



ANNUAL CONSOLIDATED MANAGEMENT REPORT

of

Euroins Insurance Group AD

for

The year ended 31 December 2020

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1. Key indicators

		2020	Change	2019 restated
Profit and loss statement				
1. Profit /(loss), before tax	BGN'000'	(25,169)	-241%	17,849*
2. Net profit / (loss), after tax	BGN'000'	(27,950)	-272%	16,249*
3. Gross written premiums	BGN'000'	914,365	8%	847,716
4. Net earned premiums (incl. Net Earned premium+other operating income – other operating expenses)	BGN'000'	423,948	4%	407,908*
5. Claims incurred, net of reinsurance	BGN'000'	283,762	3%	274,182
6. Administrative costs	BGN'000'	45,637	14%	40,103*
7. Acquisition costs, net of Fees and commission income	BGN'000'	129,331	38%	93,601
Statement of financial position as of December, 31				
8. Equity, including non-controlling interest	BGN'000'	403,818	2%	397,170*
9. Liabilities, including Subordinated debts	BGN'000'	1,026,376	16%	887,019*
10. Assets	BGN'000'	1,430,194	11%	1,284,189*
11. Share Capital (paid)	BGN'000'	543,446	8%	502,396
12. Financial assets, investment property and cash	BGN'000'	497,540	17%	423,733
13. Receivables and other assets	BGN'000'	198,271	15%	182,682
14. Insurance reserves	BGN'000'	836,930	9%	768,308
15. Reinsurers' share in technical reserves	BGN'000'	523,261	13%	463,829
Ratios				
Financial autonomy ratio (8/9)		0.39	-14%	0.45*
Debt / Equity ratio (9/8)		2.54	14%	2.23*
Assets covering the net technical provisions (12+13)/(14-15))		222.0%	12%	199.0%
Net combined ratio ((5+6+7)/4)		108.0%	8%	100.0%*
Loss ratio (5/4)		66.9%	0%	67.2%*
Administrative costs ratio (6/4)		10.8%	10%	9.8%*
Acquisition costs ratio (7/4)		30.5%	33%	22.9%*
Gross return on equity (1/8)		(6.20%)	-238%	4.49%*
Net return on equity (2/8)		(6.94%)	-270%	4.09%*
Gross return on liabilities (1/9)		(2.45%)	-222%	2.01%*
Net return on liabilities (2/9)		(2.72%)	-315%	1.27%*
Gross return on assets (1/10)		(1.76%)	-227%	1.39%*
Net return on assets (2/10)		(1.95%)	-254%	1.27%*

2. General information about Euroins Insurance Group AD

Euroins Insurance Group AD (EIG, the Group, the Company, the Parent company) was established at the end of 2007 as a subsidiary fully owned by Eurohold Bulgaria AD (The Holding), with the aim being to consolidate the entire insurance business of the holding.

Since its establishment up to now the Group has been constantly expanding its operations by acquiring majority holdings in insurance companies in Bulgaria but also in Romania, North Macedonia, Ukraine, Georgia, Belarus and Russia. In total the insurance companies in the Group have more than 250 regional offices and over 4 million clients at the end of the reporting period with the operations reaching as far as Greece, Italy, Spain, Netherlands, United Kingdom, Germany and Poland.

At 2020 year-end the Group holds majority number of shares in companies in Bulgaria, Romania, North Macedonia, Ukraine, Belarus and Georgia. The Group also possesses a participation in Russia, which accounts as associate.

Despite the Covid-19 pandemic wave, which took global proportions in early March 2020 and resulted in a significant reduction of financial activity worldwide, the sound financial performance of most of the Group's companies continued, including the new acquisitions from Central and Eastern Europe. More details regarding the effects on economic growth, credit ratings and the model of expected credit losses of the Group are disclosed in Note 3.11. Other Risks - Covid-19 (Coronavirus) from the notes to the consolidated financial statements.

As a part of the Group's development strategy in the region of Central and Eastern Europe, at the end of April 2020 was acquired insurance company Ergo Belarus. It is the fifth company in the region of the former Soviet Union that was acquired by the Group. Thus, the Group expects to generate more than 15% of its revenues from this region.

3. Review of operations and condition of the Group

As at December 31, 2020 the registered capital of the Group amounts to BGN 543,445,791 (December 31, 2019: BGN 543,445,791). Its registered capital comprises 543,445,791 shares, out of which 76,981,791 are materialized, registered, preferred shares with nominal value of BGN 1 each and 466,464,000 are materialized, registered, common shares with nominal value of BGN 1 each.

The share capital structure as at December 31, 2020 is as follows:

Eurohold Bulgaria AD – 95.95%;

Basildon Holding Sarl – 4.05%.

The share capital structure above shows the share capital registered with the Commercial Register of Republic of Bulgaria.

On November 19, 2015, the General Meeting of Shareholders of Euroins Insurance Group decided to increase the capital by issuing 195,583,000 new substantiated, available registered voting shares with a nominal value of BGN 1 per share. On January 11, 2018 the registered capital, according to the capital increase above has been fully paid in.

On 25 October 2018 a decision was voted by the Extraordinary General Meeting of the Shareholders of Euroins Insurance Group to increase the capital from BGN 483,445,791 to BGN 543,445,791 by issuing 60,000,000 ordinary, registered, materialized, non-privileged shares with nominal and issue value of BGN 1 per share, with 1 voting right in the General Meeting of the Shareholders giving the right of dividend and liquidation share. The newly issued shares were entirely subscribed by the majority shareholder Eurohold Bulgaria AD. The increase was entered in the Commercial Register on October 25, 2018. On October 05, 2018, 25% of the nominal value of the newly issued shares or BGN 15,000,000 was paid in. Further BGN 3,950 thousand was paid in 2019 and BGN 41,050 thousand in 2020, thus the newly subscribed shares are fully paid.

Insurance Company Euroins AD (Euroins Bulgaria, the Company)

Insurance Company Euroins AD became part of Euroins Insurance Group AD in 2007.

In the years to follow EIG has increased the capital of the Company several times.

In addition, there was also a loan in the form of subordinated debt (Tier 1 Capital within Solvency II) granted by the Parent company and amounting to BGN 8,500,000. On January 21, 2020, as a part of the restructuring plan of the Capital Structure of IC Euroins AD, approved by the Financial Supervision Commission, an increase of the share capital of IC Euroins AD by BGN 8,700 thousand was registered in the Bulgarian Commercial Register. The increase was a result of repayment of the existing subordinated debt amounting to BGN 8,500 thousand on January 13, 2020. Thus, the share capital of IC Euroins AD is amounting to BGN 40,970,000 distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the capital.

The participation of the Parent Company in IC Euroins AD as at December 31, 2020 is 98.63%.

Euroins Bulgaria is a dynamic company, which in recent years has been constantly expanding its activity. In 2020 the Company has reported a growth of gross written premiums of over 23% as a

result of the organic growth in the direct business written both in Bulgaria but also in Greece through an existing branch from the beginning of February 2019 and Poland, according to the principle of the Freedom to provide services within the European Union. There was a continuous improvement of the services provided in those countries by counting on expansion of the networks of partners and clients, by improving the IT solutions and the opportunities for more detailed market analysis and segmentation.

All main non-motor lines of business have registered growth as well: Accident (83%), the reported income from Travel Assistance in the UK, Cargo (7%), Property (50%), due to the recorded Property insurance premiums of individuals in the Netherlands. MTPL has grown by 24%, Motor Hull – by 1%. Increase in the number of clients in Greece and Poland is the reason for the MTPL growth.

During the reported period net earned premiums have increased by almost 25%. Net claims incurred has grown as well due to the growth of the business and the high-quality services provided to customers and claimants.

There is an increase in the administrative expenses compared to the same period of 2019 with 20%. The main administrative costs are related to the growth of the business itself. This increase, however, related to net premiums earned, does not lead to a change in the administrative expenditure ratio compared to the previous year.

IC Euroins AD reported a profit for group purposes of BGN 7,339 thousand (2019: 6,289 thousand) before tax and intercompany eliminations. In 2020 compared to the previous year the major operating ratios of the Company are as follows: Net Loss ratio -51.5% (2019: 51.2%), Acquisition Ratio – 29.3% (2019: 28.2%), Administrative Expense Ratio- 13.4% (2019: 13.4%) и Combined Ratio- 94.3% (2019: 97.9%).

The sound financial condition has been confirmed also by the rating agencies, with which EIG and its subsidiaries have been cooperating. In 2020 Fitch Ratings confirmed the assigned rating to Euroins Bulgaria an Insurer Financial Strength Rating “BB-”. Separately Bulgarian Credit Rating Agency affirmed in January 2020 the Long-Term Claims Paying Ability Rating BBB- with Stable long-term outlook

As from February 2019 Insurance Company Euroins Branch Greece is officially under operation licensed to write Motor business as well as Property, Accident and Travel.

Euroins Romania Asigurare-Reasigurare S.A. (Euroins Romania, the Company)

The acquisition of Euroins Romania Asigurare-Reasigurare S.A. was completed in 2008.

The Parent company has supported Euroins Romania on numerous occasions by way of capital increases of the Company. In 2016 and 2017 alone the capital was increased by a total of RON 300 million. And in 2018 the Group increased its investment by a further BGN 10,366 thousand.

At the end of September 2020, the Company received a decision №. 1137 / 29.09.2020, whereby the Romanian financial regulator imposed a fine of RON 1.5 million and required the submission of two plans: a Short-Term Financing Plan and a Long-Term Recovery Plan. Through these plans, Euroins Insurance Group AD adopts a financial support package consisting of: a) subordinated debt, paid on June 26, 2020 in the amount of EUR 5.5 million, respectively RON 27 million; (b) subordinated debt provided by a contract signed on 29 June 2020 in the amount of EUR 10 million, respectively RON 48.7 million and (c) a capital increase, (Extraordinary General Meeting of Shareholders on September 17, 2020) in the amount of RON 50 million. On December 3, 2020 Euroins Insurance Group AD decided to convert the two subordinated debts totally amounting to RON 75.7 million, as well as the calculated, but unpaid interest amounting to RON 0.8 million as of September 30, 2020 into equity. With Decision 342/March 11, 2021, the capital increase of RON 50 million was approved by the local financial regulator. The short-term financing plan was approved with Decision 1469/December 14, 2020 and was fully implemented within the deadline imposed by the decision of the Romanian Financial Regulator. The long-term recovery plan was adopted with Decision 22/January 07, 2021 and contains measures and actions in almost all areas of activity of the Company, which will lead to efficiency and profitability. The implementation of the measures and actions continues and refers to: digitalization, claim processes, portfolio restructuring (including sales channels), IT improvements, etc. The company challenged Decision 1137/29.09.2020 of the Romanian Financial Regulator in court, opening a lawsuit against it.

As at December 31, 2020 the participation of EIG in the share capital of the Company is 98.51% (December: 31, 2019: 98.51%).

Euroins Romania is among the five biggest insurers on Romanian insurance market and is also among the leading general insurance companies in the last couple of years.

In 2020 Euroins Romania reports gross premium income of BGN 530.3 million compared to BGN 529.9 in 2019. The main part of the gross premium income falls on Motor Third Party Liability Insurance (95%), where the reported income does not differ significantly from that in the previous year. There was an increase in the Credit insurance, where the Company reports gross premium income in the amount of BGN 5.5 million against BGN 1.5 million for 2019.

Gross paid claims increased by 9% compared to 2019, as a result of many factors, including the continuing tendency for working shops to invoice unjustifiably high prices of working hours and to increase the prices of spare parts. In addition, car rental services offered from working shops have become very popular and have become an additional way of doing business and therefore an additional cost for insurance companies.

In 2020 the Company continues to invest in its own claims inspection centres, as well as in a general change of the strategy and the way of liquidation of claims in order to improve the service of the clients and injured persons and to guarantee a high level of satisfaction with the Company's services.

Acquisition costs remain at the level of the previous year. Almost 98% of all gross premiums written, both in 2020 and in 2019, are concluded through brokers. Administrative expenses increased by 9% compared to 2019, due to the increase in costs for hired services.

Initiatives of the new management are underway in order to optimize a number of processes related both directly to the administrative management itself and to processes that are yet to yield results in activities such as sales, claims elimination and internal controls.

The result of Euroins Romania for Group purposes is a loss of BGN 36,281 thousand (2019: 7,876* thousand) before taxes and intra-group eliminations.

The reason for the increase in the loss of Euroins Romania is due to the following one-off effects that occurred in 2020:

- Statutory Fund Expenses (Expenses to Guarantee Fund), which had the following one-off developments in 2020, totalling approx. RON 19,3 m (EUR 4m):
 - RON 4.5m – supplementary one-monthly fee paid to BAAR (Romanian Green Card Bureau);
 - RON 3.5m – penalties paid to ASF – one-off penalties paid to local regulator (ASF) in 2020;
 - RON 11.3m – due to effect from reversal of capitalized BAAR fees – before 2020 the policy of BAAR as per the statute of the entity was to capitalize the contributions and this changed towards the end of 2019;

- The other major sub-item, affected negatively in 2020 is the Reinsurance Commission, reflected in Fees and Commission Income. It is lower in 2020 by RON 67m or almost EUR 14m compared to 2019, due to:
 - Lower Ceded Earned Premium – also due to the higher statutory fees mentioned above – less income to the Reinsurer, means lower commission to us by the same amount, given the RI Commission on the Quota Share treaties is a sliding scale and is affected by the Earned Premium Ceded and by the Loss Ratio and Ceded Losses;
 - Additional RI Liability, which was booked in 2020 and is reflected in the Reinsurance Commission calculation – i.e. decreasing the RI Calculation – this is a statutory booking, due to the opinion of the local regulator (ASF) and it is not in fact confirmed by the Reinsurers themselves. We continue to have a court case against the regulator for this adjustment.

The one-off effect is visible from the table below, which includes the respective two items of the Euroins Romania Comprehensive Income Statement for 2020 and the comparable period in RON thousands:

Statement of profit or loss or comprehensive income	2020	2019
Other operating expenses	(107,169)	(84,495)
Fees and Commission income	107,133	176,291

In 2020 Fitch Ratings confirmed the rating that was assigned in 2017, Insurer Financial Strength Rating “BB-”.

Euroins Osiguruvanje AD, North Macedonia (Euroins Macedonia, the Company)

The investment in Euroins Osiguruvanje AD, North Macedonia, was made in 2008. Several capital increase procedures followed and as at December 31, 2020 the participation of the Group is 93.36% (December 31, 2019: 93.36%).

Euroins Macedonia is a well recognizable and reliable Company with diversified portfolio and stable financial indicators. In 2020 gross written premium grows decrease by 11% reaching BGN 23 million (2019: BGN 26 million). The Company continues to strengthen its position in Agricultural insurance where the written business increased with 6% in comparison to 2019. There is a decrease of 16% in motor third party liability insurance, where gross income of BGN 10.9 million or 47% of the total gross written premiums for the period is realized.

In 2020 administrative expenses increased with 16%, but related to the net earned premiums there is an increase of the ratio with only 1.2%. The increase is mainly due to the increase of the costs for hired services.

The result for 2020 is a profit for Group purposes amounting to BGN1,706 thousand (2019: 1,616 thousand) before tax and intra-company eliminations.

Insurance Company Euroins Life EAD (Euroins Life, the Company)

In 2013 EIG acquired 100% of the share capital of Interamerican Bulgaria Life Insurance EAD changing its name to Insurance Company Euroins Life EAD.

In 2016 the Parent company provided additional support to Euroins Life by granting a loan in the form of subordinated debt (Tier 1 Capital as per Solvency II, reclassified as such in 2018) amounting to BGN 1,250 thousand. On February 27, 2020, an increase of the capital of IC Euroins Life EAD was registered, which was part of the plan for restructuring the capital structure of IC Euroins Life EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 3, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC Euroins Life EAD by BGN 1,250,000, while IC Euroins Life EAD should fully repay the subordinated debt in the same amount. On February 18, 2020, IC Euroins Life EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 11,375,070 distributed in 1,137,507 shares with a par value of BGN 10 each.

In 2020, the gross premiums written by the Company increased by 58% compared to the previous year.

In 2019, the Company started new partnerships with non-financial credit companies for fast online loans. In 2020, their positive effect on the portfolio can already be seen.

There is an increase in the acquisition cost ratio from 39% to 60%, imposed due to the change in the sales strategy from direct sales to the use of distribution channels - financial institutions and brokers.

Net financial income in the amount of BGN 625 thousand also contributes to the reported positive financial result in 2020 i.e. profit for Group purposes in the amount of BGN 82 thousand. before taxes and intra-group eliminations (2019: loss in the amount of BGN 437 thousand).

Insurance Company EIG Re EAD and Euroins - Health Insurance ZEAD (EIG Re, the Company)

Euroins Insurance Group took over the control of Euroins - Health Insurance ZEAD in 2008. As at 31 December 2017 the participation of EIG in the share capital of Euroins - Health Insurance ZEAD was 100.00%.

In 2015 EIG acquired 94% of the share capital of HDI Zastrahovane AD. In 2016 the name of HDI Zastrahovane AD was changed to Insurance Company EIG Re AD. And, in addition, the remaining 6% of the shares were acquired by EIG.

Also, in 2016 the share capital of EIG Re was increased by BGN 4,000 thousand. By way of further support Euroins Insurance Group AD granted EIG Re a loan in the form of subordinated debt amounting to BGN 600 thousand (Tier 1 Capital as per Solvency II, reclassified as such in 2018). On February 28, 2020, an increase of the share capital of IC EIG Re EAD was registered, which was part of the plan for restructuring the capital structure of IC EIG Re EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the share capital of IC EIG Re EAD by BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated debt in the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 19,112,000 divided into 19,112,000 shares with a par value of BGN 1 each.

On 27 June 2017 the merger of Euroins - Health Insurance ZEAD into Insurance Company EIG Re EAD was registered in the Commercial Register. As a result of the transaction Euroins - Health Insurance ZEAD was wound-up without liquidation and Insurance Company EIG Re EAD has become its universal legal successor.

The strategy of the management of both Euroins Insurance Group and EIG Re is for the company to continue developing as a reinsurer. The foundations were laid down in 2017 when the first proportional and non-proportional insurance treaties were signed. There were a series of projects initiated in 2018 to analyse the potential for development of EIG Re also as a captive reinsurer optimizing the entire reinsurance program of the Group. One of the starting points of these projects was also the possibility for EIG Re to participate as captive reinsurer in the optimization of the capital requirements of the Group and its subsidiaries in the context of Solvency II.

In 2020, EIG Re signed new quota share intragroup contracts in connection with active reinsurance covering Property, Cargo, Marine Insurance and Carrier's Liability.

In 2020 EIG Re has written gross premiums amounting to BGN 11.7 million (2019: 2.7 million). However, the Company reports a loss before taxes and intra-group eliminations in the amount of BGN 4.5 million in connection with new intra-group reinsurance arrangements undertaken by the Company.

In December 2020 Fitch Ratings reflecting the expected strategic importance of EIG Re as a captive reinsurer within Euroins Insurance Group assigned to the Company Insurer Financial Strength Rating “BB-”.

Private JSC Euroins Ukraine Insurance Company (Euroins Ukraine, the Company), (previously Public JSC HDI Strakhuvannya Insurance Company)

On 29 July 2016 the Ukrainian Commission of State Regulations of Financial Markets approved the acquisition of Public JSC HDI Strakhuvannya Insurance Company by EIG. As from 30 September 2016, with the approval of the General Meeting of the Shareholders, the name of the Company has been changed to Public JSC Euroins Ukraine Insurance Company. In 2017 due to legislative changes, it was changed again, Private JSC Company Euroins Ukraine Insurance Company.

In 2018 EIG increased its investment in Euroins Ukraine by BGN 1,975 thousand. As at December 31, 2018 the participation of EIG in the share capital of Euroins Ukraine amounts to 98.36%. As at December 31, 2019, EIG directly controls Euroins Ukraine, with a share of 92.62% and indirectly through PrJSC European Travel Insurance - 5.74%. As at December 31, 2020 there are not changes in the direct and indirect control.

In 2020 gross written premiums amount to BGN 21,9 million (2019: 17 million) or a growth of 28%. 27% of the written business is non-Motor. Motor third party liability insurance and a green card increased by 39% compared to the previous year, while Casco insurance increased by 3% compared to 2019. The non-motor business has also grown: Accident and travel by 83%, Cargo by 4%, Liability by 9% and Property by 36%. There is also a significant improvement in the technical result of the Company, which is mainly due to the measures taken in connection with the reduction of the average claim in motor insurance. The loss ratio decreases from 49% in 2019 to 34% in 2020. The successful investment policy of the Company leads to reporting net financial income in the amount of more than BGN 2 million.

Administrative expenses incurred in 2020 are without significant change compared to 2019, while acquisitions show an increase, which is largely related to the reported higher revenues of the Company.

Euroins Ukraine reports a profit before taxes and intra-group eliminations of BGN 2,387 thousand. (2019: loss of BGN 1,097 thousand) for Group purposes.

Private JSC European Travel Insurance (the Company)

On 26 February 2018 the Board of Directors of Euroins Insurance Group made a decision for the acquisition of 99.99% of the share capital of Private JSC European Travel Insurance, Ukraine. The share purchase agreement was signed on 13 April 2018 and the transaction was closed on 1 October 2018.

European Travel Insurance is one of the biggest Travel insurers in Ukraine and is the only one that specializes only in these insurance types of products. The Company relies on innovative products offered via extremely well-developed distribution channels.

In 2020, the Company recorded gross written premiums amounting to BGN 11.6 million, which is a decrease of 47% compared to 2019. The decrease is due to the spread of the COVID-19 epidemic, which began in mid-March 2020 and led to the introduction of a number of restrictive measures regarding free traveling globally and had a strong negative impact on the tourism sector in which the Company specializes. However, the Company reported a profit of BGN 2 million before taxes and intra-group eliminations (2019: BGN 4 million), due to low administrative costs and online structured sales.

Insurance Company Euroins Georgia JSC (Euroins Georgia, the Company), (previously Insurance Company IC Group JSC)

On March 22, 2018, the Board of Directors of Euroins Insurance Group made a decision for the acquisition of 50.00002% of the share capital of Insurance Company IC Group JSC, Georgia (IC Group) with the share purchase agreement signed on June 22, 2018. The transaction was closed on October 23, 2018. On October 31, 2018, the new name of the Company was registered into the Georgian Trade Register, JSC Insurance Company Euroins Georgia. After the capital increase entirely subscribed by the Group and finalized prior the year end the participation of EIG as at December 31, 2018 is 50.04%. There is no change in the participation during 2020 and 2019.

The acquisition of Euroins Georgia is part of the strategy of Euroins Insurance Group for development in a region where markets have huge growth potential. With Georgia this is mainly due to the low insurance market penetration, positive regulatory changes and the expected introduction of compulsory third-party liability insurance both in Motor and Construction lines of business.

Euroins Georgia specializes in Accident and Health. In 2020 these lines of business comprise 43% (2019: 30%) of the portfolio of the Company, while the rest is split between MTPL (9%), Motor Hull (29%) and etc..

Total gross premiums written in 2020 amount to BGN 12.7 million (2019: 9.9 million) or an increase of 28%. This increase is due to won state public procurements in connection with Casco insurance and concluded several new large contracts regarding Health Insurance.

In 2020, the result for group purposes is a profit of BGN 474 thousand (2019: loss BGN 498 thousand) before taxes and intra-group eliminations.

Euroins Claims I.K.E., Greece

In 2018, Euroins Insurance Group AD acquired 66% of Euroins Claims I.K.E., Greece, established to administratively service the liquidation of insurance claims arising from policies issued by IC Euroins AD, Greece branch. The amount of the investment is BGN 6 thousand. In 2019 Euroins Insurance Group AD acquired the remaining 34% of the Company and as at December 31, 2019 owns 100% of the share capital. There is no change in the participation in 2020.

CJSC "ERGO "Insurance Company" Belarus

The acquisition of Ergo Belarus is in line with the global development strategy of Euroins Insurance Group. The company specializes in non-life insurance and is the third largest private insurer in the country, in a sector still dominated by state-owned companies.

EIG is consolidating the Company since the beginning of May 2020, with gross premiums of BGN 10.2 million and profit before taxes of BGN 636 thousand reported for this period. The largest share of the gross written premiums falls on Casco insurance or 66% of the Company's portfolio, while motor third party liability insurance has the right to be concluded only by state insurance companies in Belarus.

As at December 31, 2020 Euroins Insurance Group AD is a majority shareholder in the following companies:

Insurance Company Euroins AD	98.63%;
Euroins Romania Asigurare-Reasigurare S.A	98.51%;
Euroins Osiguruvanje AD, North Macedonia	93.36%;

Insurance Company Euroins Life EAD	100.00%;
Insurance Company EIG Re EAD	100.00%;
Private JSC Insurance Company Euroins Ukraine	92.62%;
Private JSC European Travel Insurance	99.99%;
Insurance Company Euroins Georgia JSC	50.04%;
Euroins Claims IKE, Greece	100.00%;
CJSC Insurance Company Euroins Belarus	93.12%.

OOO Russian Insurance Company Euroins, (Euroins Russia, the Company)

On September 25, 2017, the Board of Directors of Euroins Insurance Group decided for the acquisition of 14.114% of the share capital of OOO Russian Insurance Company Euroins. Following a capital increase procedure in 2018 where Euroins Insurance Group AD participated with RUB 80 million the holding in the share capital at 2018 year-end amounts to 32.20%. As at December 31, 2019, the participation in Euroins Russia is increased and reaches 48.61%. As at December 31, 2020 there is no change in the participation.

Entering the Russian insurance market has always been in line with the development strategy of the Group in Eastern Europe. This market, like most in this region, is typified by low insurance market penetration, which in combination with expected positive regulatory changes and economic growth hints at significant growth potential.

In 2020 the Company reported gross premiums of over BGN 61,9 million (2019: BGN 58,4 million) which represents an increase of 6%. Motor business share is 40% of the Company's portfolio. The rest is high quality non-Motor business split between Liability – 5%, Accident & Health – 31%, Marine Casco – 5%, Property – 9%.

The Company reports a profit amounting to BGN 2,3 million (2019: BGN 761 thousand) after taxation.

4. Review of operations and financial indicators

The premium income of Euroins Insurance Group AD on consolidated basis in 2020 amounts to BGN 914.4 million (2019: 847.7 million). The premium income by subsidiaries: Euroins Bulgaria increase by 23%, Euroins Romania- unchanged, Euroins Macedonia – decrease by 11%, Euroins

Ukraine – increase by 28%, Euroins Life- increase by 58%, Euroins Georgia by 28%, ETI – decrease by 46%.

The main share of the premium income of the Group is resulting from Euroins Romania and Euroins Bulgaria, which form 58% and 33% of the total premium income of the Group respectively, i.e. almost 91% of the total written business.

Total consolidated assets of the Group at the end of 2020 amount to BGN 1,430 million (2019: BGN 1,284 million). Gross technical reserves on a consolidated basis as part of Total liabilities increased from BGN 768 million in 2019 to BGN 837 million in 2020.

Despite the reported growth in terms of recorded business, the Group reported a negative financial result of BGN 28 million. after taxes. For comparison, in 2019 (recalculated) EIG reported a profit of BGN 16 million. The main part of this loss was formed by the Romanian Insurance Company, as the reasons are described in detail in note 3 “Review of operations and condition of the Group”.

Ratings

In 2020, Fitch Ratings confirmed, as part of the Rating Maintained Watch procedure, the ratings assigned in 2017 to Eurohold Bulgaria, Euroins Romania and Euroins Bulgaria, namely the Long-Term Default Rating “B” of Eurohold Bulgaria and Insurer Financial Strength Rating BB- ”Of Euroins Romania and Euroins Bulgaria. In addition, in 2020 the credit rating of EIG Re - “Insurer Financial Strength Rating” “BB-” was confirmed, reflecting the strategic importance of EIG Re as an internal reinsurer for Euroins Insurance Group.

Solvency II

The capital position of the Group as at December 31, 2020 is confirmed by the following indicators calculated as per Solvency II requirements:

Total eligible own funds to meet the Solvency Capital Requirement (SCR) in BGN ‘000’	226,334
Total eligible own funds to meet the Minimum Capital Requirement (MCR) in BGN ‘000’	205,770
Solvency Capital Requirement (SCR) in BGN ‘000’	180,390
Minimum Capital Requirement (MCR) in BGN ‘000’	72,113

SCR Coverage	125%
MCR Coverage	285%

* The calculations are based on preliminary unaudited data submitted to Financial Supervision Commission as part of the Solvency II quarterly quantitative reporting for Q4 2020.

5. Major risks the Group and its subsidiaries are exposed to

5.1. Macroeconomic risk

Main macroeconomic risks are related to the unforeseeable global framework in the past years, which impacts both EU and CEE countries. The low-inflation environment could suffer serious volatility in case of eventual increase of the reference interest levels by ECB and the local central banks of the countries outside of the Eurozone. The latter would impact the consumers and the business environment as well as the investment climate. The tendency of some countries in EU and CEE towards relatively high budget deficit and high current account deficit is also a factor that might influence the business development and the financial markets as whole.

5.1.1. Currency risk

Currency risk is related to the probable changes in the foreign exchange rates of the national currency in relation to other currencies affecting incomes and expenses of the economic entities in the respective countries. In Bulgaria, the fixed BGN exchange rate to the common European currency (EUR) limits the BGN exchange rate fluctuations to major foreign currencies within the range of fluctuations of these currencies to the Euro currency. On the other hand, the fluctuations of the North-Macedonian, Romanian, Ukrainian, Georgian, Russian and Belorussian currencies may generate currency risk, which could affect the Group. In general, the operations of the Group companies do not generate material currency risk as the major cash flows within the Group on a consolidated level are denominated in Bulgarian Leva and Euro, while the Romanian Leu and North-Macedonian denar are relatively stable even in a high-inflation environment being subject to a monitored floating monetary policies.

