# ANNUAL REPORT 2021

## Coface PKZ zavarovalnica d.d.

# ANNUAL REPORT
# 2021

MEMBERS OF THE MANAGEMENT BOARD

Sergej Simoniti
Chairman

Olga Sharkova
Member

Ljubljana, 25 February 2022

coface PKZ

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## STATEMENT OF THE MANAGEMENT BOARD

The year 2021 was also marked by the Covid-19 pandemic. The pandemic had a significant adverse effect on supply chains. It indicated the dependence of western economies on their Far East partners. We probably witnessed one of the largest mobilisations of state aid in recent history. Billions in budgetary funds were channelled (and are still channelled) into the global economy. It is precisely due to this extensive state aid that still makes it difficult to assess the effects of the corona crisis. At the end of 2021 we witnessed a tremendous spike in energy prices that completely changed the business models of certain economic operators and also of households. Coface PKZ, the leading credit insurer on the Slovenian market, has been faced with challenges that had never been seen before. Despite these challenges, we believe the financial year to have been a successful one.

In 2021 we continued the company's integration and standardisation of processes and tools with the Coface Group. Our operations in 2021 have been marked by stabilisation. After many years of declining premium income, the company recorded 6% growth in gross premiums written in 2021. We are aware that the growth in premium income was mostly the result of an increase in raw material prices on global markets. The claims ratio was at a historic low. The amount of gross claims paid was less than one third of the figure from the previous year. We are convinced that the current claims situation does not reflect the actual situation in the corporate sector, but is a distorted picture due to the (otherwise positive) effect of state aid. In addition to growth in the volume of insurance business of our policyholders and the favourable claims ratio, we are convinced that Coface PKZ itself also contributed significantly to the improvement in operations. The introduction of new tools and work processes, activities with partners from the Adriatic region and a higher level of understanding of the changed business model by our customers have also all contributed to improved business operations.

We have continued cooperation with SID Bank in implementing the "top-up" scheme. The latter was set up on the basis of a European Commission decision in 2020, when the credit insurance market stopped functioning normally. The European Commission thereby allowed Member States to assume coverage of trade receivables in Member States and OECD countries. The scheme's validity has been extended until the end of the first quarter of 2022.

The year 2021 was also positive from the perspective of establishing certain partnerships and the introduction of new products. After the lull following the Covid-19 outbreak, we revived discussions with different insurers in 2021, with our partnership offering credit insurance. We also revived discussions with certain banks and also other potential partners for the common approach on credit insurance markets. We began to offer a new product, Tradeliner, to our existing and future customers, which brings the most up-to-date credit insurance solutions. We are extremely active in putting great emphasis on introducing different tools tailored to insurance brokers, thereby continuously striving to improve our service.

A conclusion can be drawn that we have successfully overcome the crisis. We have proven ourselves as a resilient and flexible organisation. We have extended our cooperation with SID Bank. Despite seeing the future as uncertain, we look ahead with optimism. We believe that we will once again support our policyholders also in the future and contribute constructively to the development of the economy.

Sergej Simoniti

Chairman of Coface PKZ's Management Board

# SUPERVISORY BOARD REPORT FOR 2021

## I. Supervisory board report for 2021

The supervisory board of Coface PKZ zavarovalnica d.d. performed work in the same composition in 2021 as in 2020. Supervisory board members: Chair Declan Gerard Daly, Deputy-Chair Jean-Philippe Olivier, and members Marcin Siwa, Constantin-Alexie Coman, Andraž Tinta and Sanja Dimec. The last two members are employee representatives. In December 2021, due to being appointed to a new function within the Coface Group and the existence of a conflict of interest, Jean-Philippe Olivier resigned from the supervisory board.

The supervisory board performed its work in accordance with the powers and competences prescribed by the law, the company's Articles of Association and its own rules of procedure. When discussing agenda items during the period to which this report relates, the members of the supervisory board did not identify any conflicts of interest and consequently no members were excluded from voting.

The supervisory board met at four sessions in 2021. The supervisory board members actively participated in the discussions and decision-making, thereby contributing to the effective performance of its designated duties. The management board sent the chair of the supervisory board monthly business reports. The supervisory board obtained all the requisite information in its work and its supervision of the company's operations, based on which it was able to regularly assess the performance and work of the management board, the achievement of the financial plan and its impact on Coface PKZ's solvency. The supervisory board is of the opinion that its cooperation with the management board was appropriate and fully compliant with legislation.

Support for the supervisory board was provided by the audit committee, which regularly reported to the supervisory board on its work and submitted reports on its operations.

The supervisory board adopted, consented to and approved the annual report for 2020 together with the auditor's report and the proposal for use of the distributable profit, drafted the supervisory board's report for the annual report, and the variable remuneration for the management board. The supervisory board discussed the report of the actuarial function. It discussed and approved the audited solvency and financial condition report (SFCR) for 2020. It also approved the own risk solvency assessment (ORSA) for 2020.

The supervisory board approved the business strategy for the period 2021 to 2023. It also approved the financial plan for 2021 and the financial plan for 2022.

The supervisory board discussed the annual report on the work of the compliance function for 2020 and the compliance function's work programme for 2021.

The supervisory board was briefed on the results of the review of the risk management and internal control policy, compliance monitoring policy and internal auditing policy.

It was briefed on the agenda of the general meeting of shareholders.

The supervisory board issued a positive opinion regarding the annual report on internal auditing for 2020. It discussed the half-yearly report on internal auditing for the period July to December 2020 and for the period January to June 2021, and was briefed on the implementation of internal auditing recommendations. The supervisory board approved the internal audit strategic plan for 2022 to 2025 and the annual internal audit plan for 2022.

The supervisory board approved the positive opinion of the fit and proper assessment and the authorisation of a new holder of the key actuarial function, and issued a positive fit and proper assessment of the proposed candidate for the management board. The supervisory board also cooperated in the regular fit and proper assessment of the chair of the management board and the holder of the key compliance function.

The supervisory board was briefed on the findings of the review by the Insurance Supervision Agency.

## II. Approval of the 2021 annual report

Coface PKZ delivered the following to the supervisory board on 8 March 2022:

- The annual report of Coface PKZ zavarovalnica d.d. for 2021, together with the auditor's report from Deloitte revizija d.o.o., in which the latter expressed an unqualified opinion in respect of the financial statements for 2021; the management board enclosed the proposal for the use of the distributable profit with the annual report;
- The report on relations with affiliates with the limited assurance auditor's report from Deloitte revizija d.o.o., in which it states in its conclusion that the auditors did not observe anything in the conducted procedures that would cause them to doubt that the statements in the report on relations with affiliates are accurate in all material respects; that the value of the company's legal transactions stated in the report is not disproportionately high given the circumstances that were known at the time the legal transactions were executed; and that there are no circumstances relating to other actions indicated in the report which would indicate a substantially different assessment of the deprivation of income to the one given by the management (which concluded that no deprivation had occurred);

The two reports for 2021 were reviewed in advance by the audit committee, which had no further comments. The audit committee found that the mandatory audit was successful, as it conducted all of the reviews and drafted all of the reports specified in the agreement on the audit of the financial statements and the agreement on the review of the report on relations with affiliates pursuant to Article 545 of the ZGD-1. The external auditor carried out the reviews within the time limits and taking account of the provisions set out by the audit committee in the agreements, and sent satisfactory responses to the questions raised by the audit committee.

The supervisory board reviewed and discussed the reports at its session of 15 March 2022.It was briefed on the proposal of the audit committee which reviewed the annual report and proposed that the supervisory board approve the report. The supervisory board had no further comments regarding the annual report and the auditor's report after reviewing them. On the basis of the review of the annual report, the auditor's opinion and the audit committee's proposal, the supervisory board approved the annual report of Coface PKZ zavarovalnica d.d. for 2021 at its session of 15 March 2022.

The supervisory board was briefed on the audit committee's review of the report on relations with affiliates for 2021 together with the auditor's limited assurance report, and its related proposal. After the review, the supervisory board had no further comments regarding the report on relations with affiliates, regarding the management's statement on relations with affiliates that was included in the report, and regarding the auditor's limited assurance report and its conclusion, with the content that was summarised in the preceding paragraphs of this report.

Supervisory Board of Coface PKZ zavarovalnica d.d.
Declan G. Daly, Chair

Ljubljana, 15 March 2022

# BUSINESS REPORT 2021

# 1. ABOUT THE COMPANY

## 1.1 Key performance indicators[1]

| in EUR thousand | 2021 or 31/12/2021 | 2020 or 31/12/2020 | Index |
|---|---|---|---|
| Gross premiums written | 13,056 | 12,300 | 106 |
| Net income from insurance premiums | 4,638 | 4,873 | 95 |
| Gross claims paid | 1,578 | 5,111 | 31 |
| Recourse receivables claimed | 1,012 | 1,741 | 58 |
| Net claim expenses | -236 | 1,254 | -19 |
| Gross operating costs | 5,345 | 5,155 | 104 |
| Pre-tax profit | 3,930 | 2,205 | 178 |
| Net profit or loss | 3,185 | 2,193 | 145 |
| Net claims ratio | 5% | 26% | 20 |
| Net combined ratio | 48% | 70% | 69 |
| Year-end balance of assets | 51,741 | 50,179 | 103 |
| Year-end balance of equity | 27,219 | 24,215 | 112 |
| Year-end balance of technical provisions | 20,796 | 22,591 | 92 |
| Year-end headcount | 56 | 59 | 95 |

## 1.2 Company profile

| | |
|---|---|
| Company name | Coface PKZ zavarovalnica d.d. |
| Company name in English | Coface PKZ Insurance Inc. |
| Abbreviated company name | Coface PKZ d.d. |
| Address | Davčna ulica 1, 1000 Ljubljana |
| Telephone/secretarial office | +386 1 200 58 00 |
| Fax | +386 1 425 84 45 |
| Email | info-si@coface.com |
| Website | https://www.coface.si |
| Registration number | 1903209000 |
| Tax number | 71824847 |
| LEI code | 4851000020C6NKQDP691 |
| Share capital | EUR 8,412,618.92 |
| Owner | Compagnie Française d'Assurance pour le Commerce Extérieur |

[1] The key performance indicators are shown based on the operating costs by type.

| | |
|---|---|
| Management and supervisory bodies | MANAGEMENT BOARD<br>Sergej Simoniti, Chairman<br>Olga Sharkova, member<br>SUPERVISORY BOARD<br>Declan Gerard Daly, Chairman<br>Siwa Marcin<br>Coman Constantin-Alexie<br>Andraž Tinta, employee representative<br>Sanja Dimec, employee representative |

## 1.3 Company's establishment, authorisations and share capital

- Entered in the companies register on 31 December 2004, under application number 1/39193/00, Srg 2004/12632;
- registered business activities: non-life insurance;
- authorisation to provide insurance services in credit insurance, Insurance Supervision Agency ruling number 30200-2212/04-22,16 of 30 December 2004 and Insurance Supervision Agency ruling number 30200-1470/05-22,11 of 24 November 2005;
- authorisation to provide insurance services associated with the underwriting of reinsurance in non-life insurance, Insurance Supervision Agency ruling number 40105-4/2018-2 of 14 June 2018.

The company began providing insurance services on 1 January 2005, on which day the portfolio of short-term credit insurance previously provided by SID Bank was transferred to it.

The owner of Coface PKZ is Compagnie Française d'Assurance pour le Commerce Extérieur, with its registered office at 1 Place Coste set Bellonte 92270 Bois-Colombes, France (hereinafter: Coface), which is the direct owner of a 100% participating interest and thus enjoys the status of controlling company.

The company's paid-up share capital amounts to EUR 8,412,618.92. It is divided into 2,016 no-par-value shares. These are ordinary registered shares, issued in dematerialised form. The central share register and all procedures for trading the shares are administered at the Central Securities Clearing Corporation in Ljubljana.

## 1.4 Coface Group

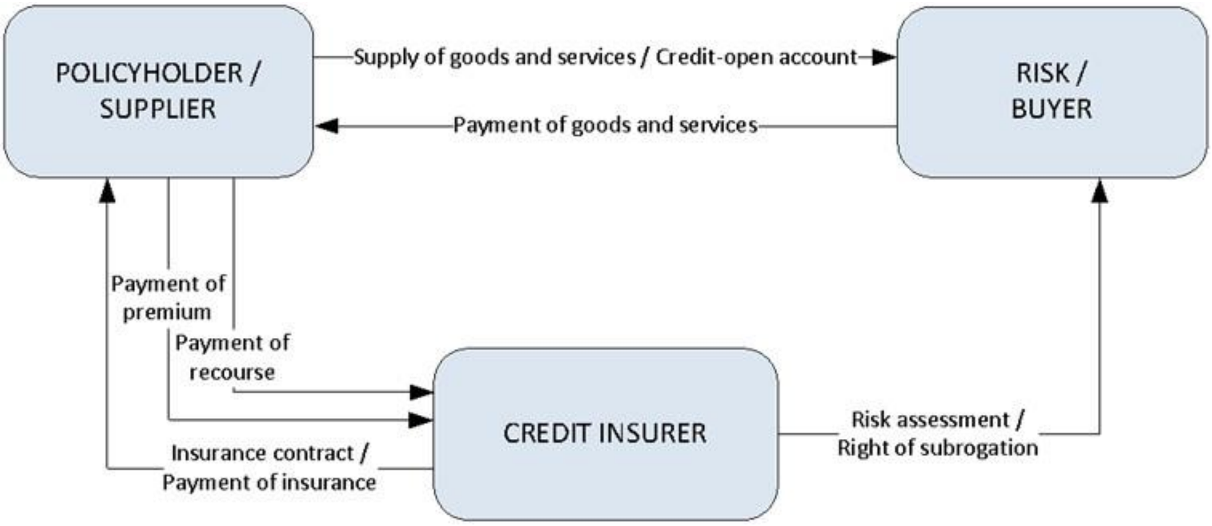
With the ownership transfer, Coface PKZ became a part of the Coface Group (hereinafter: the Group) in the scope of which the new owner of Coface PKZ, i.e. Coface, appears as the principal operational and insurance company. The largest shareholder of Coface is Coface SA, a holding company within the Group, which is the decision-making and management body with the key financial role in the Group, as it provides management, financing and consultancy services to other subsidiaries.

## 1.5 Activity

The company's line of business as defined in the articles of association is the conclusion and provision of non-life insurance services in the category of credit insurance. The company is also active in the area of the conclusion of insurance services associated with the conclusion of reinsurance in the category of credit insurance. The company also provides other services directly related to the insurance business.

Coface PKZ insures current receivables, generally with a maturity of up to 180 days, or up to one year when the nature of the transaction or the type of goods so requires. The insurance covers commercial and, as an option, also non-commercial (political) risks. The insurance contracts are generally annual or apply for a two-year period, and cover the policyholder's entire turnover on an open basis. It is also possible to only insure a particular segment of sales (e.g. only exports, only domestic sales, one-time project operations), provided that Coface PKZ assesses that objective criteria apply to the selection of the segment offered for insurance, and there is no moral hazard. Pre-delivery risks (production risks) may also be insured separately in insurance contracts. Coface PKZ also insures factoring-company operations and individual project and engineering operations under adjusted terms, provided that the payment deadlines do not exceed two years.

*Basic scheme of the receivables insurance product*

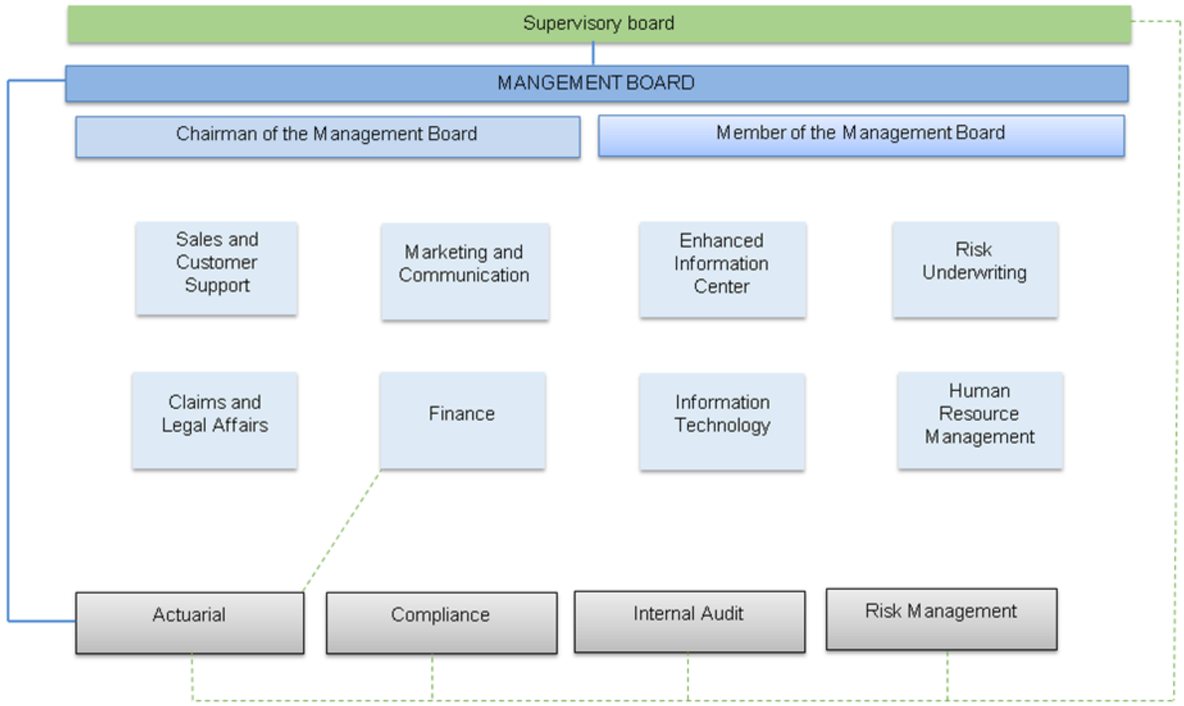



Coface PKZ also provides coverage from suppliers for the repayment of advances paid by the policyholder in accordance with a commercial agreement, where the deadline for the repayment of the advance, which runs from the date on which the supplier received the advance, cannot exceed two years. Commercial as well as political hazards, as an option, are covered.

## 1.6 Organisational chart

Coface PKZ's organisational chart did not change in 2021 and is presented below.

*Coface PKZ's organisational chart as at 31 December 2021*




## 1.7 Significant events in 2021

**COVID 19:**

- despite the reversal in economic activity, the COVID pandemic still affected the company's operations;
- high growth in raw material prices in the second half of 2021;
- extension of the national "top-up" scheme for credit insurance through SID Bank.

**Management and supervisory bodies:**

- approval of an additional term of office for the Chairman of the management board;
- appointment of Olga Sharkova to serve as member of the management board with a suspensive condition;
- resignation of supervisory board member Jean-Philippe Olivier due to his appointment to a new function within the Coface Group and the resulting change in the composition of the audit committee;
- approval of an additional term of office for a supervisory board member, i.e. the employee representative (A. Tinta).

**Annual report for 2020:** approval; successfully completed financial year.

**Strategy:**

- the drafting of Coface PKZ's business strategy for the period 2021–2023.

**Integration of operations with the Group:**

- migration of historical data on services/business into Coface Group’s databases;
- completion of integration in the Group's IT infrastructure;
- introduction of Coface Group products (Tradeliner, Globaliner);
- updated process for the control of risks in line with the Coface Group processes.

**Organisational structure:**

- change made to the holder of the actuarial function.

**Solvency II:** implementation of the updated compliance monitoring policy and lobbying code, the updated risk management and internal control policy, and the own risk and solvency assessment (ORSA) policy.

**Compliance:** ensuring compliance with the relevant laws and the practice of competent authorities with an emphasis on the implementation of the Group's relevant bylaws, and proactive engagement during the implementation of certain strategic policies of Coface PKZ.

## 1.8 Significant events after the balance-sheet date

All operations between the end of 2021 and the time of the compilation of the report proceeded in line with expectations and the information at the company’s disposal when the financial statements were being compiled, as the trends seen in 2021 continued.

The appointed member of the management board, Olga Sharkova, took up a five-year term of office on 3 February 2022, as she was granted a temporary work and residence permit, which was notified to Coface PKZ on 2 February 2022. The term of office of the previous member of the management board, Mindaugas Sventickas, expired on 2 February 2022.

At the meeting of the Management Board of the Compagnie Française d'Assurance pour le Commerce Extérieur (parent company), held on 22 February 2022, it was confirmed that in 2022 a Coface branch will be established in Slovenia.

Given the complex security situation in Ukraine, which arose as a result of Russia's attack on Ukraine, Coface PKZ closely monitors current developments. Coface PKZ is in contact with reinsurers, actively regulates the exposure in Ukraine and the surrounding countries and the individual risks of policyholders around the world, which can be expected to have a negative impact on the situation. Coface PKZ is still studying the negative impact on the company's operations. Coface PKZ will comply with all relevant restrictive measures in relation to the situation in Ukraine, to which it will be bound by the legislation and internal rules of the Coface Group.

# 2. CORPORATE GOVERNANCE STATEMENT

In accordance with the fifth paragraph of Article 70 of the ZGD-1, Coface PKZ hereby issues the following corporate governance statement, which forms an integral part of the submitted business report. The corporate governance statement relates to the period 1 January 2021 to 31 December 2021.

## 2.1 List of codes

Coface PKZ maintains high corporate governance standards, and in doing so also complies with the commitments and requirements applied within the Group. As of 1 January 2020, both key codes of the Group, i.e. the code of conduct and the anti-bribery code, entered into force.[2] On 1 April 2021 Coface PKZ also implemented the lobbying code of conduct. The codes are published on Coface PKZ's website.[3]

In its operations Coface PKZ also complies with the Insurance Code adopted by the Slovenian Insurance Association in June 2013, which is available on the latter's website (http://www.zav-zdruzenje.si).

Coface PKZ operates in accordance with the relevant laws (in particular: the Insurance Act) and EU regulations.

## 2.2 Corporate governance system

By defining the elements of the corporate governance framework, the corporate governance policy sets out the corporate governance system that facilitates sound and diligent management of Coface PKZ.[4] The corporate governance framework, in particular:

a) stimulates the development, implementation and effective supervision of policies that clearly define and support the objectives of Coface PKZ;

b) defines the roles and responsibilities of persons responsible for the oversight and management of Coface PKZ, including the system of powers;

c) defines the requirements regarding the adoption of decisions and measures, including the documenting thereof;

d) covers the rules in the area of remuneration;

e) arranges suitable methods of communication with competent authorities, including the supervisory authority, i.e. the Insurance Supervision Agency;

[2] At the same time the internal code of ethics and professional standards ceased to be valid. Both codes are published on Coface PKZ's intranet site.
[3] The codes are available at the following link, under the tab 'Other': https://www.coface.si/Home/Footer-links/Dokumenti.
[4] The updated policy entered into force on 1 January 2020.

f) envisages control measures in the event of non-compliance or insufficient supervision, insufficient internal controls or improper management.

An effective governance framework also stimulates the key stakeholders, who are responsible for the corporate governance of Coface PKZ, i.e. the supervisory board, management board, heads of organisational units, key function holders, to ensure sound and diligent management of Coface PKZ's operations.

## 2.3 Statement of compliance

There were no relevant deviations from these codes which bind Coface PKZ in 2021.

## 2.4 Diversity policy

Coface PKZ has not formalised the diversity policy with the adoption of an internal act, as the latter represents one of the key components of the parent company's strategic plan. The plan discusses a number of priorities, including the promotion of diversity, which in 2021 was reflected in a number of workshops and training courses focusing on gender equality, disabilities, the LGBT+ community, nationality, intergenerational cooperation, through which Coface Group entities wish to maintain an inclusive culture at the workplace. The promotion of diversity is also taken into account in the scope of HR development. Coface PKZ thus also fully complies with the prohibition of discrimination at the workplace.

In addition to the actual implementation of the diversity policy described above, this is also ensured via the Fit & Proper policy, which in accordance with the requirements of the ZZavar-1 stipulates that the diversity of qualifications, knowledge and experience is pursued in the composition of the management board and supervisory board, as well as in holders of key functions and procurators.

Requirements regarding diversity are therefore adhered to and implemented by Coface PKZ during the financial year via multiple channels, in particular the HR function and the compliance function.

## 2.5 System of internal controls and risk management at the company in relation to the financial reporting process

Coface PKZ put in place an effective system of internal controls and risk management, which is defined in detail in the Risk Management and Internal Control Policy. The system complies with the provisions of the Companies Act, the Insurance Act and secondary laws adopted by the Insurance Supervision Agency on establishing and maintaining a suitable system of internal controls and risk management.

Coface PKZ's system of internal controls ensures that:

– transactions are efficient and feasible according to the set objectives, with resources being used rationally, and assets secured;

- financial and non-financial information are provided in good time and are reliable;
- the risks to which the company (insurer) is or could be exposed are identified and properly managed so that Coface PKZ's capital adequacy is protected;
- the requirements regarding compliance with laws, other regulations and bylaws are met.

Coface PKZ's internal control system includes the following components:

- A control environment that represents the point of departure and infrastructure for the system of internal controls. A crucial part of the control environment is corporate integrity, which comprises the determination of the company's mission, vision and values, their disclosure to all employees and abiding thereby in all the company's actions. The development and implementation of internal codes and compliance with the adopted external codes is also a part of the company's corporate integrity. The management of conflicts of interest, management of the risk of fraud, corruption and unlawful transactions and the handling of customer complaints also fall within the framework of Coface PKZ's corporate integrity. This shows that the key components of the control environment primarily include the integrity and ethical values of senior management and employees, a suitable organisational structure, the appropriate segregation of powers and responsibilities, suitable employee education and training.
- Risk management that also includes the identification and assessment or measurement of risks in all areas of the insurer's operations, which is a prerequisite for establishing sufficient, appropriate and effective control activities.
- Control activities that are established and adjusted on the basis of an annual risk analysis. In the event of changes to processes or other changes that significantly impact the area in which they operate, internal controls are also updated even more frequently than on an annual basis.
- Regular monitoring of other components, which, where required, give rise to changes in the control environment, including the regular audit of the governance system, and annual risk analysis. A portion of the regular monitoring is also contributed by the internal audit department and compliance function through their reviews and findings.
- Communication and information channels, which combine all other components into an integrated system of internal controls. Communication and informing relates to all levels at the company and proceeds in all directions.

## 2.6 Insurer's bodies

Coface PKZ has a two-tier system of governance: the company is managed by the management board, while the management of its operations is supervised by the supervisory board.

Supervisory board:

- gives consent, as provided for by applicable laws and Coface PKZ's bylaws, in particular:
    - it grants consent to transactions in real estate (acquisition, disposal, encumbrance);

    - it grants consent to transactions for the acquisition or disposal of capital investments;
    - it grants consent to the insurer's business strategy;
    - it grants consent to the definition of the insurer's financial plan;
    - it grants consent to the authorisations of key function holders;
    - it grants consent to the written rules of the system of governance set out in the Insurance Act;
    - it grants consent to the annual and multi-annual plans of work of the internal audit department;
    - it grants consent to the payment of interim dividends;
    - it grants consent to the appointment, dismissal and remuneration of the holder of the internal audit function;
    - it grants consent to the act that governs the purpose, significance and tasks of the internal audit department.
- it verifies the following documents and:
    - it reviews the books of account and documents of the insurer;
    - it approves the company's annual report, and takes a position regarding the audit report and gives consent to the proposed use of distributable profit, and verifies the report on relations with affiliates and compiles a written report for the general meeting thereon, in which it takes a position on both the results from auditing the report on relations with affiliates and also senior management's statement cited in the report on relations with affiliates;
- it addresses other matters in accordance with the requirements of applicable regulations and in accordance with the diligence of a good expert in supervising the management of the insurer's operations.

