Colonnade Insurance S.A.
Société Anonyme

Annual accounts and report of the Réviseur d'Entreprise Agréé as at December 31, 2022

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

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1, rue Jean Piret
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Directors’ report on the annual accounts as at December 31, 2022

Key Financials

For the year ended December 31, 2022, the profit after tax was EUR 7,868,838 (compared to EUR 4,620,316 in 2021). The financial year of 2022 had earned premiums, net of reinsurance, of EUR 159,898,731 (EUR 131,695,412 in 2021) with gross premiums written of EUR 213,944,060 (EUR 169,530,346 in 2021) and claims incurred, net of reinsurance, of EUR 62,628,785 (EUR 54,097,237 in 2021).

In 2022 we were maintaining our 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 2022 underwriting results are clearly showcasing the success of our effort and the fact that we have been profitable for five years in a row has created an opportunity for us for the future.

Our gross premiums written increased by 26% compared to 2021, and earned premiums, net of reinsurance, are also significantly higher than the last year.

The underwriting result amounted to a profit of EUR 10,765,126 (compared to EUR 6,757,029 in 2021).

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

- We had very favourable retention ratios, both in the Commercial (93.9%) and Consumer (95.3%) segments.
- The level of new business was EUR 60.0 million. The growth is driven by our major countries: the Czech Republic, Hungary, Poland and Slovakia. Our Romanian business grew up by 50% due to successful sales in Commercial lines.
- Our Personal Accident Individual portfolio posted excellent results with a 80.7% combined ratio, with continuous new sales during the year.
- The third-party lines contributed significantly to the profit with a gross premium growth of 20% 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 resulted in the loss ratio of 55.3% in 2022 (57% in 2021).
- In general, we have experienced higher loss activity compared to 2021. This has not resulted in increasing our overall loss ratio as the production growth outbalanced the adverse loss activity. The loss ratio is lower by 1.9%.
- Our administrative expenses have increased from EUR 24,901,455 to EUR 31,024,459 as a result of staff expansion supporting growth and our Transformation program.

The Company’s net loss ratio was 39.2%, its net commission ratio was 35.6%, its net expense ratio was 19.4% and the combined ratio stands at 94.1%. These ratios were 41.1%, 35.2%, 18.9% and 95.2% respectively in 2021.

During the year, the total shareholder’s equity increased from EUR 97,494,820 to EUR 105,363,658 after considering the result of the year.

As of December 31, 2022, the provision for unearned premiums amounted to EUR 93,307,551 (EUR 78,357,919 in 2021), claims outstanding were at EUR 199,619,375 (EUR 145,056,304 in 2021) and the provision for bonuses and rebates was at EUR 726,526 (EUR 581,781 in 2021).

Key Events

Conflict between Ukraine and Russia and changes in macroeconomic conditions

While Colonnade Insurance S.A. does not have significant business in Ukraine or Russia, the ongoing conflict in Ukraine did impact Colonnade Ukraine's portfolio. We have been helping our Ukrainian colleagues and their families throughout the entire year.

The indirect impact of the war, the general economic challenges relating to energy crisis and overall macroeconomic conditions resulted in significant inflation rate increases in the region where Colonnade operates. This is expected to impact our business results in 2023 and beyond through increases to loss costs and general operating expenses. We have also experienced market hardening on the renewal of the reinsurance programme at the end of 2022, however the impact will materialize in 2023.

Interest rate changes during 2022

Since the second half of 2021, many of the national banks in the countries/currencies in which we operate have increased interest rates in response to the inflationary environment. During 2022 this trend continued with interest rates rising for all major currencies in which we trade.

The result of rising interest rates has been an upward shift in yield curves, which has resulted in a reduction in the nominal value of fixed income investments such as bonds. While Colonnade has experienced some unrealised losses resulting from the upward shift in yield curves, as Colonnade's bond portfolio was of relatively short duration prior to the market yield curve changes, the overall impact on the Company was not major.

Transformation Project

In September 2020, 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.

At the end of September 2021, we completed the roll-out of the first release of the program that focuses on Consumer Claims to all of our countries.

In early 2022 a further rollout of the technology covered Commercial Claims and the entire underwriting business cycle for our new Individual Travel product. The product journey continued in 2022 with the Individual Personal Accident product being implemented next and the development of the Commercial Underwriting scope.

In 2022 we have shifted from a project to a "business as usual" operational mode by creating a dedicated team to support the new technology. We have also significantly decreased our reliance on external implementation partners as we were acquiring the skills into our own technology team.

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 business mix of the Company did stay slightly shifted towards the Commercial lines 68% (67% in 2021) excluding the multinational business issued for AIG.

