Colonnade Insurance S.A.
Société Anonyme

Annual accounts and report of the Réviseur d'Entreprise Agréé as at December 31, 2021

1, rue Jean Piret
L-2350 Luxembourg
R.C.S. Luxembourg: B 61.605

Colonnade Insurance S.A.
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Table of contents

	Page(s)
Directors' report	3 -7
Audit report	8 -11
Balance sheet as at December 31, 2021	12 - 13
Profit and loss account for the year ended December 31, 2021	14 - 15
Notes to the annual accounts	16 - 29

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Directors' report on the annual accounts as at December 31, 2021

Key Financials

For the year ended December 31, 2021, the profit after tax was EUR 4,620,316 (compared to EUR 7,608,337 in 2020). The financial year of 2021 had earned premiums, net of reinsurance, of EUR 131,695,412 (EUR 126,155,963 in 2020) with gross premiums written of EUR 169,530,346 (EUR 152,930,671 in 2020) and claims incurred, net of reinsurance, of EUR 54,097,237 (EUR 46,333,480 in 2020).

Certainly, as COVID-19 continued impacting the economies of CEE and our businesses, we remained committed to servicing our clients and partners while maintaining employee safety as our key focus, aligning to the fluctuating circumstances due to the pandemic. Our well-disciplined teams manoeuvred successfully through COVID-19 in the last 2 years!

In the past years we were focusing on creating a stable and diversified portfolio, predictable and manageable underwriting performance, strong and conservative reserving all delivered through business development supported by analytics and disciplined underwriting. The 2021 underwriting results are clearly showcasing the success of effort and the fact that we have been profitable for four years in a row has created us an opportunity for the future.

Our top-line exceeded the level of 2019, and earned premiums, net of reinsurance are also significantly higher than the last COVID-19 free period.

The underwriting result amounted to a profit of EUR 6,757,029 (compared to EUR 13,296,587 in 2020).

Our top-line growth over last year is attributed to the following factors:

- We had very favourable retention ratios, both in the Commercial (90.4%) and Consumer (92.5%) segments.
- The level of new business was EUR 42 million. The growth is driven by our major countries: the Czech Republic, Hungary, Poland and Slovakia.
- Our Personal Accident Individual portfolio posted excellent results with a 75.5% combined ratio, with new sales not slowing down due to the pandemic.
- The third-party lines contributed significantly to the profit with a gross premium growth of 15% and a combined ratio of 95.3%.

The balance on the technical account was impacted by the following factors compared to last year:

- There were some larger losses on the Commercial Property portfolio that increased the loss ratio to 57% in 2021 (54% in 2020).
- In general, we have experienced higher loss activity compared to 2020 increasing our overall loss ratio by 4.4%
- Our administrative expenses have increased from EUR 20,997,345 to EUR 24,901,455 as a result of staff expansion supporting growth and the Transformation program.

The Company's net loss ratio was 41.1%, its net commission ratio was 35.2%, its net expense ratio was 18.9% and the combined ratio stands at 95.2%. These ratios were 36.7%, 36.5%, 16.6% and 89.8% respectively in 2020.

During the year, the total shareholder's equity increased from EUR 92,874,504 to EUR 97,494,820 after considering the result of the year.

As of December 31, 2021, the provision for unearned premiums amounted to EUR 78,357,919 (EUR 70,593,848 in 2020), claims outstanding were at EUR 145,056,304 (EUR 110,330,443 in 2020) and the provision for bonuses and rebates was at EUR 581,781 (EUR 425,027 in 2020).

Key Events

COVID-19

In 2021 we continued operating in a “work from home” regime mixed with office presence, depending on the actual pandemic situation, to ensure staff safety along with meeting the restrictions implemented by the governments in our countries. Our teams kept demonstrating full dedication and commitment which is also a factor in the achieved good results.

We saw similar trends in the business volume in certain lines as in 2020:

- Premium volumes were reduced in travel insurance and GAP compared to the pre-COVID-19 years, due to less international travel and a significant slow-down of car production. The latter trend is also influenced by supply chain crisis (e.g. lack of electronic chips produced) globally.

Other than the lines above we have experienced the portfolio behaving similarly to the pre-COVID-19 years, hence we believe that COVID-19 has no further impact on our business.

Transformation Project

In September last year, we commenced the Colonnade Transformation program, Project Phoenix. The goal of the program is to transform Colonnade to a modern insurance company that addresses the customer needs in our rapidly changing environment. The project has technology and operating model components. On the technology part, the scope is to implement a new insurance software platform by the end of 2021.

At the end of September 2021, we have completed the roll-out of the first release of the program that focuses on Consumer Claims to all of our countries. The experience of the users is positive, the roll-out effort was smooth, we have not encountered any major issues. By the end of 2021 we have processed almost 10 thousand claims on the new platform.

In early 2022 further rollout of the technology will cover Commercial Claims and the entire underwriting business cycle in at least one product.

During 2021 we have acquired all the capabilities to implement new products, without any external help, that will enable to move the entire business on the new platform.   All aspects of this project will deliver capabilities to continue our strong performance and expand our position within the markets we operate in.

Description of Risks Covered

Colonnade Insurance S.A. is currently authorized to underwrite all classes of non-life insurance business except class 10a (Motor Vehicle Liability) through its branch network in Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. The Slovak Branch does not include classes 12 (Liability for Ships), 14 (Credit) and 15 (Suretyship).

The business mix of the Company did stay slightly shifted towards the Commercial lines 67% (69% in 2020) excluding the multinational business issued for AIG.

The major growth in Commercial was observed in our Financial Lines practice and in Contractors’ All Risk Line, growing 16% and 100% respectively.

The major products in Consumer lines are Accident and Health products distributed by our Direct Marketing platform and GAP products. Premiums of the Consumer segment increased by 9% compared to the 2020 year.

The process for risk acceptance and risk management is set out in the Company’s Enterprise Risk Management Framework (“RMF”). The key elements of the RMF are identification, monitoring and management of risk.