### 2.6.1 Management board

In addition to the Companies Act, the Insurance Act, the Articles of Association, the Governance Policy and supervisory board resolutions, the manner and organisation of the management board's work is also set out in the Rules of Procedure of the Management Board, which is adopted by the management board. In accordance with the Articles of Association the management board will have a minimum of two and a maximum of four members, one of whom will serve as chairman.

The number of members of the management board and the allocation of competences among members is determined by the supervisory board in a resolution on the appointment of members. Members of the management board serve a maximum five-year term of office and may be re-appointed. The supervisory board may dismiss a particular member of the management board or its chairman in cases prescribed by law.

In legal transactions, the company is always represented publicly and legally by two members of the management board, one of whom must be its chairman.

All members of the management board take decisions by a majority of votes within the scope of that body's competences. Both members of the management board take decisions unanimously. The management board generally takes decisions at meetings that are generally convened once a week and for which minutes are kept.

The management board has no powers to issue or purchase treasury shares.

**Management board in 2021**

In the period 1 January 2021 to 31 December 2021 Coface PKZ was headed by a two-member management board: Sergej Simoniti (chairman) and Mindaugas Sventickas. The supervisory board appointed Ms Olga Sharkova to serve as member on the management board at an extraordinary session of 19 August 2021. She received authorisation to perform the function of member of the management board from the ISA on 11 November 2021. Despite this, the already adopted resolutions of the supervisory board regarding her appointment had yet to take effect, as the competent authorities of the Republic of Slovenia failed to provide her with a work permit in 2021. As a result, only a presentation of the management board members listed above is given below.

## Presentation of Chairman of the Management Board Sergej Simoniti

***Education:*** *bachelor's degree in law*
***Year of birth:*** *1971*

***Positions (jobs) and experience:***

Coface PKZ (January 2018 – the present)
- *Chairman of the management board (1 January 2018 – the present).*

Insurance Supervision Agency (*January 2012 – December 2017*):
- *Director*

Pozavarovalnica Sava, d.d., Ljubljana *(December 2002 – December 2011):*
- *Executive Director – General Affairs and Compliance Sector (September 2009 – December 2011)*
- *Director of the Legal Department (January 2005 – September 2009)*
- *insurance lawyer (December 2002 – December 2004)*

Narval, d.o.o. *(October 2000 – November 2002):*
- *Executive Director*

Generali SKB zavarovalnica, d.d. *(September 1997 – September 2000):*
- *lawyer*

***Areas of responsibility:***
Sales, marketing and communication, finances and actuarial, HR, legal affairs, key functions.

## Presentation of management board member Mindaugas Sventickas

***Education:*** *bachelor's degree in economics*
***Year of birth:*** *1979*

***Positions (jobs) and experience:***

Coface PKZ d.d.:
- Member of management board[5] (December 2019 – the present)
- Manager for integrations (August 2019 – December 2019)

Coface Baltics Services Ltd, Lithuania *(August 2008 – September 2020):*
- *Director of the Risk Assumption Department (January 2016 – September 2020)*
- *Deputy Managing Director (August 2008 – January 2016)*

Coface Credit Management Services Ltd, Lithuania *(November 2010 – January 2016):*
- *Deputy Managing Director*

Compagnie Française d'Assurance pour le Commerce Extérieur, Lithuania *(December 2013 – January 2016):*
- *Subsidiary Deputy Managing Director and Director of the Risk Assumption Department*

Coface SA, Lithuania *(January 2013 – December 2013):*
- *Subsidiary Deputy Managing Director and Director of the Risk Assumption Department*

Coface Austria Kreditversicherung AG, Lithuania *(February 2006 – January 2013):*
- *Subsidiary Deputy Director and Director of the Risk Assumption Department (January 2007 – January 2013);*
- *Director of the Credit Insurance Department (February 2006 – December 2006);*

Lietuvos Eksporto ir Importo Draudimas Ltd. IC, Lithuania (*August 2003 – February 2006*):
- *Director of the Credit Insurance Department (October 2004 – February 2006);*
- *Specialist at the Risk Assumption Department (August 2003 – October 2004);*

***Areas of responsibility:***
Take-up of risks, policyholder management, analysis of business information, claims, information technology.

[5] The management board member's term of office commenced on 4 December 2019, and as of 1 September 2020 he has been performing the function of management board member on a full-time basis in accordance with the employment contract.

### 2.6.2 Supervisory board

The competences (powers) and decision-making of the supervisory board, manner and organisation of work and other questions material to its work are set out by the applicable laws, the Articles of Association, the Corporate Governance Policy and Rules of Procedure of the Supervisory Board. In accordance with the provisions of the Articles of Association the supervisory board is comprised of three to six members (the number is determined by way of a general meeting resolution). In a three-member supervisory board, employees have one representative, while in a four-, five- or six-member supervisory board there are two employee representatives on the board. The other supervisory board members comprise shareholder representatives.

Shareholder representatives are elected by the general meeting of shareholders, while the two employee representatives are elected by the works council of Coface PKZ. Their appointment and dismissal are carried out in accordance with applicable laws and the company's Articles of Association. The chairman and vice-chairman of the supervisory board are elected among shareholder representatives. The members of the supervisory board serve a term of office of 4 (four) years, and may be re-elected without limitation. The general meeting may dismiss a supervisory board member before the end of their term of office. It elects a new member with the same four-year term of office to replace the dismissed member.

The supervisory board decides on matters at meetings for which minutes are kept. The supervisory board also drafts an annual report on its work, which it submits to the general meeting.

**Supervisory board in 2021**

*Members of the supervisory board of Coface PKZ*

| Members | Title | Start of term of office | Duration of term of office |
|---|---|---|---|
| Declan Gerard Daly | Chairman | 24/4/2019 | 24/4/2023 |
| Jean-Philippe Oliver* | Deputy Chairman | 24/4/2019 | 10/12/2021 |
| Marcin Siwa | Member | 1/7/2019 | 1/7/2023 |
| Constantin-Alexie Coman | Member | 24/4/2019 | 24/4/2023 |
| Andraž Tinta | Workers' Representative | 27/2/2021 | 27/2/2025 |
| Sanja Dimec** | Workers' Representative | 1/9/2020 | 1/9/2024 |

* Resignation letter took effect with expiry of the 10 December 2021.

** Member also in the period from 1/9/2016 to 1/9/2020

The supervisory board has an audit committee, which is an advisory body for the supervisory board that drafts resolutions for the supervisory board in the areas it is responsible for, attends to their implementation, and carries out other expert duties set out by regulations, its rules of procedure adopted by the supervisory board, and supervisory board resolutions. The audit committee is primarily concerned with accounting and financial information, risk management and internal controls, internal and external auditing, reviews and findings by other supervisory authorities in supervisory processes carried out on the company.

*Members of the audit committee of Coface PKZ*

| Members | Title | Start of term of office | Duration of term of office |
|---|---|---|---|
| Jean-Philippe Oliver | Chairman | 29/5/2019 | 10/12/2021 |
| Ana-Maria Constantinescu* | Deputy Chairman, Independent expert | 29/5/2019 | until revocation |
| Marcin Siwa | Member | 1/7/2019 | 1/7/2023 |
| Constantin Coman** | Member | 11/12/2021 | 24/4/2023 |

* Appointed Chairman of the Audit Committee by the Supervisory Board on 10 December 2021.

** Appointed Member of the Audit Committee by the Supervisory Board on 10 December 2021.

### 2.6.3 General meeting of shareholders

The general meeting convenes at least once a year, i.e. after the end of the financial year and also as required, when it is convened by a body or person who is authorised to do so under the law or the Articles of Association.

The company's general meeting takes decisions on the following:

- adoption, amendments and additions to the Articles of Association;
- measures to increase and decrease capital;
- the use of distributable profit;
- the appointment and dismissal of members of the supervisory board;
- remuneration to members of the supervisory board for their work;
- the conferral of official approval on members of the management board and supervisory board for their work in the previous year;
- winding-up of the company, and status transformation;
- the appointment of an auditor;
- number of supervisory board members;
- other matters prescribed by the Articles of Association and by law.

Olga Sharkova
Member of the Management Board

Sergej Simoniti
Chairman of the Management Board

# 3. STRATEGIC GUIDELINES AND PLANS

## 3.1 Mission, vision and values

**Mission**

Through trade credit insurance we mitigate default risk and ensure financial security in the sale of goods and services, thereby promoting trade and economic development. Within the Coface Group, together with our sister companies, we provide complete range of services from credit insurance to sale of business information and debt collection services within the Western Balkans region.

**Vision**

We are a highly respected credit insurer in our region with a dominant market share among insurers from the Western Balkans in the segment of the collateralisation of corporate claims. Customers who identify us as the first and best choice for the management of claims and default risk are the central focus of our business activity. Most of our customers come from Slovenia, Croatia and Serbia, where together with our sister companies and partnership network we provide them with the following services: credit insurance, business information and debt collection services in the business to business trade.

**Values**

The Group's core values: focus on customers, professionalism, cooperation, courage and responsibility.

## 3.2 Business Strategy

Coface PKZ drew up a business strategy for a three-year period. We are monitoring this strategy and reviewing it annually, adjusting it as required. The strategic guidelines form the basis for drawing up annual financial plans. The fulfilment of the outlined objectives is monitored regularly, and in the event of significant deviations the management board shall adopt corrective measures.

In June 2021 the supervisory board discussed and approved Coface PKZ's strategy for the period 2021–2023. This strategy follows the one that was adopted previously by the Coface Group ("Build to Lead").

The Build to Lead strategy expanded and deepened the business and cultural transformation that began with the previous Fit to Win strategy. The new strategy relies on the achievements of the previous strategy and will more broadly and comprehensively expand these across our organisation and in practices in order to help Coface assume the leading role in our industry.

Our objective is to not become the largest but the best in what we do, i.e. in predicting and managing risks, the best in analytics and in defining products that help customers, as well as in fulfilling the needs of our customers regardless of where we operate. This is important, as the entire added value chain operates in a volatile business environment. Being agile and having the required expertise will be what will set us apart from our competitors in the long-term and build value, in the context of increasing our customer base and our resilience.

We will focus on two main pillars:
• strengthening our leading position in our core activity of credit insurance,
• strengthening the other services of the company and its sister companies: factoring, the collateralisation of special claims (single risk), suretyship insurance (bonding), sale of business information and debt collection services.

As a group Coface we wish to ensure stable growth in our core activity of credit insurance in the Western Balkans region and increase the proportion of its income generated from services includingg the sale of business information.

With our business strategy until 2023 we wish to continue the development of partnerships with insurance and other financial intermediaries in the region. We believe that this is the right way to achieve the required structure and stable growth of income in all segments of operations. Due to this 2021 was spent actively developing standardised credit insurance products Easyliner, Tradeliner and Globaliner and a digital toolkit for support of all distribution channels for all types of products offered by the Coface Group.

It is the owner's intention to transform the insurer Coface PKZ into a branch in 2022, which complies with the legal status form of other Coface Group entities. Its transformation into a branch will simplify and cost optimise the manner of corporate governance, while not changing the business model itself.

## 3.3 Implementation of objectives in 2021

*Realisation of planned objectives in 2021*[6]

| in EUR mio or in % | Plan 2021 | Actual 2021 | Index | |
|---|---|---|---|---|
| Gross premiums written | 11.99 | 13.06 | 109 | Plan achieved |
| Gross cost ratio | 42% | 43% | 103 | Plan not achieved |
| Net claims ratio | 18% | -7% | -41 | Plan achieved |
| Pre-tax profit | 2.39 | 3.93 | 164 | Plan achieved |

Coface PKZ performed well in 2021. Coface PKZ thus exceeded the expectations of the financial plan, as it generated a pre-tax profit of EUR 3.93 million, which was 64% higher than planned.

Gross premium written amounted to EUR 13.06 million and was 9% higher than planned, which was the result of the revival of economic activity in 2021.

Despite the cost ratio improving relative to the one achieved in 2020, it failed to reach the ratio planned for 2021. The cost ratio stood at 43% and was up one percentage point on the planned

[6] Coface PKZ draws up financial plans on the basis of operating costs by nature.

figure. The failure to achieve the planned cost ratio was mostly attributed to the acquisition costs, which were higher than planned.

Claims in 2021 continued to be very favourable, as also evidenced by the net claims ratio, which in 2021 stood at -7% and was more favourable than planned.

## 3.4 Plans for 2022

*Plans for the 2022 financial year*[7]

| in EUR mio or in % | Actual 2020 | Actual 2021 | Plan 2022 | Index P2022/2021 |
|---|---|---|---|---|
| Gross premiums written | 12.30 | 13.06 | 13.95 | 107 |
| Net claims ratio | 23% | -7% | 35% | -483 |
| Pre-tax profit | 2.20 | 3.93 | 2.07 | 53 |

Coface PKZ is planning for higher gross premiums written for 2022 relative to 2021 resulting from the continued post-Covid revival in economic activity, but also taking account of its highly competitive environment.

The 2022 financial plan forecasts that the net claims ratio will be significantly higher than that realised in 2021. Since credit insurance is highly exposed to economic and political cycles and to individual major claims, there is always a possibility for the gross claims ratio of a particular claims year to significantly deviate from the planned figures, and thus Coface PKZ uses reinsurance protection to a significant extent in order to reconcile the business results and manage insurance risks.

Coface PKZ is expecting to operate with a profit in 2022, which under the assumption of a poor claims result relative to that realised in 2021 is expected to be lower in 2022.

## 3.5 Investments and development of IT support

In 2021, efforts in the area of IT support development continued in terms of implementing the Group's IT system. In terms of software, it all began or continued with the implementation of the following software solutions:

- INCA: software solution for the management of damage claims;
- GCC: software solution for the administration of contracts;
- Invoicing tool: for issuing invoices;
- FMS: software solution for the accounting of credit reports; and
- CMT: software solution for the accounting of brokerage fees.

In terms of hardware, the implementation of the standardisation of the Group's information environment will continue.

[7] Coface PKZ draws up financial plans on the basis of operating costs by nature.

# 4. BUSINESS ENVIRONMENT

## 4.1 General global economic environment

The decline in the global economy in 2020 amounted to 3.1%. In its autumn World Economic Outlook report the International Monetary Fund (hereinafter: the IMF)[8] forecast a 5.9% growth in gross domestic product (hereinafter: GDP) for 2021 and a 4.9% growth for 2022. Economic growth is expected to stabilise approximately at 3.3% over the medium term.

The main factor in the revival of the global economy is access to vaccines. The higher vaccination rate in most developed economies significantly impacts the revival in economic activity. Developed economies are expected to already reach or even exceed the pre-pandemic level of economic activity in 2022, while the emerging economies will continue to suffer the consequences of the pandemic in 2024.

The IMF also references state aid as a significant factor of the economic revival. Developed economies received government subsidies, which had a positive impact on private consumption, during the pandemic and continue to receive them. In emerging economies fiscal aid is declining, which could further increase the differences in the speed of recovery among economies.
Even the European Commission in its autumn economic forecast[9] mentions the vaccination rate and further government subsidies as a key factor for the post-pandemic recovery of the EU economy. The European Commission forecasts a 5% growth in the EU in 2021, and 4.3% and 2.5% growth in 2022 and 2023, respectively. The positive trend on the labour market, savings, government subsidies and funds from the EU Recovery and Resilience Facility will impact growth. Recovery will differ from country to country and between sectors.
After the increase in the unemployment rate in 2020, the situation on the labour market improved significantly in 2021. At the end of August the unemployment rate in the euro area stood at 6.8%, and was slightly above the unemployment rate from the end of 2019. With economic recovery the unemployment rate will continue to fall, achieving full recovery in 2022. The unemployment rate in 2023 is expected to stand at 6.5%. After several years of low inflation the increased economic activity has pushed inflation above the projected level. In recent months the rise in energy prices and disruptions to supply chains have brought additional inflationary pressure. Inflation in the euro area is expected to reach 2.4% by the end of 2021, and should decline to 2.2% in 2022 and 1.4% in 2023.

Despite the effect of the pandemic on economic activity waning, the European Commission stresses that Covid-19 has yet to be defeated. The recovery of the euro area economy will thus depend on the development of the pandemic at home and globally.

The number of insolvent firms globally fell by 14% in 2020.[10] It is expected to further decline by 1% in 2021. The low number of insolvency procedures in 2021 can be attributed to fiscal measures in a number of countries, in some cases also to the continued amendments to

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[8] IMF, World Economic Outlook, October 2021
[9] European Commission, European Economic Forecast Autumn 2021, November 2021
[10] Atradius, Insolvency Forecast, October 2021

insolvency laws. Despite a global positive trend, an increase in insolvency procedures could already be seen in Europe in 2021, with the continued presence of the positive trend in North America and in the Asia-Pacific region. Under the assumption of significantly lower amounts of fiscal aid, an increase in insolvency proceedings is expected in all regions in 2022, i.e. in total by 33%.

## 4.2 Economic environment in Slovenia

Slovenia is the largest individual market within Coface PKZ's portfolio. In 2021 domestic insured turnover accounted for a little less than one fifth of the entire volume of Coface PKZ's insurance business. The macroeconomic and political situation in the country thus has a major impact on Coface PKZ's operations.

*Important indicators for Slovenia*

| | 2019 | 2020 | 2021 forecast | 2022 forecast | 2023 forecast |
|---|---|---|---|---|---|
| GDP growth (in %, real) | 3.3 | -4.2 | 6.1 | 4.7 | 3.3 |
| GDP (in EUR million) | 48,397 | 46,918 | 50,364 | 53,352 | 56,136 |
| GDP per capita (in EUR) | 23,167 | 22,312 | 23,897 | 25,259 | 26,496 |
| Registered unemployment rate (in %) | 7.7 | 8.7 | 7.7 | 6.9 | 6.6 |
| Inflation rate (annual average in %) | 1.6 | -0.1 | 1.4 | 2.0 | 1.9 |
| Total exports (goods and services) from Slovenia (in EUR million) | 40,636 | 36,541 | 41,406 | 45,255 | 47,974 |
| Total imports (goods and services) into Slovenia (in EUR million) | 36,449 | 32,213 | 37,755 | 41,599 | 44,213 |
| Number of bankruptcies | 1,294 | 1,125 | / | / | / |
| Change in number of bankruptcies | -13.6% | -13.1% | / | / | / |

Source: IMAD, Autumn Forecast of Economic Trends 2021

Source for number of corporate insolvencies: Creditreform, Corporate insolvencies in Europe 2020

The Covid-19 pandemic had a significant impact on economic activity in 2020, which was reflected in a 4.2% decline in GDP. Service activities, in particular the food service activities, trade and transport contributed most to the decline in value-added due to the significantly contracted economic activity during the application of the protective measures. The Autumn Forecast of Economic Trends[11] in 2021 forecasts a 6.1% growth in GDP, and a 4.7% and 3.3% growth in 2022 and 2023, respectively. The recovery of activities involved in international trade, which commenced in the second half of 2020 impacted GDP growth in 2021. Investment in machinery and equipment and imports and exports continued to increase. Retail sales also increased in year-on-year terms with the gradual relaxation of anti-coronavirus measures, while food and accommodation services, gaming and sports, cultural, entertainment and personal activities began to recover from the second quarter on, which is linked to the recovery of private consumption. Economic recovery will remain differentiated by activity, so in 2022 we can expect a return to the pre-corona level in the manufacturing and construction sectors, but not in other sectors or in private consumption.

Adverse trends on the labour market, which appeared as a result of the first pandemic wave and caused a decline in employment and spike in unemployment, showed signs of improvement already in mid-2021. This was impacted by emergency measures to preserve jobs. Even in 2022 and 2023 we can expect the continuation of recovery on the labour market.

[11] IMAD, Autumn Forecast of Economic Trends in 2021

The inflation rate in 2021 stood at 4.9%, with an average annual inflation of 1.9%. The 2021 inflation was most affected by higher prices of refined petroleum products, food and energy.[12]

The greatest risk associated with the realisation of forecasts continues to be linked to the pandemic in Slovenia and its most important trading partners. It will be important how measures are adapted to the pandemic and economic situation. Any re-shutdown of the economy in the future could have a significant adverse effect on economic activity, also potentially increasing the latter in the event of a rapid permanent improvement in the pandemic situation.

There were 1,125 bankruptcies filed in Slovenia in 2020.[13] This figure was down 13.1% relative to the previous year.

## 4.3 Economic environment in key foreign trade countries for Coface PKZ

In addition to the domestic market, since 2008, the most important buyer countries in Coface PKZ's customer portfolio have been Germany, Russia and Italy, which in 2021 collectively accounted for more than 25% of the volume of insurance business. Economic trends in these countries, which are key foreign trade partners of Slovenia, significantly affect the performance of Coface PKZ.

*Basic economic indicators for the countries that most affect Coface PKZ's performance*

| | | Germany | Russia | Italy |
|---|---|---|---|---|
| GDP per capita (in EUR) | 2020 | 40,900 | 8,955 | 27,963 |
| GDP growth (in %, real) | 2020 | -4.6 | -3.0 | -8.9 |
| | forecast 2021 | 2.7 | 3.9 | 6.2 |
| | forecast 2022 | 4.6 | 2.6 | 4.3 |
| Unemployment rate (in %) | 2020 | 3.8 | 5.8 | 9.2 |
| | forecast 2021 | 3.6 | 5.3 | 9.8 |
| | forecast 2022 | 3.4 | 5.2 | 9.3 |
| Inflation rate (annual average in %) | 2020 | 0.4 | 3.4 | -0.1 |
| | forecast 2021 | 3.1 | 6.2 | 1.8 |
| | forecast 2022 | 2.2 | 4.8 | 2.1 |
| Slovenian exports to the country (in EUR million) | 2020 | 5,928 | 866 | 3,076 |
| | 1-9/2021 | 5,129 | 634 | 2,933 |
| Slovenian imports from the country (in EUR million) | 2020 | 5,075 | 349 | 3,831 |
| | 1-9/2021 | 4,591 | 279 | 3,442 |
| Growth/Decline in Slovenian exports to the country in 1-9 2021/1-9 2020 | | 18.7% | -2.0% | 32.5% |
| Number of bankruptcies in 2020 | | 16,040 | 9,931 | 10,173 |
| Change in number of bankruptcies 2020/2019 | | -14.8% | -19.9% | -28.5% |

Source: European Commission, European Economic Forecast Autumn 2021, November 2021
Source for GDP per capita: World Economic Outlook Database, October 2021
Source for imports and exports data: SURS, Data portal SI-STAT (Foreign trade), www.stat.si
Source for number of corporate insolvencies: Creditreform, Corporate insolvencies in Europe 2020
Source for number of corporate insolvencies in Russia: United Federal Register of Bankruptcy Information, https://bankrot.fedresurs.ru, december 2021

[12] SORS
[13] Creditreform, Corporate insolvencies in Europe 2019

## 4.4 Insurance market and market position of Coface PKZ

The Slovenian insurance market achieved 1.8% growth in premiums in 2021. Insurers, members of the Slovenian Insurance Association (hereinafter: SIA), collected EUR 2,615.8 million in insurance premiums. Non-life insurance recorded growth of 2.7% in 2021 relative to the previous year, and stood at EUR 1,869.0 million. This accounted for 71.4% of the total insurance premiums collected.

A total of EUR 31.1 million was collected in 2021 in the category of credit insurance, which was 4.6% more in insurance premiums than in the previous year. Credit insurance in non-life insurance accounted for 1.7%, while Coface PKZ's share of credit insurance stood at 41.0%.

*Slovene insurance market*

| | **Insurance premium (in EUR million)** | | | **Change in growth (in %)** | |
|---|---|---|---|---|---|
| | **2021** | **2020** | **2019** | **2021/2020** | **2020/2019** |
| Total all insurance classes | 2,615.8 | 2,569.6 | 2,517.4 | 1.8% | 2.1% |
| Non-life insurance | 1,869.0 | 1,820.3 | 1,763.4 | 2.7% | 3.2% |
| - Credit insurance | 31.1 | 29.8 | 37.3 | 4.6% | -20.1% |
| - Trade credit insurance (international and domestic) | / | 15.7 | 18.2 | / | / |
| - Coface PKZ | 12.8 | 12.3 | 14.8 | 3.9% | -16.6% |
| - Coface PKZ share in credit insurance | 41.0% | 41.3% | 39.6% | -0.7% | 4.4% |
| - Coface PKZ share in trade credit insurance | / | 78.3% | 81.3% | / | / |

While compiling the annual report, individual data were not yet available for 2021.
Source: Slovenian Insurance Association

A total of 17 insurers that are members of the SIA operated on the Slovenian insurance market in 2021. The market concentration rate is increasing, as four of the largest insurers (Triglav, Sava, Vzajemna and Generali) control 82.3% of the entire market. In terms of trade credit insurance, Coface PKZ recorded a high market share, standing at 78.3% in 2020. The calculation only includes data from insurers that are SIA members.

In addition to insurers that are members of the SIA (Triglav), credit insurance on the Slovene market is also o by some foreign insurers (Atradius, Acredia).

## 4.5 Impact of the environment on Coface PKZ's performance

The main factors in Coface PKZ’s operations in 2021 were:
- the Covid-19 pandemic and the containment measures which were otherwise more favourable than in 2020, but still affected economic activity;
- the economic situation in Slovenia and on foreign markets that are most important to Coface PKZ;
- competition and policyholders’ expectations;
- Group activities in underwriting;
- state aid to support the corporate sector for credit insurance via SID Bank (top-up scheme);

- a more favourable claims ratio of policyholders than was expected; and
- procedures for integration into the Group.

In 2021 we witnessed a revival in economic activity in countries that have a material impact on the operations of Coface PKZ. This positively impacted the volume of insurance business and premiums written. Also no increase in claims have been seen. Coface PKZ focused its operations in 2021 on retaining its policyholders and at the same time sought new approaches to the sale and monitoring of insurance, even via the government scheme for the insurance of marketable risks (top-up scheme), which was activated by SID Bank in 2020.

Coface PKZ will also continue to operate in a highly competitive environment in 2022, but as expected in the continued revival of economic activity in terms of the coronavirus consequences.  Coface PKZ is expected to respond to this by reviving its sales activities via new sales channels and products, by intensifying its presence on Western Balkans markets, continuing to improve its services for policyholders and with the continued computerisation of processes.

Given the European Commission's forecast on economic progress in all countries in which Coface PKZ generates the most turnover, the forecasts regarding the achievement of results in 2022 are positive but still affected by coronavirus developments. We are expecting growth in the volume of insurance business and growth in claims in 2022 relative to 2021.

# 5. KEY STAKEHOLDERS AND THE ENVIRONMENT

## 5.1 Responsibility to policyholders

The company provides all of its services with the aim of directly and indirectly generating added value for policyholders. It is also responsible for the protection of the policyholders' rights, benefits and risks, and for the confidentiality of such relationships.

The company, in being responsible for its policyholders, places to the forefront its long-term relationships with the policyholder that are based on identifying their needs beforehand and adjusting to them accordingly. In striving to ensure superior service to internal and external customers, the company has put in place a standard of excellence. The adopted standard also defines internal excellence and thereby enables the achievement of the same target orientation of all departments, which is seen in meeting of the expectations of policyholders and so gaining their satisfaction.

## 5.2 Responsibility to reinsurers

Due to the specific nature of the securing of claims, the insurer mostly reinsures all the risks taken-up. In that respect, long-term, open and trustworthy relationships with reinsurers are extremely important.

The company informs reinsurers of all implemented changes that could increase the risk taken-up.

In accordance with the reinsurance contracts, reinsurers are given accounts of reinsurance and regular reports on reinsurance contract results at the end of quarters. In the event of major claims reinsurers are notified of the reasons for the claims, the adopted measures and projections regarding the further evolution of these claims and corresponding recourses.

The company cooperates with reinsurers in a manner that allows long-term cooperation and security for the company.

Due to its integration in the Coface Group, the majority of the company’s contacts beginning in 2020 were with the reinsurer Coface Re, which is a member of the Group. Through it the company cooperates with a large number of reinsurers, as was the case in the years prior to its integration in the Group.