The major growth in Commercial was observed on our Property lines and in General Liability, growing 48% and 22% respectively.

The major products in Consumer lines are Accident and Health products distributed by our Direct Marketing platform, Travel Individual and GAP products. Premiums of the Consumer segment increased by 21% compared to the 2021 year as we have exceeded the pre-COVID volume on our Individual Travel portfolio that grew by 120%.

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 of the governance of 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 the last few years 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 governance, 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 oversee management of investment and foreign exchange risk, through prudent investment and asset / liability and 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.

Non-Financial Report

Overview

In compliance with Article 85-2 of Law of December 8, 1994 on annual accounts with respect to insurance and reinsurance undertakings, as amended, this report includes a statement containing information on the performance, the position of Colonnade and the impact of our activities, relating to environmental questions, social and labour questions, respect for human rights and the fight against corruption. This report also includes the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities under the Delegated Act (EU) 2021-2178[1].

General approach to Environmental, Social, and Governance (ESG)

Colonnade is a subsidiary of Fairfax, who was built on the foundation of many of ESG's key concepts back in 1985. Supported by the Guiding Principles Fairfax wrote in its early years, our company culture is rooted in the golden rule of treating people the way you want to be treated. We believe – and always have – in doing good, by doing well.

As contributor to the financial service sector, Colonnade does not generate a significant direct impact on our environment but can most meaningfully contribute towards sustainability through its underwriting and investment activities to support the transition to a low-carbon economy, as well as through the impact of our branch operations.

Our business and how ESG and sustainability affects us

Our underwriting strategy

Colonnade's insurance product base is broad and diverse, both by product type and geographical location. As part of our offering, we provide Commercial Property and Household insurance covering key regional climate change perils for our customers such as windstorm, flood and hailstorm. Colonnade monitors and manages exposures to physical climate change risks, aligned to our Enterprise Risk Management Framework (RMF) so we can be here to support our customers when they need our services. Any exposures are monitored against company targets agreed with the Board of Directors.

Colonnade considers these products as eligible for meeting the technical screening criteria which determine the conditions under which they would qualify as contributing substantially to climate change adaptation. Colonnade has made an analysis on the lines of business in its portfolio, including direct insurance and assumed reinsurance as per our internal line of business structures and reports the full GWP for the line of business with climate-related coverage as being eligible. These products represent EUR 54,793,818 or 26% of gross premiums written in the financial year under review.

Our investment strategy

Hamblin Watsa Investment Counsel Ltd. (Hamblin Watsa) is a wholly owned subsidiary of Fairfax, serving as the investment manager for the Fairfax holding company and its subsidiaries, including Colonnade Insurance S.A..

As reported in the Fairfax ESG Report for 2022, Hamblin Watsa's investment practices have been aligned with Fairfax's Guiding Principles and culture since inception. More specifically, *'As ESG continues to become more defined, we continue to find similarities between its key concepts and the ones we've always operated under. We did a comprehensive review of our ESG policies and procedures in 2022 and found that evaluating the risks and opportunities of an investment's business practices is, in fact, already embedded – and essential in our work.'*

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[1] Delegated Act (EU) 2021-2178 specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

The key performance indicators (KPI) related to Colonnade Insurance S.A.'s investments represents the proportion of investments that are directed at funding, or are associated with Taxonomy-eligible economic activities. This KPI is as follows:

As of December 31, 2022	
Proportion of Central governements, Central banks and Supranational issuers as a percentage of Total investments (excluded from KPI)	52%
Proportion of assets covered by the KPI relative to Total investments	48%
Total Investments [(1)]	100%
Exposure to taxonomy eligible activities over the total assets covered by the KPI	8%
Exposure to taxonomy non-eligible activities over the total assets covered by the KPI	53%
Exposure to stakeholders not subject to Non-Financial Reporting Directive(NFRD) over the total assets covered by the KPI	39%
Total Assets covered by KPI [(2)]	100%

(1) Total Investments is the total amounts of investments as disclosed in the balance sheet.
(2) Total Assets covered by KPI is the total amounts of investments on the balance sheet excluding exposure to: Central Governments, Central banks and Supranational issuers.
The KPI disclosure has been prepared based on information on the exposures of investments from the investment manager information systems and public information disclosed by counterparties. For non-financial counterparties, the capital expenditure KPI has been used to compute the weighted average of the portion of the investment. For credit institutions, the green asset ratio KPI has been used to compute this weighted average.
All investments from issuers located outside of the European Union do not fall under the reporting obligation according to NFRD are outside of the scope of the KPI. These investments are reported as not subject to NFRD..