The key categories of risk facing the Company include insurance, market, credit, liquidity and operational risks. Policies and procedures for managing these risks are set out in the RMF.

All key policies are approved by the Board of Directors and the framework is part of the ongoing "Own Risk and Solvency Assessment" ("ORSA") process. An ORSA report is presented to the Board of Directors on an annual basis. The ORSA report sets out the risk profile and key risk indicators of the Company, together with the resulting impact on the Solvency Capital Requirement (SCR) and confirmation that sufficient own and ancillary funds are in place.

The Company's strategy for managing its risks includes:

- Identifying and analysing risk through a disciplined risk management process;
- Mitigating, transferring or avoiding risks that do not fit our business objectives;
- Retaining risk within an agreed risk appetite with appropriate levels of capital.

More details on the key risks are provided below:

Insurance Risk

Insurance risk includes the risks associated with underwriting and reserving.

Underwriting risk includes both the risk of inappropriate underwriting and inadequate pricing. The insurance risk management policy covers the underwriting, claims and actuarial functions and addresses risks such as inappropriate or unauthorised underwriting and pricing and inadequate controls around recording and reporting of underwriting results and exposures. Various Key Risk Indicators (KRIs) have been developed for the ongoing monitoring of insurance risks.

Control structures are in place to mitigate the risk of accumulations of loss from catastrophic events and the Company is further protected by the reinsurance programme comprising a range of quota share and excess of loss contracts that cover the different lines of business written by the Company.

Reserve risk surrounds the risk that unpaid loss reserves prove to be inadequate. Colonnade has an Actuarial Function, to assess reserving levels, working in close cooperation with underwriting and claims staff within each of the branches. Oversight and reserve setting and compliance with the reserving policy (as established by the Board) are the responsibility of the Reserving Committee.

Market Risk

Market risk includes risks associated with potential changes in interest rates, foreign exchange rates and asset prices, including equities. Various KRIs are monitored regularly as part of the RMF to manage and mitigate this risk.

Credit Risk

This is the risk that one party to a financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The main sources of credit risk relate to reinsurers, premium debtors and investments. As with Market Risk, these risks are monitored by the Company using KRIs against its risk appetite.

Liquidity Risk

This is the risk the Company, though solvent, may encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Company monitors the levels of cash and investments to ensure liquidity requirements are addressed to mitigate this risk.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Managing day-to-day operational risk is the responsibility of the line managers, both within Luxembourg and the branch offices and the approach to managing these risks is covered in more detail in the RMF.

Operational risk includes various cyber related risks. During 2020 and since the onset of the COVID-19 global pandemic, there has been an increase in global cybercrime activity, which Colonnade continues to monitor. These, however, have not materially impacted the Company's operations and the Company continues to invest in improving its IT Security infrastructure.

Corporate Governance

The Company has implemented a system of governance which provides for sound and prudent management. Risk management, compliance, internal audit and actuarial functions which are consistent with the needs of the Company's operations have been established. The Company's staff and directors have the skills, knowledge and expertise to fulfil their allocated responsibilities. The system of governance is therefore considered to be proportionate to the nature, scale and complexity of the Company's business.

The Board of Directors oversees the conduct of the business and its senior management and is responsible for ensuring the maintenance of a sound system of internal controls and risk management and for the approval of any changes to the capital, corporate and/or management structure of the Company.

The Company has a Board of Directors and five board committees being the Reserving Committee, Underwriting Committee, Investment & Foreign Exchange Committee, Risk Management Committee and the Audit Committee. The Reserving Committee's role is to oversee the reserving levels, working in close cooperation with the Company's Actuarial Function. The Underwriting Committee's role is to oversee underwriting including setting the protocols for underwriting authorities, guidelines and monitoring as well as to oversee product development and distribution and the skills, knowledge and expertise of the Company's employees involved in direct distribution.

The POG sub-committee, responsible for product oversight and governance, reports to the Underwriting Committee on product development and review of existing products and distribution channels.

The Investment & Foreign Exchange committee's role is to manage investment credit risk and foreign exchange risk, through prudent investment and asset / liability currency management. The Risk Management Committee's role is to ensure the development and implementation of the Company's RMF, to ensure that appropriate procedures are in place to identify, assess and manage risk from a strategic and operational perspective and to monitor implementation of risk management procedures. Finally, the Audit Committee supports the Board of Directors in meeting its oversight responsibilities for the Company's financial reporting, internal controls, management of financial risks, audit processes and processes for monitoring legal and regulatory compliance.

The management oversight over the branches is carried out through the Management Committee. The objective of the Management Committee is to take decisions, or to establish the basis on which all decisions are taken, required to execute the strategy determined by the Board, including all major operational decisions.

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Other representations

In 2021, the Company did not pursue any research and development activity. The Company does not face abnormal price, credit, liquidity or treasury risks.

The Company has not repurchased any of its own shares during the year and does not hold any own shares at this time.

Colonnade's capital position has not been materially impacted by the COVID-19 pandemic by the end of 2021. As stated above, the Company has returned and exceeded the premium levels of 2019 with enhanced profitability. We have seen still lower production on certain lines, however this has been offset by other business areas not impacted by COVID-19.

We have assessed our future business plan until 2024 and also performed stress test scenarios in our 2020 and 2021 ORSA updates and confirmed that the capital levels would be sufficient to meet the regulatory minimum threshold under these scenarios.

On 24 February 2022, Russia launched an invasion of Ukraine by Russian Armed Forces previously concentrated along the border.

Colonnade Insurance S.A. does not have any significant business in Ukraine or in Russia. Colonnade Insurance S.A.'s sister Company, Colonnade Ukraine is trading in Ukraine.

Our treaty reinsurance agreements are covering both Colonnade Insurance S.A. as well as Colonnade Ukraine, however the war does not have any impact on the status of Colonnade Insurance S.A. policies and their respective reinsurance agreements. Colonnade will also be executing all extra international sanctions resulting from the war, in addition to those previously existing.

