# ANNUAL REPORT
**POISŤOVŇA**

2021

wüstenrot

W DOBROM AJ V ZLOM

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FINANCIAL STATEMENTS

# FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

2021 was the second year in a row that was strongly affected by the COVID-19 pandemic. New coronavirus variants and mutations resulted in the adoption of new anti-pandemic restrictions and rising inflation increased pressure on household finances. Concerns regarding an energy crisis surfaced late in the year in Slovakia.

War broke out in Ukraine at the end of February 2022. So far, our Company has not seen any direct impacts of the war on our business activities. As we do not focus on logistics or the industry insurance, we do not expect any significant direct impacts in the future.

Despite these unfavourable developments, our insurance company succeeded in returning to growth. A huge thanks for this achievement goes to our sales staff and all other company employees – at the headquarters and in regions. We were able to meet our goals despite the turbulence only thanks to their personal commitment.

Our company posted a pre-tax profit of EUR 2.48 million and maintained solvency well above the required level.
2021 can be considered a turning year in the history of the Wüstenrot Group in Slovakia. After year-long preparations, Wüstenrot Group established a new company, Wüstenrot InHouse Broker.

The new entity enabled the Group to enter the Slovak market of wide-range financial services. Company clients gained access to financial products which Wüstenrot Group could not previously provide.

The first figures demonstrate the success of the new strategy. For the first months of the new company's existence, deposits for the target amount of EUR 2 million were made in 2021. Loans in a total amount of almost EUR 12 million were intermediated.

However, the insurance business has been and will continue to be the flagship of the Wüstenrot Group in Slovakia. Despite strong competition, our insurance company reported major increases in new sales.

This is doubly true for the development in life insurance. In 2021, new sales grew year-on-year by almost 40%. We also saw increased client interest in our company's non-life insurance products. In this insurance sector, our company posted year-on-year growth of 13%.

The positive development of the company's sales was based on supply innovations and continuous improvement in our client approach. The company brought a new unit-linked life insurance ('W dobrom budúcnosť') to market and innovations to risk life insurance were launched onto the market in the first days of 2022.

In non-life insurance, MTPL insurance was significantly modernized ('W dobrom PZP'). In addition to the modification of MTPL insurance parameters, the company also updated the pricing.

Hand-in-hand with the innovation of our product range, the company also worked intensively on increasing pro-client digital solutions. Our clients used a new intuitive calculator to compute MTPL insurance premiums. We also modernized the application for reporting of the insurance events for client with motor hull insurance or MTPL insurance.

The Wüstenrot Group plans to continue growing in 2022. The insurance company intends to strengthen its position on the Slovak market, innovate its product portfolio, and focus on digitization projects.

March 2022

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

# ABOUT COMPANY

## Company profile

| | |
|---|---|
| **Company name** | Wüstenrot poisťovňa, a.s. |
| **Headquarters** | Karadžičova 17, 825 22 Bratislava 26 |
| **Share capital** | 12,418,800 EUR |
| **Identification number** | 31 383 408 |
| **Call centrum** | *6060 (0850 60 60 60) |
| **Internet** | www.wuestenrot.sk |
| **E-mail** | infopoistovna@wuestenrot.sk |

## Shareholders of the company as at 31 December 2021

**Shareholders**

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

## Company bodies as at 31 December 2021

| | | |
|---|---|---|
| **General Meeting** | consisting of the Company's shareholders | |
| **Supervisory Board** | Mag. Gerald Hasler | Chairman |
| | Dr. Susanne Riess | Vice-chairman |
| | Mag. Christine Sumper-Billinger | Member (since 21 June 2021) |
| | Andreas Senjak, MBA, CIIA | Member (since 21 June 2021) |
| | Roman Andersch | Member |
| | Mag. Dr. Andreas Grünbichler | Member (up to 20 June 2021) |
| **Board of Directors** | Ing. Marian Hrotka, PhD. | Chairman (since 23 March 2021) |
| | Mag. Christian Sollinger, CIIA | Chairman (up to 23 March 2021) |
| | Dr. Klaus Wöhry | Member |
| | Mag. Christian Sollinger, CIIA | Member (since 23 March 2021) |
| | Ing. Marian Hrotka, PhD. | Member (up to 23 March 2021) |

## Company history

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

## Company's objectives

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

**Company principles and values**

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

## Marketing activities

The year 2021 was affected by the continuing COVID-19 pandemic. The coronavirus crisis placed greater emphasis on both marketing communication effectiveness and the selection of appropriate marketing tools. This meant continuing the established digitization trend, preferring online marketing tools, and looking for synergies between the online space and the traditional sales offices.

Regarding digitization, a new intuitive calculator has proven successful as a smart tool for concluding MTPL insurance policies. We also focused on the other side of the insurance cycle. An upgraded application was introduced for clients for reporting of the insurance events in motor hull insurance and MTPL insurance. The application automatically replaces printed forms, completes vehicle data, and offers the possibility of liquidation. This significantly saves client time and energy.

The Company also intensively addressed the issue of increasing the percentage of paperless communication with existing clients. We continued innovating the client portal, 'Môj Wüstenrot'. Registration of new users has been simplified and is now totally contact-free. Communication with clients was made more efficient, and the portal was redesigned. Clients appreciated these innovations. In 2021, a record number of clients registered in the portal. The number of new users grew by 38% compared to 2020.

Launching a unique tool that combines the advantages of online communication with the comfort of sales offices was the biggest success in 2021. The Company introduced the 'TrhoWusko' tool which automatically connects clients who have shown interest in a specific insurance area in the online space with the relevant Wüstenrot sales office, if they have agreed to be contacted.

The most significant step in the communication area was a corporate identity change. After more than 7 years, Wüstenrot changed its slogan from 'Život sa mení rýchlo' ('Life changes rapidly') to 'W dobrom aj v zlom' ('In good and bad times').

The Company introduced the new slogan in an interactive spot, the plot of which can be influenced by the viewers. Hand-in-hand with the new corporate identity, the Company's website was also significantly redesigned. A new website blog vdobrom.sk has also been created, with practical articles on topics such as Automotive and Motoring, Housing, Health, and Ecology.

Performance-related online tools and direct marketing dominated in the selection of marketing tools. Almost 300,000 clients were addressed via CRM campaigns. Three insurance products were communicated widely in the online space: 'W dobrom budúcnosť' unit-linked life insurance, property insurance, and travel insurance.

In 2021, the Company continued with its public commitment not to use billboards, citylights, and other large advertising boards for marketing purposes. This commitment represents the Company's contribution to combating visual smog which residents of almost every town in Slovakia are exposed to.

In brand promotion, the Company will continue the trend established in 2021. It plans to increase presentation of the Wüstenrot brand in the online space and strengthen the positions of the Company's offices as sales routes.

The environmental impacts of the Company's activities were proportionate to the administrative character of its business. In this area, the Company focused on digitization and the use of electronic forms of communication, resulting in a significant reduction of paper consumption.

## Report of the HR department

**No discrimination**
All Company employees are equal and principles of equal treatment in employment relations by the Slovak Anti-Discrimination Act (Act No. 365/2004 Coll. on Equal Treatment in Certain Areas and Protection against Discrimination, and on Amendments to Certain Acts) are strictly applied.

**Working hours and annual leave**
Employees may use flexible working hours under agreed conditions. The Company takes measures to ensure a favourable work-life balance of its employees. Before leaving for, and after returning from, maternity or parental leave, employees may request to work part-time. In 2021, 10 employees (3.7%) worked part-time. Home office became commonplace during the pandemic. Almost all employees may work from home, as they have the necessary IT equipment and company mobile phones with data services, which are also available for private purposes.

**Employee care**
In 2021, we amended the Healthy Company Programme and provided employees (upon return to work) with face masks and respirators several times a year. In particular, we are well aware of how difficult it is to balance private and work duties when working from home. Our approach and communication respect this new situation and we help our staff obtain the right work-life balance and we respect the right to disconnect. The Company promotes the improvement of language skills – English and German courses, conducted online, are paid for in full by the Company.

We know that the long-lasting pandemic and isolation from colleagues when working from home has adversely affected the mental well-being of our staff. Therefore, we offered free psychological consultancy from experienced experts to our employees from late 2021. Five members of staff used this assistance on an anonymous basis.

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

In 2021, we again ran the Colleague of the Year contest. The winners contributed significantly to the quality of cooperation between divisions and departments and were rewarded for their hard work and help provided to others. The Company again took a TOP 10 position in the Banking Sector, Finances, and Insurance Industry category in the prestigious Best Employer in 2021 poll.

**Diversity**
At 31 December 2021, the Company had 273 employees with an average age of 43 years, of which 71.4% were women. Women occupied 55.2% of managerial positions.

# REPORT OF THE BOARD OF DIRECTORS

## Economic situation

In 2021, the world economy strongly recovered. The majority of advanced economies exceeded the pre-crisis level despite new coronavirus mutations, mainly due to increasing vaccination rate and loosening the monetary policy of central banks. According to preliminary Eurostat estimates, GDP of the EU increased by 5.2% in 2021. According to the NBS preliminary estimates, Slovak GDP increased by 3.0% in 2021. The loosening of anti-pandemic measures boosted household demand, but recovery on the supply side lagged behind which was manifested in rising inflation in the second half of 2021.

The economic outlook for 2022 is currently very uncertain and depends on the development of the war in Ukraine and the impact of sanctions and other measures. The slowdown in global economic activities will impact our economy via weaker foreign demand. GDP growth estimates in Slovakia have been significantly reduced and currently range between 1.7% - 2.8%. GDP growth will be dependent on the development of the war. Global inflationary pressures will continue to increase and in 2022, inflation of 7.6% - 7.8% is expected. The sharp growth of energy prices will have a significant adverse impact on domestic demand.

**Development analysis and expectations for 2022**
However, the extent of the consequences of these events on the Company cannot currently be quantified. No significant direct impacts have been observed so far. Our Company has no direct exposures to Russia, Belarus, or Ukraine. We are continually monitoring the situation and evaluating its impacts on the economic environment, but expect no significant direct impacts on the Company's economic situation.

The insurance market also grew. According to the preliminary data of the Slovak Association of Insurance Companies (hereafter "SLASPO"), total technical insurance premium was higher by 4.2% when compared to the previous year (increase of 7.6% in non-life, and 0.8% in life, insurance segment). At 31 December 2021, the Company's share of the total technical insurance premiums was 2.1%. The Company achieved good results and growth in gross written premium in 2021. It closed the year with a net profit of almost EUR 2 million. The Company's result was strongly affected by the creation of a provision of EUR 1.1 million for the settlement of liabilities to the Slovak Insurers' Bureau (hereafter "SIB") at the year end. The provision relates to insurance events incurred before the MTPL insurance was demonopolized. SIB increased provisions by EUR 23.9 million (based on the analysis prepared by Deloitte), and the Company's share is in the amount of EUR 1.1 million.

New non-life business returned to growth in 2021, as the Company achieved better sales results in several segments compared to the previous year. In the life insurance segment, clients were most interested in risk insurance, and the Company saw a significant increase in the successful 'W-komplex' risk life insurance.

In 2021, a new company providing complex financial services to client accross Slovakia was established.

In 2021, the Company generated gross written premium (hereafter "GWP") EUR 52.4, representing slight increase of 0.5%. GWP decreased for traditional life insurance products and slightly lower for unit-linked life insurance products. On the other hand, GWP for a group of products focused on risk coverage increased comparing to last year, especially thanks to the successful 'W-komplex' product.

In 2021, the Company generated a profit of EUR 5 million from financial investments, of which financal placement on behalf of the insured generated a profit of EUR 3.4 million. In 2021, the Company had a sufficient amount of own equity funds. Its solvency ratio of 196.5% complied with the legislative requirements of the Solvency II Regulation.

According to the audited financial statements that are an integral part of the Annual Report, 2021 profit before tax amounts to EUR 2,480 thousand and profit after tax to EUR 1,948 thousand. The Board of Directors submitted a proposal to the Supervisory Board to retain the entire profit in the Company as retained earnings.

COVID-19 will remain with us in 2022, but its impact is no longer expected to be significant. In 2022, the Company anticipates growth in products offering protection against life's risks and solid results for innovated unit-linked life insurance products. In non-life insurance, growth in new business and GWP is expected.

The Company's long-term plan is to bring clients innovated products and gradually increase its market share. In the following year, the Company will continue with the implementation of the current strategy and trends from 2021, which include digitization, a closer approach to clients in the online space, reduction of operating expenses, and resource and energy saving.

In financial placement, the Company will continue applying a prudent approach and invest in investment grade and fixed-income financial instruments, or in collective investment funds with a well-diversified portfolio. Direct investments in shares, currencies (including cryptocurrencies) or derivatives are not planned. Due to continuing low interest rates, lower investment income is expected.

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

The objective of a liability adequacy test is to ascertain whether the amount of technical provisions calculated under actuarial assumptions, and the methods used, in the past is sufficient when compared to calculations performed under current actuarial assumptions and using the discounted cash flow method (current best estimate of future cash flows).

If the liability adequacy test discloses that the originally determined provision is insufficient when compared to the provision calculated using the discounted cash flow method and current assumptions, an additional provision for insufficient premiums is set up as an expense of the current period.

**Liability adequacy test in non-life insurance**

Based on the results of the liability adequacy test performed at 31 December 2021 and the development in 2021, the adequacy of statutory provisions in non-life insurance was confirmed, so there was no need to set up an additional provision due to the inadequacy of these provisions.

**Liability adequacy test in life insurance**

Based on the results of the liability adequacy test performed at 31 December 2021 and developments in 2021, a surplus of statutory provisions in life insurance was confirmed particularly due to updated assumptions and changes in the yield curve. As a result, provisions in the amount of EUR 1,280 thousand were released. More detailed information on verifying the sufficiency of provisions by performing the liability adequacy test in life insurance in accordance with IFRS and on assessing the results of this test are described in the Notes to the financial statements.



## REPORT OF THE SUPERVISORY BOARD

Due to extraordinary coronavirus-related measures that continued in 2021, all Supervisory Board meetings were held virtually. During three ordinary sessions, the Board of Directors informed the Supervisory Board about the results of the new business, the development, and financial results in its monthly reports, and reported extensively on all relevant business policy issues, including the set-up of provisions. As regards insurance company management, the Supervisory Board supported the Board of Directors regarding decisions of significant importance. At its March session, the Supervisory Board approved the establishment of a subsidiary, Wüstenrot InHouse Broker s. r. o., to perform financial intermediation as a subordinated financial agent.

The financial statements for 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and audited by KPMG Slovensko, spol. s r.o., who were appointed as auditor by the Supervisory Board, were approved by the General Meeting and accepted by the Insurance Industry Supervisory Authority.

The Supervisory Board accepted the proposal for the 2020 profit distribution, agreed not to pay dividends to shareholders, and recommended the General Meeting approve this proposal.

In 2021, changes were made to the structure of the Supervisory Board. On 20 June 2021, prof. Dr. Andreas Grünbichler, resigned from his position as member of the Supervisory Board.

At an extraordinary session held on 21 June 2021, the General Meeting appointed two new members of the Supervisory Board, Mag. Christine Sumper-Billinger and Mr Andreas Senjak, MBA, CIIA.