Governance, policies and our Guiding Principles

As part of our governance, Colonnade has an ESG policy and RMF. The RMF includes a risk register that measures the impact and likelihood of all risks the company perceives it could face, including those related to ESG and sustainability. Key Risk Indicators (KRIs) are used to monitor risk as part of the RMF. Risks are classified to groups such as insurance, credit, market or operational risks. The Company has an ORSA process, part of which includes monitoring the impact of climate change on the Company, in particular on underwriting and investments.

Colonnade's operations touch ESG and sustainability through our use of energy and resources such as via our offices, staff travel and business operations, through the management of our staff and via contributions to the local communities in which we operate. Colonnade has developed best practice guidelines for office management and donations to support this. For donations, Colonnade has a recommended target of a minimum of 1% of our pre-tax earnings going to charitable causes, as per our ESG policy.

In line with the Fairfax Guiding Principles, Colonnade is committed to creating and maintaining a work environment in which people are treated with dignity, decency and respect, free from bullying and harassment. The environment of the Company should be characterized by mutual trust and the absence of intimidation, oppression, and exploitation. Through enforcement of our Anti-Harassment, Non-Discrimination, Respect and Dignity Policy and by education of employees, Colonnade seeks to prevent, correct, and discipline behaviour that violates our values and this policy. Colonnade has established appropriate procedures for lodging a complaint of harassment, bullying, discrimination, or retaliation.

Colonnade is focused on ensuring that we are aligned to the Fairfax Guiding Principles, such as running the Company to the benefit of our staff and that honesty and integrity are essential in all our relationships and will never be compromised. Colonnade has also implemented the Fairfax Code of Business Conduct and Ethics, Anti-Corruption and Whistleblowing policies and had its own complementary Code of Business Conduct and

Ethics, as well as its policies for the areas of Whistleblowing, Anti-Money Laundering and Economic and Financial Sanctions. This code also incorporates the Code of Professional Ethics issued by the Luxembourg Insurance Association. We believe that our code together with our Anti-Harassment, Non-Discrimination, Respect and Dignity Policy provides the basis for enforcement of human rights respect at our level. In addition, we have a monitoring system in place enabling us to detect any persons or entities, who are subject to international financial sanctions in order to ensure we are not dealing with these. If any significant risks are identified then appropriate actions are taken.

Colonnade adheres to Fairfax´s Anti-Corruption policy setting baseline and standards for all Fairfax group companies. It strictly prohibits bribery and corrupt payments to anyone, imposes special care in dealings with government officials and sets the rules for business amenities and contributions to charities.

Colonnade is monitoring adherence to the beforementioned code and policies. In the period under review, no infringements or violations, nor major deviations from our policies, were reported.

Our human resources

We are proud of our employees and believe if we take a good care about them, they will take a good care of our customers and if thanks to that the business will go well, we can do good to our environment and communities. Our culture is defined by the Fairfax Guiding Principles and our most valuable assets are our people.

In 2022, 85% of our employees participated our climate survey and results show excellent engagement. 97.6% of employees rated as Agree or Absolutely Agree with the statement 'I would recommend Colonnade as a place to work.' To support employee well-being, we introduced flexible work arrangements like hybrid work and flexible working hours and introduced 'Fit with Desk job' physical exercise program.

Thanks to our geographical diversity, there is a multitude of nationalities represented at our company. In Colonnade the female (58%) to male (42%) ratio is balanced. The average age of our employees is 41; the average tenure is over 7 years.

To ensure fair compensation for our employees the Company reviews salaries and bonuses annually. Besides financial compensation all branches offer further benefits to our employees. Bonuses are paid on a discretionary basis on fair performance evaluation, where the employees are evaluated both on what they have achieved and how they have achieved it. We believe in equal treatment and non-discrimination and we apply this approach in our compensation management. We have multi step annual salary review and approval process in place for all employees that ensures that compensation, including rewards are distributed fairly and as per the above and decisions are not based on gender, religion or any other factor that could potentially mean discrimination.

To support employees' development, the Company introduced English language training in most of its branches, launched an online learning platform accessible to our employees and covering numerous technical and soft skills, implemented an international training program for collaboration effectiveness as well as an internal train the trainer program for both technical and soft skills. These are to ensure sustainable, high-quality development opportunities both now and in the future.

Communities and support for Ukraine

Being the closest company from the Fairfax family to the war in Ukraine, Colonnade's primary focus of charitable action has been to support our Ukrainian colleagues from Colonnade, ARX, Universalna and their families, as well as the Ukrainian society based on the requests of our Ukrainian CEOs. During 2022 Colonnade assisted and financed for a number of staff and their families to find safe short term or long-term shelter in Poland, Slovakia, Hungary, Czech Republic, Romania and Bulgaria. The Company organized donation campaigns where employee donations have been matched by the Company and built a donation fund. This has been used to purchase lifesaving medical equipment for Ukrainian hospitals.