We are helping our colleagues and their families with shelter if they decide to leave Ukraine.

The pandemic and war are not impacting the Company as a going concern.

Future plans

The COVID-19 pandemic did not materially deteriorate the Company's profitability due to our diverse portfolio from both a product and geographic perspective. In 2022 and beyond we are expecting the most impacted Travel business line to expand significantly. Colonnade made strategic steps to position us to address the increased demand of this business when the segment recovers. We are planning further growth of the Company's portfolio, through organic means, by maintaining high client retention and acquiring new business with innovative product offerings in the Commercial and Consumer areas.

The focus in 2022 and beyond will be continuation of the Transformation program and expansion of the Consumer portfolio.

The goal is to create an organisation that is continuously looking to exceed the needs and expectations of our customers with continuous focus on improving our operating model. When it comes to employees, we are shaping Colonnade Insurance S.A. to become the company for the future which attracts talent and creates a great working environment that challenges, motivates and retains our staff.

Bijan Khosrowshahi
Chairman of the Board of Directors

Audit report

To the Shareholder of
Colonnade Insurance S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Colonnade Insurance S.A. (the "Company") as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2021;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

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

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) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 21 to the annual accounts.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts 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
Valuation of actuarially determined incurred but not reported claims reserve (IBNR reserve) Claims outstanding amounting to 145,056,304EUR at year-end include an IBNR reserve, estimation of which involves a significant degree of judgement as disclosed in Note 3.8.2 to the annual accounts. The Company's valuation of the IBNR reserve is based on pre-set actuarial assumptions and current financial input. The assumptions include, but are not limited to, loss ratios, claims trends and historical development of claims. Actuarial computations have been used to determine the reserve. Since the determination of such reserve requires the expertise of a valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of the reserve was significant to our audit.	Using our actuarial specialist team members, we have assessed Management's governance and procedures in place over actuarial reserving practices as well as data quality. We have also performed other audit procedures which included namely the following: • Applying our industry knowledge and experience, we compared the methodology, models and assumptions used against recognised actuarial practices; • Performing independent re-computations on selected classes of business, particularly focusing on the largest and most uncertain reserves. For these classes we compared our re-computed claims reserves to those booked by management, and sought to understand any significant differences; • Understanding and testing the governance process in place to determine the prudency layer on IBNR reserve, including assessing consistency and rationale of application of such layer; • Testing the reliability of a sample of underlying data used by the Company's actuaries in estimating the IBNR reserve at year-end to source documentation.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the directors' report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors 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.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' 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 audit report to the related disclosures in the annual accounts 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 audit 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 annual accounts, including the disclosures, and whether the annual accounts 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The directors' report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 13 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 5 April 2022

Electronically signed by:
Sylvia Pucar

Sylvia Pucar

Balance sheet as at December 31, 2021

expressed in EUR

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Intangible assets	3.2; 4	9,589,247	3,091,129
Investments			
Investments in affiliated undertakings and participating interests			
Shares in affiliated undertakings	3.4; 5.1	890,514	828,827
Other financial investments	3.5; 5.2		
Shares and other variable yield transferable securities and units in unit trusts		43,167,424	22,299,384
Debt securities and other fixed income transferable securities		148,825,570	124,218,713
Other loans		6,965,022	1,499,121
		199,848,530	148,846,045
Reinsurers' share of technical provisions			
Provision for unearned premiums	3.8.1	13,684,070	11,666,018
Claims outstanding	3.8.2	32,653,365	25,820,093
		46,337,435	37,486,111
Debtors	3.6; 6		
Debtors arising out of direct insurance operations			
Policy holders		27,001,105	21,227,217
Intermediaries		10,151,316	11,021,739
Debtors arising out of reinsurance operations		6,314,671	5,955,801
Other debtors		5,615,866	4,344,194
		49,082,958	42,548,951
Other assets			
Tangible assets and stocks	3.3; 7	1,634,003	1,277,492
Cash at bank and in hand		30,720,710	54,230,505
Other assets		1,744	1,238
		32,356,457	55,509,235
Prepayments and accrued income			
Accrued interest and rent		1,834,521	1,111,735
Deferred acquisition costs	3.7	17,818,496	16,764,984
Other prepayments and accrued income	8	5,397,681	3,154,406
		25,050,698	21,031,125
Total Assets		**362,265,325**	**308,512,596**

The accompanying notes form an integral part of these annual accounts.

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Balance sheet as at December 31, 2021
expressed in EUR

	Notes	December 31, 2021	December 31, 2020
LIABILITIES			
Capital and reserves			
Subscribed capital	9	9,500,000	9,500,000
Share premium account	10	94,876,287	94,876,287
Reserves			
Legal reserve	11	950,000	950,000
Profit and loss brought forward	12	- 12,451,783	- 20,060,120
Profit or loss for the financial year		4,620,316	7,608,337
		97,494,820	92,874,504
Technical provisions			
Provision for unearned premiums	3.8.1	78,357,919	70,593,848
Claims outstanding	3.8.2	145,056,304	110,330,443
Provision for bonuses and rebates	3.8.4	581,781	425,027
		223,996,004	181,349,318
Provisions for other risks and charges			
Provisions for taxation	3.8.5; 23	2,954,179	1,544,126
		2,954,179	1,544,126
Creditors			
Creditors arising out of direct insurance operations	3.9; 13	17,355,142	14,281,167
Creditors arising out of reinsurance operations	3.9; 13	7,892,952	6,608,294
Other creditors including tax and social security	3.9; 13	5,879,947	5,445,876
		31,128,041	26,335,337
Accruals and deferred income	3.10; 14; 18	6,692,281	6,409,311
Total Liabilities		**362,265,325**	**308,512,596**

The accompanying notes form an integral part of these annual accounts.