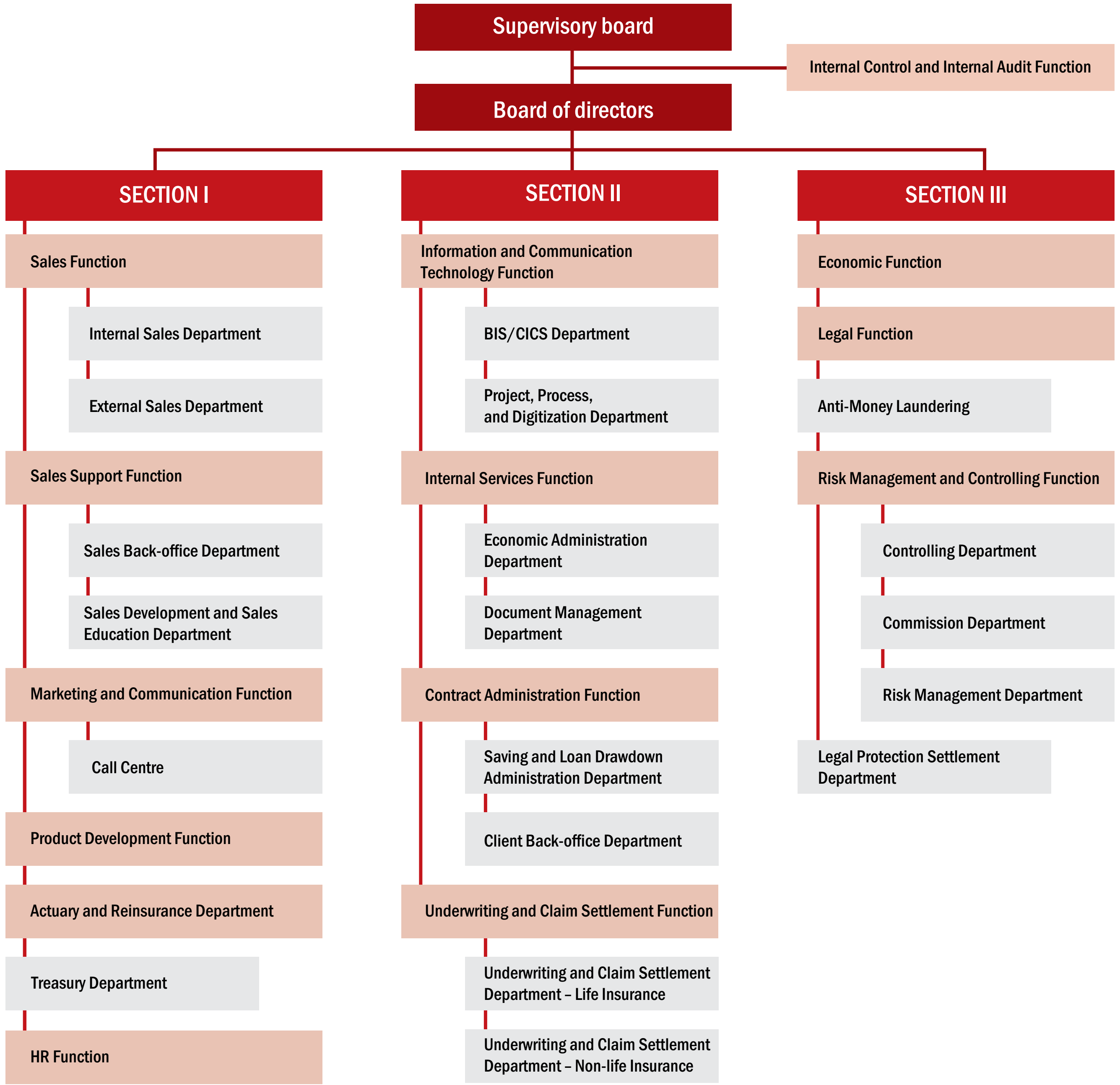
The Supervisory Board wishes to express its thanks to all its colleagues and members of the Board of Directors for productive co-operation in 2021.

Bratislava, March 2022

On behalf of the Supervisory Board

Mag. Gerald Hasler
Chairman

# Organisation chart Wüstenrot poisťovňa as at 31 December 2021




# Financial statements

## prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2021

## and Independent Auditor's Report

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# Independent Auditor's Report

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

## Report on the audit of the financial statements

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wüstenrot poisťovňa, a.s. (the "Company") as at 31 December 2021 and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Supervisory Board performing the role of the Audit Committee dated 28 April 2022.

***What we have audited***

The Company's financial statements comprise:

- the balance sheet as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

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

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

***Independence***

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

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

We did not provide any non-audit services to the Company in the period from 1 January 2021 to 31 December 2021.

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### Our audit approach

***Overview***

| | |
|---|---|
| ***Materiality*** | Overall materiality: EUR 1,028 thousand, which represents approximately 2% of gross written premium. |
| ***Key audit matters*** | Uncertainties in the valuation of insurance technical provisions<br><br>Initial audit engagement |

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

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

***Materiality***

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

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

| | |
|---|---|
| **Overall materiality** | EUR 1,028 thousand |
| **How we determined it** | approximately 2% of gross written premium |
| **Rationale for the materiality benchmark applied** | We considered that the entity focuses on revenue growth and have chosen 2% as we applied our judgement about the needs of the users of the financial statements and concluded that revenue is a meaningful measure for them. |

***Key audit matters***

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Uncertainties in the valuation of insurance technical provisions** | |
| Insurance technical provisions represent a significant accounting estimate. The estimate is based on complex assumptions determined by management.<br><br>The process used by management to determine assumptions that have the most significant effect on the measurement of insurance technical provisions is disclosed in Notes 2.15, 3 and 5.13 to the financial statements.<br><br>The assumptions used in applying the life liability adequacy test relate to the risks in respect of mortality, claims ratio and lapse rates, as well as to expenses and time value of money. Refer to Note 5.13 to the financial statements.<br><br>The assumptions used in applying the non-life liability adequacy test primarily relate to risks in respect of frequency and severity of incurred claims, suitability of expert judgement and sufficiency of historical data used in estimation of Incurred but not yet reported ("IBNR") provision.<br><br>We consider this estimate as a key audit matter due to the significance of the technical provisions and their impact on the profit or loss of the Company. | Our audit of insurance technical provisions focused on how management determined input data, the estimation methods used and key assumptions made.<br><br>Detailed reports of technical provisions and a sample of relevant input data were agreed to the supporting documentation and calculations.<br><br>Our internal actuaries discussed the estimation methods with the entity's actuaries and management and where appropriate, challenged the assumptions by assessing and comparing the methods chosen by the Company with the methods applied by similar entities in the same industry and environment.<br><br>Key internal assumptions were reconciled with the accounting or other relevant data. The most significant external assumptions were reconciled to the external sources (eg discount rate was reconciled to the discount rate issued by EIOPA - European Insurance and Occupational Pensions Authority).<br><br>On a sample basis, we have tested the calculation files to verify both the input data and mathematical accuracy of the calculations. In addition, on a sample basis, we have:<br><br>- recalculated the present value of future cash flows used for the purposes of the life insurance liability adequacy test that was performed as required by the accounting standard IFRS 4, Insurance Contracts;<br><br>- performed detailed recalculation of both traditional and unit-linked technical provisions. We have also performed analytical procedures on unit-linked portfolio taking into account the nature of the portfolio, cash flows and other assumptions; |



| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| | - recalculated the estimated provision for IBNR losses and outstanding claims provisions for both life and non-life businesses;<br><br>- performed independent recalculation of non-life liability adequacy test using independent approach and assumptions; and<br><br>- assessed the appropriateness of the methods used to estimate recorded claims and their amounts by performing the claims provisions run-off testing. |
| **Initial audit engagement** | |
| Initial audit engagements involve additional considerations compared to recurring audits. As part of our initial audit engagement, we have to obtain sufficient understanding of the Company, its activities, control environment and application of accounting principles in order to perform our initial audit risk assessment and plan the audit activities. We also have to address the opening balances by our audit work.<br><br>We consider this work as a key audit matter due to the importance of correctness of prior period's closing balances brought forward to the current period. | A detailed transition plan, including new client acceptance and independence clearance, was prepared prior to the start of the audit. We have considered the predecessor auditor's work and discussed with them matters driven by professional standards.<br><br>As part of our top-down audit approach, we met the members of the Board of Directors in order to understand the Company's activities and gather information for performing our initial audit risk assessment.<br><br>We obtained understanding of control activities through meetings with owners of individual business process cycles. We were able to identify relevant internal control activities and, through testing on a sample basis, we have verified their effectiveness and updated our initial assessment of the overall control environment.<br><br>Our subsequent audit work included testing of opening balances to the extent needed to form the audit opinion on the 2021 audited period as a whole. This work resulted in the adjustment to the statement of financial position described in Note 5.2 to the financial statements. |

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## Reporting on other information including the Annual Report

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

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

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

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

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

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

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

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

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

pwc

## Report on other legal and regulatory requirements

***Appointment as an independent auditor***

We were first appointed as auditors of the Company by the General Assembly on 21 June 2021. This represents a total period of uninterrupted engagement appointment of 1 year. Our appointment for the year ended 31 December 2021 was approved by the shareholders' resolution on 21 June 2021.

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

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

Mgr. Martin Gallovič
UDVA licence No. 1180

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

28 April 2022
Bratislava, Slovak Republic

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| BALANCE SHEET | | | | |
|---|---|---|---|---|
| in thousands of EUR | Note | 31 December 2021 | 31 December 2020 | 1 January 2020 |
| ASSETS | | | | |
| Cash and cash equivalents | 5.1 | 8,297 | 7,732 | 9,500 |
| Financial investments | 5.2 | 172,653 | 165,515 | 160,152 |
| Insurance and reinsurance receivables | 5.3 | 2,137 | 2,056 | 2,240 |
| Other receivables | 5.4 | 351 | 350 | 505 |
| Property, plant and equipment | 5.6 | 298 | 1,104 | 1,162 |
| Investment property | 5.7 | 145 | 4,243 | 4,243 |
| Intangible assets | 5.8 | 7,432 | 7,095 | 6,444 |
| - Deferred acquisition costs | 5.8.1 | 3,666 | 3,568 | 3,391 |
| - Other intangible assets | 5.8.2 | 3,766 | 3,527 | 3,053 |
| Reinsurers' share of provisions for insurance contracts | 5.9 | 1,742 | 1,695 | 1,671 |
| Income tax receivables | 5.10 | 1,129 | 1,682 | 1,253 |
| - Current tax asset | 5.10.1 | 0 | 693 | 0 |
| - Deferred tax asset | 5.10.2 | 1,129 | 989 | 1,253 |
| Other assets | 5.11 | 910 | 714 | 725 |
| Assets held for sale | 5.5 | 4,694 | 0 | 0 |
| TOTAL ASSETS | | 199,788 | 192,185 | 190,895 |
| EQUITY | | | | |
| Share capital | | 12,419 | 12,419 | 12,419 |
| Share premium | | 306 | 306 | 306 |
| Legal reserve fund and acquisition of property for no consideration | | 2,492 | 2,492 | 2,492 |
| Retained earnings | | 22,165 | 20,217 | 18,386 |
| - Retained earnings from previous periods | | 20,217 | 18,387 | 15,662 |
| - Profit for the current period | | 1,948 | 1,830 | 2,724 |
| TOTAL EQUITY | 5.12 | 37,382 | 35,434 | 33,603 |
| LIABILITIES | | | | |
| Provisions arising from insurance contracts | 5.13 | 152,935 | 148,325 | 148,743 |
| Trade and other payables | 5.14 | 7,658 | 7,413 | 7,100 |
| Short-term provisions for other liabilities and employee benefits | 5.15 | 1,175 | 1,013 | 735 |
| Income tax liabilities | | 638 | 0 | 715 |
| - Current income tax | 5.10.1 | 638 | 0 | 715 |
| - Deferred income tax | 5.10.2 | 0 | 0 | 0 |
| TOTAL LIABILITIES | | 162,406 | 156,751 | 157,292 |
| TOTAL EQUITY AND LIABILITIES | | 199,788 | 192,185 | 190,895 |

The Company changed the presentation and order of the individual assets and liabilities in the balance sheet and the comparatives as at 31 December 2020 and 1 January 2020 were changed accordingly. The reasons for this change are described in more detail in Section 1.7 of the Notes.

The Notes on pages 1 to 58 are an integral part of these financial statements.

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | | |
|---|---|---|---|
| in thousands of EUR | Note | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
| Gross written premium | | 51,421 | 51,268 |
| Change to the provision for unearned premium | | (801) | 453 |
| Gross premium income | 5.16 | 50,620 | 51,721 |
| Gross written premium ceded to reinsurers | | (1,406) | (1,376) |
| Reinsurers' share of the change to the provision for unearned premium | | 6 | 73 |
| Net premium income | 5.16 | 49,220 | 50,418 |
| Fee and commission income | 5.17 | 512 | 505 |
| Net investment income | 5.18 | 4,958 | 501 |
| - on behalf of the Company | | (1,293) | 1,351 |
| - of which: interest income | | 2,830 | 2,861 |
| - on behalf of the insured | | 3,421 | (3,711) |
| Other income from economic activities | 5.19 | 193 | 162 |
| Net income | | 54,883 | 51,586 |
| Insurance benefits | | (26,562) | (28,415) |
| Change in the provision for insurance benefits | | (1,414) | 2,967 |
| Change in the life insurance provision | | 1,318 | (5,995) |
| Change in the provision for covering the risk of investing on behalf of the insured | | (3,713) | 2,993 |
| Reimbursement of insurance benefit costs incurred by reinsurers | | 43 | 62 |
| Reimbursement of costs for a change in the provision for insurance benefits by reinsurers | | 40 | (49) |
| Net insurance benefit costs | 5.20 | (30,288) | (28,437) |
| Costs of the acquisition of insurance contracts | 5.21 | (10,772) | (9,507) |
| Operating expenses | 5.21 | (11,343) | (11,465) |
| Profit/(loss) before taxes | | 2,480 | 2,177 |
| Corporate income tax | 5.22 | (532) | (346) |
| Profit/(loss) for the accounting period | | 1,948 | 1,831 |
| Total comprehensive income for the accounting period | | 1,948 | 1,831 |

The Company has no components of other comprehensive income, so the profit/(loss) for the accounting period is identical with the total comprehensive income for the accounting period.

## STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 December 2021**

| in thousands of EUR | Share capital | Share premium | Legal reserve fund and acquisition of property for no consideration | Retained earnings | Total |
|---|---|---|---|---|---|
| Equity as at 1 January 2021 | 12,419 | 306 | 2,492 | 20,217 | 35,434 |
| Profit after taxes | 0 | 0 | 0 | 1,948 | 1,948 |
| Equity as at 31 December 2021 | 12,419 | 306 | 2,492 | 22,165 | 37,382 |

**for the year ended 31 December 2020**

| in thousands of EUR | Share capital | Share premium | Legal reserve fund and acquisition of property for no consideration | Retained Earnings | Total |
|---|---|---|---|---|---|
| Equity as at 1 January 2020 | 12,419 | 306 | 2,492 | 18,386 | 33,603 |
| Profit after tax | 0 | 0 | 0 | 1,831 | 1,831 |
| Equity as at 31 December 2020 | 12,419 | 306 | 2,492 | 20,217 | 35,434 |

## STATEMENT OF CASH FLOWS – INDIRECT METHOD

| in thousands of EUR | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit/(loss) before taxes | | 2,480 | 2,177 |
| Depreciation of property, plant and equipment | 5.6 | 189 | 172 |
| Amortization of other intangible assets | 5.8.2 | 788 | 673 |
| Gains (-) / losses (+) from the sale of property, plant and equipment | 5.19 | (3) | (4) |
| Increase (+) / decrease (-) in credit loss allowances, receivables write-off (+) | | (71) | (3) |
| Change in the fair value of investment property | 5.7 | 145 | 0 |
| Gains (-) / losses (+) from the sale of investments, sunk costs | | 107 | 0 |
| Income (-) / cost (+) from investments at fair value | 5.18 | (2,854) | 1,829 |
| Other income from financial investments | 5.18 | (2,249) | (2,330) |
| Increase (-) / decrease (+) in deferred acquisition costs | 5.8.1 | (98) | (177) |
| Increase (-) / decrease (+) in financial assets | 5.2 | (5,424) | (5,475) |
| Increase (-) / decrease (+) in insurance and reinsurance receivables | 5.3 | (81) | 184 |
| Increase (-) / decrease (+) in other receivables | 5.4 | (1) | 155 |
| Increase (-) / decrease (+) in other assets | 5.11 | (197) | 12 |
| Increase (-) / decrease (+) in assets arising from reinsurance | 5.09 | (47) | (24) |
| Increase (+) / decrease (-) in provisions arising from insurance contracts | 5.13 | 4,610 | (418) |
| Increase (+) / decrease (-) in trade and other liabilities | 5.14 | 245 | 313 |
| Increase (+) / decrease (-) in short-term provisions for other liabilities and employee benefits | 5.15 | 162 | 278 |
| Interest received on financial investments | | 2,859 | 2,978 |
| Other income from financial investments | | 297 | 342 |
| Repayments of loans granted | 5.2 | 305 | 298 |
| Corporate income tax paid | | 659 | (1,490) |
| Net cash from operating activities | | 1,821 | (510) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 5.6 | (149) | (114) |
| Proceeds from the sale of property, plant and equipment | 5.19 | 3 | 3 |
| Purchase of software | 5.8.2 | (1,110) | (1,147) |
| Net cash used in investing activities | | (1,256) | (1,258) |
| Increase (decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the accounting period | 5.1 | 7,732 | 9,500 |
| Cash and cash equivalents at the end of the accounting period | 5.1 | 8,297 | 7,732 |
| Increase / (decrease) in cash and cash equivalents | | 565 | (1,768) |