Colonnade´s financial contribution to cover housing and general daily life support in 2022 was exceeding EUR 500,000, 4.5% of pre-tax profits, well in excess of our 1% target. Besides financial contributions, we offered a number of our Ukrainian colleagues various type of support – transportation, clothing, food, groceries, household equipment and volunteered to be mentors for families and individuals in need. Working with the wider Fairfax Group, we are providing effective support and care - schooling, medical support, housing, social events, language school etc., and ongoing readiness for helping those who choose to seek a safe place outside Ukraine. With help of established partners, we have been able to provide mental health support to the refugees and contribute to the mental health programs organized by the Ukrainian companies of Fairfax´ group.

Besides Ukrainian humanitarian help Colonnade continued to be active supporting local communities and initiatives through their volunteering programs in the countries where we are established.

Solvency Ratio

The Company’s solvency ratio was 163% as at 31 December 2022 compared to 161% as at 31 December 2021, reflecting that the company remained soundly financed.

Other representations

In 2022, 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.

We have assessed our future business plan until 2025 and also performed stress test scenarios in our ORSA updates and confirmed that the capital levels would be sufficient to meet the regulatory minimum threshold under these scenarios.

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

Inflation rates have significantly increased in our region in 2022. In our planning for the next periods, we have factored in premium increases on the renewal portfolio due to updated limits and sums insured. We have reviewed our loss ratios and made adjustments due to inflation. We anticipate higher operating expenses due to inflation. Our plans are still indicating profitable underwriting, so the new environment does not materially change our economic position.

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

Future plans

In 2022 we have exceeded our historical premium volume by EUR 44,413,714 and we are expecting further double-digit percentage premium growth in the upcoming years. 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 2023 and beyond will be continuation of the Transformation program and expansion of the Consumer portfolio.

The goal is to create an organization 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 2022, 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 2022;
- 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 199,619,375 EUR 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 experts, we have assessed Management's governance and procedures in place over actuarial reserving practices as well as data quality. Our audit procedures consisted of the following: • Applying our industry knowledge and experience, we compared the methodology, models and assumptions used against recognised actuarial practices; • We have observed and tested management controls in place for the determination of the estimates and assessed the compliance with regulatory requirements; • 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; • We have observed and challenged the incorporation of the current inflationary economy uncertainities in the update of the IBNR reserve calculations and compared it to market benchmarks; • 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 7 April 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 6 April 2023

Electronically signed by:
Sylvia Pucar

Sylvia Pucar

Colonnade Insurance S.A.
RCS Luxembourg B 61.605
1, rue Jean Piret
L-2350 Luxembourg

Balance sheet as at December 31, 2022

	Notes	December 31, 2022 EUR	December 31, 2021 EUR
ASSETS			
Intangible assets	3.2; 4	11,573,437	9,589,247
Investments			
Investments in affiliated undertakings and participating interests			
Shares in affiliated undertakings	3.4; 5.1	956,103	890,514
Other financial investments	3.5; 5.2		
Shares and other variable yield transferable securities and units in unit trusts		43,193,001	43,167,424
Debt securities and other fixed income transferable securities		173,622,845	148,825,570
Other loans		8,025,154	6,965,022
		225,797,103	199,848,530
Reinsurers' share of technical provisions			
Provision for unearned premiums	3.8.1	18,644,373	13,684,070
Claims outstanding	3.8.2	62,072,261	32,653,365
		80,716,634	46,337,435
Debtors	3.6; 6		
Debtors arising out of direct insurance operations			
Policy holders		29,325,406	27,001,105
Intermediaries		10,919,087	10,151,316
Debtors arising out of reinsurance operations		13,829,553	6,314,671
Other debtors		7,662,311	5,615,866
		61,736,357	49,082,958
Other assets			
Tangible assets and stocks	3.3; 7	1,882,473	1,634,003
Cash at bank and in hand		35,302,829	30,720,710
Other assets		101,854	1,744
		37,287,156	32,356,457
Prepayments and accrued income			
Accrued interest and rent		1,844,822	1,834,521
Deferred acquisition costs	3.7	20,165,844	17,818,496
Other prepayments and accrued income	8	6,869,202	5,397,681
		28,879,868	25,050,698
Total Assets		**445,990,555**	**362,265,325**

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

Colonnade Insurance S.A.
RCS Luxembourg B 61.605
1, rue Jean Piret
L-2350 Luxembourg