## 5.3 Responsibility to employees

The company has put in place standards for the treatment of employees that comply with the applicable laws governing employment relationships and the Group's own bylaws. Ethical principles and instances of good practice are applied to the treatment of personnel. Employees participate directly or indirectly in the management of the company.

The company's responsibility to its employees is demonstrated with the development of all employees via the acquisition of new knowledge and skills, and with the introduction of new tools, both in business and private areas. Employees participate in the setting and achievement of strategic objectives, thereby achieving greater commitment from individuals.

### 5.3.1 Number and structure of employees

As of 31 December 2021 there were 56 employees, of which 36% were male and 64% female. The average age of the workforce was 44.8 years in 2021 and 44.7 in 2020.

*Breakdown of the employees by age group*

| Age group | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| From 21 to 30 | 2 | 4% | 1 | 2% |
| From 31 to 40 | 14 | 25% | 21 | 36% |
| From 41 to 50 | 27 | 48% | 26 | 44% |
| From 51 to 60 | 12 | 21% | 10 | 17% |
| 61 and over | 1 | 2% | 1 | 2% |
| **Total** | **56** | **100%** | **59** | **100%** |

The majority of employees have a higher or university level (level VI/2 and level VII) education. A total of 73% of employees hold this level of qualifications. The percentage of employees with an academic title of MSc or PhD is 11%.

*Employees by level of qualifications*

| Level of education (qualifications) | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| V. | 4 | 7% | 6 | 10% |
| VI/1. | 5 | 9% | 5 | 8% |
| VI/2. | 18 | 32% | 12 | 20% |
| VII. | 23 | 41% | 30 | 51% |
| VIII. | 5 | 9% | 5 | 8% |
| IX. | 1 | 2% | 1 | 2% |
| **Total** | **56** | **100%** | **59** | **100%** |

### 5.3.2 Training and HR development

The organisational culture is based on teamwork and common values. In terms of individuals, the systematic development of knowledge is an important motivational factor. One of the main objectives from Coface PKZ's perspective is the identification of talented individuals and key personnel. Coface PKZ provides training for employees in accordance with the annual training programme that takes into account the requirements of work processes and interests of an employee in various fields.

The average number of training hours per employee (considering the average number of employees in 2021) is 37. A total of 54 employees took part in training programmes, which accounts for almost 96% relative to the average number of employees.

Department heads conduct annual development interviews with employees aimed at target management and the provision of feedback to employees regarding their work and performance. During interviews employees and department heads discuss proposals and verify the possibility of their implementation.

The company has a competence model established for all positions. The employment (recruitment) system complies with the Solvency II requirements, which requires that members of the management board and key function holders comply with the fit & proper standard.

### 5.3.3 Responsibility for employees and occupational health

The company continuously carries out training courses on occupational health and safety for employees, and refers them for periodic medical examinations and, as required, provides employees with ergonomically designed equipment.

Different lectures focusing on improving the quality of life along with organised events promoting sports activities are available to employees in accordance with the annual work programme for the promotion of health and quality of life. The company enables working from home to make it easier for employees to balance their professional and private lives.

## 5.4 Responsibility to other stakeholders

With the adoption of the code of conduct, the anti-bribery code and lobbying code the company set out the fundamental values and rules that govern the relations with all key stakeholders. These codes thus also regulate the content associated with relations with suppliers, customers and competent state authorities at the primary level.
The company is a member of the Slovenian Insurance Association and acceded to the Insurance Code.

## 5.5 Responsibility to the environment and community

It is the obligation of each individual to have the smallest possible environmental footprint. The company is aware that people leave environmental footprints in their work, and therefore encourages its employees to protect and preserve the environment through electronic business, omission of document printing, separation of waste, use of recycled paper, use of company bikes, donation of empty printer cartridges to charitable organisations, etc.

Coface PKZ expresses its sensitive approach to the community by organising and participating in meetings at which companies familiarise themselves with risks on foreign markets, organising workshops for the protection and promotion of health, donating second-hand computer equipment to societies engaged in non-profit activities and financial resources to institutions that help people in distress. Coface PKZ employees also regularly carry out clean-up campaigns and collect clothes and items for various charitable institutions.

# 6. PERFORMANCE IN 2021

## 6.1 Financial result[14]

| in EUR thousand | 2021 | 2020 | Change | Index |
|---|---|---|---|---|
| *Gross premiums written* | 13,056 | *12,300* | *756* | *106* |
| *Reinsurers' share* | -8,449 | *-7,786* | *-663* | *109* |
| *Change in net unearned premiums* | 31 | *359* | *-329* | *8* |
| **Net income from insurance premiums** | **4,638** | **4,873** | **-236** | **95** |
| Investment income | 143 | 122 | 22 | 118 |
| Income from reinsurance commissions | 3,429 | 2,382 | 1,047 | 144 |
| Income from charged credit reports | 910 | 1,202 | -293 | 76 |
| *Gross claims paid* | *-1,578* | *-5,111* | *3,532* | *31* |
| *Recourse receivables claimed* | *1,012* | *1,741* | *-729* | *58* |
| *Reinsurers' share of claims* | *983* | *2,418* | *-1,435* | *41* |
| *Reinsurers' share of recourses* | *-546* | *-1,297* | *752* | *42* |
| *Changes in net provisions for claims outstanding* | *365* | *995* | *-630* | *37* |
| **Net claim expenses** | **236** | **-1,254** | **1,490** | **-19** |
| Net expenses for bonuses | 190 | -67 | 257 | -285 |
| Change in net provisions for unexpired risks | 110 | 731 | -621 | 15 |
| Operating costs | -5,345 | -5,155 | -190 | 104 |
| Investment expenses | -80 | -70 | -10 | 114 |
| Expenses for purchased credit reports | -761 | -702 | -59 | 108 |
| Difference between other expenses and income | 461 | 143 | 318 | 323 |
| **Pre-tax profit** | **3,930** | **2,205** | **1,726** | **178** |
| Corporate income tax | -745 | -12 | -733 | 6175 |
| **Net profit for the accounting period** | **3,185** | **2,193** | **993** | **145** |

*Claims ratio*

| in EUR thousand or in % | 2021 | 2020 | Change | Index |
|---|---|---|---|---|
| Net claims paid | -595 | -2,692 | 2,097 | 22 |
| Net recourse claimed | 466 | 444 | 22 | 105 |
| **Net claims paid less recourses** | **-129** | **-2,249** | **2,120** | **6** |
| Claims paid / premiums written | 12% | 42% | | |
| Net claim expenses / net income from premiums | 5% | 26% | | |
| Gross claim expenses / gross income from premiums | 10% | 23% | | |
| **Net income from premiums - net claim expenses** | **4,874** | **3,619** | **1,255** | **135** |
| Recourse receivables claimed / gross claims paid | 64% | 34% | | |

The items of the income statement that exceed 2% of the gross premiums written in 2021 (EUR 261 thousand) or that are linked to the insurance process are described below.

Gross premiums written in 2021 were up EUR 0.76 million or 6% on 2020. The reinsurers' share of gross premiums written in 2021 increased by two percentage points to stand at 65%, while net unearned premiums declined by EUR 0.33 million. As a result, net income from insurance premiums was down EUR 0.24 million.

The stable claims situation continued and further intensified in 2021. Gross claims written in 2021 were down EUR 3.53 million or 69% on 2020, while the difference in net claims paid stood at EUR 2.10 million or 78%. Income from gross recourse receivables claimed in 2021 accounted for 64% of gross claims paid (34% in 2020), while in absolute terms income from this was down EUR 0.73 million or 42%. Net recourse claimed was up EUR 0.02 million or 5%

[14]Notes to the income statement, see point 2.6 of the financial report.

on 2020. Net provisions for claims outstanding were down by EUR 0.63 million, which in addition to the other already mentioned factors also meant that the effect from net claim expenses was positive, EUR 0.24 million in 2021.

Revenue in 2021 was generated from declining gross provisions for bonuses and from declining net provisions for unexpired risks.

Investment income rose slightly relative to 2020, but is still affected by low interest rates and in 2021 stood at EUR 0.14 million. Investment expenses are mostly accounted for by expenses from the asset management, which were up EUR 0.01 million relative to 2020. The net result from investing activities amounted to EUR 0.06 million in 2021. The return on investment was at roughly the same level as last year and stood at 0.20% (in 2020: 0.18%).

Income from reinsurance commissions was up EUR 1.05 million or 44% on 2020, which was mainly attributed to higher premiums and the higher payment of profit commission for previous years, despite the slightly lower commission percentage for the quota-based reinsurance contract with Coface Re.

Income from charged credit report fees was down EUR 0.29 million or 24% on 2020 (due to a lower number of limits and price pressures), while expenses rose by EUR 0.06 million or 8% in 2021. The coverage of the costs of credit report fees was down relative to 2020, with income being 20% higher than the expenses in 2021 (in 2020 71% higher).

Operating costs stood at EUR 5.35 million, and increased by EUR 0.19 million or 4% in 2021 relative to 2020. The main factor in the increase were higher acquisition costs. Despite this, the cost ratio was down one percentage point on 2020 and stood at 41%.[15] The main reason for the decrease in the cost ratio was an increase in the gross premiums written. Labour costs, which account for 48% of total costs, were down 2% in 2021, which is mainly attributed to the lower number of employees in 2021 relative to 2020. Acquisition costs were up 27% on 2020, while depreciation was down 35%. Other operating costs were up 9%, mostly on account of higher costs for advisory and other services.

Net profit for the accounting period stood at EUR 3.19 million, which was up EUR 1.00 million on 2020.

| **in EUR thousand** | **2021** | **2020** | **Change** | **Index** |
|---|---|---|---|---|
| Pre-tax profit | 3,930 | 2,205 | 1,726 | 178 |
| Corporate income tax | -745 | -12 | -733 | 6,175 |
| **Net profit for the accounting period** | **3,185** | **2,193** | **993** | **145** |
| Retained earning for the current year | 0 | 1 | -1 | 0 |
| Increase in reserves pursuant to the resolution of the management board | -1,593 | -1,096 | -496 | 145 |
| **Available for distributable profit** | **1,593** | **1,097** | **496** | **145** |

[15]Cost ratio calculated from costs by type.

## 6.2 Financial position[16]

| in EUR thousand or in % | 31/12/2021 | 31/12/2020 | Change | Index | 31/12/2021 | 31/12/2020 |
|---|---|---|---|---|---|---|
| Available-for-sale financial assets, loans and deposits | 32,927 | 29,020 | 3,908 | 113 | 64% | 58% |
| Amount of technical provisions ceded to reinsurers | 12,178 | 13,277 | -1,099 | 92 | 24% | 26% |
| Receivables from (re)insurance business | 2,275 | 2,589 | -314 | 88 | 4% | 5% |
| Intangible assets and property, plant and equipment | 2,100 | 2,353 | -253 | 89 | 4% | 5% |
| Cash and cash equivalents | 2,188 | 2,489 | -302 | 88 | 4% | 5% |
| Other assets | 73 | 450 | -377 | 16 | 0% | 1% |
| **Total assets** | **51,741** | **50,179** | **1,562** | **103** | **100%** | **100%** |
| Equity | 27,219 | 24,215 | 3,004 | 112 | 53% | 48% |
| *- share capital* | *8,413* | *8,413* | *0* | *100* | *16%* | *17%* |
| *- revenue reserves: legal, under Articles of Association and other reserves* | *15,318* | *13,725* | *1,593* | *112* | *30%* | *27%* |
| *- fair value reserve* | *218* | *399* | *-181* | *55* | *0%* | *1%* |
| *- retained earnings* | *1,678* | *581* | *1,096* | *289* | *3%* | *1%* |
| *- net profit for the financial year* | *1,593* | *1,096* | *496* | *145* | *3%* | *2%* |
| Technical provisions | 20,796 | 22,591 | -1,794 | 92 | 40% | 45% |
| Other provisions | 168 | 159 | 9 | 106 | 0% | 0% |
| Liabilities from reinsurance business | 1,798 | 2,118 | -320 | 85 | 3% | 4% |
| Other operating liabilities | 1,759 | 1,096 | 663 | 161 | 3% | 2% |
| **Total equity and liabilities** | **51,741** | **50,179** | **1,562** | **103** | **100%** | **100%** |

Assets and liabilities items are described below, which as at 31 December 2021 accounted for at minimum a 5% proportion of assets or liabilities, or the change exceeded 2% of the equity (EUR 544 thousand) in the reporting period.

In the breakdown of assets the proportion of financial assets increased most, where surplus liquidity was redirected, with the largest decline being recorded in the proportion of technical provisions ceded to reinsurers. Equity saw the greatest increase among liabilities, as a result of the net profit for the financial year, while technical provisions saw the greatest decline.

Financial assets (64%) and technical provisions ceded to reinsurers (24%) accounted for the largest proportion of assets. Financial assets saw an increase of six percentage points and technical provisions ceded to reinsurers a decline of two percentage points in 2021 relative to 2020. Receivables from (re)insurance business, intangible assets and property, plant and equipment and cash and cash equivalents each account for 4% of total assets, which all saw a decline of one percentage point in 2021.

The largest proportion of total equity and liabilities was accounted for by equity (53%) followed by technical provisions (40%). Equity saw an increase of five percentage points and technical provisions a decline of five percentage points in 2021 relative to 2020. Liabilities from (re)insurance business and other liabilities from operations collectively accounted for 6%, which is at the same level as in 2020.

As of 31 December 2021, financial assets were up 13% or EUR 3.91 million relative to the previous year, and stand at EUR 32.93 million.

Receivables from (re)insurance business as at 31 December 2021 were down by EUR 0.31 million or 12% relative to the situation as at 31 December 2020.

[16]For the notes to the balance sheet, see point 2.5 of the financial report.

Intangible assets and property, plant and equipment were down EUR 0.25 million in 2021.

As of 31 December 2021, cash and cash equivalents were down EUR 0.30 million or 12%, with 58% of this amount accounted for by balance in bank accounts, while the remainder by call deposits.

Equity was up EUR 3.00 million or 12%, mostly due to the non-payment of dividends. Coface PKZ already used 50% of the net profit in 2021 when drafting the report under the decision of the management board for the increase of other profit reserves in the amount of EUR 1.593 million. Following the creation of profit reserves, net profit for the financial year stood at EUR 1.593 million.

*Technical provisions and reinsurers' shares*

| in EUR thousand | 31/12/2021 | Change in 2021 | Change in 2021 % | 31/12/2020 | Reinsurers' shares as at 31/12/2021 | Reinsurers' shares as at 31/12/2020 |
|---|---|---|---|---|---|---|
| Gross unearned premiums | 1,832 | 130 | 8% | 1,701 | | |
| Reinsurers' share | -983 | -161 | 20% | -822 | -54% | -48% |
| **Net unearned premiums** | **849** | **-31** | **-3%** | **879** | | |
| Gross provisions for claims outstanding | 14,386 | -1,600 | -10% | 15,986 | | |
| Reinsurers' share | -8,409 | 1,235 | -13% | -9,644 | -58% | -60% |
| **Net provisions for claims outstanding** | **5,977** | **-365** | **-6%** | **6,342** | | |
| Gross provisions for bonuses and rebates | 3,837 | -193 | -5% | 4,030 | | |
| Reinsurers' share | -2,314 | 3 | 0% | -2,317 | -60% | -57% |
| **Net provisions for bonuses and rebates** | **1,523** | **-190** | **-11%** | **1,713** | | |
| Gross provisions for unexpired risks | 741 | -131 | -15% | 873 | | |
| Reinsurers' share | -472 | 22 | -4% | -494 | -64% | -57% |
| **Net provisions for unexpired risks** | **269** | **-110** | **-29%** | **379** | | |
| Total gross technical provisions | 20,796 | -1,794 | -8% | 22,591 | | |
| Total reinsurers' share | -12,178 | 1,099 | -8% | -13,277 | -59% | -59% |
| **Total net technical provisions (liabilities under the IFRS)** | **8,618** | **-695** | **-7%** | **9,314** | | |

Gross technical provisions declined by EUR 1.79 million or 8%, while the absolute amount of provisions ceded to reinsurers increased by EUR 1.10 million. All this was reflected in a decline in net technical provisions (by EUR 0.70 million or 7%). Gross unearned premiums were up EUR 0.13 million or 8%, which was mostly attributed to an increase in the premiums written. Gross provisions for claims outstanding declined by EUR 1.60 million or 10% due to the favourable claims situation, while the reinsurers' share declined by 13%. Net provisions for claims outstanding declined by 6%. Gross provisions for bonuses were down 5% or EUR 0.19 million, while the amount ceded to reinsurers remained unchanged. The reason for the decline in gross provisions for bonuses in 2021 relative to the end of 2020 lies in the payment of bonuses for previous years to major policyholders. Net provisions for unexpired risks were down EUR 0.11 million.

Liabilities from the (re)insurance business declined by 15%, or by EUR 0.32 million.

## 6.3 Summary of cash flows [17]

The net cash flow from operating activities, which derives from categories calculated in the income statement, was generated primarily from the difference between net premiums written and claims during the period, and was much higher than in 2020 in this segment (primarily as a result of much lower net claims and higher net premiums). Net operating working capital was down in 2021 relative to 2020. The difference derives primarily from different changes in receivables and liabilities in both years. For this reason, there were more inflows than outflows generated from operations in 2021 (net cash flow of EUR 3.725 million).

The net cash flow from investing activities derives primarily from the placement and redemption of financial assets. Inflows from investments were lower and outflows higher in 2021 relative to 2020. The reason for higher outflows is mostly due to acquisition of financial assets. The net cash flow amounts to EUR -4.024 million.

| in EUR thousand | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **A. Cash flows from operating activities** | | |
| a) Income statement items, of which: | 3,414 | 544 |
| *Net insurance premiums written for the period* | *4,607* | *4,514* |
| *Net claims paid for the period* | *-129* | *-2,249* |
| b) Changes in net working capital from balance sheet operating items (insurance receivables, other receivables, other assets and deferred tax assets and liabilities), of which: | 312 | 1,331 |
| *Opening less closing receivables from reinsurance business* | 591 | 274 |
| *Opening less closing other receivables from (re)insurance business* | *77* | *-115* |
| **c) Net cash flows from operating activities (a + b)** | **3,725** | **1,875** |
| **B. Cash flows from investing activities** | | |
| a) Inflows from investing activities, of which: | 11,200 | 12,866 |
| *Inflows from the disposal of financial assets* | *10,769* | *12,397* |
| b) Outflows from investing activities, of which: | -15,225 | -13,513 |
| *Outflows for the acquisition of financial assets* | *-15,185* | *-13,378* |
| **c) Net cash flows from investing activities (a + b)** | **-4,024** | **-647** |
| **C. Cash flows from financing activities** | | |
| a) Inflows from financing activities | 0 | 0 |
| b) Outflows from financing activities, of which: | -3 | -1 |
| *Interest expense* | -3 | -1 |
| **c) Net cash flows from financing activities (a + b)** | **-3** | **-1** |
| **D. Closing balance of cash and cash equivalents** | **2,188** | **2,489** |

[17] For the notes to the statement of cash flows, see point 2.7 of the financial report.

## 6.4 Performance indicators[18]

All the company's business relates to a single class of insurance, as a result of which the indicators refer uniformly and entirely to the class of credit insurance.

The cost ratio is calculated from costs by type, and costs by type are also taken into account in the calculation of the claims ratio and return on investment.

[18] Performance indicators are shown under the Decision on the Annual Report and the Quarterly Financial Statements of Insurance Undertakings.

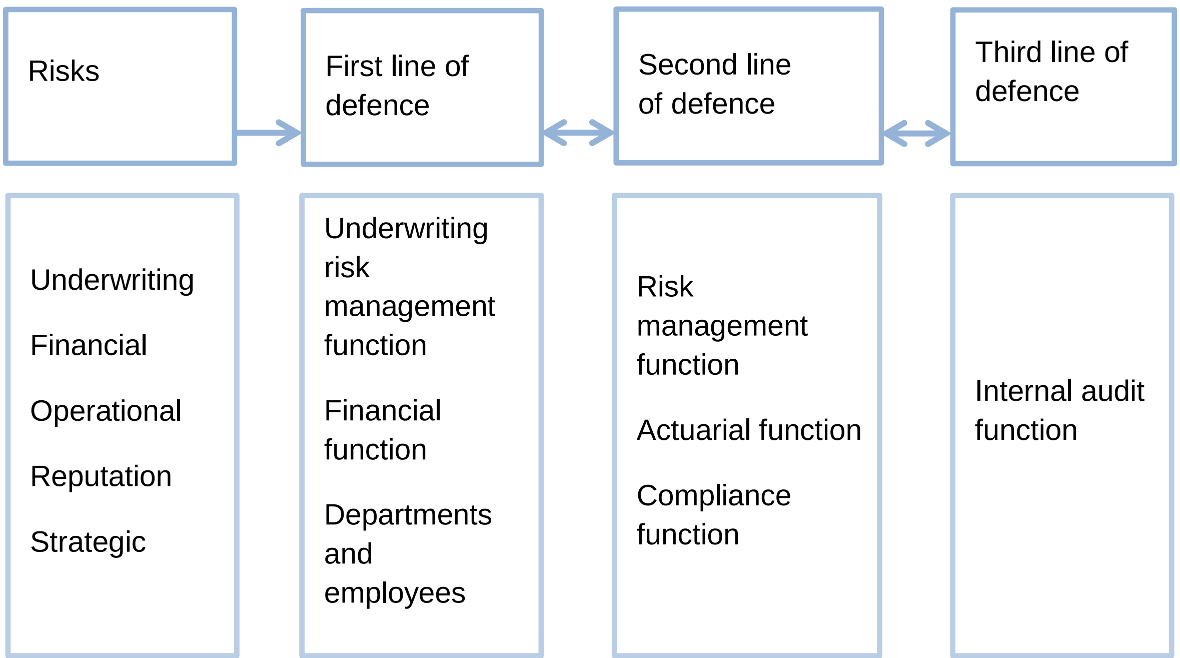
| | No. (ISA decision) | Ratio | Formula for calc. | Data for calc. in EUR | | 2021 | Data for calc. in EUR | | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Numerator | Denominator | | Numerator | Denominator | |
| 1 | 1 | Growth in gross premiums written (index) | Gross premiums written in the current year x 100 / Gross premiums written in the previous year | 13,055,873 | 12,300,097 | **106** | 12,300,097 | 14,754,746 | **83** |
| 2 | 2 | Net insurance premiums written as a % of gross insurance premiums written | Net insurance premiums written x 100 / Gross insurance premiums written | 4,607,137 | 13,055,873 | **35.29%** | 4,514,190 | 12,300,097 | **36.70%** |
| 3 | 3 | Changes in gross claims paid (index) | Gross claims paid in the current year x 100 / Gross claims paid in the previous year | 1,578,246 | 5,110,703 | **31** | 5,110,703 | 5,847,596 | **87** |
| 4 | 4 | Loss ratio (Claims ratio) | Gross claims paid x 100 / Gross premiums written | 1,578,246 | 13,055,873 | **12** | 5,110,703 | 12,300,097 | **42** |
| 5 | 5 | Operating costs as % of gross insurance premiums written | Operating costs x 100/ Gross insurance premiums written | 5,345,277 | 13,055,873 | **40.94%** | 5,155,039 | 12,300,097 | **41.91%** |
| 6 | 6 | Acquisition costs as % of gross insurance premiums written | Acquisition costs x 100/ Gross insurance premiums written | 1,145,252 | 13,055,873 | **8.77%** | 900,125 | 12,300,097 | **7.32%** |
| 7 | 7 | Net claims ratio | (Net insurance claims + change in provisions for claims outstanding) x 100 / Net income from insurance premiums | -236,180 | 4,637,652 | **-5** | 1,253,978 | 4,873,238 | **26** |
| 8 | 8 | Combined claims ratio | (Net insurance claims + change in provisions for claims outstanding + net operating costs) x 100 / Net income from insurance premiums | 1,679,877 | 4,637,652 | **36** | 4,027,095 | 4,873,238 | **83** |
| 9 | 11 | Effects of investments as % of the average balance of investments | (Return on investments x 100/ (Balance of investments at the beginning of the year + balance of investments at the end of the year) / 2) | 63,153 | 30,973,399 | **0.20%** | 51,188 | 28,613,525 | **0.18%** |
| 10 | 11.5 | Effects of investments as % of the average balance of investments for non-life insurance | (Return on investments x 100/ (Balance of investments at the beginning of the year + balance of investments at the end of the year) / 2) | 52,010 | 27,054,442 | **0.19%** | 39,795 | 24,608,684 | **0.16%** |
| 11 | 11.6 | Effects of investments as % of the average balance of investments not financed from technical provisions | (Return on investments x 100/ (Balance of investments at the beginning of the year + balance of investments at the end of the year) / 2) | 11,142 | 3,918,956 | **0.28%** | 11,392 | 4,004,841 | **0.28%** |
| 12 | 12 | Net provisions for claims outstanding as % of net income from insurance premiums | Net provisions for claims outstanding x 100/ Net income from insurance premiums | 5,977,397 | 4,637,652 | **128.89%** | 6,342,294 | 4,873,238 | **130.15%** |
| 13 | 13 | Gross profit (loss) for the current year as a % of net premiums written | Gross profit (loss) for the current year x 100 / Net premiums written | 3,930,326 | 4,607,137 | **85.31%** | 2,204,635 | 4,514,190 | **48.84%** |
| 14 | 14 | Gross profit (loss) for the current year as a % of average equity | Gross profit (loss) for the current year x 100 / (Balance of equity at the beginning of the year + balance of equity at the end of the year) / 2) | 3,930,326 | 25,716,876 | **15.28%** | 2,204,635 | 23,037,886 | **9.57%** |
| 15 | 15 | Gross profit (loss) for the current year as a % of average assets | Gross profit (loss) for the current year x 100 / (Balance of assets at the beginning of the year + balance of assets at the end of the year) / 2) | 3,930,326 | 50,959,582 | **7.71%** | 2,204,635 | 48,516,211 | **4.54%** |
| 16 | 16 | Gross profit (loss) for the current year per share | Gross profit (loss) / Number of shares | 3,930,326 | 2,016 | **1,950** | 2,204,635 | 2,016 | **1,094** |
| 17 | 17 | Reinsurance receivables and reinsurer's share of technical provisions as a % of the company's equity | Reinsurance receivables and reinsurer's share of technical provisions x 100 / company's equity | 12,200,470 | 27,219,002 | **45%** | 13,890,588 | 24,214,751 | **57%** |
| 18 | 18 | Net insurance premiums written relative to average balance of equity and technical provisions | Net insurance premiums written x 100/ (average balance of equity + average balance of technical provisions) | 4,607,137 | 34,682,898 | **13.28** | 4,514,190 | 33,360,442 | **13.53** |
| 19 | 19 | Average balance of net technical provisions relative to net income from insurance premiums | Average balance of net technical provisions x 100 / Net income from insurance premiums | 8,966,022 | 4,637,652 | **193.33** | 10,322,556 | 4,873,238 | **211.82** |
| 20 | 20 | Equity relative to liabilities | Equity x 100 / Liabilities | 27,219,002 | 51,740,616 | **52.61** | 24,214,751 | 50,178,548 | **48.26** |
| 21 | 21 | Net technical provisions relative to liabilities | Net technical provisions x 100 / Liabilities | 8,618,468 | 51,740,616 | **16.66** | 9,313,575 | 50,178,548 | **18.56** |
| 22 | 23 | Gross insurance premiums written relative to number of permanent employees | Gross insurance premiums written / Average number of employees | 13,055,873 | 56 | **233,141** | 12,300,097 | 61 | **201,641** |

# 7. RISK MANAGEMENT

## 7.1 Risk management system

In the scope of its system of governance Coface PKZ put in place a risk management system that ensures the achievement of the company's long-term objectives and secure operations. The risk management system is based on three lines of defence:

– The first line of defence comprises business functions that manage underwriting risks, the financial function, and departments and employees. These functions and/or departments are responsible for the operational management of individual risks, which includes, in particular, the identification of individual risks and their take-up, whereby compliance with the defined written rules and risk appetite must be ensured.
– The second line of defence comprises, in particular, three key functions, i.e. the risk management function, the actuarial function and the compliance function. These functions define and maintain a risk management system that also covers the process of the identification, assessment and measurement, management and monitoring of risks (including the own risk and solvency assessment process).
– The third line of defence comprises the internal audit function that operates independently of all business and other functions. The internal audit function carries out regular reviews of the performance and effectiveness of internal controls, and the performance and effectiveness of the management system and the risk management system.