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Profit and loss account for the year ended December 31, 2021

expressed in EUR	Notes	December 31, 2021	December 31, 2020
TECHNICAL ACCOUNT			
NON-LIFE INSURANCE BUSINESS			
Earned premiums, net of reinsurance			
gross premiums written	15; 16	169,530,346	152,930,671
outward reinsurance premiums		- 32,088,915	- 28,573,880
change in the provision for unearned premiums		- 7,764,071	2,942,337
change in the provision for unearned premiums, reinsurers' share		2,018,052	- 1,143,165
		131,695,412	126,155,963
Other technical income, net of reinsurance	3.14	256,693	427,910
Claims incurred, net of reinsurance			
claims paid:			
gross amount		- 30,816,577	- 41,408,790
reinsurer' share		4,611,929	12,901,201
		- 26,204,648	- 28,507,589
change in the provision for claims:			
gross amount		- 34,725,861	- 18,003,262
reinsurer' share		6,833,272	177,371
		- 27,892,589	- 17,825,891
Bonuses and rebates, net of reinsurance		- 868,815	- 923,575
Net operating expenses			
acquisition costs	3.7; 17	- 51,270,781	- 48,720,359
change in deferred acquisition costs	3.7; 18	1,053,512	- 1,608,568
administrative expenses	3.12; 19; 20; 21	- 24,901,455	- 20,977,345
reinsurance commissions and profit participation	18	3,917,868	4,330,138
		- 71,200,856	- 66,976,134
Allocated investment return transferred from the non-technical account	3.11	971,832	945,903
Balance on the technical account for non-life insurance business		**6,757,029**	**13,296,587**

The accompanying notes form an integral part of these annual accounts.

Profit and loss account for the year ended December 31, 2021

expressed in EUR	Notes	December 31, 2021	December 31, 2020
Balance on the technical account for non-life insurance business		6,757,029	13,296,587
NON-TECHNICAL ACCOUNT			
Investment income			
income from other investments			
income from other investments		3,029,605	1,372,326
value re-adjustments on investments	3.1; 5.2	19,085,954	21,673,304
gains on realisation of investments		1,148,704	1,562,613
		23,264,263	24,608,243
Investment charges			
investment management charges, including interest		- 701,832	- 634,197
value adjustments on investments	3.1; 5.1; 5.2	- 19,190,253	- 24,422,207
losses on the realisation of investments		- 2,011,673	- 3,107,031
		- 21,903,758	- 28,163,435
Allocated investment return transferred to the non-life technical account	3.11	- 971,832	- 945,903
Other income	22	1,525,644	2,012,962
Other charges, including value adjustments	3.13; 22	- 1,027,864	- 1,657,717
Tax on profit on ordinary activities	23	- 3,023,166	- 1,542,400
Profit on ordinary activities after tax		4,620,316	7,608,337
Profit for the financial year		**4,620,316**	**7,608,337**

The accompanying notes form an integral part of these annual accounts.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 1 - General

Colonnade Insurance S.A. (the "**Company**") is a Luxembourg insurance company. The Company has been incorporated as a holding company on November 10, 1997 as a "Société Anonyme" for an unlimited period and subject to the general company law.

With notarial deed dated July 22, 2015 the Company changed its name from Stonebridge Re S.A. to Colonnade Insurance S.A. and changed its activity from a reinsurance company into an insurance company subject to regulatory approval. The insurance license was granted to the Company on July 24, 2015. In relation to the transfer of the insurance business from QBE Insurance (Europe) Limited ("QBE"), the Company set up Hungarian, Czech and Slovakian Branches in 2015. In 2016 an agreement was signed with AIG Europe Limited ("AIG") to acquire the renewal rights and operating assets of its branches in Bulgaria, Czech Republic, Hungary, Romania, Poland and Slovakia. In addition to the Branches established in 2015, new Branches were created in Bulgaria, Romania and Poland in 2017. The accounts of all six Branches are included in the Company's balance sheet and profit and loss accounts.

The principal activity of the Company is insurance operations in all divisions, in the Grand Duchy of Luxembourg and abroad (excluding any life insurance business), the management of insurance companies, the holding and the financing of direct and indirect participations in all companies or businesses with an identical or similar corporate object and which may further the development of the Company's activities, more generally all transactions regarding movable or real property, commercial, civil or financial operations which are directly related to the Company's corporate object.

The registered office of the Company is 1, rue Jean Piret, L-2350 Luxembourg.

The Company's financial year starts on January 1 and ends on December 31 of each year.

Note 2 – Presentation of the annual accounts

These annual accounts have been prepared in conformity with the Law of December 8, 1994 on annual accounts with respect to insurance and reinsurance undertakings, and with the significant accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg. The accounting policies and valuation rules, apart from those defined by the law or by the Commissariat aux Assurances, are determined and applied by the Board of Directors.

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

The Company is, in accordance with Luxembourg law, exempt from the requirement to prepare consolidated annual accounts and a consolidated Directors' report for the year ended December 31, 2021. Therefore, in conformity with legal provisions, these accounts are presented on a non-consolidated basis for approval by the sole shareholder at the Annual General Meeting.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 3 – Summary of significant accounting policies

The significant accounting policies applied by the Company are as follows:

3.1 Translation of items expressed in foreign currencies

The Company maintains its books and records in EUR.

The assets and liabilities expressed in foreign currencies are translated into EUR at the exchange rates prevailing at the balance sheet date. Transactions during the accounting year, expressed in foreign currencies, are translated to EUR at the exchange rate prevailing at the transaction date.

All unrealized and realized exchange losses / gains resulting from these conversions are accounted for in the profit and loss account in value re-adjustments on investments in the Investment income and in value adjustments on investments in the Investment charges lines.

3.2 Intangible assets

The intangible assets are valued at historical acquisition or production cost.

The intangible assets are amortized on a straight-line basis between a period of two to six years depending on the intangible item. For internally developed software, the costs incurred during the analysis and programming phase are capitalized. The corresponding assets are amortized when they are available for use.