In 2020 and 2019, the change in the foreign currencies used by the Group companies against the euro exchange rate (data are from the Central Banks of the respective countries) is presented in the table below:

Year	RUB/EUR	UAH/EUR	GEL/EUR	BYN/EUR	GBP/EUR	RON/EUR	MKD/EUR
2020	(23%)	(23%)	(20%)	(22%)	(5%)	2%	0.1%
2019	15%	20%	(4%)	-	6%	3%	0.3%

5.1.2. Inflation risk

Inflation risk is the probability the inflation to impact the actual rate of return on investments. In this respect the Group companies are exposed to inflation risk, which the Group management monitors carefully.

5.1.3. Interest risk

Interest risk is related to the probability that the net income of the companies might decrease as a result of interest rate (at which the companies could finance their operations) increase. Interest risks are part of the macroeconomic risks due to the fact that the main prerequisites for changes in their levels are the occurrence of instability in the financial system in general and the influence of a global financial crisis. Given the current economic situation, interest risk is one of the risks that might affect the Group companies' operations.

5.2. Sector risk

Sector risk originates from insurance sector condition development trends. Major risks that affect the operations of the sector are as follow:

- Change in the demand for insurance services and products;
- Presence of intense competition and market fragmentation;
- Lack of opportunities for market expansion proportional to GDP growth;
- Innovation risk – new product development by recognized players and entries of new technologies causing market disruptions;
- Risks related to legislation changes – EIG main business is subject to applicable legislation based on Solvency II framework in EU member and EU candidate states as well as on established international practices for insurance risk management.

The companies in the Group aim to restrict the impact of sector non-systematic risks on their operations by maintaining a wide range of insurance products in a diversified portfolio and by offering new products in line with the changes of the market demand. The idea is to extend the range of offered insurance products and at the same time to establish flexible pricing policy

corresponding to the risk profile of the client. The Group looks for innovative solutions provided by new technologies both in sales and new product implementation but also in claims administration.

5.3. Corporate risk

Corporate risk combines business and financial risks. Business risk is related to the specific operations of the Group. It is defined as uncertainty of revenues which is inherent to the sector the companies operate in. The nature of the non-life insurance business is based on pricing and management of risks in by means of insurance portfolio management.

Business risk can be described as:

- inability to assess the time of occurrence and the size of the damages caused by events, such as natural disasters, major failures and acts of terrorism;
- presence of liquidity risk;
- presence of operational risks.

5.3.1. Business risk related to large claims

Due to the similar product structure of the insurance portfolios of EIG subsidiaries in comparison with the structure of the insurance sector in the respective countries there are no business risks specific only to the EIG companies in comparison to the other representatives of the sector.

Natural disasters – such events may cause significant damages to insured property of individuals and entities as well as to motor vehicles (MV).

The claim amounts that natural disasters might inflict to motor vehicles insured with EIG subsidiaries are minimal due to the following factors:

- The companies hold large portfolios of motor vehicles insured against natural disasters on territories of several countries, which ensures distribution of the risk over a larger geographical set and thus minimizes the effect of disasters as they are expected to affect very restricted territory.
- Insured cars can be easily moved and thus the risk of damages from natural disasters is partially reduced, having in mind the fact that some natural disasters are foreseeable, and their territorial dispersion is relatively slow and limited.

The size of the insured property damages, which companies might suffer as a result of natural disasters, is limited by the reinsurance programs maintained by EIG. In order to monitor the

companies' portfolio exposure to risk of natural disasters, it is assessed on quarterly basis by CRESTA¹ areas.

Major breakdowns – large industrial risks that might contribute to such events are extremely limited within the companies' portfolios. Their impact is very limited since such breakdowns are fully covered by the reinsurance protection of the companies.

Acts of terrorism – up to now there has been only one act of terrorism committed in Bulgaria, Romania and Macedonia that might have endangered risks covered by the insurance companies operating in the non-life insurance sector. According to Euroins general conditions, terrorism is excluded risk pursuant to international clause G51.

5.3.2. Liquidity risk

Liquidity risk is the probability that an EIG company would not be able to settle its liabilities within the agreed amount and/or term. This risk is minimised by an efficient reserving policy and management of the current cash flows and by maintaining adequate solvency and liquidity levels of the companies.

5.3.3. Operational risk

Operational risks are related to the insurance portfolio structure, comprising the scope of insurance products, the level of risk diversification, the concentration of products by types, markets, clients and regions; the availability of risk assessment, analysis and risk management policy consisting of: reinsurance program; risk management at an individual product and client level; operational risk management by acceptance of limits, implementation of adequate information systems, system of internal control and independent audit; and reserving policy.

Operational risks are related to the Group management, for example: making incorrect decisions when defining the insurance portfolio structure; making incorrect decisions when defining the reserving policy; lack of common management information system; lack of adequate internal control system; resignation of key personnel and inability to appoint personnel with the required skills. The impact of such risks on the company operations is mitigated through the established internal system of operational controls, the implemented integrated information system, as well as

¹ CRESTA – (Catastrophe Risk Evaluation and Standardizing Target Accumulations). For the purposes of allocation and aggregation of risks undertaken by the insurance companies, which is used for further modelling of the insurance portfolio, the territories of the countries are classified in the so called "accumulation areas" or CRESTA areas.

through the established internal control, which is an element of the risk management policy, as well as through the implementation of modern human resource management approach.

6. Significant events after the date of the consolidated annual financial statement for 2020

There are no adjusting events or significant non-adjusting events between the date of the consolidated financial statements and the date of their approval for publication, other than those described below:

-On January 2, 2021, the General Assembly of CJSC "ERGO" Insurance Company "Belarus adopted a decision to invalidate the owned own shares (1,448 shares) and to reduce the capital accordingly. On February 11, 2021 the Ministry of Finance of Belarus registered the capital decrease, Euroins Insurance Group AD became the sole owner of the capital of CJSC "ERGO" Insurance Company "Belarus;

-On February 19, 2021, a loan agreement in the form of a subordinated debt was signed between Starcom Holding AD (Lender) and EIG AD (Borrower) in the amount of EUR 10 million and an interest rate of 6%. The repayment period is not earlier than 5 years from the transfer of the last tranche under the contract. In March 2021, the first tranche of EUR 5 million was transferred;

-On March 2, 2021, a loan agreement in the form of a subordinated debt was signed between EIG AD (Lender) and Euroins Romania (Borrower) in the amount of EUR 5 million. In March 2021, the first tranche of EUR 3.5 million was transferred;

-At the end of September 2020, the Company received a decision №. 1137 / 29.09.2020, whereby the Romanian financial regulator imposed a fine of RON 1.5 million and required the submission of two plans: a Short-Term Financing Plan and a Long-Term Recovery Plan. Through these plans, Euroins Insurance Group AD adopts a financial support package consisting of: a) subordinated debt, paid on June 26, 2020 in the amount of EUR 5.5 million, respectively RON 27 million; (b) subordinated debt provided by a contract signed on 29 June 2020 in the amount of EUR 10 million, respectively RON 48.7 million and (c) a capital increase, (Extraordinary General Meeting of Shareholders on September 17, 2020) in the amount of RON 50 million. On December 3, 2020 Euroins Insurance Group AD decided to convert the two subordinated debts totally amounting to

RON 75.7 million, as well as the calculated, but unpaid interest amounting to RON 0.8 million as of September 30, 2020 into equity. With Decision 342/March 11, 2021, the capital increase of RON 50 million was approved by the local financial regulator. The short-term financing plan was approved with Decision 1469/December 14, 2020 and was fully implemented within the deadline imposed by the decision of the Romanian Financial Regulator. The long-term recovery plan was adopted with Decision 22/January 07, 2021 and contains measures and actions in almost all areas of activity of the Company, which will lead to efficiency and profitability. The implementation of the measures and actions continues and refers to: digitalization, claim processes, portfolio restructuring (including sales channels), IT improvements, etc. The company challenged Decision 1137/29.09.2020 of the Romanian Financial Regulator in court, opening a lawsuit against it;

-On March 11, 2021, Ms. Tanya Blatnik was approved as Executive Director of Euroins Romania by the local financial regulator;

-On March 31, 2021, Mr. Kiril Boshov was approved as Chairman of the Board of Directors of Euroins Romania by the local financial regulator;

- In the first few months of 2021, the negative impact of Covid-19 has not diminished due to the spread of a new strain of the virus worldwide, and the related continuation of restrictive measures and the extension of the epidemic situation until 31 May 2021 (by decision of the Council of Ministers of April 2, 2021). The management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects;

-Since the end of last year, the news about the vaccines approved by the European Union have dominated. They ensure prevention of severe and fatal disease and greatly reduce the risk of developing the symptoms of the virus. A vaccination process has already started in Bulgaria. The management considers this to be a non-adjusting event after the date of the reporting period;

-Official Brexit in early 2021 marks the beginning of new economic relations between the Kingdom of Great Britain and the countries of the European Union. The management is closely monitoring the situation and plans to take all possible steps to mitigate the potential effects.

7. Probable future development of the Group

As a leading Bulgarian insurance group, Euroins Insurance Group continues to operate in Central and Eastern Europe. The main goal of EIG in 2021 is the sustainable development of the already acquired companies' part of the Group and the development of the branch network of Euroins Insurance Company AD.

8. Research and development

Due to the nature of its holding structure the Company does not carry out research and development activities. Its subsidiaries in Bulgaria, Romania, North Macedonia, Ukraine and Georgia and Belarus however, have developed locally software applications as part of their business activity.

9. Financial instruments held by the Group companies

Group companies invest mainly in the following financial instruments: bonds, equities, shares in investment companies and mutual funds, investments in the share capital of associates and other companies, and deposits in financial institutions and securities. Accordingly, these instruments are classified and measured as per the IFRS rules and their essential use.

The financial instruments held by the Group companies are exposed to the following risks:

- **Market risk** – where the value of the financial instrument fluctuates as a result of changes in the market prices, irrespective of whether such changes are due to factors specific for the respective securities or for their issuer, or due to factors related to all securities traded on the market.
- **Credit risk** – credit risk occurs when one of the financial instrument parties does not perform any of its obligations, thus causing financial loss to the other party.
- **Interest risk** – where the value of a financial instrument fluctuates due to changes in the market interest rates.

10. Disclosure of information as per Art. 187e and 247 of the Commerce Act

By decision of the General Meeting of Shareholders of EIG dated July 16, 2020, Karri Juhana Mekitalo was dismissed from the position of a member of the Board of Directors of Euroins Insurance Group AD.

By decision of the General Meeting of Shareholders of EIG dated October 31, 2020 Dominique Victor Francois Joseph Baudouin was dismissed from his position as a member of the Board of

Directors of Euroins Insurance Group AD and a new member of the Board of Directors of Euroins Insurance Group was elected, namely Jeroen Carl Van Leuwen. The decision was entered in the Commercial Register after the date of the annual report December 31, 2020.

Members:

- Assen Milkov Hristov – Chairman of the Board of Directors since September 10, 2015;
- Kiril Ivanov Boshov – Executive Director and Member of the Board of Directors since November 06, 2007;
- Dominique Victor François Joseph Bauduin – Deputy Chairman of the Board of Directors since July 07, 2014;

In 2020 the members of the Board of Directors have not acquired, held or transferred shares or bonds of the Company.

The articles of association of the Company do not stipulate special rights or restrictions for the members of the Board of Directors in relation to the acquisition of shares or bonds of the Company.

In 2020 the total remuneration of the members of Board of Directors and other Directors amounts to BGN 333 thousand (2019: BGN 636 thousand).

In 2020 the Company has not acquired own shares, neither possesses such, acquired in prior periods.

By decision of the General Meeting of Shareholders of EIG dated July 16, 2020, Karri Juhana Mekitalo was dismissed from the position of a member of the Board of Directors of Euroins Insurance Group AD.

By decision of the General Meeting of Shareholders of EIG dated October 31, 2020 Dominique Victor Francois Joseph Baudouin was dismissed from the position of a member of the Board of Directors of Euroins Insurance Group AD. A new member of the Board of Directors of Euroins Insurance Group was elected- Jeroen Carl Van Leuven. The decision was entered in the Commercial Register after the date of this management report December 31, 2020.

Information under article 247, paragraph 2, item 4 of the Commerce Act, related to the participation of members of the Board of Directors in business companies as unlimited liable partners, the holding of more than 25 per cent of the share capital of another company, as well as

their participation in the management of other companies or cooperative societies as procurators, managers or board members:

Assen Milkov Hristov – Chairman of the Board of Directors

As at December 31, 2020, Mr. Assen Hristov holds more than 25 per cent of the share capital of the following companies:

- Starcom Holding AD – 51% of the share capital;
- Alfa Euroaktiv EOOD- 100% of the share capital;
- Stacom Hold AD- 99.67% of the share capital.

As at December 31, 2020, Mr. Assen Hristov participates in the management of the following companies:

- Alfa Euroaktiv EOOD – General Manager;
- Euroins Insurance Group AD – Chairman of the Board of Directors;
- Eurohold Bulgaria AD – Chairman of the Supervisory Board;
- Starcom Hold AD – Executive member of the Board of Directors;
- Starcom Holding AD – Executive member of the Board of Directors;
- First Investment Bank AD, Russia –Chairman of the Supervisory Board;
- Hanson Asset Management Ltd., United Kingdom – Director;
- Wonder Group AD- Chairman of the Supervisory Board;
- Quintar Capital Limited Hong Kong- Member of Boards of Directors.

Kiril Ivanov Boshov – Executive Director and Member of the Board of Directors

As at December 31, 2020, Mr. Kiril Boshov holds more than 25 per cent of the share capital of the following companies:

- Starcom Holding AD- 34% of the share capital;
- Alcommerce EOOD- 100% of the share capital.

As of December 31, 2020, Mr. Kiril Boshov participates in the management of the following companies:

- Auto Union AD – Deputy Chairman of the Board of Directors;
- Euroins Insurance Group AD – Executive Director and Member of the Board of Directors;
- Euroins Romania Asigurare- Reasigurare S.A. – Chairman of the Board of Directors;
- Eurolease Auto S.A., Romania – Member of the Board of Directors;
- Eurohold Bulgaria AD – Chairman of the Management Board and Executive Member;
- Capital - 3000 AD – Chairman of the Board of Directors;
- Starcom Holding AD – Chairman of the Board of Directors;
- Starcom Hold AD – Deputy Chairman of the Board of Directors;
- Alcommerce EOOD – General Manager;
- Hanson Asset Management Ltd., United Kingdom – Director;
- Wonder Group AD- Member of the Supervisory Board;

Ended participations in the capital or in the management of the following Companies:

- Euroins Insurance, Skopje AD, Northern Macedonia - Member of the Board of Directors until July 07, 2020;
- Euro-Finance AD - Deputy Chairman of the Board of Directors until April 04, 2020;
- N Auto Sofia EAD - a member of the Board of Directors until November 10, 2017;
- Euroins - Health Insurance EAD (the company has merged with IC EIG Re EAD) - Chairman of the Board of Directors until June 27, 2017.

Dominique Victor François Joseph Bauduin – Deputy Chairman of the Board of Directors

As at December 31, 2020, Mr. Dominique Bauduin holds more than 25 per cent of the capital of the following companies:

- BDF LTD;
- BooMaya LTD;
- Desire Force LTD.

As of December 31, 2020, Mr. Dominique Bauduin participates in the management of the following companies:

- Euroins Insurance Group AD – Deputy Chairman of the Board of Directors;
- BDF LTD – General Manager;
- CTR LTD – General Manager;
- SCI Solar Bulgaria EOOD – General Manager;
- Boomaya LTD- General Manager;
- Desire Force LTD- General Manager;
- Shore Club LTD- General Manager (since March 26, 2020)

In 2020 the members of the Board of Directors of the Company have not entered into contracts as per article 240b of the Commercial Act that are outside of the principal activity of the Company or which have been agreed in contradiction with the market conditions.

May 05, 2021

Sofia



Kiril Boshov
Executive Director
Euroins Insurance Group AD

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF
EUROINS INSURANCE GROUP AD

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of EUROINS INSURANCE GROUP AD and its subsidiaries (the "Group"), containing the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the notes to the consolidated financial statements, containing disclosures of significant accounting policies and other explanatory information.

In our opinion, with the exception of the possible effect of the issues described in the section of our report "Basis for qualified opinion", the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for qualified opinion

1. As disclosed in Note № 21 "Insurance reserves" to the attached consolidated financial statements, the value of the Reserve for forthcoming payments as of December 31, 2020 amounts to BGN 551,532 thousand (as of December 31, 2019: BGN 503,587 thousand), and the share of reinsurers in the reserve for forthcoming payments amounts to BGN 352,506 thousand (as of December 31, 2019: BGN 294,753 thousand). For their calculation during the reporting period, the Group's management has used an actuarial valuation method, but has not applied a consistent approach in calculating the cumulative value of the final loss of claims for the respective year of development. We have not received sufficient appropriate audit evidence to support management's presumptions in applying the actuarial method. Accordingly, we were not able to obtain a sufficient degree of certainty as to the value of the provision for future payments and the reinsurers' share in it for one of the subsidiaries.

We are also unable to determine the impact of the above adjustments on the income from reinsurance commissions and the Group's reinsurance liabilities as at 31 December 2020.

2. As disclosed in Note № 21 "Insurance reserves" to the attached consolidated financial statements as of December 31, 2020 The Group recognizes a gross unearned premium reserve of BGN 264,273 thousand (as of December 31, 2019: BGN 253,181 thousand) and gross reserve for unexpired risks in the amount of BGN 8,537 thousand (as of December 31, 2019: BGN 198 thousand). The Group's management has not applied a consistent approach in calculating the above-described reserves in one of its subsidiaries. As a result, a reserve is recognized that is lower than that which would be recognized in the case of a consistent approach. We have not been able to obtain sufficient and reliable audit evidence to support the change in the method. If the Management of the Group had applied the same actuarial approach in all subsidiaries, the gross unearned premium reserve would have been higher by BGN 21,173 thousand, and the gross reserve for unexpired risks would have been higher by BGN 2,732 thousand. As a result, the share of reinsurers in the unearned premium reserve would be higher by BGN 11,169 thousand, and the share of reinsurers in the reserve for unexpired risks would be higher by BGN 1,808 thousand. The above adjustments would led to a net decrease in the assets in the Consolidated Statement of Financial Position by BGN 10,928 thousand and an increase in the net loss for the period by the same amount.
3. As disclosed in Note № 26.1 "Goodwill" to the accompanying consolidated financial statements, the Group has recognized goodwill in the amount of BGN 165,123 thousand (as at 31 December 2019: BGN 165,123 thousand). The Group's management has performed a test for impairment of goodwill at the date of the consolidated financial statements and has determined that there are no indications for accrual of additional impairment. We were not able to ascertain, including through alternative audit procedures, whether the assumptions used by the Management in the test for impairment of goodwill in the amount of BGN 53,360 thousand are justified. Accordingly, we have not been able to determine and confirm whether additional adjustments are required to the carrying amount of goodwill reported by the Group and how reliable it is presented in these consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further described in the section of our report "Auditors' Responsibilities for the Audit of Consolidated Financial Statements". We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the Council of International Standards of Ethics for Accountants (IASB Code), together with the ethical requirements of the Independent Financial Audit Act (IASA), applicable to our audit of the financial statements in Bulgaria, and we have performed our other ethical responsibilities in accordance with the requirements of the LFIA and the CMSA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

We pay attention to Note 3.11. "Other Risks - Covid-19" to the consolidated financial statements, which discloses the effects of the Covid-19 pandemic on the Group, as well as the measures taken by management. The disruption of normal economic activity in the Republic of Bulgaria, as well as in other countries in which the Group operates as a result of Covid-19 may adversely affect the Group's operations and in particular the decline in stock prices on global stock exchanges could affect the fair value of the companies' investments if the negative trend continues. Due to the dynamic situation and the new measures taken by the governments of the affected countries to deal with the pandemic, as of the date of this report, the Group's management is not able to make long-term assessments of the pandemic's impact on its development and financial condition. .

Our opinion has not been modified on this issue.

Key audit matters

Key audit matters are those matters which, in our professional judgment, have been of the greatest importance in the audit of the consolidated financial statements for the current period. These matters are considered as part of our audit of the consolidated financial statements as a whole and the formation of our opinion on it, and we do not provide a separate opinion on these issues. Apart from the issues described in the " Basis for Qualified Opinion " section above, we did not identify any other key audit issues to be communicated in our report.

Other information other than the consolidated financial statements and the auditor's report on them

Management is responsible for other information. The other information consists of the consolidated activity report, incl. corporate governance statement prepared by management in accordance with Chapter Seven of the Accounting Act, but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover other information and we do not express any form of assurance on it unless expressly stated in our report and to the extent that it is stated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and thereby assess whether that other information is materially inconsistent with the financial statements or with our knowledge acquired during the audit or otherwise it appears to contain material misstatement. In the event that, based on the work we have performed, we conclude that there is material misstatement in this other information, we are required to report this fact.

As described in the “Basis for Qualified Opinion” section above, the Group has committed material misstatements in measuring the carrying amount of insurance reserves and goodwill as at 31 December 2020. We have concluded that the other information contains material misstatement due to the effect of the effects of this material misstatement on the financial performance and accompanying disclosures about this object included in the other information.

Additional issues raised by the Accounting Act

In addition to our responsibilities and reporting under the ISA, regarding the activity report, incl. the corporate governance statement, we also complied with the procedures added to the requirements under ISA, according to the "Guidelines on New and Extended Auditor Reports and Auditor Communication" of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures concern checks on the availability as well as checks on the form and content of this other information in order to assist us in forming an opinion on whether the other information includes the disclosures and reports provided for in Chapter Seven of the Accounting Act.

Opinion in connection with Art. 37, para. 6 of the Accounting Act

Based on the procedures performed, our opinion is that:

- (a) The information included in the activity report for the financial year for which the financial statements have been prepared corresponds to the consolidated financial statements on which we have expressed a qualified opinion in the section of the same name above.
- b) The activity report has been prepared in accordance with the requirements of Chapter Seven of the Accounting Act.
- c) The corporate governance statement for the financial year for which the financial statements have been prepared shall contain the information required under Chapter Seven of the Accounting Act.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS applicable in the EU and for such an internal control system as management deems necessary to ensure the preparation of financial statements that do not contain material misstatements, whether or not due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, where applicable, matters related to the going concern assumption and using the accounting basis based on the going concern assumption. If management does not intend to liquidate or discontinue the Group, or if management has virtually no alternative but to do so.

The persons in charge of general management are responsible for supervising the financial reporting process of the Group.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations to the auditor, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Receive appropriate and sufficient audit evidence for the financial information of the entities or economic activities within the Group so as to issue an opinion regarding the consolidated financial statement.

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 a statement to those charged with governance that we have fulfilled the applicable ethical requirements related to independence and that we will communicate with them all relationships and other matters that could be reasonably expected to affect our independence and, when it is applicable, the related with them safeguards.

Among the matters communicated with those charged with governance, we define those matters which were of most importance in the audit of the financial statements for the current period and which are therefore key audit matters. We describe those matters in the auditor's report except in case we are prohibited by law or regulation to do so or when, in extremely rare cases, we decide that a certain key audit matter should not be communicated in the auditor's report as it might be reasonably expected that unfavorable results from this action would exceed the benefits of this communication from the public interest perspective.

We are jointly responsible for the execution of our audit and for our audit report in accordance with IFAA applicable in Bulgaria. Upon acceptance and execution of the joint audit engagement on which we report, we have been governed by the Guidance for joint audit published on 13.06.2017 by the Institute for Certified Public Accountants in Bulgaria and the Commission for public oversight of statutory auditors in Bulgaria.

Report in relation to other legal or regulatory requirements

Report in accordance with art. 10 from Regulation (EC) in relation to requirements of art. 59 from Independent Financial Audit Act (IFAA)

In accordance with the requirements of IFAA in relation to art. 10 from Regulation (EC) № 537/2014, we report in addition the information listed below:

- Mazars OOD and Zaharinova Nexia OOD are appointed for statutory auditors for the consolidated financial statements for the year ended 31 December 2020 of the Group by the General Shareholders' meeting from 31 October 2020 for a period of one year.

- The audit of the consolidated financial statement for the year ended 31 December 2020 of the Group represents a third complete engagement for statutory audit of this Group, performed by Mazars OOD, and fourth complete continuous engagement for statutory audit of this Group, performed by Zaharinoxa Nexia OOD.
- We confirm that our audit opinion is in accordance with the supplementary report submitted to the Audit Committee of the Group in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.
- This to state we never rendered prohibited services as of art.64 of Independent Financial Audit Act.
- We confirm that when carrying out the audit we remained independent with reference to the Group.
- For the period covered by our statutory audit, in addition to the audit, we have not provided any services to the Group other than those disclosed in Note 10 to the consolidated financial statements.

Sofia, 13th May 2021

For Mazars OOD

Athanasios Petropoulos

Procurator

For Zaharinoxa Nexia OOD

Marina Krusteva

General Manager

Milena Mladenova

Registered auditor, responsible for the audit

Sofia

2 Tsar Osvoboditel Blvd

Dimitrina Zaharinoxa

Registered auditor, responsible for the audit

Sofia

157-159 Konstantin Velichkov Blvd

EUROINS INSURANCE GROUP AD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT
December 31, 2020

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED DECEMBER 31**

<i>In thousand BGN</i>	Notes	2020	2019 restated
Gross written premiums	4	914,365	847,716
Premiums ceded to reinsurers	4	(411,782)	(382,722)
Net written premiums		502,583	464,994
Change in the gross unearned premium reserve and unexpired risk reserve	4	(20,553)	(37,532)
Change in reinsurers' share in the unearned premium reserve and unexpired risk reserve	4	5,994	28,136
Net earned premiums		488,024	455,598
Fees and commissions income	5	83,411	105,339
Financial income	6	42,780	36,010
Other operating income	7	5,732	4,828
Net income		619,947	601,775
Claims incurred, net of reinsurance	8	(283,762)	(274,182)
Acquisition costs	9	(212,742)	(198,940)
Administrative costs	10	(45,637)	(40,103)*
Financial costs	11	(32,156)	(17,092)
Other operating costs	12	(69,808)	(52,518)*
Operating profit/loss		(24,158)	18,940*
Other net income	13	(1,011)	(1,091)
Profit before tax		(25,169)	17,849*
Income tax expenses	14	(2,781)	(1,600)*
Net Profit/loss for the year		(27,950)	16,249*
Net (loss)/profit, attributable to:			
Owners of the Parent company		(27,952)	16,222*
Non – controlling interest		2	27*

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 07.05.2021

Kiril Boshov
Executive Director

Katrin Petkova
Chief Accountant

Certified pursuant to auditor's report dated 13.05.2021
Mazars OOD

Athanasios Petropoulos Milena Mladenova
Procurator Registered auditor responsible
for the audit

Zaharina Nexia OOD

Marina Krasteva Dimitrina Zaharina
Manager Registered auditor responsible
for the audit

The Notes to the consolidated financial statements from pages 7 to 89 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31 (CONTINUED)

<i>In thousand BGN</i>	<i>Notes</i>	<i>2020</i>	<i>2019 restated</i>
Net Profit/loss for the year		(27,950)	16,249*
<i>Other comprehensive income subject to reclassification to profit or loss in subsequent periods:</i>			
Foreign exchange differences on currency adjustments		(10,788)	1,098
Change in revaluation reserve		992	(8)
Other comprehensive income subject to reclassification to profit or loss in subsequent periods		(9,796)	1,090
Total comprehensive income for the year		(37,746)	17,339*
Total comprehensive income, attributable to:			
Owners of the Parent company		(37,650)	17,363*
Non – controlling interest		(96)	(24)*

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 07.05.2021

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Executive Director



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Mazars OOD

Zaharinova Nexia OOD

Athanasios
Petropoulos
Procurator

Milena Mladenova
Registered auditor responsible Manager
for the audit

Marina Krasteva

Dimitrina Zaharinova
Registered auditor responsible for
the audit

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED
DECEMBER 31

<i>In thousand BGN</i>	Notes	As at 31.12.2020	As at 31.12.2019 restated
Assets			
Goodwill	26.1	165,123	165,123
Intangible assets	15	3,296	2,542
Property, plant and equipment	16	31,899	33,921*
Investment properties	17	9,652	15,703
Financial assets	18	427,895	323,813
Reinsurers' share in technical reserves	21	523,261	463,829
Deferred tax assets	14	10,804	12,359
Receivables and other assets	19	198,271	182,682*
Cash and cash equivalents	20	59,993	84,217
Total assets		1,430,194	1,284,189*
Liabilities			
Insurance reserves (Technical provisions)	21	836,930	768,308
Reinsurance and other payables	22	120,287	87,046*
Loans	23	22,654	10,124
Financial liabilities	24	2,302	1,924
Deferred tax liabilities	14	2	59
Total liabilities		982,175	867,461*
Subordinated liabilities	24.1	44,201	19,558
Equity			
Share capital	25	543,446	502,396
Revaluation and other reserves		(5,480)	(7,096)
Foreign currency translation reserve		(11,425)	(793)*
Accumulated loss		(129,545)	(103,495)*
Total equity attributable to the owners of the Parent company		396,996	391,012*
Non – controlling interest	27	6,822	6,158
Total equity		403,818	397,170*
Total liabilities and equity		1,430,194	1,284,189*

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 07.05.2021

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Executive Director

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Chief Accountant

Certified pursuant to auditor's report dated 13.05.2021

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Petrooulos
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Marina Krasteva

Dimitrina Zaharinova
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The Notes to the consolidated financial statements from pages 7 to 89 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31***In thousand BGN*

	Notes	2020	2019 restated
Operating activities			
Profit/loss before tax		(25,169)	17,849*
Increase / (Decrease) of insurance reserves, net of reinsurance		9,190	36,197
Impairment on receivables		22,928	4,706
Accrued Depreciation (including on RoU assets)		7,726	7,292*
Revaluation of investments, incl. investment properties, net		(2,185)	(4,334)
Profit on purchase of investments in subsidiaries		(4,269)	-
Profit on sale of investments		(2,212)	(206)
Other revaluations, net		(738)	(5,612)
Revaluation of investment in associate		1,491	(4,535)
Other non-cash effects		(313)	(1,705)*
Net investment income		(8,373)	(4,759)
Net cash flows from operating activities before changes in assets and liabilities		(1,924)	48,303*
Decrease / (Increase) in receivables		(25,131)	(40,695)*
(Decrease) / Increase in payables		33,421	35,323
Net cash flows from operating activities		6,366	42,931*
Investing activities			
Acquisition of financial assets		(97,373)	10,081
Acquisition of property, plant and equipment, net		5,823	(22,631)
Profit of sale of property, plant and equipment		(6,884)	(528)
Loans (granted) / repaid		(15,182)	-
Net cash flow from acquisition of subsidiaries		(3,433)	-
Interest and dividends received, net		14	101
Net cash flows from investing activities		(117,035)	(12,977)
Financing activities			
Increase in equity		41,050	3,950
Increase/(Decrease) in Loans		31,928	9,707
Cashflows resulting from business combination		12,778	-
Net cash flow from financing activities		85,756	13,657
Net increase/(decrease) in cash and cash equivalents		(24,913)	43,611
Effect of fluctuations in foreign exchange rates of cash and cash equivalents		689	(130)
Cash and cash equivalents at the beginning of the year	20	84,217	40,736
Cash and cash equivalents at the end of the year	20	59,993	84,217

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 07.05.2021

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Manager

Dimitrina Zaharinova
Registered auditor responsible for the audit

The Notes to the consolidated financial statements from pages 7 to 89 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31

In thousand BGN

	Share capital	Revaluation and other reserves	Foreign currency translation reserve	Accumulated loss	Total equity attributable to the Group	Non – controlling interest	Total equity
Balance as at January 1, 2019	498,446	(5,735)	(1,942)	(120,443)	370,326	6,244	376,570
Adjustment for initial application of IFRS 16	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	(788)	(788)	60	(728)
Effect of other restatements – Notes 32	-	-	-	5,487	5,487	(82)	(5,405)
Balance as at January 1, 2019, restated	498,446	(5,735)	(1,942)	(949)	370,326	16	(933)
Profit for the year	-	-	-	(116,693)	374,076	6,238	380,314
Revaluation reserve from foreign currency exchange	-	-	1,149	16,222	16,222	27	16,249
Change in fair value of assets, valued through Other comprehensive income	-	-	-	-	1,149	(51)	1,098
Total comprehensive income	-	(8)	-	-	(8)	-	(8)
Transactions with owners:	-	(8)	1,149	16,222	17,363	(24)	17,339
Increase in equity	3,950	-	-	-	3,950	-	3,950
Capital reserves	-	(1,353)	-	-	(1,353)	(49)	(1,402)
Reserves set up / written off from profit	-	-	-	(3,024)	(3,024)	(7)	(3,031)
Total transactions with owners	3,950	(1,353)	-	(3,024)	(427)	(56)	(483)
Balance as at December 31, 2019, restated	502,396	(7,096)	(793)	(103,495)	391,012	6,158	397,170

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 07.05.2021

Kiril Boshov
Executive DirectorKatrin Petkova
Chief Accountant

Certified pursuant to auditor's report dated 13.05.2021

Mazars OOD

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Procurator

Zaharinoxa Nexia OOD

Marina Krasteva

Manager

Registered auditor responsible for the audit

Dimitrina Zaharinova

Registered auditor responsible for the audit

The Notes to the consolidated financial statements from pages 7 to 89 form an integral part of these consolidated financial statements.