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

# 1 GENERAL INFORMATION

## 1.1 Business name and registered office

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

Until 17 December 2003, the Company operated under the business name, Univerzálna banková poisťovňa, a.s.

| | |
|---|---|
| Registered office: | Wüstenrot poisťovňa, a.s.<br>Karadžičova 17<br>825 22 Bratislava 26 |
| Corporate ID (IČO): | 31 383 408 |
| VAT ID (IČ DPH): | SK2020843561 |

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

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

## 1.2 Core business activities

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

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

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

## 1.3 Structure of the Company's shareholders

The structure of the Company's shareholders as at 31 December 2021 and 31 December 2020 is as follows:

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

## 1.4 Company's bodies

The Company's statutory and supervisory bodies in 2021 and 2020 were as follows:

**Board of Directors**

Chairman: Ing. Marian Hrotka, PhD. (since 23 March 2021)
Mag. Christian Sollinger, CIIA (up to 23 March 2021)

Members: Dr. Klaus Wöhry
Mag. Christian Sollinger, CIIA (since 23 March 2021)
Ing. Marian Hrotka, PhD. (up to 23 March 2021)

**Supervisory Board**

Chairman: Mag. Gerald Hasler
Vice-chairman: Dr. Susanne Riess

Members: Mag. Christine Sumper-Billinger (since 21 June 2021)
Andreas Senjak, MBA, CIIA (since 21 June 2021)
Roman Andersch
Mag. Dr. Andreas Grünbichler (up to 20 June 2021)

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

## 1.5 The consolidated group

The Company is included in the consolidated financial statements of the parent company, Wüstenrot Versicherungs-AG, seated at Alpenstrasse 61, Salzburg, Austria, which are prepared in accordance with Austrian accounting standards. These consolidated financial statements are not published. The Company and its parent company, Wüstenrot Versicherungs-AG, are included in the consolidated financial statements of Wüstenrot Wohnungswirtschaft, reg. Gen. M.b.H, Salzburg, Austria. When prepared, the consolidated financial statements will be available at the parent company's registered office and at the Salzburg Regional Court seated at Rudolfsplatz 2, Salzburg, Austria. Wüstenrot Wohnungswirtschaft, reg.Gen.m.b.H, Salzburg, Austria is the Company's ultimate parent company.

## 1.6 Number of staff

| ITEM | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Total number of staff, of which: | 273 | 280 |
| - Management | 16 | 15 |
| | **2021** | **2020** |
| Average number of staff per year* | 202 | 205 |

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

## 1.7 Legal basis for the preparation of the financial statements

The Company's financial statements as at 31 December 2021 (hereafter the "**financial statements**") have been prepared in accordance with International Financial Reporting Standards (hereafter "**IFRS**") as adopted by the European Union (hereafter "**EU**"). These financial statements have been prepared as separate financial statements in accordance with § 17a Section 1 of the Slovak Accounting Act (Act No. 431/2002 Coll. on Accounting, as amended).

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

As at 31 December 2021, the Company changed the presentation and arrangement of individual assets and liabilities in the balance sheet as compared to 31 December 2020. This change was made to give a clearer presentation of assets and the arrangement of assets by their liquidity. Only the summary lines have been retained from the original presentation of the balance sheet and the grouping of some items has been changed. Changes only relate to the following asset items:

(a) receivables from insurance and reinsurance are presented separately (before the change they were included in 'Financial assets')
(b) other receivables are presented separately (before the change they were included in 'Financial assets'); and
(c) advance payments, deferred expenses and accrued income are presented in 'Other assets' (before the change they were included in 'Financial assets')

**CHANGES TO THE BALANCE SHEET:**

| in thousands of EUR | Before the change 31 December 2020 | Change | After the change 31 December 2020 |
|---|---|---|---|
| **Assets** | | | |
| Financial assets | *168,543 | (3,028) | *165,515 |
| - Held to maturity | *97,473 | 0 | 0 |
| Debt securities | *97,473 | 0 | 0 |
| At fair value through profit or loss | *65,333 | 0 | 0 |
| Debt securities | *26,816 | 0 | 0 |
| Mutual funds | 13,072 | 0 | 0 |
| Investment on behalf of the insured | 25,445 | 0 | 0 |
| - Term deposits | 0 | 0 | 0 |
| - Loans and receivables | 5,737 | 0 | 0 |
| Loans | 2,060 | 0 | 0 |
| Borrowings to the insured | 648 | 0 | 0 |
| Receivables from insurance (a) | 1,903 | (1,903) | 0 |
| Receivables from reinsurance (a) | 153 | (153) | 0 |
| Advance payments, deferred expenses and accrued income (c) | 623 | (623) | 0 |
| Other receivables (b) | 350 | (350) | 0 |
| Receivables from insurance and reinsurance (a) | 0 | 2,055 | 2,055 |
| Other receivables (b) | 0 | 350 | 350 |
| Other assets (c) | 91 | 623 | 714 |
| Liabilities | | | |
| Provisions arising from insurance contracts | 148,325 | | 148,325 |
| - Provision for unearned premium | 12,502 | 0 | 0 |
| - Provision for insurance benefits | 27,301 | 0 | 0 |
| - Provision for life insurance | 82,866 | 0 | 0 |
| - Provision for covering the risk of investing on behalf of the insured | 25,445 | 0 | 0 |
| - Provision for insurance bonuses and discounts | 211 | 0 | 0 |
| Trade and other liabilities | 7,413 | 0 | 7,413 |
| - Liabilities from insurance | 3,925 | 0 | 0 |
| - Liabilities from reinsurance | 330 | 0 | 0 |
| - Liabilities to employees | 290 | 0 | 0 |
| - Deferred income and accrued expenses | 0 | 0 | 0 |
| - Other liabilities | 2,868 | 0 | 0 |

*During the year 2020, the Company erroneously reclassified securities from the designated FVTPL portfolio to the HTM portfolio in amount of EUR 29,008 thousand (fair value as at 31 December 2020: EUR 28,961 thousand). Since standard IAS 39 does not allow such transaction such a transaction, reclassification is corrected in these financial statements. The difference in revaluation due to reclassification as at 31 December 2020 was not significant for the Company. Reclassification is further described in Section 5.2 of the notes.

| in thousands of EUR | Before the change 1 January 2020 | Change | After the change 1 January 2020 |
|---|---|---|---|
| **Assets** | | | |
| Financial assets | 166,566 | (3,414) | 163,152 |
| - Held to maturity | 66,163 | 0 | 0 |
| Debt securities | 66,163 | 0 | 0 |
| At fair value through profit or loss | 90,908 | 0 | 0 |
| Debt securities | 47,631 | 0 | 0 |
| Mutual funds | 14,839 | 0 | 0 |
| Investment on behalf of the insured | 28,438 | 0 | 0 |
| - Term deposits | 3,002 | 0 | 0 |
| - Loans and receivables | 6,493 | 0 | 0 |
| Loans | 2,358 | 0 | 0 |
| Borrowings to the insured | 721 | 0 | 0 |
| Receivables from insurance (a) | 2,053 | (2,053) | |
| Receivables from reinsurance (a) | 187 | (187) | |
| Advance payments, deferred expenses and accrued income (c) | 669 | (669) | |
| Other receivables (b) | 505 | (505) | |
| Receivables from insurance and reinsurance (a) | 0 | 2,240 | 2,240 |
| Other receivables (b) | 0 | 505 | 505 |
| Other assets (c) | 56 | 669 | 725 |
| Liabilities | | | |
| Provisions arising from insurance contracts | 148,742 | | 148,742 |
| - Provision for unearned premium | 12,988 | 0 | 0 |
| - Provision for insurance benefits | 30,267 | 0 | 0 |
| - Provision for life insurance | 76,871 | 0 | 0 |
| - Provision for covering the risk of investing on behalf of the insured | 28,438 | 0 | 0 |
| - Provision for insurance bonuses and discounts | 178 | 0 | 0 |
| Trade and other liabilities | 7,100 | 0 | 7,100 |
| - Liabilities from insurance | 3,967 | 0 | 0 |
| - Liabilities from reinsurance | 271 | 0 | 0 |
| - Liabilities to employees | 295 | 0 | 0 |
| - Deferred income and accrued expenses | 0 | 0 | 0 |
| - Other liabilities | 2,567 | 0 | 0 |

**CHANGES TO THE STATEMENT OF CASH FLOWS:**

| in thousands of EUR | Before the change 31 December 2020 | Change | After the change 31 December 2020 |
|---|---|---|---|
| Increase (-) /decrease (+) in insurance receivables, other receivables, deferred expenses and accrued income | 351 | (351) | 0 |
| Increase (-) /decrease (+) in insurance and reinsurance receivables | | 184 | 184 |
| Increase (-) /decrease (+) in other receivables | | 155 | 155 |
| Increase (-) /decrease (+) in other assets | | 12 | 12 |
| Increase (+) / decrease (-) v insurance liabilities, other liabilities, deferred income and accrued expenses | 254 | (254) | 0 |
| Increase (+) / decrease (-) in reinsurance liabilities | 59 | (59) | 0 |
| Increase (+) / decrease (-) v trade and other liabilities | 0 | 313 | 313 |

# 2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

## 2.1 Basis of the presentation

The Company has applied all IFRSs and their interpretations as adopted by the EU as at 31 December 2021.

**Issued standards, interpretations, or amendments which the Company applied for the first time in 2021**

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

***Covid-19-Related Rent Concessions – Amendments to IFRS 16*** (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

***Interest rate benchmark (IBOR) reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16*** (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognized. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

***Extension of the Temporary Exemption from Applying IFRS 9 – Amendments to IFRS 4*** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments to IFRS 4 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendments to IFRS 4 extended the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after 1 January 2023.

**Issued standards, interpretations, and amendments to existing standards that are effective after 1 January 2022 and which the Company has not applied early.**

At the date on which the financial statements were approved, the following standards have been issued but have not yet become effective or have not yet been adopted in the EU. The issued standards, interpretations, and amendments in which the Company expects a certain impact on disclosures, financial position, or performance at the time of their future application, are presented. The Company plans to apply these standards from the effective date of their adoption or from the date of their adoption in the EU.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognize those costs as an asset until the entity recognizes the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

- Reinsurance contracts held – recovery of losses: When an entity recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognize a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognized on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognized before or at the same time as the loss is recognized on the underlying insurance contracts.

- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The EU has not yet approved these amendments. The Company is currently assessing their impact on its financial statements.

***Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1*** (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The EU has not yet approved these amendments. The Company has assessed their impact as irrelevant for its activities.

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

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

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

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

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

The Company has assessed the impact of standard that are not yet applicable as irrelevant for its activities.

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

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

| | Assets that are not solely principal and interest payments (SPPI) | | Assets that are solely principal and interest payments (SPPI) | | Carrying amount (IAS 39) of financial assets that are solely principal and interest payments, by rating | | | |
|---|---|---|---|---|---|---|---|---|
| in thousands of EUR | Fair value | Gain/loss on a fair value change | Fair value | Gain/loss on a fair value change | A | BBB | BB | Without rating |
| **Financial assets at fair value through profit or loss** | | | | | | | | |
| Government bonds | | | 20,011 | (1,600) | 17,821 | 2,190 | | |
| Corporate bonds | | | 34,612 | (256) | 24,471 | 8,108 | 2,033 | |
| Mutual funds | 14,164 | 685 | | | | | | |
| Total financial assets at fair value through profit or loss | 14,164 | 685 | 54,623 | (1,856) | 42,292 | 10,298 | 2,033 | |
| **Held-to-maturity financial assets** | | | | | | | | |
| Government bonds | | | 47,293 | | 37,126 | 2,267 | | |
| Corporate bonds | | | 34,323 | | 17,496 | 13,488 | | 2,025 |
| Loans | | | 2,088 | | | | | 2,088 |
| Total held-to-maturity financial assets | | | 83,704 | | 54,622 | 15,755 | | 4,113 |
| **Investment on behalf of the insured** | | | | | | | | |
| Mutual funds | 29,158 | 3,421 | | | | | | |
| Total investment on behalf of the insured | 29,158 | 3,421 | | | | | | |
| Cash and cash equivalents | | | 8,297 | | 7,129 | 973 | | 195 |
| **Total** | **43,322** | **4,106** | **146,624** | **(1,856)** | **104,014** | **27,026** | **2,033** | **4,308** |

For the purpose of comparison with entities that have applied IFRS 9 since 1 January 2018, we present the following information on the Company's financial investments as at 31 December 2020:

| | Assets that are not solely principal and interest payments (SPPI) | | Assets that are solely principal and interest payments (SPPI) | | Carrying amount (IAS 39) of financial assets that are solely principal and interest payments, by rating | | | |
|---|---|---|---|---|---|---|---|---|
| in thousands of EUR | Fair value | Gain/loss on a fair value change | Fair value | Gain/loss on a fair value change | A | BBB | BB | Without rating |
| **Financial assets at fair value through profit or loss** | | | | | | | | |
| Government bonds | | | 21,611 | 1,208 | 19,237 | 2,374 | | |
| Corporate bonds | | | 34,166 | 153 | 4,190 | 1,015 | | |
| Mutual funds | 13,072 | (49) | | | | | | |
| Total financial assets at fair value through profit or loss | 13,072 | (49) | 55,777 | 1,361 | 23,427 | 3,389 | | |
| **Held-to-maturity financial assets** | | | | | | | | |
| Government bonds | | | 50,159 | | 37,177 | 2,296 | | |
| Corporate bonds | | | 60,295 | | 37,513 | 16,425 | 2,038 | 2,025 |
| Loans | | | 3,734 | | | | | 3,686 |
| Total held-to-maturity financial assets | | | 114,188 | | 74,690 | 18,721 | 2,038 | 5,711 |
| **Investment on behalf of the insured** | | | | | | | | |
| Mutual funds | 25,445 | (3,711) | | | | | | |
| Total investment on behalf of the insured | 25,445 | (3,711) | | | | | | |
| Cash and cash equivalents | | | 7,732 | | 3,056 | 4,594 | | 82 |
| **Total** | **38,517** | **(3,760)** | **145,002** | **1,361** | **101,173** | **26,704** | **2,038** | **5,793** |

## 2.2 Basis of preparation of the financial statements

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

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

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

For the period from 1 January 2020 to 31 December 2020, the financial statements were prepared in accordance with IFRSs effective at the date on which the financial statements were prepared and approved by the Annual General Meeting held on 21 June 2021.

## 2.3 Functional currency and foreign currency translation

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

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

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

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

## 2.4 Cash and cash equivalent

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

## 2.5 Financial investments

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

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

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

Determination of fair value

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

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

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

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

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

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

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

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

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

### 2.5.1 Held-to-maturity financial investments

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

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

### 2.5.2 Available-for-sale financial investments

The Company did not use this category as at 31 December 2021 or as at 31 December 2020.