3.3 Tangible assets

Tangible assets are valued at historical acquisition cost. The acquisition cost includes expenses incidental to the purchase. The tangible assets with limited useful economic lives are depreciated on a straight-line basis based on the estimated economic life. The depreciation period for the tangible assets is as follows:

Furniture and fittings	IT Equipment	Cars	Other tangible assets
5-9 years	2-5 years	4-5 years	2-6 years

If a permanent decline in value exists, the fixed assets are valued at the lower of carrying or market value at the balance sheet date. These value adjustments should be reversed when the reasons for which they were made cease to apply.

3.4 Shares in affiliated undertakings and participating interests

Affiliated undertakings are considered to be the undertakings between which the Company exercises a dominant influence either directly or indirectly. Participating interests refer to rights contained in the capital of other undertakings which, when creating a durable link with those undertakings, are intended to contribute to the Company's activities.

Shares in affiliated undertakings and participating interests are valued at historical acquisition cost which includes expenses incidental to the purchase.

If the impairment in value is of a permanent nature, the shares in affiliated undertakings and participating interests are valued at the lower of cost or fair value at the balance sheet date. These value adjustments should no longer continue when the reasons for which they were made cease to apply.

3.5 Other financial investments

Other financial investments other than debt securities and other fixed income transferable securities are valued at historical acquisition cost which includes incidental purchase expenses.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Debt securities and other fixed income securities are valued at historical acquisition cost, which includes expenses incidental to the purchase, or redemption value, taking into account the following elements:
A positive difference between the acquisition cost and the redemption value is written off in instalments over the duration of the holding of the security.
A negative difference between the acquisition cost and the redemption value is released to income in instalments over the period remaining to repayment.

Other financial investments are valued at the lower of historical acquisition cost and realizable value. The acquisition cost includes expenses incidental to the purchase. The value adjustments which correspond to the negative difference between the realizable value and the acquisition cost may no longer be carried if the reasons for which they were made cease to apply.

3.6 Debtors

Debtors are valued at the lower of their nominal and their probable realizable value. Value adjustments shall be made when recoverability is questionable, either in part or entirely. These value adjustments shall no longer be carried when the reasons for which they were made cease to apply.

3.7 Deferred acquisition costs

Acquisition costs related to non-life insurance policies are deferred according to a method compatible with that used for unearned premiums.

3.8 Technical provisions

Sufficient technical provisions are set up in order that the Company can meet, as far as can be reasonably foreseen, any liabilities arising from insurance contracts.

3.8.1 Provision for unearned premiums

Written premiums include all the amounts received or receivable with respect to insurance contracts incepted prior to the end of the accounting year. That part of written premiums which is to be allocated to one or more subsequent financial years is deferred by way of the provision for unearned premiums, computed separately for each contract on a pro rata basis.

3.8.2 Provision for claims outstanding

The provision for claims outstanding corresponds to the total estimated cost (including claims settlement costs) for settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims. The Provision for claims outstanding is made for the full cost of settling the outstanding claims at the end of the financial year, including claims incurred but not yet reported (IBNR).

The Company establishes provision for claims outstanding on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement, taking into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the Company considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Company’s estimation of reserves. Between the reporting and final settlement of a claim, circumstances may change, which would result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and building repair materials and labour rates can substantially impact ultimate settlement costs. Accordingly, the Company regularly reviews and re-evaluates case reserves. Any resulting adjustments are included in the profit and loss account for the current year. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set or currently recorded.

The Company also establishes reserves for IBNR claims on an undiscounted basis to recognize the estimated final settlement cost for loss events which have already occurred, but which have not yet been reported. Historical information and statistical models, based on product line, type and extent of coverage, as well as reported claims trends, severities and frequencies, exposure growth and other factors are relied upon to estimate IBNR reserves. These estimates are revised as additional information becomes available and as claims are actually reported and paid.

3.8.3 Provision for unexpired risks

The provision for unexpired risks is recognised when the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision. In determining the need for an unexpired risk provision the different classes of business have been regarded as business that is managed together.

Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision would be included within ‘Other technical provisions’.

3.8.4 Provisions for bonuses and rebates

This provision consists of amounts intended for policyholders to the extent that such amounts represent an allocation of profit arising on business, or a partial refund of premium made based on the performance of the contracts.

3.8.5 Provisions for other risks and charges

Provisions for other risks and charges are intended to cover losses or debts whose nature is clearly defined but are, at the balance sheet date, either likely or certain to be incurred but amounts are indeterminable.

3.9 Creditors

Creditors are included in liabilities at settlement value. If the amount payable is greater than the amount received, the difference may be shown as an asset and written off by reasonable annual amortization and completely written off no later than the time of repayment of the debt. If the amount payable is lower than the amount received, the difference is released to income in instalments over the remaining period of the contract.

3.10 Accruals and deferred income

This item consists of both income receivable before balance sheet date but relating to a subsequent financial year and charges that relate to the current financial year but payable in a subsequent financial year.

3.11 Allocated investment return transferred from/to non-technical account

This income represents the portion of the total net investment return – interest income and charges and realized gains and losses - that relates to assets which are held to cover the non-life technical provisions, and which are transferred from the non-technical account in order to better reflect the balance of the technical account of the non-life business.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

3.12 Administrative expenses

Administrative expenses specifically consist of costs arising from premium collection, portfolio administration and inward and outward reinsurance. The administrative expenses more specifically include all administrative expenses that cannot be allocated to acquisition costs, claims or investment management charges.

3.13 Value adjustments

The value adjustments are deducted directly from the related asset.

3.14 Other technical income, net of reinsurance

The Company recognises the co-insurance income for cases where it acts as a co-insurance leader through the profit and loss statement as a separate item.