Balance sheet as at December 31, 2022

	Notes	December 31, 2022 EUR	December 31, 2021 EUR
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	- 7,831,467	- 12,451,783
Profit or loss for the financial year		7,868,838	4,620,316
		105,363,658	97,494,820
Technical provisions			
Provision for unearned premiums	3.8.1	93,307,551	78,357,919
Claims outstanding	3.8.2	199,619,375	145,056,304
Provision for bonuses and rebates	3.8.4	726,526	581,781
		293,653,452	223,996,004
Provisions for other risks and charges			
Provisions for taxation	3.8.5; 23	3,309,714	2,954,179
		3,309,714	2,954,179
Creditors			
Creditors arising out of direct insurance operations	3.9; 13	15,356,440	17,355,142
Creditors arising out of reinsurance operations	3.9; 13	14,011,940	7,892,952
Other creditors including tax and social security	3.9; 13	6,715,484	5,879,947
		36,083,864	31,128,041
Accruals and deferred income	3.10; 14; 18	7,579,867	6,692,281
Total Liabilities		**445,990,555**	**362,265,325**

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

Colonnade Insurance S.A.
RCS Luxembourg B 61.605
1, rue Jean Piret
L-2350 Luxembourg

Profit and loss account for the year ended December 31, 2022

	Notes	December 31, 2022 EUR	December 31, 2021 EUR
TECHNICAL ACCOUNT			
NON-LIFE INSURANCE BUSINESS			
Earned premiums, net of reinsurance			
gross premiums written	15; 16	213,944,060	169,530,346
outward reinsurance premiums		- 44,056,000	- 32,088,915
change in the provision for unearned premiums		- 14,949,632	- 7,764,071
change in the provision for unearned premiums, reinsurers' share		4,960,303	2,018,052
		159,898,731	131,695,412
Other technical income, net of reinsurance	3.14	543,509	256,693
Claims incurred, net of reinsurance			
claims paid:			
gross amount		- 47,089,719	- 30,816,577
reinsurer' share		9,605,109	4,611,929
		- 37,484,610	- 26,204,648
change in the provision for claims:			
gross amount		- 54,563,071	- 34,725,861
reinsurer' share		29,418,896	6,833,272
		- 25,144,175	- 27,892,589
Bonuses and rebates, net of reinsurance		- 769,179	- 868,815
Net operating expenses			
acquisition costs	3.7; 17	- 65,423,786	- 51,270,781
change in deferred acquisition costs	3.7; 18	2,347,348	1,053,512
administrative expenses	3.12; 19; 20; 21	- 31,024,459	- 24,901,455
reinsurance commissions and profit participation	18	6,190,948	3,917,868
		- 87,909,949	- 71,200,856
Other technical charges	3.15	- 13,533	-
Allocated investment return transferred from the non-technical account	3.11	1,644,332	971,832
Balance on the technical account for non-life insurance business		**10,765,126**	**6,757,029**

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

Profit and loss account for the year ended December 31, 2022

	Notes	December 31, 2022 EUR	December 31, 2021 EUR
Balance on the technical account for non-life insurance business		10,765,126	6,757,029
NON-TECHNICAL ACCOUNT			
Investment income			
income from other investments			
income from other investments		4,498,934	3,029,605
value re-adjustments on investments	3.1; 5.2	26,177,649	19,085,954
gains on realisation of investments		4,006,139	1,148,704
		34,682,722	23,264,263
Investment charges			
investment management charges, including interest		- 802,466	- 701,832
value adjustments on investments	3.1; 5.1; 5.2	- 26,489,537	- 19,190,253
losses on the realisation of investments		- 5,943,402	- 2,011,673
		- 33,235,405	- 21,903,758
Allocated investment return transferred to the non-life technical account	3.11	- 1,644,332	- 971,832
Other income	22	1,498,846	1,525,644
Other charges, including value adjustments	3.13; 22	- 898,657	- 1,027,864
Tax on profit on ordinary activities	23	- 3,299,462	- 3,023,166
Profit on ordinary activities after tax		7,868,838	4,620,316
Profit for the financial year		**7,868,838**	**4,620,316**

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

Notes to the annual accounts as at December 31, 2022

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, 2022. 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, 2022

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.

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

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.

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).

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

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.

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

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.

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 recognizes the co-insurance income for cases where it acts as a co-insurance leader through the profit and loss statement as a separate item. The Company also recognizes the salvage and subrogation payments' gross part through the profit and loss statement on this line.

3.15 Other technical charges

The Company recognizes the salvage and subrogation payments reinsurance part through the profit and loss statement as a separate item on this line.