### 2.5.3 Financial investments at fair value through profit or loss

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

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

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

**2.5.4 Loans and receivables**

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

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

## 2.6 Held-for-sale assets

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

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

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

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

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

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

## 2.7 Property, plant and equipment

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

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

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

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

## 2.8 Investment property

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

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

## 2.9 Intangible assets

**2.9.1 Deferred acquisition cost of insurance contracts – DAC**

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

**2.9.2 Computer software and other intangible items**

The Company mainly procured licences and insurance and accounting software.

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

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

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

## 2.10 Impairment of assets

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

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

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

## 2.11 Other assets

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

## 2.12 Equity

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

## 2.13 Employee benefits

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

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

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

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

## 2.14 Offsetting financial assets and financial liabilities

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

## 2.15 Insurance contracts – classification

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

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

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

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

**Long-term insurance contracts with fixed and guaranteed terms**
These contracts insure events such as death and longevity. Premiums are posted to income at maturity by the policyholder. Premiums are reported before the commission is deducted.

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

**Insurance contracts with discretionary participation features**
The contractual documentation of insurance contracts specifies the basis for determining the amounts from which additional shares in the surplus (participation features) are derived at the Company's discretion, while the impact of the discretionary participation features is insignificant. The Company has discretion to decide on the value and timing of the payment of these surpluses to policyholders and the insured. Shares in the surplus are stated as part of provisions arising from insurance contracts. No additional share in the profit was approved for 2020 and 2021.

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

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

- For liability insurance, property insurance, accident insurance, and short-term life insurance contracts, DAC is released during the period of payment of brokerage commissions along with the recognition of earned premium.

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

As at 31 December 2021, the Company has no long-term insurance contracts without a fixed term in its portfolio of life insurance contracts.

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

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

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

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

**Provision for the settlement of liabilities to the Slovak Insurers' Bureau (hereafter the "SIB")**
The provision for the settlement of liabilities to the SIB is intended to cover additional costs related to the settlement of claims from the previous MTPL insurance (until 2001). It is created at 100% of the Company's share in the total liabilities arising from activities under a special regulation, for which the SIB has not created the relevant assets. The SIB Board determined the share based on the number of vehicles insured by the Company in the MTPL market at 30 September 2021 (most recent available data at the time of valuation).

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.16 Income tax

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

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

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

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

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

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

#### 2.16.1 Payment of part of the insurance premium from the non-life insurance sector
In accordance with § 68a of the Insurance Industry Act, the payment of part of the insurance premium from the non-life insurance sector was cancelled as of 1 January 2019. The amount of the levy was 8% of the base for the levy on new contracts concluded after 1 January 2017. Thus, insurance premiums from all non-life insurance sectors were subject to a special levy, except for mandatory MTPL insurance, which is subject to a levy stipulated in § 68 of the Insurance Industry Act, which remains in force. The levy represents government budget income and was paid to a special account of the Tax Office for Selected Taxable Entities. The payment of part of the insurance premium is accrued to the next accounting period as for the underwriting of insurance premiums from sectors covered by this levy to which the premium relates. Under § 68a of the Insurance Industry Act, the accrued levy from the non-life insurance sector is also accounted for in 2021.

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

## 2.17 Non-technical provisions

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

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

## 2.18 Revenue recognition

### 2.18.1 Premium income

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

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

### 2.18.2 Net investment income

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

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

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

## 2.19 IFRS 16, Leases

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

The Company applied the standard using a modified retrospective approach without affecting equity and without making adjustments to comparable periods. The Company reviewed all leases where it is a lessee. As at 1 January 2019, 31 December 2019, 31 December 2020, and 31 December 2021, no assets with a right of use or lease liabilities were recognized, as the Company applied practical exceptions in accordance with IFRS 16 and did not include leases with a lease term of less than 12 months (or leases with an indefinite lease term, a notice period of up to 3 months and without significant fines, sanctions or fees when a contract is terminated) that do not contain a purchase option, and leases in which the subject of the lease is of low value.

# 3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN THE APPLICATION OFACCOUNTING POLICIES

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

**Significant areas that require assessment**

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

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

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

**Estimation of future insurance benefits in non-life insurance**

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

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

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

**Determination of investment property's fair value**

These values were determined based on a valuation conducted by an independent expert in 2019 by applying procedures applicable to the measurement of property to which technical provisions are allocated. The comparison approach appraisal method is used, which takes into account all factors that affect the value of property in the given location and the given time. For property that generates disposable income (building at Košická 58), the combined method is also used. As at 31 December 2021, Company management assessed assumptions used in the 2019 estimate and concluded that the change in fair value was insignificant compared to 2019. Therefore, management decided not to change the values reported in 2021. Due to a small number of comparable transactions (taking into account the requirements for the measurement of assets to which technical provisions are allocated), the given values are not directly based on sales prices obtained by the sale of comparable property.

The above measurement constitutes the best possible estimate of fair value at the reporting date. The Company plans to sell the property in the short term.

# 4 RISK MANAGEMENT

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

## 4.1 Insurance risk

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

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

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

### 4.1.1 Risks related to liability insurance

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

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

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

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

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

### 4.1.2 Long-term life insurance contracts

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

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

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

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

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

### 4.1.3 Short-term life insurance contracts

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

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

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

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

### 4.1.4 Property insurance contracts

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

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

The table below shows the loss ratio in the non-life insurance portfolio:

| Loss ratio in non-life insurance | 2021 | 2020 |
|---|---|---|
| MTPL insurance | 57% | 53% |
| Motor hull insurance | 53% | 56% |
| Property and liability insurance | 40% | (8%) |
| Other | 0% | 39% |
| Total as of 31 December | 50% | 42% |

In property and liability insurance, there was a significant year-on-year increase in the loss ratio. This is mainly due to events in 2020, when the entire RBNS provision for one insured event in the amount of more than EUR 0.5 million was released, as a result of a lawsuit won by the Company.

The increase in the loss ratio in 2021 in the MTPL insurance is due to the set-up of a provision for the settlement of liabilities to the SIB (impact of more than 7.5pb). Without this, the loss ratio would have decreased, which is also a consequence of anti-pandemic measures, but above all it is the result of several Company activities aimed at reducing the loss ratio for this insurance type.

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

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

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

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

| | Before reinsurance | | After reinsurance | |
|---|---|---|---|---|
| RISK CONCENTRATION | 2021 | 2020 | 2021 | 2020 |
| Banská Bystrica region | 9.9% | 9.44% | 9.39% | 8.88% |
| Bratislava region | 31.08% | 33.27% | 30.26% | 32.42% |
| Košice region | 13.09% | 12.69% | 12.68% | 12.30% |
| Nitra region | 9.72% | 9.55% | 10.10% | 10.07% |
| Prešov region | 10.76% | 10.31% | 11.02% | 10.53% |
| Trnava region | 10.45% | 10.26% | 10.92% | 10.74% |
| Trenčín region | 6.59% | 6.41% | 6.96% | 6.73% |
| Žilina region | 8.41% | 8.07% | 8.67% | 8.33% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% |

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

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

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

| in thousands of EUR | Number of insurance contracts before reinsurance | | Number of insurance contracts after reinsurance | |
|---|---|---|---|---|
| Insured amount | 2021 | 2020 | 2021 | 2020 |
| 0.0 – 2.5 | 16,333 | 19,433 | 16,333 | 19,433 |
| 2.5 – 5.0 | 6,638 | 7,120 | 6,638 | 7,120 |
| 5.0 – 7.5 | 5,634 | 5,731 | 5,634 | 5,731 |
| 7.5 – 10.0 | 7,852 | 8,543 | 7,852 | 8,543 |
| 10.0 – 20.0 | 16,370 | 17,413 | 16,370 | 17,413 |
| 20.0 – 30.0 | 7,536 | 8,127 | 7,536 | 8,127 |
| 30.0 – 40.0 | 3,822 | 4,073 | 3,822 | 4,073 |
| 40.0 – 50.0 | 1,925 | 2,030 | 3,608 | 3,726 |
| More than 50.0 | 3,592 | 3,505 | 1,909 | 1,809 |
| 31 December | 69,702 | 75,975 | 69,702 | 75,975 |

The total amount of sums insured is EUR 1,038 million before reinsurance, and EUR 953 million after reinsurance.

## 4.2 Market risk

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

As regards investments, internal standards also regulate limits for individual rating classes and for individual counterparties, the minimum average issuer rating, monitoring of limits, and the escalation process when limits are exceeded. Financial investment risk management is an integral part of the overall risk management system, which monitors, assesses, addresses, and reports the most significant risks related to all activities of an insurance company as a whole. The Company mainly monitors interest rate risk, risk related to the price of equity securities, currency risk, and credit risk.

### 4.2.1 Interest rate risk

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

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

The tables below show the effect of a change in the interest rate on the Company’s financial assets as at 31 December 2021 and 31 December 2020.

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

| 2020<br>in thousands of EUR | Impact of a change by +25 bp | Impact of a change by -25 bp |
|---|---|---|
| | | |
| Debt securities | (674) | 700 |
| Impact on the income statement | (674) | 700 |
| Other impact on equity | 0 | 0 |

### 4.2.2 Credit risk

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

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

**Total financial investments to maturity**

As at 31 December 2021, non-impaired financial investments not yet due amount to EUR 172,653 thousand (31 December 2020: EUR 165,515 thousand).

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

| 31 December 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Standard & Poor's | A+ | A | A- | BBB+ | BBB | BBB- | | |
| Moody's | A1 | A2 | A3 | Baa1 | Baa2 | Baa3 | | |
| FITCH | A+ | A | A- | BBB+ | BBB | BBB- | Unclassified | Total |
| Debt securities, of which: | 1,996 | 76,194 | 21,975 | 3,706 | 10,194 | 6,162 | 4,063 | 124,290 |
| - state | 0 | 50,845 | 5,569 | 0 | 0 | 4,670 | 0 | 61,084 |
| - financial institution | 1,996 | 22,131 | 8,200 | 1,015 | 5,022 | 0 | 0 | 38,364 |
| - other businesses | 0 | 3,218 | 8,206 | 2,691 | 5,172 | 1,492 | 4,063 | 24,842 |
| Loans and borrowings, of which: | 0 | 0 | 0 | 0 | 0 | 0 | 2,708 | 2,708 |
| loans, of which: | 0 | 0 | 0 | 0 | 0 | 0 | 2,060 | 2,060 |
| - other businesses | 0 | 0 | 0 | 0 | 0 | 0 | 1,991 | 1,991 |
| - small clients | 0 | 0 | 0 | 0 | 0 | 0 | 69 | 69 |
| borrowings to the insured, of which: | 0 | 0 | 0 | 0 | 0 | 0 | 648 | 648 |
| - small clients | 0 | 0 | 0 | 0 | 0 | 0 | 648 | 648 |
| Total financial investments not yet due | 1,996 | 76,194 | 21,975 | 3,706 | 10,194 | 6,162 | 6,771 | 126,997 |

There are two corporate bonds in the 'Other businesses' item, category 'Unclassified'. One of them has a non-investment grade rating (Ba3 in 2021, Ba2 in 2020). No rating has been assigned for the second one. All contractual cash flows from both bonds have always been paid on time and in full.

As at 31 December 2021 and 31 December 2020, mutual funds allocated to unit-linked life insurance contracts are reported under the item Investment on behalf of the insured - small clients. The total amount is shown in the Unclassified column, as the mutual funds offered by the Company have not been assigned a rating by a listed rating agency. The total reported volume is not yet due.

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

The loans were mainly provided to the sister company, Wüstenrot Reality s.r.o. Until 31 December 2015, loans to the insured (advance payments for insurance benefits) were only provided to clients up to the amount of the surrender value, which is represented by the provision for insurance benefits reduced by initial costs not yet paid, or other fees related to the administration of the insurance and its cancellation. In the event of an insured event causing the termination of an insurance contract, the Company pays the insurance benefit reduced by the amount of the unpaid advance payment and the fee to the person eligible to receive such a benefit. Since 1 January 2016, the Company has not provided advance payments for insurance benefits. For a borrowing provided to employees, the Company secures repayment by payroll deductions. For the above reasons, no credit loss allowances are created for the related receivables.

**Insurance and reinsurance receivables and other receivables**

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

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

Insurance receivables and recourse receivables are unrated. Write-offs of receivables are set out in Section 5.21 of the Notes.

Insurance receivables, reinsurance receivables, and other receivables not yet due:

As at 31 December 2021, non-impaired reinsurance receivables not yet due amount to 126 thousand (31 December 2020: EUR 153 thousand), and non-impaired other receivables not yet due amount to EUR 144 thousand (31 December 2020: EUR 135 thousand).

Total overdue insurance and other receivables:

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

| in thousands of EUR | Insurance receivables | Recourses | Other | Total |
|---|---|---|---|---|
| 31 December 2020 (gross) | 9,794 | 502 | 126 | 10,422 |
| Credit loss allowances | | | | |
| 1 January 2020 | 8,059 | 321 | 83 | 8,463 |
| Change in the credit loss allowance recognized in profit/(loss) | (168) | 18 | (9) | (159) |
| 31 December 2020 | 7,891 | 339 | 74 | 8,304 |
| 31 December 2020 (net) | 1,903 | 163 | 52 | 2,118 |

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

Insurance receivables and overdue other receivables – overdue and not impaired

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

| in thousands of EUR | Insurance receivables | Recourses | Other | Total |
|---|---|---|---|---|
| Up to 3 months | 0 | 0 | 0 | 0 |
| From 3 months to 1 year | 0 | 0 | 21 | 21 |
| From 1 to 5 years | 0 | 0 | 2 | 2 |
| Over 5 years | 1 | 0 | 0 | 1 |
| 31 December 2020 | 1 | 0 | 23 | 24 |

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

The remaining part of overdue receivables in the amount of EUR 2,174 thousand consists of impaired receivables (31 December 2020: EUR 2,094 thousand). The following table provides an overview of impaired and overdue insurance receivables and other receivables for which the Company creates credit loss allowances either individually or on a portfolio basis. Credit loss allowances are created individually for higher-value receivables where they are regularly reviewed.

Insurance receivables and other receivables – overdue and impaired

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

| in thousands of EUR | Insurance receivables | Recourses | Other | Total |
|---|---|---|---|---|
| 31 December 2020 (gross) | 9,793 | 502 | 103 | 10,398 |
| Credit loss allowances | (7,891) | (339) | (74) | (8,304) |
| 31 December 2020 (net) | 1,902 | 163 | 29 | 2,094 |

### 4.2.3 Liquidity risk

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

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

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

The tables below provide an analysis of financial assets and insurance liabilities prepared on the basis of contractual undiscounted cash inflows from financial assets and the expected cash outflows for the settlement of insurance liabilities. For non-life insurance contracts, we present net expected payments of insurance benefits arising from insured events incurred up to the reporting date and future expected cash flows that are covered by the provision for unearned premiums. For life insurance contracts, we present expected cash flows, including future expected insurance claims, administrative expenses, commissions, and premiums received from existing contracts. The liquidity table was prepared as at 31 December 2021 and 31 December 2020.

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

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

* Insurance liabilities from unit-linked life insurance and the Wüstenrot Fund represent expected cash flows from active contracts and future insured events.

| in thousands of EUR | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 31 December 2020 | Carrying amount | On demand | ≤ 1 year | >1 year ≤ 2 years | >2 year ≤ 5 years | >5 year ≤ 10 years | > 10 years | Total |
| Debt securities | 124,290 | 0 | 6,515 | 15,404 | 33,121 | 54,361 | 29,663 | 139,064 |
| Loans | 2,060 | 0 | 129 | 129 | 388 | 633 | 2,231 | 3,510 |
| Cash and cash equivalents | 7,732 | 7,732 | 0 | 0 | 0 | 0 | 0 | 7,732 |
| Equity securities | 38,518 | 38,518 | 0 | 0 | 0 | 0 | 0 | 38,518 |
| Total financial assets | 172,600 | 46,250 | 6,644 | 15,533 | 33,509 | 54,994 | 31,894 | 188,824 |

| 31 December 2020 | Carrying amount | ≤ 1 year | >1 year ≤ 2 years | >2 year ≤ 5 years | >5 year ≤ 10 years | > 10 years | Total |
|---|---|---|---|---|---|---|---|
| Life insurance liabilities excluding unit-linked life insurance and the Wüstenrot Fund | (72,682) | (6,661) | (3,970) | (11,987) | (20,229) | (24,458) | (67,305) |
| Insurance liabilities from unit-linked life insurance and the Wüstenrot Fund | (45,751) | 1,274 | 1,670 | (1,188) | (14,034) | (36,484) | (48,762) |
| Non-life insurance liabilities | (29,892) | (17,030) | (2,511) | (3,443) | (6,693) | (216) | (29,893) |
| Total insurance liabilities | (148,325) | (22,417) | (4,811) | (16,618) | (40,956) | (61,158) | (145,960) |

Changes that occurred in the breakdown of financial assets by maturity compared to 2020 are mainly connected with the maturity of bonds, the shortening of the maturity of bonds that remained in the portfolio, and the purchase of new bonds. During 2021, the Company mainly invested in corporate bonds with a maturity exceeding 5 years.

