

## Subsequent events for 2019 financial statements regarding effect of Coronavirus/COVID-19

Towards the end of the year 2019 in China appeared for the first time info regarding COVID-19 (Coronavirus), the World Health Organization reporting a limited number of cases affected by this unknown virus by December 31, 2019. In the first months of 2020 the virus spread globally generating a pandemic. Though the pandemic impact cannot be determined in the moment these Report is issued, it seems that the negative impact on global commerce and on the Company activity can be more severe than initially expected. The management considers this pandemic as a subsequent event in respect of the date of the balance sheet that does not lead to adjustments of the annual financial statements.

As the pandemic is not yet under control and evolves very fast, the management considers that it is impossible to estimate the total possible impact of this event for the financial position and performance of the Company by the date of preparing these financial statements.

The Company's risk profile will be affected by the Coronavirus epidemic / pandemic mainly in the following risk categories:

- Underwriting / damage risk - the company analyzed the impact that the coronavirus pandemic could have on the life and general insurance portfolio in force on 31.12.2019. The risks covered by the life insurance portfolio are: risk of death due to illness, additional insurance covering hospitalization due to illness or suspension of the payment of premiums due to the death of insurance contractors. The estimated net effect taking into account the reinsurance for life insurance is 865,730 RON. Regarding the General Insurance portfolio, the only product likely to generate an impact as a result of Covid 19 is "travel insurance and assistance package for cardholders", the risks covered being: medical and other expenses and travel cancellation and interrupting the trip. The estimated net impact after deducting the amounts recoverable from reinsurers is 220,573 RON.

- Liquidity risk - the company analyzed the estimated impact on the liquidity ratio on 31.12.2019, for non-life insurance it would decrease from 4.4% to 4.32%, and the coefficient for life insurance would decrease from 2.59% to 2.27%.

- Market risk - the possible effects of the coronavirus pandemic could affect interest rate risk and currency risk, in the sense of increasing interest rates on government securities and the exchange rate, given that the state will need loans for to finance and support the economy affected by the pandemic. The impact on the company's investments will be beneficial, as the company has investments in foreign currencies EUR, USD, CHF, and will continue to invest in medium and long-term government securities in order to obtain a maximization of investment profits.

- Operational risk - in order to minimize the effects of the pandemic on the current activity and operational processes of the company, the executive management implemented measures to reduce these risks, such as: including the possibility for some employees to work from home, rotation plans were drawn up of the personnel in order to ensure the continuity of the activity and the servicing of the clients, the notification of the damages on electronic channels, remote risk inspections, etc.

The Management monitors closely the situation and looks for ways of minimizing the pandemic impact on the Company but the decrease of the economic activity mainly due to restriction in the movement of people, of significant limitation of specific economic sectors (hospitality industry, restaurants, cultural events etc.) of increasing of the individual labor contracts that are suspended shall have an impact on the activity and results of Garanta.

The estimated impact shall arise mainly from the reducing of the financial resources of companies and persons due to the slow-down or even total stop of the activity, which may lead to the decrease of the possibilities to buy insurance policies or even to pay the due premium for the existing ones.