TRANSLATION FROM BULGARIAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, FOR THE YEAR ENDED DECEMBER 31

In thousand BGN

	Share capital	Revaluation and other reserves	Foreign currency translation reserve	Accumulated loss	Total equity attributable to the Group	Non – controlling interest	Total equity
Balance as at January 1, 2020	502,396	(7,096)	(793)	(103,495)	391,012	6,158	397,170
Profit for current year	-	-	-	(27,952)	(27,952)	2	(27,950)
Revaluation reserve from foreign currency exchange	-	-	(10,994)	-	(10,994)	(114)	(11,108)
Change in fair value of assets, measured at fair value through other comprehensive income	-	976	-	-	976	16	992
Total comprehensive income	976	(10,994)	(27,952)	(96)	(37,970)	(96)	(38,066)
Transactions with owners:							
Increase in equity	41,050	-	-	-	41,050	-	41,050
Capital reserves	-	640	-	-	640	526	1,166
Reserves set up / written off from profit	-	-	-	2,264	2,264	234	2,493
Total transactions with owners	41,050	640	-	2,264	53,176	760	53,936
Balance as at December 31, 2020	543,446	(5,480)	(11,787)	(129,183)	396,996	6,822	403,818

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 07.05.2021

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Executive Director

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The Notes to the consolidated financial statements from pages 7 to 89 form an integral part of these consolidated financial statements.

TRANSLATION FROM BULGARIAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information**1.1. General information about the Group**

Euroins Insurance Group AD ("The Parent company", "The Group" "EIG" or "EIG AD") is a joint-stock company, registered under company file No. 1302/2007 in Sofia City Court, unified identification code (UIC) 175394058, with seat and legal address 43, Christopher Columbus Blvd., 1592, Sofia, Bulgaria.

Scope of activities of the Parent company includes: acquisition, management, evaluation and sale of shareholdings in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, granting licenses for using patents to companies it has a shareholding in; funding of companies it has a shareholding in.

The Parent company of The Group is Eurohold Bulgaria AD, with a registered and management address 43, Christopher Columbus Blvd., 1592, Sofia, Bulgaria. The ultimate owner is the company Starcom Holding AD, registered in the Republic of Bulgaria.

The Parent company is managed by a Board of Directors consisting of the following members (with a mandate until June 30, 2023):

- Dominique Victor François Joseph Bauduin
- Assen Milkov Christov
- Kiril Ivanov Boshov

On July 16, 2020, at an extraordinary general meeting of Euroins Insurance Group AD, a decision was taken to dismiss Karri Juhana Mäkitalo from the position of a member of the Board of Directors. The decision was entered on July 24, 2020 in the Commercial Register and the register of non-profit legal entities at the Registry Agency.

The Parent company is represented by Mr. Kiril Ivanov Boshov.

The Group operates in many international markets, with detailed information on each subsidiary presented in Note 1.2 "Economic group structure" and information on the geographical regions where it operates is presented below:

- Republic of Bulgaria- through three of its subsidiaries (IC Euroins AD, IC Euroins Life EAD and IC EIG Re EAD);
- Republic of Romania- through its subsidiary Euroins Romania Asigurare-Reasigurare S.A;
- Republic of North Macedonia- through its subsidiary Euroins Osiguruvanje AD;
- Republic of Ukraine- through its two subsidiaries (PrJSC IC Euroins Ukraine and PrJSC European Travel Insurance);
- Republic of Georgia- through its subsidiary IC Euroins Georgia JSC;
- Republic of Belarus – through its subsidiary CJSC IC Euroins;
- Russian Federation – through its participation in associate – RCO Euroins Russia
- Republic of Greece- The Group, through its subsidiary IC Eurois AD operates in the Republic of Greece through a branch (effective from February 1, 2019) on the basis of the principle of Freedom of Establishment. Until January 31, 2019, before the start of the operations of the branch in the Republic of Greece, through its subsidiary – IC Euroins AD operated on the principle of Freedom of Services;
- Republic of Poland - The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Republic of Italy- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- Republic of Germany- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- Republic of Spain- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- United Kingdom- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- Kingdom of Netherlands- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services.

1.2. Economic group structure

Euroins Insurance Group AD is a holding joint-stock company.

Subsidiaries

As at December 31, 2020 and December 31, 2019 Euroins Insurance Group AD owns controlling interest in the following subsidiaries:

	Scope of activity	Country	As at 31.12.2020 Share	As at 31.12.2019 Share
IC Euroins AD	Insurance	Bulgaria	98.63%	98.28%
Euroins Romania Asigurare-Reasigurare S.A.	Insurance	Romania	98.51%	98.51%
Euroins Osiguruvanje AD	Insurance	North Macedonia	93.36%	93.36%
IC Euroins Life EAD	Insurance	Bulgaria	100.00%	100.00%
IC EIG Re EAD	Insurance	Bulgaria	100.00%	100.00%
PrJSC IC Euroins Ukraine	Insurance	Ukraine	92.62%	92.62%
PrJSC European Travel Insurance	Insurance	Ukraine	99.99%	99.99%
IC Euroins Georgia JSC	Insurance	Georgia	50.04%	50.04%
Euroins Claims I.K.E.	Insurance	Greece	100.00%	100.00%
CJSC IC Euroins Belarus	Insurance	Belarus	93.12%	

Insurance Company Euroins AD

The control over IC Euroins AD was acquired through an in-kind contribution from Eurohold Bulgaria AD in the share capital of Euroins Insurance Group AD.

In 2015 the share capital of IC Euroins AD was increased by BGN 5,659 thousand through a cash contribution.

In 2017 the share capital of the subsidiary was increased by BGN 16,000 thousand through a cash contribution.

On January 21, 2020, as a part of the capital restructuring plan of IC Euroins AD, approved by the Financial Supervision Commission, an increase of the share capital of the Company was reported in the Bulgarian

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Commercial Register. The increase was amounting to BGN 8,700 thousand and was a result of repayment of the existing subordinated debt amounting to BGN 8,500 thousand on January 13, 2020.

As at December 31, 2020, the share capital of IC Euroins AD amounts BGN 40,970,000, distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the share capital.

Euroins Romania Asigurare-Reasigurare S.A.

The acquisition of the investment in Euroins Romania Asigurare-Reasigurare S.A. resulted from an in-kind contribution of shares of Euroins Romania Asigurare-Reasigurare S.A. made by Eurohold Bulgaria AD in 2008 in the share capital of Euroins Insurance Group AD.

In 2015, Euroins Insurance Group AD made a cash contribution of BGN 34,860 thousand in the share capital of Euroins Romania Asigurare-Reasigurare S.A. in a relation to a voted resolution for an increase of the capital of the subsidiary.

In 2016 Euroins Insurance Group made a cash contribution of BGN 95,596 thousand in the share capital of Euroins Romania Asigurare-Reasigurare S.A.

In 2018, Euroins Insurance Group AD increased its investment with BGN 10,366 thousand.

At the end of September 2020, the Company received a decision №. 1137 / 29.09.2020, whereby the Romanian financial regulator imposed a fine of RON 1.5 million and required the submission of two plans: a Short-Term Financing Plan and a Long-Term Recovery Plan. Through these plans, Euroins Insurance Group AD adopts a financial support package consisting of: a) subordinated debt, paid on June 26, 2020 in the amount of EUR 5.5 million, respectively RON 27 million; (b) subordinated debt provided by a contract signed on 29 June 2020 in the amount of EUR 10 million, respectively RON 48.7 million and (c) a capital increase, (Extraordinary General Meeting of Shareholders on September 17, 2020) in the amount of RON 50 million. On December 3, 2020 Euroins Insurance Group AD decided to convert the two subordinated debts totally amounting to RON 75.7 million, as well as the calculated, but unpaid interest amounting to RON 0.8 million as of September 30, 2020 into equity. With Decision 342/March 11, 2021, the capital increase of RON 50 million was approved by the local financial regulator. The short-term financing plan was approved with Decision 1469/December 14, 2020 and was fully implemented within the deadline imposed by the decision of the Romanian Financial Regulator. The long-term recovery plan was adopted with Decision 22/January 07, 2021 and contains measures and actions in almost all areas of activity of the Company, which will lead to efficiency and profitability. The implementation of the measures and actions continues and refers to: digitalization, claim processes, portfolio restructuring (including sales channels), IT improvements, etc. The company challenged Decision 1137/ 29.09.2020 of the Romanian Financial Regulator in court, opening a lawsuit against it.

As at December 31, 2020 the participation of EIG in the share capital of the Company is 98.51% (December: 31, 2019: 98.51%).

Euroins Osiguruvanje AD, North Macedonia

The investment in Euroins Osiguruvanje AD was carried out in 2008.

In 2013 Euroins Insurance Group AD participated in the share capital increase of Euroins Osiguruvanje AD with a cash contribution amounting to BGN 732 thousand.

In 2020 and 2019, there was no change in the EIG's shareholding in the subsidiary and as at December 31, 2020 it is 93.36% (December 31, 2019: 93.36%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Insurance Company Euroins Life EAD

In 2013 Euroins Insurance Group acquired 100% of the capital of Interamerican Bulgaria Life Insurance EAD, and renamed to IC Euroins Life EAD.

On February 27, 2020, as a part of the capital restructuring plan of IC Euroins Life EAD, approved by the Financial Supervision Commission, an increase of the capital of the Company was submitted in the Bulgarian Commercial Register. The increase was amounting to BGN 1,250 thousand and was a result of repayment of the existing subordinated debt on February 18, 2020. Thus, the share capital of IC Euroins Life EAD is amounting to BGN 11,375,070 distributed in 1,137,507 shares, with a par value of BGN 10 each.

There is no change in the participation in the subsidiary in 2020, as well as in 2019 and Euroins Insurance Group continues to hold 100.00% of the share capital of IC Euroins Life EAD.

Insurance Company EIG Re EAD (former HDI Zastrahovane AD) and Euroins - Health Insurance ZEAD

The control over Euroins - Health Insurance ZEAD was acquired by Euroins Insurance Group AD in 2008. As at December 31, 2016 the participation of EIG in the share capital of Euroins - Health Insurance ZEAD was 100.00%.

In 2015, EIG acquired 94% of the capital of HDI Zastrahovane AD. In 2016 the name of HDI Zastrahovane AD was changed to Insurance Company EIG Re AD. In addition, the remaining 6% of the share capital were acquired and EIG became the sole owner of the Company. In 2016 the capital of IC EIG Re EAD was increased by BGN 4,000 thousand.

On June 27, 2017, the Commercial Register registered the merger of Euroins - Health Insurance ZEAD into IC EIG Re EAD. As a result, Euroins - Health Insurance ZEAD was dissolved without liquidation and IC EIG Re EAD became its universal successor. As at December 31, 2019 and December 31, 2018 Euroins Insurance Group holds 100% of the share capital of IC EIG Re EAD.

On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC EIG Re EAD with BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated term debt in the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full.

On February 28, 2020 an increase of the capital of IC EIG Re EAD was reported, which was a part of the capital restructuring plan of IC EIG Re EAD approved by the Financial Supervision Commission. After the transaction, the share capital of the subsidiary is amounting to BGN 19,112,000 distributed in 19,112,000 shares with a par value of BGN 1 each.

There is no change in the participation in the subsidiary in 2020, as well as in 2019 and Euroins Insurance Group continues to hold 100.00% of the share capital of IC EIG Re EAD.

PrJSC Insurance Company Euroins Ukraine (former PJSC IC HDI Strakhuvannya)

On July 29, 2016, the Commission for the State Regulation of the Financial Markets in Ukraine issued its approval for the transaction on the acquisition of the public joint-stock company Insurance Company HDI Strakhuvannya by EIG. By resolution of the General Meeting of Shareholders, the Company changed its name from September 30, 2016. The new name is the Public Joint Stock Company „Insurance Company Euroins Ukraine“, which was changed again in 2017 as a result of legislative changes, to Private Joint-Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

„Insurance company Euroins Ukraine“.

In 2018, EIG increased its investment in PrJSC IC Euroins Ukraine with BGN 1,975 thousand, and as at December 31, 2018 EIG's participation amounted to 98.36%.

In 2019, PrJSC European Travel Insurance bought from EIG AD 5.74% of its share in PrJSC Insurance Company Euroins Ukraine for EUR 410 thousand. EIG AD made an additional capital contribution for the same amount, keeping that way the amount of its investment, but decreases its share and as at December 31, 2019 the share of Euroins Insurance Group in the capital of PrJSC Insurance Company Euroins Ukraine is 92.62%.

There is no change in the participations in the subsidiary in 2020. Euroins Insurance Group continues to hold 92.62% of the share capital of PrJSC Insurance Company Euroins Ukraine and PrJSC European Travel Insurance holds 5.74%

PrJSC European Travel Insurance

On February 26, 2018, the Board of Directors of Euroins Insurance Group decided that the Company is to acquire 99.99% of the share capital of a Private joint-stock company “European Travel Insurance”, Ukraine, and the Share-Purchase agreement was signed on April 13, 2018. The transaction was completed on October 1, 2018, and the value of the investment amounted to BGN 2,454 thousand. The participation of Euroins Insurance Group in the Company's capital as at December 31, 2019 is 99.99% (December 31, 2018: 99.99%).

There is no change in the participation in the subsidiary in 2020 and Euroins Insurance Group continues to hold 99.99% of the share capital of PrJSC European Travel Insurance.

Insurance Company Euroins Georgia JSC (former Insurance company IC Group AD)

On March 22, 2018, the Board of Directors of Euroins Insurance Group decided to acquire 50.00002% of the share capital of Insurance company IC Group JSC and the Share-Purchase agreement was signed on June 22, 2018. The transaction was finalized on October 23, 2018. The value of the transaction was BGN 3,227 thousand. On October 31, 2018, the Company's new name, “Insurance Company Euroins Georgia” JSC was registered in the Commercial Register of Georgia. After the completed in the end of the year capital increase amounting to BGN 587 thousand, fully subscribed by Euroins Insurance Group, the participation of EIG as at 31 December 2018 amounted to 50.037%.

There is no change in the participation in the subsidiary in 2020, as well as in 2019 and Euroins Insurance Group continues to hold 50.037% of the share capital of Insurance Company Euroins Georgia JSC.

Euroins Claims I.K.E., Greece

In 2018, Euroins Insurance Group acquired 66% of Euroins Claims I.K.E., a Company registered in Greece and established to administer the liquidation of insurance claims arising under policies issued by the IC Euroins AD, Branch Greece. The amount of the investment was BGN 6 thousand. In 2019 Euroins Insurance Group acquired the remaining 34% of Euroins Claims I.K.E and as at December 31, 2019 owns 100% of the share capital.

There is no change in the participation in the subsidiary in 2020 and Euroins Insurance Group continues to hold 100.00% of the share capital of Euroins Claims I.K.E., Greece.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***CJSC IC Euroins, Belarus***

Euroins Insurance Group AD acquired 93.12% of CSCJ ERGO Insurance Company Belarus on April 29, 2020. The amount of the investment amounts to BGN 3,433 thousand.

On January 2, 2021, the General Assembly of CJSC Insurance Company Euroins, Belarus adopted a decision to invalidate the owned own shares (1,448 shares) and to reduce the capital accordingly. On February 11, 2021 the Ministry of Finance of Belarus registered the capital decrease, Euroins Insurance Group AD became the sole owner of the capital of CJSC "ERGO" Insurance Company Belarus.

1.3. Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards, issued and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS, adopted by EU). Pursuant to the provisions of para. 1 (8) of the Additional Provisions of the Accountancy Act, applicable in Bulgaria, the term "IFRS, adopted by the EU" are the International Accounting Standards (IAS), adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements are presented in Bulgarian leva (BGN), which is the functional currency of the Parent company. All amounts are in thousands of BGN (thousand BGN) (including comparative information for 2019), unless otherwise is stated.

The consolidated financial statements are prepared under the going concern principle.

As at the date of the preparation of these consolidated financial statements, the management has made an assessment of the Group's ability to continue its activities as a going concern based on available information for the foreseeable future. Following the review of the Group's operations, the Board of Directors expects the Group to have sufficient financial resources to continue its operations in the near future and continues to apply the going concern principle to the preparation of the consolidated financial statements.

1.4. Changes in accounting policies***(a) New and amended standards adopted by the Group:***

The Group applied the following standards and amendments for the first time for its annual reporting period beginning on January 1, 2020:

- Amendments to the conceptual framework for financial reporting (issued on March 29, 2018 and effective for annual periods beginning on or after January 01, 2020);
- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on October 31, 2018 and effective for annual periods beginning on or after January 01, 2020);
- Reform of reference interest rates - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on September 26, 2019 and effective for annual periods beginning on or after January 01, 2020);
- Definition of business - Amendments to IFRS 3 (issued on October 22, 2018 and effective for acquisitions from the beginning of the annual reporting period, which begins on or after January 01, 2020);
- Amendment to IFRS 16 Leases - Reduction of Leases in Relation to COVID-19 (issued on May 28, 2020 and effective for annual periods beginning on or after June 01, 2020).

All changes in the adopted standards listed above do not have a material effect on amounts recognized in prior

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periods, nor are they expected to have a material effect on the current or future periods.

(b) New standards and interpretations not yet adopted by the Group:

Certain new accounting standards and interpretations were published, which were not mandatory for application during the reporting period as of December 31, 2020 and have not been previously adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- Amendment to IFRS 4 Insurance Contracts - Deferral of IFRS 9 (issued on June 25, 2020 and effective for annual periods beginning on or after January 01, 2021);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of Reference Interest Rates - Phase 2 (issued on August 27, 2020 and effective for annual periods beginning on or after January 01, 2021).

There are no other standards that have not yet been adopted and that are expected to have a significant impact on the Group in the current or future reporting period, as well as on transactions in the foreseeable future.

(c) New standards, interpretations and amendments not yet adopted by the EU:

- IFRS 17 "Insurance Contracts" (issued on May 18, 2017 and effective for annual periods beginning on or after January 01, 2023), including Amendment to IFRS 17 (issued on June 25, 2020);
- Amendment to IAS 1 Presentation of Financial Statements: classification of current and non-current liabilities and classification of current and non-current liabilities - deferral of the effective date (issued on January 23, 2020 and July 15, 2020 respectively and in force for annual periods beginning on or after January 01, 2023);
- Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; Annual improvements to IFRS - Cycle 2018-2020 (issued on May 14, 2020 and effective for annual periods beginning on or after January 01, 2022).

Accounting policy**1.5. General Provisions**

The most significant accounting policies applied in the preparation of these consolidated financial statements are presented below.

The consolidated financial statements are prepared in accordance with the principles for evaluation of the different types of assets, liabilities, income and expenses under IFRS. The basis for evaluation are disclosed in detail in the accounting policy of the consolidated financial statements.

It shall be noted, that in preparation of these consolidated financial statements accounting estimates and assumptions were used. Although, the estimates and related assumptions are based on information provided to the management as at the date of preparation of these consolidated financial statements, the actual results may differ from the estimates and assumptions made.

1.6. Presentation of the Consolidated Financial Statements

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements".

The Group decided the consolidated statement of profit or loss and other comprehensive income to be presented as single statement.

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In consolidated statement of financial position are presented two comparative periods, when the Group:

- a) applies an accounting policy retrospectively;
- b) makes a retrospective restatement of items in the consolidated financial statements; or
- c) reclassifies items in the consolidated financial statements.

and when this has a material effect on the information in the consolidated statement of financial position as at the beginning of the earliest comparative period.

1.7. Basis for consolidation

The financial statements of the Group consolidate the financial statements of the parent and all subsidiaries as at December 31, 2020. Subsidiaries are the companies, controlled by the Parent company. Control exists when the Parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All subsidiaries have a reporting period ending on 31 December.

All intragroup transactions and balances are eliminated, including unrealised gains and losses resulting from intercompany transactions within the Group. When unrealized losses resulting from intragroup sales of assets are eliminated, the respective assets are tested for impairment from Group's perspective. Amounts presented in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policy applied by the Group.

Profit or loss and other comprehensive income of subsidiaries that have been acquired or sold during the year are recognized from the acquisition date or, respectively, until the date of their disposal. In 2020, the Group has acquired 93.12% of the capital of CJSC IC Euroins, Belarus (former CJSC "ERGO" Insurance company, Belarus).

Non-controlling interest as part of the equity represents the proportional share of the net profit or loss and net assets of the subsidiary that are not held by the Group. The total comprehensive income or loss of the subsidiary is attributed to the owners of the Parent company and to the non-controlling interests on the basis of their relative interests in the subsidiary's equity.

If the Group loses control of a subsidiary, any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost, and the change in carrying amount is reflected in profit or loss. The fair value of any investment retained in the former subsidiary at the date of loss of control is considered a fair value at initial recognition of a financial asset in accordance with IFRS 9 "Financial Instruments" or, where appropriate, cost on initial recognition of an investment in an associate or a joint venture. In addition, all amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted on the same basis as would be required if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss, or transferred directly to retained earnings if required by the relevant IFRS).

The profit or loss from disposal of an investment in a subsidiary represents the difference between (i) the amount of the fair value of the consideration received and the fair value of any investment retained in the former subsidiary and (ii) the carrying amount of the assets (including goodwill) and liabilities of the former subsidiary and any non-controlling interest.

1.8. Business Combinations

All business combinations are accounted for using the purchase method. The consideration transferred in a

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business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of asset or liability resulting from a contingent consideration. The acquisition-related costs are accounted for as expenses in profit or loss in the periods in which the costs are incurred.

The purchase method involves recognition of the identifiable assets and liabilities of the acquiree, including contingent liabilities, regardless of whether they were recognized in the financial statements of the acquiree before the business combination. Upon initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair value which serves as a basis for subsequent measurement in accordance with the Group's accounting policies.

For each business combination, the Group measures any non-controlling interests in the acquiree that represents equity interests and entitles to a proportionate share of the entity's net assets in the event of liquidation, at either fair value, or the proportionate share of the equity interests in the recognised amounts of the acquiree's identifiable net assets. Other non-controlling interests are measured at their fair values, or, if applicable, on a basis specified in another IFRS.

Goodwill is recognised after recognition of all identifiable intangible assets. Goodwill is recognised as the excess of the aggregate of (a) acquisition-date fair value of the consideration transferred and (b) the amount of any non-controlling interest in the acquiree and (c) in a business combination achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquire, over the fair value of the identifiable net assets of the acquiree as at acquisition date. Any excess of the fair value of the identifiable net assets over the amount calculated above is recognized in profit or loss immediately after the acquisition.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value (i.e. the date control was obtained) and recognises the resulting gain or loss, if any, in profit or loss. The amounts that were recognised in other comprehensive income from equity interest in the acquiree before the date control was obtained are recognised on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition date, the Group retrospectively adjusts those provisional amounts or recognises additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Any contingent consideration due by the acquirer is recognised at acquisition-date fair value as part of the consideration transferred in exchange for the acquiree. Subsequent changes in the fair value of consideration recognised as asset or liability are recognised in accordance with the requirements of IFRS 9 "Financial Instruments" either in profit or loss, or as an adjustment in other comprehensive income. If contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity. Changes in the fair value of the contingent consideration, which represent provisional amounts during the measurement period, are booked retrospectively in goodwill.

1.9. Transactions with non-controlling interests

Changes in a Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary are treated as transactions with owners of the Group. The carrying amounts of the Group's share and non-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent company.

1.10. Investments in associates and joint ventures

Associates are those entities over which the Group is able to exercise significant influence but which are neither subsidiaries, nor entities under joint control. Investments in associates are initially recognised at acquisition cost and subsequently accounted for using the equity method. The cost of the investment includes the acquisition costs.

Goodwill or the fair value adjustments of the Group's proportionate interest in the associate is included in the value of the investment.

Any subsequent changes in the amount of the Group's proportionate interest in the associate's equity are recognized in the carrying amount of the investment. Changes resulting from profit or loss realized by the associate are reflected in the consolidated statement of profit or loss and other comprehensive income in line "Financial income", respectively "Financial costs". These changes include subsequent impairment of the fair value of the assets and liabilities of the associate as at the acquisition date.

Changes in the associate's other comprehensive income, as well as changes in positions recognised directly in the associate's equity are recognised in the other comprehensive income or in the equity of the Group, respectively. If the Group's share of losses of an associate exceeds its "interest in the associate", including the unsecured receivables, the Group discontinues recognising its share of further losses of the associate, unless the Group has undertaken contractual or factual obligations or made payments on behalf of the associate. If subsequently the associate realises profits, the Group recognizes its share of profits to the extent the Group's share of profits exceeds the accumulated share of losses that were not previously recognized.

Unrealized gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. When unrealized losses resulting from sales of assets are eliminated, the respective assets are tested for impairment from Group's perspective.

Amounts presented in the financial statements of associates and joint ventures are recalculated where necessary to ensure consistency with the accounting policy applied by the Group.

In the event of loss of significant influence over the associate, the Group measures and recognises any retained investment in it at fair value. Any difference between the carrying amount of the investment in the associate at the loss of significant influence and the amount of the fair value of the retained interest and the proceeds on disposal is recognized in profit or loss.

If ownership interest in an associate is reduced, but without loss of significant influence, only the proportionate amount of the sums previously recognised in other comprehensive income is reclassified to profit or loss.

1.11. Foreign currency transactions

Transactions in foreign currency are reported in the functional currency of the respective company of the Group at the official exchange rate as at the date of the transaction (the announced by the Bulgarian National Bank fixed foreign exchange rates or the respective central bank of a country in which the subsidiary operates, including an exchange rate to EUR, if no such to BGN is available). Currency exchange gains and losses arising

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from the settlement of such transactions and the revaluation of foreign currency monetary items at the end of the reporting period are recognized in profit or loss.

Non-monetary items valued at historical cost in foreign currency are reported at the exchange rate as at the date of the transaction (they are not revalued). Non-monetary items measured at fair value in foreign currency are reported at the exchange rate as at the date when the fair value is determined.

The functional currency of the Group's companies has not been changed during the reporting period.

At consolidation all assets and liabilities are translated to Bulgarian leva (BGN) at the closing foreign exchange rate as at the date of the consolidated financial statements. Revenue, expenses and changes in equity are translated to the presentation currency of the Group using the average rate for the reporting period. Foreign exchange differences result in increase or decrease of the other comprehensive income and are recognized in the revaluation reserve in the equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences recognised in the equity is reclassified in profit or loss and is recognised as part of the gain or loss on disposal. Goodwill and adjustments related to determination of acquisition-date fair values are treated as part of the assets and liabilities of the foreign operation and are translated to Bulgarian leva (BGN) at the closing foreign exchange rate.