**Equity securities are payable on demand.**

The decrease in insurance liabilities from capital insurance was mainly due to a decrease in the insufficiency of provisions due to an increase in the EIOPA discount yield curve. The increase in liabilities from unit-linked life insurance was affected by the favourable development on the financial markets after the downturns in the previous year due to the COVID-19 pandemic. The increase in non-life insurance liabilities is mainly due to higher technical provisions for insurance benefits and to the set-up of the provision for the settlement of liabilities to SIB.

#### 4.3.4 Currency risk

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

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

## 5.1 Cash and cash equivalents

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Funds in bank current accounts | 8,283 | 7,729 |
| Cash equivalents | 14 | 3 |
| 31 December – total | 8,297 | 7,732 |

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

| in thousands of EUR | A | BBB | Without rating | Total |
|---|---|---|---|---|
| 31 December 2020 | 3,056 | 4,593 | 80 | 7,729 |
| 31 December 2021 | 7,129 | 973 | 181 | 8,283 |

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

## 5.2 Financial investments

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

| in thousands of EUR | 31 December 2021 | Before correction 31 December 2020 | Correction | After correction 31 December 2020 |
|---|---|---|---|---|
| Government bonds | 39,393 | 39,473 | | 39,473 |
| Mortgage bonds | 7,025 | 8,740 | | 8,740 |
| Corporate bonds | 25,984 | 49,260 | *(28,961) | 20,999 |
| Total financial investments held to maturity as at 31 December | 72,402 | 97,473 | *(28,961) | 68,512 |
| Mutual funds (open-end) | 14,164 | 13,072 | | 13,072 |
| Investment on behalf of the insured (open-end mutual funds) | 29,158 | 25,445 | | 25,445 |
| Government bonds (quoted, fixed interest rate) | 20,011 | 21,611 | | 21,611 |
| Corporate bonds (quoted, fixed interest rate) | 34,611 | 5,205 | *28,961 | 34,166 |
| Total financial investments at fair value through profit or loss as at 31 December | 97,944 | 65,333 | *28,961 | 94,294 |
| Loans, of which: | 1,755 | 2,060 | | 2,060 |
| loans granted to Wüstenrot Reality s.r.o. | 1,692 | 1,992 | | 1,992 |
| other loans granted | 63 | 68 | | 68 |
| Borrowings to the insured | 552 | 648 | | 648 |
| Total loans and borrowings granted to the insured as at 31 December | 2,307 | 2,708 | | 2,708 |
| Total financial investments at 31 December | 172,653 | 165,515 | | 165,515 |

*During the year 2020, the Company erroneously reclassified securities from the designated FVTPL portfolio to the HTM portfolio in amount of EUR 29,008 thousand (fair value as at 31 December 2020: EUR 28,961 thousand). Since standard IAS 39 does not allow such transaction such a transaction, reclassification is corrected in these financial statements. The difference in revaluation due to reclassification as at 31 December 2020 was not significant for the Company.

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

In 2021, the Company acquired bank and corporate bonds in the total amount of EUR 5,412 thousand and placed them in the portfolio of financial assets held to maturity (2020: EUR 6,205 thousand).

As at 31 December 2021, the fair value of held-to-maturity financial investments amounts to EUR 81,616 thousand (31 December 2020: EUR 81,493 thousand).

During the year 2020, the Company erroneously reclassified securities from the designated FVTPL portfolio to the HTM portfolio in amount of EUR 29,008 thousand (fair value as at 31 December 2020: EUR 28,961 thousand). Since standard IAS 39 does not allow such transaction such a transaction, reclassification is corrected in these financial statements. The difference in revaluation due to reclassification as at 31 December 2020 was not significant for the Company.

**Financial investments at fair value through profit or loss**
In 2021, the Company used funds from life insurance provisions and its own funds and acquired in its own name mutual funds denominated in euros and managed by Spängler IQAM Invest, Austria; C-Quadrat KAG, Austria, IAD Investments, správ. spol. a.s., Slovakia, and Tatra Asset Management, správ. spol., a.s., Slovakia, in the amount of EUR 407 thousand (in 2020, it sold mutual funds in the total amount of EUR 1,711 thousand) and placed them in the portfolio of assets at fair value through profit or loss.

The Company invested EUR 291 thousand (2020: EUR 718 thousand) on behalf of the insured in mutual funds denominated in euros and managed by Spängler IQAM Invest, Austria; C-Quadrat KAG, Austria, IAD Investments, správ. spol. a.s., Slovakia, and Tatra Asset Management, správ. spol., a.s., Slovakia. These mutual funds were acquired from provisions for covering the risk of investing on behalf of the insured.

In 2021, the Company acquired bank bonds in the amount of EUR 3,192 thousand and put them into the portfolio at fair value through profit or loss (2020: EUR 10,861 thousand).

**Loans and borrowings to the insured**
There is a year-on-year change in the item Loans provided to Wüstenrot Reality, s.r.o. The total decrease of EUR 300 thousand in the loan receivable represents the principal payment received. By the end of 2021, interest on the loan for 2021 was also paid, so there was no increase in the loan receivable.

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

| Fair value and carrying amount of financial investments | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| in thousands of EUR | Carrying amount | Fair value | Carrying amount | Fair value |
| Held to maturity | 72,402 | 81,616 | 68,513 | 81,493 |
| - debt securities | 72,402 | 81,616 | 68,513 | 81,493 |
| Loans and receivables | 2,307 | 2,683 | 2,708 | 3,734 |
| - loans | 1,755 | 2,088 | 2,060 | 3,038 |
| - borrowings to the insured | 552 | 595 | 648 | 696 |
| Financial assets for which the carrying amount equals the fair value | 97,944 | 97,944 | 94,294 | 94,294 |
| Financial assets at fair value through profit or loss | 97,944 | 97,944 | 94,294 | 94,294 |
| Total financial investments | 172,653 | 182,243 | 165,515 | 179,521 |

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

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

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

| in thousands of EUR | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | 0 | 8,297 | 0 | 8,297 |
| Debt securities | 116,936 | 19,303 | 0 | 136,239 |
| Mutual funds | 0 | 14,163 | 0 | 14,163 |
| Investment on behalf of the insured | 0 | 29,158 | 0 | 29,158 |
| Loans | 0 | 0 | 2,683 | 2,683 |
| 31 December 2021 – total | 116,936 | 79,218 | 2,683 | 201,986 |

| in thousands of EUR | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | 0 | 7,732 | 0 | 7,732 |
| Debt securities | 115,559 | 21,711 | 0 | 137,270 |
| Mutual funds | 0 | 13,072 | 0 | 13,072 |
| Investment on behalf of the insured | 0 | 25,445 | 0 | 25,445 |
| Loans | 0 | | 3,734 | 3,734 |
| 31 December 2020 – total | 115,559 | 67,960 | 3,734 | 198,014 |

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

The Company changed the fair value reporting methodology. Mutual funds are now reported in Level 2 (31 December 2020: Level 1) and loans and receivables are reported in Level 3 (31 December 2020: Level 2). The change resulted from the fact that mutual funds are not actively traded on a stock exchange. Individual management companies constitute the secondary market and perform the measurement of funds.

Debt securities carried at fair value through profit or loss are stated in Level 1 in the amount of EUR 49,633 thousand (2020: EUR 24,466 thousand) and in Level 2 in the amount of EUR 4,989 thousand (2020: EUR 2,350 thousand).

## 5.3 Insurance and reinsurance receivables

| Insurance and reinsurance receivables | | |
|---|---|---|
| in thousands of EUR | 2021 | 2020 |
| Insurance receivables (before credit loss allowances) | 9,549 | 9,794 |
| Receivables from the insured | 6,622 | 6,724 |
| from outstanding premiums | 4,127 | 4,171 |
| from cancelled insured events and refunds paid by mistake | 5 | 5 |
| from sanctions | 2,490 | 2,548 |
| Receivables from insurance intermediaries | 2,927 | 3,070 |
| Credit loss allowances for insurance receivables | (7,538) | (7,892) |
| Credit loss allowances for receivables from the insured | (5,022) | (5,251) |
| from outstanding premiums | (3,109) | (3,316) |
| from cancelled insured events and refunds paid by mistake | (4) | (4) |
| from sanctions | (1,909) | (1,931) |
| Credit loss allowances for receivables from insurance intermediaries | (2,516) | (2,641) |
| Reinsurance receivables | 126 | 153 |
| Total 31 December | 2,137 | 2,055 |

## 5.4 Other receivables

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Other receivables (before credit loss allowances) | 764 | 762 |
| of which: receivables from applied recourses | 477 | 502 |
| Credit loss allowances for other receivables | (413) | (412) |
| of which: credit loss allowances from applied recourses | (334) | (339) |
| Total 31 December | 351 | 350 |

In 2021, the Company wrote off receivables from outstanding premiums in the amount of EUR 66 thousand (2020: EUR 61 thousand) and other receivables in the amount of EUR 183 thousand (2020: EUR 166 thousand).

## 5.5 Held-for-sale assets

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| 1 January | 0 | 0 |
| Transfers | 4,694 | 0 |
| Total 31 December | 4,694 | 0 |

In 2021, the Company decided to sell real estates at Mlynské Nivy 6 and Grösslingova 62 in Bratislava. As a result, the real estate was reclassified from Investment property and Property, plant and equipment to Held-for-sale assets in the total amount of EUR 4,694 thousand.

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

In 2021, the real estates at Mlynské Nivy 6 and Grösslingova 62 were insured with third parties with a total insured amount of EUR 4,144 thousand (2020: EUR 4,144 thousand). The insurance covered damages caused by a natural disaster and claims resulting from injuries and damage to people and/or property (liability insurance). The insurance premium was EUR 4 thousand in 2021.

## 5.6 Property, plant and equipment

An overview of movements in property, plant and equipment for the years 2021 and 2020 is stated below:

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

| in thousands of EUR | Land | Buildings | Machinery and equipment | Motor vehicles | Other assets | Total |
|---|---|---|---|---|---|---|
| Acquisition cost | | | | | | |
| 1 January 2020 | 78 | 940 | 1,332 | 465 | 1,395 | 4,210 |
| Additions | 0 | 0 | 114 | 0 | 0 | 114 |
| Disposals | 0 | 0 | (68) | (17) | (31) | (116) |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 December 2020 | 78 | 940 | 1,378 | 448 | 1,364 | 4,208 |
| Accumulated depreciation | | | | | | |
| 1 January 2020 | 0 | 171 | 1,193 | 306 | 1,378 | 3,048 |
| Additions | 0 | 23 | 78 | 69 | 2 | 172 |
| Disposals | 0 | 0 | (68) | (17) | (31) | (116) |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 December 2020 | 0 | 194 | 1,203 | 358 | 1,349 | 3,104 |
| Net book value as at 31 December 2020 | 78 | 746 | 175 | 90 | 15 | 1,104 |

As at 31 December 2021, the Company reports fully depreciated non-current tangible assets at the acquisition cost of EUR 2,767 thousand (31 December 2020: EUR 2,639 thousand), which are still being used. These assets are primarily furniture, computers and other equipment, motor vehicles, and billboards.

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

## 5.7 Investment property

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| 1 January | 4,243 | 4,243 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Transfers from property, plant and equipment | 176 | 0 |
| Transfers to held-for-sale assets | (4,129) | 0 |
| Fair value adjustments | (145) | 0 |
| 31 December | 145 | 4,243 |

As at 31 December 2021, the Company owns commercial premises at Košická 58 in Bratislava.

As at 31 December 2021, the building at Grösslingova 62 and real estate at Mlynské Nivy 6 (both in Bratislava) in the total amount of EUR 4,129 thousand were reclassified as assets held for sale (see Section 5.5 of the Notes).

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

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

The value of investment property also includes insignificant amounts (EUR 3 thousand in total) of costs for the acquisition of investment property that was not put into use as at 31 December 2021 (31 December 2020: EUR 3 thousand).

## 5.8 Intangible assets

### 5.8.1 Deferred acquisition costs

| in thousands of EUR | 2021 | Change | 2020 |
|---|---|---|---|
| Deferred acquisition costs of risk-bearing insurance | 1,279 | 636 | 643 |
| Deferred acquisition costs of unit-linked life insurance | 787 | (512) | 1,299 |
| Life insurance commissions not included in the zillmerization of provisions for insurance contracts | 70 | (43) | 113 |
| Non-life insurance commissions | 1,530 | 17 | 1,513 |
| Total | 3,666 | 98 | 3,568 |

| v tis. EUR | 2020 | Change | 2019 |
|---|---|---|---|
| Deferred acquisition costs in life insurance created by the zillmerization of provisions in life insurance | 0 | (201) | 201 |
| Deferred acquisition costs of risk-bearing insurance | 643 | 643 | 0 |
| Deferred acquisition costs of unit-linked life insurance | 1,299 | (879) | 2,178 |
| Life insurance commissions not included in the zillmerization of provisions for insurance contracts | 113 | 386 | (273) |
| Non-life insurance commissions | 1,513 | 228 | 1,285 |
| Total | 3,568 | 177 | 3,391 |

The accrual of acquisition costs for life insurance contracts is mainly related to the accrual of acquisition costs of unit-linked life insurance, which is gradually amortized due to the ageing of the portfolio (described in Section 2.13.1 of the Notes). In 2021, the Company capitalized 70% of the deferred acquisition costs of unit-linked life insurance, as it took into account the expected cancellation rate of life insurance contracts. Since 2020, commission costs from risk insurance have also been deferred.

### 5.8.2 Other intangible assets

An overview of changes in other intangible assets in 2021 and 2020 is as follows:

| | Software and licenses | |
|---|---|---|
| in thousands of EUR | 2021 | 2020 |
| Acquisition cost | | |
| 1 January | 9,241 | 8,094 |
| Additions | 1,027 | 1,147 |
| Disposals | (201) | 0 |
| 31 December | 10,067 | 9,241 |
| Accumulated amortization | | |
| 1 January | 5,714 | 5,041 |
| Additions | 788 | 673 |
| Disposals | (201) | 0 |
| 31 December | 6,301 | 5,714 |
| Net book value as as at 31 December | 3,766 | 3,527 |

In 2021, the Company acquired software in the total value of EUR 1,110 thousand (2020: EUR 1,147 thousand) and put into use software in the total amount of EUR 1,018 thousand (2020: EUR 792 thousand).

As at 31 December 2021, the Company reports fully amortized intangible assets at the acquisition cost of EUR 1,647 thousand which is still in use (2020: EUR 1,594 thousand).

The residual value of intangible assets also includes the cost of acquiring new intangible assets that were not put into use as at 31 December 2021. This cost totals EUR 785 thousand (31 December 2020: EUR 775 thousand).

Insurance software is a significant part of other intangible assets. The amortization period for this software has been set at 10 years. As at 31 December 2021, the residual value of this software is EUR 2,033 thousand (31 December 2020: EUR 2,229 thousand) and its remaining useful life is until 2025.

