expenses from related party transactions were as follows:

	VIG AG	Kooperativa	Other sister companies
Insurance claims - Reinsurer's share and reinsurance commission	14,787	217	2,855
Premium written from active reinsurance	-	2,050	-
Dividends received	-	-	353
Other sales	86	47	211
Total sales	**14,873**	**2,314**	**3,419**
Reinsurance premium	15,781	251	4,874
Claims paid from active reinsurance	-	1,145	-
Subordinated debt interest	-	-	-
Purchases of other services	165	9	1,576
Total purchase	**15,946**	**1,405**	**6,450**

c) Remuneration of the Company's statutory bodies

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

	2021	2020
Salaries and other short-term employee benefits	971	1,100
Retirement benefits	70	63
Social charges	161	147
	1,202	**1,310**

Remuneration of the Supervisory Board of the Company:

	2021	2020
Salaries and other short-term employee benefits	83	83
Retirement benefits	5	5
Social charges	6	7
	94	**95**

32. Events after the end of the reporting period

After the reporting period emerged a war conflict between Russia and Ukraine. Based on the currently available information and our analysis performed we do not anticipate a direct significant adverse impact of the conflict on the Company, its operations, financial position and operating result. The longer-term effects of the conflict are difficult to determine and the Company monitors the situations closely and will respond to mitigate the potential impact, if any.

In addition to the above, 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 Bystrica	Strieborné námestie 4	048/321 44 79
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	Záhradná 11/13	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
Gelnica	Hlavná 13	053/321 44 96
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	Farská 9	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 35 (súp. č. 1134)	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 22	047/563 14 18
Rožňava	Šafárikova 13	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, súp. č. 147	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
Turčianske Teplice	Banská 541/3	043/321 43 00
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	Tomáša Garrigue 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