PRVA GROUP

AUDITED ANNUAL REPORT 2020

CONTENTS

BUSINESS REPORT

1 INTRODUCTORY WORD FROM THE MANAGEMENT BOARD

2020 was largely marked by the Covid-19 pandemic, affecting the macroeconomic situation and activity in all the markets where we operate. Regardless of the challenging environment, the past year was very successful, as we used the new situation to implement digital transformation in our Group's companies while obtaining new customers and increasing assets under management despite the dramatic lockdown restrictions in many countries. Prva Group remains one of the leading providers of income protection products in Central and South-East Europe; moreover, we are present in the banking sector with our stake in Deželna banka Slovenije.

In terms of assets under management, our major market is still the Republic of North Macedonia, where KB Prvo penzijsko društvo AD Skopje is the leading provider of mandatory supplementary pension and voluntary pension insurance. The mandatory pension insurance pillar was composed of three pension insurance companies in 2020, resulting in slower payment growth compared to previous years; there were no major market share shifts; and we have maintained a leading market share of just under 53 percent of assets under management.

We have maintained growth trends in our key operational elements on the Slovenian market. Insurance marketing was prohibited for some time in the first part of the year, which Prva osebna zavarovalnica used to implement a quick upgrade of its digital operations, thereby becoming the first insurance company in Slovenia to enable the sale of life insurance online, including video identification. Despite historically large falls on capital markets at the start of the year, Prva osebna zavarovalnica maintained adequate capital ratios, which again reached pre-fall levels by the end of the year. Returns on all funds managed by us were positive and above-average compared to our competitors. Even so, the continued downward bond yield curves had a large impact on our operations, so we developed additional provisions. Nevertheless, we ended 2020 with higher profit compared to 2019.

Operations in Serbia were also difficult, evidenced partially in fewer regular payments and fewer new clients than planned. The stabilisation of relative market shares is positive; DDOR Garant was the only pension company recording a slight increase in market share. With positive returns, assets under management increased by 4.3%. Even before the start of the pandemic, we had equipped company management with new knowledge and insight by making organisational change, thereby substantially increasing effectiveness and enabling a systematic approach to the market. Despite the additional investment in digitalisation, profit in 2020 exceeded 2019's by 11.5%, surpassing the plan.

The period ahead will be marked by developing an exit strategy from the pandemic, including looking for new opportunities. Pursuant to intensive investment in digitalisation, we will particularly focus on promoting new channels for our existing and potential clients. The implementation of IFRS 17's regulatory requirement is in its final phase and will dramatically transform insurance company monitoring operations. Furthermore, we expect an easing of dividend payout restrictions, which will ensure operational predictability for all Group companies, including the holding. We have recently endorsed management terms of office in the majority of our companies, which assures stable management, development project implementation and operational growth.

Boštjan Škufca Zaveršek
President of the management board

2 THE ACTIVITIES OF THE COMPANY AND THE GROUP AND ITS DEVELOPMENT

Basic information:

Name: Skupina Prva d.d. (Prva Group plc.)

Adress: Fajfarjeva ulica 33, 1000 Ljubljana

VAT identification number: SI28012593

Base capital: 13.386.247 EUR

Prva Group - Skupina Prva, d.d. (formerly Prva pokojninska družba d.d.) is a mixed-activity financial holding in which 3 pension companies, 1 insurance undertaking and 1 company engaged in marketing insurance products of a sister company, operated in 2020.

The Company's activity includes holding operations in insurance and pension funds.

Grant Thornton Audit d.o.o. was appointed in 2020 for the auditor of the Company and the Group.

Prva Group - Skupina Prva, mixed financial holding company, plc. is a public limited company set up for an indefinite period of time.

In 2020, the following enterprises operated within the Group: Prva osebna zavarovalnica d.d. in Slovenia, KB Prvo in Macedonia, DDOR Garant in Serbia, FSKP in Kosovo, and Prva zavarovalniško zastopniška družba, d.o.o. in Slovenia.

Prva Group - Skupina Prva, mixed financial holding company, plc. compiled consolidated financial statements of the Group, which includes five subsidiaries, under IFRS as adopted by the EU. The consolidated financial statements are based on the original financial statements of the enterprises included in consolidation, inclusive of the necessary consolidation adjustments which, however, are not subject to posting in the financial statements of the enterprises included in consolidation. In the financial statements, subsidiaries are accounted for under the cost method. The report includes presentation of the operations of the long-term business funds managed by the subsidiaries.

Prva Group does not have any branch offices either in Slovenia or abroad.

In the Annual Report, Skupina Prva plc. is referred to as Skupina Prva, Prva Group or the Company, whereas Skupina Prva Group is referred to as Skupina Prva Group or the Group.

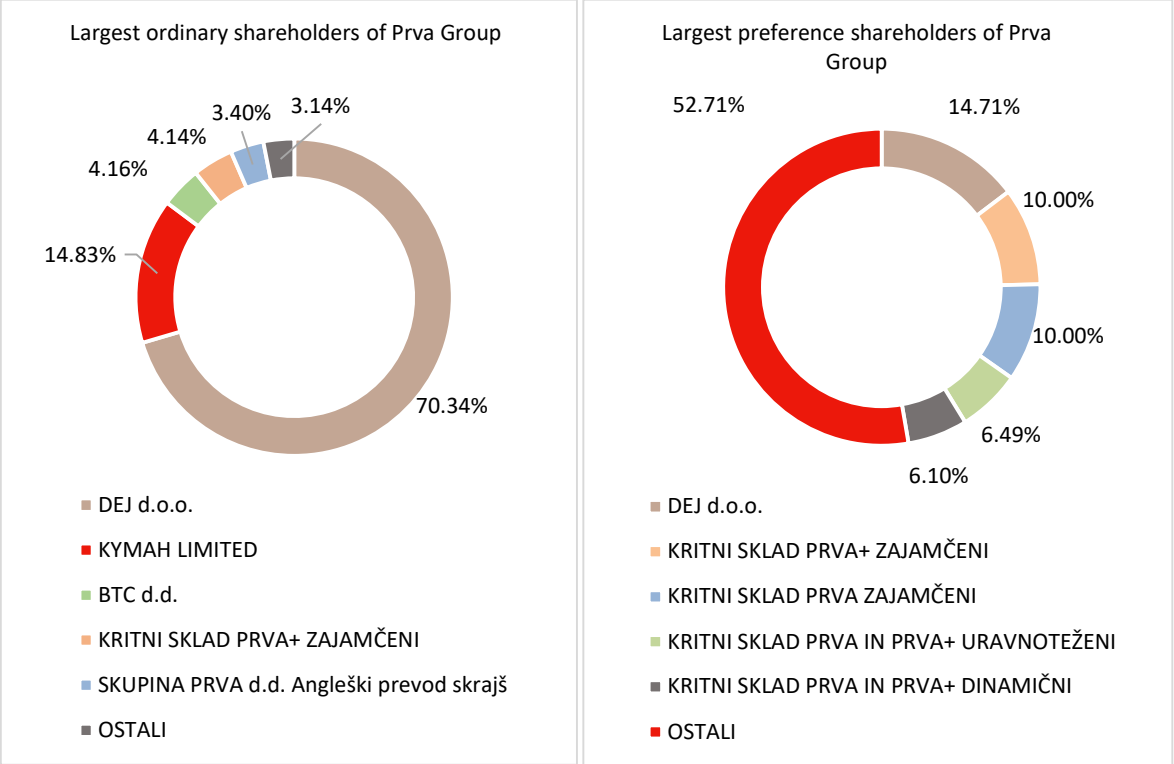
The company has not yet adopted any diversity policy in relation to the presentation in the governance or supervisory bodies regarding gender, age or education. Nevertheless, the structure of the governance and supervisory bodies is heterogeneous and ensures maximum complementarity between knowledge and experience of their members. Company's board does not plan to accept a diversity policy in 2021, but it will do so in the future if required by the legislature.

3 SHARE CAPITAL AND SHAREHOLDERS

The Company's share capital amounts to €13,386,247 and did not change in 2020. Individual capital elements are described in detail in Section 15.10. "Equity".

The owners of Prva Group, insurance holding company, plc. are successful Slovenian and foreign companies, members of the Supervisory and Management Boards and other shareholders, as well as companies that have included their insurants in one of the pension schemes of Prva osebna zavarovalnica, d.d. The ultimate parent of Prva Group, insurance holding company, plc. is A-Z Finance d.o.o.. A-Z Finance was founded in 1998 and the majority owner is Alenka Žnidaršič Kranjc.

Graph 1: Five largest shareholders of ordinary and preference shares of Prva Group, plc. as at 31 December 2020



Source: The Share Register of Prva Group plc.

21 legal entities or natural persons are owners of class A ordinary shares. The largest shareholders among them are Dej d.o.o. with a 70.34% holding, Kymah Limited with a 14.83% holding, and BTC with a 4.16% holding. The others own a total of 10.67% of ordinary shares.

Class B shares are owned by 64 legal entities or natural persons. The largest stake is owned by Dej d.o.o. in the amount of 14.7%, Prva osebna zavarovalnica d.d. - Kritni sklad Prva+ Zajamčeni in the amount of 10.00%, followed by Prva osebna zavarovalnica d.d. – Kritni sklad Prva Zajamčeni with 10.00% stake. The others own a total of 65.3% of preference shares.

At the end of 2020, the Company does not possess any authorised capital for the payment of shares.

4 COMPANY BODIES

The Company's bodies consist of the General Meeting, the Supervisory Board, the Management Board, and the Audit Committee.
The General Meeting of the Prva Group is comprised of legal entities and natural persons possessing shares of the Prva Group.
The Supervisory Board consists of four members. All are representatives of the capital.
The Management Board represents and presents the Company. The Company's Management Board consists of the President Boštjan Škufca Zaveršek.
The owners of the Company have the right to change the financial statements after their approval by the Management Board.

4.1 REPORT ON THE WORK OF THE SUPERVISORY BOARD AND AUDIT COMMITTEE OF PRVA GROUP

The four-member Supervisory Board performed its duties and tasks in accordance with provisions of the Insurance Act, Companies Act, Articles of Association, and Rules of Procedure of the Supervisory Board in 2020.

SUPERVISORY BOARD
In 2020 the Supervisory Board consisted of Nicholas Andrew Lindsay Stuart (Chairman), Helena Petrin, Miha Kranjc and Matej Akrapovič.

SUPERVISORY BOARD'S TASKS
The Supervisory Board monitored and discussed the operations of the Company and the work of the Management Board in two regular sessions and two conference calls in 2020. It carried out the legally prescribed supervision of the Company's operations and supervised the implementation of the resolutions adopted in previous sessions and at the General Meetings of the Company.

In 2020, the work of the Supervisory Board further consisted of addressing the Annual Report of Prva Group, insurance holding company, plc., for 2019, forming the opinion of the Supervisory Board on the Annual Report for 2019 and Reports of the Audit Committee for 2020, addressing and adopting the Business Plan for 2021-2023, and ongoing supervision of all the Company's operations and the comparison of the objectives realised with those planned.

At its last session in 2020 and with an outlook on the future operations of the Company, the Supervisory Board adopted the Business Plan for 2021-2023 and was informed of the plans of all the subsidiaries for the same strategic period. The Supervisory Board was informed about the decisions of the supervisory bodies in a timely fashion and monitored their implementation.

At the meeting on 21th April 2021, the Supervisory board reviewed the Annual Report of Prva Group for 2020 and recommend the General meeting to adopt it.

AUDIT COMMITTEE
The Supervisory Board established a three-member Audit Committee. In 2020, the board was composed of Nicholas Andrew Lindsay Stuart (Chairman), Helena Petrin (Deputy Chairperson) and Sara Čučnik (Independent Expert).

The tasks and competencies of the Audit Committee are laid down in the Companies Act, Rules of Procedure of the Audit Committee, Rules of Procedure of the Supervisory Board and decisions adopted by the Supervisory Board.

In 2020, the Audit Committee addressed the following topics in two regular sessions and two conference calls:

- risk management and internal control efficiency (monitoring of the relevance of risk management, provision of sufficient amount of capital and monitoring internal controls efficiency and performance);
- efficiency and performance of the internal audit services in subsidiaries (monitoring efficiency and performance of internal audit services in individual subsidiaries through quarterly reports of internal auditors in subsidiaries or declarations made by internal auditors);
- financial statements and external audit (proposing appointment of external auditors, participating in drafting contracts between the auditor and the insurance undertaking, checking and monitoring auditor's independence, monitoring audit of the annual financial statements, cooperating with external auditors and assessing the annual report structure);
- integrity of financial information provided by the insurance undertaking (monitoring financial reporting procedures and their integrity);

The Audit committee issued an Annual Report on its work performed in 2019 which, among other, includes a consideration of the auditor's opinion on the Annual Report of Prva Group plc for 2019, the consolidated Annual Report of Prva Group plc for 2019, and Report on Related Party Transactions for 2019.

Ljubljana, 21 April 2021

Nicholas Andrew Lindsay Stuart
Predsednik nadzornega sveta

4.2 STATEMENT OF THE RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board approved the publication of the financial statements, accounting policies used and notes to the financial statements on 09 April 2021.

The Management Board is responsible for preparing the annual report which represents a true and fair view of the Company's and the Group's financial position and of their financial results for the year 2020.

Members of the Management Board and the Supervisory Board confirm that the Annual Report of the Group ad the Company, and its integral parts, inclusive of the corporate governance statement, have been compiled and published in accordance with the Companies Act and International Financial Reporting Standards, as adopted by the EU.

The Management Board is responsible for the preparation of the annual report of the Group and the Company, including the financial statements and consolidated financial statements and notes thereto that give a true and fair presentation of the financial position of the Company and the Group.

The Management Board confirms that the financial statements of the Company and the Group have been compiled under the assumption of a going concern, that the appropriate accounting policies have been consistently applied, and that any changes in these have been disclosed, and that accounting estimates have been made based on the principle of prudence and due diligence.

The Management Board is also responsible for the adoption of measures to secure the assets of Prva Group, insurance holding company, plc., and to prevent and detect fraud and other irregularities and/or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that may result in a significant tax liability.

Pursuant to Articles 545 and 546 of the Companies Act, the management submitted a Report on transactions with the parent and other subsidiaries in the Group, confirming the fact that in view of the circumstances known at the time these legal transactions were made, Prva plc. was not disadvantaged in transactions with the parent or its related parties. Furthermore, no legal transactions were undertaken in 2020 and no actions were either carried out or omitted, which could cause damage to the Company as a result of the influence imposed by the parent.

Ljubljana, 09 April 2021

Boštjan Škufca Zaveršek

President of the Management Board

4.3 CORPORATE GOVERNANCE STATEMENT

Pursuant to the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the Company issues the following corporate governance statement for the period from 1 January to 31 December 2020.

The Company applies the Corporate Governance Code for Public Limited Companies adopted by the Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia on 27 October 2016 and, which came into effect on 1 January 2017 and is available on the website of the Ljubljana Stock Exchange (www.ljse.si). While the application of the Corporate Governance Code for Public Companies (the Code) is not obligatory, the Company is required to disclose the recommendations not complied with including explanation of the reasons for non-compliance.

In 2015 the Company adopted the Corporate Governance Policy, which sets out the main guidelines for corporate governance of subsidiaries, considering long-term objectives of the Company and the legislation applicable to a country of the subsidiaries. The Company did not decide to use any other corporate governance.

Derogation from the Code

The Company has adopted a decision to apply by analogy rather than explicitly follow recommendations of the Code based on the following facts:

- The activity of the Company is limited to the management of participations in subordinated companies and generates revenue almost exclusively from dividends received from companies in which it holds equity shares. To ensure the relevant level of corporate governance in subordinated companies, in 2015 the Company adopted a corporate governance policy of the Prva Group plc., which is applicable to all subordinated companies.
- In line with the Company's scope of operations, in 2020 the Company employed 4 members of staff.
- The share capital of the Company is divided into two classes of shares (regular shares with voting rights and preference shares without voting rights). However, only preference shares are quoted on the stock exchange (without voting rights and without the right to participation in the governance of the Company). The company’s ownership structure in 2020 in terms of both classes of shares has been stable with a relatively low number of shareholders and minor ownership changes.
- Considering the limited scope of the Company's activities and very few staff, as well as relatively stable ownership, the Company made a study of costs associated with compliance with the recommendations of the Code and assessed that further compliance with the Code was not cost efficient and would not contribute to the maximisation of the Company's value. The Company does comply with all the binding provisions of the relevant legislation that directly refer to the corporate governance of public limited companies.

Description of key characteristics of the internal control and risk management systems in the Company relating to the financial reporting process

Within the framework of the internal control system and risk management related to the financial reporting process, special attention is devoted to:

- Identifying important business events that have a direct or significant impact on the financial reporting;
- Accounting categories and individual accounts and the related processes;
- Regular updating and documenting of the business processes flow;
- Assessing the results and eliminating the weaknesses identified in the planned or existing internal controls.

Information referred to in items 3, 4, 6, 8 and 9 of the sixth paragraph of Article 70 of ZGD-1

The Company rules regarding appointment and replacement of members of the Management Board and the Supervisory Board are specified in the Articles of Association. All amendments to the Articles of Association may be adopted by the General Meeting with a majority of no less than 81% of the share capital represented. The share capital's structure is explained in Section "Share capital and shareholders". The Company did not adopt any specific restrictions regarding voting rights other than in terms of preference shares which are, according to the Articles of Association, without voting rights. The Company rules regarding appointment and replacement of members of the Management

Board and the Supervisory Board are specified in the Articles of Association. No other rules have been adopted. Members of the Management are not authorised for issuing or acquiring treasury shares.

The Management Board convenes the General Meeting of Shareholders at least one month in advance. Usually, it is convened at the head office of the Company. The competences of the General Meeting of Shareholders are stipulated in the Companies Act (ZGD-1). The General Meeting decides with a majority of votes cast by the share capital represented. Shareholders can exercise their rights at the General Meeting either in person or by proxy. Shareholders' rights are specified in the Articles of Association and applicable legislation.

Information on corporate and supervisory bodies

In 2020 Management Board consist of one member, Boštjan Škufca Zaveršek as the President. The Management Board performs its duties in accordance with statutory provisions, Articles of Association, internal rules and the established and generally accepted good business practices. The same applies to the Supervisory Board whose composition and tasks as well as those of its Audit Committee, are described in detail in Section "Report on the work of the Supervisory Board and Audit Committee of Prva Group".

Ljubljana, 09 April 2021

Boštjan Škufca Zaveršek

President of the Management Board

5 GENERAL INFORMATION ON THE GROUP'S OPERATIONS

Prva Group subsidiaries have insurance sales licenses for the following products:

- accident insurance (point 1 of paragraph 2 of Article 7 of the Insurance Act – ZZavar-1);
- health insurance (point 2 of paragraph 2 of Article 7 of the Insurance Act – ZZavar-1);
- life insurance (point 19 of paragraph 2 of Article 7 of the Insurance Act – ZZavar-1);
- life insurance with investment risk (point 21 of paragraph 2 of Article 7 of the Insurance Act – ZZavar-1); and
- insurance with proceeds capitalization (point 23 of paragraph 2 of Article 7 of the Insurance Act – ZZavar-1).

The Group's operations in 2020 were marked by the health crisis, starting with the declaration of the Covid-19 pandemic in March. All of the markets where Group companies are present faced lockdown and operational restrictions, the latter resulting in a drop in traditional sales, but existing contracts were not materially affected, which is evidenced in 2020's results. In response to the restrictions, we intensively finalised digitalization projects, enabling us to implement sales processes online and enhance our digital marketing. In Slovenia, Prva osebna zavarovalnica was the first insurance company to enable the purchase of personal insurance with video identification. Enhanced digitalisation was followed by process change. We have used the situation as an opportunity to implement intensive digital operations transition at home and in other markets.

5.1 VOLUNTARY, MANDATORY PRENSION INSURANCE

Our subsidiaries in Slovenia, Serbia and Kosovo provide voluntary supplementary pension insurance, whereas those insured by our subsidiary in the North Macedonia take out mandatory supplementary insurance. In accordance with the above pension plans, those who are insured or enjoy mandatory pension and disability insurance rights must take out supplementary pension insurance.

The Group does not make supplementary pension insurance conclusion conditional on the payment of pension annuity; funds paid by the insured into supplementary pension insurance for which tax relief was not used are kept separately.