## 5.9 Reinsurers' share of provisions for insurance contracts

**Non-life insurance**

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Reinsurers' share of the provision for unearned premiums | | |
| 1 January | 210 | 137 |
| Set-up | 236 | 229 |
| Use | (230) | (156) |
| 31 December | 216 | 210 |
| Reinsurers' share of the provision for insurance benefits | | |
| 1 January | 1,379 | 1,425 |
| Set-up | 230 | 150 |
| Use | (154) | (197) |
| 31 December | 1,455 | 1,378 |

**Life insurance**

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Reinsurers' share of the provision for unearned premiums | | |
| 1 January | 0 | 0 |
| Set-up | 245 | 208 |
| Use | (245) | (208) |
| 31 December | 0 | 0 |
| Reinsurers' share of the provision for insurance benefits | | |
| 1 January | 107 | 109 |
| Set-up | 0 | ´6 |
| Use | (36) | (8) |
| 31 December | 71 | 107 |
| Total as at 31 December | 1,742 | 1,695 |

## 5.10 Income tax receivables and liabilities

### 5.10.1 Receivables and liabilities related to income tax due

As at 31 December 2021, the Company has a liability and a receivable related to due corporate income tax. This liability of EUR 672 thousand is the corporate income tax due for 2021. A receivable of EUR 34 thousand is the special levy on business in regulated industries. For 2021, the Company's profit/(loss) was less than EUR 3 million, so the Company was not obliged to pay this levy.

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Advance payments on corporate income tax and the special levy | 34 | 693 |
| Offsetting tax receivables and payables related to income tax due | (34) | 0 |
| Income tax receivable due as at 31 December | 0 | 693 |

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Corporate income tax due | 672 | 0 |
| Offsetting tax receivables and payables related to income tax due | (34) | 0 |
| Income tax liabilities due as at 31 December | 638 | 0 |

### 5.10.2 Deferred tax receivables and deferred tax liabilities

Deferred tax assets and liabilities were offset as at 31 December 2021, as there is a legal right to offset current tax assets and liabilities due and the corporate income tax is subject to the same tax administrator. These amounts are:

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Tax deductible temporary differences | | |
| from liabilities that decrease the tax base only when paid and from other liabilities | 1,044 | 844 |
| from life and non-life insurance provisions for insurance benefits from insured events not yet reported | 4,110 | 3,830 |
| other provisions | 946, | 807 |
| Total | 6,100 | 5,481 |
| Tax non-deductible temporary differences | | |
| from the temporary difference between the book value of buildings and their tax base | 726 | 770 |
| Total | 726 | 770 |
| Corporate income tax rate (%) | 21 | 21 |
| Deferred tax asset as at 31 December | 1,129 | 989 |

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

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

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Deferred income tax as at 1 January | 989 | 1,253 |
| Deferred tax change recognized in the income statement | 140 | (264) |
| Deferred income tax as at 31 December | 1,129 | 989 |

## 5.11 Other assets

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Advance payments | 59 | 58 |
| Accrued income | 603 | 565 |
| Other assets | 248 | 91 |
| Other assets as at 31 December | 910 | 714 |

## 5.12 Equity and equity management

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

The item Legal reserve fund and assets acquired for no consideration mainly comprises the legal reserve fund (31 December 2021: EUR 2,484 thousand, 31 December 2020: EUR 2,484 thousand). In 2021, the Company did not increase the legal reserve fund, as its amount reached the minimum legal requirement of 20% of the share capital in 2017.

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

The Company's Annual General Meeting approved the financial statements and the profit/(loss) for 2020 on 21 June 2021. The approved distribution for the 2020 profit and the proposal of the Board of Directors for the distribution of the 2021 profit are presented below:

| in thousands of EUR | Proposal for distribution of the 2021 profit | Distribution of the 2020 profit |
|---|---|---|
| Profit after taxes | 1,948 | 1,830 |
| Retained earnings | 1,948 | 1,830 |

No dividends were approved or paid in 2020 and 2021.

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

In 2021, the Company covered (based on preliminary calculations) the solvency capital requirement and the minimum capital requirement in accordance with the applicable legislation in a sufficient proportion with available own funds of EUR 51,743 thousand as at 31 December 2021 (31 December 2020: EUR 45,278 thousand). The final solvency will be published in the Solvency and Financial Status Report.

## 5.13 Provisions arising from insurance contracts

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

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| NON-LIFE INSURANCE | | |
| Provision for unearned premiums | | |
| - MTPL insurance | 6,574 | 6,197 |
| - motor hull insurance | 2,397 | 2,435 |
| - property and other liability insurance | 2,302 | 2,239 |
| - travel insurance | 58 | 107 |
| - accident insurance | 62 | 59 |
| Total | 11,393 | 11,037 |
| Provision for insurance benefits | | |
| - provision for insurance benefits from insured events reported | 17,093 | 16,811 |
| - from insured events not yet reported | 2,717 | 2,001 |
| - provision for SIB | 1,085 | 0 |
| Total | 20,895 | 18,812 |
| Provision for insurance bonuses and discounts | 34 | 43 |
| Total provisions arising from non-life insurance contracts | 32,322 | 29,892 |

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| LIFE INSURANCE | | |
| Provision for unearned premiums | | |
| - endowment life insurance | 963 | 1,058 |
| - risk life insurance | 57 | 60 |
| - unit-linked life Insurance | 888 | 347 |
| Total | 1,908 | 1,465 |
| Provision for insurance benefits | | |
| - provision for insurance benefits from insured events reported | 6,412 | 6,635 |
| - provision for insurance benefits from insured events not yet reported | 1,407 | 1,854 |
| Total | 7,819 | 8,489 |
| Provision for insurance bonuses and discounts | 180 | 168 |
| Provision for life insurance | 81,548 | 82,866 |
| Provision for covering the risk of investing on behalf of the insured | 29,158 | 25,445 |
| Total provisions arising from life insurance contracts | 120,613 | 118,433 |
| Provisions arising from insurance contracts as at 31 December in total | 152,935 | 148,325 |

The provision for life insurance is lower by EUR 1,318 thousand, mainly as a result of a decrease in the insufficiency of provisions due to the increase in the yield curve.

Based on the liability adequacy test performed as at 31 December 2021, the Company reduced the technical provisions for insufficiency resulting from life insurance contracts by EUR 1,280 thousand in comparison with the year ended 31 December 2020. Technical provisions resulting from non-life insurance contracts were not increased (the development of the provision for premium insufficiency is described in more detail in Section 5.13.3 of the Notes and more information on the sensitivity of this provision to changes in assumptions can be found in Section 5.13.2 of the Notes).

The provision for insurance benefits in non-life insurance is higher by EUR 2,083 thousand and the amount of the provision for unearned premiums in non-life insurance is higher by EUR 356 thousand. The provision for insurance benefits in life insurance is lower by EUR 670 thousand and the provision for unearned premiums in life insurance is higher by EUR 443 thousand. The provision for covering the risk of investing on behalf of the insured is higher by EUR 3,713 thousand.

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| NON-LIFE INSURANCE | | |
| Provision for unearned premiums | | |
| 1 January | 11,037 | 11,160 |
| Additions | 496 | 8 |
| Disposals | (140) | (131) |
| 31 December | 11,393 | 11,037 |
| Provision for insurance benefits | | |
| 1 January | 18,812 | 21,525 |
| Additions, of which: | 28,736 | 33,749 |
| - provision for insurance benefits from insured events reported | 26,114 | 31,678 |
| - provision for insurance benefits from insured events not yet reported | 2,622 | 2,071 |
| Disposals, of which: | (26,653) | (36,462) |
| - provision for insurance benefits from insured events reported | (24,747) | (33,505) |
| - provision for insurance benefits from insured events not yet reported | (1,906) | (2,957) |
| 31 December | 20,895 | 18,812 |
| Provision for insurance bonuses and discounts | | |
| 1 January | 43 | 32 |
| Additions | 34 | 44 |
| Disposals | (43) | (33) |
| 31 December | 34 | 43 |

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| LIFE INSURANCE | | |
| Provision for unearned premiums | | |
| 1 January | 1,465 | 1,828 |
| Additions | 608 | 716 |
| Disposals | (165) | (1,079) |
| 31 December | 1,908 | 1,465 |
| Provision for insurance benefits | | |
| 1 January | 8,489 | 8,742 |
| Additions, of which: | 17,051 | 16,075 |
| - provision for insurance benefits from insured events reported | 15,863 | 15,934 |
| - provision for insurance benefits from insured events not yet reported | 1,188 | 141 |
| Disposals, of which: | (17,721) | (16,328) |
| - provision for insurance benefits from insured events reported | (16,086) | (15,728) |
| - provision for insurance benefits from insured events not yet reported | (1,635) | (600) |
| 31 December | 7,819 | 8,489 |
| Provision for insurance bonuses and discounts | | |
| 1 January | 168 | 146 |
| Additions | 21 | 23 |
| Disposals | (9) | (1) |
| 31 December | 180 | 168 |

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| | | |
| Life insurance provision | | |
| 1 January | 82,866 | 76,871 |
| Additions, of which: | 125 | 6,156 |
| - Zillmer positive provision | 124 | 144 |
| - profit share | 1 | 1 |
| - increase in the insufficiency provision | 0 | 6,011 |
| Disposals, of which: | (1,443) | (161) |
| - Wüstenrot Fund (the Company's internal fund) | (18) | (39) |
| - decrease in the insufficiency provision | (1,280) | 0 |
| - provision created from profit | (144) | (121) |
| - provision for administrative expenses | (1) | (1) |
| 31 December | 81,548 | 82,866 |

A significant decrease in the liability adequacy provision in 2020 is described in more detail in Section 5.13.3 of the Notes.

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Provision for covering the risk of investing on behalf of the insured | | |
| 1 January | 25,445 | 28,438 |
| Additions, of which: | 6,146 | 4,234 |
| - SEEM fund (IQAM Equity Emerging Markets RT) | 3,089 | 2,613 |
| - SPT fund (Spängler IQAM Balanced Protect 95) | 320 | 120 |
| - SESG fund (Spängler IQAM Equity Select Global) | 1,672 | 1,044 |
| - PRF (Prvý realitný fond) | 225 | 71 |
| - ARTS fund (C-QUADRAT ARTS Total Return Bond T) | 447 | 303 |
| - ARTB fund (C-QUADRAT ARTS Total Return Balanced T) | 46 | 8 |
| - TAM fund (Americký akciový fond) | 347 | 75 |
| Disposals, of which: | (2,433) | (7,227) |
| - SEEM fund (IQAM Equity Emerging Markets RT) | (1,234) | (5,088) |
| - SPT fund (Spängler IQAM Balanced Protect 95) | (320) | (180) |
| - SESG fund (Spängler IQAM Equity Select Global) | (601) | (1,819) |
| - PRF (Prvý realitný fond) | (123) | 0 |
| - ARTS fund (C-QUADRAT ARTS Total Return Bond T) | (142) | (140) |
| - ARTB fund (C-QUADRAT ARTS Total Return Balanced T) | (2) | 0 |
| - TAM fund (Americký akciový fond) | (11) | 0 |
| 31 December | 29,158 | 25,445 |

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

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

| in thousands of EUR<br>Year in which insured events were reported | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimate of total payments (insurance benefits plus RBNS) | | | | | | | | | | | |
| at year end | 12,291 | 14,026 | 15,691 | 17,206 | 15,736 | 14,774 | 14,641 | 15,696 | 14,801 | 14,248 | |
| 1 year later | 10,422 | 11,654 | 13,389 | 14,875 | 14,856 | 13,807 | 13,584 | 14,360 | 13,906 | 0 | |
| 2 years later | 10,423 | 11,686 | 13,415 | 14,895 | 14,734 | 13,899 | 13,540 | 14,337 | 0 | 0 | |
| 3 years later | 10,353 | 11,705 | 13,387 | 14,922 | 14,681 | 13,849 | 13,479 | 0 | 0 | 0 | |
| 4 years later | 10,236 | 11,340 | 13,124 | 14,601 | 14,420 | 13,652 | 0 | 0 | 0 | 0 | |
| 5 years later | 10,189 | 11,224 | 13,042 | 14,492 | 14,339 | 0 | 0 | 0 | 0 | 0 | |
| 6 years later | 10,189 | 11,216 | 13,024 | 14,478 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 7 years later | 10,200 | 11,221 | 13,021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 8 years later | 10,201 | 11,224 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9 years later | 10,194 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 10 years later | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Current estimate of total payments | 10,194 | 11,224 | 13,021 | 14,478 | 14,339 | 13,652 | 13,479 | 14,337 | 13,906 | 14,248 | 132,878 |
| Total insurance benefits paid | (9,854) | (10,943) | (12,614) | (14,154) | (13,914) | (13,259) | (12,858) | (13,508) | (13,015) | (11,884) | (126,003) |
| Commitment (RBNS and IBNR) | 340 | 281 | 407 | 324 | 425 | 393 | 621 | 829 | 891 | 2,364 | 6,875 |
| RBNS and IBNR for earlier reporting years | | | | | | | | | | | 195 |
| RBNS and IBNR in total as at 31 December 2021 (without provisions outside of CICS in the amount of EUR 749 thousand) | | | | | | | | | | | 7,070 |

As it is not technically possible to report insurance benefits and reinsurance provisions in the table format above, the Company calculated that the share of ceded technical provisions in the insurer's technical provisions was 2.10% for the last 10 years, and the reinsurer's share in payments for this period was 0.46%.

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

| in thousands of EUR | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year in which insured events were reported | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Estimate of total payments (insurance benefits plus RBNS) at year end | 12,342 | 13,679 | 13,112 | 13,705 | 15,454 | 17,224 | 17,787 | 21,159 | 16,104 | 16,840 | |
| 1 year later | 12,432 | 12,158 | 11,413 | 11,520 | 14,443 | 15,929 | 16,434 | 19,223 | 14,392 | 0 | |
| 2 years later | 12,195 | 12,299 | 11,262 | 11,003 | 14,346 | 15,169 | 15,849 | 18,568 | 0 | 0 | |
| 3 years later | 11,978 | 12,004 | 10,541 | 10,698 | 13,941 | 14,440 | 15,249 | 0 | 0 | 0 | |
| 4 years later | 11,933 | 11,284 | 10,504 | 10,083 | 13,805 | 14,191 | 0 | 0 | 0 | 0 | |
| 5 years later | 11,816 | 11,289 | 11,198 | 10,066 | 13,599 | 0 | 0 | 0 | 0 | 0 | |
| 6 years later | 11,929 | 11,266 | 11,270 | 10,008 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 7 years later | 11,707 | 11,231 | 11,332 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 8 years later | 11,744 | 11,196 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9 years later | 11,738 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 10 years later | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Current estimate of total payments | 11,738 | 11,196 | 11,332 | 10,008 | 13,599 | 14,191 | 15,249 | 18,568 | 14,392 | 16,840 | 137,113 |
| Total insurance benefits paid | (10,844) | (10,471) | (10,172) | (9,832) | (12,577) | (13,819) | (14,553) | (15,385) | (12,065) | (9,216) | (118,934) |
| Commitment (RBNS and IBNR) | 894 | 725 | 1,160 | 176 | 1,022 | 372 | 696 | 3,183 | 2,327 | 7,624 | 18,179 |
| RBNS and IBNR for earlier reporting years | | | | | | | | | | | 1,611 |
| RBNS and IBNR in total as at 31 December 2021 (without manual adjustments of EUR 20 thousand) | | | | | | | | | | | 19,790 |