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, 2022	5,223,529	2,367,296	12,711	5,290,188	3,256,044	16,149,768
Additions during the year	-	16,110	-	4,472,541	-	4,488,651
Disposals during the year	-378,773	-8,826	-	-	-	-387,599
Transfers during the year	-	-	-	-6,902,735	6,902,735	-
Foreign exchange on opening gross book value	-88,167	-29,219	356	-	-	-117,030
Gross book value December 31, 2022	4,756,589	2,345,361	13,067	2,859,994	10,158,779	20,133,790
Accumulated depreciation January 1, 2022	-4,790,373	-1,486,100	-12,711	-	-271,337	-6,560,521
Depreciation during the year	-47,962	-250,968	-	-	-1,809,050	-2,107,980
Foreign exchange impact on opening accumulated depreciation	81,746	26,758	-356	-	-	108,148
Accumulated depreciation December 31, 2022	-4,756,589	-1,710,310	-13,067	-	-2,080,387	-8,560,353
Net book value December 31, 2022	**-**	**635,051**	**-**	**2,859,994**	**8,078,392**	**11,573,437**
Net book value December 31, 2021	**433,156**	**881,196**	**-**	**5,290,188**	**2,984,707**	**9,589,247**

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

In 2017, the Company recognized intangible assets amounting to EUR 5,223,529, representing the renewal rights acquired from AIG Europe Limited (“AIG”). These assets are fully amortized by December 31, 2022.

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. In 2022, the Transformation Program progressed further with new release (3.0), enabling online selling, servicing and administration of new Travel product. ‘First Notification of Loss’ portal for our customers was also introduced. The closing value of EUR 8,078,392 in the “Internally developed Software in use” category represent all present releases.

In the “Software under own development” category the fourth release of the Project are amounting EUR 2,859,994. This release consists of a new Individual Personal Accident product (IPA) to be sold through new several direct and intermediated channels. Also new Digital experience platform is to be introduced and extensive refinement of customer and claim journey will take place as a part of this release in 2023.

Note 5 - Investments

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, 2022	Book value as at December 31, 2021	Shareholder’s equity (including results for the year) as at December 31, 2022	Results of the financial year 2022
		%		EUR	EUR	EUR	EUR
TIG (Bermuda) Ltd.	Canon's Court 22 Victoria Street Hamilton HM EX Bermuda	100	Dec. 31, 2022	956,103	890,514	1,001,055	-37,143

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, 2022 being EUR 1 = USD 1.0672.

In 2022, 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, 2022 amounts to EUR 432,526.

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

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

5.2 Other financial investments

As at December 31, 2022, the actual value of the other financial investments is as follows:

	Book value 2022 EUR	Actual value 2022 EUR
Other financial investments		
Shares and other variable yield transferable securities and units in unit trusts	43,193,001	53,392,560
Debt securities and other fixed income transferrable securities	173,622,845	170,868,312
Other loans	8,025,154	8,025,154

During the year, the amortization of discount on debt securities and other fixed income transferrable securities amounts to EUR 2,257,54 and the amortization of premiums in these securities amounts to EUR 1,552,800. Discount amortization is recognized under value re-adjustment on investments and premium amortization is recognized under value adjustment on investments in the profit and loss account.

As of December 31, 2022, the non-amortized discount and premiums on debt securities and other fixed income transferrable securities amounts respectively to EUR 9,545,505 and to EUR 669,294.

Note 6 - Debtors

The breakdown of the debtors at December 31, 2022 is as follows:

	December 31, 2022	December 31, 2021
Arising out of direct insurance operations	**40,244,493**	**37,152,421**
policyholders - third parties	29,316,476	26,972,962
policyholders - related parties	8,930	28,143
intermediaries - third parties	10,919,087	10,151,316
Arising out of reinsurance operations	**13,829,553**	**6,314,671**
third parties	13,573,362	6,067,176
related parties	256,191	247,495
Other debtors - third parties	**7,662,311**	**5,615,866**
deposits and guarantees	2,594,103	2,161,621
tax receivable	3,002,095	1,870,863
other third parties debtors	2,066,113	1,583,382
Total	**61,736,357**	**49,082,958**

The balances for direct insurance operations and reinsurance operations include value adjustments where their recoverabilities are either uncertain or compromised.

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

Breakdown of other debtors

	December 31, 2022	December 31, 2021
Deposits and guarantees	3,235,969	2,161,621
Receivables from AIG	212,753	261,570
Rental related	255,104	243,402
Tax receivable	3,002,095	1,870,863
Coinsurance receivables/regresses/commission paid in advance	860,399	989,933
Other	95,991	88,477
Total	**7,662,311**	**5,615,866**