Despite the health crisis and related obstacles we faced in marketing this product, supplementary pension insurance in 2020 was successful. By the end of 2020, subsidiary funds included 448,743 members, up by 2.0% compared to the previous year.

The total regular premium was 5% higher compared to 2019. At the end of 2020, the Group had just above €1.2 billion of assets in the pension funds it manages.

Pension annuity payment

Prva osebna zavarovalnica and FSKP enable supplementary pension annuity payment in Kosovo, where total annuity fund assets amount to €25,158,726, with recorded annuity fund payments in the amount of €7,379,781 in 2020, pointing to stable development compared to previous years.

5.2 OTHER INSURANCE

Subsidiary Prva osebna zavarovalnica, is the only one to have concluded the following insurance contracts in the field of personal insurance in 2020 as in previous years:

- Class 19 life insurance (life insurance class which includes, in particular, insurance on survival to a stipulated age, insurance on death, mixed life insurance, annuity insurance, and life insurance with return of premiums);
- Class 21 life insurance (unit-linked life insurance – insurance where the insured assumes investment risk linked to a change in the value of coupons, or other of investment fund securities, or to a change in the value of a long-term business fund unit);

- Class 23 life insurance (insurance with capital redemptions – insurance based on actuarial calculations where the insurer, insured or another beneficiary receive payments in a certain period and amount in return for premium lump sum payment, or payment in instalments);
- Class 1 insurance (accident insurance - supplementary accident insurance [supplement to supplementary pension insurance] and basic accident insurance; and
- Class 2 insurance (health insurance - insurance - critical illness and fast access to specialist doctors)

Although the negative effects of the health crisis on this part of our operations were higher than on voluntary supplementary pension insurance, we still assess this part successful, as we recorded growth in gross written premiums in virtually all insurance classes when compared to 2019.

During the first wave of the epidemic, the Slovenian government prohibited direct marketing of goods and services, including our products, as part of the measures to prevent the spread of the virus, which meant that new product sales were halted for more than a month. Despite this, Prva osebna zavarovalnica was the first insurance company to offer its partners the option of taking out insurance online; however, this represented an entirely new situation in the sales process with which many people did not have confidence and sales did not normalise until the summer.

All non-urgent contact companies had to close due to the health crisis, so we had limited access to end users in terms of collective insurance, especially PRVA Zdravje health insurance, for which significant growth had been planned for 2020. Additionally, companies became even more cautious with purchases because of the uncertain situation.

Nevertheless, the company recorded an increase in gross written premiums in virtually all insurance classes in 2020, though we fell short in terms of planned growth. The highest growth in gross written premiums compared to 2019 was recorded by investment insurance at 26%, followed by health insurance at 19% and high-risk life insurance and annuities at just below 10%.

6 ECONOMIC ENVIRONMENT

6.1 MACROECONOMIC ENVIRONMENT

The global health crisis, as a result of the COVID-19 pandemic, has pushed the global economy into recession. Restrictive measures to prevent the implementation of many activities, especially in tourism and hospitality, have caused major problems and lagging supply chains. Countries and central banks tackled the crisis by pumping money, thus avoiding large increases in unemployment, pervasive poverty and insolvency. The unemployment rate in the euro area remained stable and the number of bankruptcies remained at a record low. Although we have witnessed a cyclical rebound in the second half of the year and promising vaccine approvals, it is expected that recovery will be gradual, incomplete and uneven across countries, regions and sectors. Due to the poor course of the pandemic in the new year, a more visible economic recovery is expected towards the second quarter of 2021. The driver of growth will be measures in fiscal policy and the growth of both domestic and foreign demand. The latter decreased sharply in 2020 due to aggravation. The biggest unknown for the realization of economic growth is the duration, complications and depth of the pandemic.

7 CAPITAL MARKETS

7.1 MONEY MARKETS AND INTEREST RATES

COVID-19 pandemic. The US Federal Reserve has tackled the crisis with a spectre of measures to limit economic damage, including loans of up to $ 2.3 trillion to support households, employers, financial markets and local governments. Fed's interest rates ranged from 0% to 0.25%. Similarly, the crisis was tackled by the European Central Bank, which presented a program for emergency purchases during the pandemic, PEPP - Pandemic emergency purchase program, amounting to 1.850 billion euros, which aims to reduce borrowing costs and increase lending in the euro area. The ECB kept key interest rates virtually unchanged, keeping the interest rate on main refinancing operations at 0.00%, the marginal lending rate at 0.25% and the marginal deposit rate at -0.50%. The Governing Council expects interest rates to remain at current or lower levels until inflation forecasts approach values below, but close to, 2%. The aim of all measures taken is to maintain favourable financing conditions in the period between and after the pandemic, supporting the flow of credit to all economic sectors, stimulating economic activity and ensuring medium-term price stability.

7.2 STOCK MARKETS

The year 2020 started positively for the capital markets. Ratification of Phase 1 of the US-China trade agreement led to high growth in stock markets in February. A month later, however, the COVID-19 pandemic began and drastically turned capital markets upside down. The U.S. index, the S&P 500, fell 34% in March. The rapid and good intervention of countries and central banks in the health crisis contributed to the rapid rebound and positive completion of developed stock markets, which grew by 7.04% in 2020, including reinvested dividends.

Stock market volatility in 2020 highlighted the important role of bonds in investment portfolios. Between January and June 2020, the fall or. the growth of both equity and debt securities took place in the form of the letter V. Both had a period of negative returns, but of significantly different dimensions. Exposure to bonds during this period represented good collateral, which reduced the volatility of the entire portfolio and potential losses.

7.3 COMMODITY MARKETS

The COVID-19 pandemic has caused a tremendous negative shock in demand in the oil industry, leading to a historic collapse in market oil prices. Due to restrictive measures, work from home and a travel ban, the price per barrel reached a negative value for the first time, at -37 USD for the West Texas Intermediate (WTI). The fall in oil prices was further compounded by the price war between Saudi Arabia and Russia, which began on March 8 after the two countries were unable to agree on the level of oil production. Within a month, an agreement was reached to reduce production to 9.7 million barrels per day, the largest reduction in oil production in history.

8 FINANCIAL RESULT OF THE COMPANY AND THE GROUP

The Company ended the 2020 financial year with net profit of €305,774 primarily as a result of the investment part of operations. The Group ended 2020 with net profit of €5,715,110.

Table 1: Key financial indicators of Prva Group plc. and the Group

	Prva Group		The Group	
	2020	2019	2020	2019
Net premium income	0	0	18,394,041	17,359,135
Net cost of claims	0	0	-5,787,844	-4,947,718
Cost of acquiring insurants	0	0	-1,947,521	-2,334,342
Profit before tax	316,473	2,114,871	6,372,901	5,278,825
Net profit	305,774	1,927,046	5,715,110	4,759,465
Income tax and other levies	-10,699	-187,825	-657,791	-519,359
Assets under management*			1,208,897,885	1,076,224,273
Number of policyholders			522,285	510,225
Net increase in the number of policyholders			12,060	13,113
Average annual premium			250	243
Management fee			0.59%	0.61%
Yields of funds (attributed weighted average)			3.43%	6.73%
Equity				
ROE from operations			8.42%	3.65%
ROE from investments			5.52%	8.44%
Total ROE			13.95%	12.09%
Profitability of assets			1.52%	1.39%
Coefficient of overall business economy			126.30%	128.0%
Number of employees on the last day of the year			148	154

*Sum of balances in disclosure: Assets from financial contracts (Disclosure 15,7, table 59) in the amount of €340,520,538 assets from pension annuities the amount of €25,810,947; disclosure of off balance sheet liabilities of the Group (Disclosure 15,16, Table 77) in the amount of €833,466,957; as well as unit-linked assets amounting to €9,182,342 (Disclosure 15,6, Table 55).

9 INFORMATION TECHNOLOGY

In 2020, the Company continued to implement the strategy adopted in 2017, focusing on consolidating Group company information services, which are used where appropriate through a single information source and centralized where necessary. Prva osebna zavarovalnica d.d. took the main role in information service consolidation; in 2020, it consolidated and optimised FSKP and DDOR Garant's information resources, enabling them to apply unified IT support and share IT resources, thereby reducing operational risk and enabling cost rationalization.

Cybersecurity and IT security are of great importance to us and our operations in this digital era, and must be fully integrated and coordinated with Group strategy. In order to implement it effectively, the following important areas must be addressed:

- Internet cybersecurity on (active equipment, protection, regular pen testing and analysis);
- Internal security policy (clear and feasible);

- End point protection on employee devices (antivirus and device management);
- Active analysis of active network equipment (real-time analysis);
- SIEM for post op analysis and storage (alarm, analysis and audit);
- Regular education, training and social engineering (regular internal and/or external education and testing);
- Data loss detection and prevention systems (information flow analysis systems); and
- Human error (control, BPM processes, testing, analysis).

The coronavirus outbreak in 2020 forced the majority of companies to implement digitalisation and enable remote work virtually overnight; however, most of them forgot about IT security. At Prva Group, we started tackling the digitalisation issue in 2017 when management decided to comprehensively overhaul our IT environment. In the following years, we upgraded our entire IT system, thereby enabling remote work and IT security consideration at the strategic level.

To these ends, the company re-established its entire information system, setting up a secure server infrastructure, separate VLAN networks and new next-generation firewall protection, and renewed and reviewed its security rules. We paid special attention to physical location networking and introduced protocol 801.x. The overhaul was implemented under the principle of minimising necessary access, so we disabled those deemed unnecessary. We updated all user devices to the latest information systems and regular updating is in place. Each device has anti-virus and end point protection installed, and administrator rights are disabled. The data on all portable devices are encoded and protected by means of personal access passwords.

IT and cybersecurity education are of key importance. In 2020, Prva osebna zavarovalnica organised an online education event on IT security for all users. Regular notification is key, which is why the IT department regularly distributes notices highlighting relevant risk, such as si-cert warnings and the like.

The company's IT Policy is an important document and includes rules, policies and guidelines for all stakeholders who connect to the company network. IT security policy was updated in all Group companies in 2020 to best address the situation.

10 ORGANISATION AND PERSONNEL

Based on the hours worked, Prva Group, mixed financial holding company plc, had an average of 1.3 employees in 2020. The number of employees varies depending on the requirements in a specific period. As at the last day of 2020, 4 persons were employed in the Company. A total of 145 staff were employed by the entire Group at 31 December 2020.

The Company is proactively aware of the importance of employee and societal diversity. Diversity delivers many positive outcomes for the company, which is why we endeavour to wholeheartedly address it in our internal and external employment practices. We continuously strive to ensure a friendly working environment based on equal opportunities regardless of race, colour, gender, religion, political belief, trade union membership, nationality, sexual orientation, origin, age and disability. Abuse, bullying and intimidation are strictly prohibited.

We have joined local HR management initiatives, such as Family Friendly Company, which offer a wide range of measures to better facilitate professional and family life balance, and promote non-discrimination, inclusion and diversity at the workplace and wider working environment. As a member of The Golden Thread research project, a selection of the best employers, we annually evaluate company-employee relationship quality.

The Covid-19 health crisis led us to spend a great deal of time on occupational health and safety. In addition to ensuring safe working environments, with protection to ensure safe work and Covid-19 preventive measure promotion, we also introduced new methods of work, whereby work will be fully or partly carried out from home in the future. In the context of preventive measures, we also temporarily enabled working away from employer business premises where possible in accordance with the effective legislation related to Covid-19's epidemiologic profile.

Table 2: The number of employees of Prva plc, by level of education as at 31 December 2020

Organisational unit	Headcount
Management board	1
Administration	2
Finance and accounting	1
Total	**4**

Level of education	Headcount
PhD,	2
University degree	2
Total	**4**

11 RISK MANAGEMENT

Risk management is an integral part of all business processes of the Group and the Company, based on clear and specific organisation and well-thought processes, responsibilities and authorisations of individual functions and committees. Risk management provides for the control and management of uncertainties stemming from business opportunities, which is of fundamental importance for superior business decisions and consequently improved performance results.

11.1 MANAGEMENT OF CAPITAL AND CAPITAL ADEQUACY

The primary goal of capital management is to ensure sufficient and appropriate capital adequacy of all companies within the Group.

Pursuant to the current Slovene legislation, capital is measured in terms of its availability to comply with regulatory capital requirements at the level of individual insurance companies as well as at the level of the Group.

11.2 FINANCIAL RISK

In managing assets of guarantee funds and financing operations we are exposed to the following core risks as part of the capital and capital adequacy management:

- Risk of changes in prices of securities and fluctuation of interest rates
- Credit risk and
- Liquidity risk,
- Risk of fair value change

When forming the investment policies of individual portfolios, we consider the nature and characteristics of an insurance company's liabilities as we aim to achieve optimum spread of assets and an optimum return.

11.3 INTEREST RATE RISK

Interest rate risk is the risk of fluctuating market interest rates impacting the value of interest-sensitive assets, bonds and other debt securities whose value is sensitive to the interest rate fluctuation. In the event of interest rates increase, the value of debt securities usually falls. On the other hand, in the event of a fall in interest rates, the value of debt securities usually increases, Interest sensitivity of debt securities is usually increased though prolonged maturity periods, reduced absolute level of interest rate in the economy, and lower instrument coupon.

Interest rate risk is managed primarily through balancing of investment maturities (debt financial instruments), restructuring of investments from debt financial instruments at fixed interest rate to debt financial instruments with variable rates of interest, maturity balancing, and average modified duration of debt financial instruments while considering anticipated changes in interest rates, and the use of derivatives.

11.4 RISK OF CHANGES IN SHARE PRICES

The Company and the Group manage the risk of changes in prices of its portfolio securities through setting limits of acceptable exposure and through spread of investments both geographically and industry-wise. The security portfolio is comprised primarily of debt securities and as a result of this diversification, the risk of changes in prices of securities is further mitigated. Another important factor affecting investment decisions is the liquidity of securities.

11.5 LIQUIDITY RISK

Liquidity risk is the risk that due to limited liquidity of investments on securities market, the Company or the Group will not be able to trade an individual investment or trade the investment at significantly unfavourable conditions (primarily pricing conditions) than those at which the investment was valued. The risk or threat of imbalanced liquidity or imbalances between maturities of assets and liabilities may result in liquidity issues i.e. lack of monetary assets needed for the settlement of liabilities on maturity.

Liquidity risk is minimised through balancing investments' liquidity (liquidity is measured in terms of the issue's volume and the gap between its cost and its selling price), considering individual capital market's liquidity, and regular monitoring of the dynamics of inflow and outflows of portfolio assets, as well as by balancing the required additional liquidity assets under the ALM principle.

11.6 CURRENCY RISK

Currency risk is the risk of changes in foreign currency exchange rates impacting the value of the local currency investments, which are denominated in a foreign currency.

Our exposure to currency risk is only minor as most of our assets are invested in the euro.

Of other currency exposures, major exposure risk derives from currencies of the former Yugoslav countries.

Currency risk is mitigated predominantly through balancing of the assets and liabilities currency structure, by selecting investments in foreign currencies whose exchange rates in comparison with the local currency on average fluctuate in opposite directions (appropriate currency spread), and by use of derivatives.

11.7 CREDIT RISK

Credit risk, as one of the most significant financial risks is the risk of the counter party or the issuer of a financial instrument held by long-term business funds or the Company, failing to fulfil its obligations in full amount either on maturity or subsequently. It also includes the risk of a reduction in the value of securities as a consequence of increased probability of default, which is usually reflected in the reduction of the credit rating of the issuer's debt instruments.

A subgroup of the credit risk is the settlement risk, which is the risk of loss due to the process of payments between two or more parties in the settlement systems failing to proceed as expected or as agreed. This occurs mostly on exchange of assets when one of the parties to the settlement fails to settle its liabilities to one or several creditors after they had already fulfilled their individual obligations.

Credit risk is measured through daily monitoring of the issuers' operations or those of counter parties, to which the funds or the Company are exposed to in the form of deposits or receivables on account of derivative financial instruments. As part of the business performance monitoring, credit ratings, direction of changes in credit ratings, the volume of share capital of these entities, their performance result etc, are monitored particularly closely.

In addition, the basis for determining the risk of counter party default includes the contractual relationship between the Company and its counter party or the issuer, regulatory provisions. Rules of Procedures of the Central Securities Clearing Corporation in relation to transaction settlement, and rules on compliance with obligations on organised markets on which financial instruments are traded.

Settlement risk is managed by following high quality standards of business partners, their services and payment discipline, which are monitored during the business relationship duration.

11.8 OPERATIONAL RISK

Operational risk is the risk of a loss, including a legal risk, arising due to the following circumstances:

- Inadequate or inaccurate performance of internal processes
- Other inappropriate conduct of persons belonging to the internal business sphere of the legal entity
- Inadequate or inaccurate operation of systems belonging to the internal business sphere of the entity, or
- Other external events or actions.

Examples of operational risks include: external criminal activities, strategic risk, natural disasters, internal control system, process management, terrorist attacks and war, information technology infrastructure, software applications, legal risk, risk of loss of reputation, human error etc. Operational risk is managed through well-defined investment process including internal and external controls, which minimise the likelihood of losses arising from operational risk.

11.9 CLIMATE CHANGE RISK

Operational climate change risk is particularly reflected as investment risk, as climate change has the potential to greatly impact on global financial markets. The Group primarily manages climate change risk related to investment value via proper strategic geographical and industrial investment dispersion, and at the level of exposure to individual entities, a fundamental activity being the regular monitoring of global markets, and potential and existing investment, the latter including regular preparation of special analyses. In the long run, climate change risk is managed via our set methods to assess and manage environmental, social and governance (ESG) risk, which represent an integral part of our processes to meet investment goals because the nature of long-term insurance transactions and responsibility to the environment where we operate is important for environmental sustainability and stakeholder benefit in the long run.

Making investment decisions that correspond to this is important in daily investment processing, including selecting ESG responsible investment and excluding investment that does not sufficiently meet internal ESG criteria. This means that a part of our investment portfolio is invested in projects which have a positive attitude toward ESG factors.

The primary mechanism for managing ESG investment risk is reviewing the long-term effects of investment on environmental and social factors, as these are important and decisive factors for corporate management when it buys and sells investment. These factors are primarily economic, that is, return on investment, appropriate areas for responsible development and the like; social, that is, the sustainable and ethical growth of local and global economies, protection, human rights, quality of life and the like; and environmental, that is, a sustainable relationship with the environment, especially regarding active approaches to climate change, pollution mitigation, nature preservation and waste management. Potential negative indirect impact is reviewed for each investment, such as higher exposure to climate change. An important factor in managing ESG investment risk is continuously keeping-up with local and global standards, and ESG factor development, which includes internal and external auditing of individual sustainable development effects.

11.10 FUTURE PLANS

In Prva Group, in the next strategic period 2021-2023 we plan to continue growth of assets under management and insurance premiums. In the next period, we will pay the most attention to the continuation of the digitization of the business and the improvement of our products and business processes, which will enable us to continue to grow in the next strategic period and continue our activities to maximise the user experience of our customers. We are also intensively preparing for the implementation of the IFRS17 accounting standard in Prva osebna zavarovalnica, which will bring significant differences in the financial reporting of insurance companies.

Given last year's developments in capital markets, where we recorded a big fall in value at the beginning of the year, we expect volatility in the future, and corrections are also very likely. The group is capitalically ready for this. We will continue to carry out activities related to raising awareness of the importance of long-term financial security and the needs of adequate insurance. The First Group will maintain a high level of corporate governance based on the Group Code and ensure the safe and ethical operations of the entire group.

11.11 SIGNIFICANT SUBSEQUENT EVENTS

The biggest subsidiary, Prva osebna zavarovalnica, will implement material status transformation in 2021 pursuant to Article 623 of the Companies Act (ZGD-1), namely by split-off through the establishment (as a subtype of a division). The insurance company's management has drawn up a division plan in accordance with Article 624 of the Companies Act.

Split-off through the establishment shall be performed by transferring individual parts of the transferring company's assets to the transferee corporation.

Following split-off, the transferring company will continue to operate as an independent legal entity, meaning it will continue to operate in terms of the assets not subject to division, or split-off.