The table below presents information on the closing exchange rate of each of the functional currencies of the individual subsidiaries to the Bulgarian lev (the functional currency of the Parent company) as at December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
EUR	1.95583	1.95583
RON	0,40175	0,40891
MKD	0,03170	0,03181
UAH	0,05630	0,07402
GEL	0,48613	0,60578
BYN	0,61820	-

1.12. Segment reporting

The Group identifies the following operating segments:

1. IC Euroins AD, Bulgaria;
2. Euroins Romania Asigurare-Reasigurare S.A.;
3. Euroins Osiguruvanje AD, North Macedonia;
4. Other:
 - IC Euroins Life EAD, Bulgaria;
 - IC EIG Re EAD, Bulgaria;
 - PrJSC IC Euroins Ukraine;
 - PrJSC European Travel Insurance, Ukraine, and;
 - IC Euroins Georgia JSC;
 - Euroins Claims I.K.E., Greece;
 - CJSC IC Euroins Belarus

The Group defines its operating segments as such when:

- they undertake business activities which generate income and expenses to the Group;
- their operational results are regularly reviewed by the Management of the Group and the segments activity

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results are evaluated on that basis;

- their operational results are reviewed when decisions about the resources allocated between the segments are to be made;
- separate financial information is available.

Information on operating segments' activities is presented in Note 31.

For segment reporting under IFRS 8 "Operating Segments", the Group applies an evaluation policy that is consistent with the evaluation policy used in the consolidated financial statements, except for:

- expenses for pension benefits;
- expenses for employee share-based payment
- expenses for research and development of new business activities; and
- income, expenses and gains from changes in the fair value of investment property that are not included in the determination of operating profit of the operating segments.

In addition, the Group's assets that are not directly attributable to the activity of any of the segments are not distributed by segment.

Information on segments results, which is reviewed on a regular basis by decision makers, does not include the effects of one-off, non-recurring events, e.g. restructuring costs, legal expenses and impairment costs when the impairment is result of an isolated one-off event. Financial income and expenses are not included in the operating segments' results that are regularly reviewed by the decision makers.

There have been no changes in the valuation methods used to determine the profit or loss of segments in previous periods. No asymmetric distribution between segments is applied.

1.13. Recognition and measurement of contracts***Premiums written on insurance contracts***

Gross written premiums comprise premiums on direct insurance or co-insurance contracts signed during the year, regardless of the fact that such premiums may relate wholly or partially to a subsequent reporting period. Premiums are reported gross of commission payable to intermediaries. The portion earned on written premiums, including unexpired insurance contracts, is recognized as revenue. Written premiums are recognized as of the date of signing of the insurance contract. Outward reinsurance premiums are recognized as an expense in accordance with the contracts for the reinsurance service received.

Premiums written on life insurance contracts

Premiums written on life insurance contracts are recognized as income based on the annual premium of the insured persons for the premium period beginning in the financial year or a single premium payable for the entire period of coverage for policies issued during the financial year. Gross written premiums are not recognized when estimated future cash receipts thereof are not probable. Premiums written are recorded gross of commissions due to intermediaries.

Unearned premium reserve

The unearned premiums reserve comprises the portion of gross premiums written which is estimated to be

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earned in the following or subsequent financial reporting periods. The unearned premium reserve comprises premiums accrued and recognized as revenue in the current period. The unearned premium reserve is calculated on a case by case basis using the daily pro rata method. The unearned premium reserve is calculated net of commissions to intermediaries, advertising and other acquisition costs. The premium, less the actual acquisition costs, shall be multiplied by the deferral factor, derived as a ratio of the number of days on which the contract will take effect in the next reporting period, broken down into the term of the contract expressed as number of days. The Group allocates the provision for unearned premiums under active reinsurance contracts in the same way as it allocates direct insurance.

Where the development of risk during the term of the contract is not even and is expected to vary, adjustments to thus calculated provision for unearned premiums shall be made by allocating the premium according to the allocation of claims over the period of coverage and the level of the estimated risk in the next reporting periods.

Unexpired risk reserve

The reserve is formed to cover the risks for the time between the end of the reporting period and the end date of insurance contract, in order to cover payments and expenses that are expected to exceed the unearned premium reserve formed.

Deferred acquisition costs

Deferred acquisition costs represent the amount of acquisition costs deducted in the calculation of unearned premium reserve. They are defined as the part of the acquisition costs under the contracts in force at the end of the current year determined and related to the period between the end of the reporting period and the date of expiry of the insurance contract. Current acquisition that belong to the portion of the premium earned costs are recognized in full as an expense during the reporting period. The Group does not apply an accounting policy in which there is a deferral of acquisition costs.

Claims incurred on non-life and life insurance activities and outstanding claims reserves

Claims incurred on non-life insurance, life insurance and health insurance activities consist of claims and claims handling expenses payable during the financial year along with the adjustments of the outstanding claims reserve.

The Management believes that the gross outstanding claims reserve and the related share of the reinsurance reserve are fairly stated on the basis of the information currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of outstanding claims reserve established in prior years are reflected in the financial statements for the period in which the adjustments are made, and are disclosed separately if material. The methods used, and the estimates made, in calculating the reserve are reviewed regularly.

Reinsurance

The insurance companies within the Group cede insurance risk in the normal course of their business for the purpose of limiting their potential net losses through the diversification of their risks. Reinsurance arrangements do not relieve the undertakings within the Group from their respective direct obligations to the policyholders. Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policies.

Premiums and claims on inward reinsurance contracts are recognized as income and expenses in the same

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manner as they would be if the reinsurance were considered direct activity, taking into account the product classification of the reinsured business.

Premiums ceded (or accepted) and benefits reimbursed (or paid claims) are presented in the statement of profit or loss and other comprehensive income and statement of financial position on a gross basis. Contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognized in the same year as the related claim.

The premiums of long-term reinsurance contracts are accounted over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

Receivables recoverable from reinsurance contracts are reviewed for impairment at the date of each statement of financial position. Such assets shall be impaired if there is objective evidence result of an event that occurred subsequent the initial recognition, that the Group may not recover all amounts due and the effect of events on the amount receivable by the Group from the reinsurer can be reliably measured.

Acquisition costs

Acquisition costs include intermediary commissions expenses, profit participation expenses, which are paid to the insured persons in case of low claims ratio. Indirect acquisition expenses include advertising expenses and costs arising from the writing or renewing of insurance contracts. Acquisition costs are recognized when incurred.

The Group reports also as acquisition costs according to its internal policy a part of the administrative costs, as far as they are directly related to the subscription activity of the Group companies.

Administrative expenses

Administrative expenses consist of personnel remuneration expenses, depreciation charges for property, plant and equipment, intangible assets and other administrative expenses.

1.14. Operating expenses

Operating expenses are recognized in the consolidated statement of profit or loss and comprehensive income when the services are received or at the date of their occurrence in accordance with the principles of accrual and comparability.

1.15. Financial income and financial costs

Financial income and costs consist of investment and other finance income and costs.

Investment income and costs comprise gains or losses realized from trading with financial assets, unrealized gains or losses on revaluation of financial assets, as well as rentals received from investment properties, interest income on investments in debt securities and time deposits and dividends.

1.16. Interest and borrowing costs

Interest expense is accounted for as they incur using the effective interest method.

Borrowing costs represent mainly interest on the Group's borrowings and are recognized as an expense in the

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period in which they arise in the consolidated statement of profit or loss and other comprehensive income in line "Financial expenses".

1.17. Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. For the purpose of the impairment test, goodwill is allocated to each cash-generating unit of the Group (or a group of cash-generating units) that is expected to benefit from the business combination regardless of whether other assets or liabilities of the acquiree are allocated to those units. Goodwill is measured at cost less any accumulated impairment losses.

In the event of derecognition of a cash-generating unit, the proportional share of the goodwill is included in determinations of the gain or loss of the derecognition.

1.18. Intangible assets

Intangible assets are accounted for at cost, including all paid duties, non-recoverable taxes and all direct costs incurred to bring the asset to working condition for its intended use, whereby capitalized costs are amortized on a straight-line basis over the estimated useful life of the assets, as it is considered to be limited. When an intangible asset is acquired as a result of a business combination, its cost is equal to the fair value as at the acquisition date.

Subsequent revaluation is carried at cost less accumulated depreciation and impairment losses. Impairment is accounted for as an expense and is recognized in the consolidated statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditures in respect of other intangible assets after their initial recognition are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred unless due to them the asset can generate more than originally intended future economic benefits and these expenditures can be reliably measured and assigned to the asset. If these conditions are met, the amount of the expenditures made is added to the cost of the asset.

The residual value and the useful life of other intangible assets are reviewed by the Group's management at each reporting date.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

• Software	4-5 years
• Licences	5 years
• Other	7 years

Depreciation costs are included in the consolidated statement of profit or loss and other comprehensive income as a part of line "Administrative costs".

The gain or loss on disposal of the the intangible asset is determined as the difference between the disposal proceeds, and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income in lines "Other operating income", respectively "Other operating costs".

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1.19. Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost, including cost of acquisition, and all direct costs incurred to bring the asset to working condition for its intended use.

Subsequent measurement of items of property, plant and equipment is carried out at cost less accumulated amortization and impairment losses. Impairment is recognized as an expense and presented in the consolidated statement of profit or loss and other comprehensive income for the respective period.

Subsequent costs associated with a particular asset from property, plant and equipment are included in the carrying amount of the asset when it is probable that the Group will have economic benefits that exceed the initially estimated usefulness of the existing asset. All other subsequent expenditures are recognized as an expense for the period in which they are incurred.

The residual value and the useful life of items of property, plant and equipment are reviewed by the management at each reporting date.

Depreciation of items of property, plant and equipment is calculated using the straight-line method over the estimated useful life of individual group of assets as follows:

• Buildings	25-46 years
• Computers	2-4 years
• Vehicles	4-5 years
• Equipment	7-19 years
• Other	7 years

Depreciation costs are included in the consolidated statement of profit or loss and other comprehensive income in line "Administrative costs".

The gain or loss on disposal of asset from property, plant and equipment is calculated as the difference between the proceeds from disposal and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income in lines "Other operating income", respectively "Other operating costs".

1.20. Reporting of Leases*The Group as a lessee*

From January 1, 2019, the companies in the Group assess whether the contract represents or contains elements of a lease, if under this contract the right to control the use of an asset for a certain period of time is transferred for remuneration. If it is determined that the contract contains a lease, the companies in the Group recognize it as a right of use asset and a corresponding liability from the date on which the leased asset is available for use by the companies.

A reassessment of whether a contract constitutes or contains elements of a lease is made only in the event of a change in the terms and conditions of the contract.

The right of use assets and lease liabilities are measured initially at their present value.

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At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments that are made under reasonably defined extension options are also included in the lease liability initial measurement.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If this interest rate cannot be determined, which usually applies to the Company's leases, the incremental interest rate of the lessee is used, which is the rate that the individual lessee will have to pay to borrow the funds needed to obtain an asset of similar value to a right of use asset in a similar economic environment with similar terms, security and conditions.

The Group applies a three-step approach in determining the incremental interest rate based on:

- average yield on 10-year government bonds for the last 3 years;
- adjusted for financial spread - loans granted to new, non-financial enterprises in local currency, to determine the initial interest rate for a period of 3 years (for real estate) or average interest rate on financial lease to non-related parties for the last 3 years (for vehicles);
- specific lease adjustment related to the specific asset (at the discretion of each individual asset).

Applicable incremental rates:

Country	Real Estate	Vehicles
Bulgaria	4.05 %	5.34 %
Romania	4.54 %	-
Georgia	7.03 %	-
North Macedonia	5.81 %	6.17 %

The companies in the Group are exposed to potential future increases in variable lease payments based on an index or interest rate that are not included in the lease liability until they become effective. When adjustments to lease payments are made, based on an index or interest rate, the lease liability is revalued and adjusted for the right of use asset.

Lease payments are transferred between principal and financial costs. Financial costs are included in profit or loss during the lease period, so as to obtain a constant periodic interest rate on the remaining amount of the liability for each period.

The right of use assets are measured at cost, that comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- restoring costs.

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The right of use assets are usually depreciated over the shorter than the useful life of the underlying asset and the lease term on a straight-line basis. If the Group entities have reason to use a put option, they are depreciated over the useful life of the underlying asset.

Payments related to short-term leases of equipment and vehicles, as well as all leases of low-value assets are recognized on a straight-line basis as an expense in the statement of profit or loss and other comprehensive income.

The Group accepts a threshold for recognition of right of use assets amounting to BGN 10,000.00 taking into account the price of the asset as new.

The Group as a lessor

Lessors continue to classify all leases using the same classification principle as in IAS 17 and to distinguish between two types of leases: operating and financial.

Operating lease income when the Group companies are lessors is recognized as income on a straight-line basis over the term of the lease. The Group did not need any adjustments in the reporting of assets held as lessor, as a result of the adoption of the new leasing standard.

1.21. Tests for impairment of goodwill, intangible assets and property, plant and equipment

For the purposes of calculating the amount of impairment, the Group defines the smallest identifiable group of assets that generates independent cash inflows (a cash-generating unit). As a result, some of the assets are subject to an impairment test on an individual basis and others on a cash-generating unit basis. Goodwill is allocated to cash-generating units, that are expected to benefit from the respective business combination and which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Cash-generating units to which goodwill is allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment when events that have occurred and circumstances that have changed indicate that asset's carrying amount is less than its recoverable amount.

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the latter being the higher of the fair value less costs of disposal of the asset/ cash-generating unit and its value in use, is recognised as impairment loss. In order to estimate the value in use, the Group's management estimates the future cash flows expected to be derived from each cash-generating unit and applies the appropriate discount rate as to estimate the present value of those future cash flows. The data used in the impairment test is based on the Group's last approved budget, adjusted, if necessary, to eliminate the effect of future reorganisations and significant asset improvements. Discount rates are determined for each cash-generating unit separately and reflect their respective risk profile as estimated by the Group's management.

The impairment losses for cash-generating unit are allocated first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. For all assets of the Group other than goodwill, the management of the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. An impairment loss recognised in prior periods shall be reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1.22. Investment property**

The Group recognises as investment property land and/or buildings that are held to earn rental income and/or for capital appreciation, using the fair value model.

Investment property is measured initially at its cost, which comprises property's purchase price and any directly attributable expenditure, e.g. professional fees for legal services, property transfer taxes and other transaction costs.

Investment property is re-evaluated on an annual basis and included in the consolidated statement of financial position at its fair value. The fair value of investment property is defined by a valuation made by an independent appraiser who holds a recognised and relevant professional qualification and significant professional experience depending on the category and location of the investment property, on the basis of the market conditions.

Any gains or losses from fair value adjustments or sale of an investment property are recognised immediately in profit or loss and reported in the consolidated statement of profit and loss and other comprehensive income in line "Financial income", respectively "Financial costs".

Costs incurred subsequently in relation to the investment property recognised in the Group's consolidated financial statements are added to the carrying amount of the property when it is probable that the Group will obtain future economic benefits associated with the investment property that exceed its cost at recognition. All other subsequent costs are recognised as an expense as incurred.

The Group derecognises its investment property on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property are recognised in the consolidated statement of profit or loss and other comprehensive income and are determined as the difference between the net disposal proceeds and the carrying amount of the asset.

Rental income and operating expenses related to investment property are recognised in the consolidated statement of profit or loss other comprehensive income.

1.23. Financial Instruments***1.23.1. Recognition and derecognition***

The financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred.

The financial liabilities are derecognised when the contractual obligation is fulfilled, waived or its term has expired.

1.23.2. Classification and initial measurement of financial assets

At initial recognition the financial assets are measured at fair value adjusted with the acquisition costs, except in cases of financial assets measured at fair value through profit or loss and trade receivables that do not have a significant financing component. The initial measurement of financial assets at fair value through profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

is not adjusted with the acquisition costs as those are reported as current expenses. The initial measurement of trade receivables that do not have a significant financial component represents the transaction price under IFRS 15.

Depending on the method used of subsequent measurement, the financial assets are classified into one of the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income, with or without recycling in profit or loss, depending on whether they are debt or equity instruments.

The classification of financial assets is determined on the basis of the both:

- business model of the Group for managing the financial assets;
- the contractual cash flow characteristics of the financial asset.

All income and expense associated with financial assets recognised in profit or loss are included in financial expenses, financial income or other financial items, except for the impairment of trade receivables, which is presented in line "Other expenses" in statement of profit or loss and other comprehensive income.

1.23.3. Subsequent measurement of financial assets***Debt instruments at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following criteria and are not designated for measurement at fair value through profit or loss:

- The Group manages the financial assets within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- Under the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method. Discount is not applied if its effect is immaterial. The Group classifies here cash and cash equivalents/money, trade and other receivables as well as listed bonds that have previously been classified as held-to-maturity financial assets in accordance with IAS 39.

- *Trade receivables*

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognized at transaction price unless they contain a significant financial component. The Group holds trade receivables in order to collect the contractual cash flows and therefore evaluates them at amortized cost using the effective interest method. Discount is not applied if its effect is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***Financial assets at fair value through profit or loss***

Financial assets for which the business models "held in order to collect the contractual cash flows" or "held-in order to collect the contractual cashflows and to sell" are not applicable, as well as financial assets whose contractual cash flows are not solely principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective hedging instruments and for which hedge accounting requirements apply (see below).

Changes in the fair value of the assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

Financial assets at fair value through other comprehensive income

The Group recognizes financial assets at fair value in other comprehensive income if the assets meet the following criteria:

- The Group manages the financial assets within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale, and
- Under the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

Financial assets at fair value through other comprehensive income include:

- Equity instruments that are not held for sale and which the Group has irrevocably chosen at initial recognition to recognize in this category.
- Debt instruments where the contractual cash flows of which are solely payment of principal and interest, and the objective of the Group's business model within which those are held is achieved by collecting contractual cash flows, as well by sale of the financial assets.

On disposal of equity instruments from this category any amount recognised in the revaluation reserve of the instruments is reclassified to retained earnings.

On disposal of debt instruments from this category any amount recognised in the revaluation reserve of the instruments is reclassified to profit or loss for the period.

1.23.4. Impairment of financial assets

The new impairment requirements under IFRS 9 use more forward-looking information to recognise the expected credit losses - the "expected credit loss" model that replaces the "incurred loss" model of IAS 39.

Instruments that fall under the new requirements include loans and other debt financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15, and credit commitments and certain financial guarantee contracts (at the issuer) that are not reported at fair value through profit or loss.

The recognition of credit losses is no longer dependent on the occurrence of a credit loss event. Instead, the Group considers a wider range of information in assessing the credit risk and when assessing the expected credit losses, including past events, current conditions, reasonable and supportable information, including that which is forward-looking, that affect the expected future collectability of the cash flows from the instrument.

When this forward-looking approach is applied, a distinction is made between:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- financial instruments whose credit quality has not decreased significantly since its initial recognition or which have low credit risk (Phase 1) and
- financial instruments whose credit quality has decreased significantly since its initial recognition or are considered not to have low credit risk (Phase 2)
- "Phase 3" covers financial assets that possess objective evidence of impairment (loss event) at the reporting date.

The 12-month expected credit losses are recognized for the first category while lifetime expected credit losses of the financial instruments are recognized for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Group and the cash flows it is actually expected to receive ("cash deficit"). This difference is discounted at the original effective interest rate (or at the credit-adjusted effective interest rate).

The calculation of the expected credit losses is determined on the basis of the credit losses probability-weighted estimate over the expected period of the financial instruments.

Trade and other receivables, contract assets and lease receivables

The Group uses the simplified approach for reporting trade and other receivables as well as contract assets and recognises impairment losses as lifetime expected credit losses. They represent the expected deficit in the contractual cash flows given the possibility of default at any time during the lifetime of the financial instrument. The Group uses its previous experience, external indicators and forward-looking information to calculate expected credit losses by customer allocation by industry and time structure of receivables and using a provision matrix.

The Group impaires by 15% overdues from 150 to 365 days positions, by 30% - overdues between 366 and 730 days, by 60% - overdues between 731 and 1095 days, by 80% - overdues between 1096 and 1460 days and fully, at 100% write-offs positions which have overdued for more than 1,460 days.

Financial assets measured at fair value through other comprehensive income

The Group recognises the 12-month expected credit losses for financial assets measured at fair value through other comprehensive income. Since most of these instruments have a good credit rating, the likelihood of default is expected to be low. However, at each reporting date, the Group assesses whether there is a significant increase in the credit risk of the instrument.

When assessing these risks, the Group relies on the existing available information such as the credit ratings issued by the internationally recognized credit rating agencies for each respective asset. The group holds only simple financial instruments for which specific credit ratings are usually available. If there is no information or the information on the factors affecting the rating of the available asset is limited, the Group aggregates similar instruments in a single portfolio to assess on this basis whether there is a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in the activity, economic or financial conditions that may affect the ability of the issuer of the equity / debt instrument to execute its debt obligations or any unexpected changes in the issuer / borrower's operating results.

If any of these indicators results in a significant increase in the credit risk of the instruments, the Group recognises the lifetime expected credit losses for these instruments or for this class instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***1.23.5. Classification and measurement of financial liabilities***

The financial liabilities of the Group include loans, lease liabilities, trade and other financial liabilities and derivative financial instruments.

Financial liabilities are initially measured at fair value and, where applicable, adjusted by the transaction costs, except in cases when the Group has identified a financial liability as measured at fair value through profit or loss.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for derivatives and financial liabilities that are designated for measurement at fair value through profit or loss (except for derivative financial instruments that are designated and effective hedging instrument).

All interest expenses and, if applicable, changes in the fair value of the instrument that are recognised through profit or loss are included in financial expenses or financial income.

1.23.6. Derivative financial instruments and hedge accounting

The Group applies prospectively the new hedge accounting requirements in IFRS 9.

Derivative financial instruments are measured at fair value through profit or loss, except for derivatives designated as hedging instruments for cash flow hedges that require specific accounting treatment. In order to qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are initially recognized at fair value and are reported at fair value in the statement of financial position.

To the extent, hedging instrument is determined to be an effective hedge, the changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and are included in the cash flow hedge reserve in equity. Any hedge ineffectiveness of the hedging relationship is immediately recognised in profit or loss.

In the same period during which the hedge item affects profit or loss, the gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss and is reported as a reclassification adjustment in other comprehensive income. If a non-financial asset or liability is recognized as a result of a hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial cost of the hedged item.

If the forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is immediately reclassified to profit or loss. If the hedging relationship ceases to be effective, hedge accounting is discontinued and the related gain or loss is recognized as a reserve in equity until the forecast transaction is realized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1.24. Income taxes**

Tax expenses recognized in profit or loss include the amount of deferred and current tax that is not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities are those liabilities to, or receivables from, the tax authorities related to current or previous accounting periods that were not paid as at the date of the consolidated financial statements. The current tax is payable on taxable income that is different from profit or loss in the consolidated financial statements. The calculation of the current tax is based on the tax rates and tax laws in force at the end of the reporting period.

Deferred tax is calculated using the Liabilities-based method for all temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax is not applied at the initial recognition of goodwill or the initial recognition of an asset or liability unless the relevant transaction is a business combination or affects tax or accounting profit. Deferred tax for taxable temporary differences associated with investments in subsidiaries and joint ventures are not recognised, if the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not discounted. For their calculation, tax rates are used that are expected to be applicable for the period in which they are realized, provided that they have entered into force or are certain to have entered into force at the end of the reporting period.

Deferred tax liabilities are recognized in full.

A deferred tax assets are recognized only to the extent that it is probable that they can be utilized through future taxable income.

Deferred tax assets and liabilities are offset only when the Group has legal ground and intention to offset the current tax assets or liabilities within the scope of the same tax authority.

Changes in deferred tax assets or liabilities are recognized as part of the tax income or expense in profit or loss unless they are related to items recognized in other comprehensive income (e.g. revaluation of land) or directly in equity, in which case the relevant deferred tax is recognized, in other comprehensive income or in equity, respectively.

1.25. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash on bank accounts, non-term deposits, deposits with term up to 3 months, short-term and highly liquid investments that are readily convertible into cash and contain a negligible risk of change in value.

1.26. Equity, reserves and dividend payments

The share capital reflects the nominal value of the issued shares of the Parent company.

The premium reserve includes premiums received at the initial issuance of share capital. All transaction costs associated with the issuance of shares are deducted from the paid-in capital, net of tax reliefs.

Other reserves include:

- statutory reserves, general reserves;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- revaluation reserve of non-financial assets - includes gains or losses on revaluation of non-financial assets;
- foreign currency translation reserve – includes currency differences from translations of Group's foreign operations in Bulgarian leva (BGN);

Retained earnings includes the current financial result and accumulated earnings and uncovered losses from previous years.

Dividend payables to shareholders are included in the line "Liabilities to related parties" in the consolidated statement of financial position when the dividends are approved for distribution by the general meeting of shareholders before the end of the reporting period.

All transactions with the owners of the Parent company are disclosed separately in the consolidated statement of changes in equity.

1.27. Pension and short-term employee benefits

The Group reports short-term payables for unused paid leave if the leave is expected to be used within 12 months after the end of the annual reporting period in which the employees render the related services. The short-term payables include wages, salaries and social security contributions.

According to the requirements of the Labor Code at termination of the employment relationship, after the employee has acquired the right to a retirement pension, the Group is obliged to pay him/her compensation of up to six gross salaries. The Group has recognised a legal obligation for payment of retirement benefits in accordance with the requirements of IAS 19 "Employee Benefits" based on projected payments for the next five years, currently discounted with the long-term interest rate on risk free securities.

The Group owes to its employees retirement benefits under defined benefit plans and defined contribution plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate independent entities. The Group will have no legal or constructive obligation to pay further contributions. The Group pays fixed contributions to government programs and pension contributions to several employees in respect of defined contribution plans. Contributions under the plans are recognized as an expense in the period in which the employees render the related services.

Plans that do not meet the definition of defined contribution plans are classified as defined benefit plans. A defined benefit plan is a post-employment benefit plan where the amount the employee will receive after retirement is determined by his defined by his length of service and his last remuneration. The legal obligations for the payment of defined benefits remain liabilities of the Group even if the asset plan does not cover the defined benefit plan. The asset plan may include assets specifically designated for the financing of long-term liabilities under defined benefit plans as well as certain insurance policies.

The liability recognized in the consolidated statement of financial position on defined benefit plans is the present value of the defined benefit plan obligation at the end of the reporting period less the fair value of the plan assets.

The management of the Group estimates the defined benefit obligation once a year with the assistance of an independent actuary. The assessment of liabilities is based on standard rates of inflation, expected rates of salary increase, and mortality. Discount factors are determined at the end of each year, taking into account the yield of high-quality corporate bonds denominated in the currency in which the income is to be paid and maturing close to that of the respective pension liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Actuarial gains or losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Net interest expenses related to pension liabilities are included in the consolidated statement of profit or loss and other comprehensive income in line "Financial Costs". Returns on plan assets are included in the consolidated statement of profit or loss and other comprehensive income under "Other financial items". All other expenses related to employee retirement benefits costs are included in line "Employee Expenses".

Short-term employee benefits, including payable leave, are included in current liabilities under "Pensions and other payables to personnel" at undiscounted cost that the Group expects to pay.

1.28. Provisions, contingent liabilities and contingent assets

Provisions are recognised when it is probable that a present obligation as a result of a past event will result in an outflow of resources from the Group and a reliable estimate can be made of the amount of the obligation. Uncertainties about the amount or timing of the resulting outflows of economic benefits is possible. A present obligation arises from the existence of a legal or constructive obligation as a result of past events, such as warranties, legal disputes or onerous contracts. A provision for restructuring is recognised only when a detailed formal plan for the restructuring has been developed and implemented or the management has announced the main features of the plan to those affected by it. Provisions for future operating losses are not recognised.

The amount recognised as a provision is estimated as the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties, including related to the present obligation. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted, where the effect of the time value of money is material.

Third party benefits in respect of a liability that the Group will certainly receive are recognized as a separate asset. It is possible that this asset does not exceed the value of the respective provision.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is considered it is not probable that an outflow of resources embodying economic benefits will be required to settle the present obligation, a liability is not recognized unless it is a business combination. In a business combination, contingent liabilities are recognised when the cost of the acquisition is allocated to the assets and liabilities acquired in the business combination. Contingent liabilities shall subsequently be measured at the higher of the above-described comparable provision and the initially recognised amount less accumulated amortization.

Possible inflows of economic benefits that do not yet meet the criteria to be recognised as asset are treated as contingent assets.

Detailed information on the Group's contingent liabilities is presented in Note 33 "Contingent liabilities".

1.29. Insurance and other receivables

Insurance receivables are stated at their cost less impairment losses. When under the insurance contract the premiums are payable in installments, each pending receivable amount as at the date of statement of financial position and recognized as income is reflected as receivables on direct insurance. After initial recognition, receivables are reviewed for impairment and impairment losses for irrecoverable receivables are recognized in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's right to recover from the insured person or third party responsible for the incurred claim the performed by the Group payment on the insurance contract is recognized as recourse receivable on the date on which the receivable right is established. The recourse receivables are recognized to the amount of the expected future cash flows as of the recognition date.

1.30. Significant judgements by the management in the process of applying the accounting policy

Those judgements made by the management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements are presented below. The main sources of estimation uncertainty in using accounting estimates are described in note 1.31 "Uncertainty of accounting estimates".

1.30.1. Leases

In determining the term of leases, management takes into account all facts and circumstances that create an economic incentive to exercise an option to extend or not to exercise an option to terminate. Extension options (or periods after termination options) are included in the lease term only if it is sufficiently certain that the lease is extended (or not terminated).

1.30.2. Deferred tax assets

The assessment of the probability that future taxable profit will be available against which the deferred tax assets can be utilised is based on the last approved budget estimate, adjusted for the significant non-taxable income and expense, and specific restrictions for the carryforward of unused tax losses and unused tax credits. The tax legislation of the different jurisdictions in which the Group operates are also taken into account. If a reliable estimate of taxable income implies the probable use of a deferred tax asset, particularly in cases where the asset can be used without a time limit, the deferred tax asset is recognized in full. Recognition of deferred tax assets that are subject to certain legal or economic restrictions or uncertainties is judged by the management on a case-by-case basis based on the specific facts and circumstances.