Note 4 – Intangible assets

The movements in intangible assets incurred during the financial year may be summarized as follows:

	Data policy rights	Software	Concessions, patents, licenses, trademarks	Software under own development	Internally developed software in use	Total
Gross book value January 1, 2021	5,184,291	2,284,941	12,048	517,119	-	7,998,399
Additions during the year	-	79,171	-	8,029,113	-	8,108,284
Disposals during the year	-	-	-	-	-	-
Transfers during the year	-	-	-	- 3,256,044	3,256,044	-
Foreign exchange on opening gross book value	39,238	3,184	663	-	-	43,085
Gross book value December 31, 2021	5,223,529	2,367,296	12,711	5,290,188	3,256,044	16,149,768
Accumulated depreciation January 1, 2021	- 3,757,255	- 1,137,967	- 12,048	-	-	- 4,907,270
Depreciation during the year	- 1,002,925	- 346,716	-	-	- 271,337	- 1,620,978
Foreign exchange impact on opening accumulated depreciation	- 30,193	- 1,417	- 663	-	-	- 32,273
Accumulated depreciation December 31, 2021	- 4,790,373	- 1,486,100	- 12,711	-	- 271,337	- 6,560,521
Net book value December 31, 2021	**433,156**	**881,196**	**-**	**5,290,188**	**2,984,707**	**9,589,247**
Net book value December 31, 2020	**1,427,036**	**1,146,974**	**-**	**517,119**	**-**	**3,091,129**

In 2017, the Company recognized intangible assets amounting to EUR 5,275,792, representing the renewal rights acquired from AIG Europe Limited (“AIG”). These assets are amortized on a straight-line basis over five years. There was an assessment performed during 2020 on the AIG related intangible assets. This assessment did not reveal any indicator for impairment, hence there is no change to the amortization pattern determined in 2017.

In 2020 Colonnade started its Transformation Program, Project Phoenix. The scope of the program is to build a Guidewire-technology based infrastructure for Colonnade to support the entire policy life-cycle across all branches and products over time. The platform’s name is Atlas. The first release of Atlas went live in August 2021. The closing value of EUR 2,984,707 in the “Internally developed Software in use” category represent this release, that is supporting Consumer Claim handling for all branches. In 2021 more than 10,000 claims have already been handled on the new platform.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

In the "Software under own development" category the second and third releases of the Project are amounting to EUR 5,290,188. These releases will expand the Atlas platform with Policy administration capabilities for our new Individual Travel product as well as the management of Commercial Claims. New digital portals will support our sales of Individual Travel as well as 'First Notification of Loss' processes for our entire portfolio from 1Q 2022.

Note 5 – Investments

Note 5.1 Shares in affiliated undertakings and participating interests

The undertakings in which the Company holds at least twenty percent of the capital are the following:

Name of the company	Registered office	Percentage of ownership	Closing date of last financial year	Book value as at December 31, 2021	Book value as at December 31, 2020	Shareholder's equity (including results for the year) as at December 31, 2021	Results of the financial year 2021
		%		EUR	EUR	EUR	EUR
TIG (Bermuda) Ltd.	Canon's Court 22 Victoria Street Hamilton HM EX Bermuda	100	Dec. 31, 2021	890,514	828,827	907,946	-49,767

The amount mentioned in the Shareholder's equity and the Result of the financial year are based on the last unaudited annual accounts and are converted into EUR using the group exchange rate as at December 31, 2021 being EUR 1 = USD 1.1372.

In 2021, Management considered the valuation of the subsidiary and concluded that no further impairment on this financial asset was needed. The total value adjustment at December 31, 2021 amounts to EUR 432,526.

No other movements on those investments shall be noted for the current year.

Note 5.2 Other financial investments

As at December 31, 2021, the actual value of the other financial investments is as follows:

	Book value 2021 EUR	Actual value 2021 EUR
Other financial investments		
Shares and other variable yield transferable securities and units in unit trusts	43,167,424	49,084,231
Debt securities and other fixed income transferrable securities	148,825,570	147,823,774
Other loans	6,965,022	6,965,022

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

During the year, the amortisation of discount on debt securities and other fixed income transferrable securities amounts to EUR 428,269 and the amortisation of premiums in these securities amounts to EUR 1,288,456. Discount amortisation is recognised under value re-adjustment on investments and premium amortisation is recognised under value adjustment on investments in the profit and loss account.

As of December 31, 2021, the non-amortized discount and premiums on debt securities and other fixed income transferrable securities amounts respectively to EUR 1,718,119 and to EUR 1,132,707.

Note 6 – Debtors

The breakdown of the debtors at December 31, 2021 is as follows:

	December 31, 2021	December 31, 2020
Arising out of direct insurance operations	**37,152,421**	**32,248,956**
policyholders - third parties	26,972,962	21,206,861
policyholders - related parties	28,143	20,356
intermediaries - third parties	10,151,316	11,021,739
Arising out of reinsurance operations	**6,314,671**	**5,955,801**
third parties	6,067,176	5,844,958
related parties	247,495	110,843
Other debtors - third parties	**5,615,866**	**4,344,194**
deposits and guarantees	2,161,621	578,644
tax receivable	1,870,863	2,443,943
other third parties debtors	1,583,382	1,321,607
Total	**49,082,958**	**42,548,951**

Breakdown of other debtors

	December 31, 2021	December 31, 2020
Deposits and guarantees	2,161,621	578,644
Receivables from AIG	261,570	319,096
Rental related	243,402	236,640
Tax receivable	1,870,863	2,443,943
Coinsurance receivables/regresses/commission paid in advance	989,933	673,300
Other	88,477	92,571
Total	**5,615,866**	**4,344,194**

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 7 – Tangible assets

The movements in tangible assets incurred during the financial year may be summarized as follows:

	Furniture and fittings	IT equipment	Cars	Other tangible assets	Total
Gross book value January 1, 2021	798,113	1,066,978	114,731	925,971	2,905,793
Additions during the year	257,120	612,052	111,505	52,449	1,033,126
Disposals during the year	878	- 1,574	- 52,166	-	- 52,862
Foreign exchange on opening gross book value	- 1,418	12,363	- 5	22,366	33,306
Gross book value December 31, 2021	1,054,693	1,689,819	174,065	1,000,786	3,919,363
Accumulated depreciation January 1, 2021	- 438,461	- 643,561	- 75,213	- 471,066	- 1,628,301
Depreciation during the year	- 147,572	- 266,072	14,416	- 244,449	- 643,677
Foreign exchange impact on opening accumulated depreciation	970	- 3,655	5	- 10,702	- 13,382
Accumulated depreciation December 31, 2021	- 585,063	- 913,288	- 60,792	- 726,217	- 2,285,360
Net book value December 31, 2021	**469,630**	**776,531**	**113,273**	**274,569**	**1,634,003**
Net book value December 31, 2020	**359,652**	**423,417**	**39,518**	**454,905**	**1,277,492**

Note 8 – Other prepayments and accrued income

This item is composed of prepayments made regarding expenses relating to periods after December 31, 2021 as well as accrued interest on fixed income securities held at December 31, 2021.