Pursuant to the Companies Act, status transformation by split-off shall be carried out so the transferring company continues to operate after transfer of a part of its assets and keeps the total assets (assets and liabilities) that are required or corresponding assets for such activity (establishment) in terms of business and organisation; the following activities will be transferred to the transferee corporation:

- supplementary pension insurance;
- offering and paying pension annuities; and
- managing pension funds and guarantee funds for the payment of pension annuities.

In 2021, the newly established company will assume its role as manager of Prva Group and Prva+ Group's guarantee life cycle funds, and Renta PDPZ's guarantee fund.

Split-off, through establishment will be implemented entirely in accordance with the provisions of the Companies Act (hereinafter: "ZGD-1"), more specifically Articles 623 to 637 of ZGD-1, will transfer company assets determined in the division plan, and the rights and obligations of the transferring company relating to such assets to the transferee company. As the universal legal successor, the transferee company will enter all legal relationships related to the assumed assets, the subject of which was the transferee prior to split-off.

The division cut-off date was 31 December, 2020. From 1 January, 2021, onwards, the transferring company's activities will be carried out fully for the account of the transferee company.

The COVID-19 epidemic is still present and so are its effects on risk, the latter being presented in detail in Sections 5 - General Information on Group Operations, 9 - Organisation and Personnel, 10 - Information Technology, and 18 - Financial Instruments and Risk Management.

There were no other significant events after statement of financial position date.

ACCOUNTING REPORT

12 INDEPENDENT AUDITOR'S REPORT

Grant Thornton

Grant Thornton Audit d.o.o.
Linhartova 11a
1000 Ljubljana

Reg. No.: 1/29721/00
Share capital: 8,763.00 EUR
Reg. of Audit Companies Entry No.:
RD-A-48/97

T +386 1 434 18 00
E office@si.gt.com
W grantthornton.si
L grant-thornton-slovenia

INDEPENDENT AUDITOR'S REPORT

for the shareholders of the company
SKUPINA PRVA, zavarovalniški holding d.d.

Audit report on separate and consolidated financial statements

Opinion

We have audited the separate financial statements of the company SKUPINA PRVA, zavarovalniški holding, d.d. (hereinafter "the Company") and the consolidated financial statements of the Company and its subsidiaries (hereinafter "the Group") which comprise the separate and consolidated statement of financial position as per 31 December 2020, and the separate and consolidated income statement, the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as well as other explanatory information.

In our opinion, the enclosed separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as per 31 December 2020, and of their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (hereinafter "ISAs") and the Regulation (EU) No. 537/2014 (hereinafter "the Regulation"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (hereinafter "IESBA Code") and the ethical requirements relating to the audit of separate and consolidated financial statements in Slovenia, and we confirm that we have fulfilled all other ethical requirements in accordance with the IESBA Code.

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

Key audit matters

The key audit matters are those that, in our professional judgement, were most important in the audit of the separate and consolidated financial statements for the current period. These matters have been addressed in the context of the audit of the separate and consolidated financial statements as a whole and in forming our opinion on these separate and consolidated financial statements, that is why we do not issue a separate opinion on these matters.

Valuation of investments in subsidiaries – separate financial statements

Investments in subsidiaries are an important item in the separate statement of financial position. As at 31 December 2020, they amount to 16,574,273 EUR and represent 77.9% of the assets in the separate statement of financial position (31 December 2019: 16,581,773 EUR or 76.0% of the assets). Impairment of investments in subsidiaries in 2020: 0 EUR (in 2019: 0 EUR).

In the audited annual report of the Company, they are disclosed in the notes *"14.1 Summary of significant accounting policies"*, *"14.1.4.10 Investments into subsidiaries in the separate financial statements of Prva Group, plc"* and *"16.3 Investments in subsidiaries"*.

Key audit matter	*Our response*
The Company has four active subsidiaries in different European countries that provide services in the field of insurance and investment management. In the separate financial statements, the company measures investments in subsidiaries at cost less accumulated impairments. At the financial reporting date, the Management assesses the existence of indicators that would indicate whether the carrying amount of investments in subsidiaries is higher than their recoverable amount. Such indicators include, but are not limited to, significant losses, equity deficit or below-planned operations.	Our audit procedures included, but were not limited to: We reviewed the established internal controls related to the assessment and recognition of impairments of investments in subsidiaries, including the identification of signs of impairment and the assessment of recoverable amount. We critically evaluated the adequacy of the valuation methods used by the Company's Management in determining the value of investments in subsidiaries and the methods' compliance with the relevant financial reporting standards and valuation practices.
For investments that show signs of impairment, the Management assesses their recoverable amount using an internal model by determining the higher of fair value less costs to sell, or the value in use. In the process of determining recoverable amounts, the Management uses significant assessments and	We evaluated, in a reasonably manner, the judgments used by Management in assessing the existence of signs of impairment. Where these indications existed, we evaluated the Management's judgment in performing an impairment test based on our understanding of market conditions and independent assessment of financial results by comparing the actual

judgments, which are included in estimates of the value of investments in subsidiaries, primarily in connection with assumptions such as growth rates, discount rate and planned profit.

Based on the above, we defined the measurement of investments in subsidiaries as a key audit matter.

operations with the past planned operations.

For investments that showed signs of impairment at the end of the reporting period, we evaluated the assumptions and estimates used by the Management in estimating recoverable amounts. Among other things, we critically assessed the discount rates used in the valuation model and compared them with our independent assessment using publicly available sources. We further critically assessed the Management's assumptions, in particular the growth rate and planned profit. We evaluated the reliability and quality of accounting planning by comparing past plans and the actually achieved results. We checked the financial statements of subsidiaries and inquired with the Company's Management about the financial results. We verified the accuracy and completeness of the Company's disclosures about the key assumptions and judgments used in estimating the recoverable amount of investments in subsidiaries in relation to the relevant financial reporting standards.

Measurement of mathematical provisions and technical provisions for the benefit of life-assurance policyholders who bear the investment risk – consolidated financial statements

Mathematical provisions for life insurance (30,053,194 EUR) and technical provisions for the benefit of life policyholders who bear the investment risk (8,532,960 EUR) are an important item in the Group's consolidated statement of financial position: as at 31 December 2020, they total 38,586,154 EUR (31 December 2019: a total of 31,232,793 EUR), representing 8.9% of the capital and liabilities of the Group (31 December 2019: 7.7%). Compared to 31 December 2019, they increased by a total of 7,353,761 EUR or 23.5%.

In the audited annual report of the Group, they are disclosed in the following notes: *"14.1.3.2 Technical provisions – Prva osebna zavarovalnica d.d."*, *"14.1.4.16 Liabilities for insurance contracts – technical provisions"*, *"15.6 Net expenses for claims and changes in technical provisions"* and *"16.12 Technical provisions"*.

Key audit matter

Mathematical provisions represent the present values of estimated future liabilities for benefits under life insurance contracts less the present

Our response

An actuarial expert and an information system expert were included in the performance of audit procedures.

value of future technical premium payments. They are calculated according to actuarial principles, requiring the management's judgments as well as the formation of complex and subjective assumptions.

In accordance with International Financial Reporting Standards as adopted by the European Union, the Group performs a test of the adequacy of formed liabilities from conventional life insurance contracts (hereinafter "LAT test") on the last day of the accounting period. By performing the LAT test, the Group determines whether its recognized insurance liabilities are sufficient. If the LAT test shows a deficit, the insurance company recognizes it in the profit or loss. In performing the LAT test, the Group uses the current estimates of future cash flows from existing insurance contracts, as well as the assumptions about mortality, costs, surrender rates and discount rates from which significant uncertainty arises.

Based on the above, we defined the measurement of mathematical provisions as a key audit matter.

Our procedures included, but were not limited to:

We tested general information controls and the information controls related to the collection and protection of data used in the measurement of mathematical provisions. We tested the accuracy and completeness of the data used in the calculation of mathematical provisions and technical provisions for the benefit of life policyholders who assume investment risk. We checked the adequacy and compliance of the used methodology and assumptions of the Group with the regulatory requirements and the requirements of accounting standards, and the related disclosures in the annual report. We checked the consistency of the Management in the use of the methodology for measuring mathematical provisions and in the selection of assumptions, as well as the correctness of the calculation.

In order to be convinced of the sufficiency of recognized mathematical provisions or liabilities from insurance contracts, we checked the adequacy of the methodology of the performed LAT test prepared by the Group. We checked the estimate of future cash flows and the adequacy of the choice of economic and demographic assumptions used in performing the LAT test. We checked the interest rate curve used by the Group to perform the adequacy test. We also checked how the Group took into account the characteristics and specifics of the included insurance products when calculating mathematical provisions and performing the LAT test.

We checked the experience-based analyses performed by the insurance company for the purpose of evaluating the assumptions used in the LAT test.

Measuring the fair value of investment property – consolidated financial statements

Investment property is disclosed under Investment property of the Group (2,220,754 EUR) and under Assets from financial contracts (16,587,655 EUR). The book value of investment property as at 31 December 2020 amounts to a total of 18,808,409 EUR (31 December 2019 to a total of 18,977,824 EUR) and represents 4.3% of the Group's assets (31 December 2019: 4,6%). Compared to 31 December 2019, the fair value of investment property decreased by 169,415 EUR or 0.9% (decrease in 2019: 395,810 EUR or 2.0%).

In the audited annual report of the Group, it is disclosed in the notes *"14.1.4.11 Investment property", "14.1.4.12 Financial investments, assets of insurants assuming investment risk and assets from financial contracts", "16.4 Investment property" and "16.7 Assets from financial contracts".*

Key audit matter	*Our response*
Investment property generates lease income. In the statement of financial position, they are disclosed at fair value, namely under Investment property and under Assets from financial contracts. The latter represent the assets of guarantee funds of voluntary supplementary pension insurance. The majority of investment property is office space in Ljubljana (Crystal Palace, an office building in BTC City and an office building in Fajfarjeva-Ulica-Street). The fair value of investment property is determined primarily using the yield method (discounted cash flow method). Determining fair value includes significant management estimates and judgments, as well as the involvement of the Group's internal experts. It also includes assumptions such as the discount rate used and projections of future cash flows based on future leases. Based on the above, we defined the measurement of the fair value of investment property as a key audit matter.	An expert in the field of real estate valuation was included in the performance of audit procedures. Our procedures included, but were not limited to: We examined the design and establishment of key internal controls regarding the measurement and recognition of the value of investment property. We also checked the controls on the selection of valuation methods and on the inclusion of the main assumptions. We critically evaluated the adequacy of the valuation methods used by the Group's internal appraisers in determining the fair value of investment property. We also checked the compliance of the selected methods with the relevant financial reporting standards and the current practice. We critically assessed the assumptions and judgments used in the Group's valuation reports, i.e.. the discount rate, vacancy rate and lease amounts. We relied on concluded lease contracts and discount rates in the last comparable transactions. We tested the accuracy and completeness of the Group's disclosures about valuation methods, the key assumptions and judgments

used in determining fair value in relation to the relevant financial reporting standards.

Other matter

The separate and consolidated financial statements of the Company and the Group as at 31 December 2019 were audited by another auditor who issued an unqualified opinion on 9 April 2020.

Other information

The management is responsible for other information. The latter consists of the "*Business report*", which is an integral part of the Company's and Group's annual report, and does not include the separate and consolidated financial statements and our auditor's report thereon. Other information was obtained before the date the auditor's report was issued, except for the report on the work of the supervisory board and audit committee of Prva Group, which will be available after the date of the auditor's report.

Our report on the separate and consolidated financial statements does not refer to other information and does not give any assurances relating thereto.

When conducting an audit of the separate and consolidated financial statements, our responsibility is also to read other information and assess whether it varies to a great extent from the separate and consolidated financial statements, legal requirements and our knowledge acquired during the audit or proves incorrect otherwise. If, in accordance with the work carried out, we discover material misstatements of other information, we must report on such circumstances. On the basis of the procedures described, we report that:

- other information is consistent with the audited separate and consolidated financial statements in all important aspects;
- other information is prepared in accordance with applicable laws and regulations;
- based on our knowledge and understanding of the Company and the Group, and their environment acquired during the audit, we did not determine any significant incorrect statements regarding other information.

Responsibility of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Management deems necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for the supervision over the preparation of the separate and consolidated financial statements and for the approval of the audited annual report.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and 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 and the Regulation will always identify a material misstatement if it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

- identify and assess the risks of material misstatement of the separate and 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, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;
- conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and 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 separate and 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 Company and Group to cease to continue as a going concern; and

- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we comply with the relevant ethical requirements regarding independence, and communicate with them about any relationships and other matters that may reasonably be presumed to affect our independence and, where appropriate, about protective measures associated with this.

Among the matters discussed with those charged with governance, we identify those that have been the most significant in the audit of the separate and consolidated financial statements in the current period and are key audit matters. These matters are described in the auditor's report, unless a law or regulations prevent the public disclosure of these matters or when, in extremely rare circumstances, we choose not to disclose the matter in our report as we reasonably expect the harmful consequences of such disclosure to outweigh the public benefit.

Report on other legal and regulatory requirements

Appointment as auditor

The shareholders of SKUPINA PRVA, zavarovalniški holding, d.d. appointed us as the auditor of the separate and consolidated financial statements of SKUPINA PRVA, zavarovalniški holding, d.d. for the year ended 31 December 2020 at the General Meeting on 15 June 2020. The continuous auditing period lasts three years, from 31 December 2020 to 31 December 2022.

Compliance with the additional report to the audit committee

We confirm that our audit opinion is in accordance with the additional report submitted to the audit committee of the company SKUPINA PRVA, zavarovalniški holding, d.d. on 14 April 2021.

Provision of non-audit services

We confirm that we did not provide unauthorized non-audit services to the Company and the Group, as stated in Article 5 of the Regulation (EU) No. 537/2014. We remained independent also during auditing the Company and the Group.

In addition to the statutory audit and other services disclosed in the business report or the separate and consolidated financial statements of the Company and the Group, we did not provide any other services for the Company and the Group in the period covered by the separate and consolidated financial statements.

In Ljubljana, 14 April 2021

Grant Thornton Audit d.o.o.

Grant Thornton Audit d.o.o.
Member of Grant Thornton International

Certified auditor:
Katja Pogač

13 FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

13.1 INCOME STATEMENT

EUR	Notes	Prva Group		The Group	
		2020	2019	2020	2019
Net premium income	15.1.	0	0	18,394,041	17,359,135
Other insurance income	15.2.	24,804	39,461	9,269,516	8,859,069
Revenue from financial assets		652,893	2,468,811	2,532,952	3,872,391
Interest income	*15.3.*	*21,384*	*24,686*	*1,138,528*	*1,095,041*
Dividend income	*15.4.*	*616,656*	*2,432,832*	*183,884*	*255,339*
Other income from investments	*15.5.*	*14,854*	*11,293*	*1,210,539*	*2,522,010*
Other income	15.2.	5,662	1,835	404,412	565,440
Net cost of claims	15.6.	0	0	-5,787,844	-4,947,718
Change of technical provisions	15.6.	0	0	-7,838,032	-9,175,798
Operating costs		-332,296	-367,187	-10,292,238	-10,560,972
Cost of acquiring insurants	*15.7.*	*0*	*0*	*-1,947,521*	*-2,334,342*
Employee costs	*15.8.*	*-203,728*	*-209,701*	*-4,856,069*	*-4,796,758*
Other costs	*15.9.*	*-128,568*	*-157,486*	*-3,488,648*	*-3,429,872*
Investment expensees	*15.5.*	-34,582	-26,725	-9,072	-185,949
Other expenses	15.10.	-7	-1,324	-300,834	-506,773
Profit before tax		**316,473**	**2,114,871**	**6,372,901**	**5,278,825**
Income tax and deferred tax	15.11.	-10,699	-187,825	-657,791	-519,359
Net profit		**305,774**	**1,927,046**	**5,715,110**	**4,759,465**
- attributable to equity holders of the parent		0	*0*	*4,550,594*	*3,720,866*
- non controlling interest		0	*0*	*1,164,516*	*1,038,599*
Net / diluted earnings per share	15.12.	0	0	14,24	11,39

The notes on the following pages are an integral part of the financial statements.

13.2 STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE COMPANY AND THE GROUP

EUR		Notes	Prva Group		The Group	
			2020	2019	2020	2019
I.	**NET PROFIT/LOSS FOR THE YEAR**		**305,774**	**1,927,046**	**5,715,110**	**4,759,465**
II.	**OTHER COMPREHENSIVE INCOME AFTER TAX (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)**		**-427,061**	**160,941**	**-510,071**	**1,078,261**
3.	Actuarial gain/losses for pension program		0	0	-9,867	-226
4.	Net gains/losses on re-measurement of FVOCI financial assets		-464,813	198,693	-503,180	1,183,774
4.1.	Gains / (losses) recognised in the revaluation reserve		-464,813	198,693	-54,191	23,061
4.2.	Transfer of gains / (losses) from the revaluation reserve to profit or loss		0	0	-448,989	1,160,713
5.	Exchange rate differences		0	0	-21,566	36,002
6.	Tax on items that my be reclassified to profit and loss in subsequent periods	16.12.	37,752	-37,752	24,542	-141,289
III.	**NET COMPREHENSIVE INCOME FOR THE PERIOD (I + II)**		**-121,287**	**2,087,987**	**5,205,039**	**5,837,726**
	attributable to equity holders of the parent		-	-	4,072,586	4,773,191
	non-controlling interest		-	-	1,132,453	1,064,534

All gains and losses included in the statement of other comprehensive income, except actuarial gains, will be transferred to the income statement in the future.

The notes on the following pages are an integral part of the financial statements.

13.3 STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

		Prva Group		The Group	
EUR	Notes	31.12.2020	31.12.2019	31.12.2020	31.12.2019
ASSETS					
Intangible assets	16.1.	0	0	648,619	542,610
Tangible fixed assets	16.2.	43,417	67,629	3,628,109	3,735,671
Deferred tax assets	15.11.	47,227	57,926	37,841	79,384
Investments in subsidiaries	16.3.	16,574,273	16,581,773	0	0
Investment property	16.4.	0	0	2,220,754	2,250,000
Financial investments	15.5.	**3,683,048**	**3,694,320**	**74,746,754**	**64,113,211**
1. Measured at amortized cost	*16.5.*	*498,310*	*0*	*22,687,039*	*19,547,851*
2. Measured at fair value through other comprehenseive income	*16.5.*	*2,847,437*	*3,312,250*	*22,480,334*	*19,885,764*
3. Measured at fair value through profit or loss	*16.5.*	*337,301*	*382,070*	*29,579,381*	*24,679,596*
Assets attributable to unit holders	16.6.	0	0	9,182,342	7,272,708
Assets from financial contracts	16.7.	0	0	340,520,538	320,048,748
Other receivables	16.8.	7,016	15,580	2,023,139	3,801,718
Other assets	16.8.	1,935	2,349	323,593	278,571
Cash and cash equivalents	16.9.	905,314	1,403,332	2,663,765	3,011,905
TOTAL ASSETS		**21,262,230**	**21,822,909**	**435,995,455**	**405,134,525**
EQUITY and LIABILITIES					
Equity	16.10.	**21,158,471**	**21,680,482**	**47,735,572**	**43,663,576**
Issued share capital		13,386,247	13,386,247	13,386,247	13,386,247
Reserves		6,021,220	6,021,220	6,021,220	6,021,220
Revaluation reserve		-266,120	160,941	-75,413	402,595
Retained earnings and net profit or loss		2,666,822	2,761,772	23,165,000	19,073,833
Treasury shares		-649,698	-649,698	-649,698	-649,698
Equity of the owners of the parent company		21,158,471	21,680,482	41,847,356	38,234,197
Non-controlling interest		0	0	5,888,217	5,429,378
Technical provisions	16.12.	**0**	**0**	33,915,654	29,520,964
Gross provisions in favour of unit-linked insurance underwriters	16.12.	0	0	8,532,960	6,831,778
Other provisions	16.15.	0	0	110,520	83,653
Deferred tax liabilities	15.11.	0	37,752	101,064	143,569
Liabilities from financial contracts	16.13.	0	0	340,520,538	320,048,748
Other Financial liabilities	16.14.	0	0	12,655	164,229
Operating liabilities	16.15.	27,894	28,335	2,825,538	2,351,646
Other liabilities	16.15.	75,866	76,340	2,240,955	2,326,363
TOTAL EQUITY AND LIABILITIES		**21,262,230**	**21,822,909**	**435,995,455**	**405,134,525**

The notes on the following pages are an integral part of the financial statements.