1.30.3. Debt instruments measured at amortised cost

The analysis and the intentions of the management are in line with the business model under which the debt instruments are held, meeting the following requirements – generating cash flows, which are solely payments of principal and interest and being held for collecting contractual cash flows on the instruments which are classified as debt instrument at amortised cost. Such resolution is adopted in line with the current liquidity and equity of the Company.

1.31. Uncertainty of accounting estimates

In the preparation of the consolidated financial statements, the management makes a number of assumptions, estimates and judgements in regard of the recognition and measurement of assets, liabilities, income and expenses.

Actual results may differ from management's assumptions, estimates and judgements, and in rare cases fully correspond to the previously assessed results.

Information on material assumptions, estimates and judgements that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is presented below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***1.31.1. Valuation of outstanding claims reserve***

Outstanding claims reserves include reserve for Reported but not settled insurance claims (RBNS) as of the date of the financial statements, as well as Reserves for incurred but not reported claims (IBNR).

The liability for reported but not settled claims is calculated on case-by-case basis, based on the best estimate of expected cash outflows for them.

The assessment of the IBNR reserve is based on the assumption, that the Group's experience in development of claims from prior years can be used for forecasting of the future development of claims and of the total liabilities thereon. The claims development is analyzed by year of event. An additional qualitative estimation is made for assessment of the degree to which past trends may not be applicable in the future.

The nature of the business makes difficult the exact determination of the outcome of a certain claim and the total amount of reported claims. Each reported claim is reviewed separately due to the circumstances, the available information from claims experts and the historical data of the size of similar claims. The claims valuations are reviewed and updated on a regular basis upon any new information. The reserves are allocated based on current available information.

The final amount of liabilities, however, may differ as a result of subsequent events and catastrophic incidents. The impact of many circumstances, which determine the ultimate expense for claims settlement is difficult to be foreseen. The difficulties in reserves valuation vary for different types of business depending on the insurance contracts, their complexity, value and significance of claims, determination of the date of occurrence of the claim and the delay of reporting.

The reserve for incurred but not reported claims is calculated using statistical and actuarial methods. The key method used, or the combination of methods, depends on the class of business and the observable historical level of claims ratio. The biggest share in this reserve is for Motor Third Party Liability (MTPL).

The actuarial approach with regards to reserving is in line with commonly accepted actuarial practices and targets unified approach to assessing the reserve for incurred and not reported claims for Motor Third Party Liability (MTPL) in all companies in the Group. The methodology applies chain ladder method, which is based on the aggregated amount of paid claims for a period of not less than 3 years. The amount of the provision for claims incurred but not claimed is calculated on the basis of the expected final loss taking into account the expectations for the development of the claims during the respective year of occurrence.

1.31.2. Recourse claims receivables

Recourse receivables from insurance companies and other parties (natural persons and legal entities) are recognized as asset and income upon submission of recourse invitation up to the amount of the expected future economic benefits for the Group. The receivables are reviewed on an individual basis on recognition and subsequently on any impairment indications.

The Group has the practice of settling recourse receivables from insurance companies by offsetting its payables on recourse claims.

1.31.3. Reinsurers' share in technical reserves

The insurances companies in the Group, are parties to quota share reinsurance contracts which stipulate quota share transfer of existing technical reserves when the contract becomes effective. IFRS does not includes specific requirements for accounting for such types of contracts. Due to specific nature of this type of contracts, the Group has made an analysis of the risk transfer and the results indicate that such risk transfer exists, i.e. the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

contracts fulfill the objective requirements to be identified as reinsurance contracts. Conventional stochastic model was used for the analysis, applying the common limit of 1% for reinsurer's risk transfer.

The Group has adopted accounting policy for reporting of quota share reinsurance contracts, according to which the Group recognizes reinsurance share in the technical reserves as an asset and the respective change in the reinsurer's share in the technical reserves in the statement of comprehensive income as of the date the contract becomes effective and payables to reinsurers under these contracts are reported during the subsequent periods during which the contracts are effective.

During the effective time of contracts in the subsequent periods the Group will cede to the reinsurers the respective percentage of its premiums and claims for Motor third party liability insurance. When the reinsurance contracts expire or are terminated the reinsurers' share in the technical reserves will be released or transferred to other reinsurer. The terms of these contracts are indefinite and, by their nature, the contracts are with indefinite period of validity. Due to the contingencies related to the future development of contracts and the cash flows the Group's management considers that the adopted accounting policy is appropriate.

As at December 31, 2020 and 2019, the insurance companies of the Group are also parties to disproportionate reinsurance contracts (so-called excess or sickle contracts), which aim to reimburse the Company for losses incurred in respect of single events (or risks), whose total compensation exceeds a threshold defined in the contracts. Due to the availability of sufficient historical information, the Group's management assesses the probability that part of the current technical provisions may arise as a result of such future events and with respect to its more significant lines of business assesses the part of its technical reserves that can be transferred. of reinsurers in addition to the existing cession of risk under their proportional reinsurance contracts.

1.31.4. Impairment of non-financial assets and goodwill

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the latter being the higher of the fair value less costs of disposal of the asset/ cash-generating unit and its value in use, is recognised as impairment loss. In order to estimate the value in use, the Group's management estimates the future cash flows expected to be derived from each cash-generating unit and applies the appropriate discount rate as to estimate the present value of those future cash flows. When calculating the expected future cash flows, management makes assumptions about the future gross profits. These assumptions are related to future events and circumstances. Actual results may differ and result in significant adjustments in the Group's assets in the following accounting year.

In most cases, an estimation of the appropriate adjustments reflecting the respective specific risk profile of each asset is performed when determining the applicable discount rates.

1.31.5. Business combinations

At initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair value. For the establishment of the fair, the management uses estimates of future cash flows and discount rates, which may, however, differ from the actual results. Any changes in the initial recognition value would affect the value of the goodwill.

1.31.6. Useful life of depreciable assets

The management reviews the useful life of depreciable asset at the end of each reporting period.

As at December 31, 2020 and 2019, management determines the useful life of assets, which represents the expected useful life of the Group's assets. Asset transfer values are analyzed in Note 15 and Note 16. Actual

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useful life may differ from the valuation due to technical or commercial obsolescence, mainly of the software and computer equipment.

1.31.7. Impairment of insurance receivables, loans and receivables

The management assesses the adequacy of the impairment of unrecoverable and uncollectible receivables from customers based on the maturity of the receivables, historical experience on the write-off rate of the uncollectible receivables, as well as analysis of the respective client's solvency, any changes in the agreed upon payment conditions, etc. If the financial position and performance of customers deteriorate beyond expectations, the value of the receivables to be derecognised in subsequent reporting periods may be greater than expected at the reporting date.

1.31.8. Measurement of expected credit losses

Credit losses represent the difference between all contractual cash flows due to the Group and all cash flows that the Group expects to receive. Expected credit losses are probabilistic weighted estimates of credit losses that require the assessment of the Group. Expected credit losses are discounted at the original effective interest rate (or at the loan-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

1.31.9. Obligation to pay defined benefits

Management evaluates once a year, with the help of an independent actuary, the obligation to pay defined benefits. The actual value of the liability may differ from the preliminary estimate due to its uncertainty. The assessment of the defined benefit obligation is based on statistical indicators of inflation, health care costs and mortality. Another factor that influences is the future salary increases envisaged by the Group. The discount factors are determined at the end of each year in relation to the interest rates of high quality corporate bonds, which are denominated in the currency in which the defined income will be paid and which have a maturity corresponding approximately to the maturity of the respective pension liabilities. Uncertainty about the estimate exists for actuarial assumptions, which can vary and have a significant effect on the value of defined benefit obligations and related costs.

1.31.10. Fair value measurement

The management uses valuation techniques to measure the fair value of financial instruments (in the absence of quoted prices in an active market) and non-financial assets. When applying valuation techniques, management uses the market data and assumptions that the market participants would have used to evaluate an instrument. When no applicable market data is available, management uses its best estimate of the assumptions that market participants would have made. These estimates may differ from the actual prices that would have been determined between knowledgeable, willing parties in an arm's length transaction at the end of the reporting period.

2. Risk management**2.1. Risk management objectives and policies for mitigating insurance risk**

The main insurance activity carried out by the Group is assuming the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liabilities, life, health accidents, financial or other risks that may arise from an insurance event. The Group is exposed to the uncertainty associated with the timing and severity of claims under the contract. The Group is also exposed to market risk through its insurance and investment activities. The Group manages its insurance risk through underwriting insurance

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limits, transactions approval procedures that involve new products or that exceed set limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and general risks. The probability theory is applied to the pricing and provisioning of insurance contracts portfolio. The principal risk is that the frequency and severity of claims exceed the expected. Insurance events are random by nature and the actual number and size of events during a year could vary from those estimated using established statistical techniques.

2.2. Underwriting strategy

Group's underwriting strategy aims to achieve diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks for several consecutive years, and as such is expected to reduce the volatility in the outcome.

The underwriting strategy is set out in an annual business plan which includes classes of business to be insured which are offered by the subsidiaries of the Group. This strategy is applied to individual underwriters through detailed underwriting instructions that include limits set out for each underwriter by the class and size of business, territory and industry sector, in order to achieve an appropriate level of risk within the portfolio. Generally, the insurance contracts and health insurance contracts are annual in their majority and the underwriters have the right to refuse renewal or to change the terms and conditions of contract renewal.

2.3. Reinsurance strategy

The general insurance subsidiaries in Euroins Insurance Group (IC Euroins AD, Euroins Romania Assigurare-Reassigurare, Euroins Osiguruvanje AD, PrJSC IC Euroins Ukraine, PrJSC European Travel Insurance and IC Euroins Georgia JSC) separately or through IC Euroins AD and IC EIG RE EAD, reinsure a portion of the risks they underwrite in order to control their exposures to losses and protect capital resources. The companies enter into proportional reinsurance contracts for the main business lines and non-proportional reinsurance contracts for large liabilities and catastrophic risks to reduce the net exposure. Further, underwriters are allowed to enter into facultative reinsurance in certain specified circumstances. All contracts for facultative reinsurance are subject to pre-approval and the total amount of facultative reinsurance is monitored by the management of the respective company.

The Life insurance subsidiary of the Group uses two types of reinsurance contracts: excess of loss reinsurance, covering traditional saving and mixed type products and proportional reinsurance including quota and excess of loss covering the portfolio "Life Insurance of the borrower", as well as an excess of risk coverage for special coverage for "Cancer".

Outward reinsurance contains credit risk and reinsurance assets are accounted for by subtracting the impairment costs as a result of insolvencies and bad debts. The Companies enter into insurance contracts with non-affiliated reinsurers to control their exposure to potential losses resulting from a single event.

2.4. Terms and conditions of insurance contracts

Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are disclosed below. The Group operates with authorized insurances set out in list approved by the Financial Supervision Commission, which are grouped into 18 groups. Assessment of the main products of the Group and the insurance products related risks management methods are presented below:

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2.4.1. General insurance – Casco (Motor Hull)

The Group underwrites Casco insurance of motor vehicles. Casco insurance indemnifies the policyholder against damage to their own vehicle from traffic event, natural disaster, malicious third party acts and theft. The return on capital under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group.

The event giving rise to a claim for damage to a vehicle usually occurs suddenly (as crash, natural disaster, theft etc.) and the cause is easily determined. The Group is promptly notified and the claim is settled without delay. Casco business is therefore classified as „short-tailed“, meaning that expense deterioration and investment return will be of negligible importance. This contrasts with the „long-tailed“ classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more material.

Risk management – Casco (Motor Hull)

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of influence of ability of driver and other players in the traffic). The insurance companies within the Group will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the companies do not charge premiums appropriate for the different vehicles it insures. The risk on a policy will vary according to many factors such as – brand of the vehicle, region where used, driver's skills. For Casco insurance it is expected that there will be large numbers of insured objects with similar risk profiles. Calculating a premium corresponding to the risk for these policies will be subjective, and hence risky.

The insurance companies are exposed to the risk that the insured person may make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a Casco portfolio.

Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The companies therefore monitor and react to changes in the general economic and commercial environment in which they operate.

2.4.2. General insurance contracts – General third party liability

The general insurance companies, part of Euroins Insurance Group underwrites General third party liability insurance. Under these contracts monetary compensations are paid for bodily injury suffered by employees or members of the public.

General third party liability is generally considered a long-tail line of business, as it takes a relatively long period of time to finalize and settle claims for a given accident year. The speed of claim reporting and claim settlement is a function of the specific coverage provided, the jurisdiction and specific policy provisions such as self-insured retentions. There are numerous components underlying the general liability product line.

This line is typically the largest source of uncertainty regarding claim provisions. Major contributors to this provision estimate uncertainty include the reporting lag (i.e. the length of time between the event triggering coverage and the actual reporting of the claim), the number of parties involved in the underlying tort action, whether the "event" triggering coverage is confined to only one time period or is spread over multiple time periods, the potential amounts involved (in the individual claim actions), whether such claims were reasonably foreseeable and intended to be covered at the time the contracts were written (i.e., coverage dispute potential), and the potential for mass claim actions. Claims that have longer reporting lags result in greater inherent risk.

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This is especially true for alleged claims with a latency feature, particularly where courts have ruled that coverage is spread over multiple policy years, hence involving multiple defendants (and their insurers and reinsurers) and multiple policies (thereby increasing the potential amounts involved and the underlying settlement complexity of claims). Claims with long latencies also increase the potential recognition lag, i.e., the lag between writing a type of policy in a certain market and the recognition that such policies have potential mass tort and/or latent claim exposure.

Risk management - General third party liability

The key risks related to this product are underwriting risk, competitive risk and claims experience risk (including the variable incidence of risk claims). The companies are also exposed to the risk of dishonest actions by policyholders.

Insurance risk is managed primarily through reasonable pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The companies therefore monitor and react to changes in the overall economic and business environment in which they operate.

2.4.3. General insurance contracts – Property

Insurance companies underwrite property insurance on a countrywide basis. Property insurance indemnifies, subject to any limits or excesses cover, the policyholder against loss or damage to their own material property and business interruption arising from this damage.

The return on equity under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the respective company.

The event giving rise to a claim for damage of buildings or property usually occurs suddenly (as fire and burglary) and the cause is easy to determine. The claim will thus be reported promptly and can be settled without delay. Property insurance business is therefore classified as „short-tailed“, meaning that expense deterioration and investment return will be of negligible importance. This contrasts to the „long-tailed“ classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more important.

The key risks associated with this product are underwriting risk, competitive risk, and claims risk (including the variable incidence of natural disasters). The Company will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Group does not charge premiums attributable to different properties it insures. The risk under a policy will vary in accordance with many factors such as location, safety measures in place, age of property etc. For domestic property insurance it is expected that there will be large number of properties with similar risk profiles. For commercial business, however, this will not be the case. Many commercial property proposals comprise of a unique combination of location, type of business, and safety measures in place. Calculating a premium which corresponds to the risk of these policies will be subjective, and hence risky. Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed when a loss is incurred. This, to some extent, explains why economic conditions correlate with the profitability of a property portfolio. Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. Each company therefore monitors and reacts to changes in general economic and commercial environment where it operates.

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2.4.4. General Insurance contracts- Health insurance

The health insurance policies insures compensation of prevention activities, activities for outpatient and hospital treatment of ill insured persons, rehabilitation and sanatorium treatment after hospital treatment, public services during hospital treatment, recovery of expenses for purchased medicines and outpatient dental treatment of insured persons.

Health insurance risk management

An analysis of main risks that are inherent in the terms of the health insurance contracts is performed annually. The main risk is illness and its compensation.

2.5. Concentration of insurance risks

Management considers that as of December 31, 2020 there are no significant concentrations of insurance risk in the Group's portfolio.

Property is subject to multitude of risks including theft, fire, business discontinuation and meteorological conditions. Compensations for events such as storms, floods, collapses, fire, explosion and increasing criminal rate originate in a regional scale which means that the Company manages the distribution of geographic risk very carefully. In the event of an earthquake, each company expects the property portfolio to see high claims for structural damage to properties, and high claims for business interruption while transport links are inoperable and business properties are closed for repair. Each company sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes.

The current aggregate position is monitored at the time of underwriting the risk, and monthly reports are produced which show the key aggregations to which each company is exposed. Each one of the insurance undertakings within Euroins Insurance Group AD uses a number of modelling tools to monitor aggregation and to simulate catastrophic losses in order to measure the effectiveness of the reinsurance programs and the net exposure to which the Company is exposed. A number of stress and scenario tests are run using these models during the year.

The greatest likelihood of significant losses to each company arise from catastrophic events, such as flood damages, storm or earthquake damage. Each company manages these risks through obtaining reinsurance coverage.

With respect to risk concentration the management of Euroins Insurance Group AD believes that appropriate efforts have been made in order to split, uniformly and territorially, insured properties. Risk assessment is performed periodically by Reinsurance manager of each company and insured sums accumulation is observed by regions. The management does not believe that at the end of the reporting period, there are significant concentrations of insurance risk in the portfolio of each insurance company, part of the Euroins Insurance Group AD.

The Group operates mainly in the following countries: Bulgaria, Romania, Ukraine, North Macedonia, Greece, Poland, Georgia, Belarus, United Kingdom, Germany and Netherlands. In Bulgaria, Romania, Ukraine, North Macedonia, Georgia and Belarus the Group reports insurance premiums through its subsidiary companies, as follows:

1. In Bulgaria through IC Euroins AD, IC Euroins Life EAD and Insurance company EIG Re EAD;
2. In Romania through Euroins Romania Asigurare-Reasigurare S.A.;
3. In North Macedonia through Euroins Osiguruvanje AD;

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4. In Ukraine through PrJSC IC Euroins Ukraine and PrJSC European Travel Insurance
5. In Georgia through IC Euroins Georgia JSC
6. In Belarus through CJSC IC Euroins, BY

In Greece (until January 31, 2019), Spain, Poland, Italy, UK, Germany and Netherlands the Group underwrites direct insurance business through its subsidiary company IC Euroins AD on the principle of Freedom of Services on the territory of the European economic area. Starting February 1, 2019 in Greece, the Group underwrites a direct insurance business through its subsidiary IC Euroins AD on the principle of Freedom of Establishment, through its newly opened branch in the country.

Information on by geographic segments is presented in Note 31.

2.6. Reinsurance risk

The companies of the Group cede insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined lines of business, on co-insurance, on yearly renewable term. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on Company's assessment of specific risk, which under certain circumstances reaches limits based on characteristics of coverage. In the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in case claim is paid. Each company, however, remains liable to its policyholders in respect to ceded insurance in case reinsurer fails to meet the obligations he assumes. In non-life business, the predominant use of reinsurance is intended to manage exposure to weather-related events, natural catastrophes, events involving multiple casualties, catastrophic fires and liabilities (general and motor third party liability). When selecting a reinsurer each company of the Group considers its relative reliability. Assessment of reinsurer's reliability is based on public rating information and internal researches.

2.7. Claims development

Claims development table, shown below, is disclosed in order to allow for the unpaid claims estimates included in the consolidated financial statements to be compared with the development of claims reserves in previous years. In effect, the table highlights the subsidiaries' ability to provide an estimate of the total value of claims. The estimate is increased or decreased as losses are paid and more information becomes available about the claim frequency and the amount of unpaid claims. The lower part of the table provides a reconciliation of the total reserve included in the statement of financial position and the estimate of incurred claims.

The information in the table provides a historical review on the adequacy of the unpaid claim estimates; users of these financial statements are alert for extrapolating redundancies or deficiencies from the past on current unpaid claim balances. Due to the inherent uncertainty in the process of determining reserves, it cannot be confirmed that ultimately such balances will be adequate.

In BGN '000'	Prior 2015	2015	2016	2017	2018	2019	2020	Total
Cumulative claim estimate at the end of the accident year	1,208,983	258,831	285,402	327,085	374,255	494,496	531,677	531,677
1 year later	1,345,391	224,465	257,882	336,271	366,796	534,598	-	534,598
2 years later	1,437,199	238,343	258,019	328,266	400,524	-	-	400,524
3 years later	1,500,736	253,372	266,570	354,537	-	-	-	354,537
4 years later	1,522,994	265,420	274,052	-	-	-	-	274,052
5 years later	1,537,590	274,127	-	-	-	-	-	274,127

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In BGN '000'	Prior 2015	2015	2016	2017	2018	2019	2020	Total
6 years later	1,540,979	-	-	-	-	-	-	1 540,979
Current estimate	1,540,979	274,127	274,052	354,537	400,524	534,598	531,677	3,910,494
Cumulative payments	(1,507,329)	(259,162)	(255,802)	(309,724)	(345,725)	(409,429)	(220,430)	(3,307,601)
Cumulative claim estimate	(33,650)	(14,965)	(18,250)	(44,813)	(54,799)	(125,169)	(311,247)	(602,893)
* Liability amount	-	-	-	-	-	-	-	(602,893)

* The liability amount in the consolidated statement of financial position includes reserve for incurred but not reported claims and reserve for reported but not settled claims. Intragroup eliminations are not presented in the claims development table.

The table presents information about the general insurance as gross technical reserves in general insurance represents more than 99% of the entire portfolio of the Group.

2.8. Liability adequacy test

Liability adequacy tests are performed to determine if the insurance provisions are adequate. If a deficiency is identified an additional unexpired risk reserve is established. The deficiency is recognised in profit or loss for the year.

A deficiency exists when unearned premium at the balance sheet date and expected future premium are not sufficient to cover expected future losses (incl. claims handling costs), commissions and other acquisition costs, insurance portfolio administration costs.

An unexpired risk reserve is set up when expected future cash flows from premiums incl. unearned premium reserves at the year-end, are not sufficient to cover future paid claim expenses forecasted through the loss ratio determined for each type of activity on the basis of past experience, as well as policy and payment administration costs.

In order to verify the amount of the technical reserves set the Group performs Liability Adequacy Test (LAT) based on the estimated amount of future cash flows.

Future cash flows are projected based on historical claim development, expected loss ratio or proportion of the costs, as well as claim frequency and average claim amount.

In estimating future cash flows related to the unexpired period of the contracts in force at the end of the reporting period the Group uses expected loss ratio determined on the basis of past experience and expense ratio. In analyzing future costs the Group considers their nature based on the moment of origination – upon commencement of the contracts or deferred over the contract period of cover.

For the forecast of the future cash flows on claims incurred prior the end of the reporting period, the Group uses data grouped in triangles representing claim development in time and the delay in claim reporting and payment date.

With certain insurance types, where appropriate, an analysis is made of the average claim amount and claim frequency, based on which the Group determines expected future payments. Sensitivity analysis can be

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performed to forecast future cash flows by comparison of market data for the average claim amount and claim frequency.

2.9. Financial risk management

The Group is exposed to the following risks when closing operations with financial instruments:

- Market risk, incl. interest risk, currency risk, price risk
- Credit risk
- Liquidity risk

Market risk can be described as the risk of change in the fair value of a financial instrument due to the change in interest rates, prices of equity instruments or exchange rates. It includes three types of risks which are reviewed separately.

2.9.1. Assets / Liabilities matching

Each company in the Group actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimize risk-adjusted investment income, ensuring that assets and liabilities are managed on cash flow and duration basis. Each company manages cash flow and investments by determining approximately the amounts and time of proceeds from insureds and payments of insurance liabilities. The process is subjective and may influence the respective company's ability to achieve the goal of the asset and liability management.

The Group exposure to market risk related to changes in the interest rate is concentrated in its investment portfolio, and to a lesser extent, its debt liabilities. Changes in investment values attributable to interest rate changes are partially offset by mitigated by the changes in the economic value of the insurance reserves and the debt liabilities. The Group controls this exposure through periodic reviews of its asset and liability positions. Assumptions related to cash flows and the impact of interest rate fluctuations on the investment portfolio are reviewed semi-annually. Overall objective of these strategies is to limit large movements in the asset and liability value arising from interest rate fluctuations. Although it is more difficult to evaluate interest rate sensitivity of insurance liabilities, fluctuations in interest rate will lead to changes in the value of the assets, which will compensate changes in the liability value related to insurance products. The Group is also exposed to risk of future changes in cash flows from fixed income securities arising from changes in market interest rates.

The breakdown of financial assets according to their sensitivity to changes in the effective interest rates as at December, 31 2020:

As at 31 December 2020 In BGN '000'	Floating interest	Fixed interest	Non – interest bearing	Total
Cash and cash equivalents	-	13,009	46,984	59,993
Deposits in financial institutions	-	28,161	3,466	31,627
Government bonds at fair value through profit or loss	-	95,494	-	95,494
Government bonds at amortized cost	-	5,967	-	5,967
Corporate bonds at fair value through profit or loss	-	73,037	-	73,037
Open-end investment funds	-	-	72,760	72,760
Equity investments at fair value through	-	1	53,185	53,186

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As at 31 December 2020 In BGN '000'	Floating interest	Fixed interest	Non – interest bearing	Total
profit or loss				
Other financial assets at amortized cost	-	88,129	7,695	95,824
Receivables and other assets	-	-	198,271	198,271
Total	-	303,798	382,361	686,159

The breakdown of financial assets by their sensitivity to interest rate risk as at December, 31 2019 is as follows:

As at 31 December 2019 In BGN '000'	Floating interest	Fixed interest	Non – interest bearing	Total
Cash and cash equivalents	-	66,431	17,786	84,217
Deposits in financial institutions	-	19,498	1,658	21,156
Government bonds at fair value through profit or loss	-	60,222	-	60,222
Government bonds at amortized cost	-	7,576	-	7,576
Corporate bonds at fair value through profit or loss	374	86,757	1,172	88,303
Open-end investment funds	-	-	11,955	11,955
Equity investments at fair value through profit or loss	-	-	80,204	80,204
Other financial assets at amortized cost	-	32,080	22,317	54,397
Receivables and other assets	-	-	182,682*	182,682*
Total	374	272,564	317,774*	590,712*

3.9.2. Currency risk

The Group is exposed to currency risk through its payments in foreign currency and its assets and liabilities denominated in foreign currency. Gains and losses reported in the statement of comprehensive income arise as a result of the Group's exposures in foreign currency. These exposures comprise Group's cash assets, which are not denominated in the currencies used for the financial statements of the local companies.

Currency risk is associated with the possibility of income and expenses of economic entities in respective country to be affected by changes in the exchange rate of the national currency against other currencies. In Bulgaria, the fixing of the lev exchange rate against the single European currency (EUR) leads to the limitation of fluctuations in the lev exchange rate against major foreign currencies within the fluctuations between the major currencies themselves against the euro. On the other hand, fluctuations in the Macedonian, Romanian, Ukrainian, Georgian, Russian and Belarusian currencies may generate currency risk that will affect the entire Group. In general, the Group's companies do not generate significant currency risk, as the main cash flows in the Group at the consolidated level are denominated in BGN and EUR, and the Romanian Lei and the Macedonian Denar are relatively stable even in a high inflation environment due to controlled floating monetary policy of these two countries.

In 2020 and 2019, the change in the foreign currencies used by the Group companies against the euro exchange rate (data is from the Central Banks of the respective countries) is presented in the table below:

Year	RUB/EUR	UAH/EUR	GEL/EUR	BYN/EUR	GBP/EUR	RON/EUR	MKD/EUR
2020	(23%)	(23%)	(20%)	(22%)	(5%)	2%	0.1%
2019	15%	20%	(4%)	-	6%	3%	0.3%

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Breakdown of financial assets by currency as at December, 31 2020 is as follows:

As at 31 December 2020

In BGN '000'

	BGN	EUR	MKD	RON	Other	Total
Cash and cash equivalents	5,841	44,340	488	2,175	7,149	59,993
Deposits in financial institutions	4,336	13,747	7,932	1,096	4,516	31,627
Government bonds at fair value through profit or loss	-	95,494	-	-	-	95,494
Government bonds at amortized cost	-	979	350	-	4,638	5,967
Corporate bonds at fair value through profit or loss	3,704	53,892	-	-	15,441	73,037
Open-end investment funds	29,607	38,869	4,284	-	-	72,760
Equity investments at fair value through profit or loss	39,740	8,089	1,275	4,076	6	53,186
Other financial assets at amortized cost	86,514	1,526	-	33	7,751	95,824
Receivables and other assets	49,337	25,355	11,718	76,436	35,425	198,271
Reinsurance share in technical reserves	3,943	476,162	-	43,156	-	523,261
Intangible assets	576	-	62	760	1,898	3,296
Property, plant and equipment	14,377	2,709	619	7,615	6,579	31,899
Investment Property	7,809	-	-	903	940	9,652
Deferred tax assets	296	-	-	8,919	1,589	10,804
Total	246,080	761,162	26,728	145,169	85,932	1,265,071
Insurance reserves	195,455	88,586	20,342	447,810	84,737	836,930
Payables under reinsurance treaties and other payables	30,172	55,052	2,238	21,877	10,948	120,287
Loans received (incl. subordinated debt)	99	69,056	-	-	2	69,157
Deferred tax liabilities	2	-	-	-	-	2
Total	225,728	212,694	22,580	469,687	95,687	1,026,376

Breakdown of financial assets by currency as at December, 31 2019 is as follows:

As at 31 December 2019

In BGN '000'

	BGN	EUR	MKD	RON	Other	Total
Cash and cash equivalents	6,594	66,068	615	2,463	8,477	84,217
Deposits in financial institutions	4,304	4,735	7,281	1,059	3,777	21,156
Government bonds at fair value through profit or loss	-	60,222	-	-	-	60,222
Government bonds at amortized cost	-	-	1,606	-	5,970	7,576
Corporate bonds at fair value through profit or loss	11,612	56,058	-	-	20,633	88,303
Open-end investment funds	7,900	267	3,788	-	-	11,955
Equity investments at fair value through profit or loss	63,253	11,749	1,039	4,150	13	80,204
Other financial assets at	43,486	287	-	33	10,591	54,397

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amortized cost						
Receivables and other assets	47,907	26,749	11,130	77,229*	19,667	182,682*
Reinsurance share in technical reserves	-	463,829	-	-	-	463,829
Intangible assets	373	-	1	449	1,719	2,542
Property, plant and equipment	19,302	462	5,896	1,958	6,303	33,921
Investment Property	13,780	-	-	900	1,023	15,703
Deferred tax assets	286	-	-	10,168	1,905	12,359
Total	218,797	690,426	31,356	98,409*	80,078	1,119,066*
Insurance reserves	102,467	153,349	20,365	458,219	33,908	768,308
Payables under reinsurance treaties and other payables	21,671	27,510*	4,730	22,732	10,403	87,046*
Loans received (incl. subordinated debt)	344	31,124	-	-	138	31,606
Deferred tax liabilities	59	-	-	-	-	59
Total	124,541	211,983*	25,095	480,951	44,449	887,019*

3.9.3. Price risk

Group exposure to price risk is related to financial assets reported at fair value which include shares and bonds traded on EU stock exchanges.