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

| in thousands of EUR | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year in which insured events were reported | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Estimate of total payments (insurance benefits plus RBNS) | | | | | | | | | | | |
| at year end | 8,517 | 6,636 | 5,751 | 5,902 | 7,045 | 7,856 | 9,294 | 10,222 | 8,583 | 8,301 | |
| 1 year later | 7,568 | 6,303 | 5,461 | 5,478 | 7,539 | 7,775 | 8,949 | 10,429 | 8,380 | 0 | |
| 2 years later | 7,568 | 6,468 | 5,328 | 5,109 | 7,385 | 7,452 | 8,646 | 10,181 | 0 | 0 | |
| 3 years later | 7,315 | 6,275 | 4,801 | 4,845 | 7,373 | 6,858 | 8,096 | 0 | 0 | 0 | |
| 4 years later | 7,328 | 5,831 | 4,898 | 4,553 | 7,253 | 6,657 | 0 | 0 | 0 | 0 | |
| 5 years later | 7,319 | 5,809 | 5,363 | 4,537 | 7,110 | 0 | 0 | 0 | 0 | 0 | |
| 6 years later | 7,427 | 5,802 | 5,426 | 4,545 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 7 years later | 7,281 | 5,822 | 5,497 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 8 years later | 7,318 | 5,809 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9 years later | 7,360 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 10 years later | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Current estimate of total payments | 7,360 | 5,809 | 5,497 | 4,545 | 7,110 | 6,657 | 8,096 | 10,181 | 8,379 | 8,301 | 71,935 |
| Total insurance benefits paid | (6,515) | (5,248) | (4,687) | (4,415) | (6,271) | (6,544) | (7,629) | (8,531) | (6,652) | (4,846) | (61,338) |
| Commitment (RBNS and IBNR) | 845 | 561 | 810 | 130 | 839 | 113 | 467 | 1,650 | 1,727 | 3,455 | 10,597 |
| RBNS and IBNR for earlier reporting years | | | | | | | | | | | 1,477 |
| RBNS and IBNR in total as at 31 December 2021 | | | | | | | | | | | 12,074 |

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

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

| in thousands of EUR | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year in which insured events were reported | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Estimate of total payments (insurance benefits plus RBNS) | | | | | | | | | | | |
| at year end | 12,342 | 13,679 | 13,112 | 13,705 | 15,454 | 17,224 | 17,787 | 20,231 | 16,104 | 16,727 | |
| 1 year later | 12,432 | 12,158 | 11,413 | 11,520 | 14,443 | 15,929 | 16,434 | 18,287 | 14,392 | 0 | |
| 2 years later | 12,195 | 12,299 | 11,262 | 11,003 | 14,346 | 15,169 | 15,849 | 17,682 | 0 | 0 | |
| 3 years later | 11,978 | 12,004 | 10,541 | 10,698 | 13,741 | 14,440 | 15,249 | 0 | 0 | 0 | |
| 4 years later | 11,933 | 11,284 | 10,504 | 10,083 | 13,541 | 14,191 | 0 | 0 | 0 | 0 | |
| 5 years later | 11,816 | 11,289 | 11,109 | 10,066 | 13,362 | 0 | 0 | 0 | 0 | 0 | |
| 6 years later | 11,929 | 11,266 | 11,151 | 10,008 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 7 years later | 11,707 | 11,231 | 11,152 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 8 years later | 11,744 | 11,196 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9 years later | 11,738 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 10 years later | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Current estimate of total payments | 11,738 | 11,196 | 11,152 | 10,008 | 13,362 | 14,191 | 15,249 | 17,682 | 14,392 | 16,727 | 135,697 |
| Total insurance benefits paid | (10,844) | (10,471) | (10,172) | (9,832) | (12,577) | (13,819) | (14,553) | (15,385) | (12,065) | (9,216) | (118,934) |
| Commitment (RBNS and IBNR) | 894 | 725 | 980 | 176 | 785 | 372 | 696 | 2,297 | 2,327 | 7,511 | 16,763 |
| RBNS and IBNR for earlier reporting years | | | | | | | | | | | 1,580 |
| RBNS and IBNR in total as at 31 December 2021 (without manual records of EUR 20 thousand) | | | | | | | | | | | 18,343 |

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

| in thousands of EUR | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year in which insured events were reported | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Estimate of total payments (insurance benefits plus RBNS) at year end | | | | | | | | | | | |
| | 8,517 | 6,636 | 5,751 | 5,902 | 7,045 | 7,856 | 9,294 | 10,222 | 8,583 | 8,301 | |
| 1 year later | 7,568 | 6,303 | 5,461 | 5,478 | 7,539 | 7,775 | 8,949 | 10,429 | 8,379 | 0 | |
| 2 years later | 7,568 | 6,468 | 5,328 | 5,109 | 7,385 | 7,452 | 8,646 | 10,181 | 0 | 0 | |
| 3 years later | 7,315 | 6,275 | 4,801 | 4,845 | 7,173 | 6,858 | 8,096 | 0 | 0 | 0 | |
| 4 years later | 7,328 | 5,831 | 4,898 | 4,553 | 6,989 | 6,657 | 0 | 0 | 0 | 0 | |
| 5 years later | 7,319 | 5,809 | 5,275 | 4,537 | 6,874 | 0 | 0 | 0 | 0 | 0 | |
| 6 years later | 7,427 | 5,802 | 5,307 | 4,545 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 7 years later | 7,281 | 5,822 | 5,317 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 8 years later | 7,318 | 5,809 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9 years later | 7,360 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 10 years later | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Current estimate of total payments | 7,360 | 5,809 | 5,317 | 4,545 | 6,874 | 6,657 | 8,096 | 10,181 | 8,379 | 8,301 | 71,518 |
| Total insurance benefits paid | (6,515) | (5,248) | (4,687) | (4,415) | (6,272) | (6,544) | (7,629) | (8,531) | (6,652) | (4,846) | (61,338) |
| Commitment (RBNS and IBNR) | 845 | 561 | 630 | 130 | 602 | 113 | 467 | 1,650 | 1,727 | 3,455 | 10,180 |
| RBNS and IBNR for earlier reporting years | | | | | | | | | | | 1,477 |
| RBNS and IBNR in total as at 31 December 2021 | | | | | | | | | | | 11,657 |

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

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| | | |
| Provision for insurance benefits from insured events reported as at 1 January | 16,811 | 18,638 |
| Paid insurance benefits from insured events incurred and reported in previous years | 3,099 | 4,992 |
| Closing balance (as at 31 December) of the provision for insurance benefits from insured events incurred and reported in previous years | 12,166 | 12,642 |
| Run-off provisions for reported insured events | 1,546 | 1,004 |

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| | | |
| Provision for insurance benefits from incurred but not reported insured events as at 1 January | 2,001 | 2,886 |
| Paid insured benefits from insured events incurred in previous years and reported in the current year (excluding recourses received) | 321 | 512 |
| Closing balance (as at 31 December) of the provision for insurance benefits from insured events reported in the current year but related to previous years | 848 | 256 |
| Closing balance (as at 31 December) of the provision for insurance benefits from incurred but not reported insured events from previous years | 792 | 876 |
| Run-off provisions for insurance benefits from insured events incurred but not reported | 40 | 1,242 |

### 5.13.1 Assumptions used in the liability adequacy test

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

**(a) for LIFE INSURANCE**

**Mortality** For mortality modelling, the Company uses current mortality tables published by the Statistical Office of the Slovak Republic. This is a change from 2020, when mortality tables published by the Statistical Office of the Slovak Republic and used in the development of individual products were applied.

**Submortality** Compared to 2020, the Company updated the submortality of the insurance portfolio based on an analysis of observed deaths in the Company's portfolio with the expected/calculated mortality in the Company's individual products. As at 31 December 2021, submortality was set at 50% (men) and 60% (women) for all modelled products other than ŽP04 and ŽP06 capital products. Mortality of 90% (men) and 120% (women) was set for the ŽP04 product and 105% (men) and 95% (women) for the ŽP06 product.

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

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

**Costs** The Company uses costs observed in its portfolio for cost modelling, namely fixed acquisition costs of EUR 70, current fixed costs of EUR 5, current variable costs of 5% of gross premiums for main insurance covers, and 30% of gross premiums for additional insurances per contract. Separate costs were set for the RP06 risk product and the insurance contracts in the StarINS portfolio. The determination of administrative cost assumptions is in accordance with the Company's internal regulation on cost allocation.

**Cost inflation** As at 31 December 2021, the Company also updated its cost inflation assumption. This assumption represents the future expected increase in the Company's costs and is determined on the basis of the expected development of Slovakia's macroeconomic indicators. The values used in modelling as at 31 December 2021 were as follows: 4.20% for the first year, 2.50% for the second year, and 2.00% for the following years (the long-term ECB target) (31 December 2020: 1.70% p.a.).

**Investment income** Investment income of 1.90% (31 December 2020: 1.90%) was set as an estimate of future credited profit shares of the Company's clients, which is based on the real credited profit shares in the previous period. The value of the investment income and the value of the technical level of the rate on the insurance contracts show that no share of the profit was granted by the Company for the period of 2021 and 2020.

**Yield curve** The yield curve was determined on the basis of the publicly available EIOPA RFR market yield curve as at 31 December 2021 (including negative interest rates).

**Loss ratio** For loss ratio modelling, the Company uses its own observed loss ratio of individual insurances in its portfolio, determined on the basis of a detailed loss analysis.Surcharges for individual assumptions were used in the following amounts, both as at 31 December 2021 and 31 December 2020. As of the third quarter of 2020, no surcharge for the discount rate was applied, as the EIOPA RFR curve is used instead of the EURO SWAP yield curve.

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

In addition to the above changes to assumptions, the following changes/modifications were made when modelling the liability adequacy test in life insurance in 2021:

1. **Inclusion of other products in the liability adequacy test:**
- contracts of the ŽP07 product with one-off insurance premium payment;
- contracts of the new ŽP07EU product offered since August 2021;
- contracts of ŽP03 and ŽP08 products, modelled on the basis of characteristic contracts.

2. **Model modifications with insignificant impact, e.g.:**
- adjustment of commission modelling in risk insurance;
- extension and modification of input data for unit-linked life insurance;
- modification of modelling the death of two insured persons for one unit-linked life insurance contract, etc.

**(b) for NON-LIFE INSURANCE**

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

**Administrative expenses** from the Company's observed administrative expenses for 2021 (see table below).

**Market share** from the Company's market share in non-life insurance as at 31 December 2021.

| | Loss ratio estimate | | Cost ratio estimate | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | Surcharges |
| MTPL insurance | 49% | 53% | 26% | 26% | +10% |
| Other | 43% | 43% | 32% | 34% | +10% |

### 5.13.2 Sensitivity analysis

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

**(a) LIFE INSURANCE**

| Assumptions for life insurance in thousands of EUR | Change to the assumption | Increase in liability and cost, decrease in equity 2021 | 2020 |
|---|---|---|---|
| Mortality | 10% | 1,052 | 1,048 |
| | (10%) | (1,069) | (1,061) |
| Current administrative expenses | 10% | 3,755 | 3,719 |
| | (10%) | (3,759) | (3,720) |
| Current administrative cost inflation | 10% | 667 | 487 |
| | (10%) | (655) | (479) |
| Risk discount rate | (0,25 pp) | 1,118 | 1,202 |
| | 0,25 pp | (1,073) | (1,156) |
| Cancellation quota | 10% | 924 | 131 |
| | (10%) | (1,043) | (158) |
| Loss ratio | 10% | 2,559 | 2,764 |
| | (10%) | (2,565) | (2,765) |

**(b) NON-LIFE INSURANCE**

| Assumptions for non-life insurance in thousands of EUR | Change to the assumption | Increase in liability and cost, decrease in equity 2021 | 2020 |
|---|---|---|---|
| Loss ratio | 10% | 459 | 462 |
| | (10%) | (459) | (462) |
| Administration expenses | 10% | 330 | 323 |
| | (10%) | (330) | (323) |
| Change in the Company's market share | 10% | 102 | 98 |
| | (10%) | (102) | (98) |
| Change in income from technical provisions | (0,25 pp) | 157 | 147 |
| | 0,25 pp | (157) | (147) |

### 5.13.3 Change to assumptions

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

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Provision for insufficiency as at 1 January | 13,640 | 7,629 |
| Portfolio development | (158) | (296) |
| Change to models | 361 | 7,292 |
| Change to cancellations | 2,219 | 3,524 |
| Change to mortality | (260) | (2,274) |
| Change in reinsurer's share | 0 | (316) |
| Change to costs | 357 | (3,035) |
| Change to morbidity | (568) | (389) |
| Change in the yield curve | (3,231) | 1,505 |
| Provision for insufficiency as at 31 December | 12,360 | 13,640 |

An update of the yield curve which reduced insufficiency by EUR 3.2 million had the most significant impact.

An adjustment to assumptions of cancellation quotas, which mainly reflects the lower rate for early terminations of endowment life insurance contracts in their final years, significantly affected the increase in the provision for insufficiency.

In 2020, a number of changes were made to assumptions regarding forecasts of life insurance cash flows. The most significant impact in the “Change to model"’ item was due to an adjustment to modelling insurance benefits in the event of death. Another significant adverse impact was the change in cancellation assumptions and the decline of the yield curve. A detailed analysis of cancellation assumptions by individual insurance contract portfolios was performed.

On the other hand, an adjustment to cost and mortality assumptions, which were the result of the Company's current portfolio and cost analyses, had a significant positive impact.

## 5.14 Trade and other liabilities

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Insurance and reinsurance liabilities | | |
| to the insured | 3,207 | 3,104 |
| - unallocated payments from the insured and premium overpayments | 3,118 | 3,047 |
| - insurance benefits not yet paid | 89 | 57 |
| to insurance intermediaries | 988 | 821 |
| to reinsurers | 306 | 330 |
| Total | 4,501 | 4,255 |
| Other liabilities and accruals | | |
| Liabilities to employees | 323 | 290 |
| - wages and salaries | 314 | 285 |
| - social fund | 3 | 4 |
| - other | 6 | 1 |
| Other liabilities | 2,834 | 2,868 |
| - to suppliers | 865 | 930 |
| - to tax administrators (other than corporate income tax) | 171 | 153 |
| - to social and health insurance institutions | 201 | 187 |
| - 8% mandatory levy from MTPL insurance premiums received | 1,187 | 1,152 |
| - 8% tax on non-life insurance (including the phased-out levy on premiums received in other non-life sectors) | 250 | 234 |
| - other | 160 | 212 |
| Total | 3,157 | 3,158 |
| Trade and other liabilities as at 31 December | 7,658 | 7,413 |

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

In 2021, social fund appropriations totalled EUR 62 thousand (2020: EUR 58 thousand). The amount of EUR 47 thousand was used for staff catering (2020: EUR 46 thousand), and EUR 16 thousand was used for other purposes (2020: EUR 15 thousand).

As at 31 December 2021, the Company had no overdue liabilities.

## 5.15 Short-term provisions for other liabilities and employee benefits

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Unpaid commissions to insurance intermediaries | 366 | 260 |
| Reinsurer's share in recourse claims | 3 | 3 |
| Unused holiday and compulsory contributions to social and health insurance | 226 | 203 |
| Remuneration provision | 289 | 236 |
| Other short-term provisions | 291 | 311 |
| 31 December | 1,175 | 1,013 |

Other short-term provisions mainly include provisions for operating costs of a building owned by the Company, which will be quantified in the following year after cost reconciliation, a provision for litigation (unrelated to insured events), and a provision for the preparation and audit of the financial statements.