Note 9 – Subscribed capital

As at December 31, 2021 the subscribed capital amounting to EUR 9,500,000 is paid fully and represented by 9,500,000 shares of EUR 1 each and fully owned by Fairfax Luxembourg Holdings S.à r.l.

Note 10 – Share premium account

As at December 31, 2021 the share premium amounts to EUR 94,876,287.

The movements in the share premium account during the financial year ended December 31, 2021, are as follows:

Share premium account at the beginning of the financial year	EUR	94,876,287
Movements during the financial year 2021	EUR	-
Share premium account at the end of the financial year	**EUR**	**94,876,287**

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 11 – Legal reserve

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

The legal reserve represents 10% of the issued share capital.

Note 12 – Profit or loss brought forward

The profit for the accounting year ended December 31, 2020, amounting to EUR 7,608,337 has been carried forward to 2021.

Note 13 – Creditors

Creditors arising out of direct insurance operations amounts to EUR 17,355,142 and the total amount is payable to third parties.

Creditors arising out of reinsurance operations are amounting to EUR 7,892,952 of which EUR 7,672,350 is payable to third parties.

The breakdown of the creditors at December 31, 2021 is as follows:

	December 31, 2021	December 31, 2020
Creditors - direct insurance	**17,355,142**	**14,281,167**
third parties	17,355,142	14,281,167
Creditors - reinsurance	**7,892,952**	**6,608,294**
third parties	7,672,350	6,169,216
related parties	220,602	439,078
Other creditors including tax and social security	**5,879,947**	**5,445,876**
third parties	5,677,175	5,435,720
third parties - personnel related liability	2,363,601	2,450,617
third parties - tax liabilities	1,654,099	953,653
third parties - rent related liability	35,354	67,209
third parties - unallocated cash receipts	990,994	1,140,412
third parties - payable to vendors	378,138	445,877
third parties - other	254,989	377,952
related parties	202,772	10,156
Total	**31,128,041**	**26,335,337**

There are no creditor balances becoming due and payable after more than five years.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 14 – Accruals and deferred income

This item is composed of other accrued charges of EUR 4,369,917, accrued insurance charges of EUR 252,972 as well as deferred ceded premium acquisition costs with third parties of EUR 1,562,241 and EUR 48,015 is on contracts with related parties, claims handling deferred income relating to the AIG transaction of EUR 358,919 and EUR 100,217 of other deferred income.

	December 31, 2021	December 31, 2020
Accruals and deferred income		
accrued charges other - third parties	4,369,917	4,035,804
accrued charges insurance - third parties	252,972	198,904
deferred income - third parties	2,021,377	2,095,864
deferred income - related parties	48,015	78,739
Total	**6,692,281**	**6,409,311**

A more detailed breakdown is shown below:

	December 31, 2021	December 31, 2020
Personnel accruals	3,411,133	3,012,309
Accrued insurance charges	252,972	198,904
AIG Claim handling deferral	358,919	647,119
Reinsurance DAC	1,562,241	1,310,933
Other accruals	727,469	794,526
Legal/Audit/Tax services accruals	231,315	228,969
Other deferred income	100,217	137,812
Reinsurance DAC - related parties	48,015	78,739
Total	**6,692,281**	**6,409,311**

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 15 – Results from the non-life insurance operations

The classification within direct insurance and reinsurance accepted may be presented as follows:

		General liability (other)	Fire and natural forces (industrial and commercial risks)	Accident	Land vehicles (other than railway rolling stock) / other	Other	**Total**
Direct business	Gross premiums written	56,927,137	47,209,896	37,904,209	8,143,793	10,466,254	**160,651,289**
	Gross premiums earned	53,750,307	41,736,673	36,990,201	9,324,240	11,518,451	**153,319,872**
	Gross claims incurred	25,449,314	19,600,553	10,446,094	2,695,828	3,437,588	**61,629,377**
	Gross operating expenses	22,718,072	15,071,583	22,244,636	5,973,371	6,134,686	**72,142,348**
	Net reinsurance result	3,582,343	10,130,094	255,592	247	544,093	**14,512,369**
Reinsurance acceptances	Gross premiums written	3,028,389	5,009,571	203,552	623,320	14,225	**8,879,057**
	Gross premiums earned	2,926,254	4,696,293	109,543	417,309	297,004	**8,446,403**
	Gross claims incurred	1,485,452	2,505,559	(80,079)	57,207	(55,078)	**3,913,061**
	Gross operating expenses	863,350	1,560,220	43,879	258,264	250,663	**2,976,376**
	Net reinsurance result	425,627	(230,743)	1,098	19	(576)	**195,425**
Total	Gross premiums written	59,955,526	52,219,467	38,107,761	8,767,113	10,480,479	**169,530,346**
	Gross premiums earned	56,676,561	46,432,966	37,099,744	9,741,549	11,815,455	**161,766,275**
	Gross claims incurred	26,934,766	22,106,112	10,366,015	2,753,035	3,382,510	**65,542,438**
	Gross operating expenses	23,581,422	16,631,803	22,288,515	6,231,635	6,385,349	**75,118,724**
	Net reinsurance result	4,007,970	9,899,351	256,690	266	543,517	**14,707,794**
	Net technical result	**2,152,403**	**(2,204,300)**	**4,188,524**	**756,613**	**1,504,079**	**6,397,319**

Note 16 – Geographic breakdown of premiums written

Gross insurance premiums amounting to EUR 169,530,346 may be broken down into geographic zones according to where the contracts have been concluded:

	December 31, 2021	**December 31, 2020**
Poland	48,764,149	45,826,970
Czech Republic	43,469,824	38,611,559
Hungary	37,760,319	31,371,753
Slovakia	20,301,729	19,336,079
Romania	10,307,708	10,140,265
Bulgaria	6,266,405	5,593,627
Other EEA	2,064,283	1,400,552
Outside EEA	595,929	649,866
Total	**169,530,346**	**152,930,671**

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 17 – Acquisition costs

Acquisition costs consist of commissions paid to insurance intermediaries, premium taxes reported as other commissions and expenses relating to internal salesforce.