For these instruments there is a risk that fair value of future cash flows for a financial instrument will fluctuate due to changes in market prices (different from those related to interest and currency risk) regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer or factors which affect the market.

Price risk is managed by analyzing the investment companies on the basis of their operating activity.

3.9.4. Credit risk

Maximum exposure to credit risk is the carrying amount of financial assets.

The Group holds assets in a trade portfolio to manage the credit risk.

Credit risk is the risk that one of the party on the financial instrument will cause a financial loss for the other party because it will fail to perform specific obligation. The Group has introduced policies and procedures for reducing the Group exposure to credit risk.

Group investment policy requires strict application of the diversification rules regarding exposure limits for each type of financial instrument and each contracting party as determined by the insurance legislation of each country. The Group does not perform derivative transactions.

The Group invests its insurance reserves and own funds mainly in bank deposits, government bonds of EU member states, corporate bonds of financial or other institutions. To implement its investment policy the Group uses professional services of investment intermediaries licensed to operate locally and abroad.

Reinsurance contracts are closed with counterparties with good credit rating. Management reviews the reinsurance policy on regular basis.

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Type of investment and rating In BGN '000'	As at 31.12.2020	As at 31.12. 2019
Government bonds		
Rating AAA	22,098	8,130
Rating AA	51,893	37,069
Rating A	-	5,000
Rating BBB	21,503	10,023
Rating BB	350	1,606
Rating B	5,617	5,970
Corporate bonds		
Rating AAA	-	16,707
Rating BBB	52,995	12,317
Rating BB	121	535
Rating B	-	12,336
Not rated	19,921	46,408
Equities		
Rating AA	407	-
Rating BBB	35,359	45,770
Rating BB	54	2,837
Not rated	90,125	43,552
Total	300,443	248,260

The Company has exposure to government debt as follows:

Portfolio as at 31.12.2020 in BGN '000'		North							Total
		Ukraine	Austria	Belgium	Italy	France	Netherlands	Macedonia	
At Fair Value	-	22,174	7,585	21,503	22,134	22,098	-	-	95,494
At amortized cost	3,704	-	-	-	-	-	350	1,913	5,967
Total	3,704	22,174	7,585	21,503	22,134	22,098	350	1,913	101,461

Portfolio as at 31.12.2019 in BGN '000'		North							Total
		Ukraine	Germany	EU	Belgium	Italy	France	Spain	
At Fair value	-	8,130	12,492	8,105	10,023	16,472	5,000	-	60,222
At amortized cost	5,970	-	-	-	-	-	-	1,606	7,576
Total	5,970	8,130	12,492	8,105	10,023	16,472	5,000	1,606	67,798

Aging analysis of receivables

The aging analysis of pending receivables from insurance and reinsurance business is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Portfolio as at
31.12.2020
in BGN '000'**

	Not overdue	Overdue up to 30 days	Overdue up to 60 days	Overdue up to 90 days	Overdue up over 91 days	Total
Receivables from direct insurance	65,956	20,862	7,017	5,890	8,502	108,227
Total	65,956	20,862	7,017	5,890	8,502	108,227

**Portfolio as at
31.12.2019
in BGN '000'**

	Not overdue	Overdue up to 30 days	Overdue up to 60 days	Overdue up to 90 days	Overdue up over 91 days	Total
Receivables from direct insurance	69,087	14,849	2,572	1,676	2,414	90,598
Total	69,087	14,849	2,572	1,676	2,414	90,598

3.9.5. Liquidity risk

The Group should meet its day-to-day needs of cash, especially for payments of claims on insurance policies. Consequently, a risk exists that the Group would not be able to meet its obligations when they come due. The Group manages this risk by imposing minimum restrictions over assets approaching maturity which are to be available to settle these liabilities, as well as by setting minimum level of borrowed funds which may be used to cover claims and maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Maturity structure of financial assets

The table below shows an analysis of Group financial assets based on the residual term to maturity:

As at 31 December 2020 In BGN '000'	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 year	Over 5 years	No maturity	Total
Cash and cash equivalents	47,504	7,599	-	4,890	-	-	-	-	59,993
Deposits in financial institutions	-	-	6,024	17,431	6,582	-	-	1,590	31,627
Government bonds at amortized cost	-	2,717	987	-	1,075	838	350	-	5,967
Government bonds at Fair value through profit or loss	-	777	-	-	18,553	43,477	10,230	-	73,037
Corporate bonds at fair value through profit or loss	-	-	-	95,494	-	-	-	-	95,494
Open-end investment funds	-	-	-	-	-	-	-	-	-
Capital investments at fair value through profit or loss	-	-	-	-	-	-	-	72,760	72,760
Other financial assets at amortized cost	25,281	18,206	12,310	29,149	3,127	-	1,293	6,457	95,823
Receivables from direct insurance	69,596	14,844	12,364	11,023	220	180	-	-	108,227
Reinsurance receivables	16,582	27	61	72	-	-	-	-	16,742
Recourse receivables	8,521	243	301	1,789	13,259	48	-	-	24,161
Other receivables and current assets	40,316	4,614	1,885	1,281	513	67	466	-	49,142
Total	207,800	49,027	33,932	161,129	43,329	44,610	12,339	133,994	686,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Maturity structure of financial assets

As at 31 December 2019 In BGN '000'	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	Over 5 years	No maturity	Total
Cash and cash equivalents	78,123	6,032	-	-	-	-	-	62	84,217
Deposits in financial institutions	-	-	9,670	6,117	3,784	-	-	1,585	21,156
Government bonds at amortized cost	1,454	525	1,704	1,293	2,249	-	351	-	7,576
Government bonds at fair value through profit or loss	-	-	-	55,988	-	4,234	-	-	60,222
Corporate bonds at fair value through profit or loss	-	14,881	7,198	8,597	43,818	10,868	2,941	-	88,303
Open-end investment funds	-	-	-	-	-	-	-	11,955	11,955
Capital investments at fair value through profit or loss	-	-	-	-	-	-	-	80,204	80,204
Other Financial Assets at amortized cost	22,317	-	-	21,489	1,272	-	1,370	7,949	54,397
Receivables from direct insurance	61,782	9,917	10,992	7,432	475	-	-	-	90,598
Reinsurance receivables	11,007	-	-	-	-	-	-	-	11,007
Recourse receivables	26,191	-	-	-	-	-	-	-	26,191
Other receivables and current assets	48,699*	1,606	3,701	880	-	-	-	-	54,886*
Total	249,573*	32,961	33,265	101,796	51,598	15,102	4,662	101,755	590,712*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Maturity structure of liabilities

An analysis of financial liabilities (on non-discounted cash flow basis) and technical insurance reserves based on residual term to maturity is presented below:

As at 31 December 2020 In BGN '000'	Up to 1 year	1 – 3 years	3 – 5 years	5 - 10 years	Over 10 years	Total
Mathematical reserve	263	605	698	1,926	1,282	4,774
Unearned premium reserve	263,576	567	71	59	-	264,273
Unexpired risk reserve	8,537	-	-	-	-	8,537
Reserve for Reported but not settled claims	339,448	68	3,267	-	-	342,783
Reserve for Incurred but not reported claims	108,652	84,326	11,091	4,680	-	208,749
Other technical reserves	7,814	-	-	-	-	7,814
Payables from direct insurance	1,342	-	-	-	-	1,342
Payables under reinsurance treaties	41,468	-	-	-	-	41,468
Payables under lease agreements	3,729	6,523	3,780	7,786	-	21,818
Payables on loans received	22,361	-	44,494	-	-	66,855
Other payables	53,356	-	2,302	-	-	55,658
Total	850,546	92,089	65,703	14,451	1,282	1,024,072

As at 31 December 2019 In BGN '000'	Up to 1 year	1 – 3 years	3 – 5 years	5 - 10 years	Over 10 years	Total
Mathematical reserve	230	464	509	1,731	1,561	4,495
Unearned premium reserve	252,753	428	-	-	-	253,181
Unexpired risk reserve	198	-	-	-	-	198
Reserve for Reported but not settled claims	281,604	38,060	10,434	5,923	-	336,021
Reserve for Incurred but not reported claims	127,604	27,594	8,745	3,623	-	167,566
Other technical reserves	6,761	51	-	35	-	6,847
Payables from direct insurance	4,708	-	-	-	-	4,708
Payables under reinsurance treaties	21,485	-	-	-	-	21,485
Payables under lease agreements	8,877	5,881	5,968	3,014	-	23,740
Payables on loans received	561	19,528	-	9,593	-	29,682
Other payables	37,113*	-	-	-	-	37,113*
Total	741,894*	92,006	25,656	23,919	1,561	885,036*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**3.9.6. Operational risk**

Operational risk is the risk of direct or indirect losses arising from a wide variety of internal factors associated with Group operations, personnel, technologies and infrastructure, as well as external factors other than credit, market and liquidity risk and arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The definition of the operational risk accepted at Group level is as follows: the risk of recording losses or failure to record profits, which is caused by inadequate or unimplemented internal control processes, or by external factors such as economic conditions, changes in insurance environment, technical progress, etc. Legal risk is a component of operational risk and emerges as a consequence of the bad application or incompliance with the legal and contractual requirements, which tend to produce a negative impact on the operations. The definition does not include the strategic and reputational risk.

The Group objective is to manage operational risk so as to balance between the avoidance of financial losses in the most efficient of ways and to keep its reputation without restricting its initiativeness and creativity.

3.10. Capital management

The regulators of the subsidiaries within the Group set the rules for the solvency requirements and the amount of own funds and they monitor their compliance. The policy of the entities within the Group is to maintain stable level of capital adequacy and the balance between high return and risk.

In 2016 a number of regulatory changes have come into force and they have had a significant impact on the insurance market in the region and particularly on the Group including Directive 2009/138/EC regarding starting and performing of insurance and reinsurance activities (Solvency II), and other. The management is in a constant process of analysis of the effect of the new regulatory framework on its capital position and activity. The Group continues to rely on the support of the shareholders in case additional capital is needed as a result of the new regulatory framework. In support of this, the majority shareholder Eurohold Bulgaria AD made capital contributions of BGN 105,966,643.18 in 2016, and in addition granted a loan of BGN 19,500 in the form of subordinated term debt to the Group. In 2017 this debt has been fully repaid by actually converting it to Tier 1 capital. Capital increase installments of BGN 47.5 million have been paid-in.

For the year ended December, 31 2020 the Group subsidiaries are compliant with all capital requirements imposed by their respective regulators.

3.11. Other risks Covid-19 (Coronavirus)

In 2020, the World Health Organization announced the existence of a "Pandemic" from the new coronavirus COVID-2019 (Covid-19), which developed at the end of 2019, and quickly spread around the world, with Europe severely affected. As a result, the Republic of Bulgaria declared a state of emergency on the territory of the country. Strict anti-epidemic measures and restrictions have been introduced to limit social contacts and the spread of the virus.

Due to the Covid-19 pandemic, much of the world economy slowed and activity in some sectors was almost completely stopped. As a result of the measures imposed by governments, a significant part of international trade has been hampered. At the global level, the subsequent results for the business from the economic disturbances caused by the pandemic are - worsened economic prospects, an increase in expected credit losses and other impairments, as well as a decrease in revenues from lower volumes and reduced customer activity.

The pandemic has an adverse effect on economic activity in the country and the world, stock markets, tourism,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

transport, the automotive industry and many other industries. The disruption of normal economic activity in the Republic of Bulgaria, and the other respective countries, where the Group operates, as a result of Covid-19 may adversely affect the operations of the Group, and in particular the decline in share prices on global stock exchanges could affect the fair value of investments of the company if the negative trend persists.

At present, significant uncertainties remain in estimating the duration of coronavirus spread and its effects. In the fourth quarter of 2020, there was a second wave of increasing contagion after a certain lull in the summer months, which necessitated the adoption of new measures and restrictions by governments, which led to new restrictions on social life and entire sectors of the economy and reduced economic activity. At present, the incidence is not declining, however, in some countries a gradual easing of measures has started based on the vaccination of the population.

Effect on economic growth

The table below presents information on the expectations for economic growth of the Republic of Bulgaria, according to the data of the International Monetary Fund, including forecast data after the occurrence of the pandemic situation related to Covid-19 (Coronavirus).

		Historical data			Forecast			
		2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Economic growth	GDP	3.50%	3.09%	3.69%	3.20%	(3.84)%	2.85%	3.98%

Source: International monetary fund, World economic outlook, April 2021; World economic outlook, October 2019
www.imf.org

The table below provides information on the economic growth expectations of the euro area countries (representing the main foreign market of the Republic of Bulgaria), according to the International Monetary Fund, including forecast data after the Covid-19 pandemic (Coronavirus).

		Historical data			Forecast			
		2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Economic growth	GDP	3.68%	3.26%	2.55%	2.23%	(5.14)%	2.01%	3.30%

Source: International monetary fund, World economic outlook, April 2021; World economic outlook, October 2019
www.imf.org

The Group's management has also analyzed the expected economic development of the countries where it operates, as the historical and forecast data from the International Monetary Fund are presented in the table below:

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	Historical Data			Forecast			
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	Average 2021-24 (before Covid-19)	2021 (Covid-19)
Romania	7.32%	4.48%	4.13%	3.50%	(3.90)%	3.00%	4.58%
North Macedonia	1.08%	2.88%	3.17%	3.36%	(4.53)%	3.75%	3.75%
Ukraine	2.47%	3.41%	3.23%	3.01%	(4.22)%	3.25%	3.66%
Georgia	4.84%	4.84%	5.01%	4.80%	(6.10)%	5.15%	5.00%
Russian Federation	1.83%	2.81%	2.03%	1.87%	(3.06)%	1.97%	2.85%
Greece	1.28%	1.56%	1.86%	2.22%	(8.25)%	1.22%	3.16%
Poland	4.83%	5.35%	4.54%	3.08%	(2.72)%	2.55%	3.75%
Italy	1.67%	0.94%	0.29%	0.54%	(8.87)%	0.69%	2.56%
Germany	2.60%	1.27%	0.56%	1.25%	(4.90)%	1.29%	2.51%
Spain	2.98%	2.43%	1.95%	1.85%	(10.96)%	1.65%	4.07%
United Kingdom	1.74%	1.25%	1.43%	1.45%	(9.92)%	1.53%	3.54%
Netherlands	2.91%	2.36%	1.68%	1.64%	(3.8)%	1.50%	2.48%
Belarus	2.54%	3.14%	1.45%	0.31%	(0.90)%	(0.05)%	(0.96)%

Source: International monetary fund, World economic outlook, April 2021; World economic outlook, October 2019
www.imf.org

As can be seen from the above data, the Management takes into account the possible short-term risks to the overall economic development of the main markets where it operates. The expected reduction of the Gross Domestic Product could be significant, but there are also general expectations for rapid recovery during the period 2021-2024 and a return to the average predicted growth levels before Covid-19 (Coronavirus).

Effect on credit ratings

As a result of the expected economic effects of the slowdown in overall activity, some rating agencies worsened their forecast on long-term debt positions, both in terms of government debt and in terms of corporate debt positions. The table below provides information on the change in the credit rating (including forecast) assigned by Fitch to the Republic of Bulgaria and to the Parent company of the Group.

	Before Covid-19		After Covid-19	
	Rating	Perspective	Rating	Perspectiv
Bulgaria	BBB	Positive	BBB	Positive
Eurohold Bulgaria AD	B	Negative	B	Negative

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following is information on the change in the credit rating (including forecast) assigned by Fitch to the countries where the Group operates:

	Before Covid-19		After Covid-19	
	Rating	Perspectiv	Rating	Perspectiv
Romania	BBB	Stable	BBB	Negative
North Macedonia	BB+	Stable	BB+	Negative
Ukraine	B	Positive	B	Stable
Georgia	BB	Stable	BB	Negative
Russian Federation	BBB	Stable	BBB	Stable
Greece	BB	Positive	BB	Stable
Poland	A-	Stable	A-	Stable
Italy	BBB	Negative	BBB-	Stable
Germany	AAA	Stable	AAA	Stable
Spain	A-	Stable	A-	Stable
United Kingdom	AA	Negative	AA-	Negative
Netherlands	AAA	Stable	AAA	Stable
Belarus	B	Stable	B	Negative

Management continues to monitor the development of the credit risk in relation to the countries where the Group operates, as well as the main investments (subject to both markets and credit risk) of the Group companies.

At present, despite the overall decrease of forecasts and limited cases of credit rating deterioration, the Management believes that before a significant period of time passes during which symptoms of deterioration in the overall credit quality of both investments and the general environment where the Group operates, it cannot perform a sufficiently sustainable and reliable assessment of the effect of Covid-19 (Coronavirus).

Analysis of the expected effect on the IFRS model 9

Management has reviewed the model for impairment of expected credit loss in accordance with IFRS 9 "Financial Instruments" at all levels - country, group, segment, company. As a result, an update is made by increasing the expected credit loss exposures that are part of the impairment model. In order to provide reliability, the models for impairment of expected credit loss under IFRS 9 will continue to be reviewed and updated as necessary on a quarterly basis, taking into account the effects of COVID-19 on the business until normalization of economic conditions.

In connection with the dynamic situation and the new measures taken by the governments of the affected countries to deal with the epidemic, as of the date of this report, the Group is not able to make long-term assessments of the impact of the pandemic on the development of its activity and its financial condition. Overall, the current crisis raises significant uncertainties about future processes in the global macroeconomy in 2020 and beyond.

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4. Gross written premiums

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019
Motor Hull	54,301	46,512
Motor TPL and Green card	682,710	653,578
Property	33,659	22,694
Crops and livestock	10,773	11,016
Accidents and Health	63,472	53,242
Cargo	16,722	14,277
Liability	10,222	9,967
Other	42,506	36,430
Gross written premiums	914,365	847,716
Change in gross unearned premium reserve and unexpired risk reserve	(20,553)	(37,532)
Gross earned premiums	893,812	810,184
Less: written premiums ceded to reinsurers	(411,782)	(382,722)
Change in the reinsurers' share in unearned premium reserve	5,994	28,136
Earned premiums ceded to reinsurers	(405,788)	(354 586)
Net earned premiums	488,024	455,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group technical result by lines of business for the year ended December, 31 2020 is shown in the table below:

In BGN '000'	Gross premiums written	Gross premiums earned	Claims paid, gross*	Claims incurred, gross*	Acquisition and administrative expenses *	Other technical income (expenses)*	Reinsuran ce result	Technical profit (loss)
Motor Hull	54,301	54,282	(29,898)	(31,538)	(20,941)	(1,758)	207	252
Motor TPL and Green card	682,710	674,125	(490,818)	(568,906)	(175,266)	(55,998)	69,152	(56,893)
Property	33,659	24,348	2,439	(345)	(7,382)	(7,789)	(2,399)	6,433
Crops and livestock	10,773	10,979	(7,268)	(5,661)	(4,466)	-	(70)	782
Accidents and Health	63,472	59,529	(19,391)	(26,071)	(23,002)	(1,710)	612	9,358
Cargo	16,722	15,834	(2,681)	(4,581)	(7,763)	(1,190)	(1,790)	510
Liability	10,222	10,323	(436)	(157)	(2,727)	(235)	(5,206)	1,998
Other	42,506	44,393	(7,844)	(20,483)	(11,165)	(1,931)	(8,901)	1,913
Total	914,365	893,813	(555,897)	(657,742)	(252,712)	(70,611)	51,605	(35,647)

* Claims paid, gross, do not include recourse income.

* Claims incurred, gross, do not include recoveries received from reinsurers and change in reinsurers' share in outstanding claim provisions.

* Acquisition and administrative expenses do not include administrative expenses of Euroins Insurance Group AD and Euroins Claims I.K.E.

* Other technical income (expenses) include allocated investment income of insurance reserves and other net insurance expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group technical result by lines of business for the year ended December, 31 2019 is shown in the table below:

In BGN '000'	Gross premiums written	Gross premiums earned	Claims paid, gross*	Claims incurred, gross*	Acquisition and administrative expenses *	Other technical income (expenses)*	Reinsuran ce result	Technical profit (loss)
Motor Hull	46,512	45,503	(24,827)	(25,599)	(19,601)	(1,932)	557	(1,072)
Motor TPL and Green card	653,576	624,736	(422,630)	(483,507)	(163,415)*	(43,976)*	47,377	(18,785)*
Property	22,694	23,300	254	1,870	(8,343)	(7,779)	(4,575)	4,473
Crops and livestock	11,016	10,468	(7,486)	(9,718)	(4,114)	(216)	(232)	(3,812)
Accidents and Health	53,242	47,096	(15,411)	(17,164)	(17,314)	(1,093)	(497)	11,028
Cargo	14,277	14,044	(2,195)	(2,570)	(7,174)	(1,390)	(1,424)	1,486
Liability	9,967	9,309	(134)	(437)	(3,518)	(208)	(2,332)	2,814
Other	36,430	35,727	(9,938)	(9,085)	(10,413)	(2,100)	(16,093)	(1,964)
Total	847,716	810 184	(482,367)	(546,210)	(233,892)*	(58,694)*	22,781	(5,832)*

* Claims paid, gross, do not include recourse income.

* Claims incurred, gross, do not include recoveries received from reinsurers and change in reinsurers' share in outstanding claim provisions.

* Acquisition and administrative expenses do not include administrative expenses of Euroins Insurance Group AD.

* Other technical income (expenses) include allocated investment income of insurance reserves and other net insurance expenses.

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5. Fees and commission income

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019
Commissions received from reinsurers	82,951	104,930
Other income from reinsurers	460	409
Total fees and commission income	83,411	105,339

6. Financial income

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019
Interest income from investments in securities and deposits	9,406	7,943
Dividend income from capital investments	41	101
Rental income from investment properties	270	299
Income from revaluation of assets at fair value	17,037	10,709
Income from sale of financial assets and investments	739	2,111
Income from business combinations	4,269	-
Investment income from associates	-	4,535
Other financial income	11,018	10,312
Total financial income	42,780	36,010

The realized income from business combination is connected with the purchase of CJSC "ERGO" Insurance Company "Belarus at the end of April 2020. Euroins Insurance Group AD acquires 19,590 shares or 93.12% of the capital of the Company at a price of BGN 3,433 thousand, while the fair value of the net assets at the time of acquisition is BGN 8,271 thousand and non-controlling interest in the amount of BGN 569 thousand.

Other financial income also includes income related to currency revaluation amounting to BGN 6,049 thousand (2019: BGN 8,617 thousand) of Euroins Romania Insurance-Reinsurance SA.

The investment income amounting to BGN 4,535 thousand in 2019 reflects the change in the participation of Euroins Insurance Group in the net assets of the associated Russian company. The Parent company reports its investment in an associate in its separate financial statements on a cost basis and in the consolidated financial statements using the equity method.

7. Other operating income

Other operating income includes income from reversed impairment of recourse receivables and other receivables of Euroins Romania Asigurare-Reasigurare S.A. (for example from BAAR (Romanian Motor Insurers' Bureau)), income from the sale of MTPL stickers, income from fees for intermediary services on Green Card and others.

8. Claims incurred, net of reinsurance

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019
Current year claims paid, claims handling and prevention expenses	(566,310)	(505,529)
Change in outstanding claims provision	(52,045)	(63,545)
Change in other technical reserves	(934)	(113)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Change in mathematical reserve	-	(184)
Recoveries received from reinsurers	264,155	238,329
Change in reinsurers' share in outstanding claims reserve	60,959	33,698
Recourse income	10,413	23,162
Total incurred claims, net of reinsurance	(283,762)	(274,182)

Claims handling expenses include part of administrative expenses that are directly related to claims handling.

9. Acquisition expenses

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019
Commissions and profit participation	(184,105)	(163,782)
Change in reserve for bonuses and discounts and reserve for management insurance	5	(7)
Bonus expenses	(77)	(31)
Advertising and marketing expenses	(28,565)	(35,120)
Total acquisition expenses	(212,742)	(198,940)

Advertising and marketing expenses include part of administrative expenses that are directly related to the operations of the sales departments in the Group such as salaries.

10. Administrative expenses

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019 restated
Material expenses	(551)	(477)
Expenses for hired services	(12,892)	(8,364)
Depreciation expenses	(3,263)	(2,913)*
Depreciation of RoU assets	(4,464)	(4,379)
Personnel expenses	(20,410)	(18,978)
Other	(4,057)	(4,992)
Total administrative expenses	(45,637)	(40,103)*

Depreciation expenses for the comparable period are recalculated to BGN (2,913) thousand from BGN (2,786) thousand as a result of the reported accounting error in Note 32 "Accounting errors and changes in accounting policy".

At the end of the reporting period average number of employees in the Group is 1,715 (2019: 1,651), split by subsidiaries as follows:

- 15	(2019: 15)	Euroins Insurance Group AD;
- 509	(2019: 481)	Insurance Company Euroins AD (ZD Euroins AD);
- 523	(2019: 590)	Euroins Romania Insurance-Reinsurance S.A.;
- 121	(2019: 125)	Euroins Insurance AD, North Macedonia;
- 159	(2019: 147)	Euroins Georgia AD;
- 20	(2019: 20)	Insurance Company Euroins Life Insurance EAD (ZD Euroins Life EAD);
- 21	(2019: 8)	Insurance company EIG Re EAD (ZD EIG Re EAD);
- 258	(2019: 239)	PJSC Euroins Ukraine Insurance Company;
- 28	(2019: 28)	PJSC European Travel Insurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

61 Euroins Insurance, Belarus

The audit fees for 2020 are amounting to BGN 737 thousand, which includes:

- Group's auditors audit fees (individual and consolidated financial statements) are as follows:
 - Mazars OOD - BGN 275 thousand;
 - Zaharinova Nexia OOD - BGN 187 thousand.
- Audit fees for auditors of the Companies of the Group are as follows:
 - Companies from the Mazars network - BGN 44 thousand;
 - Companies from the Nexia network - BGN 13 thousand;
 - Companies from the BDO network - BGN 20 thousand;
 - Companies from the Grand Thornton network - BGN 198 thousand

The audit fees for 2019 are amounting to BGN 713 thousand, which includes:

- Group's auditors audit fees (individual and consolidated financial statements) are as follows:
 - Mazars OOD - BGN 238 thousand;
 - Zaharinova Nexia OOD - BGN 192 thousand.
- Audit fees for auditors of the Companies of the Group are as follows:
 - Companies from the Mazars network - BGN 69 thousand;
 - Companies from the Nexia network - BGN 27 thousand;
 - Companies from the BDO network - BGN 187 thousand.

There were no tax consultancy services during the year, except for expenses for tax services provided by a company from the Mazars network amounting to BGN 6 thousand (2019: BGN 6 thousand), for which an additional approval has been issued by the audit committee or other services not related to the audit, with the exception of agreed procedures for verification according to Article 126, paragraph 1, points 1 and 2 of the Insurance Code, the value of the services provided are included in the above costs for independent financial audit. This disclosure is in compliance with the requirements of Article 30 of the Accounting Act.

11. Financial expenses

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019 restated
Interest expense	(4,204)	(2,688)
Interest expense RoU assets	(858)	(827)
Losses on revaluation of financial assets	(14,859)	(6,298)
Loss on revaluation of investment property	-	(77)
Losses on sale of financial assets	(2,797)	(1,905)
Expenses for investments management	(1,043)	(597)
Other finance costs	(8,395)	(4,700)
Total finance expenses	(32,156)	(17,092)

Other finance costs also include expenses related to currency revaluation amounting to BGN 1,442 thousand (2019: BGN 210 thousand) of IC Euroins AD, as well as of Euroins Romania Insurance-Reinsurance SA. amounting to BGN 3,900 thousand (2019: BGN 3,198 thousand).

The loss from revaluation of financial assets includes the change in the participation of Euroins Insurance Group in the net assets of the associated Russian company amounting to BGN 1,491 thousand (investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

income in the amount of BGN 4,535 thousand in 2019). The parent reports its investment in an associate in its separate financial statements at cost and in the consolidated financial statements using the equity method.

12. Other operating expenses

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019 restated
Expenses for Guarantee fund	(38,017)	(30,783)*
Other statutory expenses and license fees	(1,430)	(1,240)
Change in bad debt impairment	(11,688)	(4,322)
Receivables written off on insurance policies	(11,209)	(8,021)
Other operating expenses	(7,464)	(8,152)*
Total other operating expenses	(69,808)	(52,518)*

The impairment of receivables is related to the insurance receivables of the Group, which are not within the scope of IFRS 9 and for which the expected credit loss model is not applied.

Other operating expenses for the comparable period are recalculated to BGN (8,152) thousand from BGN (8,020) thousand as a result of the reported accounting error in Note 32 "Accounting errors and changes in accounting policy".

13. Other net income

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019
Net income from sale of assets	260	528
Other non-operating income	447	334
Other non-operating expenses	(1,718)	(1,953)
Total other net income	(1,011)	(1,091)

Other non-operating income includes income from written-off liabilities, which limitation period has expired amounting to BGN 402 thousand (2019: BGN 247 thousand) of IC Euroins AD.

Other non-operating expenses include written-off receivables, which limitation period has expired amounting to BGN 465 thousand (2019: BGN 944 thousand) of IC Euroins AD.