## 7.2 Risk management process

Coface PKZ has put in place a general risk management process that applies to each category of risk to which the company is exposed. The risk management process is comprised of four levels that are repetitive by nature:

- The identification of risks as the first risk management phase. Identification of risks is carried out for each category of risk that is significant for Coface PKZ, observing all legal requirements and best practices. Risks to which Coface PKZ is exposed are recorded in the risk register. The key stakeholders in the identification of risks are the risk management function, actuarial function, compliance function, financial function and the department heads.
- The assessment or measurement of risks, with a qualitative and/or quantitative assessment of exposure to all risks.
- The management of risks ensures that risk exposure is inside the boundaries of the outlined risk appetite. Significant risk management measures are approved by the management board, followed by risk management measures being implemented by the risk management function, the actuarial function, compliance function or department heads, depending on the risk type.
- The monitoring of risks is carried out in order to identify, assess and measure the missing or newly arisen risks, and measure the exposure to existing risks. Monitoring also includes reporting to the management board, supervisory board, the Insurance Supervision Agency and other key stakeholders within the risk management system.

All organisational units are involved in the risk management process.

## 7.3 Risk profile

The following risks arise in the operations of Coface PKZ:

**Underwriting risks** (risks from non-life insurance contracts) comprise risks of loss or adverse changes in the value of insurance liabilities due to inappropriate premiums and improper assumptions during the calculation of technical provisions.

Coface PKZ is exposed to underwriting risk through the specification of contractual terms, including premium rates, through risk underwriting (approval and monitoring of customer limits for policyholders), through changes in claims developments (as a result of changes in policyholder behaviour and changes in the economic, political and financial environment of both policyholders and risks), and through the creation of provisions for claims outstanding. The key underwriting risks for Coface PKZ are risk of determining and using appropriate premium rates, and the risk associated with technical provisions (the risk of ensuring that the technical provisions suffice to cover all future liabilities and the risks that have already been taken up by the company).

The basic guideline for Coface PKZ in concluding insurance contracts is mostly the due diligence of the customers' credit ratings in the approval phase and also during the validity period of the limits. Coface PKZ also mitigates and manages its underwriting risk by limiting concentration (in terms of buyer or group of buyers, sector, and country), appropriate reinsurance arrangements, and adequate creation of technical provisions according to actuarial methods subject to constant review.

**Financial risks** comprise the risks that are presented in detail below:

- Market risks are the risks of loss or of an adverse change to Coface PKZ's financial position, which occur due to fluctuations in the amount and variability of the market prices of assets, liabilities and financial instruments.
- Credit risk is a risk of loss or adverse change to Coface PKZ's financial position due to unexpected default or a deterioration in the credit position of counterparties and obligors of the insurer.
- Concentration risk reflects additional risks to which the insurer is exposed due to the insufficient diversification of the asset portfolio or large exposure to default risk by counterparties or obligors of the insurer. It relates to market risk and underwriting risk.
- Liquidity risk is a risk of loss due to an inability to settle past-due liabilities or in the event of the need to secure funds at significantly higher costs than usual.

Coface PKZ manages financial risks with a prudent investment policy that primarily pursues the objectives regarding liquidity and security. The investment policy further limits exposure to a specific counterparty or issuer.

Credit risk associated with claims from insurance business is managed by Coface PKZ mostly through dynamic adjustments of exposures to underwriting risks in accordance with the system of internal ratings that are based on an analysis of the financial position of policyholders and their customers.

**Operational risk** is the risk of a loss occurring as a result of inadequate or failed internal processes, other incorrect actions by staff, inadequacies or failures in systems, and external events or actions. Operational risk also includes compliance risk, which is defined as the risk of sanctions, significant financial losses or a loss of reputation as a result of operations failing to comply with regulations and standards of good practice. Operational risk also includes information support risk, which is defined as the risk of loss as a result of inadequate information technology and processing, primarily from the point of view of manageability, access, integrity, control and continuity.

The aim of operational risk management at Coface PKZ is to balance the avoidance of financial losses from these risks and the loss of reputation with cost-effectiveness, and to facilitate initiative, creativity and independence of action among the staff while maintaining adequate active controls. The management board, risk management function and department heads bear the key responsibility for operational risk management. Operational risk management at Coface PKZ is based on the establishment of the control environment, the system of internal controls, the system of authorisations, the system for replacing staff during absences, a focus on staff training, the application of ethical standards, and investment in information support. The system of governance is also a component of the operational risk management framework.

**Reputational risk** is defined as the risk of potential loss due to deterioration in the reputation or negative perception of the insurer among policyholders, counterparties, supervisory authorities and other stakeholders.

Reputational risk is managed, in particular, by ensuring compliance with the corporate integrity framework and constantly making sure that all employees are aware of the significance of compliance with the rules on corporate integrity and other rules and procedures, with the defined internal controls, timely communication and preparation of responses if events arise that could impair the reputation of the insurer, and so on.

**Strategic risk** is the risk of potential loss that occurs due to the failure to implement business plans. Strategic risk can be a result of incompatibility between the insurer's strategic objectives, development of business strategies, funds earmarked for the attainment of these objectives, the quality of implementation and economic trends on the markets where the insurer operates, as well as the result of other external and internal factors.

Strategic risks are managed primarily through a clearly defined process for the development of strategic objectives and the transfer of these objectives into strategic activities, by ensuring effective communication regarding the outlined business strategy within the insurer, and with regular, timely and appropriate reporting on the implementation of the business strategy.

**Capital risk** relates to an inadequate level and/or composition of own funds in terms of the scope and method of operations and to the possibility of acquiring additional own funds, in particular, should a need arise for a rapid increase in own funds and/or in adverse conditions for the acquisition of additional own funds.

Coface PKZ manages capital risk by ensuring that all significant risks are covered through capital, regularly identifying solvency requirements that are derived from strategic objectives and business plans. Due to this, capital management comprises one of the vital components of Coface PKZ's risk management, which includes, in particular, the calculation of the capital requirements according to taken-up risks, striving for sufficient profitability, analysis of the impact of business decisions on capital adequacy, and proposals for the use of the distributable profit.

In order to effectively manage capital risk Coface PKZ also defines the optimal level of capital adequacy, which is determined by an interval between the minimum and maximum capital adequacy thresholds.

In accordance with the Solvency II rules Coface PKZ regularly discloses a solvency and financial position report. The report presents the entire management system, which also includes the risk management system. It also provides a detailed presentation of exposure to all types of risks which Coface PKZ is exposed to in its operations. The report also includes a presentation of the capital management system, calculation of capital, capital requirements (solvency capital requirement, minimum capital requirement) and capital adequacy.

# 8. REPORT ON RELATIONS WITH AFFILIATES

***Statement of senior management***

All legal transactions between Compagnie Française d'Assurance pour le Commerce Extérieur (the controlling company) and its affiliates were undertaken in a manner such that in the circumstances known to Coface PKZ at the time of the execution of the legal transaction, it did not suffer any deprivation of income. Coface PKZ also refrained from any acts or omissions at the initiative or in the interest of these companies. The subsidiary did not suffer any deprivation in 2021 that would require compensation.

The nature and amounts of the transactions are described in point 2.8.1 of the financial report.

Olga Sharkova
Member of the Management Board

Sergej Simoniti
Chairman of the Management Board

Ljubljana, 25 February 2022

# FINANCIAL REPORT
# 2021

Deloitte revizija d.o.o.
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# INDEPENDENT AUDITOR'S REPORT
# to the shareholder of Coface PKZ zavarovalnica d.d.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the company Coface PKZ zavarovalnica d.d. (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2021, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How matter was addressed in our audit |
|---|---|
| Technical provisions are explained in Note 2.3.10 (Accounting policies), Note 2.9.2. (Risk Management) and Note 2.5.7 (Value and assumptions). | |
| Insurance Company recognizes the following types of technical provisions: unearned premiums, provisions for claims outstanding, provisions for bonuses and provisions for unexpired risks.<br><br>As of December 31, 2021 the value of insurance technical provisions is 20.796t EUR (2020: 22.519t EUR) respectively, which are measured in accordance with accounting policies set in the financial statements.<br><br>Provisions are an accounting estimate and are therefore subject to a high degree of judgment/assessment, which is why we considered this accounting estimate as a key audit matter. | We gained understanding and tested the key controls. We revewed the process of analyzing the economic and non-economic assumptions used in calculation of provisions.<br><br>We assessed, whether the provisions recorded were in accordance with the requirements of the accounting framework, industry practice and regulatory requirements and performed independent recalculation of provisions.<br>We also included experts from the actuarial field in our audit.<br><br>In addition, we have reviewed the information disclosed in the financial statements. |

### Emphasis of matter

As disclosed in Note *2.2.2 Basis for compiling the financial statements*, parent company decided to transform the insurance company Coface PKZ into a branch in 2022, which is in line with the legal status of other members of the Coface Group. At the meeting of the Board of Directors of the Compagnie Française d'Assurance pour le Commerce Extérieur (parent company), held on 22 February 2022, it was confirmed to establish a Coface branch in Slovenia. Our opinion is not modified in respect of this matter.

### Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor’s report thereon.

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Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the audited financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

*Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)*

Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 30 May 2019. Our total uninterrupted engagement has lasted seven years.

Confirmation to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 28 February 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Barbara Žibret Kralj.

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified auditor

*For signature please refer to the original Slovenian version.*

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 28 February 2022

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

# STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The management board has approved the financial statements of Coface PKZ zavarovalnica d.d. for the year ending 31 December 2021, the accounting polices applied, and the notes to the financial statements. The financial statements and accompanying notes have been compiled in accordance with the IFRS as adopted by the EU, under the assumption of a going concern basis.

The management board hereby confirms its responsibility for ensuring that the financial statements and notes present a true and fair picture in accordance with the IFRS applicable in the EU. The management board is also responsible for the application of the relevant accounting policies, and the use of reasonable and prudent accounting estimates in the compilation of the financial statements.

The management board is also responsible for administering the accounts correctly, for taking appropriate measures to secure assets, and for preventing and detecting fraud and other irregularities and unlawful acts.

The tax authorities may audit the company's operations at any time in the five years after the date that tax was due to be levied, which may result in additional tax liabilities, penalty interest and fines in connection with corporate income tax or other taxes and levies. The management board is not aware of any circumstances that could give rise to any significant liability on this account.

Olga Sharkova
Member of the Management Board

Sergej Simoniti
Chairman of the Management Board

Ljubljana, 25 February 2022

# 1. FINANCIAL STATEMENTS

## 1.1 Balance sheet

| in EUR | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **ASSETS** | | **51,740,616** | **50,178,548** |
| **Intangible assets** | **2.5.1** | **26,983** | **84,214** |
| **Property, plant and equipment** | **2.5.1** | **2,073,110** | **2,269,217** |
| **Financial assets:** | **2.5.2** | **32,927,287** | **29,019,511** |
| - available-for-sale | | 32,927,287 | 29,019,511 |
| **Amount of technical provisions ceded to reinsurers** | **2.5.7** | **12,178,005** | **13,277,128** |
| **Receivables** | | **2,322,036** | **2,998,858** |
| 1. Receivables from direct insurance business | 2.5.3 | 2,210,768 | 1,857,177 |
| 2. Receivables from reinsurance and coinsurance | 2.5.3 | 22,465 | 613,459 |
| 3. Current tax assets | 2.6.9 | 0 | 261,018 |
| 4. Other receivables | 2.5.3 | 88,803 | 267,204 |
| **Other assets** | **2.5.4** | **25,557** | **40,474** |
| **Cash and cash equivalents** | **2.5.5** | **2,187,637** | **2,489,146** |
| | | | |
| **EQUITY AND LIABILITIES** | | **51,740,616** | **50,178,548** |
| **Equity** | **2.5.6** | **27,219,002** | **24,214,751** |
| 1. Share capital | | 8,412,619 | 8,412,619 |
| 2. Profit reserves | | 15,317,597 | 13,724,953 |
| 3. Fair value reserve | | 218,379 | 399,417 |
| 4. Retained earnings | | 1,677,762 | 581,477 |
| 5. Net profit for the financial year | | 1,592,644 | 1,096,285 |
| **Technical provisions** | **2.5.7** | **20,796,473** | **22,590,704** |
| 1. Unearned premiums | | 1,831,515 | 1,701,125 |
| 2. Provisions for claims outstanding | | 14,386,273 | 15,986,437 |
| 3. Other technical provisions | | 4,578,685 | 4,903,143 |
| **Other provisions** | **2.5.8** | **167,796** | **158,751** |
| **Deferred tax liabilities** | **2.6.9** | **20,170** | **63,372** |
| **Other financial liabilities** | **2.5.9** | **2,321** | **1,488** |
| **Operating liabilities** | | **2,307,132** | **1,855,559** |
| 1. Liabilities arising from direct insurance business | 2.5.9 | 41,490 | 9,188 |
| 2. Liablities from reinsurance and coinsurance | 2.5.9 | 1,529,416 | 1,846,371 |
| 3. Current tax liabilities | 2.6.9 | 736,226 | 0 |
| **Other liabilities** | **2.5.9** | **1,227,722** | **1,293,922** |

The notes to the financial statements are part of the financial statements and must be read together with them.

## 1.2 Income statement

| in EUR | Notes | 2021 | 2020 |
|---|---|---|---|
| **NET INCOME FROM INSURANCE PREMIUMS** | **2.6.1** | **4,637,652** | **4,873,238** |
| - Gross insurance premiums written | | 13,055,873 | 12,300,097 |
| - Premiums written ceded to reinsurance and coinsurance | | -8,448,736 | -7,785,907 |
| - Change in unearned premiums | | 30,515 | 359,048 |
| **INVESTMENT INCOME, of which** | **2.6.2** | **143,496** | **121,601** |
| - interest income calculated using the effective interest rate method | | 85,975 | 121,601 |
| - gains from the disposal of financial assets | | 57,521 | 0 |
| **OTHER INSURANCE INCOME, of which** | **2.6.3** | **4,338,807** | **3,584,015** |
| - income from fees and commissions | | 3,429,220 | 2,381,921 |
| **OTHER INCOME** | **2.6.10** | **517,836** | **201,428** |
| **NET CLAIM EXPENSES** | **2.6.4** | **-236,180** | **1,253,978** |
| - Gross claims paid | | 566,309 | 3,369,636 |
| - Reinsurers' and coinsurers' shares | | -437,591 | -1,121,114 |
| - Change in provisions for claims outstanding | | -364,898 | -994,545 |
| **CHANGE IN OTHER TECHNICAL PROVISIONS** | **2.6.5** | **109,616** | **730,946** |
| **EXPENSES FOR BONUSES AND REBATES** | **2.6.6** | **-190,079** | **66,578** |
| **OPERATING COSTS, of which** | **2.6.7** | **5,345,277** | **5,155,039** |
| - acquisition costs | | 1,145,252 | 900,125 |
| **INVESTMENT EXPENSES, of which** | **2.6.2** | **80,344** | **70,413** |
| - losses on disposal of investments | | 16,633 | 13,327 |
| **OTHER INSURANCE EXPENSES** | **2.6.8** | **794,638** | **758,406** |
| **OTHER EXPENSES** | **2.6.10** | **23,080** | **2,179** |
| **PRE-TAX PROFIT** | **2.6.9** | **3,930,326** | **2,204,635** |
| **CORPORATE INCOME TAX** | **2.6.9** | **745,038** | **12,065** |
| **NET PROFIT FOR THE ACCOUNTING PERIOD** | **2.6.9** | **3,185,288** | **2,192,570** |

The notes to the financial statements are part of the financial statements and must be read together with them.

## 1.3 Statement of other comprehensive income

| in EUR | Notes | 2021 | 2020 |
|---|---|---|---|
| **NET PROFIT/LOSS FOR THE FINANCIAL YEAR AFTER TAX** | **2.6.9** | **3,185,288** | **2,192,570** |
| **OTHER COMPREHENSIVE INCOME AFTER TAX (a+b)** | **2.6.9** | **-181,037** | **161,161** |
| **a. Items that will not be reclassified later to profit or loss** | | **-4,185** | **8,560** |
| 1. Actuarial net gains/losses for pension plans | | -3,517 | 7,321 |
| 2. Tax from items that will not be reclassified to profit or loss | | -668 | 1,240 |
| **b. Items that may be reclassified later to profit or loss** | | **-176,853** | **152,600** |
| 1. Net gains/losses from remeasurement of available-for-sale financial assets | | -218,336 | 188,396 |
| 1.1 Gains/losses recognised in fair value reserve | | -177,448 | 201,723 |
| 1.2. Reclassification of profit/loss from fair value reserve to profit or loss | | -40,888 | -13,327 |
| 2. Tax from items that may be reclassified subsequently to profit or loss | | 41,484 | -35,795 |
| **COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX** | **2.6.9** | **3,004,250** | **2,353,730** |

The notes to the financial statements are part of the financial statements and must be read together with them.

## 1.4 Statement of cash flows

| in EUR | | Notes | 2021 | 2020 |
|---|---|---|---|---|
| **A.** | **Cash flows from operating activities** | | | |
| **a)** | **Cash flows from operating activities before changes in operating balance sheet items** | **2.7** | **2,668,635** | **531,481** |
| | Pre-tax profit | | 3,930,326 | 2,204,635 |
| | *Adjustments:* | | *-1,261,692* | *-1,673,154* |
| | Corporate income tax recognised in profit or loss | | -745,038 | -12,065 |
| | Financing costs recognised in profit or loss | | -83,412 | -120,361 |
| | Net (gain) / loss on disposal of available-for-sale financial assets | | -40,888 | 13,327 |
| | Expenses from value adjustments of trade receivables | | 13,252 | 24,249 |
| | Reversal of expenses from value adjustments of trade receivables | | 0 | -4,074 |
| | Depreciation / amortisation of non-current assets | | 280,549 | 433,159 |
| | Impairments of non-current assets | | -2,155 | -3,118 |
| | Net foreign exchange (gains) / losses | | -3 | -600 |
| | Expenses and revenue from provisions | | -683,995 | -2,003,670 |
| **b)** | ***Changes in net working capital / liabilities of operating balance sheet items*** | | **1,056,724** | **1,343,668** |
| | Opening less closing receivables | | 678,487 | 35,198 |
| | Closing less opening liabilities | | 383,822 | 1,310,968 |
| | Closing less opening provisions | | -5,584 | -2,499 |
| **c)** | ***Net cash flow from operating activities (a + b)*** | | **3,725,359** | **1,875,149** |
| | | | | |
| **B.** | **Cash flows from investing activities** | | | |
| **a)** | ***Inflows from investing activities*** | **2.7** | **11,200,230** | **12,865,774** |
| | Inflows from interest relating to investment: | 2.5.2 | 416,432 | 465,174 |
| | Inflows from the disposal of property, plant and equipment | 2.5.1 | 14,940 | 3,402 |
| | Inflows from the disposal of financial assets | 2.5.2 | 10,768,858 | 12,397,198 |
| ***b)*** | ***Outflows from investing activities*** | | **-15,224,549** | **-13,512,791** |
| | Outflows for the acquisition of intangible assets | 2.5.1 | 0 | -1,471 |
| | Outflows for the acquisition of property, plant and equipment | 2.5.1 | -39,996 | -133,646 |
| | Outflows for the acquisition of financial assets | 2.5.2 | -15,184,553 | -13,377,674 |
| ***c)*** | ***Net cash flow from investing activities (a + b)*** | | **-4,024,319** | **-647,017** |
| | | | | |
| **C.** | **Cash flows from financing activities** | | | |
| ***a)*** | ***Inflows from financing activities*** | | **0** | **0** |
| ***b)*** | ***Outflows from financing activities*** | | **-2,550** | **-1,240** |
| | Izdatki za dane obresti | 2.6.2 | -2,550 | -1,240 |
| ***c)*** | ***Net cash flow from financing activities (a + b)*** | | **-2,550** | **-1,240** |
| | | | | |
| **D.** | **Closing balance of cash and cash equivalents** | **2.5.5** | **2,187,636** | **2,489,146** |
| x) | Net cash flow in period (sum of Ac, Bc and Cc) | | -301,510 | 1,226,891 |
| y) | Opening balance of cash and cash equivalents | | 2,489,146 | 1,262,255 |

The notes to the financial statements are part of the financial statements and must be read together with them.

## 1.5 Statement of changes in equity

| in EUR | | I. Share capital | II. Profit reserves: Legal and reserves under the articles of association | II. Profit reserves: Other reserves | III. Fair value reserve | IV. Retained earnings | V. Net profit or loss: Net profit / loss for the financial year | TOTAL EQUITY (from 1 to 6) |
|---|---|---|---|---|---|---|---|---|
| | | 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| **OPENING BALANCE IN PERIOD AS AT** | **1/1/2020** | **8,412,619** | **5,062,366** | **7,566,303** | **239,052** | **503** | **580,179** | **21,861,021** |
| Comprehensive income for the period after tax | | 0 | 0 | 0 | 161,161 | 0 | 2,192,570 | 2,353,730 |
| a. Net profit or loss | | 0 | 0 | 0 | 0 | 0 | 2,192,570 | 2,192,570 |
| b. Other comprehensive income | | 0 | 0 | 0 | 161,161 | 0 | 0 | 161,161 |
| Payment (settlement) of dividends | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocation of net profit to profit reserves | | 0 | 0 | 1,096,285 | 0 | 0 | -1,096,285 | 0 |
| Transfer to retained earnings | | 0 | 0 | 0 | -796 | 580,975 | -580,179 | 0 |
| **CLOSING BALANCE IN PERIOD AS AT** | **31/12/2020** | **8,412,619** | **5,062,366** | **8,662,588** | **399,417** | **581,477** | **1,096,285** | **24,214,751** |
| **OPENING BALANCE IN PERIOD AS AT** | **1/1/2021** | **8,412,619** | **5,062,366** | **8,662,588** | **399,417** | **581,477** | **1,096,285** | **24,214,751** |
| Comprehensive income for the financial year after tax | | 0 | 0 | 0 | -181,037 | 0 | 3,185,288 | 3,004,250 |
| a. Net profit or loss | | 0 | 0 | 0 | 0 | 0 | 3,185,288 | 3,185,288 |
| b. Other comprehensive income | | 0 | 0 | 0 | -181,037 | 0 | 0 | -181,037 |
| Payment (settlement) of dividends | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocation of net profit to profit reserves | | 0 | 0 | 1,592,644 | 0 | 0 | -1,592,644 | 0 |
| Transfer to retained earnings | | 0 | 0 | 0 | 0 | 1,096,285 | -1,096,285 | 0 |
| **CLOSING BALANCE IN PERIOD AS AT** | **31/12/2021** | **8,412,619** | **5,062,366** | **10,255,232** | **218,379** | **1,677,762** | **1,592,644** | **27,219,002** |

The notes to the financial statements are part of the financial statements and must be read together with them. The notes to the statement of changes in equity are given in point 2.5.6 of this report.

# 2. NOTES TO THE FINANCIAL STATEMENTS

## 2.1 Basic information about the company

The registered office of Coface PKZ zavarovalnica d.d., Ljubljana (hereinafter: Coface PKZ) is at Davčna ulica 1, 1000 Ljubljana, Slovenia. The company has no subsidiaries, and the financial statements presented are individual financial statements.

All the shares of Coface PKZ are held by Compagnie Française d'Assurance pour le Commerce Extérieur, with its registered office at 1 Place Coste set Bellonte 92270 Bois-Colombes, France (the controlling company; hereinafter: Coface). The consolidated financial statements are prepared by the controlling company Coface SA (registered office 1 Place Coste set Bellonte 92270 Bois-Colombes, France; LEI code 96950025N07LTJYFSN57) and are available at the company headquarters and on its website at https://www.coface.com/Investors/financial-results-and-reports).

Coface PKZ is a specialist credit insurer engaged exclusively in the insurance of short-term trade credits.

## 2.2 Basis for compiling the financial statements

### 2.2.1 Statement of compliance

Coface PKZ's financial statements for 2021 and the comparative data have been compiled in accordance with the International Financial Reporting Standards (hereinafter: IFRS) and the associated interpretations as adopted by the EU.

### 2.2.2 Basis for compiling the financial statements

The financial statements have been compiled on a historical cost basis, except for available-for-sale financial assets, which are measured at fair value. The methods of measurement at fair value are described in point 2.3.4.

The financial statements have been compiled in euros, which is the company's functional and reporting currency. Amounts have been rounded to the nearest whole euro[19].

The Management Board confirms that the financial statements, together with the notes, have been prepared on the going concern basis for a period of at least twelve months from the date of approval of these financial statements and in accordance with applicable law and International Financial Reporting Standards, adopted by the European Union. Parent company

[19]Discrepancies may arise in the final digits of the summed amounts in tables, as a result of rounding from cents to whole euros.

intends to transform the insurance company Coface PKZ into a branch in 2022, which is in line with the legal status of other members of the Coface Group. The transformation into a branch will simplify and cost-optimize the way the company is managed, while the business model itself will not change.

At the meeting of the Board of Directors of the Compagnie Française d'Assurance pour le Commerce Extérieur (parent company), held on 22 February 2022, it was confirmed to establish a Coface branch in Slovenia.

The financial statements used by the company are required by secondary legislation pursuant to the Insurance Act (Decision Amending the Decision on the Annual Report and the Quarterly Financial Statements of Insurance Undertakings).

Financial assets and liabilities are only netted in the balance sheet disclosures when there exists an enforceable legal basis for so doing, and an intention of settling the balance only or settling the receivables and liabilities simultaneously. Revenue and expenses are also not subject to netting before disclosure in the income statement, unless the standards or interpretations stipulate otherwise.

The management board compiles and approves the annual report, and submits it to the supervisory board for approval. Should the supervisory board refuse to approve the annual report, or defer the decision to the general meeting, the latter decides on the approval of the annual report.

The management board approved the annual report on 25 February 2022.

### 2.2.3 Use of estimates and judgements

The compilation of the financial statements on the basis of the IFRS requires the use of certain critical accounting estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from the estimates. The estimates are reviewed on a regular basis. Revisions to accounting estimates are recognised in profit or loss in the period in which the estimate is revised, and in all future periods affected by the revision.

Critical accounting estimates and assumptions were applied to the following items, where the sources of uncertainty in the estimates are disclosed:

- provisions for claims outstanding, in particular in the part for claims incurred but not reported (see points 2.3.10, 2.5.7, 2.9.1.1);
- receivables for insurance business as a result of the estimated premiums for risks already taken up but not yet invoiceable (see points 2.3.6, 2.3.13, 2.5.3);
- impairments of receivables for premiums and credit reports (see points 2.3.6, 2.5.3, 2.9.2.1);
- provisions for bonuses and rebates (see points 2.3.11 and 2.5.7);
- tangible and intangible fixed assets (see points 2.3.3 and 2.5.1);
- deferred taxes (from financial assets and other provisions (see points 2.3.);

- employee benefit obligations calculated by an independent actuary (see points 2.3.11 and 2.5.8).

## 2.3 Significant accounting policies

The company applied the same accounting policies in all the periods presented in the financial statements.

### 2.3.1 Classification of insurance contracts

Insurance contracts are contracts under which one party (the insurer) accepts significant underwriting risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. All insurance contracts entered into by Coface PKZ meet the criteria for classification as insurance contracts from the point of view of IFRS 4, and are valued, presented and disclosed as such in the financial statements. The same applies to reinsurance contracts.