13.4 CASH FLOW STATEMENT OF THE COMPANY AND THE GROUP

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit or loss before taxes	316,473	2,114,871	6,372,901	5,278,825
Adjustments for:	**-608,831**	**-2,428,914**	**3,436,727**	**5,188,996**
Profit/loss from investments measured at fair value	0	0	0	-900,656
Net interest income	-21,384	-24,257	-1,138,207	-1,094,378
Dividend income	-616,656	-2,432,832	-123,756	-196,011
Impairment of investment	10,228	26,296	8,557	29,665
Cost elimination (depreciation of fixed assets and other costs)	12,534	13,172	743,741	883,631
Gains/losses from disposal of investments	6,447	-11,293	-606,870	-311,372
Net foreign exchange differences	0	0	157,506	-51,429
Change in technical provisions	0	0	4,395,756	6,829,548
Profit from operating activities prior to changes in working capital	**-292,358**	**-314,043**	**9,809,628**	**10,467,821**
Increase in receivables/liabilities	8,062	17,942	1,483,130	363,560
Cash flow from operations	**-284,295**	**-296,101**	**11,292,759**	**10,831,380**
Interest income	21,384	24,686	1,101,304	1,112,551
Interest paid	0	-429	-43	-1,837
Tax paid	0	0	-614,226	-399,362
Net cash from operating activities	**-262,912**	**-271,844**	**11,779,794**	**11,542,732**
Cash flows from investing activities				
Proceeds/disbursements to acquire property, plant and equipment	11,678	-1,688	-277,663	-445,764
Proceeds/disbursements to acquire intangible assets	0	0	-265,638	-150,427
Proceeds from disposal of financial assets	35,594	290,829	358,769,981	102,129,650
Disbursements to acquire financial assets	-498,310	0	-369,435,829	-110,108,086
Proceeds/disbursements for non-current HTM investments	0	0	0	0
Net receipts from repayments and expenditure for issued loans and deposits	0	0	-6,544	-39,262
Proceeds/disbursements for the establishment of new entities, payment of additional capital	0	0	0	0
Dividends received	616,656	2,432,832	123,756	196,011
Net cash from investing activities	**165,618**	**2,721,973**	**-11,091,937**	**-8,417,878**
Cash flows from financing activities				
Payment of preference and ordinary dividends and repayment of capital	-400,724	-1,901,556	0	-1,901,556
Capital increase for own shares	0	0	-400,724	0
Dividends paid to minority interests	0	0	-673,615	-796,843
Net cash from financing activities	**-400,724**	**-1,901,556**	**-1,074,339**	**-2,698,399**
Net cash flows	**-498,018**	**548,572**	**-386,483**	**426,454**
Net foreign exchange differences	0	0	38,342	-40,694
Cash and cash equivalents as at 1 January	1,403,332	854,759	3,011,906	2,626,145
Closing balance of cash and cash equivalents at 31 December	**905,314**	**1,403,332**	**2,663,765**	**3,011,905**

The notes on the following pages are an integral part of the financial statements.

13.5 STATEMENT OF CHANGES IN EQUITY OF PRVA GROUP

EUR	Share capital	Share premium	Treasury shares	Other profit reserves	Revaluation reserve	Retained earnings	Total equity
Opening balance at 1 January 2019	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**0**	**2,736,282**	**21,494,050**
Comprehensive income for the period	**0**	**0**	**0**	**0**	**160,941**	**1,927,046**	**2,087,987**
a) Net profit	*0*	*0*	*0*	*0*	*0*	*1,927,046*	***1,927,046***
b) Other comprehensive income	*0*	*0*	*0*	*0*	*160,941*	*0*	***160,941***
Transactions with owners	***0***	***0***	***0***	***0***	***0***	***-1,901,556***	***-1,901,556***
a) Ordinary share dividends	0	0	0	0	0	-1,500,832	**-1,500,832**
b) Preference share dividends	0	0	0	0	0	-400,724	**-400,724**
Capital increase from own assets	0	0	0	0	0	0	**0**
Payment of capital	0	0	0	0	0	0	**0**
Closing balance at 31 December 2019	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**160,941**	**2,761,772**	**21,680,482**
Opening balance at 1 January 2020	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**160,942**	**2,761,772**	**21,680,481**
Comprehensive income for the period	0	0	0	0	-427,061	305,774	**-121,287**
a) Net profit	*0*	*0*	*0*	*0*	*0*	*305,774*	***305,774***
b) Other comprehensive income	*0*	*0*	*0*	*0*	*-427,061*	*0*	***-427,061***
Transactions with owners	***0***	***0***	***0***	***0***	***0***	***-400,724***	***-400,724***
a) Ordinary share dividends	0	0	0	0	0	0	**0**
b) Preference share dividends	0	0	0	0	0	-400,724	**-400,724**
Capital increase from own assets	0	0	0	0	0	0	**0**
Payment of capital	0	0	0	0	0	0	**0**
Closing balance at 31 December 2020	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**-266,120**	**2,666,822**	**21,158,471**

The notes on the following pages are an integral part of the financial statements.

13.6 STATEMENT OF CHANGES IN EQUITY OF THE GROUP

EUR	Share capital	Share premium and other profit reserves	Treasury shares	Revaluation reserve	Net profit and retained earnings	Total equity attributable to equity holders of the parent	Equity attributable to minority shareholders	Total
Opening balance at 1 January 2019	**13,386,247**	**6,021,220**	**-649,698**	**-649,730**	**17,254,523**	**35,362,562**	**5,161,686**	**40,524,248**
Comprehensive income for the period	**0**	0	**0**	1,052,324	3,720,866	4,773,191	1,064,534	**5,837,725**
a) Net profit	*0*	*0*	*0*	*0*	*3,720,866*	*3,720,866*	*1,038,599*	***4,759,466***
b) Other comprehensive income	*0*	*0*	*0*	*1,052,324*	*0*	*1,052,324*	*25,935*	***1,078,260***
Transactions with owners	***0***	***0***	***0***	***0***	***-1,901,556***	***-1,901,556***	***-796,842***	***-2,698,398***
Ordinary share dividends - The Group	0	0	0	0	-1,500,832	-1,500,832	0	**-1,500,832**
Preference share dividends - The Group	0	0	0	0	-400,724	-400,724	0	**-400,724**
Dividends paid to minority interests	0	0	0	0	0	0	-796,842	**-796,841**
Equity repayments - The Group	0	0	0	0	0	0	0	**0**
Closing balance at 31 December 2019	**13,386,247**	**6,021,220**	**-649,698**	**402,594**	**19,073,833**	**38,234,196**	**5,429,378**	**43,663,575**
Opening balance at 1 January 2020	**13,386,247**	**6,021,220**	**-649,698**	**402,594**	**19,073,833**	**38,234,196**	**5,429,378**	**43,663,575**
Comprehensive income for the period	**0**	**0**	0	-478,008	4,550,594	4,072,586	1,132,453	**5,205,039**
a) Net profit	*0*	*0*	*0*	*0*	*4,550,594*	*4,550,594*	*1,164,516*	***5,715,111***
b) Other comprehensive income	*0*	*0*	*0*	*-478,008*	*0*	*-478,008*	*-32,063*	***-510,071***
Transactions with owners	***0***	***0***	***0***	***0***	***-459,427***	***-459,427***	***-673,615***	***-1,133,042***
Ordinary share dividends - The Group	0	0	0	0	0	0	0	**0**
Preference share dividends - The Group	0	0	0	0	-400,724	-400,724	0	**-400,724**
Dividends paid to minority interests	0	0	0	0	0	0	-673,615	**-673,615**
Restatement for previous periods	0	0	0	0	-58.703	-58.703	0	**-58.703**
Equity repayments - The Group	0	0	0	0	0	0	0	**0**
Closing balance at 31 December 2020	**13,386,247**	**6,021,220**	**-649,698**	**-75,414**	**23,164,999**	**41,847,355**	**5,888,217**	**47,735,572**

The notes on the following pages are an integral part of the financial statements.

14 NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

14.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Management Board confirms its responsibility for the preparation of the separate and consolidated financial statements of the Company and the Group. The financial statements of Prva Group, plc, and the Group for the year ended 31 December 2020, were prepared under the going concern assumption and approved by the Management Board on 09 April 2021. Prva Group, plc,, is a public limited company, established in the Republic of Slovenia. Preference shares of the Company are listed on the free market of the Ljubljana Stock Exchange.

In line with the Insurance Act, Prva Group, financial holding company, plc., is a mixed-activity insurance holding company since it holds a significant share in at least one insurance company. In line with its activities, the Company performs holding activities in its subsidiary companies. At the end of 2020, the Company employed 4 persons (2019: 4).

The Company is a legal successor of Prva pokojninska družba, which modified its status in 2007. A new entity Prva osebna zavarovalnica d,d, was established to which all activities of optional additional retirement insurance were transferred as from 1 September 2007, Prva Group, insurance holding company, plc,, changed the name of the company (formerly Prva pokojninska družba, d,d,) and its activities.

In addition to the Prva Group, plc, the Group includes:

Prva osebna zavarovalnica d.d.

The company was established in 2007 when the insurants from supplementary pension insurance were transferred from Prva pokojninska družba d.d.. Prva Group, insurance holding company, plc, is the 100% owner of Prva osebna zavarovalnica d.d.. The operations of Prva osebna zavarovalnica d. d. in 2020 were predominantly related to supplementary pension insurance within the framework of the third pillar in Slovenia. Beside supplementary pension insurance, which belongs to the insurance group with proceeds capitalization, the company started in 2009 to promote accident insurance, life insurance (class of insurance 19), life insurance with investment risk (class of insurance 21) and health insurance. Prva osebna zavarovalnica is currently a manager of four pension funds (in two pension plans), three funds of unit-linked insurance with different investment policies, four long-term business funds belonging to other classes of insurance, and a business fund portfolio. On 31 December 2020, the Company had 93 members of staff in full-time employment (2019: 97).

KB Prvo penzisko društvo AD Skopje

The operations of KB Prvo penzijsko društvo AD Skopje relate to the second and third pillar supplementary pension insurance in Macedonia. The company was established in 2005.

Prva Group, insurance holding company, plc., is a 51% owner of KB Prvo penzijsko društvo AD Skopje. The remaining 49% stake is owned by the largest Macedonian bank, the Komercijalna banka a.d. Skopje. On 31 December 2020, the Company had 29 members of staff in full-time employment (2019: 33).

DDOR-GARANT društvo za upravljanje dobrovoljnim penzijskim fondom AD Beograd

The operations of DDOR-GARANT AD Beograd relate to the third pillar supplementary pension insurance in Serbia.

In 2020, Prva Group, insurance holding company, plc., held a 60% interest in the company, which was established in May 2006. On 31 December 2020, the company had 17 members of staff in full-time employment (2019: 19).

Fondi Slloveno-Kosovar I Pensioneve Sh,A Pristhine Kosovo

The operations of Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo relate to supplementary pension insurance of the third pillar in Kosovo.

Prva Group, insurance holding company, plc., holds a 67.4% interest in the company, which was established on 4 September 2006. The remaining 32.6% of the company is owned by Dukagjini Sh.p.k.. The company started to perform pension insurance transactions in 2007, On 31 December 2020, the company had 5 members of staff in full-time employment (2019: 5).

Prva zavarovalniško zastopniška družba d.o.o., Slovenija

The company was established at the end of 2010 and was in the 100% ownership of Prva Group plc. The company's core activity is the sale of insurance services and products of Prva osebna zavarovalnica d.d. to current and new clients, as well as the increase of market shares of Prva osebna zavarovalnica d.d. within the personal insurance group. Due to the company's inactivity, it was liquidated on 12.11.2020. In 2020 the company had no staff (2019: 0).

Table 3: Investments into subsidiary and associated companies as at 31 December 2020

EUR	Ownership	Carrying amount	Total equity of the Company	Profit/loss for 2020
Subsidiaries				
Prva osebna zavarovalnica d,d,	100%	13,730,000	30,786,768	3,604,412
Fajfarjeva ulica 33, 1000 Ljubljana				
KB Prvo penzisko društvo AD Skopje	51%	918,272	10,647,902	2,268,621
Blv,Ilinden 1, 1000 Skopje				
Fondi Slloveno- Kosovar I Pensioneve Sh,A Pristhine Kosovo	67.40%	394,000	443,106	21,294
Rr,UCK, nr,50/2, 10000 Prishtine				
DDOR GARANT Beograd	60%	1,532,000	1,296,015	114,876
Maršala Birjuzova 3-5, 11000 Beograd				
Total		**16,574,272**	**43,173,790**	**6,009,203**

Ultimate parent

A-Z Finance d.o.o.

The ultimate parent of Prva Group plc. is A-Z Finance d.o.o. based at Devinska 1, Ljubljana. A-Z Finance was founded in 1998 and is in majority owned by Alenka Žnidaršič Kranjc. The company holds a 62.5% interest in DEJ d.o.o., which holds a 70.34% stake in Prva Group plc. A-Z Finance compiles a consolidated annual report, which can be obtained at the head office of the company. DEJ d.o.o. does not prepare a consolidated annual report and is included in the consolidated annual report of A-Z Finance d.o.o.

14.1.1 Statement of compliance

The enclosed separate and consolidated financial statements of Prva Group plc. and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations adopted by the IFRS Interpretations Committee, as endorsed by the European Union.

On the balance sheet date, in terms of the EU's standard confirmation process, there are no discrepancies in the accounting policies of Prva Group, and the International Financial Reporting Standards (IFRS) adopted by the EU Companies Act.

Basis of preparation

The financial statements of Prva Group plc. and the Group are prepared on the basis of accounting policies shown below.

The accounting policies used are consistent with those applied in previous years, except for the newly adopted standards and interpretations effective for periods beginning on or after 1 January 2020 as presented below.

14.1.2 Basic Policies

The consolidated financial statements of the Group and the separate financial statements of the Company are prepared under historical cost convention, except for the assets measured at fair value through profit or loss, and fair value through OCI. The financial statements are presented in euros. All values are rounded to one euro, except when specifically indicated otherwise.

14.1.3 Significant accounting estimates and assumptions

The preparation of financial statements requires the management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities of the Company and the Group, disclosure of potential liabilities on the reporting date and the amounts of revenues and expenses of the Company and the Group for the period ending on the reporting date.

Future events and their effects cannot be determined with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from those estimates.

The most significant assumptions relate to:

- The classification of financial instruments, namely the division between financial instruments valuead at amortized cost, fair value through other comprehensive income and fair value through profit and loss
- Technical provisions Technical provisions are calculated based on insurance contracts, considering past development of claims events and expectations for the future, under the assumptions of mortality tables, cancellations, discount factors and loss ratios.
- Fair value of financial assets and their impairment: Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets.

14.1.3.1 Non-marketable investments

Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets.

If no active market exists for a financial instrument, its fair value is determined using one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the Company and the Group undertaking applies this particular technique.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

14.1.3.2 Technical provisions - Prva osebna zavarovalnica d,d,

Technical provisions are set aside according to the provisions of IFRS 4.

The Company recognise technical provisions for coverage of future liabilities from insurance contracts as well as losses incurred as a result of risks stemming from insurance contracts.

The Company set aside provisions for unearned premium, provisions for claims outstanding and mathematical provisions in accordance with provisions of the Insurance Act. The Company sets aside special provisions that have a status of mathematical provisions for unit-linked insurance contracts where investment risk stems from changes in the value of investment funds' units.

Adequacy of the amount of provisions is verified by adequacy test (LAT-s) at least once a year. The actuarial function holder informs Supervisory Board and Management Board of the Company about the findings of the reliability and adequacy of the methods, models and assumptions used in the calculation of technical provisions, and on whether they formed technical reserves adequate to cover all liabilities of the acquired insurance. The classification of insurance contracts is described in Chapter 13.1.4.16.

14.1.4 Accounting policies

14.1.4.1 Foreign currency translation

The financial statements of the Company and the Group are presented in euro (EUR), which is the functional and reporting currency of the parent company and its subsidiaries in Slovenia. Transactions in a foreign currency are translated at the exchange rate of the European Central Bank prevailing on the date of the transaction. The exchange rate of the European Central Bank on the reporting day was used for the statement of financial position, while the average exchange rate for the financial year was used for the income statement. Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the income statement.

14.1.4.2 Consolidation bases

The consolidated financial statements comprise the financial statements of Prva Group, insurance holding company, plc., and its subsidiaries as at 31 December 2020 and comparable data as at 31 December 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, as well as intra-group dividends, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary during the financial year, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative exchange rate differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

14.1.4.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the general administrative costs.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages (step acquisitions), the acquisition date fair value of the acquirer's previously held interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. When contingent consideration is recognised in equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

14.1.4.4 Revenues

Revenues are recognised if it is likely that the Company will acquire economic benefits from them and if such benefits can be reliably measured. Revenues originate from services offered by the Company to its subsidiary companies, namely services relating to investment, internal auditing, and lease of hardware and software. Revenues are fully recognized at the moment when they incurred.

The majority of revenues of the Group originate from:

- ***Revenues from insurance premium.***

Net revenues from insurance premiums are calculated as gross insurance premiums less the reinsurers' share adjusted for the change in gross unearned premium, which is further adjusted by the reinsurance undertaking's share in the unearned premium. The written gross insurance premium in insurance contracts is the insurance premium written in a period.

Gross insurance premiums are recognised in accounting records on the day of settlement ofaccount rather than on the day of payment.

- ***Operating income***
  - *Entry fees*

The Group, in performing its activity in accordance with the pension schemes, and general terms and conditions, charges an entry fee, meaning that the collected assets transferred into an individual long-term business fund are decreased by the amount of the entry fees and the fund is managed with assets which represent net premiums. The entire amount of revenue from entry fees is recognised when statements of account are made.

- *Management fees*

The Group manages twelve long-term business funds, for which it charges a management fee, meaning that the monthly value of assets in individual long-term business funds is decreased by the amount of the management fee.

- *Exit fees*

The Group is entitled to an exit fee in accordance with the pension schemes, meaning that the redemption value is decreased by the exit fee and this net value is then received by the individual terminating the insurance.

- ***Investment income***

  - *Interest*

Interest income is calculated and recognised on the basis of the effective interest rate.

  - *Dividends*

Dividends are recognised when the Company or the Group obtain the right to issue dividend pay-outs.

  - *Other investment income*

Income from changes in fair value of financial assets arise on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss. Gains on disposal arise on derecognition of financial assets other than financial assets measured at fair value through profit or loss. Gains on disposal is the difference between the asset" carrying amount and its selling price.

14.1.4.5 Costs and expenses

- ***Net claims costs***

Net expenses for claims are gross claims (compensation and appraisal expenses), deducted for reinsured part and amended for the change in gross claim reserves, which are adjusted for the share of reinsurance in these reserves. Appraisal expenses include external and internal expenses for assessing the eligibility of claims for loss events.

- ***Net operating expenses and acquisition costs***

Net operating expenses comprise of direct and indirect acquisition costs as well as other operating expenses such as depreciation, payroll, costs of natural persons not engaged in activity and other operating expenses which are not included under other items of costs.

Neither IFRS nor BC 116 prohibits or requires the deferral of acquisition costs. The standard does not state which costs can be deferred, the period of the deferral or the method of depreciation. Majority of direct and indirect acquisition costs are the costs of the period, whereas the direct costs of of the insurances which are marketed via external network, are deferred over a prolonged period of time. Deferred costs are recognised as an asset in the statement of financial position, whereas the change between the opening and closing balance of the period is stated as a separate item of acquisition costs in the income statement. The depreciation rate is set by actuary based on the dynamics of the utilisation of future corresponding premiums collected.

- ***Investment expenses***

Financial expenses comprise expenses arising as a result of fair value changes, loss on disposal of financial assets, impairment losses and other financial expense.

Expenses resulting from fair value changes of financial assets arise on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss.

Gains on disposal arise on derecognition of financial assets other than financial assets designated at fair value through profit or loss. Loss on disposal is the difference between the asset's carrying amount and its selling price.

14.1.4.6 Taxes

- ***Income tax***

The current tax liability or receivable is recognized in accordance with the calculated corporate income tax in accordance with the applicable tax rate..

- ***Deferred tax***

Deferred tax assets and liabilities are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognised.