14. Taxation

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019 restated
Income tax expense for the current year	(1,847)	(1,618)*
Deferred tax	(934)	18
Total taxation	(2,781)	(1,600)*

Current tax expenses represent the amount of taxes payable according to the relevant local legislation at tax rates in force at the end of 2019 and 2018.

Income tax expense for the current year for the comparable period is recalculated to BGN 1,618 thousand from BGN 1,335 thousand as a result of the disclosed accounting error in Note 32 "Accounting errors and changes in accounting policy".

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The balances of deferred assets and liabilities are as follows:

In BGN '000'	Assets		Liabilities		Net assets / liabilities	
	As at 31.12.2020	As at 31.12.2019	As at 31.12.2020	As at 31.12.2019	As at 31.12.2020	As at 31.12.2019
Property, plant and equipment	-	-	2	59	(2)	(59)
Payables to personnel for unused paid leaves and retirement compensations	71	76	-	-	71	76
Accrued personal income	47	98	-	-	47	98
Tax loss carried forward	10,686	12,185	-	-	10,686	12,185
Net deferred tax assets / liabilities	10,804	12,359	2	59	10,802	12,300

The movement of deferred tax assets and liabilities is shown below:

In BGN '000'	Balance at 31 December 2019	Changes in profit and loss	Accumulated loss	Other movements	Balance at 31 December 2020
Property, plant and equipment	(59)	57	-	-	(2)
Payables to personnel for unused paid leaves and retirement compensations	76	(5)	-	-	71
Accrued personal income	98	(43)	(8)	-	47
Tax loss carried forward	12,185	(943)	(556)	-	10,686
Net deferred tax assets / liabilities	12,300	(934)	(564)	-	10,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Intangible assets

In BGN '000'

Cost

	Software	Other	Total
Balance as at 1 January 2019	6,372	459	6,831
Acquisitions	921	22	943
Disposals	(320)	(238)	(558)
Exchange Rate differences	252	3	255
Balance as at 31 December 2019	7,225	246	7,471

Depreciation and impairment losses

Balance as at 1 January 2019	(4,465)	(27)	(4,492)
Depreciation charged for the year	(452)	-	(452)
Written-off depreciation on disposals	6	-	6
Exchange rate differences	12	(3)	9
Balance as at 31 December 2019	(4,899)	(30)	(4,929)

Net book value

Balance as at 1 January 2019	1,907	432	2,339
Balance as at 31 December 2019	2,326	216	2,542

Cost

Balance as at 1 January 2020	7,225	246	7,471
Acquisitions	1,657	-	1,657
Acquisitions Business combination	363	12	375
Disposals	(46)	(118)	(164)
Exchange rate differences	(581)	(6)	(587)
Balance as at 31 December 2020	8,618	134	8,752

Depreciation and impairment losses

Balance as at 1 January 2020	(4,899)	(30)	(4,929)
Depreciation charged for the year	(542)	(3)	(545)
Depreciation business combination	(137)	(9)	(146)
Depreciation written-off on disposals	44	-	44
Exchange Rate Differences	120	-	120
Balance as at 31 December 2020	(5,414)	(42)	(5,456)

Net book value

Balance as at 1 January 2020	2,326	216	2,542
Balance as at 31 December 2020	3,204	92	3,296

As at December, 31 2020 the Group has made a review of its intangible assets and as a result has made an estimate on the basis of which has decided that there are no indications of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Property, plant and equipment

16.1 Property, plant and equipment

In BGN'000'	RoUA real estate	RoUA vehicles	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction and others	Total
Cost								
Balance as at 1 January 2019	18,104	134	7,394	4,764	9,122	2,604	761	42,883
Acquisitions	17,831	225	377	1,625	1,262	930	2	22,252
Transferred in investment property	-	-	(1,168)	-	-	-	-	(1,168)
Disposals	(10,243)	-	-	(111)	(921)	(1,033)	(7)	(12,315)
Revaluation	-	-	160	-	-	-	-	160
Exchange Rate Differences	(173)	-	979	34	26	3	(30)	839
Balance as at 31 January 2019	25,519	359	7,742	6,312	9,489	2,504	726	52,651
Depreciation								
Balance as at 1 January 2019	-	-	(2,224)	(3,977)	(3,790)	(1,451)	(722)	(12,164)
Depreciation charged for the year	(4,314)	(65)	(231)	(312)	(1,588)	(197)	(6)	(6,713)
Written-off depreciation on disposals	62	-	-	57	470	7	-	596
Written-off depreciation on revaluation	-	-	-	1	-	-	-	1
Exchange Rate Differences	18	-	(360)	2	(15)	(4)	36	(323)
Balance as at 31 January 2019	(4,234)	(65)	(2,815)	(4,229)	(4,923)	(1,645)	(692)	(18,603)
Net book value								
Balance as at 1 January 2019	18,104	134	5,170	787	5,332	1,153	39	30,719
Balance as at 31 December 2019	21,285	294	4,927	2,083	4,566	859	34	34,048
Cost								
Balance as at 1 January 2020	25,519	359	7,742	6,312	9,489	2,504	726	52,651
Acquisitions	3,843	53	96	523	95	182	-	4,792
Acquisitions Business Combination	-	-	2,084	213	133	110	105	2,645
Disposals	(1,329)	(244)	(107)	(88)	(1,488)	(11)	-	(3,267)
Revaluation	-	-	380	-	(1,007)	-	-	(627)
Transferred in investment property	-	-	-	-	-	(4)	-	(4)
Exchange rate differences	(392)	-	(1,683)	(286)	(239)	(118)	(154)	(2,872)
Balance as at 31 December 2020	27,641	168	8,512	6,674	6,983	2,663	677	53,318
Depreciation								
Balance as at 1 January 2020	(4,234)	(65)	(2,815)	(4,356)*	(4,923)	(1,645)	(692)	(18,730)*
Depreciation charged for the year	(4,370)	(93)	(316)	(550)	(1,589)	(260)	(2)	(7,180)
Depreciation Business Combination	-	-	(181)	(79)	(39)	(37)	-	(336)
Written-off depreciation on disposals	278	85	3	84	1,410	5	-	1,865
Written-off depreciation on revaluation	-	-	11	-	1,767	-	-	1,778
Exchange Rate Differences	103	-	584	176	97	87	137	1,184
Balance as at 31 December 2020	(8,223)	(73)	(2,714)	(4,725)	(3,277)	(1,850)	(557)	(21,419)
Net book value								

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Balance as at 1 January 2020	21,285	294	4,927	1,956*	4,566	859	34	33,921*
Balance as at 31 December 2020	19,418	95	5,798	1,949	3,705	813	120	31,899

As at December, 31 2020 the Group has performed a review of its property, plant and equipment and as a result has made an estimate on the basis of which has decided that there are no indications of impairment.

Depreciation balance as at January 01, 2020 is recalculated to BGN 18,730 thousand from BGN 18,603 thousand as a result of the disclosed accounting error in Note 32 "Accounting errors and changes in accounting policy".

The Group decided to keep the presentation of vehicles acquired under the terms of a financial lease with a carrying amount as at December 31, 2020 amounting to BGN 832 thousand (2019: 1,310 thousand) in the Vehicles class, as they were presented in previous years before the adoption of IFRS 16. In the RoUA Vehicles class are presented only the leased assets under operating lease agreements, which meet the relevant conditions set out in IFRS 16. The Group considers that this presentation is more correct given its intentions to acquire the vehicles at the end of the lease period and continue to use them for its activities.

16.2 Lease**16.2.1. Statement of financial position**

The Group chose to present the right of use assets in line with similar own assets, but to provide detailed information about own and leased assets in the notes to the financial statements.

	31.12.2020 <i>BGN thousands</i>	31.12.2019 <i>BGN thousands</i>
Property, plant and equipment incl.	19,512	21,579
- Right of use – Real Estate	19,417	21,285
- Right of use – Vehicles	95	294
Lease Liabilities – right of use		
- Current	3,292	4,373
- Non-current	17,610	18,242
	20,902	22,615

Acquired right of use assets in 2020 – BGN 3,896 thousand (2019 - BGN 17,831 thousand).

Written off right of use assets in 2020 – BGN 1,573 thousand (2019 – BGN 10,243 thousand).

16.2.2. Statement of profit or loss and other comprehensive income

	31.12.2020 <i>BGN thousand</i>	31.12.2019 <i>BGN thousand</i>
Rental expense – included in hired services	(134)	(1,075)
Depreciation expense of right of use assets	(4,463)	(4,380)
• Real estate	(4,370)	(4,314)
• Vehicles	(93)	(66)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest expense- included in Other income/ (Other expenses)	(858)	(827)
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17. Investment properties

In BGN '000'	As of 31.12.2020	As of 31.12.2019
Balance as of 1 January	15,703	16,943
Sell	(5,823)	(849)
Revaluation	144	(215)
Transfer from Land and buildings	-	121
Exchange Rate Differences	(372)	(297)
Balance as of 31 December	9,652	15,703

The valuation of investment properties at fair value as at December 31, 2020 is performed by independent external appraisers with appropriate qualifications and experience in the valuation of such properties. The fair value of investment property is categorized as a recurring measurement at fair value in level 2.

On January 28, 2020, IC Euroins AD sold its investment property at a sale price of BGN 5,960 thousand. The price has been fully paid in two installments on January, 13th and January, 28th 2020.

The rent income of investment properties in 2020 and the comparable period are disclosed in Note 6 "Financial income".

18. Financial assets

In BGN '000'	As at 31.12.2020	As at 31.12.2019
Registered for trading on stock exchange	49,036	75,982
Not registered for trading on stock exchange	4,150	4,222
Equity investments	53,186	80,204
Government bonds	95,494	60,222
Corporate bonds	73,037	88,303
Bonds at fair value through profit and loss	168,531	148,525
Government bonds	5,967	7,576
Bonds at amortized cost	5,967	7,576
Open-end investment funds	72,760	11,955
Investment funds	72,760	11,955
Deposits in banks	30,176	19,641
Restricted deposits	1,590	1,585
Other financial assets at amortized cost	96,005	54,643
<i>IFRS 9 ECL on deposits and other financial assets at amortized cost</i>	<i>(320)</i>	<i>(316)</i>
Deposits and other financial assets	127,451	75,553
Total financial assets	427,895	323,813

As it is disclosed in note 33 "Contingent liabilities":

- restricted deposits comprise of a deposit amounting to BGN 494 thousand (2019: 526 thousand) of Euroins

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Insurance AD, North Macedonia in the National Insurance Bureau under the provisions of North Macedonian Law on Insurance Supervision. Members' deposits are kept in separate bank accounts. The Bureau is not allowed to invest the assets and is obliged to return the deposits if the members ceased to provide Motor vehicle insurances. A restricted deposit from Euroins Romania in favor of the Romanian Guarantee Fund amounting to BGN 1,096 thousand is also included. (2019: BGN 1,059 thousand);

- in order to secure the liabilities under bank guarantees, two of the subsidiaries - IC EIG Re EAD and IC Euroins AD have blocked deposits, according to the Law on Financially Secured Contracts amounting to BGN 2,400 thousand (as at December 31, 2019: BGN 2,400 thousand).

Equity investments of IC Euroins AD with a book value of BGN 1,469 thousand serve as a collateral for repo transactions as at December 31, 2020 (as at December 31, 2019: BGN 1,023 thousand).

As a part of the disclosed capital investments, IC Euroins AD and IC Euroins Life EAD also recognized subscribed and fully paid shares of a credit institution whose registered office and whose shares are listed for public trading on a stock exchange in another Member State of the European Union. As at December 31, 2020 the subscribed and paid shares are amounting to BGN 0 thousand (as at December 31, 2019 - BGN 2,542 thousand) and they have not yet been registered for free trade, as the process of increasing the capital of the credit institution has not been completed.

Other financial assets at amortized cost also include:

- a loan granted to the exclusive representative in the Republic of Poland and is related to the initial process of starting insurance services in accordance with the principle of Freedom to provide services (Freedom of Services) within the European Union amounting to BGN 1,238 thousand. (as at December 31, 2019: BGN 1,273 thousand);

-receivables of Euroins Romania Insurance- Reinsurance SA under securities repurchase agreements and other loans as at December 31, 2020 in the net amount of BGN 19,352 thousand (as at December 31, 2019 - BGN 22,317 thousand);

-receivables of IC Euroins AD under securities repurchase agreements as at December 31, 2020 in the net amount of BGN 26,142 thousand. (2019: BGN 0 thousand);

-receivables of EIG RE EAD under securities repurchase agreements as at December 31, 2020 in the net amount of BGN 3,804 thousand. (2019: BGN 0 thousand);

-receivables of Euroins Life EAD under securities repurchase agreements as at December 31, 2020 in the net amount of BGN 7,737 thousand (2019: BGN 0 thousand);

-receivables of Euroins Insurance Group AD under loan cession agreements in the net amount of BGN 2,046 thousand as at December 31, 2020 (as at December 31, 2019: BGN 21,586 thousand);

-receivables of Euroins Insurance Group AD under loan agreements granted to Eurohold Bulgaria AD and Starcom Holding AD in the total gross amount of BGN 29,094 thousand. (2019: BGN 0 thousand).

- the investment in an associate in Russia, which as at December 31, 2020 amounts to BGN 6,457 thousand (as at December 31, 2019 - BGN 7,949 thousand). The investment is reported using the equity method. In 2020, the participation of Euroins Insurance Group is 48.61% (2019: 48.61%). A summary of the financial information of the associate is provided below:

Investments in associates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RCO Euroins Ltd. was established on April 13, 2003 with the place of establishment of the Russian Federation (Registration Certificate PSRN 1037714037426 / May 08, 2003). Legal address of the Company: 214000, Smolensk Region, Smolensk, ul. Glinki 7, floor 2, office 9.

The company started insurance activity in 2003 and operates under insurance license SL 3954 (personal insurance), SI 3954 (property insurance) and OS 3954-03 (Civil Liability Insurance) issued by the Central Bank of the Russian Federation on 07 July 2015. Registration number in the insurance register 3954.

Company's name	Establishment	% share		Type of relation	Method of consolidation recognition	Cost BGN thousands	
		2020	2019			2020	2019
RCO Euroins LTD	Russian Federation	48,61%	48,61%	Асоциирано	Equity Method	7,487	7,487

The Group did not assume contingent liabilities connected to the shareholding in RCO Euroins LTD.

The Group determined that there is a significant influence due to the peculiarities of the legislation of the Russian Federation and in particular Law 4015-1 on the organization of insurance activities, which does not allow a foreign investor to own more than 49% of the capital of a local insurer for licensing for the purpose of carrying out insurance activity. These restrictions do not allow a foreign investor to control the activities of insurance companies in the country.

The table below provides summary of financial information. The disclosed information presents the amounts as stated in the audited financial statements of RCO Euroins LTD and not the Group's share in these amounts.

Summary of the statement of financial position	31.12.2020	31.12.2019
	BGN thousand	BGN thousand
<i>Current Assets</i>		
Cash and cash equivalents	7,220	3,854
Other Current Assets	33,232	39,867
Total Current Assets	40,451	43,721
Non current assets	8,506	10,821
<i>Current Liabilities</i>		
Financial Liabilities	-	-
Other Current liabilities	35,271	37,985
Total Current Liabilities	35,271	37,985
<i>Non current liabilities</i>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Liabilities	-	-
Other Financial Liabilities	402	205
Total non current liabilities	402	205
Net Assets	13,284	16,352
<i>Equity method value</i>		
Net assets at January 01	16,352	10,601
Movement	3,068	5,751
Net assets at December 31	13,284	16,352
Share %	48,6	48,6
Share BGN thousands	6,457	7,947

Closing exchange rates of RUB 1 to BGN 1:

31.12.2019	0,0280
31.12.2020	0,0214

Summary of the statement of profit or loss and other comprehensive income	2020	2019
	BGN thousands	BGN thousands
Gross Written Premiums	61,889	57,246
Interest income	626	1,433
Depreciation	(177)	(117)
Profit from continuing activities after taxes	2,318	743
Profit after tax	2,318	743
Other comprehensive income	(756)	82
Total comprehensive income	1,562	825
Received Dividends	269	-

Average exchange rates of RUB 1 to BGN 1:

2019	0,0264
2020	0,0235

The impairment of deposits and other financial assets at amortized cost is BGN 320 thousand (2019: BGN 316 thousand). The movement in the expected credit losses of the Group is summarized in Note 28 "Expected credit losses".

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19. Receivables and other assets

In BGN '000'	As at 31.12.2020	As at 31.12.2019
Receivables from direct insurance	108,227	90,598
Receivables from reinsurers or cedants	16,741	11,007
Recourse receivables	24,160	26,191
Other receivables	50,719	59,255*
IFRS 9 ECL on other receivables	(2,014)	(4,816)
Current assets	438	447
Total receivables and other assets	198,271	182,682*

Receivables from direct insurance include receivables from insured persons, receivables from co-insurance and receivables from active reinsurance.

The other receivables of the Group include multiple and variable receivables. The most significant as at December 31, 2020 are:

- receivables with a gross value of BGN 0 thousand (2019: BGN 4,205 thousand gross and net value of BGN 4,105 thousand) of IC Euroins AD, which are related to a sale transaction of a liability on a matured issue of securities;
- receivables amounting to BGN 5,259 thousand (as at December 31, 2019 - BGN 17,129 thousand) of Euroins Romania Insurance - Reinsurance SA, which are related to overpaid amounts to the Romanian Motor Insurers' Bureau.

The other receivables for the comparable period are recalculated to BGN (59,255 thousand) from BGN (49,713) thousand as a result of the reported change in accounting policy in Note 32 "Accounting error and changes in accounting policy".

All receivables of the Group with the exception of Other receivables are subject to impairment in accordance with the requirements of IAS 39, as they are not within the scope of the model developed by the Group under IFRS 9.

The expected credit losses of Other receivables are amounting to BGN 2,014 thousand (2019: BGN 4,816 thousand). Their movement is presented in Note 28 "Expected credit losses".

20. Cash and cash equivalents

In BGN '000'	As at 31.12.2020	As at 31.12.2019
Cash on hand	3,022	3,956
Current accounts	45,442	64,679
Deposits up to 90 days	11,686	15,741
IFRS 9 ECL on deposits	(157)	(159)
Total cash and cash equivalents	59,993	84,217

On February 20, 2020, a contract was signed with the Municipal Bank for a financial collateral with the provision of a pledge in the amount of EUR 2,5 million under a bank loan agreement with Starcom Holding AD. Euroins Insurance Group AD in its role of collateral retains its right of ownership over the financial collateral.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's cash and cash equivalents are reported at amortized cost and additional information about the expected credit losses is presented in Note 28 "Expected credit losses".

21. Insurance reserves**Insurance reserves, including health and life insurance reserves:**

In BGN '000'	As at 31 December 2020			As at 31 December 2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Unearned premium reserve	264,273	(161,103)	103,170	253,181	(165,184)	87,997
Unexpired risk reserve	8,537	(5,561)	2,976	198	-	198
Outstanding claim provision, incl.:						
<i>Reserves for incurred but not reported claims</i>	551,532	(352,506)	199,027	503,587	(294,753)	208,834
<i>Reserves for reported but not settled claims</i>	208,749	(157,423)	51,326	167,566	(97,685)	69,881
Other technical reserves	342,783	(195,082)	147,701	336,021	(197,068)	138,953
Mathematical reserve	7,814	(4,092)	3,722	6,847	(3,892)	2,955
	4,774	-	4,774	4,495	-	4,495
Total insurance reserves	836,930	(523,261)	313,669	768,308	(463,829)	304,479

22. Payables to reinsurers and other payables

In BGN '000'	As at 31.12.2020	As at 31.12.2019 restated
Payables from direct insurance	1,342	4,708
Payables to reinsurers	41,468	21,485
Payables under lease agreements	915	1,125
Payables under IFRS 16	20,903	22,615
Payables to suppliers	9,120	7,201
Payables to personnel	6,009	3,373
Payables to Guarantee fund	6,860	11,321
Other payables	33,670	15,218*
Total payables	120,287	87,046*

The payables of the Group to the Guarantee Funds as at December 31, 2020 amount to BGN 6,860 thousand (as at December 31, 2019: BGN 11,321 thousand). These are payables of Euroins Romania Insurance - Reinsurance SA.

Other payables mainly include tax and social security liabilities.

As disclosed in Note 32 "Accounting errors and changes in accounting policies", the Group restated its "Other payables" as at December 31, 2019 from BGN 13,870 thousand to BGN 15,218 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Payables on loans

In BGN '000'	As at 31.12.2020	As at 31.12.2019
<i>Current payables:</i>		
Payables on loan from Eurohold Bulgaria	2	2
Payables on loan from Starcom Holding	99	41
Payables on loan from Greenhouse Properties	-	331
Other payables on loans	2,702	157
Current payables on loans received	2,803	531
<i>Non-current payables</i>		
AMC IV ALPHA BV	19,851	9,593
Total payables on loans received	22,654	10,124

The loan agreement with Eurohold Bulgaria AD is dated December 1, 2013 amounting to BGN 20,000 thousand and 6% agreed interest rate. The term of the agreement is one year with a clause for automatic renewal.

The loan payable to Greenhouse Properties AD is in accordance with a loan agreement dated December 4, 2019, with a limit of BGN 800 thousand and 6% agreed interest rate. The term of the agreement is one year repayable on December 4, 2020. The payable amount as at December 31, 2019 is BGN 331 thousand. The loan payables is repaid in 2020.

On March 13, 2019, a loan agreement was signed with AMC IV ALPHA BV with a limit of EUR 10 million, an interest rate of 6.5% (Margin- 6% plus higher than a) EURIBOR and b) 0.5%) as well as "paid-in-kind" interest of 1.5% and a maturity date March 31, 2025. The contract is for Mezzanine financing and includes two tranches, each of them amounting to EUR 5,000 thousand (BGN 9,779 thousand). As of December 31, 2019, only the first tranche amounting to EUR 5,000 thousand was transferred and the remaining EUR 5,000 thousand in 2020. The amortized cost of the financial liability is disclosed above.

In connection with the Mezzanine financing, Euroins Insurance Group AD assumed financial liabilities (covenants) on a consolidated basis, described below, the performance of which is disclosed in the consolidated statement of the Company:

- Consolidated Net Debt to Consolidated EBITDA ratio calculated for 12 rolling months, not more than 3.00x for each quarter.
- The Solvency Capital Requirement (SCR) at Group level (Consolidated Level), according to Regulation 2015/35 (EU) is not less than 125% for each quarter.
- Combined Ratio at Consolidated level not more than 115% at the end of each financial year.

The Group is in the process of renegotiating the repayment period, interest rates and revision of the financial covenants set out in the Mezzanine financing agreement considering the information disclosed in Note 1.2 "Economic Group Structure".

24. Financial liabilities

The financial liability reported under this disclosure is connected with the financial guarantee provided to Eurohold Bulgaria AD by Euroins Insurance Group AD as part of Euro Medium Term Note Program (EMTN Program) traded on Irish Stock Exchange.

The guarantee was initially evaluated on January 01, 2018 according to the requirements of IFRS 9 at the amount of BGN 1,923 thousand. As at December 31, 2018, it was revalued, amounting to BGN 1,916 thousand.

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The realized revenue of BGN 7 thousand for 2018 was reported as financial income.

As at December 31, 2019, the guarantee was estimated at BGN 1,924 thousand and the realized expense of BGN 8 thousand for 2019 was reported as a financial expense.

As at December 31, 2020, the guarantee is estimated at BGN 1,941 thousand and the realized expense of BGN 16 thousand for 2020 is reported as a financial expense.

In 2020, a new financial guarantee is established in favour of the International Bank for Economic Co-operation (IBEC) to secure liabilities of Eurohold Bulgaria AD under a loan agreement in the amount of EUR 20 million concluded on July 28, 2020 and maturing 24 months from the date of the first tranche, but not later than 30 months from the date of signing of the contract. The guarantee as of December 31, 2020 is estimated at BGN 361 thousand based on the amount transferred at the date of this financial report by Eurohold Bulgaria AD amounting to EUR 15 million.

The assessment made is based on the expected probability of default of Eurohold Bulgaria AD, based on its credit rating. Euroins Insurance Group AD makes an annual review of the assumptions related to the recognized liability under the financial guarantee on the basis of available market information, taking into account the residual term as well as the change in the creditworthiness of Eurohold Bulgaria AD.

24.1. Subordinated liabilities

In BGN '000'	As at 31.12.2020	As at 31.12.2019
Payables on subordinated bond loan	19,558	19,558
Payables on Starcom Holding sub debt	24,643	-
Total subordinated liabilities	44,201	19,558

Dated 18 December 2014 the bond loan is issued in the form of 100 materialized, subordinated, unsecured as of the emission date bond notes with nominal value of EUR 100 thousand each. The loan has a contracted amount of EUR 10,000 thousand (BGN 19,958 thousand) and maturity date 18.12.2021. The interest rate consists of floating and fixed interest component, 13% plus 3M Euribor, due at each quarterend.

Under the terms of the bond loan there is a clause the interest rate to be reduced to 9.75% plus Euribor if a guarantee by Eurohold Bulgaria AD is issued. Such guarantee was issued on March 18, 2015, which reduced the interest rate.

On August 25, 2020, a loan agreement in the form of subordinated debt was signed with Starcom Holding AD with a limit of EUR 12.6 million, an interest rate of 6% and a repayment period not earlier than 5 years from the date of crediting the last tranche of the loan.

25. Equity

In BGN '000'	As at 31.12.2020	As at 31.12.2019 restated
Share capital	543,446	502,396
Revaluation and other reserves	(5,480)	(7,096)
Revaluation reserve from recalculations in the presentation currency in the consolidated financial statements	(11,425)	(793)*
	526,541	494,507*
Accumulated loss	(129,545)	(103,495)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total equity and reserves

396,996

391,012*

Due to the adjustments disclosed in Note 32 "Accounting errors and changes in accounting policy", the Group recalculated "Accumulated loss" as at December 31, 2019 from BGN 111,604 thousand to BGN 103,495, as well as the "Foreign currency translation reserve" from BGN (751 thousand) to BGN (793 thousand).

Shareholders' structure
In BGN

	As at 31 December 2020		As at 31 December 2019	
	Share capital BGN	Percentage	Share capital BGN	Percentage
Eurohold Bulgaria AD	521,456,462	95,95	513,066,162	94,41
Basildon Holding Sarl	21,989,329	4,05	30,379,629	5,59
	543,445,791	100.00	543,445,791	100.00

The shareholders' structure presented above shows the share capital registered with the Bulgarian Commercial register.

On 19 November 2015 the General meeting of the shareholders of the Company has voted a decision to increase the capital of the EIG by issuing 195,583,000 new materialized registered shares bearing voting rights with nominal value of BGN 1. And as at 31 December 2017 the registered share capital of the Company comprises of 483,445,791 shares, out of which 76,981,791 are materialized, registered, preferred shares and 406,464,000 are materialized, registered, common shares with nominal value of BGN 1 each.

The paid-in capital as at 31 December 2017 amounts to BGN 481,482,622. In 2018 the last installment of the capital increase of BGN 1,963 thousand has been paid in.

On 25 October 2018 a capital increase to the level of BGN 543,445,791 has been registered into the Commercial Register by issuing 60,000,000 new materialized, registered, common shares with nominal value of BGN 1, all of which have been subscribed by Eurohold Bulgaria AD. 25% of the nominal value have been paid in at the day of the registration in the Commercial Register with the rest being due in two years time. In 2019, BGN 3,950 thousand were paid in connection with the above-mentioned capital increase.

On July 31, 2020, BGN 22,296,462 were paid in connection with the above-mentioned capital increase.

On December 2, 2020, BGN 18,753,538 were paid in connection with the above-mentioned capital increase.

As of December 31, 2020, the subscribed capital is fully paid.

The ultimate parent company is Starcom Holding AD.

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26. Business combinations

26.1. Goodwill

In BGN '000'	As at 31.12.2020	As at 31.12.2019
IC Euroins AD	101,395	101,395
Euroins Romania Insurance- Reinsurance S.A.	52,715	52,715
Euroins Insurance AD, North Macedonia	10,368	10,368
Insurance Company Euroins Georgia AD	645	645
Total	165,123	165,123

The Group management has initiated the necessary procedures for impairment test of the recognized goodwill from the acquisition of subsidiaries hiring external appraisers to work in line with the generally accepted international evaluation standards. The test assumes that each individual company appears as a "cash-generating unit". As a basis for cash flow projections (before tax) financial budgets and other medium and long-term plans for the development and reconstruction of the Group activities have been used. The recoverable amount of each cash-generating unit is determined on a "value in use" basis. The key assumptions, used in calculations are defined specifically for each reputable entity treated as a separate cash generating unit and according to its specific activity, business environment and risks, as follows:

2020	Euroins Romania Insurance-Reinsurance S.A.	ZD Euroins AD	Euroins Insurance AD, North Macedonia	PJSC Euroins Ukraine IC	ZD Euroins Life EAD	ZD EIG Re EAD	PJSC ETI	Euroins Georgia	Euroins Belarus
Discount rate	9.6%	8.92%	11.36%	16.17%	9.91%	8.92%	15.17%	10.78%	14.17%
Growth rate	1.50%	1.00%	1.50%	1.50%	1.00%	1.25%	1.50%	2.00%	2.00%

2019	Euroins Romania Insurance-Reinsurance S.A.	IC Euroins AD	Euroins Insurance AD, North Macedonia,	PJSC Euroins Ukraine IC	IC Euroins Life EAD	IC EIG Re EAD	PJSC ETI	Euroins Georgia
Discount rate	8.38%	8.24%	9.36%	14.94%	10.07%	8.24%	14.94%	10.48%
Growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

The result of the test shows that the recoverable amount of the goodwill exceeds the carrying amount and there is no indication for impairment of this goodwill.