### 2.3.2 Translation from foreign currencies

Balance sheet items expressed in foreign currencies have been translated into euros at the ECB’s reference exchange rate on the reporting date. Income statement items expressed in foreign currencies have been translated into euros at the ECB’s reference exchange rate on the day of the recording of the transaction.

The exchange rate differences arising in the settlement of monetary amounts or in the translation of balance sheet items in the compilation of the financial statements are recognised in the item of exchange rate gains or losses (netted), and are disclosed in the income statement in the period in which they arise, with the exception of debt instruments classed as available-for-sale financial assets, for which exchange rate differences from changes in amortised cost are recognised in profit or loss; exchange rate differences arising in changes between amortised cost and fair value are recognised together with fair value effects in other comprehensive income. Exchange rate differences in equity instruments for available-for-sale financial assets are disclosed together with the change in fair value in the fair value reserves.

### 2.3.3 Property, plant and equipment, and intangible assets and right-of-use assets

Upon recognition these assets are valued at original cost, which comprises the purchase price and all costs directly related to making the asset fit for use. After recognition assets are valued at original cost less the accumulated amortisation/depreciation adjustment and any accumulated impairment loss (cost model). When the individual components of an asset have different useful lives (which is the case with real estate), they are recorded and amortised/depreciated separately. Gains or losses upon derecognition comprise the difference between the net gain on disposal (if it exists) and the carrying amount of the asset, and are recognised in the income statement. Amortisation is charged on a straight-line basis. The basis for charging amortisation/depreciation is the original cost. Property, plant and equipment and intangible assets become subject to amortisation/depreciation when the asset is available for use. Land and works of art are not subject to depreciation. All intangible assets have a finite useful life. The amortisation/depreciation method, the useful life and the residual value are reviewed at the end of the year, and adjusted as appropriate. The useful lives of assets remained unchanged with respect to 2020.

| Depreciation/amortisation groups | Useful life of asset, years |
|---|---|
| Intangible assets | 5 |
| Land | unlimited |
| Buildings | 50 |
| Parts of buildings of higher value | 20-25 |
| Furniture | 8 |
| Other equipment | 4 |
| Cars | 8 |
| Computers and computer equipment | 2-4 |
| Works of art | unlimited |
| Fixed assets with an individual value under EUR 500 | 1-2 |

Amortisation/depreciation of all assets is disclosed in the income statement under operating costs (administrative expenses and acquisition costs) and net claim expenses (as part of appraisal costs) (see points 2.3.14 and 2.6.7).
On the reporting date an assessment is made of whether there is any objective indication of impairment of individual assets. If there are such indications, the recoverable amount of the asset is estimated, which is the higher of i) fair value less selling costs or ii) value in use. If the carrying amount of the asset exceeds the recoverable amount, the asset is impaired. The impairment loss is disclosed in the income statement.

A right-of-use asset is recognised where a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets include solely assets leased for a longer period of time (more than one year) and whose individual value is in excess of EUR 5,000. IT services are not classified in this category.

Assets are recognised as right-of-use assets at the present value of outstanding lease payments and obligations arising from the lease. Lease payments are discounted at the interest rate adopted at the time of the lease or the implicit lending interest rate that PKZ obtains from the bank where it has its business account or from another bank. When calculating the right to lease, any other initial direct costs and an estimate of the costs that will be incurred through the disposal or renovation of assets are also taken into account.

Right-of-use assets are measured using the historical cost model. The initial value of the rights is reduced for depreciation during the period of use and impairment losses, and corrected for the remeasurement of lease liabilities. The right is amortised starting from the lease date until the end of the lease.

When measuring the lease liabilities, liabilities are increased by interest and reduced by lease payments following the commencement of a lease. In the event of changes to the lease, the value of associated liabilities is remeasured or a separate lease is calculated.

Right-of-use assets are disclosed in the balance sheet under property, plant and equipment, while lease liabilities are disclosed under other liabilities.

### 2.3.4 Financial assets (other than operating receivables and cash)

Financial assets (investments) are assigned to one of two categories upon recognition:
- available-for-sale financial assets, or
- loans and deposits.

Financial assets are recognised as assets on the balance sheet as of the transaction date. A financial asset is derecognised from the balance sheet when the rights to rewards set out in detail in the contract expire or are expunged, or almost all risks and rewards deriving from ownership of the financial asset are transferred, which occurs when the associated contractual rights are no longer controlled.

#### 2.3.4.1 Available-for-sale financial assets

The company classes debt instruments and equity instruments (mutual funds) as available-for-sale financial assets. The period for which the company intends to hold these assets is not predetermined: it can sell them before maturity for reasons of liquidity management or as a result of a change in market conditions.

Available-for-sale financial assets are recognised upon initial recognition at fair value plus the transaction costs from the purchase of the financial asset. Other than contractually imputed interest and other changes in the principal of the investment, the originally recognised value is changed for reason of revaluation of financial assets to fair value, revaluation because of impairment, or reversal of impairment. When the company has obtained units of a financial asset of the same type at different values, the effect of any partial disposal is charged using the FIFO method.

Interest is recognised in profit or loss using the effective interest rate method.

Fair value is evidenced via published prices on an active securities market (Levels 1 and 2 of the fair value hierarchy). In Level 1, the company includes quoted prices on active markets for equivalent assets that can be accessed on the measurement date, and in Level 2 classifies inputs other than the quoted prices included in Level 1, and can be directly or indirectly observed. In Level 2, the company includes financial instruments valued through the use of quoted prices for similar assets on active markets, quoted prices for equivalent or similar assets on inactive markets, or inputs other than quoted prices and that can be observed as assets, e.g. interest rates and yield curves. In Level 3, the company would classify financial assets where fair value would be determined on the basis of valuation models that are not based on perceptible market data.

Gains or losses as the difference between amortised cost and fair value are recognised in other comprehensive income, unless the change arises from impairment (see point 2.3.4.3) or exchange rate gains/losses (see point 2.3.2). Upon derecognition the cumulative gain or loss previously first recognised in other comprehensive income is reassigned from fair value reserves to profit or loss as a reclassification adjustment.

On the reporting date it is assessed whether there is objective evidence of any impairment of available-for-sale assets, and when such evidence exists the asset is revalued for impairment. The criteria for determining impairment are cited in point 2.3.4.3. Impairment is determined on an individual basis.

In the event of revaluation for impairment, the cumulative loss recognised in other comprehensive income is eliminated from fair value reserves and recognised in profit or loss, even if the financial asset has not been derecognised. If the fair value of a debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the amount of the reversal is recognised in profit or loss. The impairment loss cannot be reversed via profit or loss for equity instruments. Each additional instrument impairment for equities for which an impairment loss has already been recognised is treated as an additional permanent impairment.

#### 2.3.4.2 Loans (and deposits)

Loans are non-derivative financial assets with fixed or determinable payments not traded on an active market. After initial recognition loans are measured at fair value, and subsequently at amortised cost. Gains or losses from loans are recognised in profit or loss. Gains are recognised over the period of the loan maturing and at repayment, while losses are recognised when the loan is impaired.

On the reporting date it is assessed whether there is objective evidence of any impairment of loans, and when such evidence exists the loan is revalued for impairment. The criteria for determining impairment are cited in point 2.3.4.3. Impairment is determined on an individual basis.

When there is evidence of impairment, the amount is measured as the difference between the amortised cost of the loan and the present value of expected future cash flows discounted at the original effective interest rate of the financial asset. The amortised cost is reduced by conversion in the value adjustment subsidiary account. The amount of the impairment loss is recognised in profit or loss as a revaluation finance cost. If in a subsequent period there is no longer any need for the impairment loss and there is objective evidence of this, the impairment loss is reversed and recognised in profit or loss.

#### 2.3.4.3 Criteria for determining impairment of financial assets

On the reporting date it is assessed whether there is objective evidence of any impairment of financial assets. If such evidence exists, the asset is revalued for impairment and the impairment loss is disclosed. Such loss arises if there is objective evidence of impairment as a result of an event after initial recognition of the asset that affects the future cash flows of the financial asset. Such events comprise significant financial difficulties at a debtor, breaches of contract, the likely initiation of insolvency proceedings, the disappearance of an active market for the asset as a result of the issuer's financial difficulties, and other significant information.

***Criteria for determining impairment of debt financial instruments***

For these assets, in addition to the objective evidence of impairment cited in the introduction, in the event of one of the factors below occurring the company assesses whether there is a need for impairment in light of the interaction of factors. The occurrence of the factors below does not mean that impairment is necessary, but is instead a trigger necessitating a review of the likelihood of a change in the future cash flows and thereby an assessment of any necessary impairment:

a) a significant or long-lasting decline in fair value below the purchase price, provided that other factors indicating a decline in expected cash flows have simultaneously been met;
b) a major downgrading in credit rating in light of other available information and in the event of the occurrence of other factors indicating a decline in expected cash flows;
c) the economic situation in the country or local environment, if it has a major direct impact on the actions of the issuer of the instrument.

If the aforementioned triggers exist, the company assesses the need for impairment and the amount of impairment on the basis of available additional information (e.g. credit ratings, annual reports, financial information, developments in the economy and in sectors).

***Criteria for determining impairment of equity instruments***

In addition to the factors listed above the company carries out the following activities for these instruments:

a) monitors adverse market developments that arose in the technological, market, economic or legal environment in which the issuer operates, and which indicates that the value of the financial asset in the equity instrument may not be recovered.
b) the significant or long-lasting decline in fair value of the financial asset in the equity instrument below its purchase price is treated as objective evidence of impairment.

### 2.3.5 Amount of technical provisions ceded to reinsurers, receivables and liabilities from reinsurance

The company cedes a significant portion of taken up underwriting risks to reinsurance on the basis of concluded reinsurance contracts.

The amounts of technical provisions ceded to reinsurers comprise the reinsurers' participation in individual types of technical provisions (see point 2.3.10). They are recognised in amounts deriving from disclosed gross technical provisions, taking into account the provision of individual reinsurance contracts.

If receivables arise on the basis of reinsurance accounting by an individual reinsurer, which includes the reinsurance of unearned premiums, claims, recourses, bonuses and reinsurance commissions and profit sharing, the receivables are disclosed in the amount of the balance between these categories under receivables from reinsurance, and when they give rise to a liability, it is disclosed under liabilities from reinsurance. The same applies to amounts accruing for reinsurance accounting for the most recent period that is not yet final. The reinsurers' shares of premiums written, claims and bonuses are accounted on the basis of reinsurance contracts and recognised in the income statement in the same period, and in the shares set out by the contracts to which the gross premiums written, claims and bonuses covered by the reinsurance relate.

Reinsurers' shares of paid recourses are included in reinsurance accounting in accordance with the reinsurance contracts. Received recourses (gross amounts) are recognised as revenue in the income statement. Due to the principle of matching revenues and expenses, reinsurers' shares of received recourses are accrued in the income statement, irrespective of the reinsurance contract.

On the reporting date the company tests reinsurers' assets (amounts of technical provisions ceded to reinsurers and receivables from reinsurers) for impairment. When impairment proves necessary, it reduces the carrying amount of the reinsurers' assets and discloses an impairment loss in the income statement. Impairment is determined on an individual basis for each contractual reinsurer, on the basis of the credit rating, monitoring of the financial position of the reinsurer and of its general position, particularly on the specialist market of credit insurance and reinsurance.

### 2.3.6 Receivables from insurance contracts

Receivables from insurance contracts comprise receivables from the direct and indirect insurance business, receivables from reinsurance (see point 2.3.5), receivables from charged credit reports for policyholders and recourse receivables.

Receivables are recognised as an asset in the amounts arising from the relevant documents (insurance contracts, invoices or other credible documents such as reinsurance accounts). Upon initial recognition receivables are disclosed at original cost, and in subsequent measurements any reduction for impairment to the realisable value is disclosed as a value adjustment, the difference being disclosed in the income statement under other insurance expenses.

***Receivables from direct and indirect insurance business and receivables for credit reports***

Receivables from direct and indirect insurance business include premiums charged to policyholders. Receivables also include premiums for risk already taken up but not yet invoiced. Receivables from charged credit reports (disclosed under other receivables) include the costs charged to policyholders for charged (and accrued) costs of credit reports that the company needs when approving or reviewing limits and for administering limits.

The liquid value of these receivables and adjustments thereto are estimated using the scale for ordinary receivables (used by the Group). For doubtful receivables, the policyholder's solvency is assessed individually, where the policyholder's financial position and the settlement of the policyholder's liabilities to the company in previous periods are taken into account.

***Recourse receivables***

Recourse receivables are recorded upon the actual receipt of the recourse. The balance of outstanding receivables is therefore always equal to zero and no revaluation is required.

### 2.3.7 Current tax assets/liabilities, deferred tax assets/liabilities and tax expense

Deferred taxes are accounted for temporary differences between the carrying amount and the value of assets and liabilities for tax purposes. Assets are recognised when they are materially significant and provided that taxable gains will be available in the future. Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets and liabilities are netted for disclosure, because the company has the legal right to do so and because earnings pertain to the same tax authority.

When the tax paid in current and previous periods exceeds the current tax liability, current tax receivables arise.

Corporate income tax is levied on the taxable base determined in accordance with the Corporate Income Tax Act.

Tax expense comprises the current tax liability for the current financial year, adjusted for changes in deferred taxes. The expense is disclosed on a pro rata basis in the income statement, in the statement of other comprehensive income and in the statement of changes in equity, depending on where the transactions giving rise to the tax effect are recognised.

### 2.3.8 Cash and cash equivalents

The balance in the current account and custody account, savings account, and deposits at call are disclosed under cash and cash equivalents.

### 2.3.9 Equity

The company's share capital comprises the nominal value of paid-up ordinary shares.

Revenue reserves comprise legal reserves, reserves under the Articles of Association and other revenue reserves.

The legal reserves are created and utilised in accordance with the Companies Act.

Reserves under the articles of association may be created up to the amount of 50% of the share capital. They may be used to cover a net loss during the financial year, to cover net losses brought forward, to increase the share capital using the company's internal resources, to create reserves for treasury shares and to cover major damage incurred during operations or extraordinary business events.

Under the Companies Act, the company's management board and the supervisory board have the option of allocating up to 50% of the net profit remaining after use for mandatory purposes to the other reserves when the annual report is compiled. These reserves can be used for any purpose.

The fair value reserve shows changes in the fair value of available-for-sale financial assets and actuarial gains or losses from retirement benefits. Reserve amounts are decreased or increased for the deferred taxes.

The company recognises dividends in the financial statements in the period in which the general meeting resolution on dividend payments is passed. After a resolution has been passed at the general meeting, the company recognises a liability for the payment of dividends to shareholders, and reduces equity accordingly.

### 2.3.10 Technical provisions

***Unearned premiums***

Provisions for unearned premiums comprise the unearned portion of premiums written. They are calculated for each account separately (i.e. the invoice issued by the policyholder to its customer). The calculation of unearned premiums takes account of the estimated time distribution of the probability of a loss event occurring. This is linear in cases of bankruptcy or permanent insolvency, and the unearned premium is calculated on a *pro rata temporis* basis. In cases of extended arrears in payment, the distribution is non-linear, and the entire amount of the premium allocated to this risk is assigned to the due date of the invoice. For premiums for risks taken up in December that are not yet invoiceable and are estimated by the company, the unearned premium is calculated using a lump-sum method.

***Provisions for claims outstanding***

Provisions for claims outstanding are created in the amount of the estimated liabilities that the company is obliged to pay on the basis of insurance contracts in respect of which an insurance case will occur before the end of the accounting period, irrespective of whether the insurance case has already been reported, including all costs borne by the company on the basis of the contracts.

Provisions for claims outstanding comprise provisions for claims that have been incurred and reported but not resolved, provisions for claims that have been incurred but not reported, and provisions for appraisal costs.

Provisions for reported but unresolved claims are determined on the reporting date by means of an inventory, separately for each such claim, on the basis of the envisaged costs (insurance pay-outs, plus external appraisal costs) that will be incurred during the closing of the claim.

Provisions for claims that have been incurred but not reported are determined on the reporting date using the chain ladder method on claims triangles with an adjustment for information about potential, reported and major claims. For more information about this component of the provisions, see point 2.9.1.1.

The company does not discount gross provisions for claims outstanding.

***Provisions for bonuses***

Provisions for bonuses are created for insurance contracts that include a clause on the repayment of part of the premium i) if no claims are reported under the insurance contract, or ii) if the loss ratio is lower than a contractually defined limit. They are calculated across individual insurance contracts with regard to earned premium in an individual contract year and with regard to the estimated claims ratio prior to the reporting date.

***Provisions for unexpired risks***

On the reporting date the company tests the adequacy of its liabilities from insurance contracts. If it determines that the unearned premium will not suffice to cover the future claims and other costs from risks already taken up, it creates provisions for unexpired risks in the amount of the difference.

### 2.3.11 Other provisions

***Provisions for jubilee benefits and termination benefits at retirement***

The company must pay jubilee benefits to staff and termination benefits at their retirement in accordance with the law (act governing employment relationship, sectoral-level collective agreement). Provisions for these payments are created on the basis of the actuarial valuation method, i.e. the projected unit credit method, under which provisions are created in a linear manner in the period from the month of employment at the company until the month of projected payment of a jubilee benefit or termination benefit. The calculation takes into account the following actuarial assumptions in accordance with IAS 19:

- demographic assumptions (mortality and early termination of employment - fluctuation);

- a discount rate taking into account the yield on high-rated 15-year corporate bonds in the Euro area, and
- wage growt.

The costs of termination benefits at retirement and jubilee benefits are recognised upon creation as operating labour costs in the income statement. Changes to these provisions due to payment and reversal of provisions are also recognised in the same manner. The revaluation of provisions created as a result of increases or decreases of the present value of liabilities due to changes in actuarial items and experiential adjustments is recognised as actuarial gains or losses in other comprehensive income for provisions for termination benefits at retirement.

### 2.3.12 Operating liabilities and other liabilities

Operating liabilities and other liabilities are recognised when the obligation to pay a liability is evident from contractual provisions. They are disclosed at amortised cost.

Liabilities comprise liabilities from insurance and reinsurance business (see also point 2.3.5), current tax liabilities, other liabilities (including lease liabilities) and short-term accrued costs and expenses and short-term deferred income.

When measuring the lease liabilities, liabilities are increased by interest and reduced by lease payments following the commencement of a lease. In the event of changes to the lease, the value of the liabilities is remeasured or a separate lease is calculated.

### 2.3.13 Revenue

Premiums are recognised as revenue when invoices are issued to policyholders. They include the estimated but not invoiced amount of premium for sales in December for which the company has already taken up the risks but has been unable to issue invoices as a result of the way in which the insurance is provided (sales from which risks are taken up are made in the current month, but policyholders report the insurance transaction based on which the premium can be charged retrospectively in the month after the sale is made). Premiums do not include the tax levied on insurance services.

The portion of the premiums ceded to reinsurers is deducted from the gross insurance premiums written. Net premiums written are adjusted in net income from insurance premiums by the change in net unearned premiums.

Credit reports charged are recognised as revenue when invoices are issued to policyholders, the period for which the credit report is accounted being taken into account.

For contracts with a sliding commission rate, reinsurance commissions are recognised in revenue with regard to the estimated loss ratio for the contractual year. Commissions from other reinsurance contracts are recognised on the basis of reinsurance accounts.

Finance income (investment income) comprises interest income from available-for-sale financial assets and loans, which is recognised using the effective interest rate method, the net effect of gains realised on available-for-sale financial assets, the net reversal of impairments and the net exchange rate differences from available-for-sale financial assets and from loans (when positive).

Exchange rate gains on other business are disclosed under other insurance income. They also include the potential positive effect from the revaluation of individual types of receivables, revenue from the reversal of provisions (other than technical provisions), compensation received from insurance, income from leased assets and income from affiliates arising from consulting services and the sale of credit reports. Other income is disclosed under other revenue.

### 2.3.14 Expenses

Gross claims paid comprise insurance pay-outs, plus appraisal costs, minus recognised recourses received. Gross claims paid are recognised when the contractual provisions setting out the conditions for paying claims are met. Before this, the amounts are recognised as changes in gross provisions for claims outstanding. Recourses are recognised on the basis of the cash flow received, while the expected amount of recourses is recognised under recourse provisions, which lower the provisions for claims outstanding. The amounts ceded to reinsurers (for all the aforementioned categories) are deducted from gross expenses for claims.

Bonuses are recognised when all the contractual provisions are met. Before this, expenses for provisions for bonuses are recognised. Gross bonuses paid and changes in gross provisions for bonuses are adjusted for the shares ceded to reinsurers.

Costs are itemised in the income statement in terms of type, as acquisition costs, claim resolution costs (which are a component of claim expenses), asset management costs (which are a component of investment expenses) and (other) operating costs. Costs are also disclosed by nature in the notes.

Investment expenses comprise interest expenses (recognised using the effective interest rate method), net losses realised in the disposal of available-for-sale financial assets, financial asset management costs and other investment-related costs (commissions). They also include net impairments and net exchange rate differences from financial assets (other than receivables), if negative, and interest expenses on long-term loans.

Exchange rate losses on insurance and other business are disclosed under other insurance expenses or under other expenses.

The company purchases credit reports for the assessment and monitoring of risks accepted for underwriting, and the amounts that the company is charged are disclosed under other insurance expenses.

When receivables (insurance premium, credit reports charged, reinsurance assets, other receivables) are impaired, the company reduces their amortised cost, disclosing the difference under revaluation expenses (which are a component of other insurance expenses or other expenses) and transferring it to the value adjustment account. Expenses for interest from termination benefits and jubilee benefits, expenses from the impairment of property, plant or equipment and intangible assets and losses upon the disposal of these assets are also disclosed under other expenses.

## 2.4 New effective standards and interpretations in the reporting period and issued/approved standards and interpretations not yet effective and applied

In accordance with the requirements of the IFRS and EU, the company will have to take the new, amended and revised standards and interpretations listed below into consideration for the reporting period and for future periods.

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),

- Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),

- Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9” adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

Coface PKZ decided for a temporary exemption from applying IFRS 9 in accordance with IFRS 4.20A.

The adoption of these new standards, amendments to existing standards and interpretations did not lead to any material changes in the financial statements of the company.

On the day that these financial statements were approved, the following new standards and amendments to existing standards had been issued by the IASB and adopted by the EU, but were not yet effective:

- Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- Amendments to IFRS 3 “Business Combinations” - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- IFRS 17 “Insurance Contracts” including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU:

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

Coface PKZ does not expect the introduction of these new standards, amendments to existing standards and new interpretations to have a material impact on its financial statements during initial application, other than for IFRS 17. The company decided not to apply any new standards or amendments to the existing ones before the date of mandatory application.

The amendments to the standard that was issued by the International Accounting Standards Board (IASB) on 25 June 2020 postponed the date of the initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Early application is permitted, provided that a company also reports in accordance with IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The amendments introduce simplifications in interpretations of certain requirements of the standard and provide additional assistance during the initial application of IFRS 17. The purpose of the amendments is to ease the companies' transition to the new standard. The provisions of the standard together with the amendments apply retroactively. The European Union approved the standard on 19 November 2021.

IFRS 17 replaces IFRS 4 Insurance Contracts and associated interpretations. The standard also requires the application of similar principles in the evaluation of reinsurance contracts. The new standard serves as a basis for all users of financial statements to introduce a standardised assessment of the effects of the contracts covered by IFRS 17, and an assessment of the company's financial performance, financial position and cash flows.

IFRS 17 requires the measurement of insurance liabilities under the present value of fulfilment and brings a more uniform measurement and presentation method for all insurance contracts. The purpose of these requirements is to ensure consistent and principle-based accounting of insurance contracts. Insurance contracts on initial recognition and also upon subsequent measurements are recorded at the level of a group of insurance contracts. On initial recognition, an insurance contract is measured as the sum of future cash flows (including the adjustment that reflects the time value of money, financial and non-financial risks) and contractual service margins. Profit from the group of insurance contracts is recognised in the period in which they provide insurance coverage, and when they are exempt from risk.

In the scope of the Coface Group, Coface PKZ is actively involved in the project introducing IFRS 17 that covers the following: the modelling and calculation of financial effects, the compilation of the transition strategy and the adjustment of systems and management of changes, and organisation. Coface PKZ follows the timetable prepared by the Group and envisages the final approval of the methodology and rules by the end of 2022; the first 'Dry run' test is planned in the first quarter and the first parallel reporting in the second quarter of 2022.

The effects of the transition to the new standard is still assessing, which at this time still cannot be completely assessed.

The insurer has yet to make a decision on the early application of the standard, and will introduce the standard for annual periods beginning on or after 1 January 2023.

## 2.5 Notes to the balance sheet

### 2.5.1 Property, plant and equipment, intangible assets and right-of-use assets

| in EUR | Intangible assets | Intangible assets under construction | *Total intangible assets* | Buildings | Computers and comp. equipment and other communica. equipment | Office furniture and equipment | Cars | Property, plant and equipment under construct. and advances | *Right-of-use assets* | *Total property, plant and equipment* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Historical cost** | | | | | | | | | | |
| **As at 1/1/2020** | 1,117,099 | 0 | *1,117,099* | 3,096,179 | 926,376 | 322,124 | 107,820 | 4,433 | *0* | *4,456,930* |
| Transfer to use | 1,471 | -1,471 | *0* | 0 | 87,755 | 3,043 | 0 | -90,798 | *0* | *0* |
| Purchase | 0 | 1,471 | *1,471* | 0 | 0 | 0 | 0 | 86,366 | *47,281* | *133,646* |
| Sale/write-off | -4,037 | 0 | *-4,037* | 0 | -96,464 | -9,081 | -24,970 | 0 | *0* | *-130,515* |
| **As at 31/12/2020** | 1,114,534 | 0 | *1,114,534* | 3,096,179 | 917,666 | 316,086 | 82,850 | 0 | *47,281* | *4,460,062* |
| Transfer to use | 0 | 0 | *0* | 0 | 13,905 | 0 | 0 | -13,905 | | *0* |
| Purchase | 0 | 0 | *0* | 0 | 0 | 0 | 0 | 13,905 | *26,091* | *39,996* |
| Sale/write-off | 0 | 0 | *0* | 0 | -21,780 | -1,199 | -30,190 | 0 | *0* | *-53,169* |
| **As at 31/12/2021** | **1,114,534** | **0** | ***1,114,534*** | **3,096,179** | **909,792** | **314,887** | **52,660** | **0** | **73,372** | ***4,446,889*** |
| **Adjustment** | | | | | | | | | | |
| **As at 1/1/2020** | -905,302 | 0 | *-905,302* | -933,803 | -744,570 | -291,603 | -46,995 | 0 | 0 | *-2,016,972* |
| Depreciation/amortisation | -129,055 | 0 | *-129,055* | -121,508 | -150,184 | -11,055 | -10,751 | 0 | -10,606 | *-304,104* |
| Impairment | 0 | 0 | *0* | 0 | 0 | 0 | 0 | 0 | 0 | *0* |
| Sale/write-off | 4,037 | 0 | *4,037* | 0 | 96,381 | 8,917 | 24,932 | 0 | 0 | *130,231* |
| **As at 31/12/2020** | -1,030,320 | 0 | *-1,030,320* | -1,055,312 | -798,372 | -293,741 | -32,814 | 0 | -10,606 | *-2,190,845* |
| Depreciation/amortisation | -57,231 | 0 | *-57,231* | -121,508 | -69,868 | -3,164 | -6,583 | 0 | *-22,196* | *-223,318* |
| Impairment | 0 | 0 | *0* | 0 | 0 | 0 | 0 | 0 | *0* | *0* |
| Sale/write-off | 0 | 0 | *0* | 0 | 19,317 | 1,062 | 20,006 | 0 | *0* | *40,385* |
| **As at 31/12/2021** | **-1,087,551** | **0** | ***-1,087,551*** | **-1,176,820** | **-848,922** | **-295,844** | **-19,391** | **0** | **-32,802** | ***-2,373,778*** |
| **Carrying amount** | | | | | | | | | | |
| **As at 1/1/2020** | 211,798 | 0 | *211,798* | 2,162,375 | 181,806 | 30,520 | 60,825 | 4,433 | 0 | *2,439,959* |
| **As at 31/12/2020** | 84,214 | 0 | *84,214* | 2,040,867 | 119,294 | 22,345 | 50,036 | 0 | 36,675 | *2,269,217* |
| **As at 31/12/2021** | **26,983** | **0** | ***26,983*** | **1,919,359** | **60,869** | **19,043** | **33,269** | **0** | **40,570** | ***2,073,110*** |

As at 31 December 2021, Coface PKZ does not have property, plant and equipment with restricted ownership rights or which was pledged as security for liabilities.