Deferred tax assets are reviewed on the reporting date and are impaired for that portion of the assets for which it is no longer probable that a sufficient taxable profit will be available against which the unused tax losses could be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. The tax rates (and tax regulations) valid on or substantially valid on the reporting date are used.

Deferred tax is recognised directly in the statement of comprehensive income if it refers to items recognised directly in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when the Company:

- has a legal right to offset assessed tax assets and assessed tax liabilities, and
- deferred tax assets and deferred tax liabilities relate to the same tax authority in relation to
  - the same taxable unit, or to
  - different taxable units who intend to either settle the assessed tax liabilities and assessed tax assets with the difference, or simultaneously recover tax assets and settle tax liabilities in each of the future financial periods in which significant amounts of deferred tax assets or liabilities are expected to be either recovered or settled.

Deferred taxes are not netted on the Group level.

14.1.4.7 Intangible assets

Intangible assets acquired individually are recognised at cost while intangible assets acquired on the basis of a business combination are recognised at fair value on the day of the takeover. After initial recognition the historical cost method is used. The value in use of an individual intangible asset is limited. Amortisation of an item of intangible assets is recognised through profit or loss.

Intangible assets are amortised according to the straight-line amortisation method over their estimated useful lives using annual amortisation rates ranging from 20.0% to 33.3%.

Intangible assets created within the Group are not capitalised. The costs represent expenses in the period in which they arise.

Intangible assets are tested on an annual basis for impairment individually or as a portion of the cash-generating unit. The useful life of an individual intangible asset is assessed once a year and adjusted as required.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of intangible assets.

14.1.4.8 Tangible fixed assets

Equipment is recognised at cost, which includes direct costs of acquisition, less accumulated depreciation and impairment losses. The Group use the straight-line depreciation method over the estimated useful life of the assets. The depreciation rates did not change in 2020 and are identical to those used in 2019.

Table 4: Depreciation rate for tangible fixed assets

Assets	Depreciation rate in %
Land and buildings	3.0%
Equipment	10 – 33.33

Impairment test of carrying amounts of equipment is performed when events and changes in the circumstances show that the carrying amount exceeds the recoverable amount. The company assesses the value of fixed assets of high values, particularly buildings, by checking the assumptions applied in value appraisals and the market value less costs to sell such assets. If events occur which show that the book value of an asset exceeds its estimated recoverable value, the asset is impaired to its recoverable value. The recoverable value of an asset is the net sales value or value in use, namely the higher of the two. The value in use is determined by discounting expected future cash flows to the net current value using pre-tax discount rates, which reflect the current market estimate of the time value of money and potential risks associated with each individual asset. For assets whose future cash flows are also dependent on the remaining assets in individual cash-generating units, the value in use is calculated on the basis of future cash flows of this cash-generating unit. Impairment losses are recognised as an item of operating expenses from revaluation.

Derecognition of equipment is carried out when the asset is sold or when economic benefits are no longer expected from the continued use of the individual asset. Gains and losses on derecognition of an asset are reported in the profit or loss in the year the individual asset is deleted from the books.

Residual value of assets, assessed on the basis of their useful life or the amortisation method are reviewed or changed if necessary on an annual basis prior to the preparation of the annual financial statements.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of property, plant and equipment.

14.1.4.9 Leases of assets

On concluding a contract, a Group company assesses whether it is a lease contract, or not, and in case of a lease contract recognises the right to use an asset and the accompanying lease liability; short-term leases where the lease period is shorter than one year and low-value leases where the new asset value does not exceed €10,000 are exceptions.

A right-of-use asset is measured at cost and it includes the amount of initial measurement of the relevant lease liability. Lease assets are depreciated on a straight-line basis over the lease term. An entity reassesses lease liabilities and adjusts the right-of-use asset, if lease duration or lease amount changes and if the lease contract changes and such change is not accounted for as separate lease. The amount of remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset, except if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability; in such case, any remaining amount of the remeasurement shall be recognised in the profit or loss.

Lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate shall be used. This is the borrowing rate that a lessee should pay for a similar duration with similar security

or in order to ensure financing necessary to acquire an asset with a value similar to right-of-use value in a similar economic setting.

14.1.4.10 Investments into subsidiaries in the separate financial statements of Prva Group, plc

Investments into subsidiaries are recognised at cost less impairment losses. Subsidiaries are those companies over which the parent maintains a controlling interest.

The Company assesses signs of impairment of investments into subsidiaries by reviewing the previously realised results, dividend paid, future business plans of subsidiaries, and the relevant part of Company capital based on the stake. In case operations and dividend payment show negative deviation in excess of 10%, the Company considers potentially impairing an investment, by value method using the present value of expected cash flows. Suitability of discount rate and the growth rate are applied in the assessment of impairment criteria.

14.1.4.11 Investment property

Investment property (land and buildings) are carried separately from all other items of property, plant and equipment. The following qualifying criteria applies for classification of real estate in the group of investment property:

- Investment property generates economic benefits Investment property is held for the purpose of lease to bring rental income or increase its cost
- The asset is not designated for sales in the immediate future during ordinary course of business.
- The asset's cost can be estimated reliably.

On its acquisition, an item of investment property is measured at cost comprising transaction costs; after initial recognition, they are measured at fair value. Fair value of investment property is measured at market prices on the reporting date, determined by application of established valuation techniques used in measurement of real estate's market values (discounted future cash flows, comparable market prices, most recent transaction prices). Revaluation of investment property is made at least at the end of the financial year or, in the event of major market changes, it can also be made during the financial year as and when necessary. The company determines the amount of materiality from the perspective of the financial statements as a whole in the amount of 1% of the net asset value.

14.1.4.12 Financial investments, assets of insurants assuming investment risk and assets from financial contracts

The company and the Group break down own investments and investments of assets under management (assets of pension funds and unit-linked funds) into the following categories:

- Investment at amortized cost
- Investments at fair value through other comprehensive income
- Investments at fair value through profit or loss

Part of the funds from financial contracts is also allocated to investment property, explained in Chapter 14.1.4.11.

The classification is based on the purpose of their acquisition.

Financial assets at amortized cost

Financial assets is measured at amortized cost, if:

- The financial asset is held according to the business model for the purpose of receiving contractual cash flows and

- According to contractual terms of the financial asset, it give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement

Investments are carried at amortised cost using the effective interest rate method. The amortised cost is calculated by allocation of the premium or the discount on acquisition over the period until the maturity of the investment. Gains and losses on investments carried at amortised cost are recognised in the profit or loss (disposal, impairment or effects of the discount / premium amortisation). Financial investments are recognized on the trading date. Impairments of investments for debt instruments are performed based on expected credit loss, according to IFRS 9. The impairments are recognized in P&L.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets is measured at fair value through other comprehensive income, if:

- The financial asset is held according to the business model for the purpose of receiving contractual cash flows and sale and
- According to contractual terms of the financial asset, it give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement

Gains or losses from are recognised in the statement of comprehensive income as net unrealised gains or losses on available-for-sale investments until the investment is sold or otherwise divested.

The acquisition and sale of individual financial assets are recognised on the trading day; this is the day the Company or the Groupcommit to purchase or sell an individual asset.

Impairments of investments for debt instruments are performed based on expected credit loss, according to IFRS 9. The impairments are recognized in P&L and capital revaluation surplus.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets is measured at fair value through profit or loss, if

- Is a debt instrument and it does not classify in one of the category below
- Is an equity instrument and it does not classify in the category fair value through OCI
- The classification significantly decrease the accounting mismatch, which could arise from different recognition and/or measurement of connected asset/liabilities
- The financial instruments is a derivative

Financial assets at fair value through profit or loss are measured at fair value. Realised gains and losses on investments classified at fair value through profit or loss are recognised directly in the profit or loss.

The fair value of investments in debt and equity securities quoted on organized markets is their quoted price at the end of trading on the balance sheet date. If the financial instruments are not listed on the stock exchange, the fair value is determined on the basis of a similar instrument or, the fair value may be determined as the net current value of future cash flows which the Company or the Group expect from the financial investment.

Acquisition and sale of individual financial investments classified at fair value through profit or loss are recognised on the trading day, which is the day the Company or the Group commit to purchase or sell an individual asset.

Financial models IFRS 9

Financial investments, assets of insurants assuming investment risk and assets from financial contracts

Financial assets under IFRS 9 are classified in the combination of business model for the "purpose of receiving contractual cash flows" and "other". The frequency of purchases and sales is high, which is in line with the key goal – higher yields. Deposits and similar money market products are classified at amortized costs. Under the chosen combination of models, there is also the option to value bonds at amortized cost, but on 31.12.2020 there was no such investment.

Financial investments of the Group

Financial assets under IFRS 9 are classified in the combination of business model for the "purpose of receiving contractual cash flows", "purpose of receiving contractual cash flows and sale" and "other". Based on different analyzes, the investments are recognized to debt instruments (bonds) in two categories: FVTPL and FVOCI. The criteria for dividing is the modified duration of the instrument on the day od purchase. Bonds with modified duration more than 5 years are valued as FVOCI, others are shown in the FVTPL category. According to IFRS 9, the company measures all the equity instruments in the FVTPL with the exception of investment, classified as strategic. Those equity instruments are measured at FVOCI, where the effects of revaluation will never be shown in the P&L. Deposits and similar money market products are classified at amortized costs.

Loans and deposits were moved to the amortized cost category. Additionally, the Group moved investments in commercial papers (from Slovenian issuers) from available for sale category to the category amortized cost because of better presentation without any effects of remeasurement. Since commercial papers are short term and they have inactive market, the group considered the amortized cost value as the most adequate fair value.

IFRS 9 ECL methodology

The standard affects all debt instruments, that are not measured at Fair value through profit and loss (P&L). The ECL effects of debt instrument, measured at amortized cost, are shown on one side as decrease of book value and on the other side as negative result in P&L. The ECL effects of debt instrument, measured at fair value through other comprehensive, are shown on one side as negative result in P&L and on the other side increase of revaluation surplus (no effect on carrying amount of investment).

The ECL calculation are based on the following inputs:

- Transitional matrix of rating agency Moody`s for probability of default (PD) and loss given default (LGD)
- Printout of investment portfolio
- Credit ratings from rating agencies and internal ratings
- Purchase yield (by transaction or weighted average) for discount factor (DF)
- Level of securization of investment

Group companies according to the guidelines should review their portfolio for significant increase in credit risk only for investments, which are under the investment grade (BBB). Group companies should have defined some indicators, that may show a significant increase in credit risk and consequently transfer investment from Level 1 to Level 2 (in practice this means that ECL is calculated not only for 1 year, but for a lifetime).

Those indicators are:

- Change of credit rating for three levels (notches)
- Increase of YTM for 4 percentage point (from purchase yield)
- Yield higher than 5% for government bond and 7% for corporate bonds

One additional indicator, that indicate significant increase in credit risk of debtor, is failure to fulfill contractual obligations. If the debtor obligations are due less than 90 days, debtor stays in Level 1. If due date is above 90 days, the debtor is automatically transferred to level 2 and consequently calculates lifetime ECL instead of 1-year ECL.

In case of objective evidence for an investment to be impaired, group companies should transfer the investment to Level 3 according to the IFRS 9 requirements. This means additional requirement in comparison to Level 2, because company should additionally book interest income on net basis.

One of the possible qualitative or quantitative criteria that the Company sets for the identification and monitoring of changes in credit risk since the initial recognition of the investment is the change in the external credit rating by 3 notches, unless the credit rating falls within the "investment grade"

Calculation of ECL

According to standards, the ECL calculation formula is:

$$\frac{\%\ PD\ X\ \%\ LGD\ X\ Exposure}{(1+DF)^T}$$

%PD:

For PD`s, companies can choose different databases. If the direct debtor PD is available without undue cost and effort, companies should primary use this PD. In case that the direct PD is not available, companies can use the transitional matrix of one of the big credit agencies (Moodys, S&P, Fitch), which are based on ratings. Company will update PD`s once per year (depending of data availability and change in the % PD).

%LGD:

For LGD`s, companies can choose different databases. For exposures, where a government is the final owner, companies use the generalized LGD of 45%, according to the guidelines of Bank of Slovenia.

If the direct debtor LGD is available without undue cost and effort, companies should primary use this LGD. In case that the direct LGD is not available, companies can use the transitional matrix of one of the big credit agencies (Moodys, S&P, Fitch), which are based on ratings.

Company will update LGD`s once per year (depending of data availability and change in the % LGD).

Exposure:

Exposure represents the amortized cost value of investment. In case of unavailability, companies can use purchase value plus accrued interest as exposure for calculating ECL. Exposure is adjusted for each reporting period.

DF:

The discount factor is calculated as weighted average of all purchase yields of particular investment. DF are updated based on the situation (according to purchases and sales).

Adjustments and exceptions

- Receivables of companies mainly represents receivables to pension funds for entry fees, management fees and exit fees and receivables to other own funds. Companies have analyzed the credit risk of those receivables and concluded that based on past experiences there is no need for additional impairments.
- ECL is not calculated for cash and redeemable deposits according to the guidelines of Slovenian Insurance Association (AZN/ATVP).

- ECL is also not calculated for factoring because of short term exposures (average maturity in 2017 was 65 days) and also from past experience of regular fulfilments of contractual obligations by debtors.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value of an asset or a liability considers the asset's or liability's characteristics assuming exchange of an asset or a liability in an ordinary transaction in current market conditions, on the principal market or the most advantageous market for the asset or liability.

In the fair value measurement of non-financial assets, the ability of market participants to generate economic benefits from the highest and best use of the asset or from the asset's sale to another market participant who would use the asset to its highest and best use, is considered.

Fair value of financial instruments traded on organised financial markets is their quoted price on the reporting date. If the price is not quoted on an active market, the stockbrokers' bid price is used as the reference price. If no active market exists for a financial instrument, the Company and the Group determine its fair value based on one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the Company and the Group apply this particular technique.

An active market is a market where transactions are executed between market participants frequently enough and in a volume large enough to enable obtaining regular information about prices. The insurance company assesses market activity for equity instruments, making sure that the exchange rate applied when a security was traded with is not older than one month and that the monthly turnover totals at least 10% of the total position or €25,000, whichever is lower. Debt instruments are assessed under the BVAL score criterion, which is described below.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

When fair value cannot be determined, financial instruments are measured at cost (the amount paid or received) increased by the cost of transaction. For such investments the company annually performs an impairment test.

The following fair value hierarchy is used to disclose fair value measurement of financial assets:

- Level 1: quoted prices in active markets for identical assets (quoted prices).
- Level 2: comparable market inputs (other than quoted inputs of identical assets) obtained directly or indirectly for identical or similar assets.
- Level 3: the use of valuation models using mostly unobservable market inputs.

When using exchange rate, the company separates individual investments to relevant levels based on the BVAL score. The company additionally checks the grounds for the BVAL score and the consequent classification of prices in the fair value hierarchy, and it categorises it by applying the criteria set out below.

Level 1 includes the prices:

- of investments with the BVAL score between 8 and 10,
- prepared exclusively based on directly observable data, which relate to a security, and without applying the indirectly observable data,
- whose minimum share of binding quotations is 90%.

Level 2 includes the prices:

- of investments with the BVAL score between 6 and 10,
- which are mostly prepared based on directly observable data or where the percentage of the indirectly observable data does not exceed 10%,

- which are prepared using market inputs obtained for directly or indirectly identical or similar assets (e.g. the basis for valuation is the yield curve for comparable financial assets with similar maturity and credit risk).

Level 3 includes the prices that do not meet the conditions for categorisation in Level 1 or 2.

Table 5: Own valuation techniques for Level 3 investments

Investment type	Valuation technique	Significant assumptions
Equity securities	Comparable entities	- market ratios: P/B and P/E of comparable entities and selected categories of the assessed entity
	Cash flow discounting	- infinite cash flow growth rate - risk premium - illiquidity premium
Debt securities	Cash flow discounting	- comparable maturity state bond yield - average credit risk of comparable corporate bonds - illiquidity premium
Investment property	Method of capitalization of returns (authorized external valuers)	- rental profit - capitalization measure - risk premium - premium for worse liquidity

14.1.4.13 Operating and other receivables

Operating receivables are recognised in the amounts arising from invoices issued less any bad debt allowances. The assessed bad debt allowances are based on the reasonable expectation of the Company that payment is no longer probable either in full or in a certain amount.

14.1.4.14 Cash and cash equivalents

Cash and cash equivalents include cash from the bank, in the cashier and deposits at the recall. In the cash flow statement, the Company displays as cash and cash equivalents, assets in bank accounts and free cash from the investment adminitrator of the cover fund. For the cash flows statement Company uses an indirect method. Cash and cash equivalents comprise cash in banks and cash in hand as well as deposits with maturity of up to three months.

14.1.4.15 Equity

The share equity of the Company consists of ordinary and preference shares.

Direct additional costs of issuing new shares less tax effects are recognised in equity. In the event that any of the Group companies purchase shares of the parent, the payment including the direct transaction costs less tax effects is recognised in equity as treasury shares until these shares are reissued, sold or withdrawn. In the event of a subsequent sale or reissue of these shares, all effects of the sale or issue are included in the equity.

Ordinary shares

An ordinary share entitles its owner to a voting right and, based on the decision of the General Meeting, to dividends.

Preference shares

Preference shares are cumulative shares without voting rights which entitle their owners to a fixed 6% dividend per annum. The General Meeting adopts decisions on the payment of dividends at its sessions upon the proposal of the Management Board. Preference shares are considered as a part of

equity, since holders of ordinary shares decide at the General Meeting whether dividends will be paid out to preference shareholders or not.

Capital reserves and profit reserves represent payments above the nominal value of shares, statutory and legal reserves, reserves for own shares and other profit reserves.

14.1.4.16 Liabilities for insurance contracts – technical provisions

Insurance contracts classification

Classification of insurance contracts of subsidiary Prva osebna zavarovalnica is consistent with:

- International Financial Reporting Standard 4 (IFRS 4)
- International Actuarial Standard of Practice 3 (IASP 3)

An insurance contract is a contract under which one party (the insurer) accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

IFRS 4 states that uncertain event is when at the time of agreeing the contract it is not clear:

- Whether the insured event will happen,
- When will it happen and
- What the policy benefit will be.

The insurance risk is deemed significant if an insured event could cause the policyholder to pay significant extra amounts by whatever scenario other than those that do not include market component (they do not affect the economy of business). If under a scenario that includes a market component, significant extra amounts must be paid, condition specified in the previous sentence may be fulfilled even when there is an extremely low probability that the insured event will occur or when the expected (i.e. probability-weighted) present value of conditional cash flows accounts for a minor share of expected present value of all remaining cash flows.

The insurer assesses the importance of insurance risk in each individual case rather than based on the importance of financial statements. Therefore, the insurance risk is important also when there is a minimal probability of material claim for the whole group of contracts. Such assessment of individual contracts facilitates their classification as insurance contracts. However, when a relatively homogeneous group of contracts is comprised of contracts that transfer insurance risks, the insurer does not need to verify each individual contract in the group to identify a few contracts that transfer an insignificant insurance risk.

The Group classify insurance contracts into homogeneous groups for which the insurance company estimates the significance of insurance risk. Contracts in individual groups have common characteristics such as the class of insurance, insurance conditions, type of cover and premium payment method (one time premium or regular payments of a premium).

Insurance contracts that bear significant risk are accounted for in line with IFRS 4. If the insurance contracts do not have significant insurance risk, they are accounted for as financial contracts. The company discloses assets from financial contracts separately because it uses the returns arising therefrom to cover future liabilities from financial contracts and losses from financial risks. The company recognises and evaluates assets from financial contracts the same as other investments.

Detailed accounting treatments of individual categories stated above are explained below.

Technical provisions

Technical provisions are set aside according to the methodologies described below and in compliance with the statutory and implementing regulations, and provisions of IFRS 4. The part of technical provisions transferred to reinsurers is recognised in insurance company's assets.

For all of its insurance transactions, the company must make adequate technical provisions designed to cover future liabilities from insurance contracts and potential losses incurred as a result of risks

arising from insurance transactions. The company is required to set aside the following types of technical provisions:

- provisions for unearned premium,
- provisions for bonuses, rebates and reversals,
- claims provisions,
- other technical provisions,
- mathematical provisions,
- provisions for unit-linked life insurance.

Technical provisions are set aside based on the balance on the last day of the accounting period or financial year.