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, 2022	1,054,693	1,689,819	174,065	1,000,786	3,919,363
Additions during the year	225,105	486,595	180,828	210,146	1,102,674
Disposals during the year	- 32,456	- 42,698	- 67,784	- 119,082	- 262,020
Foreign exchange on opening gross book value	- 22,681	- 9,395	2	2,313	- 29,761
Gross book value December 31, 2022	1,224,661	2,124,321	287,111	1,094,163	4,730,256
Accumulated depreciation January 1, 2022	- 585,063	- 913,288	- 60,792	- 726,217	- 2,285,360
Depreciation during the year	- 132,554	- 355,857	- 34,393	- 64,208	- 587,012
Foreign exchange impact on opening accumulated depreciation	17,381	10,390	-	- 3,182	24,589
Accumulated depreciation December 31, 2022	- 700,236	- 1,258,755	- 95,185	- 793,607	- 2,847,783
Net book value December 31, 2022	**524,425**	**865,566**	**191,926**	**300,556**	**1,882,473**
Net book value December 31, 2021	**469,630**	**776,531**	**113,273**	**274,569**	**1,634,003**

Note 8 - Other prepayments and accrued income

This item is composed of prepayments made regarding expenses relating to periods after December 31, 2022 as well as accrued interest on fixed income securities held at December 31, 2022. As at December 31, 2022 the other prepayments and accrued income amount to EUR 6,869,202 (EUR 5,397,681 in 2021).

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

Note 9 - Subscribed capital

As at December 31, 2022 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, 2022 the share premium amounts to EUR 94,876,287.

The movements in the share premium account during the financial year ended December 31, 2022, are as follows:

Share premium account at the beginning of the financial year	EUR	94,876,287
Movements during the financial year 2022	EUR	-
Share premium account at the end of the financial year	**EUR**	**94,876,287**

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, 2021, amounting to EUR 4,620,316 has been carried forward to 2022. The total accumulated balance is a loss of EUR 7,831,467.

Note 13 - Creditors

Creditors arising out of direct insurance operations amounts to EUR 15,356,440 and the total amount is payable to third parties.

Creditors arising out of reinsurance operations are amounting to EUR 14,011,940 of which EUR 13,836,308 is payable to third parties.

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

The breakdown of the creditors at December 31, 2022 is as follows:

	December 31, 2022	December 31, 2021
Creditors - direct insurance	**15,356,440**	**17,355,142**
third parties	15,356,440	17,355,142
Creditors - reinsurance	**14,011,940**	**7,892,952**
third parties	13,836,308	7,672,350
related parties	175,632	220,602
Other creditors including tax and social security	**6,715,484**	**5,879,947**
third parties	6,696,719	5,677,175
third parties - personnel related liability	1,937,570	2,363,601
third parties - tax liabilities	1,241,544	1,654,099
third parties - rent related liability	1,523	35,354
third parties - unallocated cash receipts	1,928,593	990,994
third parties - payable to vendors	484,824	378,138
third parties - other	1,102,665	254,989
related parties	18,765	202,772
Total	**36,083,864**	**31,128,041**

The increase of creditors reinsurance balance is mainly caused by increase of multinational business with AIG in Poland and in the Czech Republic as well as increased liabilities on our treaty reinsurance program due to higher production in 2022.

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

Note 14 - Accruals and deferred income

This item is composed of other accrued charges of EUR 5,077,536, accrued insurance charges of EUR 92,405 as well as deferred ceded premium acquisition costs with third parties of EUR 1,891,008 and EUR 290,174 is on contracts with related parties, claims handling deferred income relating to the AIG transaction of EUR 173,490 and EUR 55,254 of other deferred income.

	December 31, 2022	December 31, 2021
Accruals and deferred income		
accrued charges other - third parties	5,077,536	4,369,917
accrued charges insurance - third parties	92,405	252,972
deferred income - third parties	2,119,752	2,021,377
deferred income - related parties	290,174	48,015
Total	**7,579,867**	**6,692,281**

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

A more detailed breakdown is shown below:

	December 31, 2022	December 31, 2021
Personnel accruals	3,985,204	3,411,133
Accrued insurance charges	92,405	252,972
AIG Claim handling deferral	173,490	358,919
Reinsurance DAC	1,891,008	1,562,241
Other accruals	704,679	727,469
Legal/Audit/Tax services accruals	387,653	231,315
Other deferred income	55,254	100,217
Reinsurance DAC - related parties	290,174	48,015
Total	**7,579,867**	**6,692,281**