The property, plant and equipment of Coface PKZ as at 31 December 2021 does not include pledged assets, but does include assets obtained on the basis of an operating lease, as can be seen in the table above (right-of-use assets). There were no major purchases in year 2021. V letu 2021 ni bilo večjih nabav.

### 2.5.2 Financial assets

*Itemisation by functional type*

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Available-for-sale financial assets** | | |
| - fixed rate debt instruments | 29,838,230 | 25,446,136 |
| - mutual funds (ETF) | 3,089,057 | 3,573,374 |
| **Total** | **32,927,287** | **29,019,510** |

*Fair value hierarchy*

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Level 1 | 3,089,057 | 3,573,374 |
| Level 2 | 29,838,230 | 25,446,136 |
| Level 3 | 0 | 0 |
| **Total available-for-sale financial assets** | **32,927,287** | **29,019,510** |

In 2021, there were no transfers of debt securities between levels of the fair value hierarchy.

Fair value is evidenced via published prices on an active securities market (Levels 1 and 2 of the fair value hierarchy). In Level 1, the company includes quoted prices on active markets for equivalent assets that can be accessed on the measurement date (mutual funds – ETF), and in Level 2 classifies inputs other than the quoted prices included in Level 1, and that can be directly or indirectly observed. The Level 2 fair value includes the debt securities classified by the company for which fair value was measured by applying directly observed prices of third parties (BGN, BVAL). If the liquidity of a particular security does not suffice, the company classifies it to Level 2.

Coface PKZ classifies investments in loans and deposits to Level 2 of the fair value hierarchy.

*Changes in financial assets*

| in EUR | Financial assets in the form of loans and deposits | Available-for-sale financial assets | Total |
|---|---|---|---|
| **As at 1/1/2020** | **2,501,636** | **25,705,903** | **28,207,539** |
| Purchases | 0 | 13,391,000 | 13,391,000 |
| Added interest | 196 | 121,405 | 121,601 |
| Revaluation | 0 | 188,396 | 188,396 |
| Realised gains | 0 | -13,327 | -13,327 |
| Maturity, sale - principals | -2,500,000 | -9,910,525 | -12,410,525 |
| Maturity, sale - interest | -1,832 | -463,342 | -465,174 |
| **As at 31/12/2020** | **0** | **29,019,511** | **29,019,511** |
| Purchases | 0 | 15,143,665 | 15,143,665 |
| Added interest | 0 | 85,962 | 85,962 |
| Revaluation | 0 | -218,336 | -218,336 |
| Net realised gains | 0 | 40,888 | 40,888 |
| Maturity, sale - principals | 0 | -10,727,970 | -10,727,970 |
| Maturity, sale - interest | 0 | -416,432 | -416,432 |
| **As at 31/12/2021** | **0** | **32,927,287** | **32,927,287** |

In 2021 and 2020, Coface PKZ did not conclude any deposit transactions.

*Subordinated financial instruments*

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Subordinated instruments | 323,785 | 334,271 |
| **Share of subordinated instruments in available-for-sale financial assets** | **1.0%** | **1.2%** |

### 2.5.3 Receivables (other than current tax assets)

All receivables are current and unsecured. Detailed disclosures relating to the maturity of receivables are shown in section 2.9.2.

*Receivables from direct and indirect insurance business*

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Receivables from direct and indirect insurance business | 1,037,423 | 673,591 |
| Funds for premiums not yet written for which the company has taken-up risk | 1,173,345 | 1,183,586 |
| **Total receivables from direct insurance business** | **2,210,768** | **1,857,177** |

| in EUR | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Historical cost of receivables from direct insurance business | 1,055,091 | 873,125 |
| Historical cost of receivables from indirect insurance business | 0 | 10,329 |
| Impairment | -17,668 | -209,863 |
| **Carrying amount of receivables for premiums** | **1,037,423** | **673,591** |

*Receivables from reinsurance and co-insurance*

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Receivables from accrued and charged amounts for reinsurance account | 22,465 | 613,459 |
| **Total receivables from reinsurance and coinsurance** | **22,465** | **613,459** |

Reinsurance receivables decreased compared to the previous year due to the favorable claims ratio for the previous year.

*Other receivables*

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Receivables from charged and accrued credit reports | 41,780 | 118,848 |
| Other current receivables | 47,023 | 148,356 |
| **Total other receivables** | **88,803** | **267,204** |

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Historical cost of receivables from charged and accrued credit reports | 45,202 | 136,669 |
| Impairment | -3,423 | -17,821 |
| **Carrying amount of receivables from charged and accrued credit reports** | **41,780** | **118,848** |

### 2.5.4 Other assets

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Deferred costs | 25,557 | 40,474 |

The majority of deferred costs relate to prepaid insurance costs and accrued income for services.

### 2.5.5 Cash and cash equivalents

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Balance in current account | 1,278,836 | 98,083 |
| Call deposits, savings account and custody account | 908,801 | 2,391,063 |
| **Total cash and cash equivalents** | **2,187,637** | **2,489,146** |

The company does not have any automatic overdraft agreements with banks by means of which it could ensure its current solvency.

### 2.5.6 Equity

The statement of changes in equity is presented in point 1.5 of the financial report.

The company has EUR 8,412,618.92 in share capital, divided into 2,016 no-par-value shares. This amounted to EUR 4,206,309.46 at establishment, and was divided into 1,008 no-par-value shares, before an additional EUR 4,206,309.46 was paid up in a capital increase in early 2010 via the issue of another 1,008 no-par-value shares. The emission value of the shares at issue was equal to the nominal value. Each no-par-value share represents an adequate portion of the equity.

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Share capital** | **8,412,619** | **8,412,619** |
| Legal and reserves under the articles of association | 5,062,366 | 5,062,366 |
| Other profit reserves | 10,255,232 | 8,662,588 |
| **Total profit reserves** | **15,317,597** | **13,724,953** |
| **Fair value reserve** | **218,379** | **399,417** |
| **Retained earnings** | **1,677,762** | **581,477** |
| **Net profit or loss for the financial year** | **1,592,644** | **1,096,285** |
| **Total equity** | **27,219,002** | **24,214,751** |

The shares are ordinary registered shares, and are indivisible. Each share gives the holder one vote at the general meeting. The shares are issued in dematerialised form. The central share register and all procedures for trading the shares are administered at the Central Securities Clearing Corporation in Ljubljana.

The company held no treasury shares as at 31 December 2021 or in 2021, as was the case in 2020.

The legal reserves and reserves under the Articles of Association were at the maximum level allowed.

Other revenue reserves were increased during the compilation of the 2021 annual report by EUR 1,592,644.92 under a resolution by the management board. A total of 50% of the net profit for the 2021 financial year, which after use remained for mandatory purposes, was used for this.

The fair value reserve derives from the revaluation of available-for-sale financial assets to fair value and from actuarial gains/losses for pension plans.

As at 31 December 2020, distributable profit[20] stood at EUR 1,097,081.02 and was transferred to retained earnings in accordance with the general meeting resolution of 12 August 2021 (dividends per share amounted to EUR 544.19).

Distributable profit amounted to EUR 3,270,406.18 as at 31 December 2021. The management board and supervisory board proposed to the general meeting of shareholders that the distributable profit remains undistributed in the amount of EUR 3,270,406.18 (as retained earnings).

### 2.5.7 Technical provisions

| in EUR | 31/12/2021 | Change in 2021 | 31/12/2020 | Change in 2020 |
|---|---|---|---|---|
| Gross unearned premiums | 1,831,515 | 130,391 | 1,701,125 | -924,878 |
| Reinsurers' share | -982,991 | -160,905 | -822,086 | 565,830 |
| **Net unearned premiums** | **848,524** | **-30,515** | **879,038** | **-359,048** |
| Gross provisions for claims outstanding | 14,386,273 | -1,600,164 | 15,986,437 | 713,102 |
| Reinsurers' share | -8,408,876 | 1,235,266 | -9,644,142 | -1,707,647 |
| **Net provisions for claims outstanding** | **5,977,397** | **-364,898** | **6,342,294** | **-994,545** |
| Gross provisions for bonuses and rebates | 3,837,462 | -193,030 | 4,030,491 | 829,633 |
| Reinsurers' share | -2,314,135 | 2,951 | -2,317,085 | -763,056 |
| **Net provisions for bonuses and rebates** | **1,523,327** | **-190,079** | **1,713,406** | **66,578** |
| Gross provisions for unexpired risks | 741,224 | -131,428 | 872,651 | -992,235 |
| Reinsurers' share | -472,003 | 21,812 | -493,815 | 261,289 |
| **Net provisions for unexpired risks** | **269,221** | **-109,616** | **378,837** | **-730,946** |
| **Gross technical provisions** | **20,796,473** | -1,794,231 | **22,590,704** | **-374,377** |
| **Technical provisions ceded to reinsurers** | **-12,178,005** | 1,099,123 | **-13,277,128** | **-1,643,583** |
| **Net technical provisions** | **8,618,468** | -695,107 | **9,313,575** | **-2,017,960** |

| in EUR - gross amount | Provisions for unearned premiums | Provisions for claims outstanding | Provisions for bonuses and rebates | Provisions for unexpired risks | Total technical provisions |
|---|---|---|---|---|---|
| **As at 1/1/2020** | **2,626,002** | **17,437,664** | **3,200,858** | **1,864,886** | **25,129,410** |
| Creation | 1,701,125 | 9,609,694 | 1,227,242 | 872,651 | **13,410,712** |
| Utilisation | -2,626,002 | -3,092,931 | -440,893 | -1,864,886 | **-8,024,713** |
| Reversal (elimination) | 0 | -7,967,990 | 43,284 | 0 | **-7,924,706** |
| **As at 31/12/2020** | **1,701,125** | **15,986,437** | **4,030,491** | **872,651** | **22,590,704** |
| Creation | 1,831,515 | 11,384,456 | 1,279,146 | 741,224 | **15,236,341** |
| Utilisation | -1,701,125 | -294,185 | -992,434 | -872,651 | **-3,860,395** |
| Reversal (elimination) | 0 | -12,690,435 | -479,742 | 0 | **-13,170,177** |
| **As at 31/12/2021** | **1,831,515** | **14,386,273** | **3,837,462** | **741,224** | **20,796,473** |

[20] The item of distributable profit as defined by the Companies Act.

| in EUR - net amount | Provisions for unearned premiums | Provisions for claims outstanding | Provisions for bonuses and rebates | Provisions for unexpired risks | Total technical provisions |
|---|---|---|---|---|---|
| **As at 1/1/2020** | **1,238,087** | **8,313,082** | **1,646,828** | **1,109,782** | **12,307,779** |
| Creation | 879,039 | 3,748,021 | 515,758 | 378,837 | **5,521,654** |
| Utilisation | -1,238,087 | -2,087,648 | -194,457 | -1,109,782 | **-4,629,975** |
| Reversal (elimination) | 0 | -3,631,160 | -254,723 | 0 | **-3,885,883** |
| **As at 31/12/2020** | **879,039** | **6,342,294** | **1,713,406** | **378,837** | **9,313,575** |
| Creation | 848,524 | 4,763,129 | 509,277 | 269,221 | **6,390,151** |
| Utilisation | -879,039 | -30,777 | -376,010 | -378,837 | **-1,664,662** |
| Reversal (elimination) | 0 | -5,097,250 | -323,346 | 0 | **-5,420,596** |
| **As at 31/12/2021** | **848,524** | **5,977,397** | **1,523,327** | **269,221** | **8,618,468** |

*Itemisation of provisions for claims outstanding*

| in EUR | Gross amount as at 31/12/2021 | Reinsurers' share as at 31/12/2021 | Net amount as at 31/12/2021 |
|---|---|---|---|
| **Insurance business** | | | |
| Loss events incurred and reported | 767,467 | -499,805 | 267,662 |
| Loss events incurred but not reported | 14,424,479 | -8,303,720 | 6,120,759 |
| Recourse | -805,674 | 394,649 | -411,024 |
| **Total** | **14,386,273** | **-8,408,876** | **5,977,397** |

| in EUR | Gross amount as at 31/12/2020 | Reinsurers' share as at 31/12/2020 | Net amount as at 31/12/2020 |
|---|---|---|---|
| **Insurance business** | | | |
| Loss events incurred and reported | 979,478 | -525,983 | 453,494 |
| Loss events incurred but not reported | 16,104,105 | -9,648,358 | 6,455,748 |
| Recourse | -1,097,146 | 530,199 | -566,948 |
| **Total** | **15,986,437** | **-9,644,142** | **6,342,294** |

## 2.5.8 Other provisions

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Provisions for jubilee benefits | 24,072 | 26,722 |
| Provisions for termination benefits at retirement | 143,725 | 132,030 |
| **Total other provisions** | **167,796** | **158,751** |

| in EUR | Jubilee benefits | Termination benefits at retirement | Total |
|---|---|---|---|
| **As at 1/1/2020** | **29,238** | **127,524** | **156,762** |
| Utilisation | -906 | 0 | -906 |
| Creation (elimination) | -1,610 | 4,506 | 2,896 |
| **As at 31/12/2020** | **26,722** | **132,030** | **158,751** |
| Utilisation | -2,538 | 0 | -2,538 |
| Creation (elimination) | -112 | 11,695 | 11,583 |
| **As at 31/12/2021** | **24,072** | **143,725** | **167,797** |

Changes to provisions for jubilee benefits are recognised under operating costs, interest costs under other expenses and reversal of provisions under other revenues. The same applies to changes to provisions for termination benefits at retirement, save for actuarial gains or losses that are recognised in other comprehensive income.

*Breakdown of present value of commitments for employee benefits*

| in EUR | Jubilee benefits | Termination benefits at retirement | Total |
|---|---|---|---|
| **Present value of commitments as at 1/1/2020** | **29,238** | **127,524** | **156,762** |
| Interest expenses | 57 | 255 | 312 |
| Costs of current service | 2,408 | 11,571 | 13,979 |
| Actuarial gains and losses | -4,074 | -7,321 | -11,395 |
| Payment of earnings in 2020 | -906 | 0 | -906 |
| **Present value of commitments as at 31/12/2020** | **26,722** | **132,030** | **158,751** |
| Interest expenses | 327 | 1,594 | 1,921 |
| Costs of current service | 2,607 | 6,584 | 9,192 |
| Actuarial gains and losses | -3,047 | 3,517 | 470 |
| Payment of earnings in 2021 | -2,538 | 0 | -2,538 |
| **Present value of commitments as at 31/12/2021** | **24,072** | **143,725** | **167,797** |

The sensitivity analysis is prepared for a change in the discount interest rate and wage growth in the amount of +/- 0.5 percentage points.

| Actuarial assumption | Change in assumption | Change in the present value of commitment for termination benefits at retirement as at | |
|---|---|---|---|
| | | **31/12/2021** | **31/12/2020** |
| Yield | +0,5 % point | -10,198 | -10,010 |
| | -0,5 % point | 11,209 | 11,050 |
| Salary growth | +0,5 % point | 11,111 | 10,902 |
| | -0,5 % point | -10,214 | -9,981 |

### 2.5.9 Operating liabilities (excluding current tax liabilities) and other liabilities

All liabilities are past-due and are not remunerated, except lease liabilities. Their carrying amounts are the same as their fair values. Debts are not exposed to materially significant currency risk or interest rate risk. The company did not use financial instruments for hedging debts in 2021 (or 2020). As at the reporting date the company held no debts among operating liabilities and other liabilities that would be covered by securities pledged by the company as collateral, or secured by funded protection. Operating liabilities and other liabilities are unsecured.

| in EUR | 31/12/2020 | 31/12/2020 |
|---|---|---|
| **Liabilities from direct insurance business** | **41,490** | **9,188** |
| Liabilities to reinsurance companies | 633,599 | 647,637 |
| Liabilities from accrued amounts for the last reinsurance account for the year | 895,817 | 1,198,734 |
| **Liabilities from reinsurance** | **1,529,416** | **1,846,371** |
| **Other financial liabilities** | **2,321** | **1,488** |
| Liabilities to employees | 120,859 | 144,045 |
| Other liabilities for labour costs | 73,747 | 82,643 |
| Liabilities to suppliers | 43,599 | 174,366 |
| Accrued costs of suppliers of goods and services and accrued liabilities to employees | 679,094 | 545,783 |
| Deferred income for credit reports charged | 140,205 | 145,918 |
| Other current liabilities from insurance business | 86,886 | 116,971 |
| Long term liabilities from rentals | 41,618 | 37,143 |
| Other liabilities | 41,715 | 47,052 |
| **Total other liabilities** | **1,227,722** | **1,293,922** |
| *- of which amount of contractual commitments for the acquisition of intangible assets* | *0* | *0* |
| *- of which amount of contractual commitments for the acquisition of property, plant and equipment* | *0* | *0* |

### 2.5.10 Off-balance-sheet items

Coface PKZ discloses in off-balance sheet items written-off receivables from premiums and charged costs of processing credit limits to policyholders in the amount of EUR 181,043, whose insolvency proceedings have not yet been completed.

## 2.6 Notes to the income statement

### 2.6.1 Net income from insurance premiums

| in EUR | 2021 | 2020 |
|---|---|---|
| Gross insurance premiums written | 13,055,873 | 12,300,097 |
| Premiums written ceded to reinsurance | -8,448,736 | -7,785,907 |
| **Net insurance premiums written** | **4,607,137** | **4,514,190** |
| Change in gross unearned premiums | -130,391 | 924,878 |
| Change in unearned premiums for reinsurance share | 160,905 | -565,830 |
| **Change in net unearned premiums** | **30,515** | **359,048** |
| **Net income from insurance premiums** | **4,637,652** | **4,873,238** |
| Gross income from premiums | 12,925,482 | 13,224,975 |
| Reinsurers' share of income from insurance premiums | -8,287,830 | -8,351,737 |
| **Net income from insurance premiums** | **4,637,652** | **4,873,238** |

All premium relates to credit insurance.

*Itemisation of gross premiums written by location of policyholder/cedent*

| in EUR | 2021 | 2020 |
|---|---|---|
| **Gross premiums written** | | |
| - in Slovenia | 12,219,697 | 11,430,979 |
| - abroad | 836,176 | 869,119 |
| *of which EU* | *414,459* | *455,924* |
| **Total** | **13,055,873** | **12,300,097** |

### 2.6.2 Investment income/expenses

| in EUR | 2021 | 2020 |
|---|---|---|
| Interest income from available-for-sale financial assets | 85,962 | 121,394 |
| Interest income from loans and deposits | 0 | 196 |
| Interest income from cash and cash equivalents | 14 | 11 |
| **Total interest income** | **85,975** | **121,601** |
| Interest expense | -2,550 | -1,240 |
| Realised gains on sales (available-for-sale financial assets) | 57,521 | 0 |
| Realised losses on sales (available-for-sale financial assets) | -16,633 | -13,327 |
| Other expenses from financial assets | -61,162 | -55,846 |
| **Total investment income** | **143,496** | **121,601** |
| **Total investment expenses** | **-80,344** | **-70,413** |
| **Effect of financial assets** | **63,153** | **51,188** |

### 2.6.3 Other insurance income

| in EUR | 2020 | 2020 |
|---|---|---|
| Income from reinsurance commission | 3,429,220 | 2,381,921 |
| Income from credit report fees charged | 909,587 | 1,202,093 |
| **Other insurance income** | **4,338,807** | **3,584,015** |

Income from charged credit reports decreased primarily due to the lower number of insurance limits, while reinsurance commissions increased due to higher premiums written.

### 2.6.4 Net claim expenses

| in EUR | 2021 | 2020 |
|---|---|---|
| Gross claims paid | 1,578,246 | 5,110,703 |
| Income from gross recourse receivables claimed | -1,011,937 | -1,741,066 |
| **Gross claims paid less recourses** | **566,309** | **3,369,636** |
| **Reinsurers' share** | **-437,591** | **-1,121,114** |
| Changes in gross provisions for claims outstanding | -1,600,164 | 713,102 |
| Changes in provisions for claims outstanding for reinsurance share | 1,235,266 | -1,707,647 |
| **Change in net provisions for claims outstanding** | **-364,898** | **-994,545** |
| **Net claim expenses** | **-236,180** | **1,253,978** |

The year 2021 was even favourable in terms of claims than the year 2020, as less gross claims were settled than in 2020. For the same reason, claims provisions decreased more than the claims paid (less receipts received), so the company shows a positive effect from net claims expenses.

| in EUR | Gross amount 2021 | Reinsurers' share 2020 | Net amount 2021 |
|---|---|---|---|
| Insurance payouts | 1,278,337 | -791,563 | 486,774 |
| Direct appraisal costs | 15,271 | -8,989 | 6,281 |
| Indirect appraisal costs | 284,639 | -182,603 | 102,036 |
| *Total appraisal costs* | *299,910* | *-191,592* | *108,317* |
| **Total gross claims paid** | **1,578,246** | **-983,155** | **595,091** |
| Income from recourse receivables claimed | -1,011,937 | 545,564 | -466,374 |
| **Total claims and recourses paid** | **566,309** | **-437,591** | **128,717** |

| in EUR | Gross amount 2020 | Reinsurers' share 2020 | Net amount 2020 |
|---|---|---|---|
| Insurance payouts | 4,790,862 | -2,269,587 | 2,521,275 |
| Direct appraisal costs | 31,482 | -15,476 | 16,006 |
| Indirect appraisal costs | 288,359 | -133,231 | 155,127 |
| *Total appraisal costs* | *319,841* | *-148,707* | *171,133* |
| **Total gross claims paid** | **5,110,703** | **-2,418,295** | **2,692,408** |
| Income from recourse receivables claimed | -1,741,066 | 1,297,181 | -443,886 |
| **Total claims and recourses paid** | **3,369,636** | **-1,121,114** | **2,248,522** |

| in EUR | 2021 | 2020 |
|---|---|---|
| Gross claims paid | 1,578,246 | 5,110,703 |
| Reinsurers' share | -983,155 | -2,418,295 |
| **Net claims paid** | **595,091** | **2,692,408** |
| Gross claims paid | 1,578,246 | 5,110,703 |
| Income from gross recourse receivables claimed | -1,011,937 | -1,741,066 |
| Reinsurers' share | -437,591 | -1,121,114 |
| **Net claims paid less recourses** | **128,717** | **2,248,522** |

| in EUR | 2021 | 2020 |
|---|---|---|
| Gross claims paid | 1,578,246 | 5,110,703 |
| Income from gross recourse receivables claimed | -1,011,937 | -1,741,066 |
| Changes in gross provisions for claims outstanding | -1,600,164 | 713,102 |
| **Gross claims incurred** | **-1,033,855** | **4,082,738** |
| Reinsurers' share of claims paid | -983,155 | -2,418,295 |
| Reinsurers' share of recourse receivables claimed | 545,564 | 1,297,181 |
| Reinsurers' share of changes in provisions for claims outstanding | 1,235,266 | -1,707,647 |
| **Reinsurers' share of claim expenses** | **797,675** | **-2,828,761** |
| **Net claim expenses** | **-236,180** | **1,253,978** |

### 2.6.5 Change in other technical provisions

| in EUR | 2021 | 2020 |
|---|---|---|
| Change in gross provisions for unexpired risks | 131,428 | 992,235 |
| Change in reinsurers' share of provisions for unexpired risks | -21,812 | -261,289 |
| **Net expenses for provisions for unexpired risks** | **109,616** | **730,946** |

### 2.6.6 Expenses for bonuses and rebates

| in EUR | 2021 | 2020 |
|---|---|---|
| Change in gross provisions for bonuses | -193,030 | 829,633 |
| Change in reinsurers' share of provisions for bonuses | 2,951 | -763,056 |
| **Expenses for bonuses and rebates** | **-190,079** | **66,578** |

### 2.6.7 Operating costs

| in EUR | 2021 | 2020 |
|---|---|---|
| Acquisition expenses | 1,145,252 | 900,125 |
| Operating costs in narrow sense | 4,200,025 | 4,254,913 |
| **Total operating costs (by function)** | **5,345,277** | **5,155,039** |

| in EUR | 2021 | 2020 |
|---|---|---|
| Labour costs | 3,155,952 | 3,217,841 |
| Costs of materials and services | 1,766,327 | 1,619,939 |
| Depreciation/amortisation | 280,549 | 433,159 |
| Costs of acquisition commissions | 427,229 | 172,719 |
| **Total operating costs (by nature)** | **5,630,058** | **5,443,658** |
| - portion of appraisal costs transferred to claim expenses | -284,639 | -288,359 |
| - portion of financial asset management costs transferred to investment expenses | -141 | -261 |
| **Transfers** | **-284,780** | **-288,619** |
| **Total operating costs (by function)** | **5,345,277** | **5,155,039** |

Operating costs (and insurance acquisition costs as a component thereof) are disclosed in the income statement in a separate item. Appraisal costs are included in claims paid, while asset management costs are included in investment expenses.

| 2021 | By nature | By function | | | | |
|---|---|---|---|---|---|---|
| in EUR | Total operating costs | Acquisition costs | Operating costs in narrow sense | Total operating costs | Appraisal costs | Asset management costs |
| Labour costs | 3,155,952 | 435,553 | 2,547,737 | **2,983,290** | 172,662 | 0 |
| Costs of materials and services | 1,766,327 | 243,751 | 1,425,807 | **1,669,558** | 96,628 | 141 |
| Depreciation/amortisation | 280,549 | 38,719 | 226,481 | **265,200** | 15,349 | 0 |
| Costs of acquisition commissions | 427,229 | 427,229 | 0 | **427,229** | 0 | 0 |
| **Operating costs** | **5,630,058** | **1,145,252** | **4,200,025** | **5,345,277** | **284,639** | **141** |

| 2020 | By nature | By function | | | | |
|---|---|---|---|---|---|---|
| in EUR | Total operating costs | Acquisition costs | Operating costs in narrow sense | Total operating costs | Appraisal costs | Asset management costs |
| Labour costs | 3,217,841 | 444,094 | 2,597,699 | **3,041,793** | 176,048 | 0 |
| Costs of materials and services | 1,619,939 | 223,532 | 1,307,534 | **1,531,066** | 88,613 | 261 |
| Depreciation/amortisation | 433,159 | 59,780 | 349,681 | **409,461** | 23,698 | 0 |
| Costs of acquisition commissions | 172,719 | 172,719 | 0 | **172,719** | 0 | 0 |
| **Operating costs** | **5,443,658** | **900,125** | **4,254,913** | **5,155,039** | **288,359** | **261** |

| in EUR | 2021 | 2020 |
|---|---|---|
| Salaries | 2,367,656 | 2,426,978 |
| Pension insurance costs | 215,161 | 220,966 |
| Supplementary pension insurance | 108,594 | 113,183 |
| Social security costs | 177,144 | 181,767 |
| Annual leave allowance | 110,093 | 57,495 |
| Other labour costs | 177,305 | 217,452 |
| **Total labour costs (by nature)** | **3,155,952** | **3,217,841** |

| in EUR | 2021 | 2020 |
|---|---|---|
| Software maintenance costs | 565,060 | 472,142 |
| Costs of other services | 698,472 | 543,466 |
| Costs of advertising and membership fees | 96,869 | 98,817 |
| Advisory and audit services | 143,850 | 240,677 |
| Reimbursement of costs to employees | 71,360 | 63,981 |
| Costs for maintenance of buildings and other assets | 130,854 | 111,327 |
| Costs of materials | 58,353 | 69,290 |
| Rental costs | 1,510 | 20,237 |
| **Total costs of materials and services (by nature)** | **1,766,327** | **1,619,939** |

Costs associated with the auditing of the annual report and other non-auditing services are shown in point 2.8.4.