At least once a year, the company assesses the adequacy of the formed technical provisions with the LAT test. In case technical provisions are not adequate, additional provisions are formed.

a.1) Unearned premium

Unearned premium is calculated separately for every insurance contract based on the written premium. The unearned premium calculation includes even distribution of loss occurrence probability during insurance period, and the premium is not reduced by the proportionate part of insurance acquisition costs.

a.2) Claims provisions

In all insurance types marketed by the insurance company, insurants file an application for the payment of benefit directly with the insurance company. Claims reported in such way are processed in the standard method.

Claims provisions are formed in the amount of estimated liabilities which the insurance company is required to pay out based on insurance contracts where an insured event has occurred before the end of the accounting period regardless of whether it has already been reported or not, including all estimated costs that will be incurred on the insurance company in respect of such insured events.

The amount of claims provisions is calculated using statistical methods and an actuarial valuation for all insurance types. Claims provisions are not discounted.

The amount of claims provisions is determined by first assessing the ultimate loss ratio (ULR) and then using it to calculate the amount of claims provisions. The record of reported but not settled claims enables determining the amount of provisions for reported but not settled (RBNS) claims based on the list of such claims and the estimate of losses paid. The insurance company calculates the provisions for the incurred but not reported (IBNR) claims by subtracting the RBNS from the total provisions. The calculated provisions are further checked using the triangle method.

a.3) Mathematical provisions

Mathematical provisions are formed in the amount of the present value of the estimated future liabilities of the insurance company less the present value of the future premiums of insurants. Mathematical provisions are set aside for long-term insurance contracts where premium is determined based on age on the conclusion of insurance contract and it does not change with the ageing of the insurant during the insurance period, while the loss frequency increases with age. Mathematical provisions are calculated using the prospective net Zillmer method with the same parameters as those applied for premium calculation. In life insurance products and health insurance products similar to life insurance products, future liabilities are payments of the agreed sums insured, and in annuity insurance products future liabilities are the expected values of future payments of the agreed annuities with attributed surpluses, including the annuity payment costs. Negative mathematical provisions on calculation date are nullified.

a.4) Provisions for unit-linked life insurance

Provisions for the life insurance products where the policyholder assumes investment risk are equal to the value of assets on individual policies. They are calculated as the product of the value of an investment fund unit and the number of investment fund units. The total provision is further increased by the premiums not yet invested in investment fund units. In some of the old insurance types, which the insurance company does not market anymore, initial units were also applied separately.

a.5) Provisions for bonuses and rebates

The insurance company forms provisions for bonuses and rebates in the amount of the expected bonuses for those policies where the insurant is entitled to bonuses. Provisions are formed based on the amount of bonuses such as determined in insurance contracts.

a.6) Liability Adequacy Test

In compliance with IFRS 4, which requires insurance companies to carry out the liability adequacy test (the LAT test), the insurance company assesses at each reporting date whether its recognised insurance liabilities are adequate by applying the current estimates of future financial flows from insurance contracts. If such estimate shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and intangible assets) is inadequate in terms of the estimated future financial flows, the entire deficit is recognised in the profit or loss.

The insurance company carried out the LAT test on the portfolio balance as at 31 December 2020. In carrying out the LAT test, the insurance company included as recognised all liabilities arising from insurance contracts. It applied the present value of the best safe estimate of all future expected contractual cash and related financial flows: gross premium, costs, including the expected inflation, commissions, commission refunds, claims, options and guarantees. The test is carried out separately by homogenous groups of insurance types.

The following assumptions are used:

- mortality and morbidity assumptions;
- cost assumptions;
- lapse rate assumptions,
- the Republic of Slovenia bond yield curve.

The LAT test showed that liabilities are adequate in all insurance types, except in annuity insurance, which means that additional provisions must be formed only for annuity insurance types, which the insurance company has done in the amount such as shown by the LAT test.

Reinsurance

With reinsurance the Group transfers part of the risk to the Reinsurance Company and pays reinsurance fee.

Reinsurance premium is recognised as a liability towards Reinsurance Company. Reinsurance claims are recognised as a receivable from Reinsurance Company. Changes in unearned premium reinsured and changes in outstanding claim reserve reinsured are determined by Group at the end of every quarter when calculating unearned premium and claim reserve.

The reinsurance part of technical provisions in the statement of financial position is stated as an item of the insurance company's assets.

14.1.4.17 Other provisions

Other provisions include provisions for employee benefits.

Employee benefits include salaries and other allowances in accordance with the collective employment agreement. Contributions to the pension fund at the national level, social security, health insurance and unemployment insurance are recognised by the Company as expenses of the period. The Company also recognises any potential future costs arising from the collective agreement in connection to employees in accordance with IAS 19. The aforementioned expenses are calculated in accordance with the actuarial method and are recognised over the entire employment period for individual employees for whom the collective agreement applies.

Upon payment, costs of termination benefits on retirement and jubilee awards are recognised as operating costs (employee costs) in the income statement. Changes of such provisions resulting from payments or new formations are recognised the same way. The revaluation of the provisions set aside due to an increase or decrease of the present value of liabilities arising from a change in actuarial

items and experience adjustment are recognised as actuarial gains or losses in other comprehensive income, but only for the provisions for termination benefit on retirement.

14.1.4.18 Assets and liabilities from financial contracts

These represent pension funds' assets, which guarantee the fulfilment of liabilities to the insurants. The subsidiary Prva osebna zavarovalnica manages four pension funds in accordance with the Pension and Disability Insurance Act (ZPIZ-2).

The assets comprise investments and cash. Investments in funds are categorised into:

- Investments at fair value through profit or loss
- Investment at amortized cost
- Investment property.

Revenues and expenditures in respect of investments are recognised directly to insurants, in the Balance sheet under the Liabilities from financial contracts. Payment of premiums, realised and unrealised capital gains or losses are also included under this item rather than in the income statement of the Company. Entry, exit and management fees are included in the profit or loss of the Group as revenues.

Liabilities in respect of voluntary supplementary pension insurance are mathematical provisions, which are divided into mathematical provisions for net premium paid, and provisions for guaranteed return and excess over the guaranteed return on funds with guarantee. And liabilities tied to input of prension funds Prva and Prva+ Dynamic and Prva and Prva+ Balanced. All pension schemes of the Company contain guaranteed yield which ranges from 40% to 60% of the guaranteed yield in line with ZPIZ-1. The company guarantees for the guaranteed liabilities and return with its own assets, therefore it classifies such contracts as assets and liabilities from financial contracts.

Provisions for these contracts are determined based on the value of assets on savings accounts of individual policyholders (pension plan members). The amount of provision arises from the calculation of an individual's net premium, which is the paid-in gross premium less entry charges. The amount of a provision for an individual policyholder equals the product of the number of units of an individual fund of an individual policyholder and the unit value on valuation date.

For pension insurance products with investments in the guaranteed fund, additional provisions are calculated for the event the guaranteed return on assets is not achieved.

14.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies applied in the compilation of consolidated financial statements are the same as those used in the preparation of consolidated financial statements for the year ended 31 December 2019, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2020 and which are presented below,

New standards, Interpretations and amendments to published Standards (as at January 2020) that are not yet effective

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted. IAS 8,31 Accounting Policies, Changes in Accounting Estimates and Errors

The Group does not expect the Amendment to have a material impact on its financial statements when initially applied.

Standards and interpretations not yet endorsed by the EU as at 1 January 2020

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting

from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting

from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

The Group does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity has no associates or joint ventures.

IFRS 17 Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The Group expects that the new standard, when initially applied, will have a material impact on the financial statements, because significant part of the group (Prva osebna zavarovalnica) operates in the insurance sector with insurance contracts. Consequentially new standard will as well have a major impact on consolidated statements. The Group is still estimating the potential effects on the financial statements.

Amendments to IFRS 3 Business Combinations

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants

are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner

intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

14.3 ADDITIONAL DISCLOSURES OF THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT ITEMS

Disclosures which the Company is obliged to include in its annual report in compliance with the Companies Act and International Financial Reporting Standards are presented under separate headings and under the items to which they correspond.

14.4 SEGMENT REPORTING

The Group operates in two main geographic areas. Main geographic area of the Group is Slovenia. In addition, the Group is present in other non-member countries of the south-eastern Europe (Northern Macedonia, Serbia and Kosovo).

The Group divided business segments on the basis of its main activities namely non-life insurance, life insurance and other operations, which includes the business of Prva Group, plc and Prva zavarovalniško zastopniška družba d.o.o. The Group included pension insurance in life insurance.

Table 6: Income statement by segments at 31 December 2020

v EUR	Non-life	Life		Other	Total	Total	Cons.	Total
	Slovenia	Slovenia	Abroad	Slovenia	Slovenia	life		
Net premium income	**2,841,967**	**15,552,075**	**0**	**0**	**18,394,041**	**15,552,075**		**18,394,041**
Other insurance income	51,660	3,988,763	5,229,092	24,804	4,065,228	9,217,856	-24,804	9,269,516
Revenue from financial assets	**245,634**	**2,202,126**	**-567,702**	**652,893**	**3,100,653**	**1,634,425**	**-616,655**	**2,532,952**
Interest income	*0*	*0*	*1,117,145*	*21,384*	*21,384*	*1,117,145*		*1,138,528*
Dividend income	*25,695*	*158,189*	*0*	*616,656*	*800,539*	*158,189*	*-616,655*	*183,884*
Other income from investments	*219,939*	*2,043,938*	*-1,068,191*	*14,854*	*2,278,730*	*975,747*		*1,210,539*
Other income	14,379	145,971	238,400	5,662	166,012	384,370		404,412
Net cost of claims	-120,267	-5,667,576	0	0	-5,787,844	-5,667,576		-5,787,844
Change of technical provisions	-446,505	-7,391,527	0	0	-7,838,032	-7,391,527		-7,838,032
Operating costs	**-1,377,059**	**-5,668,068**	**-2,759,729**	**-332,296**	**-7,531,046**	**-8,581,420**	**1,463**	**-10,292,238**
Cost of acquiring insurants	*-456,096*	*-1,253,151*	*-238,274*	*0*	*-1,709,247*	*-1,491,425*		*-1,947,521*
Expenses from investments	-14,007	-135,285	174,802	-34,582	-183,874	39,517		-9,072
Other expenses	-43,330	-192,767	-64,729	-7	-236,105	-257,497		-300,834
Profit before tax	**1,152,472**	**2,833,712**	**2,863,863**	**316,473**	**4,149,035**	**5,543,953**	**-639,997**	**6,372,901**
Income tax and deferred tax	-214,926	-166,846	-265,320	-10,699	-392,471	-432,166	0	-657,791
Net profit	**937,546**	**2,666,866**	**2,598,543**	**305,774**	**3,756,563**	**5,111,787**	**-639,997**	**5,715,110**

Table 7: Income statement by segments at 31 December 2019

v EUR	Non-life Slovenia	Life Slovenia	Life Abroad	Other Slovenia	Total Slovenia	Total life	Cons.	Total
Net premium income	**2,430,079**	**14,929,056**	**0**	**0**	**17,359,135**	**14,929,056**		**17,359,135**
Other insurance income	15,851	3,929,257	4,913,961	39,461	3,984,569	8,843,218	-39,461	8,859,069
Revenue from financial assets	**404,150**	**3,382,346**	**-2,382,916**	**2,468,811**	**6,255,307**	**999,430**	**-2,343,699**	**3,872,391**
Interest income	*118,223*	*631,701*	*320,432*	*24,686*	*774,610*	*952,133*		*1,095,041*
Dividend income	*31,617*	*134,589*	*0*	*2,432,832*	*2,599,038*	*134,589*	*-2,343,699*	*255,339*
Other income from investments	*254,310*	*2,616,056*	*-359,649*	*11,293*	*2,881,659*	*2,256,407*		*2,522,010*
Other income	1,338	108,131	454,136	1,835	111,304	562,267		565,440
Net cost of claims	-589,397	-4,358,321	0	0	-4,947,718	-4,358,321		-4,947,718
Change of technical provisions	-423,180	-8,752,618	0	0	-9,175,798	-8,752,618		-9,175,798
Operating costs	**-1,481,095**	**-5,821,691**	**-2,889,536**	**-367,187**	**-7,669,973**	**-8,711,227**	**1,463**	**-10,560,972**
Cost of acquiring insurants	*-631,529*	*-1,454,897*	*-247,915*	*0*	*-2,086,427*	*-1,702,812*		*-2,334,342*
Expenses from investments	-24,643	-158,930	24,349	-26,725	-210,299	-134,581		-185,949
Other expenses	-64,333	-394,841	-46,274	-1,324	-460,499	-441,115		-506,773
Profit before tax	**268,770**	**2,862,388**	**2,414,493**	**2,114,871**	**5,246,028**	**5,276,881**	**-2,381,697**	**5,278,825**
Income tax and deferred tax	-50,170	-235,087	-46,278	-187,825	-473,082	-281,365	0	-519,359
Net profit	**218,600**	**2,627,301**	**2,368,215**	**1,927,046**	**4,772,947**	**4,995,516**	**-2,381,697**	**4,759,465**

Table 8: Statement of financial position by segments at 31 December 2020

EUR	Non-life insurance Slovenia	Life insurance Slovenia	Life insurance Abroad	Other Slovenia	Total Slovenija	Total Life insurance	Cons.	Total
ASSETS								
Intangible assets	82,020	406,250	160,349	0	488,270	566,599	0	648,619
Tangible assets	78,354	2,643,903	862,435	43,417	2,765,674	3,506,338	0	3,628,109
Deferred tax assets	2,084	9,147	-20,617	47,227	58,458	-11,470	0	37,841
Investments in subsidiaries	0	0	0	16,574,273	16,574,273	0	-16,574,273	0
Investment property	0	2,220,754	0	0	2,220,754	2,220,754	0	2,220,754
Financial investments	**8,539,417**	**51,581,495**	**10,942,794**	**3,683,048**	**63,803,961**	**62,524,289**	**0**	**74,746,754**
1.Measured at amortized cost	*1,348,758*	*12,039,342*	*8,800,629*	*498,310*	*13,886,410*	*20,839,971*	*0*	*22,687,039*
2.Measured at fair value through other comprehenseive income	*1,907,897*	*17,205,444*	*519,556*	*2,847,437*	*21,960,778*	*17,725,000*	*0*	*22,480,334*
3.Measured at fair value through profit or loss	*5,282,762*	*22,336,709*	*1,622,609*	*337,301*	*27,956,772*	*23,959,318*	*0*	*29,579,381*
Assets attributable to unit holders	0	9,182,342	0	0	9,182,342	9,182,342	0	9,182,342
Assets from financial contracts	0	340,520,538	0	0	340,520,538	340,520,538	0	340,520,538
Other receivables	291,547	1,596,762	133,514	7,016	1,895,325	1,730,276	-5,700	2,023,139
Other assets	0	62,819	258,839	1,935	64,754	321,658	0	323,593
Cash and cash equivalents	503,337	102,822	1,152,292	905,314	1,511,473	1,255,114	0	2,663,765
TOTAL ASSETS	**9,496,760**	**408,326,833**	**-3,090,368**	**21,262,230**	**439,085,823**	**405,236,465**	**-16,579,973**	**435,995,455**
EQUITY and LIABILITIES								
EQUITY	**5,376,942**	**25,409,826**	**18,275,239**	**21,158,471**	**51,945,239**	**43,685,065**	**-22,484,906**	**47,735,572**
Issued share capital	2,700,000	10,400,000	4,057,393	13,386,247	26,486,247	14,457,393	-17,157,393	13,386,247
Reserves	871,069	7,207,423	-70,164	6,021,220	14,099,712	7,137,258	-8,008,328	6,021,220
Revaluation reserve	103,529	619,022	-701	-266,120	456,431	618,321	-531,143	-75,413
Retained and net profit or loss	1,702,344	7,183,381	8,400,495	2,666,822	11,552,547	15,583,876	3,211,958	23,165,000
Treasury shares	0	0	0	-649,698	-649,698	0	0	-649,698
Owners equity of the parent company	5,376,942	25,409,826	12,387,023	21,158,471	51,945,239	37,796,848	-22,484,906	41,847,356
Non-controlling interest	0	0	5,888,217	0	0	5,888,217		5,888,217
Technical provisions	2,095,796	31,819,858	0	0	33,915,654	31,819,858		33,915,654
Gross provisions in favour of unit-linked insurance underwriters	0	8,532,960	0	0	8,532,960	8,532,960		8,532,960
Other provisions	0	110,520	0	0	110,520	110,520		110,520
Deferred tax liabilities	24,214	76,214	635	0	100,428	76,850		101,064
Liabilities from financial contracts	0	340,520,538	0	0	340,520,538	340,520,538		340,520,538
Other Financial liabilities	0	0	12,655	0	0	12,655		12,655
Operating liabilities	214.594	426.948	974,269	27,894	2,055,542	1,256,045	-5,700	2,825,538
Other liabilities	1.785.214	1.429.968	137,441	75,866	2,103,514	419,216		2,240,955
TOTAL EQUITY AND LIABILITIES	**9,496,761**	**408,326,832**	**19,400,240**	**21,262,230**	**439,085,823**	**427,727,071**	**-22,490,606**	**435,995,455**

Table 9: Statement of financial position by segments at 31 December 2019

EUR	Non-life insurance Slovenia	Life insurance Slovenia	Life insurance Abroad	Other Slovenia	Total Slovenija	Total Life insurance	Cons.	Total
ASSETS								
Intangible assets	50,254	314,201	178,155	0	364,455	492,356	0	542,610
Tangible assets	78,180	2,638,019	951,843	67,629	2,783,828	3,589,862	0	3,735,671
Deferred tax assets	3,646	15,781	2,020	57,926	77,353	17,801	-29,328	79,384
Investments in subsidiaries	0	0	0	16,581,773	16,581,773	0	-16,581,773	0
Investment property	0	2,250,000	0	0	2,250,000	2,250,000	0	2,250,000
Financial investments	**8,594,632**	**42,030,049**	**9,794,210**	**3,694,320**	**54,319,001**	**51,824,259**	**0**	**64,113,211**
1. Measured at amortized cost	*1,405,580*	*10,564,152*	*7,578,119*	*0*	*11,969,732*	*18,142,271*	*0*	*19,547,851*
2. Measured at fair value through other comprehenseive income	*2,180,208*	*13,808,327*	*584,979*	*3,312,250*	*19,300,785*	*14,393,306*	*0*	*19,885,764*
3. Measured at fair value through profit or loss	*5,008,842*	*17,657,570*	*1,631,113*	*382,070*	*23,048,483*	*19,288,684*	*0*	*24,679,596*
Assets attributable to unit holders	0	7,272,708	0	0	7,272,708	7,272,708	0	7,272,708
Assets from financial contracts	0	320,048,748	0	0	320,048,748	320,048,748	0	320,048,748
Other receivables	577,859	3,016,043	143,145	15,580	3,609,482	3,159,189	49,090	3,801,718
Other assets	0	48,164	228,058	2,349	50,513	276,222	0	278,571
Cash and cash equivalents	407,733	550,086	650,754	1,403,332	2,361,151	1,200,839	0	3,011,905
TOTAL ASSETS	**9,712,304**	**378,183,798**	**-4,584,486**	**21,822,909**	**409,719,011**	**373,599,312**	**-16,562,010**	**405,134,525**
EQUITY and LIABILITIES								
EQUITY	**4,422,973**	**22,763,046**	**11,293,422**	**21,681,895**	**48,867,913**	**34,056,469**	**-16,497,760**	**43,663,576**
Issued share capital	2,700,000	10,400,000	2,304,599	13,393,747	26,493,747	12,704,599	-15,412,099	13,386,247
Reserves	871,069	7,207,423	-70,886	6,078,020	14,156,512	7,136,537	-8,064,406	6,021,220
Revaluation reserve	87,107	642,697	-119,331	160,941	890,746	523,366	-368,820	402,595
Retained and net profit or loss	764,796	4,512,926	3,749,662	2,698,885	7,976,607	8,262,588	7,347,564	19,073,833
Treasury shares	0	0	0	-649,698	-649,698	0	0	-649,698
Owners equity of the parent company	4,422,973	22,763,046	5,864,044	21,681,895	48,867,913	28,627,090	-16,497,760	38,234,197
Non-controlling interest	0	0	5,429,378	0	0	5,429,378		5,429,378
Technical provisions	2,364,877	27,156,086	1	0	29,520,963	27,156,087		29,520,964
Gross provisions in favour of unit-linked insurance underwriters	0	6,831,778	0	0	6,831,778	6,831,778		6,831,778
Other provisions	0	83,653	0	0	83,653	83,653		83,653
Deferred tax liabilities	24,095	69,958	11,764	37,752	131,805	81,722		143,569
Liabilities from financial contracts	0	320,048,748	0	0	320,048,748	320,048,748		320,048,748
Other Financial liabilities	0	0	164,229	0	0	164,229		164,229
Operating liabilities	1,272,461	797,799	267,318	28,335	2,098,595	1,065,116	-14,267	2,351,646
Other liabilities	1,627,898	432,732	189,393	76,340	2,136,970	622,125		2,326,363
TOTAL EQUITY AND LIABILITIES	**9,712,304**	**378,183,799**	**11,926,127**	**21,822,909**	**409,719,012**	**390,109,927**	**-16,512,027**	**405,134,525**

15 NOTES TO THE INCOME STATEMENT

15.1 NET PREMIUM INCOME

Table 10: Net income from insurance premiums

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Gross insurance premiums written	0	0	19,394,072	18,280,017
Premiums written re-insured	0	0	-1,001,096	-930,651
Change of unearned premium	0	0	1,066	9,769
Total	**0**	**0**	**18,394,041**	**17,359,135**

15.2 OPERATING INCOME AND OTHER INCOME

Table 11: Operating income and other income

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Entry fees	0	0	2,137,206	2,188,610
Management fee	0	0	6,703,693	6,154,459
Exit fees	0	0	55,233	63,160
Other operating income	24,804	39,461	373,384	452,841
Total operating income	**24,804**	**39,461**	**9,269,516**	**8,859,069**
Other income	5,662	1,835	404,412	565,440
Total	**30,466**	**41,296**	**9,673,928**	**9,424,509**

Main part of operating revenues from operations represents entry and management fees from supplementary pension insurance.