In accordance with its accounting policy the Group has recognized a goodwill as a result of business combinations, that include the following companies under common control in 2007 and 2008: Insurance company Euroins AD (IC Euroins AD), Euroins - Health Assurance ZEAD in 2007 and Euroins Romania Insurance-Reinsurance S.A. in 2008. The control of these companies has been acquired through a contribution-in-kind of shares at fair value by the Parent company as an increase of the registered capital of the companies. It is important to note that value of the investments after the share contribution and the net assets of EIG have been reconfirmed in 2008 when an external investor acquired minority participation of 20% at a fair market value of the shares following a due diligence procedure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group acquired CJSC ERGO Insurance Company Belarus in 2020. The acquisition cost amounted to BGN 3,433 thousand, and the value of each group of acquired assets, liabilities and contingent liabilities recognized at the acquisition date is as follows:

In BGN '000'	Recognized amount as of the date of acquisition
Total price paid	3,433
Net assets at fair value	7,702
Profit from a lucrative purchase	4,269

27. Non - controlling interest

Subsidiary	As at 31.12.2020	As at 31.12.2019
Insurance company Euroins AD (IC Euroins AD)	603	532
Euroins Romania Insurance-Reinsurance S.A	2,406	2,090
Euroins Osiguruvanje AD, Skopje	742	640
Insurance company Euroins Georgia AD	2,420	2,783
PJSC Euroins Ukraine Insurance Company	120	113
Euroins Insurance Belarus	531	-
Total non-controlling interest	6,822	6,158

28. Expected Credit Losses

The table below provides information on the expected credit losses of the Group in respect to all assets that are within the scope of IFRS 9:

In BGN '000'	As at 31.12.2020	As at 31.12.2019
Cash and cash equivalents	60,150	84,376
ECL on cash and cash equivalents	(157)	(159)
Net value of cash and cash equivalents	59,993	84,217
Financial Assets (loans and deposits) at amortized cost	127,771	75,869
ECL on Financial Assets (loans and deposits) at amortized cost	(320)	(316)
Net value of financial assets (loans and deposits) at amortized cost	127,451	75,553
Other receivables at amortized cost	50,719	49,713
ECL on other receivables at amortized cost	(2,014)	(4,816)
Net Value of other receivables at amortized cost	48,705	44,897

The table below provides information on the movement in the expected credit losses of the Group in 2020, in respect of the assets that are reported at amortized cost and are within the scope of the model under IFRS 9:

In BGN '000'	
Expected credit loss as at 01 January 2020	5,291
Increase/(Decrease) of ECL on cash and cash equivalents	3
Increase/(Decrease) of ECL on other financial assets at amortized cost	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Increase/(Decrease) of ECL on other receivables at amortized cost	(2,722)
Exchange rate differences	(95)
Expected Credit Loss as at 31 December 2020	2,491

29. Related parties

Parties are considered related when one of them is able to control the other or to exercise significant influence over decision making process related to the Group business activity. All significant inter-company transactions with related parties and directors have been classified as related party transactions. The related party transactions as at and for the year ended December 31, 2020 and 2019 may be classified in the following groups:

- Payments to management personnel
- Companies under common control and associated Group companies
- Parent company – Eurohold Bulgaria AD
- Ultimate Parent company – Starcom Holding AD

Information about transactions and balances about each group of related parties has been shown below.

29.1. Transactions with directors

In BGN '000'	Year ended 31.12.2020	Year ended 31.12.2019
Payments to directors and executive directors	3,843	3,716
Total	3,843	3,716

The directors of the Group are as follows:

Assen Milkov Hristov	Chairman of the Board of Directors Euroins Insurance Group AD, Bulgaria Member of the Board of Directors Euroins Romania Insurance-Reinsurance S.A., Romania until 25.03.2020
Kiril Ivanov Boshov	Executive Director, Euroins Insurance Group AD, Bulgaria Member of the Board of Directors Chairman of the Board of Directors Euroins Romania Insurance-Reinsurance S.A., Romania
Dominique Victor François Joseph Bauduin	Deputy Chairman of the Board of Directors Euroins Insurance Group AD, Bulgaria
Yoanna Tsvetanova Tzoneva	Executive Director Insurance Company Euroins AD, Bulgaria Chairman of the Management Board Executive Director Insurance Company EIG Re EAD, Bulgaria Member of the Management Board Member of the Board of Directors Insurance Company Euroins Life EAD, Bulgaria
Rumyana Gesheva Betova	Executive Director Insurance Company Euroins AD, Bulgaria Member of the Management Board Executive Director Insurance Company EIG Re EAD, Bulgaria Member of the Management Board

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Executive Director	Insurance Company Euroins Life EAD,
	Member of the Board of Directors	Bulgaria
	Member of the Supervisory Board	PJSC European Travel Insurance, Ukraine
Evgeny Svetosalvov Ignatov	Executive Director	Insurance Company Euroins AD, Bulgaria
	Member of the Management Board	
Petar Veselinov Avramov	Member of the Management Board	Insurance Company Euroins AD, Bulgaria
Velislav Milkov Hristov	Member of the Supervisory Board	Insurance Company EIG Re EAD,
		Bulgaria
Dimitar Stoyanov Dimitrov	Procurator	Insurance Company Euroins AD, Bulgaria
Radi Georgiev Georgiev	Member of the Board Directors	Euroins Insurance AD, North Macedonia
	Member of the Supervisory Board	Insurance Company EIG Re EAD,
		Bulgaria
Jeroen van Leeuwen	Executive Director	Insurance Company EIG Re EAD,
	Member of the Management Board	Bulgaria, from 18.02.2019
	Member of the Board of Directors	Euroins Romania Insurance-Reinsurance
		S.A., Romania
Andrey Georgiev Georgiev	Procurator	Insurance Company Euroins Life EAD,
		Bulgaria, from 05.02.2019
Milena Milchova Gencheva	Executive Director	Euroins Romania Insurance-Reinsurance
		S.A., Romania
Mihnea Traian Stefan Tobescu	Chief Executive Officer	Euroins Romania Insurance-Reinsurance
		S.A., Romania
Coleta Mihaela Ciriz	Member of the Board of Directors	Euroins Romania Insurance-Reinsurance
		S.A., Romania
Ralitza Guberova	Executive Member of the Board of Directors	Euroins Insurance AD, North Macedonia
Yanko Georgiev Nikolov	Executive Director	PJSC Euroins Ukraine Insurance
	Chairman of the Management Board	Company, Ukraine, from 21.01.2020.
	Member of the Supervisory Board	PJSC European Travel Insurance, Ukraine
Zoran Milkovski	Member of the Board of Directors	Euroins Insurance AD, North Macedonia
Vasil Stefanov Stefanov	Member of the Supervisory Board	Insurance Company Euroins Georgia AD
Ivan Dimitrov Hristov	Member of the Supervisory Board	PJSC Euroins Ukraine Insurance
		Company, Ukraine
Liudmila Sergeevna Kuzmenko	First Deputy Chairman of the Management Board	PJSC Euroins Ukraine Insurance
		Company, Ukraine from 20.08.2019
Andriy Valeriovich Yakovenko	Deputy Chairman of the Management Board	PJSC Euroins Ukraine Insurance
		Company, Ukraine from 20.08.2019
Tengiz Mezurnishvili	Chairman of the Supervisory Board	Insurance Company Euroins Georgia AD,
		Georgia
Levan Kakulia	Member of the Management Board	Insurance Company Euroins Georgia AD,
		Georgia
Eter Zhorzholiani	Member of the Management Board	Insurance Company Euroins Georgia AD,
		Georgia
Grigol Lomidze	Chairman of the Supervisory Board	Insurance Company Euroins Georgia AD,
		Georgia
Alexandre Chochia	Member of the Supervisory Board	Insurance Company Euroins Georgia AD,
		Georgia
Georgi Ivanov Markov	Deputy Chairman of Supervisory Board	Insurance Company Euroins Georgia AD,
		Georgia
	Chairman of Supervisory Board	PJSC European Travel Insurance, Ukraine

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Chairman of Supervisory Board	PJSC Euroins Ukraine Insurance Company, Ukraine, until 21.01.2020
Willem Iakon Westerlaken	Member of Supervisory Board	Insurance Company Euroins Georgia AD, Georgia
Iakob Edilashvili	Executive Director	Insurance Company Euroins Georgia AD, Georgia
Uludag Kagatai	Member of Management Board	Insurance Company Euroins Georgia AD, Georgia
Myroslav Mychailovych Boychyn	Member of Management Board	PJSC European Travel Insurance, Ukraine
	Executive Director	
	Chairman of the Management Board	
	Member of Management Board	PJSC Euroins Ukraine Insurance Company, Ukraine, from 18.04.2019
Andriy Mychailovych Nikolayev	Member of the Management Board	PJSC European Travel Insurance, Ukraine
Irina Nikolaevna Bulgakova	Member of the Management Board	PJSC European Travel Insurance, Ukraine
Velislav Milkov Hristov	Chairman of Supervisory Board	Euroins Belarus
Stefan Lubomirov Bojadjev	Member of Supervisory Board	Euroins Belarus
Milena Milchova Gencheva	Member of Supervisory Board	Euroins Belarus
Alexander Grigorievich Dementiev	Member of Supervisory Board	Euroins Belarus
Kiril Sergeevich Iakubovich	Executive Director	Euroins Belarus
	Member of Management Board	
Alexandros Skliris	Director	Euroins Claims IKE
	Member of Management Board	

29.2. Related party transactions

In BGN '000'	2020	2019
Transactions with companies under common control and associated Group companies:		
Written premiums	649	535
Commissions and no claim bonuses	1,066	1,008
Other revenue	461	239
Insurance claim indemnifications	5,786	6,139
Hired services	1,244	1,067
Interest income	294	938
Interest expense	6	67
Other expenses	54	266
Transactions with the Parent company and the ultimate Parent company:		
Interest income – Eurohold Bulgaria AD	964	489
Interest income – Starcom Holding AD	915	576
Interest expense – Starcom Holding AD	99	1
Interest expense – Eurohold Bulgaria AD	-	2
Consulting service fees – Eurohold Bulgaria AD	1319	998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29.3. Balances with related parties

In BGN '000'	As at 31.12.2020	As at 31.12.2019
Balances with companies under common control and associated Group companies:		
Other receivables	993	1,400
Receivables on loans	1,896	1,561
Investments in debt instruments	1,907	1,077
Receivables on sales	370	809
Finance lease payables	697	963
Other payables	529	467
Insurance claim indemnifications payables	1,337	1,381
Balances with the Parent company and the ultimate Parent company:		
Loan payables – Eurohold Bulgaria AD	2	2
Loan payables – Starcom Holding AD	24,742	41
Payables to Eurohold Bulgaria AD	80	87
Receivables on loans – Eurohold Bulgaria AD	10,208	14,496
Receivables on loans – Starcom Holding AD	18,887	5,390
Investments in debt instruments – Starcom Holding AD	744	2,701
Investments in debt instruments – Eurohold Bulgaria AD	48,029	23,045
Equity investments – Eurohold Bulgaria AD	362	2,243
Other payables – Starcom Holding AD	6,302	1,173
Other receivables – Eurohold Bulgaria AD	108	32

30. Assets and liabilities at fair value

When possible the Group estimates the fair value of a financial instrument using its quoted price on active markets. The market is considered active when the quoted prices are regularly-published and easily accessible and are result of actual and regularly closed direct market transactions. When the market for certain financial instrument is not active, the Group estimates its fair value using a pricing models or techniques of discounting the cash flows. The chosen valuation technique makes maximum use of the market data minimizing the use of non-specific for the Group valuations, comprising all factors that the market participants would take into account when establishing a price. The valuation technique is in line with the adopted economic methodologies for financial instrument pricing.

Financial assets reported at fair value through profit and loss, owned by the Group, are mainly securities that are traded on Bulgarian Stock Exchange (BSE) but also on other regulated stock markets in/outside the European Union and as of the end of the reporting period are valued on the basis of market quotations from the respective market. Due to the limited volumes traded and the specifics of the trade of these securities there is an uncertainty whether the fair value of the securities estimated on the basis of market quotations would be supported by the market in future transactions.

An analysis of the financial instruments and investment properties reported at fair value in the statement of financial position according to the used valuation methods as at December 31, 2020 and 2019 is presented in the table below:

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As at 31 December 2020

In BGN '000'

	Level 1	Level 2	Level 3	Total
Government bonds at fair value through profit and loss	95,494	-	-	95,494
Corporate bonds at fair value through profit and loss	20,599	48,694	3,743	73,036
Equity investments at fair value through profit and loss	47,795	72	5,320	53,187
Open-end investment funds	-	72,760	-	72,760
Investment properties	-	9,652	-	9,652
Total	163,888	131,178	9,063	304,129

As at 31 December 2019

In BGN '000'

	Level 1	Level 2	Level 3	Total
Government bonds at fair value through profit and loss	60,222	-	-	60,222
Corporate bonds at fair value through profit and loss	61,992	26,311	-	88,303
Equity investments at fair value through profit and loss	75,982	-	4,222	80,204
Open-end investment funds	-	11,955	-	11,955
Investment properties	-	15,703	-	15,703
Total	198,196	53,969	4,222	256,387

The Group has estimated the fair value of the securities registered for trade on the stock market on the basis of the last transaction price, weighted average price of closed transactions and bid prices of market orders, depending on the information available.

31. Segment reporting

The Group operates mainly in the following countries: Bulgaria, Romania, Ukraine, North Macedonia, Greece, Poland, Italy, Spain, Germany, United Kingdom, Netherlands, Georgia and Belarus. In Bulgaria, Romania, Ukraine, North Macedonia and Georgia the Group writes insurance premiums through its subsidiary companies as follows:

- in Bulgaria through Insurance company Euroins AD, Insurance company Euroins Life EAD, and insurance company EIG Re EAD;
- in Romania through Euroins Romania Insurance-Reinsurance S.A.;
- in North Macedonia through Euroins Insurance AD;
- in Ukraine through PJSC Euroins Ukraine Insurance Company and PJSC European Travel Insurance;
- in Georgia through Insurance Company Euroins Georgia AD.
- In Belarus through CJSC IC Euroins Belarus

In Greece, , Spain, Italy, United Kingdom, Germany ,Netherlands and Poland , the Group writes direct insurance business through its subsidiary company Insurance company Euroins AD on the principle of Freedom to provide services and establishment (Greece) on the territory of the European economic area.

Information about the income from written premiums and the non-current assets different from financial instruments, deferred tax assets, and post-employment benefit assets, is shown as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In BGN '000	Gross written premiums		Property, plant and equipment	
	Year ended 31.12.2020	Year ended 31.12.2019	31.12.2020	31.12.2019 restated
Bulgaria	131,651	139,989	16,529	19,302
Romania	530,317	529,938	7,615	5,896
North Macedonia	23,052	25,871	619	1,958
Greece	55,118	48,685	557	462*
Spain	18,679	18,586	-	-
Italy	12,484	8,674	-	-
Ukraine	33,458	38,631	3,422	4,695
Georgia	12,747	9,926	1,067	1,608
Poland	69,011	25,600	-	-
Belarus	10,205	-	2,090	-
UK	13,599	-	-	-
Netherlands	1,812	-	-	-
Germany	2,232	1,816	-	-
	914,365	847,716	31,899	33,921*

Operational segments

The Group identifies the following operational segments:

- Euroins Bulgaria – Insurance Company Euroins AD;
- Euroins Romania – Euroins Romania Insurance-Reinsurance S.A.;
- Euroins North Macedonia – Euroins Insurance AD;
- Others – Insurance company Euroins Life EAD, Insurance company EIG Re EAD, PJSC Euroins Ukraine Insurance Company, PJSC European Travel Insurance, Insurance Company Euroins Georgia AD, Euroins Claims I.K.E., Greece and CJSC IC Euroins, Belarus.

The Group defines its operational segments as such when:

- they undertake business activities which generate income and expenses to the Group;
- their operational results are regularly reviewed by the Management of the Group and the result of the segment activity are evaluated on that basis;
- their operational results are reviewed when decisions about the resources allocated between the segments are to be made;
- separate financial information is available.

The key indicators followed by the Group are the following:

1. Gross written premiums;
2. Net earned premiums;
3. Claims incurred, net of reinsurance;
4. Fees and commission income;
5. Net financial income / expenses – represent on a net basis Financial income and Financial expenses from the Consolidated statement of comprehensive income;
6. Net operating income / expenses – represent on a net basis Other operating income and Other operating expenses from the Consolidated statement of comprehensive income;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Acquisition costs;
8. Administrative costs;
9. Operational profit / (loss);

Year ended 31.12.2020 In BGN '000'	Euroins Bulgaria	Euroins Romania	Euroins North Macedonia	Others	Total
Gross written premiums	289,025	530,317	23,052	71,971	914,365
Net earned premiums	145,932	268,020	21,268	52,804	488,024
Claims incurred, net of reinsurance	(60,551)	(178,570)	(12,719)	(31,922)	(283,762)
Fees and commission income	39,140	42,055	18	2,198	83,411
Net financial income / expenses	502	2,247	172	7,704	10,625
Net operating income / expenses	(19,089)	(42,446)	(571)	(1,970)	(64,076)
Acquisition costs	(76,055)	(112,223)	(6,312)	(18,152)	(212,742)
Administrative costs	(15,499)	(14,624)	(1,532)	(13,983)	(45,638)
Operating profit / (loss)	14,380	(35,541)	324	(3,321)	(24,158)

Year ended 31.12.2019 In BGN '000'	Euroins Bulgaria	Euroins Romania	Euroins North Macedonia	Others	Total
Gross written premiums	238,163	529,938	25,871	53,744	847,716
Net earned premiums	117,008	269,375	22,327	46,888	455,598
Claims incurred, net of reinsurance	(48,944)	(190,245)	(13,331)	(21,662)	(274,182)
Fees and commission income	33,430	71,193	142	574	105,339
Net financial income / expenses	(459)	13,326	870	5,181	18,918
Net operating income / expenses	(11,297)*	(33,002)*	(1,461)	(1,930)	(47,690)*
Acquisition costs	(63,264)	(112,961)	(6,547)	(16,168)	(198,940)
Administrative costs	(12,872)*	(13,209)	(1,360)	(12,662)	(40,103)
Operating profit / (loss)	13,602*	4,477*	640	221	18,940*

32. Accounting errors and changes in accounting policy**32.1. Disclosure of accounting errors**

A) Accrued depreciation and depreciation expenses in 2019 related to the operations of the Branch of IC Euroins AD in the Hellenic Republic

In 2019, in connection with the start of operations of the Branch of IC Euroins AD in the Hellenic Republic on the basis of the right of establishment (Freedom of Establishment) in another country of the European Union, the Branch should have charged depreciation expense on newly purchased tangible fixed assets, related to the opening of the Branch in Greece. This expense and the corresponding accrued depreciation as a balance sheet item amounts to BGN 127 thousand. As a result of the accounting error the following adjustments are made:

- Administrative expenses for the comparable period are recalculated to BGN (40,103) thousand from BGN (39,976) thousand.

B) Current tax liability and expense in 2019 related to the operations of the Branch of IC Euroins AD in the Hellenic Republic

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In 2019, in connection with the start of operations of the Branch of the IC Euroins AD in the Hellenic Republic on the basis of the right of establishment (Freedom of Establishment) in another country of the European Union, the Branch had to accrue current tax related to the activities of the Branch in Greece in 2019. This expense and the respective liability amount to BGN 283 thousand. As a result of the accounting error the following adjustments are made:

- Expenses for current taxes for the comparable period are recalculated to BGN (1,600) thousand from BGN (1,317) thousand.

C) Liabilities and expenses reported in 2019 related to the Liquidation activity of the IC Euroins AD in the European Union

In the process of reviewing its operations in the European Union, operating on the basis of the right to Freedom of Services (Freedom of Services), IC Euroins AD identified expenses that were not accrued in the period 2015-2019.

Due to the nature of the expenses and their tax effect, upon subsequent inspection by state bodies, the Company was obliged to accrue additional moratorium interest in the amount of BGN 401 thousand. As a result of the accounting error the following adjustments are made:

- Other operating expenses for the comparable period are recalculated to BGN (52,518) thousand from BGN (56,565) thousand. This adjustment also includes the effect of the change in accounting policy disclosed in Note 32.2. Change in accounting policy amounting to BGN 4,179 thousand decrease of other operating expenses.

32.2. Change of accounting policy

In 2020, Euroins Romania changed its accounting policy regarding the treatment of incurred expenses to the Romanian Guarantee Fund. The change consists of their deferral in order to present them more reliably in compliance with the matching principle. As a result of the change in the accounting policy, the following adjustments are made in 2019 and previous periods:

- "Receivables and other assets" increase amounting to BGN 9,542 thousand (recalculated to BGN 182,682 thousand. from BGN 173,140 thousand);
- "Other operating expenses" decrease amounting to BGN 4,179 thousand (recalculated to BGN (52,518) thousand from BGN (56,565) thousand including the effect of Note 32.1. Disclosure of accounting errors).

As a result of the procedures performed in 32.1. and 32.2. the following adjustments are made in the Equity:

- Accumulated loss for the comparable period as at December 31, 2019 is recalculated to BGN (103,945) thousand from BGN (111,604) thousand, in connection with the reported accounting error and change in accounting policy. The effect of the above adjustments amounts to BGN 3,637 thousand (adjustments in 2019) and BGN 4,472 thousand. (adjustments previous periods);
- Reserve from recalculation in the currency of presentation of foreign activities is recalculated to BGN (793) thousand from BGN (751) thousand.

32.3. Disclosure of the effects of accounting errors and other reclassifications in the statement of financial position

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In BGN '000'	As at 31.12.2019	Increase/Decrease	As at 31.12.2019 restated
Assets			
Goodwill	165,123	-	165,123
Intangible assets	2,542	-	2,542
Property, plant and equipment	34,048	(127)	33,921
Investment properties	15,703	-	15,703
Financial assets	323,813	-	323,813
Reinsurers' share in technical reserves	463,829	-	463,829
Deferred tax assets	12,359	-	12,359
Receivables and other assets	173,140	9,542	182,682
Cash and cash equivalents	84,217	-	84,217
Total assets	1,274,774	9,415	1,284,189
Liabilities			
Insurance reserves	768,308	-	768,308
Reinsurance and other payables	85,698	1,348	87,046
Loans	10,124	-	10,124
Financial liabilities	1,924	-	1,924
Deferred tax liabilities	59	-	59
Total liabilities	866,113	1,348	867,461
Subordinated liabilities	19,558	-	19,558
Equity			
Share capital	502,396	-	502,396
Revaluation and other reserves	(7,096)	-	(7,096)
Foreign currency translation reserve	(751)	(42)	(793)
Accumulated loss	(111,604)	8,109	(103,495)
Total equity attributable to the owners of the Parent company	382,945	8,967	391,012
Non – controlling interest	6,158	-	6,158
Total equity	389,103	8,067	397,170
Total liabilities and equity	1,274,774	9,415	1,284,189

32.4 Disclosure of the effects of accounting errors in the statement of profit or loss and other comprehensive income

In BGN '000'	31.12.2019	Increase/Decrease	31.12.2019 Restated
Gross written premiums	847,716	-	847,716
Premiums ceded to reinsurers	(382,722)	-	(382,722)
Net written premiums	464,994	-	464,994
Change in the gross unearned premium reserve and unexpired risk reserve	(37,532)	-	(37,532)
Change in reinsurers' share in the unearned premium reserve and unexpired risk reserve	28,136	-	28,136
Net earned premiums	455,598	-	455,598

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Fees and commission income	105,339	-	105,339
Financial income	36,010	-	36,010
Other operating income	4,828		4,828
Net income	601,775	-	601,775
Claims incurred, net of reinsurance	(274,182)	-	(274,182)
Acquisition costs	(198,940)	-	(198,940)
Administrative costs	(39,976)	(127)	(40,103)
Financial costs	(17,092)	-	(17,092)
Other operating costs	(56,565)	4,047	(52,518)
Operating profit/loss	15,020	3,920	18,940
Other net income	(1,091)	-	(1,091)
Profit before tax	13,929	3,920	13,670
Income tax expenses	(1,317)	(283)	(1,600)
Net Profit/loss for the year	12,612	3,637	12,070
Net (loss)/profit, attributable to:			
Owners of the Parent company	12,658	3,654	16,222
Non – controlling interest	(46)	72	27

33. Contingent Liabilities

According to the statutory requirements, part of the Group also recognizes contingent liabilities and the relevant information is presented below:

Insurers that offer compulsory motor third party liability insurance present a bank guarantee in accordance with the Statute of the National Bureau of Bulgarian Motor Insurers (NBBAZ). As at December 31, 2020 and 2019, two of the Bulgarian companies in the Group (IC Euroins AD and IC EIG Re EAD) provide separate bank guarantee amounting to EUR 600 thousand each in favor of NBBAZ, as the funds securing the bank guarantees are blocked on the current account of the two companies.

In connection with the participation of IC Euroins AD through its branch in the Hellenic Republic in the so-called friendly settlement agreement between the insurers that offer compulsory motor third party liability insurance on the territory of the Hellenic Republic, a bank guarantee has been established in favor of the Greek Association of Insurers. As at December 31, 2020 the bank guarantee is amounting to EUR 243 thousand (BGN 475 thousand) and the funds are blocked on a deposit account of the Branch .

Restricted deposits amounting to BGN 494 thousand (2019: 526 thousand) of Euroins Insurance AD, North Macedonia in the National Insurance Bureau under the provisions of North Macedonian Law on Insurance Supervision Members' deposits are kept in separate bank accounts. The Bureau is not allowed to invest the assets and is obliged to return the deposits if the members cease to provide Motor vehicle insurances. A restricted deposit from Euroins Romania amounting to BGN 1,096 thousand is also included. (2019: BGN 1,059 thousand).

On February 20, 2020, a contract was signed with the Municipal Bank for financial collateral with the provision of a pledge in the amount of EUR 2,500 million under a bank loan agreement with Starcom Holding AD.

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Euroins Insurance Group AD in its role of collateral retains its right of ownership over the financial collateral.

On August 25, 2020, a loan agreement was signed between Banque Cramer & Cie SA (Lender) and Starcom Holding AD (Borrower) in the amount of EUR 10 million and maturity of the last instalment on June 30, 2025. The borrower should provide it to its subsidiary - Euroins Insurance Group AD, which in turn should provide a subordinated debt to its subsidiary Euroins Romania. In connection with securing the obligation of Starcom Holding AD, a credit derivative is concluded between Banque Cramer & Cie SA and Euroins Insurance Group AD, respectively the resulting contingent liability for Euroins Insurance Group AD is insured by IC Euroins AD for the entire term of the loan agreement.

34. Events after the end of the reporting period

There are no adjusting events or significant non-adjusting events between the date of the consolidated financial statements and the date of their approval for publication, other than those described below:

-On January 2, 2021, the General Assembly of CJSC "ERGO" Insurance Company "Belarus adopted a decision to invalidate the owned own shares (1,448 shares) and to reduce the capital accordingly. On February 11, 2021 the Ministry of Finance of Belarus registered the capital decrease, Euroins Insurance Group AD became the sole owner of the capital of CJSC "ERGO" Insurance Company "Belarus;

-On February 19, 2021, a loan agreement in the form of a subordinated debt was signed between Starcom Holding AD (Lender) and EIG AD (Borrower) in the amount of EUR 10 million and an interest rate of 6%. The repayment period is not earlier than 5 years from the transfer of the last tranche under the contract. In March 2021, the first tranche of EUR 5 million was transferred;

-On March 2, 2021, a loan agreement in the form of a subordinated debt was signed between EIG AD (Lender) and Euroins Romania (Borrower) in the amount of EUR 5 million. In March 2021, the first tranche of EUR 3.5 million was transferred;

-At the end of September 2020, the Company received a decision №. 1137 / 29.09.2020, whereby the Romanian financial regulator imposed a fine of RON 1.5 million and required the submission of two plans: a Short-Term Financing Plan and a Long-Term Recovery Plan. Through these plans, Euroins Insurance Group AD adopts a financial support package consisting of: a) subordinated debt, paid on June 26, 2020 in the amount of EUR 5.5 million, respectively RON 27 million; (b) subordinated debt provided by a contract signed on 29 June 2020 in the amount of EUR 10 million, respectively RON 48.7 million and (c) a capital increase, (Extraordinary General Meeting of Shareholders on September 17, 2020) in the amount of RON 50 million. On December 3, 2020 Euroins Insurance Group AD decided to convert the two subordinated debts totally amounting to RON 75.7 million, as well as the calculated, but unpaid interest amounting to RON 0.8 million as of September 30, 2020 into equity. With Decision 342/March 11, 2021, the capital increase of RON 50 million was approved by the local financial regulator. The short-term financing plan was approved with Decision 1469/December 14, 2020 and was fully implemented within the deadline imposed by the decision of the Romanian Financial Regulator. The long-term recovery plan was adopted with Decision 22/January 07, 2021 and contains measures and actions in almost all areas of activity of the Company, which will lead to efficiency and profitability. The implementation of the measures and actions continues and refers to: digitalization, claim processes, portfolio restructuring (including sales channels), IT improvements, etc. The company challenged Decision 1137/29.09.2020 of the Romanian Financial Regulator in court, opening a lawsuit against it;

-On March 11, 2021, Ms. Tanya Blatnik was approved as Executive Director of Euroins Romania by the local financial regulator;

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-On March 31, 2021, Mr. Kiril Boshov was approved as Chairman of the Board of Directors of Euroins Romania by the local financial regulator;

- In the first few months of 2021, the negative impact of Covid-19 has not diminished due to the spread of a new strain of the virus worldwide, and the related continuation of restrictive measures and the extension of the epidemic situation until 31 May 2021 (by decision of the Council of Ministers of April 28, 2021). The management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects;

-Since the end of last year, the news about the vaccines approved by the European Union has dominated. They ensure prevention of severe and fatal disease and greatly reduce the risk of developing the symptoms of the virus. A vaccination process has already started in Bulgaria. The management considers this to be a non-adjusting event after the date of the reporting period;

-Official Brexit in early 2021 marks the beginning of new economic relations between the Kingdom of Great Britain and the countries of the European Union. The management is closely monitoring the situation and plans to take all possible steps to mitigate the potential effects.

35. Approval of the consolidated financial statements

The Consolidated financial statements as at December 31, 2020 (including comparatives) is approved for issue by the Board of Directors on May 07, 2021.