### 2.6.8 Other insurance expenses

| in EUR | 2021 | 2020 |
|---|---|---|
| Expenses for purchased credit reports | 760,690 | 701,693 |
| Effect of revaluation of receivables from premiums and charged credit reports | 13,252 | 24,249 |
| Effect of foreign exchange differences from operations | -3 | -600 |
| Other insurance expenses | 20,700 | 33,065 |
| **Total other insurance expenses** | **794,638** | **758,406** |

### 2.6.9 Corporate income tax

*Deferred tax assets/liabilities*

| in EUR | 1/1/2020 | Changes in the income statement | Changes in the statement of other comprehen-sive income | 31/12/2020 | Changes in the income statement | Changes in the statement of other comprehen-sive income | 31/12/2021 |
|---|---|---|---|---|---|---|---|
| Provisions for jubilee benefits and termination benefits | **29,785** | -862 | 1,240 | **30,163** | 2,387 | -668 | **31,882** |
| Revaluation surplus - available-for-sale financial assets | **-57,740** | 0 | -35,795 | **-93,535** | 0 | 41,484 | **-52,051** |
| **Deferred taxes** | **-27,955** | **-862** | **-34,556** | **-63,372** | **2,387** | **40,816** | **-20,170** |

Current tax assets/liabilities

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Prepayment of tax | 11,199 | 272,222 |
| Current tax | -747,425 | -11,204 |
| **Total current tax asset/liability** | **-736,226** | **261,018** |

*Breakdown of tax expense*

| in EUR | 2021 | 2020 |
|---|---|---|
| **Tax expense disclosed in the income statement** | | |
| *Current tax expense (current tax for the financial year)* | *-747,425* | *-11,204* |
| *Deferred tax expense/income relating to creation and reversal of temporary differences* | *2,387* | *-862* |
| **Total tax expense recognised in the income statement** | **-745,038** | **-12,065** |
| **Tax expense recognised in other comprehensive income** | | |
| *Deferred tax income/expense referring to items that will later not be reclassified to profit or loss* | *668* | *-1,240* |
| *Deferred tax expense relating to creation and reversal of temporary differences* | *-41,484* | *35,795* |
| **Total tax expense recognised in other comprehensive income** | **-40,816** | **34,556** |
| **Total tax expense** | **-785,854** | **22,490** |
| *- of which total current tax in the income statement* | *-747,425* | *-11,204* |
| *- of which total deferred tax expense* | *-38,429* | *33,694* |

*Note on relationship between tax expense and accounting net profit for the accounting period in the income statement*

| in EUR | 2021 | 2020 |
|---|---|---|
| **Pre-tax profit** | **3,930,326** | **2,204,635** |
| Tax at prescribed 19% tax rate (same tax rate as in 2020) | 746,762 | -418,881 |
| Tax effect of other income exempt from tax assessment | 3,750 | 1,869 |
| Tax effect of expenses not deducted on tax assessment | -40,545 | -41,825 |
| Tax effect of expenses increased on tax assessment | 7,854 | 428,604 |
| Tax effect of higher tax base due to tax allowances used in previous years | -299 | -48 |
| Tax effect of tax allowances | 28,576 | 19,076 |
| Change in temporary differences of deferred taxes | 2,387 | -862 |
| **Total tax expense in profit or loss** | **-745,038** | **-12,065** |
| **Net profit for the accounting period** | **3,185,288** | **2,192,570** |
| **Actual tax rate in the income statement** | **-18.96%** | **-0.55%** |

In accordance with the Corporate Income Tax Act a 19% tax rate applies for 2021.

*Note on tax effect in other comprehensive income*

| in EUR | 2021 | | |
|---|---|---|---|
| | Before tax | Tax expense | Net of tax |
| *Actuarial net gains/losses for pension plans* | *-3,517* | *-668* | *-4,185* |
| *Net profit/loss after re-measurement of available-for-sale financial assets* | *-218,336* | *41,484* | *-176,853* |
| Gains/losses recognised in fair value reserve | -275,858 | 52,413 | -223,445 |
| Transfer of gains/losses from fair value reserve to profit or loss (net gains/losses realised in the period) | 57,521 | -10,929 | 46,592 |
| **Other comprehensive income** | **-221,853** | **40,816** | **-181,037** |

| in EUR | 2020 | | |
|---|---|---|---|
| | Before tax | Tax expense | Net of tax |
| *Actuarial net gains/losses for pension plans* | *7,321* | *1,240* | *8,560* |
| *Net profit/loss after re-measurement of available-for-sale financial assets* | *188,396* | *-35,795* | *152,601* |
| Gains/losses recognised in fair value reserve | 201,723 | -33,263 | 168,460 |
| Transfer of gains/losses from fair value reserve to profit or loss (net gains/losses realised in the period) | -13,327 | 2,532 | -10,795 |
| **Other comprehensive income** | **195,716** | **-34,556** | **161,161** |

## 2.6.10 Other revenue / other expenses

| in EUR | 2021 | 2020 |
|---|---|---|
| Other revenues | 517,836 | 201,428 |
| Other expenses | -23,080 | -2,179 |

Other revenue mostly comprises revenues from the provision of services to affiliates (consultancy and sale of credit reports) and revenues from the sale of property, plant and equipment. Other expenses mostly relate to expenses from the write-off of assets and to other interest expenses.

## 2.7 Notes to the statement of cash flows

The statement of cash flows is in line with the Decision on the Annual Report and the Quarterly Financial Statements of Insurance Undertakings prescribed by the Insurance Supervision Agency.

| in EUR | 2021 | 2020 |
|---|---|---|
| **A. Cash flows from operating activities** | | |
| **a) Income statement items** | **3,413,673** | **543,546** |
| Net insurance premiums written for the period | 4,607,137 | 4,514,190 |
| Investment income (other than finance income) | 13 | 0 |
| Other operating income (other than revaluation and excluding any decline in provisions) and finance income from operating receivables | 1,412,577 | 1,396,045 |
| Net claims paid for the period | -128,717 | -2,248,522 |
| Net operating costs excluding depreciation or amortisation costs and changes in deferred acquisition costs | -1,626,317 | -2,325,979 |
| Investment expenses (excluding depreciation/amortisation or finance costs) | -61,162 | -55,846 |
| Other operating expenses excluding depreciation/amortisation (other than revaluation and excluding any increase in provisions) | -789,858 | -736,342 |
| **b) Changes in net working capital in operating balance sheet items (insurance receivables, other receivables, other assets and deferred tax assets and liabilities)** | **311,682** | **1,331,002** |
| Opening less closing receivables from direct insurance | -366,412 | 194,356 |
| Opening less closing receivables from reinsurance | 590,994 | 274,146 |
| Opening less closing other receivables from (re)insurance business | 76,637 | -115,140 |
| Opening less closing other receivables and assets | 377,268 | -318,164 |
| Closing less opening liabilities from direct insurance | 32,302 | -12,402 |
| Closing less opening liabilities from reinsurance | -316,956 | 1,397,782 |
| Closing less opening other operating liabilities | -35,799 | -14,560 |
| Closing less other liabilities (other than unearned premiums) | -46,352 | -75,017 |
| **c) Net cash flow from operating activities (a + b)** | **3,725,355** | **1,874,548** |
| | | |
| **B. Cash flows from investing activities** | | |
| **a) Inflows from investing activities** | **11,200,230** | **12,865,774** |
| Inflows from interest relating to investing activities | 416,432 | 465,174 |
| Inflows from the disposal of property, plant and equipment | 14,940 | 3,402 |
| Inflows from the disposal of financial assets | 10,768,858 | 12,397,198 |
| - Inflows from the disposal of subsidiaries | 0 | 0 |
| - Other inflows from the disposal of financial assets | 10,768,858 | 12,397,198 |
| **b) Outflows from investing activities** | **-15,224,549** | **-13,512,791** |
| Outflows for acquisition of intangible assets | 0 | -1,471 |
| Outflows for acquisition of property, plant and equipment | -39,996 | -133,646 |
| Outflows for acquisition of financial assets | -15,184,553 | -13,377,674 |
| - Other outflows for acquisition of financial assets | -15,184,553 | -13,377,674 |
| **c) Net cash flow from investing activities (a + b)** | **-4,024,319** | **-647,017** |
| | | |
| **C. Cash flows from financing activities** | | |
| **a) Inflows from financing activities** | **0** | **0** |
| **b) Outflows for financing activities** | **-2,550** | **-1,240** |
| Interest paid | -2,550 | -1,240 |
| **c) Net cash flow from financing activities (a + b)** | **-2,550** | **-1,240** |
| | | |
| **Č. Closing balance of cash and cash equivalents** | **2,187,636** | **2,489,146** |
| x) Net cash flow for the period (Ac + Bc + Cc) | -301,513 | 1,226,291 |
| + Exchange rates difference | 3 | 600 |
| y) Opening balance of cash and cash equivalents | 2,489,146 | 1,262,255 |

*Reconciliation of net operating costs in statement of cash flows*

| in EUR | 2021 | 2020 |
|---|---|---|
| Operating costs in income statement | -5,345,277 | -5,155,039 |
| Fee and commission income in income statement | 3,429,220 | 2,381,921 |
| **Net operating costs in income statement** | **-1,916,058** | **-2,773,117** |
| *- amortisation/depreciation* | *280,549* | *433,159* |
| *- change in provisions for jubilee benefits and termination benefits at retirement* | *9,192* | *13,979* |
| *Total difference* | *289,741* | *447,138* |
| **Net operating costs in cash flow statement** | **-1,626,317** | **-2,325,979** |

## 2.8 Other disclosures

### 2.8.1 Transactions with affiliates

All the shares of Coface PKZ are held by Compagnie Française d'Assurance pour le Commerce Extérieur, with its registered office at 1 Place Coste set Bellonte 92270 Bois-Colombes, France (hereinafter: Coface SA). The consolidated annual report of Coface for 2021 was compiled according to the IFRS, and can be obtained at Coface's registered office in France or on its website.

In 2021 the controlling company (Coface SA) provided PKZ access to various information systems. Other transactions with other Coface Group companies were derived from the purchase or sale of credit reports, the supervision over the management of PKZ by the CER region, and from advisory and other services.

*Illustration of Coface PKZ's transactions with the controlling company and other affiliates*[21]

| in EUR | Controlling company | | Other affiliates | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Expenses for purchased credit reports | | 0 | -599,998 | -568,589 |
| Expenses for IT | -380,748 | -159,513 | 0 | 0 |
| Costs of other services | -17,315 | -11,533 | -493,453 | -370,336 |
| Other income | 24,584 | 0 | 14,958 | 0 |
| Income from underwriting | 0 | 0 | 234,603 | 105,180 |
| Income from consulting services | 0 | 0 | 195,618 | 78,541 |
| Ceded gross premium | 0 | 0 | -5,511,262 | -4,443,958 |
| Commission received from reinsurer | 0 | 0 | 2,196,060 | 1,334,339 |
| Ceded claims expenditure (claims, recoveries) | 0 | 0 | 328,895 | 378,895 |
| **Total** | **-373,479** | **-171,046** | **-3,634,579** | **-3,485,927** |

[21]Operating costs in terms of nature.

*Coface PKZ had the following outstanding receivables from/liabilities to the controlling company or other affiliates in the Group.*

| in EUR | Controlling company | | Other affiliates | |
|---|---|---|---|---|
| | **31.12.2021** | **31.12.2020** | **31.12.2021** | **31.12.2020** |
| Receivables from affiliated companies | 0 | 30,510 | 28,024 | **105,180** |
| Deferred income accruals | 0 | 0 | 831 | 21,404 |
| Costs accruals | 0 | 0 | -20,583 | 0 |
| Liabilities for operating costs and credit reports | 0 | 0 | -109 | -110,474 |
| Receivables/liabilities from reinsurance | 0 | 0 | -625,917 | -637,533 |
| **Total** | **0** | **30,510** | **-617,754** | **-621,423** |

### 2.8.2 Disclosures about management and supervisory body members

The implementation of the remuneration system at Coface PKZ is regulated by the remuneration policy (hereinafter: the policy), which includes the regulation of remuneration in line with the company's business strategy, risk management strategy, objectives, risk management practices, long-term interests and the success of PKZ as a whole. The policy takes account of the requirements of the applicable regulations.

The remuneration policy applies to the company as a whole and includes specific regulations that take account of the duties and performance of persons that actually run the company or hold other key functions, and other categories of employees who have a significant impact on the company's risk profile and who are employed on the basis of individual employment contracts.

The members of the management board are entitled to a certain percentage of the performance-related remuneration, in accordance with the criteria and standards set out in the Group Bonus Policy.

The system of remuneration to the supervisory board and audit committee is adopted by the general meeting of shareholders. Members of the supervisory board not employed at the controlling company or company (insurer) are entitled to remuneration for performing their function, to session fees, and to the reimbursement of expenses relating to their work on the basis of a of a general meeting resolution.

*Remuneration of management board members, supervisory board members and employees to whom the tariff schedule of the collective agreement does not apply*

| in EUR | 2021 | 2020 |
|---|---|---|
| Management Board | 277,865 | 166,477 |
| Supervisory Board | 0 | 0 |
| Audit Committee | 0 | 0 |
| Remuneration for employees to whom the tariff segment of the collective agreement does not apply | 964,397 | 813,518 |
| **Total remuneration (gross)** | **1,242,263** | **979,995** |

The company did not approve any advances, loans or sureties for the persons in the above table. As at 31 December 2021, Coface PKZ has liabilities to the management board amounting to EUR 16,260 (amount relates to salaries for December 2021).

### 2.8.3 Educational structure of employees

| Level of education (qualifications) | Average number | |
|---|---|---|
| | **2021** | **2020** |
| V. | 5 | 6 |
| VI/1. | 5 | 4 |
| VI/2. | 16 | 13 |
| VII. | 22 | 31 |
| VIII. | 7 | 5 |
| IX. | 1 | 2 |
| **Total** | **56** | **61** |

### 2.8.4 Amounts paid to the auditor

DELOITE REVIZIJA d.o.o. was the auditor appointed for 2020 and 2021.

The amounts paid for other non-auditing services relate to the review of the report on relations with affiliates in accordance with Article 546 of the ZGD-1 and review of the solvency and financial report in accordance with the ZZavar-1.

| in EUR | 2021 | 2020 |
|---|---|---|
| Auditing of the annual report | 29,000 | 29,000 |
| Other non-audit services | 6,000 | 6,000 |
| **Total** | **35,000** | **35,000** |

The above amounts are net of value added tax.

### 2.8.5 Reinsurance account

| in EUR | 2021 | 2020 |
|---|---|---|
| Reinsurance premiums written | -8,448,736 | -7,785,907 |
| Reinsurers' share of change in unearned premiums | 160,905 | -565,830 |
| **Reinsurers' share of income from premiums** | **-8,287,830** | **-8,351,737** |
| Reinsurers' share of claims and recourses | 437,591 | 1,121,114 |
| Reinsurers' share of change in provisions for claims outstanding | -1,235,266 | 1,707,647 |
| **Reinsurers' share of claim expenses** | **-797,675** | **2,828,761** |
| Reinsurers' share of changes in other technical provisions | -21,812 | -261,289 |
| Reinsurers' share of expenses for bonuses | -2,951 | 763,056 |
| Reinsurance commission | 3,429,220 | 2,381,921 |
| **Reinsurance account** | **-5,681,048** | **-2,639,288** |

### 2.8.6 Events after the reporting date

There were no business events after the reporting date that would have an impact on the financial statements for 2021. There were no other significant events that would not have an impact on the financial statements but that could otherwise affect the interpretation of the financial statements for 2021.

At the meeting of the Management Board of the Compagnie Française d'Assurance pour le Commerce Extérieur (parent company), held on 22 February 2022, it was confirmed that in 2022 a Coface branch will be established in Slovenia.

Given the complex security situation in Ukraine, which arose as a result of Russia's attack on Ukraine, Coface PKZ closely monitors current developments. Coface PKZ is in contact with reinsurers, actively regulates the exposure in Ukraine and the surrounding countries and the individual risks of policyholders around the world, which can be expected to have a negative impact on the situation. Coface PKZ is still studying the negative impact on the company's operations. Coface PKZ will comply with all relevant restrictive measures in relation to the situation in Ukraine, to which it will be bound by the legislation and internal rules of the Coface Group.

## 2.9 Risk management

### 2.9.1 Risks from non-life insurance contracts

Coface PKZ insures current trade receivables, generally with a maturity of up to 180 days, or up to one year when the nature of the transaction or the type of goods so requires. The insurance covers commercial and optional risks, and also non-commercial (political) risks. In addition to compensation for damages incurred in an insurance case, Coface PKZ also provides policyholders with the option of prevention of future damages, and assistance in the development of profitable and solvent buyers.

Coface PKZ sells credit insurance in the Adriatic region, which comprises the countries of the former Yugoslavia, and Albania. When operating on the Slovenian and Croatian markets, the company uses a network of insurance agents and banks in addition to its own sales network. When operating on other markets in the Adriatic region, the company does not sell insurance directly, but uses a network of fronting partners, i.e. selected insurance companies that operate on the markets of the individual countries in the region.

In its insurance contracts Coface PKZ covers the risk that the debtor will fail to execute payment by the original or amended due date of a debt instrument, and Coface PKZ will have to reimburse the policyholder for the loss incurred by the debtor's default. The debtor in this case is a buyer[22] to which Coface PKZ's policyholder is selling goods or services, and for which Coface PKZ has approved a limit for the policyholder. The debt instrument is the receivable that the policyholder holds in respect of its (Coface PKZ-insured) buyer. By entering into a contract with the policyholder and approving a limit for an individual buyer of the policyholder,

[22]The term "buyer" in this report means a customer of a Coface PKZ policyholder, i.e. an entity whose default in respect of a policyholder is insured by Coface PKZ.

Coface PKZ undertakes in exchange for the payment of a premium (specified as a proportion of the value of the policyholder’s sales to this buyer) to reimburse the policyholder, in the event of the buyer failing to perform its obligations, for the damage incurred by the default.

The policyholder obtains insurance coverage for an individual buyer alone, when Coface PKZ approves the limit for the buyer. The company sets a maximum limit for each of the buyers. An individual buyer’s limit is an important tool of risk management for Coface PKZ, as it thereby determines the maximum claim that Coface PKZ might have to pay to the policyholder (or to all policyholders whose turnover with the buyer is insured) should a loss event occur in respect of the buyer. In addition, Coface PKZ can reduce or terminate an approved limit for most buyers at any time.

In order to manage the concentration of underwriting risks and comply with the provisions of reinsurance contracts, Coface PKZ regularly monitors the company's maximum potential exposure by country and activity of the buyers of these policyholders, the changes in exposure and reasons for the changes.

The company also mitigates concentration risks by means of reinsurance. The majority of coverage is provided by two quota contracts. In addition, the company has entered into excess-of-loss contracts by virtue of which it limits its maximum claim for an individual loss event which it incurs itself, and stop loss reinsurance coverage. The company’s reinsurance coverage does not relieve it of its obligations to policyholders. Due to its cession of risks to reinsurers the company is therefore exposed to counterparty risk (credit risk, see point 2.9.2.1).

#### 2.9.1.1 Risk under technical provisions

The table below illustrates the estimated ultimate liabilities from insurance contracts by year, and includes provisions for claims incurred and reported, provisions for claims incurred but not reported, and cumulative amounts of claims paid. The probability of the final development of claims differing from the estimate is greater in the earlier years of development. Given the high uncertainty in the first years of development and the impact of subsequent events (after the first year of development) on the final development of claims paid, the differences in the estimated final development of claims in the first years of development can be significant, particularly in a period of increased uncertainty.

### *Estimates of net ultimate claim costs (excluding recourse) in comparison with previous estimates*[23]

| in EUR<br>Claims year | 2,009 | 2,010 | 2,011 | 2,012 | 2,013 | 2,014 | 2,015 | 2,016 | 2,017 | 2,018 | 2,019 | 2020 | 2021 | Total 2009-2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated net ultimate claim costs | | | | | | | | | | | | | | |
| - in year 1 | 14,129,520 | 8,145,394 | 7,377,852 | 8,105,766 | 7,446,974 | 8,599,659 | 7,420,862 | 6,138,234 | 7,279,933 | 7,895,574 | 8,180,344 | 5,134,555 | 4,484,082 | |
| - in year 2 | 10,141,985 | 7,287,340 | 6,318,459 | 6,496,290 | 5,551,889 | 6,265,531 | 4,554,153 | 4,303,221 | 3,348,557 | 3,806,568 | 5,637,487 | 1,232,913 | | |
| - in year 3 | 7,853,792 | 5,981,739 | 4,916,123 | 4,909,240 | 3,685,464 | 5,669,734 | 3,605,721 | 3,505,686 | 2,712,965 | 2,376,209 | 4,201,438 | | | |
| - in year 4 | 7,457,794 | 5,464,599 | 4,333,635 | 4,667,828 | 3,392,324 | 5,407,573 | 3,412,144 | 3,466,693 | 2,289,683 | 2,237,935 | | | | |
| - in year 5 | 7,397,203 | 5,687,828 | 4,298,512 | 4,640,915 | 3,294,673 | 5,305,935 | 3,402,697 | 3,293,382 | 2,228,277 | | | | | |
| - in year 6 | 7,353,448 | 5,653,954 | 4,247,894 | 4,608,668 | 3,257,549 | 5,302,535 | 3,307,746 | 3,274,048 | | | | | | |
| - in year 7 | 7,306,862 | 5,632,535 | 4,224,844 | 4,584,435 | 3,264,996 | 5,283,225 | 3,294,608 | | | | | | | |
| - in year 8 | 7,290,310 | 5,599,920 | 4,211,377 | 4,632,488 | 3,227,609 | 5,273,306 | | | | | | | | |
| - in year 9 | 7,290,310 | 5,599,920 | 4,234,573 | 4,535,957 | 3,226,812 | | | | | | | | | |
| - in year 10 | 7,290,310 | 5,608,541 | 4,211,370 | 4,535,957 | | | | | | | | | | |
| - in year 11 | 7,300,282 | 5,599,920 | 4,211,271 | | | | | | | | | | | |
| - in year 12 | 7,293,484 | 5,599,863 | | | | | | | | | | | | |
| **Current estimated net ultimate claim costs** | **7,293,484** | **5,599,863** | **4,211,271** | **4,535,957** | **3,226,812** | **5,273,306** | **3,294,608** | **3,274,048** | **2,228,277** | **2,237,935** | **4,201,438** | **1,232,913** | **4,484,082** | |
| Cumulative net claims paid | 7,262,426 | 5,599,863 | 4,205,783 | 4,535,957 | 3,226,812 | 5,273,306 | 3,287,030 | 3,258,363 | 2,192,273 | 2,158,065 | 3,787,781 | 769,688 | 82,829 | 45,640,177 |
| Portion for net provisions for unearned premiums and unexpired risks | | | | | | | | | | | | | -484,262 | |
| Net provisions for claims outstanding | 31,058 | 0 | 5,487 | 0 | 0 | 0 | 7,579 | 15,685 | 36,004 | 79,869 | 413,657 | 463,225 | 3,916,992 | 4,969,556 |
| Net provisions for appraisal costs | | | | | | | | | | | | | | 1,418,865 |
| **Total net provisions for claims outstanding** | | | | | | | | | | | | | | **6,388,421** |
| **Surplus/deficit relative to the initial estimate** | **6,836,036** | **2,545,531** | **3,166,581** | **3,569,809** | **4,220,162** | **3,326,353** | **4,126,254** | **2,864,186** | **5,051,656** | **5,657,639** | **3,978,906** | **3,901,641** | | |

In all the above-indicated years the estimated net ultimate claim costs were sufficient by the end of the first year. The company takes into account the uncertainty of the ultimate claims ratio in the first year of development when creating provisions, which is expressed via a surplus in the initial estimate of net ultimate claim costs.

The development of provisions in the calendar year of 2021 created a surplus, in particular for the claims years of 2019 and 2020, an indication that development in individual years has been more favourable than was projected when these provisions were created in previous periods.

[23]The estimates of net ultimate claim costs, the cumulative net claims paid, and the surplus/deficit in the initial estimate in the table do not include indirect appraisal costs.

*Provisions for claims outstanding at the beginning of the year compared with claims paid during the year and provisions for claims outstanding at the end of the year for cases from the same period (gross and net).*

| in EUR | Claim cases until 2021 in 2021 | Claim cases until 2020 in 2020 |
|---|---|---|
| **Gross amounts** | | |
| Provisions for claims outstanding 1/1 | 15,986,437 | 17,437,664 |
| Claims paid in the current year for claims in previous years | -1,306,122 | -4,855,379 |
| Recourse | 1,011,937 | 1,762,448 |
| Provisions for claims outstanding 31/12 | -3,001,817 | -6,376,743 |
| **Difference** | **12,690,435** | **7,967,990** |
| Decrease in provisions for unearned premiums and provisions for unexpired risks in the current year, for the part relating to claims, for claims years before the current year | 1,974,706 | 1,905,925 |
| **Difference** | **14,665,141** | **9,873,914** |
| **Net amounts** | | |
| Provisions for claims outstanding 1/1 | 6,342,294 | 8,313,082 |
| Claims paid in the current year for claims in previous years | -497,150 | -2,552,916 |
| Recourse | 466,374 | 465,268 |
| Provisions for claims outstanding 31/12 | -1,214,268 | -2,594,274 |
| **Difference** | **5,097,250** | **3,631,160** |
| Decrease in provisions for unearned premiums and provisions for unexpired risks in the current year, for the part relating to claims, for claims years before the current year | 664,208 | 770,336 |
| **Difference** | **5,761,457** | **4,401,496** |

At the beginning of 2021, EUR 14.7 million more technical provisions were formed for claims before 2021 than from claims paid and claims provisions formed at the end of 2021 for cases from that period in 2021. The differences are mainly from more favorable claims developments in 2021 than expected, also for previous periods and consequently lower provisions for previous periods.

The largest positive difference as a result of an improvement in the estimate in 2021 was in provisions for claims outstanding for 2018, 2019 and 2020 - change was reflected in profit or loss[24].

| in EUR<br>Claims years | 2018 | 2019 | 2019 | Total 2018-2020 |
|---|---|---|---|---|
| **Estimated ultimate claim costs 31/12/2020** | | | | |
| Gross amounts | 4,934,938 | 11,837,813 | 12,855,168 | |
| Net amounts | 2,376,209 | 5,637,487 | 5,134,555 | |
| **Estimated ultimate claim costs 31/12/2021** | | | | |
| Gross amounts | 4,552,462 | 8,182,907 | 3,066,879 | |
| Net amounts | 2,237,935 | 4,201,438 | 1,232,913 | |
| **Difference** | | | | |
| Gross amounts | 382,476 | 3,654,906 | 9,788,290 | 13,825,671 |
| Net amounts | 138,275 | 1,436,049 | 3,901,641 | 5,475,965 |

[24]The estimates of ultimate claim costs in the table do not include indirect appraisal costs.

***Sensitivity analysis***

Sensitivity analysis is conducted on the basis of changes in individual key assumptions, all other assumptions remaining unchanged. The individual assumptions are not necessarily entirely mutually independent, but for an assessment of the impact of the change in an individual item it is necessary to change them individually.