The entry fees are charged from paid-in premiums, not exceeding 3% at the year-end (2019: 3%).

The Group also charges annual management fee ranging from 0.5% to 1.0% for the administration and management of all pension funds (2019: 0.5% to 1%).

Upon the termination of the supplementary pension insurance, the administrator/Group is entitled to an exit fee in the amount of 1% of the redemption value upon termination of the insurance contract (2019: 1%).

At the Company operating revenues relate exclusively to services that the Company charges to subsidiaries for services rendered. These revenues are excluded from the consolidated revenues.

Other income relates to re-invoiced operating expenses of real estate, rental income, gains on sale and revaluation of fixed assets and services between related parties.

15.3 INTEREST INCOME

Interest income include interest from bank deposits and interest from investments earned in 2020.

Table 12: Interest income

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Financial assets	21,384	24,686	1,138,527	1,094,399
1. Amortized cost	0	0	642,279	644,038
2. Measured at fair value through other comprehensive income	21,384	24,686	206,270	153,996
3. Measured at fair value through profit or loss	0	0	289,978	296,365
Other	0	0	1	642
Total interest income	**21,384**	**24,686**	**1,138,528**	**1,095,041**

15.4 DIVIDEND INCOME

Table 13: Dividend income

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Dividends from subsidiaries	616,656	2,343,699	0	0
Dividends from investment, measured at fair value through other comprehensive income	0	89,133	0	89,133
Dividend income from investments measured at fair value through profit or loss	0	0	183,884	166,207
Total	**616,656**	**2,432,832**	**183,884**	**255,339**

15.5 OTHER INCOME AND EXPENSES FROM INVESTMENTS

Table 14: Other income and expenses from investments

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Net gains from revaluation of investments measured at fair value through profit or loss	-24,592	-26,296	903,069	1,922,159
Net gains/losses from disposal of securities	7,322	11,293	602,535	394,421
Impairment of investments not measured at fair value through profit or loss	0	0	-4,456	-24,393
Other interest expenses	-2,458	-429	-321	-1,352
Net foreign exchange differences	0	0	-299,360	45,225
Total	**-19,729**	**-15,432**	**1,201,467**	**2,336,061**

15.6 NET EXPENSES FOR CLAIMS AND CHANGES IN TECHNICAL PROVISIONS

Table 15: Changes in technical provisions

EUR	Prva Group 2020	Prva Group 2019	The Group 2020	The Group 2019
Change of gross mathematical provisions	0	0	0	0
Life insurance guarantee fund	0	0	-7,391,527	-8,752,618
Non-life insurance guarantee fund	0	0	-446,505	-423,180
Total	**0**	**0**	**-7,838,032**	**-9,175,798**

Table 16: Net expenses for claims

EUR	Prva Group 2020	Prva Group 2019	The Group 2020	The Group 2019
Gross claims charged	0	0	-6,284,695	-5,162,359
Re-insurance share of gross claims	0	0	315,284	428,196
Change of provisions for outstanding claims	0	0	1,744,418	-376,965
Change of provisions for outstanding claims re-insured	0	0	-1,562,851	163,410
Total	**0**	**0**	**-5,787,844**	**-4,947,718**

15.7 COSTS OF ACQUIRING INSURANTS

Commissions to agents and marketing promotion costs directly attributed to the acquisition of insurants are included under costs of acquiring insurance, Commissions to agents refer to fees which are paid to outside contractors as an award for the successful acquisition of insurants, The presented item comprises also changes in deferred insurance acquiring costs,

Table 17: Costs of acquiring insurants

EUR	Prva Group 2020	Prva Group 2019	The Group 2020	The Group 2019
Commissions to agents costs	0	0	-1,657,836	-1,886,000
Marketing campaigns costs	0	0	-289,686	-448,342
Total	**0**	**0**	**-1,947,521**	**-2,334,342**

15.8 EMPLOYEE COSTS

Salaries, holiday pay, reimbursements for meals and transportation to work, employer contributions and taxes for remitted salaries and payments of supplementary pension insurance are included under labour costs for 2020.

Prva Group plc. had 4 employees at the end of 2020 (2019: 4), while there were 148 persons employed in the Group at the end of 2020 (2019: 154).

Table 18: Employee costs

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Employee salaries	-165,487	-124,429	-3,653,184	-3,528,554
Holiday pay	-950	-642	-105,024	-117,382
Reimbursements for meals and transportation to work	-1,177	-466	-161,548	-176,783
Employer's contributions and taxes on salaries paid	-26,094	-23,574	-720,553	-710,367
- Pension insurance contributions	-12,674	-12,958	-324,451	-316,521
- Social security contributions	-13,421	-10,615	-396,102	-393,846
Payments to employees for supplementary pension insurance	-2,819	-1,644	-164,054	-163,421
Other labour costs	-7,200	-58,946	-51,706	-100,251
Total	**-203,728**	**-209,701**	**-4,856,069**	**-4,796,758**

15.9 OTHER COSTS

The costs of other services are primarily related to maintenance costs, postage and other services. Rental costs relate to the rent of assets of smaller value and short-term leases. None of the subsidiaries, despite the epidemiological situation, recorded delays in the payment of the obligation in 2020.

Table 19: Other costs

v EUR	Prva Group		The Group	
	leto 2020	leto 2019	leto 2020	leto 2019
Reimbursement of work-related costs	-823	-2,604	-86,817	-63,349
Costs of intellectual and personal services	-28,001	-62,179	-374,518	-350,700
Cost of rent	-1,482	-1,463	-176,618	-146,570
Costs of other services	-62,871	-60,691	-241,935	-723,031
Supervisory costs	0	0	-1,117,384	-959,334
Operating material costs	-2,410	-1,440	-107,988	-140,985
Long-term reservations to employees	0	0	-19,854	-67,127
Bank fees	-925	-1,267	-49,009	-61,877
Costs for sponsorship and grants	-15,400	-8,323	-21,274	-44,857
Other costs	-4,123	-6,348	-756,203	-341,826
Depreciation	-12,534	-13,172	-537,048	-530,216
Skupaj	**-128,568**	**-157,486**	**-3,488,648**	**-3,429,872**

Table 20: Costs by functional groups

v EUR	Prva Group		Skupina	
	2020	2019	2020	2019
Cost of claims and reservations			-11,847,947	-11,846,253
Insurance acquisition costs			-2,654,351	-2,984,610
Other selling costs			-1,883,874	-1,758,057
General activity costs	-332,296	-367,187	-5,763,990	-5,786,995
Skupaj	**-332,296**	**-367,187**	**-22,150,162**	**-22,375,915**

Table 21: Audit fees

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Audit of the annual report	-7,779	-8,540	-68,986	-53,209
Other auditing services	-1,464	-1464	-10,108	-23,788
Total	-9,243	-10,004	-79,094	-76,997

15.10 OTHER EXPENSES

Table 22: Other expenses

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Other expenses	-7	-1,324	-300,834	-506,772
Total	-7	-1,324	-300,834	-506,772

Other expenses mainly relating to items incurred by Prva osebna zavarovalnica plc., and cover the costs charged to the Company and cannot be included under any other profit or loss item. In 2020 expenses were €300,384 (2019: €506,772). Most expenses represent write-offs of receivables, impairments of property and operating costs charged further on.

15.11 DEFERRED TAX AND INCOME TAX

Table 23: Deferred tax of Prva group

EUR	Balance sheet		Recognised in statement of comprehensive income	Recognised in profit or loss
	31.12.2020	31.12.2019	2020	2020
Receivable for deferred tax	47,227	57,926	0	-10,699
Impairment of investments	47,227	57,926	0	-10,699
From unused tax losses	0	0	0	0
Deferred tax liabilities	0	-37,752	37,752	0
Revaluation of FVOCI investments	0	-37,752	37,752	0
Total deferred income tax assets(+) / liabilities(-)	47,227	20,175	37,752	-10,699

Table 24: Deferred tax of The Group

EUR	Balance sheet		Recognised in statement of comprehensive income	Recognised in profit or loss
	31.12.2020	31.12.2019	2020	2020
Receivable for deferred tax	**37,842**	**79,384**	**-17,964**	**-2,212**
Fixed asset depreciation	0	0	0	0
Impairment of investments	31,134	72,120	-17,964	-1,656
Provisions for employees	6,708	7,265	0	-557
From unused tax losses	0	0	0	0
Deferred tax liabilities	**101,063**	**143,569**	**-42,506**	**0**
Revaluation of FVOCI investments	101,063	143,569	-42,506	0
Deferred income tax assets / liabilities	-63,221	-64,185	24,542	-2,212

In 2020 deferred tax in the amount of €22,426 was excluded in consolidation trough retained earnings, because the receivables should have been eliminated in previous years. As at 31 December 2020, deferred tax amounts were restated using tax rates effective at the time the Group expects to utilise these tax assets i.e. at the rate of 19% (2019: 19%).

Table 25: Reconciliation of tax and accounting profit multiplied by the tax rate applicable in Slovenia

EUR	Prva Group		The Group	
	2020	2019	2020	2019
Profit for the year before tax	316,473	2,114,871	6,372,901	5,278,825
Adjustment for frofit with 0 tax rate	0	0	-1,908,088	-2,050,204
Profit on which income tax is calculated	316,473	2,114,871	4,464,813	3,228,620
Income tax using the statutory tax rate	60,130	401,825	848,314	613,438
Adjustment to the actual statutiry tax rate	0	0	-196,244	-214,288
Tax effect of income, deducted in calculating the tax	-127,957	-463,833	0	0
Tax effect of expenses, not deducted in the tax calculation	2,531	3,968	42,719	31,993
Tax effect of income, added in calculating the tax	5,858	23,112	344	0
Tax effect for reliefs			-5,006	
Tax effect fort he use of tax losses	0	0	-34,550	-26,157
Income tax	**0**	**0**	**655,578**	**511,013**
Deferred tax	-10,699	-187,825	2,212	8,346
Total tax	**-10,699**	**-187,825**	**657,790**	**519,360**
Effective tax rate	0.00%	0.00%	10.32%	9.84%

In the financial year under review, the the Group accounted for the amount of current income tax payable using the applicable tax rate of 19% in Slovenia (2019: 19%).

15.12 NET EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit for the financial period belonging to ordinary shareholders by the weighted average number of outstanding ordinary shares in the financial period. The weighted average number of outstanding ordinary shares is calculated using data on the number of outstanding ordinary shares while taking into consideration eventual purchases and sales within the period and the period in which the shares participated in the generating of profit. The adjusted earnings per share also take into account all potential ordinary shares. The Company does not have any potential ordinary shares, therefore the net earnings per share equals to the adjusted earnings per share.

Table 26: Earnings per share

	The Group	
	2020	2019
Net profit for the year attributable to the Company/Group	4,550,594	3,720,866
Less dividends paid out to owners of preference shares	-400,724	-400,724
Net profit attributable to ordinary equity holders of the parent (EUR)	4,149,870	3,320,142
Weighted average number of ordinary shares for basic earnings per share	291,484	291,484
Earnings per share (in EUR)	14,24	11,39

16 NOTES TO THE STATEMENT OF FINANCIAL POSITION

16.1 INTANGIBLE LONG-TERM ASSETS

Table 27: Movement in intangible long-term assets in 2020

	Prva Group				The Group			
EUR	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Invest-ments in progress	Long-term deferred acquisition costs	TOTAL
ACQUISITION VALUE								
At 31 Dec 2019	178,858	0	0	178,858	2,403,829	26,694	100,760	2,531,282
Additions	0	0	0	0	29,287	296,716	32,864	358,867
Transfers	0	0	0	0	-213,105	-143,488	167,009	-189,584
Disposals	-178,858	0	0	-178,858	-193,282	0	0	-193,282
Currency differences	0	0	0	0	-647	0	0	-647
At 31 Dec 2020	0	0	0	0	2,026,081	179,922	300,632	2,506,636
ACCUMULATED AMORTISATION								
At 31 Dec 2019	178,858	0	0	178,858	1,924,992	0	63,681	1,988,673
Amortisation in 2020	0	0	0	0	159,510	0	0	159,510
Disposals	-178,858	0	0	-178,858	-345,381	0	55,813	-289,568
Currency differences	0	0	0	0	-598	0	0	-598
At 31 Dec 2020	0	0	0	0	1,738,523	0	119,494	1,858,017
CARRYING AMOUNT								
At 31 Dec 2019	0	0	0	0	265,272	69,803	207,534	542,609
At 31 Dec 2020	0	0	0	0	287,558	179,922	181,138	648,619

Table 28: Movement in intangible long-term assets in 2019

EUR	Prva Group				The Group			
	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Invest-ments in progress	Long-term deferred acquisition costs	TOTAL
ACQUISITION VALUE								
At 31 Dec 2018	178,858	0	0	178,858	2,342,628	-42,962	96,516	2,396,181
Additions	0	0	0	0	72,832	69,656	23,473	165,961
Transfers	0	0	0	0	0	0	-19,273	-19,273
Disposals	0	0	0	0	-8,724	0	0	-8,724
Currency differences	0	0	0	0	-2,907	0	44	-2,863
At 31 Dec 2019	178,858	0	0	178,858	2,403,829	26,694	100,760	2,531,282
ACCUMULATED AMORTISATION								
At 31 Dec 2018	178,858	0	0	178,858	1,776,477	0	65,431	1,841,908
Amortisation in 2019	0	0	0	0	158,142	0	826	158,968
Disposals	0	0	0	0	-8,044	0	-2,431	-10,475
Currency differences	0	0	0	0	-1,584	0	-145	-1,729
At 31 Dec 2019	178,858	0	0	178,858	1,924,992	0	63,681	1,988,673
CARRYING AMOUNT								
At 31 Dec 2018	0	0	0	0	566,151	-42,962	31,085	554,273
At 31 Dec 2019	0	0	0	0	478,837	26,694	37,078	542,610

16.2 TANGIBLE FIXED ASSETS

Table 29: Movement in tangible fixed assets in 2020

EUR	Prva Group		The Group	
	Equipment	TOTAL	Buildings and equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2019	224,783	224,783	5,127,119	5,127,119
Additions	3,793	3,793	294,713	294,713
Disposals	-160,464	-160,464	-248,673	-248,673
Currency differences	0	0	-2,033	-2,033
At 31 Dec 2020	68,111	68,111	5,171,125	5,171,125
ACCUMULATED DEPRECIATION				
At 31 Dec 2019	157,154	157,154	1,551,314	1,551,314
Depreciation in 2020	12,534	12,534	369,140	369,140
Impairments	0	0	-50,573	-58,012
Disposals	-144,993	-144,993	-226,095	-226,095
Currency differences	0	0	-507	-507
At 31 Dec 2020	24,694	24,694	1,643,280	1,643,280
CARRYING AMOUNT				
At 31 Dec 2019	67,629	67,629	3,575,804	3,575,804
At 31 Dec 2020	43,417	43,417	3,527,846	3,527,846

The fair value of real estate used by the Group to perform its core business is €2,758,711 (2019: €2,798,598).

Table 30: Movement in tangible fixed assets from the right of use in 2020

	Prva Group	The Group		
V EUR	TOTAL	Buildings/ business premises	Equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2019	**0**	**177,472**	**69,038**	**246,510**
Additions	0	41,060	0	41,060
Disposals	0	0	-49,662	-49,662
Currency differences	0	0	0	0
At 31 Dec 2020	**0**	**218,532**	**19,376**	**237,908**
ACCUMULATED DEPRECIATION				
At 31 Dec 2019	**0**	**44,471**	**42,172**	**86,643**
Depreciation in 2019	0	73,797	6,105	79,902
Disposals	0	0	-28,901	-28,901
Currency differences	0	0	0	0
At 31 Dec 2020	**0**	**118,268**	**19,376**	**137,644**
CARRYING AMOUNT				
At 31 Dec 2019	0	133,001	26,866	159,867
At 31 Dec 2020	**0**	**100,264**	**0**	**100,264**

Table 31: Movement in tangible fixed assets 2019

	Prva Group		The Group	
EUR	Equipment	TOTAL	Buildings and equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2018	223,095	223,095	4,861,326	4,861,326
Additions	1,688	1,688	409,789	409,789
Disposals	0	0	-147,681	-147,681
Currency differences	0	0	3,685	3,685
At 31 Dec 2019	224,783	224,783	5,127,119	5,127,119
ACCUMULATED DEPRECIATION				
At 31 Dec 2018	143,982	143,982	1,181,702	1,181,702
Depreciation in 2019	13,172	13,172	322,389	322,389
Impairment	0	0	186,420	186,420
Disposals	0	0	-141,064	-141,064
Currency differences	0	0	1,867	1,867
At 31 Dec 2019	157,154	157,154	1,551,314	1,551,314
CARRYING AMOUNT				
At 31 Dec 2018	79,113	**79,113**	3,679,624	**3,679,624**
At 31 Dec 2029	**67,629**	**67,629**	**3,575,804**	**3,575,804**

Table 32: Movement in tangible fixed assets from the right of use in 2019

V EUR	Prva Group Skupaj	The Group Zgradbe / poslovni prostori	Oprema	Skupaj
ACQUISITION VALUE				
At 1 Jan 2019	**0**	**165,645**	**49,662**	**215,307**
Additions	0	11,827	19,376	31,203
Disposals	0	0	0	0
Currency differences	0	0	0	0
At 31 Dec 2019	**0**	**177,472**	**69,038**	**246,510**
ACCUMULATED DEPRECIATION				
At 1 Jan 2019	**0**	**0**	**0**	**0**
Depreciation in 2019	0	44,471	42,172	86,643
Disposals	0	0	0	0
Currency differences	0	0	0	0
At 31 Dec 2019	**0**	**44,471**	**42,172**	**86,643**
CARRYING AMOUNT				
At 1 Jan 2019	0	165,645	3,019,821	215,307
At 31 Dec 2019	**0**	**133,001**	**26,866**	**159,867**

The Company has not pledged any items of property, plant and equipment as collateral for borrowings.

16.3 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent investments of Prva Group plc. in the following companies: Prva osebna zavarovalnica d.d., KB Prvo penzisko društvo AD, Skopje, Fondi Slloveno-Kosovar I Pensioneve sh.A Pristhine Kosovo, DDOR GARANT Beograd, PRVA zavarovalniško zastopniška družba, d.o.o. These companies and the parent company Prva Group plc. form the Group.