Note 15 - Results from the non-life insurance operations

The group 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	67,575,464	64,038,587	48,099,634	7,129,627	13,139,037	**199,982,349**
	Gross premiums earned	62,477,541	55,455,857	46,598,880	9,353,676	13,246,204	**187,132,158**
	Gross claims incurred	21,084,067	55,057,006	13,870,236	1,983,540	4,026,216	**96,021,065**
	Gross operating expenses	27,077,191	19,765,225	30,148,291	6,207,159	6,307,546	**89,505,412**
	Net reinsurance result	9,303,008	(17,006,173)	268,144	7,476	747,569	**(6,679,976)**
Reinsurance acceptances	Gross premiums written	3,959,482	8,622,202	(3,629)	1,324,059	59,597	**13,961,711**
	Gross premiums earned	3,421,944	7,259,989	67,561	852,914	259,862	**11,862,270**
	Gross claims incurred	849,300	4,510,244	29,744	166,811	75,626	**5,631,725**
	Gross operating expenses	1,113,122	2,791,472	23,090	513,178	154,623	**4,595,485**
	Net reinsurance result	465,078	84,674	(59)	-	11,027	**560,720**
Total	Gross premiums written	71,534,946	72,660,789	48,096,005	8,453,686	13,198,634	**213,944,060**
	Gross premiums earned	65,899,485	62,715,846	46,666,441	10,206,590	13,506,066	**198,994,428**
	Gross claims incurred	21,933,367	59,567,250	13,899,980	2,150,351	4,101,842	**101,652,790**
	Gross operating expenses	28,190,313	22,556,697	30,171,381	6,720,337	6,462,169	**94,100,897**
	Net reinsurance result	9,768,086	(16,921,499)	268,085	7,476	758,596	**(6,119,256)**
	Net technical result	**6,007,719**	**(2,486,602)**	**2,326,995**	**1,328,426**	**2,183,459**	**9,359,997**

Category “Other” consists of multiple lines of business. The main contributors to Gross premium written element are Marine and Household businesses which amount to EUR 5.6 million and EUR 4.5 million respectively.

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

Note 16 - Geographic breakdown of premiums written

Gross insurance premiums amounting to EUR 213,944,060 may be broken down into geographic zones according to where the contracts have been concluded:

	December 31, 2022	December 31, 2021
Poland	63,898,878	48,764,149
Czech Republic	55,981,051	43,469,824
Hungary	42,043,946	37,760,319
Slovakia	25,067,203	20,301,729
Romania	15,073,798	10,307,708
Bulgaria	8,611,818	6,266,405
Other EEA	2,624,430	2,064,283
Outside EEA	642,936	595,929
Total	**213,944,060**	**169,530,346**

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 36,140,656 (EUR 28,003,944 in 2021). Premium taxes amount to EUR 9,672,798 (EUR 7,366,420 in 2021), hence total commissions are EUR 45,813,454 (EUR 35,370,372 in 2021).

Expenses relating to internal salesforce amount to EUR 19,610,332 (EUR 15,900,417 in 2021).

The total Acquisition costs amount to EUR 65,423,786 (EUR 51,270,781 in 2021).

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 2,181,183 in 2022 and EUR 1,610,256 in 2021). The change of the ceded deferred acquisition costs of EUR 570,927 is included in ‘reinsurance commissions and profit participation’ in the Profit and Loss Account.

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

Note 19 - Personnel employed during the year

The average number of staff employed at the financial year of 2022 amounts to 530 and may be broken down into the following categories:

	2022 Year	2021 Year
Management	6	6
Salaried employees	524	481
Total	530	487

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

	2022 Year	2021 Year
Wages and salaries	21,872,647	19,455,775
Social security costs	5,353,222	4,659,406
Other employee expenses	3,088,059	2,525,344
Total	**30,313,928**	**26,640,525**

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 131,859 in 2022 (EUR 68,445 in 2021) and are included in “administrative expenses”. There are no commitments in respect of retirement pension for former members of those supervisory bodies.

Note 21 - Auditors’ fees

The audit fees (excluding VAT) for the year ended December 31, 2022 amount to EUR 530,371 (compared to EUR 482,556 in 2021), 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:

	2022 Year	2021 Year
Audit fees	514,371	467,681
Audit - related fees	16,000	59,521
Tax fees	13,639	13,100
Other fees	-	600
Total	**544,010**	**540,902**

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 818,632 (EUR 999,085 in 2021) in the Other income line. The associated claims expenses are presented as Other charges amounting EUR 818,632 (EUR 999,085 in 2021).

Notes to the annual accounts as at December 31, 2022

All amounts are expressed in EUR unless stated otherwise.

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, 2022 the Company has the following off-balance sheet commitments:

	December 31, 2022	December 31, 2021
Building leases	7,195,024	2,861,848
Loan facility commitment	2,248,235	3,136,694
Vehicule leases	732,210	813,770
Bank guarantee	163,241	216,685
IT equipment lease	17,588	3,548
Total	**10,356,298**	**7,032,545**

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.

The increase in building leases is driven by new lease contracts for premises concluded by Hungarian and Polish branches.

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

No subsequent events have been identified and recognized.