The key assumptions for the calculation of provisions for claims outstanding are the first development factor for the most recent financial year and the estimated amount of large claims in the calculation of provisions for claims outstanding for claims incurred but not reported. These assumptions consequently have an impact on the calculation of provisions for unexpired risks and on the reinsurers' shares of these provisions. All changes in estimates are reflected in the income statement. The company has assessed that it would be reasonable to expect a change in the assumption for the first development factor of +/-5%, and an effect of the change in the assumption for the amount of large claims in the estimate of incurred but unreported claims as of 31 December 2021 of +/-5%.

As of 31 December 2021, the effects of changes were non-proportional.

| in EUR | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | | Change in technical provisions | | Change in technical provisions | |
| Assumption | Change in assumption | Gross amounts | Net amounts | Gross amounts | Net amounts |
| First development factor under the Chain Ladder method | +5 % | 255,997 | 108,995 | 367,673 | 151,935 |
| | -5 % | -256,427 | -109,086 | -367,360 | -151,892 |
| Amount of large claims in estimated incurred but not yet reported claims | +5 % | 422,926 | 174,107 | 348,183 | 147,835 |
| | -5 % | -422,926 | -174,107 | -338,278 | -143,710 |

## 2.9.2 Financial risks

The types of financial risks and the management of these risks are disclosed from the point of view of the potential impact on individual items in the financial statements that are exposed to these risks. These are asset and liabilities that are exposed to the risk of a change in fair value or future cash flows.

The financial risks to which the company is exposed cover credit risk, market risk, concentration risk, liquidity risk and risk associated with asset and liability management. In the category of market risks, the company is exposed to spread risk (credit risk in respect of debt securities), interest rate risk, currency risk and risks associated with changes in real estate prices.

### 2.9.2.1 Credit risk

Credit risk is risk[25] that reflects potential loss due to the unexpected default or a deterioration in the credit position of counterparties and obligors of insurers. Financial assets (involving spread risk), cash and cash equivalents, other receivables and assets from insurance contracts (technical provisions ceded to reinsurers, receivables from reinsurers and receivables from policyholders) are exposed to credit risk.

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Available-for-sale financial assets | 32,927,287 | 29,019,511 |
| Reinsurance receivables | 22,465 | 613,459 |
| Other receivables | 47,023 | 148,356 |
| Cash and cash equivalents | 2,187,637 | 2,489,146 |
| **Total financial instruments** | **35,184,412** | **32,270,472** |
| Receivables for premiums | 2,210,768 | 1,857,177 |
| Receivables for charged credit reports | 41,780 | 118,848 |
| Technical provisions ceded to reinsurers | 12,178,005 | 13,277,128 |
| **Total** | **49,614,965** | **47,523,625** |

The company manages credit risk primarily through the setting of limits that are in line with its risk appetite. The company has defined acceptable credit ratings for individual exposures and maximum permitted exposures to issuers of financial instruments or other business partners. The company is also responsible for diversifying the investment portfolio.

#### *Financial assets*

*Breakdown of the financial assets portfolio by credit rating*

| | 31/12/2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Credit rating by S&P** | **Loans and deposits in EUR** | **Structure** | **Available-for-sale financial assets in EUR** | **Structure** | **Total in EUR** | **Structure** | **Cumulative share** |
| AAA | 0 | 0% | 498,730 | 2% | **498,730** | **2%** | **2%** |
| AA+ to AA- | 0 | 0% | 9,185,568 | 28% | **9,185,568** | **28%** | **29%** |
| A+ to A- | 0 | 0% | 11,966,206 | 36% | **11,966,206** | **36%** | **66%** |
| BBB+ to BBB- | 0 | 0% | 5,966,080 | 18% | **5,966,080** | **18%** | **84%** |
| BB+ to BB- | 0 | 0% | 220,361 | 1% | **220,361** | **1%** | **85%** |
| No credit rating | 0 | 0% | 5,090,343 | 15% | **5,090,343** | **15%** | **100%** |
| **Total** | **0** | **0%** | **32,927,287** | **100%** | **32,927,287** | **100%** | |

| | 31/12/2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Credit rating by S&P** | **Loans and deposits in EUR** | **Structure** | **Available-for-sale financial assets in EUR** | **Structure** | **Total in EUR** | **Structure** | **Cumulative share** |
| AAA | 0 | 0% | 0 | 0% | **0** | **0%** | **0%** |
| AA+ to AA- | 0 | 0% | 8,546,906 | 29% | **8,546,906** | **29%** | **29%** |
| A+ to A- | 0 | 0% | 11,171,211 | 38% | **11,171,211** | **38%** | **68%** |
| BBB+ to BBB- | 0 | 0% | 4,795,035 | 17% | **4,795,035** | **17%** | **84%** |
| BB+ to BB- | 0 | 0% | 932,985 | 3% | **932,985** | **3%** | **88%** |
| No credit rating | 2,501,636 | 100% | 3,573,374 | 12% | **3,573,374** | **12%** | **100%** |
| **Total** | **2,501,636** | **100%** | **29,019,510** | **100%** | **29,019,510** | **100%** | |

[25] The descriptions of credit risk do not refer to the insurance business, which actually comprises credit insurance; the credit risk associated with the insurance business is a component of underwriting risk, and is described in a separate point of the report.

The company manages its exposure to credit risk from financial assets by limiting the types and proportions of assets and issuers, and by monitoring the credit quality of assets via credit ratings. In so doing, Coface PKZ focuses on security and liquidity, and imposes additional constraints by not increasing its exposure via investments to partners with whom it works in the performance of insurance contracts. Coface PKZ mostly invests funds in debt instruments, limiting its exposure to credit risk through limits that depend on an issuer's credit rating. A small portion of the investment portfolio is also invested in equity funds and money-market funds. There are no investments that mature without being realised, and there are no impaired financial assets. The company does not use derivatives for hedging.

The company does not have any investments in loans and deposits.

*Breakdown by type of financial asset and guarantee*

| in EUR | 31/12/2021 | in % | 31/12/2020 | in % |
|---|---|---|---|---|
| Securities of EU Member States or guaranteed by one of these entities and international financial institutions | 12,206,217 | 37% | 8,740,966 | 30% |
| Securities traded in EU and OECD | 20,721,070 | 63% | 20,278,544 | 70% |
| **Total** | **32,927,287** | **100%** | **29,019,510** | **100%** |

*Breakdown of the available-for-sale financial assets portfolio by sector of issuer*

| in EUR | 31/12/2021 | Structure | 31/12/2020 | Structure |
|---|---|---|---|---|
| Government | 11,933,303 | 36% | 9,471,483 | 33% |
| Banks | 3,366,853 | 10% | 1,429,630 | 5% |
| Corporations | 9,812,951 | 30% | 9,001,419 | 31% |
| Financial intermediaries | 7,814,181 | 24% | 9,116,978 | 31% |
| **Total** | **32,927,287** | **100%** | **29,019,510** | **100%** |

***Technical provisions ceded to reinsurers and receivables from reinsurance***

As a result of entering into reinsurance contracts, the company is exposed to credit risk deriving from the possibility that any of the reinsurers might be unable to meet its commitments under the reinsurance contract. Coface PKZ carries out most of its reinsurance business with Coface Re, which is then reinsured by more than 20 global reinsurers. In reinsurance accounts, only the balance between receivables and liabilities in the account is settled. Coface PKZ is mostly a net payer under reinsurance accounts.

Credit risk for reinsurers' shares in technical provisions is limited by the breadth of the selection of reinsurers and the corresponding diversification of risk, and by the selection of reinsurers with suitable credit ratings with regard to their shares in the contract. All the reinsurers in the current contract, and all the reinsurers no longer in the contract but to which amounts ceded to reinsurers (provisions for previous years) from the technical provisions relate, have a credit rating of between A and AA (according to S&P) or A2 and Aa3 (according to Moody's). The technical provisions ceded to reinsurers and the receivables from reinsurers are neither past-due nor impaired.

### *Receivables for premiums and credit reports*

Defaulting on receivables for premiums may result in the termination of insurance coverage. Because most premiums are charged and paid monthly, defaulting on premiums is one of the grounds under which the insurer can terminate coverage under the contract. The cumulative amount of outstanding receivables from a single policyholder is therefore relatively low, and the corresponding risk is limited. In the event of claims, there is a possibility of the direct netting of receivables and liabilities.

There is greater credit risk associated with recourse receivables, which arise as part of the ordinary claims resolution process in credit insurance. Risks in connection with recourse receivables are first managed preventively during the phase of risk take-up (review of limits before approval, monitoring of customers) even before any claims and the resulting recourse receivables arise, and then by means of appropriate recovery procedures and the diligent and regular assessment of recourse receivables. Risks in connection with recourse receivables are also indirectly mitigated by reinsurance, as the reinsurers' shares in recourse receivables are recognised when the recourse is accounted, but the reinsurers are only paid the actually received recourses.

Receivables are not hedged by means of financial instruments.

*Breakdown of receivables for premiums and for credit reports in terms of arrears*

| in EUR 31/12/2021 | Gross amount | | | Net amount | | |
|---|---|---|---|---|---|---|
| | Unimpaired receivables | Impaired receivables | Total | Unimpaired receivables | Impaired receivables | Total |
| Non-past-due | 835,330 | 0 | **835,330** | 835,330 | 0 | **835,330** |
| Up to 30 days past due | 95,051 | 0 | **95,051** | 95,051 | 0 | **95,051** |
| 31 to 90 days past due | 112,962 | 0 | **112,962** | 112,962 | 0 | **112,962** |
| 91 to 180 days past due | 10,940 | 0 | **10,940** | 10,940 | 0 | **10,940** |
| 181 to 270 days past due | | 30,789 | **30,789** | 0 | 23,092 | **23,092** |
| More than 270 days past due | | 15,222 | **15,222** | 0 | 1,828 | **1,828** |
| **Amount of receivables for premiums and charged credit reports** | **1,054,283** | **46,011** | **1,100,294** | **1,054,283** | **24,920** | **1,079,203** |

| in EUR 31/12/2020 | Gross amount | | | Net amount | | |
|---|---|---|---|---|---|---|
| | Unimpaired receivables | Impaired receivables | Total | Unimpaired receivables | Impaired receivables | Total |
| Non-past-due | 457,404 | | **457,404** | 457,404 | 0 | **457,404** |
| Up to 30 days past due | 179,256 | | **179,256** | 179,256 | 0 | **179,256** |
| 31 to 90 days past due | 102,355 | | **102,355** | 102,355 | 0 | **102,355** |
| 91 to 180 days past due | 45,772 | | **45,772** | 45,772 | 0 | **45,772** |
| 181 to 270 days past due | 0 | 9,713 | **9,713** | 0 | 4,895 | **4,895** |
| More than 270 days past due | 0 | 225,624 | **225,624** | 0 | 2,759 | **2,759** |
| **Amount of receivables for premiums and charged credit reports** | **784,786** | **235,337** | **1,020,123** | **784,786** | **7,654** | **792,439** |

*Changes in adjustments to the value of receivables*

| in EUR | Receivables from direct insurance business | Recourses | Total |
|---|---|---|---|
| **As at 1/1/2020** | **-237,585** | **-18,006** | **-255,591** |
| Creation | -26,036 | -3,975 | -30,012 |
| Write-off | 48,837 | 3,319 | 52,156 |
| Reversal (elimination) | 4,922 | 841 | 5,763 |
| **As at 31/12/2020** | **-209,863** | **-17,821** | **-227,684** |
| Creation | -26,501 | -3,520 | -30,021 |
| Write-off | 205,016 | 14,829 | 219,845 |
| Reversal (elimination) | 13,680 | 3,089 | 16,769 |
| **As at 31/12/2021** | **-17,668** | **-3,423** | **-21,091** |

### 2.9.2.2 Market risks

***Interest rate risk***

Interest-rate risk reflects sensitivity in the value of assets and liabilities to changes in the maturity structure of interest rates or the volatility of interest rates. Exposure to interest rate risk can also change future cash flows.

Financial assets, and cash and cash equivalents are exposed to interest rate risk at Coface PKZ. The company mitigates its interest rate risk by maintaining an appropriate combination of long-term and short-term financial assets with different interest rates in its portfolio.

*Interest rate risk – period until the change in interest rate*

| in EUR · 31/12/2021 | Interest bearing | | | | | | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total | | |
| **Available-for-sale financial assets** | **3,905,876** | **0** | **3,187,082** | **12,696,610** | **11,862,323** | **31,651,891** | **1,275,396** | **32,927,287** |
| - fixed rate debt instruments | 2,092,215 | 0 | 3,187,082 | 12,696,610 | 11,862,323 | 29,838,230 | 0 | 29,838,230 |
| - mutual funds (ETF) | 1,813,662 | 0 | 0 | 0 | 0 | 1,813,662 | 1,275,396 | 3,089,057 |
| **Cash and cash equivalents** | **2,187,637** | **0** | **0** | **0** | **0** | **2,187,637** | **0** | **2,187,637** |
| **Assets** | **6,093,513** | **0** | **3,187,082** | **12,696,610** | **11,862,323** | **33,839,528** | **1,275,396** | **35,114,924** |

| in EUR · 31/12/2020 | Interest bearing | | | | | | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total | | |
| **Available-for-sale financial assets** | **4,602,200** | **0** | **509,785** | **16,308,680** | **6,563,230** | **27,983,894** | **1,035,616** | **29,019,510** |
| - fixed rate debt instruments | 2,064,442 | 0 | 509,785 | 16,308,680 | 6,563,230 | 25,446,136 | 0 | 25,446,136 |
| - mutual funds (ETF) | 2,537,758 | | | | | 2,537,758 | 1,035,616 | 3,573,374 |
| **Cash and cash equivalents** | **2,489,146** | **0** | **0** | **0** | **0** | **2,489,146** | **0** | **2,489,146** |
| **Assets** | **7,091,346** | **0** | **509,785** | **16,308,680** | **6,563,230** | **30,473,041** | **1,057,020** | **31,508,657** |

Exposure to interest rate risks is also reflected in a sensitivity analysis that reveals how the fair value of financial instruments would change at the reporting date as a result of a change in market interest rates. An analysis was conducted on the basis of a parallel shift in the yield curve in the amount of the assumed change in interest rates. The analysis covered debt securities classed as available-for-sale financial assets, which constitute the majority of interest-bearing assets. A shift in the yield curve would have no impact on the value of loans and deposits stated in the financial statements. A sensitivity analysis can also indicate changes to net interest income. The change in net interest income is calculated for a period of one year. Available-for-sale financial assets and financial assets in the form of loans and deposits were included in the analysis.

The analysis was conducted under the assumption of a change in market interest rates (rise and fall) of 100 basis points (1 percentage point).

| in EUR | 2021 | |
|---|---|---|
| | +1 percentage point | -1 percentage point |
| Change in the value of available-for-sale financial instruments | -12,211 | 13,432 |
| Change in interest income of available-for-sale debt financial instruments and loans and deposits | 33,474 | -33,407 |

| in EUR | 2020 | |
|---|---|---|
| | +1 percentage point | -1 percentage point |
| Change in the value of available-for-sale financial instruments | -9,055 | 10,000 |
| Change in interest income of available-for-sale debt financial instruments and loans and deposits | 22,014 | -35,370 |

***Risk associated with shares***

The risk associated with shares relates to the sensitivity of the value of assets to equity fluctuations. Coface PKZ is exposed to this risk via investments in equity funds. The company mitigates this risk by placing limits on permitted exposure and with limits on permitted investments that are sensitive to the risk associated with shares.

***Currency risk***

Currency risk reflects sensitivity in the value of assets and liabilities to changes in value or the volatility of exchange rates. The euro is overwhelmingly the prevalent currency of accounting and payment in connection with all the company’s transactions in all areas of business. Coface PKZ is not exposed to the currency risk of financial assets, as these are denominated in euro. Of the other (non-insurance) items, only cash and cash equivalents and certain liabilities, such as trade payables (primarily for credit reports) are exposed to currency risk, although the small size of these items means that currency risk is negligible, as is sensitivity to changes in exchange rates. In the insurance business technical provisions (gross and shares of reinsurers) are exposed to currency risk.

*Breakdown of assets and liabilities by currency*

| in EUR - 31/12/2020 | EUR | USD | HRK | PLN | CZK | RSD | GBP | Drugo | Skupaj |
|---|---|---|---|---|---|---|---|---|---|
| Financial assets | 32,927,287 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 32,927,287 |
| Technical provisions ceded to reinsurers | 11,589,635 | 189,199 | 108,916 | 88,544 | 45,720 | 35,792 | 34,465 | 85,734 | 12,178,005 |
| Receivables | 2,322,036 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,322,036 |
| Other assets | 25,557 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25,557 |
| Cash and cash equivalents | 2,187,637 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,187,637 |
| **Total assets** | **49,052,152** | **189,199** | **108,916** | **88,544** | **45,720** | **35,792** | **34,465** | **85,734** | **49,640,522** |
| Technical provisions | 19,760,814 | 333,023 | 191,711 | 155,879 | 80,474 | 63,000 | 60,664 | 150,907 | 20,796,473 |
| Other provisions | 167,796 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 167,796 |
| Operating liabilities | 2,307,132 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,307,132 |
| Other liabilities | 1,227,722 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,227,722 |
| **Total liabilities** | **23,463,464** | **333,023** | **191,711** | **155,879** | **80,474** | **63,000** | **60,664** | **150,907** | **24,499,124** |

| in EUR - 31/12/2020 | EUR | USD | HRK | PLN | CZK | RSD | GBP | Drugo | Skupaj |
|---|---|---|---|---|---|---|---|---|---|
| Financial assets | 29,019,510 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 29,019,510 |
| Technical provisions ceded to reinsurers | 12,608,809 | 220,850 | 136,069 | 107,535 | 64,769 | 29,976 | 26,333 | 82,786 | 13,277,128 |
| Receivables | 2,998,858 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,998,858 |
| Other assets | 40,474 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40,474 |
| Cash and cash equivalents | 2,489,146 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,489,146 |
| **Total assets** | **47,156,798** | **220,850** | **136,069** | **107,535** | **64,769** | **29,976** | **26,333** | **82,786** | **47,825,117** |
| Technical provisions | 21,471,095 | 369,982 | 227,950 | 180,149 | 108,505 | 50,218 | 44,115 | 138,689 | 22,590,704 |
| Other provisions | 158,751 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 158,751 |
| Operating liabilities | 1,855,559 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,855,559 |
| Other liabilities | 1,293,922 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,293,922 |
| **Total liabilities** | **24,779,327** | **369,982** | **227,950** | **180,149** | **108,505** | **50,218** | **44,115** | **138,689** | **25,898,936** |

Coface PKZ coordinates the currency structure of the company's assets and liabilities, concerning itself with the fact that past-due liabilities in a certain currency are mostly covered by assets that are denominated or realisable in this same currency, keeping in mind that Coface PKZ accepts the risk of a 20% deviation in the coverage of assets by liabilities. Due to permitted deviations in the currency structure of assets and liabilities Coface PKZ believes that no significant currency risks arise, and therefore assesses that the financial implications of any adverse fluctuations in exchange rates are low.

***Risk associated with changes to real estate prices***

The risk associated with real estate prices reflects sensitivity in the value of assets to changes in the value or volatility of real estate market prices. Coface PKZ is exposed to this risk with the real estate held for personal use.

The sensitivity analysis indicates the loss which would incur in the event of a 25% immediate reduction in real estate prices.

| in EUR | 2021 | 2020 |
|---|---|---|
| Change in value of real estate | -479,840 | -510,217 |

### 2.9.2.3 Concentration risk

Concentration risk reflects additional risks to which the insurer is exposed due to the insufficient diversification of the asset portfolio or large exposure to default risk by one of the issuers of securities or group of connected issuers.

Coface PKZ sets the maximum exposure to an individual issuer (separately for sovereign and non-sovereign issuers), as well as defines the limits on the credit quality of security issuers.

The largest individual exposure as at 31 December 2021 was EUR 2,092,215 to the Republic of Poland (31 December 2020: EUR 2,537,758 to the Amundi Asset Management).
The largest part of the exposure to the financial investment portfolio is represented by investments in corporate bonds (62.3%), so there is no higher concentration of the country risk.

### 2.9.2.4 Liquidity risk

Liquidity risk is the risk of the company not having sufficient funds to cover liabilities at maturity, or not having such funds available at reasonable cost. Liquidity risk arises from short-term fluctuations in cash flow, on both the inflow and outflow sides.

Insurance premiums, recourse payments, reinsurance commissions, reinsurers' shares in claims and investment income are the main sources of liquidity, which are used (and generally suffice) to cover the cost of claims and the company's other operating costs. In the event of increased need for liquidity Coface PKZ can also sell debt securities.

Coface PKZ manages its liquidity risk by means of the planning of inflows and outflows, and by an adequate stock of highly liquid financial assets. The majority of the insurer's financial assets comprise marketable government debt securities, other highly liquid debt securities, and short-term deposits at banks. In order to cover an increased demand for liquidity the company has defined a cash-call option in its contract with reinsurers.

*Maturity breakdown of assets and liabilities*

| in EUR 31/12/2021 | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Available-for-sale financial assets | 5,181,272 | 0 | 3,187,082 | 12,696,610 | 11,862,323 | 32,927,287 |
| Cash and cash equivalents | 2,187,637 | 0 | 0 | 0 | 0 | 2,187,637 |
| **Financial assets** | **7,368,908** | **0** | **3,187,082** | **12,696,610** | **11,862,323** | **35,114,924** |
| Technical provisions ceded to reinsurers | 698,178 | 1,396,356 | 6,283,603 | 3,736,493 | 63,376 | 12,178,005 |
| Receivables from insurance business | 835,330 | 1,267,396 | 219,311 | 0 | 0 | 2,322,037 |
| **Other assets** | **1,533,508** | **2,663,752** | **6,502,914** | **3,736,493** | **63,376** | **14,500,042** |
| ***Total assets*** | ***8,902,416*** | ***2,663,752*** | ***9,689,996*** | ***16,433,103*** | ***11,925,699*** | ***49,614,966*** |
| Technical provisions | 1,190,707 | 2,381,415 | 10,716,366 | 6,397,797 | 110,188 | 20,796,473 |
| Other provisions | 0 | 0 | 1,452 | 7,320 | 159,024 | 167,796 |
| Operating liabilities | 675,089 | 0 | 895,817 | 0 | 0 | 1,570,906 |
| Other liabilities | 408,424 | 679,094 | 72,500 | 67,705 | 0 | 1,227,722 |
| ***Total liabilities*** | ***2,274,220*** | ***3,060,508*** | ***11,686,135*** | ***6,472,822*** | ***269,213*** | ***23,762,898*** |

| in EUR 31/12/2020 | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Available-for-sale financial assets | 5,637,816 | 0 | 509,785 | 16,308,680 | 6,563,230 | 29,019,510 |
| Cash and cash equivalents | 2,489,146 | 0 | 0 | 0 | 0 | 2,489,146 |
| **Financial assets** | **8,126,962** | **0** | **509,785** | **16,308,680** | **6,563,230** | **31,508,657** |
| Technical provisions ceded to reinsurers | 717,404 | 1,434,809 | 6,456,640 | 4,570,952 | 97,323 | 13,277,128 |
| Receivables from insurance business | 785,016 | 1,899,399 | 314,443 | 0 | 0 | 2,998,858 |
| **Other assets** | **1,502,420** | **3,334,208** | **6,771,083** | **4,570,952** | **97,323** | **16,275,987** |
| ***Total assets*** | ***9,629,382*** | ***3,334,208*** | ***7,280,868*** | ***20,879,632*** | ***6,660,553*** | ***47,784,643*** |
| Technical provisions | 1,218,781 | 2,437,727 | 10,969,770 | 7,796,336 | 168,090 | 22,590,703 |
| Other provisions | 0 | 1,244 | 1,195 | 15,937 | 140,375 | 158,751 |
| Operating liabilities | 9,188 | 0 | 1,846,371 | 0 | 0 | 1,855,559 |
| Other liabilities | 561,762 | 277,942 | 434,966 | 20,740 | 0 | 1,295,410 |
| ***Total liabilities*** | ***1,789,732*** | ***2,716,912*** | ***13,252,303*** | ***7,833,013*** | ***308,465*** | ***25,900,424*** |

Assets and liabilities from insurance contracts are not discounted.

*Maturity of contractual undiscounted cash flows from financial assets*

| in EUR 31/12/2021 | Carrying amount | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| | | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
| Available-for-sale financial assets | 32,927,287 | 5,241,682 | 18,625 | 3,287,138 | 13,769,866 | 10,904,309 | 33,221,620 |
| Cash and cash equivalents | 2,187,637 | 2,187,637 | 0 | 0 | 0 | 0 | 2,187,637 |
| **Financial assets** | **35,114,923** | **7,429,319** | **18,625** | **3,287,138** | **13,769,866** | **10,904,309** | **35,409,257** |

| in EUR 31/12/2020 | Carrying amount | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| | | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
| Available-for-sale financial assets | 29,019,511 | 5,731,583 | 71,084 | 684,918 | 16,291,449 | 6,087,999 | 28,867,032 |
| Cash and cash equivalents | 2,489,146 | 2,489,146 | 0 | 0 | 0 | 0 | 2,489,146 |
| **Financial assets** | **31,508,657** | **8,220,729** | **71,084** | **684,918** | **16,291,449** | **6,087,999** | **31,356,178** |

### 2.9.2.5 Fair value

| | Carrying amount as at | | Fair value as at | |
|---|---|---|---|---|
| | **31/12/2021** | **31/12/2020** | **31/12/2021** | **31/12/2020** |
| Available-for-sale financial assets | 32,927,287 | 29,019,511 | 32,927,287 | 29,019,511 |
| Receivables | 2,322,036 | 2,998,858 | 2,322,036 | 2,998,858 |
| Cash and cash equivalents | 2,187,637 | 2,489,146 | 2,187,637 | 2,489,146 |
| **Total assets** | **37,436,960** | **34,507,515** | **37,436,960** | **34,507,515** |

When disclosing the fair value of financial instruments in the form of loans and deposits, the carrying amount, which is calculated at amortised cost and given the short-term nature of these assets is a suitable approximation of fair value, is taken into account.

No available-for-sale financial assets or loans are disclosed in the financial statements at values higher than their fair (market) values.

Cash and cash equivalents and trade receivables are disclosed as financial assets not measured at fair value. The carrying amount of cash and cash equivalents is assumed to be equal to their fair value, and PKZ classes them to Level 2 of the fair hierarchy. PKZ assumes that the carrying amount of trade receivables reflects their fair value to the greatest possible extent, and classes them to Level 3 of the fair hierarchy.

### 2.9.3 Operational risk

Operational risk is a risk of loss by the insurer due to inadequate or failed internal processes, the conduct of people or the functioning of systems, or as the result of external events.

Operational risk also includes legal risk and compliance risk. Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss of reputation, which can occur at a company due to failure to comply with laws, rules and standards.

Coface PKZ regularly monitors operational risk events and on the basis of identified events establishes new and improved internal controls. No events associated with operational risk that had a significant financial impact were identified in 2021.

### 2.9.4 Capital adequacy

Laws governing the business of insurance (Directive of the European Parliament and of the Council 2009/138/EC - Solvency II) also provide for a significantly changed calculation of capital adequacy. This is based on the calculation of capital requirements (solvency capital requirement) dependent on risks to which the company is exposed, and the company’s own funds (capital). In accordance with Solvency II, capital adequacy is presented in detail in the scope of the solvency and financial position report that is published on the company's website. Due to different rules for the valuation of assets and liabilities according to the IFRS, the amount of the internal sources of assets (equity) differs depending on the amount of capital on the balance sheet.

The company regularly monitors capital adequacy, and maintains it at a level that ensures the coverage of any losses from unexpected future adverse developments.

| in EUR | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Equity from the balance sheet | 27,219,002 | 24,214,751 |
| Minimum Capital Requirement | 3,700,000 | 3,700,000 |