Commissions paid to insurance intermediaries relating to direct insurance and assumed reinsurance amount to EUR 28,003,944 (EUR 25,254,668 in 2020). Premium taxes amount to EUR 7,366,420 (EUR 6,934,885 in 2020), hence total commissions are EUR 35,370,372 (EUR 32,189,553 in 2020).

Expenses relating to internal salesforce amount to EUR 15,900,417 (EUR 16,530,806 in 2020).

The total Acquisition costs amount to EUR 51,270,781 (EUR 48,720,359 in 2020).

Note 18 – Change in ceded deferred acquisition costs

The 'ceded deferred acquisition costs' are shown on the Balance Sheet in 'Accruals and deferred income' (EUR 1,610,256 in 2021 and EUR 1,389,672 in 2020). The change of the ceded deferred acquisition costs of EUR 220,584 is included in 'reinsurance commissions and profit participation' in the Profit and Loss Account.

Note 19 – Personnel employed during the year

The average number of staff employed at the financial year of 2021 amounts to 487 and may be broken down into the following categories:

	2021 Year	2020 Year
Management	6	6
Salaried employees	481	460
Total	487	466

The staff costs with respect to the financial year may be broken down as follows:

	2021 Year	2020 Year
Wages and salaries	19,455,775	18,013,975
Social security costs	4,659,406	4,233,747
Other employee expenses	2,525,344	1,912,822
Total	**26,640,525**	**24,160,544**

Note 20 – Remuneration granted to members of supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

Remuneration granted to members of the Board of Directors in relation to their responsibilities amounts to EUR 68,445 in 2021 (EUR 66,690 in 2020) and are included in "administrative expenses". There are no commitments in respect of retirement pension for former members of those supervisory bodies.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 21 – Auditors' fees

The audit fees (excluding VAT) for the year ended December 31, 2021 amount to EUR 482,556 (compared to EUR 462,522 in 2020), representing fees for the audit of the annual accounts and the related regulatory reports as well as the branch statutory audits. They are included in "administrative expenses".

The total breakdown of the fees is as follows:

	2021 Year	**2020 Year**
Audit fees	467,681	446,522
Audit - related fees	59,521	16,000
Tax fees	13,100	12,843
Other fees	600	570
Total	**540,902**	**475,935**

Note 22 – Other income and other charges

The income relating to claims expenses paid on behalf of AIG as part of the Claims runoff service agreement is EUR 999,085 (EUR 1,465,032 in 2020) and included in the Other income line. The associated claims expenses are presented as Other charges amounting to EUR 999,085 (EUR 1,465,032 in 2020).

Note 23 – Tax status

The Company is subject to the applicable general tax regulations in Luxembourg and in all countries of the branches in Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia.

Note 24 – Commitments

At December 31, 2021 the Company has the following off-balance sheet commitments:

	December 31, 2021	**December 31, 2020**
Loan facility commitment	3,136,694	3,500,879
Building leases	2,861,848	3,551,451
Vehicle leases	813,770	804,363
Bank guarantee	216,685	215,851
IT equipment lease	3,548	10,150
Total	**7,032,545**	**8,082,694**

The Company's commitments are in relation to the lease of premises for the head office and the branches, company vehicles and IT equipment use for its activities and by its employees. The bank guarantees are related to leases and business commitments. The amounts reported represent the future obligations of the Company computed until expirations of contracts. The loan facility commitment relates to an investment of the Company in a real estate loan.

Notes to the annual accounts as at December 31, 2021

All amounts are expressed in EUR unless stated otherwise.

Note 25 – Information relating to consolidated undertakings

The Company is included in the consolidated financial statements of Fairfax Financial Holding Limited which is the largest and the smallest group of undertakings for the Company. The registered office of this undertaking where the consolidated financial statements are available is situated in 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada.

Note 26 – Subsequent events

COVID-19

In our 2022 planning we have factored in the subsequent impact of the COVID-19 pandemic and we expect to achieve a profit. Our key performance and solvency ratios are not expected to breach any internal or regulatory thresholds. We have assessed our contracts from a COVID-19 exposure perspective, we have also looked at collectability of premiums as well as reinsurer recoveries and we did not see any indicators of significant impact.

We have also assessed our future business plan for the next 3 years and separately applied special stress scenarios to the Company in our 2020 and 2021 ORSA and confirmed that the capital levels would be sufficient to meet the regulatory minimum threshold under these scenarios.

Invasion of Ukraine

On 24 February 2022, Russia launched an invasion of Ukraine by Russian Armed Forces previously concentrated along the border.

Colonnade Insurance S.A. does not have any significant business in Ukraine or in Russia, with Colonnade Insurance S.A.'s sister Company, Colonnade Ukraine is trading in Ukraine.

Our treaty reinsurance agreements are covering both Colonnade Insurance S.A. as well as Colonnade Ukraine, however the war does not have any impact on the status of Colonnade Insurance S.A. policies and their respective reinsurance agreements. Colonnade will also be executing all extra international sanctions resulting from the war, in addition to those previously existing.

We are helping our colleagues and their families with shelter if they decide to leave Ukraine.

No other subsequent events have been recognised.