## 5.16 Premium income (net)

| in thousands of EUR | 2021 | 2020 | 2021 | 2020 |
|---|---|---|---|---|
| NON-LIFE INSURANCE | Before reinsurance | | Reinsurer's share | |
| Written premium | | | | |
| - MTPL insurance | 14,469 | 14,180 | (565) | (552) |
| - motor hull insurance | 7,019 | 6,887 | (195) | (190) |
| - property and liability insurance | 5,868 | 5,648 | (196) | (179) |
| - travel insurance | 338 | 327 | (124) | (115) |
| - accident insurance | 419 | 459 | 0 | 0 |
| - insurance bonuses and discounts | (37) | (17) | 0 | 0 |
| - insurance tax of 8% | (948) | (865) | 0 | 0 |
| Total non-life insurance | 27,128 | 26,619 | (1,080) | (1,036) |
| Change in the provision for unearned premiums | | | | |
| - future premiums | (355) | 122 | 6 | 73 |
| - insurance bonuses and discounts | 9 | (11) | 0 | 0 |
| Total non-life insurance | (346) | 111 | 6 | 73 |
| in thousands of EUR | 2021 | 2020 | 2021 | 2020 |
| LIFE INSURANCE | | | | |
| Written premium | | | | |
| - endowment life insurance | 7,416 | 8,139 | (26) | (130) |
| - risk life insurance | 2,210 | 1,764 | (145) | (38) |
| - unit-linked life Insurance | 14,668 | 14,747 | (155) | (172) |
| - insurance bonuses and discounts | (1) | (1) | 0 | 0 |
| Total life insurance | 24,293 | 24,649 | (326) | (340) |

| | | | | |
|---|---|---|---|---|
| Change in the provision for unearned premiums | | | | |
| - endowment life insurance | 95 | 89 | 0 | 0 |
| - risk life insurance | 3, | 1 | 0 | 0 |
| - unit-linked life Insurance | (541) | 273 | 0 | 0 |
| - insurance bonuses and discounts | (12) | (21) | 0 | 0 |
| Total life insurance | (455) | 342 | 0 | 0 |
| | | | | |
| Total premium income | 50,620 | 51,721 | (1,400) | (1,303) |
| Non-life insurance premium income, net | | | 25,708 | 25,767 |
| Life insurance premium income, net | | | 23,512 | 24,651 |
| Total premium income, net | | | 49,220 | 50,418 |

In 2021, the Company reported earned premiums before reinsurance in the total amount of EUR 50,620 thousand (2020: EUR 51,721 thousand), a year-on-year decrease of 2.1%. In non-life insurance, there was an increase of EUR 509 thousand, mainly due to mandatory MTPL insurance (increase of EUR 289 thousand, i.e. by 2.04%). In life insurance, there was a decrease of EUR 356 thousand, mainly due to a decrease in endowment life insurance of EUR 723 thousand (i.e. by 8.9%). On the other hand, the Company achieved growth of 446 thousand (i.e. by 25.3%) in risk life insurance.

## 5.17 Fee and commission income

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Commissions from reinsurers | 109 | 93 |
| Other commissions | 182 | 165 |
| Reimbursements of court fees and default interest | 155 | 162 |
| Partial surrender fee (unit-linked life insurance) | 50 | 54 |
| Other insurance-related fee income | 16 | 31 |
| Total fee and commission income | 512 | 505 |

## 5.18 Net investment income

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Income from held-to-maturity investments | 1,897 | 1,926 |
| - interest income | 2,226 | 2,291 |
| - discount/premium | (329) | (365) |
| Investments at fair value through profit or loss | 2,854 | (1,829) |
| - mutual funds | 685 | (49) |
| - investment on behalf of the insured | 3,421 | (3,711) |
| - interest income from bonds | 604 | 569 |
| - remeasurement of bonds | (1,856) | 1,362 |
| Interest income from term deposits | 0 | 1 |
| Interest income from loans granted | 123 | 141 |
| Interest income from borrowings to the insured | 53 | 60 |
| Rental income | 175 | 201 |
| Adjustments to real estate fair value | (145) | 0 |
| Other investment income | 1 | 1 |
| Total investment income | 4,958 | 501 |

In 2021, remeasurement of securities in the held-for-trading portfolio resulted in a loss for the Company.

The Company recorded a profit of EUR 2,854 thousand for investments at fair value through profit or loss (2020: loss of EUR 1,829 thousand). The profit was mainly due to the strong performance of mutual funds (invested on behalf of the Company and on behalf of the insured) despite negative remeasurement of bonds.

## 5.19 Other income from economic activities

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Income arising from insurance contracts | 34 | 56 |
| Other operating income | | |
| Income from the sale of non-current assets | 3 | 4 |
| Exchange rate differences | 0 | 0 |
| Rental | 111 | 69 |
| Interest on loans granted | 0 | 1 |
| Other | 45 | 32 |
| Total | 159 | 106 |
| Total other income from economic activities | 193 | 162 |

## 5.20 Net cost of insurance benefits

| in thousands of EUR | 2021 | 2020 | 2021 | 2020 |
|---|---|---|---|---|
| NON-LIFE INSURANCE | Before reinsurance | | Reinsurer's share | |
| Insurance benefits | | | | |
| - MTPL insurance | 6,990 | 8,597 | 0 | 0 |
| - recourse of MTPL claims | (322) | (559) | 0 | 0 |
| - motor hull insurance | 4,202 | 4,699 | 0 | 0 |
| - recourse of motor hull insurance claims | (447) | (583) | 0 | (1) |
| - property and liability insurance | 963 | 1,377 | 0 | 0 |
| - recourse of property and liability insurance claims | (16) | (8) | 0 | 0 |
| - travel insurance | 12 | 98 | (6) | (46) |
| - accident insurance | 159 | 316 | 0 | 0 |
| - costs related to insurance benefits | 395 | 442 | 0 | 0 |
| Total non-life insurance | 11,936 | 14,379 | (6) | (47) |
| Change in the provision for insurance benefits | | | | |
| change in the provision for insurance benefits from insured events reported | 1,366 | (1,827) | (76) | 47 |
| change in the provision for insurance benefits from insured events not yet reported | 717 | (886) | 0 | 0 |
| Total non-life insurance | 2,083 | (2,713) | (76) | 47 |
| Net cost of non-life insurance benefits | | | 13,937 | 11,666 |
| in thousands of EUR | 2021 | 2020 | 2021 | 2020 |
| LIFE INSURANCE | Before reinsurance | | Reinsurer's share | |
| Insurance benefits | | | | |
| - longevity | 4,760 | 4,772 | 0 | 0 |
| - surrender | 6,506 | 5,934 | 0 | 0 |
| - death | 1,073 | 801 | (21) | 0 |
| - drawing lots | 64 | 114 | 0 | 0 |
| - injury | 207 | 261 | (16) | (15) |
| - pensions | 203 | 186 | 0 | 0 |
| - critical diseases | 903 | 907 | 0 | 0 |
| - daily allowances | 604 | 733 | 0 | 0 |
| - exemptions from payment | 272 | 266 | 0 | 0 |
| - marriage | 8 | 8 | 0 | 0 |
| - travel insurance | 9 | 39 | 0 | 0 |
| - doctor's remuneration and others | 17 | 15 | 0 | 0 |
| Total life insurance | 14,626 | 14,036 | (37) | (15) |
| Change in the provision for insurance benefits | | | | |
| change in the provision for insurance benefits from insured events reported | (223) | 206 | 26 | (6) |
| change in the provision for insurance benefits from insured events not yet reported | (446) | (460) | 10 | 8 |
| Total life insurance | (669) | (254) | 36 | 2 |
| Change in the life insurance provision | (1,318) | 5,995 | 0 | 0 |
| Change in the provision for covering the risk of investing on behalf of the insured | 3,713 | (2,993) | 0 | 0 |
| Net cost of life insurance benefits | | | 16,351 | 16,771 |
| Total net cost of insurance benefits | | | 30,288 | 28,437 |

## 5.21 Cost of acquiring insurance contracts and operating costs

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| COST OF ACQUIRING INSURANCE CONTRACTS | | |
| Change in deferred acquisition costs created by zillmerization of life insurance provisions | (124) | 437 |
| Commissions and fees to insurance intermediaries | 6,695 | 5,235 |
| Advertising costs | 635 | 575 |
| Personnel costs, of which: | 2,215 | 1,959 |
| statutory old age insurance | 267 | 238 |
| other statutory social insurance | 214 | 189 |
| Depreciation | 142 | 134 |
| Material consumption | 15 | 47 |
| Rental and rent-related operating costs | 512 | 479 |
| Other general cost of acquiring insurance contracts | 682 | 641 |
| Total | 10,772 | 9,507 |

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| OPERATING COSTS | | |
| Operating costs resulting from insurance contracts | | |
| Change in credit loss allowances, sale of receivables, of which: | (89) | (159) |
| - receivables from insurance premiums | (207) | (100) |
| - recourse receivables | (4) | 18 |
| - receivables from sanctions and penalties | (22) | 152 |
| - receivables from insurance intermediaries | 144 | (229) |
| Receivables written off, of which: | 250 | 227 |
| - receivables from insurance premiums | 66 | 60 |
| - recourse receivables | 19 | 8 |
| - receivables from sanctions and penalties | 49 | 1 |
| - receivables from insurance intermediaries | 116 | 158 |
| Contributions to SIB | 231 | 248 |
| 8% mandatory levy on non-life insurance premiums received | 1,194 | 1,294 |
| Other costs resulting from insurance contracts | 14 | 14 |
| Total | 1,600 | 1,624 |
| General operating costs | | |
| Personnel costs, of which: | 4,754 | 4,525 |
| statutory old age insurance | 534 | 519 |
| other statutory social insurance | 451 | 431 |
| Depreciation | 800 | 711 |
| Material consumption | 10 | 16 |
| Services | 918 | 1,052 |
| Fees and taxes (VAT included) | 656 | 670 |
| Rental and rent-related operating costs | 532 | 593 |
| IT costs (other than depreciation) | 1,685 | 1,578 |
| Travel costs | 16 | 18 |
| Foreign exchange differences | 4 | 15 |
| Other operating expenses | 368 | 663 |
| Total | 9,743 | 9,841 |
| Total operating costs | 11,343 | 11,465 |

In 2021, the Company recognises cost of services related to the audit of its financial statements in the amount of EUR 63 thousand (2020: EUR 66 thousand). This amount includes invoiced costs of EUR 57 thousand and the provision created for costs related to the completion of the audit of the financial statements in the amount of EUR 6 thousand (net of VAT).

## 5.22 Corporate income tax

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| | | |
| Current income tax, including withholding tax | 672 | 82 |
| Deferred tax change | (140) | 264 |
| Total tax expense | 532 | 346 |

Explanation of the difference between the Company's profit tax and the theoretical tax for 2021 and 2020:

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| | | |
| Profit/(loss) for the current accounting period before taxes | 2,480 | 2,177 |
| - of which: theoretical corporate income tax of 21% | 521 | 457 |
| Impact of non-deductible and deductible items: | | |
| - Life and non-life provisions for insurance benefits from insured events not yet reported | 280 | (1,338) |
| - Other provisions, the set-up of which is a tax non-deductible expense | 253 | (351) |
| - Credit loss allowances the set-up of which is a tax non-deductible expense | (123) | (370) |
| - Liabilities that decrease the tax base only when paid and other liabilities | 207 | (86) |
| - Other non-deductible and deductible items | 380 | (310) |
| - Tax loss carried forward | (278) | 0 |
| Tax base/(tax loss) | 3,199 | (278) |
| Corporate income tax for the taxable period | 672 | 0 |
| Corporate income tax due for the current taxable period | 672 | 0 |
| Corporate income tax due for the previous taxable period | 0 | 82 |
| Deferred tax | (140) | 264 |
| Total corporate income tax expense | 532 | 346 |
| Effective tax rate | 21.5% | 15.9% |

## 5.23 Related party transactions

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

The Company's related parties include the following entities:

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

**Other group undertakings**
- Wüstenrot Datenservice GmbH.
- Wüstenrot InHouse Broker s.r.o.
- Wüstenrot Reality s.r.o.
- Spängler IQAM Invest GmbH
- Bausparkasse Wüstenrot AG

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

Transactions with Company shareholders and other group undertakings:

| | 2021 | | |
|---|---|---|---|
| in thousands of EUR | Wüstenrot stavebná sporiteľňa, a.s. (shareholder) | Wüstenrot Versicherungs-AG (shareholder) | Other group undertakings |
| Financial investments | 0 | 0 | 405 |
| Loan granted | 0 | 0 | 1,692 |
| Other receivables | 5 | 1 | 34 |
| Total assets as at 31 December | 5 | 1 | 2,131 |
| Reinsurance liabilities | 0 | 184 | 0 |
| Financial obligations | 0 | 0 | 0 |
| Other liabilities | 1 | 0 | 527 |
| Total liabilities as at 31 December | 1 | 184 | 527 |
| Reimbursement of costs of insurance benefits incurred by reinsurers | 0 | 37 | 0 |
| Fee and commission income | 0 | 85 | 128 |
| Investment income | 22 | 0 | 119 |
| Other income from economic activities | 148 | 0 | 0 |
| Total revenues | 170 | 122 | 247 |
| External liquidation costs | 0 | 27 | 0 |
| Premiums ceded to reinsurers | 0 | 305 | 0 |
| Financial expenses | 0 | 0 | 0 |
| Operating expenses | 315 | 3 | 1,919 |
| Total expenses | 315 | 335 | 1,919 |

| | 2020 | | |
|---|---|---|---|
| in thousands of EUR | Wüstenrot stavebná sporiteľňa, a.s. (shareholder) | Wüstenrot Versicherungs-AG (shareholder) | Other group undertakings |
| Loan granted | 0 | 0 | 1 992 |
| Other receivables | 10 | 4 | 30 |
| Total assets as at 31 December | 10 | 4 | 2 022 |
| Reinsurance liabilities | 0 | 225 | 0 |
| Other liabilities | 1 | 0 | 483 |
| Total liabilities as at 31 December | 1 | 225 | 483 |
| Reimbursement of costs of insurance benefits incurred by reinsurers | 0 | 15 | 0 |
| Fee and commission income | 0 | 91 | 120 |
| Investment income | 27 | 0 | 137 |
| Other income from economic activities | 110 | 0 | 0 |
| Total revenues | 137 | 106 | 257 |
| External costs for the settlement of claims | 0 | 35 | 0 |
| Premiums ceded to reinsurers | 0 | 326 | 0 |
| Financial expenses | 0 | 0 | 0 |
| Operating expenses | 268 | 3 | 1,871 |
| Total expenses | 268 | 364 | 1,871 |

In the past, the Company provided funds to Wüstenrot Reality s.r.o. As at 31 December 2021, the balance of the borrowing was EUR 1,692 thousand (31 December 2020: EUR 1,992 thousand).

The Company has invested in its own name and on behalf of clients in mutual funds denominated in euros. These funds are managed by Spängler IQAM Invest GmbH, Austria. As at 31 December 2021, their value totalled EUR 27,639 thousand (31 December 2020: EUR 24,100 thousand).

The Company uses insurance and accounting software from Wüstenrot Datenservice GmbH. Software amortization charge in 2021 amounted to EUR 632 thousand (2020: EUR 593 thousand). As at 31 December 2021, the software's net book value was EUR 2,033 thousand (31 December 2020: EUR 2,243 thousand).
The largest part of operating expenses in related party transactions is software maintenance (2021: EUR 1,510 thousand, 2020: EUR 1,405 thousand) and rental (2021: EUR 651 thousand, 2020: EUR 669 thousand).

**Transactions with the members of the Board of Directors**

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 265 | 225 |
| Mandatory social and health insurance contributions | 57 | 56 |
| Non-cash benefits | 10 | 11 |
| Total | 332 | 292 |

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

As at 31 December 2021, the Company created a short-term provision of EUR 200 thousand for remuneration of BoD members for the performance of their function (31 December 2020: EUR 197 thousand), which is not included in the above table.

**Transactions with the Supervisory Board**

| in thousands of EUR | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 22 | 22 |
| Mandatory social and health insurance contributions | 0 | 0 |
| Non-cash benefits | 0 | 0 |
| Total | 22 | 22 |

As at 31 December 2021, the Company created a short-term provision of EUR 22 thousand for remuneration of Supervisory Board members for the performance of their function (31 December 2020: EUR 22 thousand). This provision is not included in the above table.

## 5.24 Contingent liabilities and other commitments

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

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

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

## 5.25 Significant events after the reporting date

After 31 December 2021, no other events have occurred until the date on which these financial statements have been approved that would require an adjustment or recognition in these financial statements.

However, political tensions in the region escalated into a war between the Russian Federation and Ukraine after the end of 2021. This conflict has severely affected global events, adversely impacted financial markets, and attributed to increased volatility within the business environment. The situation remains very unstable, and the impact of imposed sanctions, restrictions on the business activities of companies operating in the region, and the consequences for the economic environment as a whole can be expected.

The Company has no business activities in the Ukraine or Russia. Though the extent of the consequences of these events on the Company cannot currently be fully anticipated, the Company does not expect any significant adverse impacts on its economic situation.

Bratislava, 28 April 2022

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

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

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

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

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

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

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