Table 33: Investments in subsidiaries

EUR	Ownership	Prva Group 31.12.2020	31.12.2019
Prva osebna zavarovalnica d,d,	100%	13,730,000	13,730,000
KB Prvo penzisko društvo AD Skopje	51%	918,272	918,272
Fondi Slloveno-Kosovar I Pensioneve Sh,A Pristhine Kosovo	67%	394,000	394,000
DDOR GARANT Beograd	60%	1,532,000	1,532,000
PRVA zavarovalniško zastopniška družba, d,o,o,	100%	0	7,500
Total		**16,574,272**	**16,581,772**

Voting rights in subsidiaries are equal to the ownership share.

The Company assesses signs of impairment of investments into subsidiaries by reviewing the previously realised results, dividend paid, and future business plans of subsidiaries.

On 30 October 2020, the Company conducted an internal appraisal of investment in Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo and DDOR GARANT Beograd based on the value method in

the use of the present value of expected cash flows. The following assumptions were used in the appraisal:

- Discount rate: 13.99%
- Long-term growth rate: 1.5%

According to the estimated values of investments, the Company concluded that there is no need for additional impairments.

For Prva osebna zavarovalnica and KB Prvo the company concluded, that there are no sign for impairments, since the respective capital of both companies significantly exceeded the book value of the investment (Prva osebna zavarovalnica for 118% and KB Prvo for 1056%).

Table 34: Sensitivity analysis for the value of the investment in DDOR Garant Beograd

	Discount rate		Long-term growth rate		
	0.50%	1.00%	1.50%	2.00%	2.50%
12.75%	4.48%	7.43%	10.63%	14.14%	17.99%
13.75%	-3.17%	-0.74%	1.88%	4.73%	7.84%
13.99%	-4.83%	-2.51%	0.00%	2.72%	5.68%
14.25%	-6.57%	-4.36%	-1.97%	0.62%	3.43%
15.25%	-12.66%	-10.80%	-8.81%	-6.66%	-4.34%

Table 35: Sensitivity analysis for the value of the investment in Fondi Slloveno- Kosovar I Pensioneve Sh,A Pristhine

	Discount rate		Long-term growth rate		
	0.50%	1.00%	1.50%	2.00%	2.50%
12.75%	1.60%	2.61%	3.72%	4.93%	6.25%
13.75%	-1.08%	-0.25%	0.66%	1.64%	2.71%
13.99%	-1.66%	-0.86%	0.00%	0.94%	1.96%
14.25%	-2.27%	-1.51%	-0.69%	0.20%	1.17%
15.25%	-4.41%	-3.77%	-3.09%	-2.35%	-1.55%

16.4 INVESTMENT PROPERTY

Table 36: Investment property

EUR	Prva group	The Group
As at 1.1.2019	0	**2,017,859**
Additions	0	-
Disposals	0	-
Profit/loss from evaluation to market value	0	232,141
As at 31.12.2019	0	**2,250,000**
As at 1.1.2020	0	**2,250,000**
Additions	0	-
Disposals	0	-
Profit/loss from evaluation to market value	0	- 29,246
As at 31.12.2020	0	**2,220,754**

Investment property is located on Fajfarjeva ulica in Ljubljana, a part of which is used for own needs (disclosed in fixed assets), and rents out the other part.

The market value of commercial property largely depends on the future price of market leases, that is, the estimated value of commercial property is affected by the returns buyers will be able to achieve based on purchase prices. In the Covid-19-pandemic changed situation, commercial property value assessment is primarily based on future returns. The value of our commercial property was assessed by reviewing the macroeconomic effects of the Covid-19 pandemic and the validity of unobserved data assumptions, such as:

- the anticipated volume of rental income;
- lease possibility;
- vacancy deduction consideration and inability to collect rental claims; and
- capitalization rate growth.

Determining the above is essential for estimating property value, so we additionally considered Covid-19 and other commercial real estate market analysis findings for 2019 to 2021, including:

- The number of lease transactions in the first half of 2020 dropped by 62% compared to the same period in 2019. No change was noted in the field of contractual average lease duration and size of leased premises.
- The average price of leases in the first half of 2020 dropped by approximately 3%.
- The highest market prices were recorded by Class A ranked office premises.
- Due to the severely reduced number of transactions during the Covid-19 epidemic, the sample is not relevant so does not represent reliable and final data about lease change.
- When comparing advertised office premises on 12 June, 2019, and 23 June, 2020, negligible difference in the number of advertisements and average advertised prices was found.
- The office premise market in Ljubljana recorded no major progress and new acquisitions at the end of 2019. The construction of such real estate is still lags far behind other types, with older and derelict office premises on less recognised locations prevailing.
- The market needs new modern business buildings. Planned short-term projects for Ljubljana promise about 9,100 m2 of additional office premises by 2021 and a further 48,000 m2 by 2026.

The company generated €193,223 revenues from rents in 2020 (2019: €195,594). Costs, relating to the investment property were €17,565 (2019: €19,218).

On 31 December 2020, the Company conducted an internal appraisal of investment property, based on the direct capitalisation of profits method and the discounted cash flow method.

The following assumptions were used in the appraisals:

- Capitalisation rate between 6.64% and 7.20%; (business premises 6.64% - 6.94%, sheltered housing 7.2%,)
- Growth rate for sheltered housing 1%
- Non-occupancy deduction between 2.5% and 8.33%;
- Non-recoverability deduction between 0.5% and 0.83%.

Investment property is not pledged as security for debts.

16.5 FINANCIAL INVESTMENTS

Table 37: Investments in securities

EUR	Prva Group		The Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investments into securities at amortized cost	498,310	0	22,687,039	19,547,851
Investments into securities at fair value through other comprehensive income	2,847,437	3,312,250	22,480,334	19,885,764
Investments into securities at fair value through profit or loss	337,301	382,070	29,579,381	24,679,596
Total	**3,683,048**	**3,694,320**	**74,746,754**	**64,113,211**

Investments in securities represent investments in shares, commercial papers and bonds.

Table 38: Structure of securities based on type of interest rate

EUR	Prva Group		The Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investments into securities at amortized cost:	498,310	0	22,687,039	19,547,851
- debt securities at fixed rate of interest	498,310	0	22,687,039	19,547,851
- debt securities at variable rate of interest	0	0	0	0
Investments into securities at fair value through other comprehensive incom	2,847,437	3,312,250	22,480,334	19,885,764
- debt securities at fixed rate of interest	0	0	19,457,067	16,394,709
- debt securities at variable rate of interest	0	0	175,830	178,805
- equity securities	2,847,437	3,312,250	2,847,437	3,312,250
Investments into securities at fair value through profit or loss	337,301	382,070	29,579,381	24,679,596
- debt securities at fixed rate of interest	337,301	382,070	12,994,313	12,472,896
- debt securities at variable rate of interest	0	0	0	611
- equity securities	0	0	16,585,068	12,206,089
Total	**3,683,048**	**3,694,320**	**74,746,754**	**64,113,210**

The effective interest rate for securities ranges from -1.03% to 33.3% (2019: from 1.1% to 5.2%).

Table 39: Investment in equity instuments, valued at fair value through other comprehensive income

EUR	Fair value 31.12.2019	Dividend income recognised for investment held at the end of the year	Transfer of cumulative gain or loss within equity in 2020
DBS d,d,	2,822,681	0	0
DEJ d,o,o,, Alternativni investicijski sklad z garantiranim donosom v višini inflacije	24,756	0	0
Total	**2,847,437**	**0**	**0**

On 30 June 2020, the Company also conducted an external appraisal of investments in DBS shares owned by pension funds based on the method of the present value of expected cash flows. The following assumptions were used in the appraisals:

- Discount rate: 8.2%
- Growth rate: 2%
- Discount for minority stake: 15%
- Discount for liquidity shortage: 10%
- Discount for lack of marketability: 10%

The result of the appraisal of the value of DBS shares is an impairment of the investment in the amount of € 464,813.

Table 40: Group investment, valued at amortized cost by stages and credit ratings

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
AAA-AA	0	0	0	0
A	0	0	0	0
BBB-BB	15,297,621	0	0	15,297,621
B	0	0	0	0
CCC-CC	0	0	0	0
C	0	0	0	0
D	0	0	0	0
Not rated	7,389,418	0	0	7,389,418
Balance at 31.12.2020	**22,687,039**	**0**	**0**	**22,687,039**

At 31 December 2020 the Group has deposits, commercial papers and bonds among its investments, valued at amortized cost with credit risk rating grade BBB-BB. Investments without credit risk rating grade are fully purchases of receivables.

Table 41: Group investment, valued at fair value through other comprehensive income by stages and credit ratings

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
AAA-AA	7,669,812	0	0	7,669,812
A	3,354,482	0	0	3,354,482
BBB-BB	11,163,349	0	0	11,163,349
B	0	0	0	0
CCC-CC	0	0	0	0
C	0	0	0	0
D	0	0	0	0
Not rated	292,691	0	0	292,691
Balance at 31.12.2020	**22,480,335**	**0**	**0**	**22,480,335**

Table 42: Reconciliation of loss allowance for amortized cost instruments of the group

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Loss allowance as of 1,1,2020	**31,539**	**0**	**0**	**31,539**
Transfers	0	0	0	0
From stage 1 to stage 2	0	0	0	0
Net charge from purchase sale	-3,636	0	0	-3,636
Total net P&L charge during the period	3,637	0	0	3,637
Balance at 31,12,2020	**27,902**	**0**	**0**	**27,902**

Table 43: Reconciliation of loss allowance for FVOCI instruments of the group

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Loss allowance as of 1,1,2020	**12,190**	**0**	**0**	**12,190**
Transfers	0	0	0	0
From stage 1 to stage 2	0	0	0	0
Net charge from purchase sale	-1,605	0	0	-1,605
Total net P&L charge during the period	-1,605	0	0	-1,605
Balance at 31,12,2020	**10,585**	**0**	**0**	**10,585**

Table 44: Movement of financial investment

EUR	Prva Group		The Group	
	2020	2019	2020	2019
At 1st January	**3,694,320**	**3,801,459**	**64,113,211**	**54,043,326**
Addition	498,310	0	369,435,829	110,108,086
Sell/maturity	-35,594	-315,515	-358,763,437	-102,115,074
Revaluation	-473,988	208,376	-38,849	2,076,874
Balance at 31 December	**3,683,048**	**3,694,320**	**74,746,754**	**64,113,212**

Table 45: Investment by quotation

EUR	Prva Group		The Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investments traded on the organised market	742,062	286,343	57,997,340	53,648,443
Investments not traded on the organised market	2,940,987	3,407,977	16,749,415	10,464,769
Total	**3,683,048**	**3,694,320**	**74,746,754**	**64,113,211**

16.5.1 Fair value of financial investments

Table 46: Overview of the carrying and fair value of financial instruments of the Company

EUR	Carrying amount		Fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investments into securities	**3,683,048**	**3,694,320**	**3,682,558**	**3,694,320**
1. Amortized cost	498,310	0	497,820	0
2. FVOCI	2,847,437	3,312,250	2,847,437	3,312,250
3. FVTPL	337,301	382,070	337,301	382,070

The Group assumes that the carrying amounts of trade receivables and cash are the best approximation of fair values, so they are not included in the table above.

Table 47: Overview of the carrying and fair value of financial instruments held by the Group

EUR	Carrying amount		Fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total financial assets	**426,670,389**	**393,684,667**	**426,698,291**	**393,716,206**
Investments into securities	74,746,754	64,113,211	74,774,657	64,144,750
1. Amortized cost	22,687,039	19,547,851	22,714,942	19,579,390
2. FVOCI	22,480,334	19,885,764	22,480,334	19,885,764
3. FVTPL	29,579,381	24,679,596	29,579,381	24,679,596
Investment property	2,220,754	2,250,000	2,220,754	2,250,000
Investments in favour of unit-linked insurants	9,182,342	7,272,708	9,182,342	7,272,708
Assets on accounts of pension insurance holders	340,520,538	320,048,748	340,520,538	320,048,748

16.5.2 Assets and liabilities in terms of fair value hierarchy

Table 48: Assets and liabilities of the Company in terms of fair value hierarchy in 2020

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	0	243,262	2,941,476	3,184,739
Investments in securities	0	243,262	2,941,476	3,184,739
FVOCI	0	0	2,847,437	2,847,437
FVTPL	0	243,262	94,039	337,301
ASSETS whose fair value is disclosed				
Receivables	0	0	7,016	7,016
Amortized cost	0	0	498,310	498,310
Cash and cash equivalents	905,314	0	0	905,314
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	27,894	27,894

The group assumes that the carrying amounts of receivables from customers, other receivables and cash are the best approximation of fair value and are therefore not included in the table above.

Level 3 of the company represents investment in DBS d.d. and AIS in the amount of €2,847,437 and investments in bonds at Ljubljana stock exchange. There were no significant transfers between levels in 2020 and 2019.

Table 49: Movement of financial investment in Level 3 of the Company in 2020

	1.01.2020	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	Transfers	31.12.2020
FVTPL	130,958	-1,688	0	0	35,231	0	94,039
FVOCI	3,312,250	-464,813	0	0	0	0	2,847,437
Total	**3,443,208**	**-466,501**	**0**	**0**	**35,231**	**0**	**2,941,476**

Table 50: Assets and liabilities of the Company in terms of fair value hierarchy in 2019

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	0	251,112	3,443,208	3,694,320
Investments in securities	0	251,112	3,443,208	3,694,320
FVOCI	0	0	3,312,250	3,312,250
FVTPL	0	251,112	130,958	382,070
ASSETS whose fair value is disclosed				
Receivables	0	0	15,580	15,580
Amortized cost	0	0	0	0
Cash and cash equivalents	1,403,332	0	0	1,403,332
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	28,335	28,335

Table 51: Movement of financial investment in Level 3 of the Company in 2019

	1.01.2019	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	Transfers	31.12.2019
FVTPL	434,030	-52,513	0	0	250,558	0	130,958
FVOCI	3,113,557	198,693	0	0	0	0	3,312,250
Total	**3,547,586**	**146,180**	**0**	**0**	**250,558**	**0**	**3,443,208**

Table 52: Assets and liabilities of the Group in terms of fair value hierarchy in 2020

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	27,629,496	22,407,318	11,205,243	61,242,058
Assets of unit-linked policyholders	8,574,312	343,787	264,242	9,182,342
Investments in securities	19,055,184	22,063,531	10,941,001	52,059,716
FVTPL	15,995,007	6,499,897	7,084,477	29,579,381
FVOCI	3,060,177	15,563,633	3,856,524	22,480,335
Assets from financial contracts	121,399,949	113,886,861	72,034,736	307,321,546
Investments in securities	121,399,949	113,886,861	55,447,081	290,733,891
Designated at fair value through profit or loss	*121,399,949*	*113,886,861*	*55,447,081*	*290,733,891*
Investment property	0	0	16,587,655	16,587,655
ASSETS whose fair value is disclosed				
Receivables	0	0	2,023,139	2,023,139
Investments in securities	0	0	22,687,039	22,687,039
Amortized cost	0	0	22,687,039	22,687,039
Assets from financial contracts	9,281,049	0	23,917,943	33,198,991
Amortized cost	*0*	*0*	*19,106,729*	*19,106,729*
Other receivables (assets)	*0*	*0*	*4,811,214*	*4,811,214*
Cash and cash equivalents	*9,281,049*	*0*	*0*	*9,281,049*
Cash and cash equivalents	2,663,765	0	0	2,663,765
LIABILITIES whose fair value is disclosed				
Technical provisions	0	0	33,915,654	33,915,654
Technical provisions in favour of unit-linked insurants	0	0	8,532,960	8,532,960
Other liabilities	0	0	2,825,538	2,825,538
Liabilities from financial contracts	0	0	340,520,538	340,520,538

There were no transfers from level 2 to level 3 in 2020.

Table 53: Movement of financial investment in Level 3 of the Group in 2020

	1.01.2020	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	Transfers	31.12.2020
FVTPL	5,954,216	-855,641	3,030,658	545,585	499,171	0	7,084,477
FVOCI	4,822,498	948,844	0	1,402,996	1,699	510,123	3,856,524
Total	**10,776,714**	**93,203**	**3,030,658**	**1,948,581**	**500,870**	**510,123**	**10,941,001**

Table 54: Movement of assets from financial contracts in Level 3 of the Group in 2020

	1.01.2020	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	31.12.2020
FVTPL	49,235,278	5,533,568	20,541,150	14,268,700	5,594,214	55,447,081
Investment property	16,727,824	-204,269	64,100	0	0	16,587,655
Total	**65,963,102**	**5,329,299**	**20,605,250**	**14,268,700**	**5,594,214**	**72,034,736**

Table 55: Assets and liabilities of the Group in terms of fair value hierarchy in 2019

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	19,145,627	21,659,660	11,032,780	51,838,067
Assets of unit-linked policyholders	6,857,097	159,545	256,066	7,272,707
Investments in securities	12,288,530	21,500,115	10,776,714	44,565,360
Designated at fair value through profit or loss	*12,288,530*	*6,436,850*	*5,954,216*	*24,679,596*
Held for sale	0	*15,063,265*	*4,822,498*	*19,885,764*
Assets from financial contracts	90,825,321	115,652,178	65,963,102	272,440,600
Investments in securities	90,825,321	115,652,178	49,235,278	255,712,776
Designated at fair value through profit or loss	*90,825,321*	*115,652,178*	*49,235,278*	*255,712,776*
Investment property	0	0	16,727,824	16,727,824
ASSETS whose fair value is disclosed				
Receivables	0	0	3,801,718	3,801,718
Assets from financial contracts	0	0	19,547,851	19,547,851
Investments, held to maturity	0	0	*19,547,851*	*19,547,851*
Assets from financial contracts	*25,621,353*	0	*21,986,795*	*47,608,148*
Amortized cost	0	0	17,299,207	17,299,207
Other receivables (assets)	0	0	4,687,588	4,687,588
Cash and cash equivalents	25,621,353	0	0	25,621,353
Cash and cash equivalents	3,011,905	0	0	3,011,905
LIABILITIES whose fair value is disclosed				
Technical provisions	0	0	29,520,964	29,520,964
Technical provisions in favour of unit-linked insurants	0	0	6,831,778	6,831,778
Other liabilities	0	0	2,351,646	2,351,646
Liabilities from financial contracts	0	0	320,048,748	320,048,748

Table 56: Movement of financial investment in Level 3 of the Group in 2019

	1.01.2019	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	31.12.2019
FVTPL	4,922,757	22,515	2,558,435	625,186	924,305	5,954,216
FVOCI	3,316,771	209,434	1,739,005	326,000	116,713	4,822,498
Total	**8,239,528**	**231,949**	**4,297,440**	**951,186**	**1,041,018**	**10,776,714**

Table 57: Movement of assets from financial contracts in Level 3 of the Group in 2019

	1.01.2019	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	31.12.2019
FVTPL	33,524,623	10,140,830	9,680,293	3,613,127	497,341	49,235,278
Investment property	17,355,775	-627,951	0	0	0	16,727,824
Total	**50,880,398**	**9,512,879**	**9,680,293**	**3,613,127**	**497,341**	**65,963,102**

16.6 ASSETS OF UNIT-LINKED POLICY HOLDERS

Table 58: Assets of unit-linked policy holders

	Prva Group		The Group	
EUR	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investments designated at amortized cost	0	0	253,793	227,321
Investments designated at fair value through profit or loss	0	0	8,085,661	6,464,342
Other assets	0	0	842,887	581,044
Total	**0**	**0**	**9,182,342**	**7,272,708**

Table 59: Investments of unit-linked policy holders

	Prva Group		The Group	
EUR	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investments of unit-linked policy holders, measured at FVTPL	0	0	8,085,661	6,464,342
· equity securities and ETF shares	0	0	7,700,044	6,276,053
· debt securities	0	0	385,617	188,289
Investments of unit-linked policy holders, measured at amortised cost	0	0	103,540	69,383
Other investments, measured at amortised cost (deposits)	0	0	150,254	157,938
Total	**0**	**0**	**8,339,455**	**6,691,663**

Table 60: Movement of investments of unit-linked policy holders in 2020

EUR	Measured at amortized cost	Measured at fair value through profit or loss
At 31 December 2019	**227,321**	**6,464,342**
Increase	112,873	7,215,245
Revaluation	-15,401	361,920
Maturity / Sales	71,000	5,955,846
At 31 December 2020	**253,793**	**8,085,661**

Table 61: Movement of investments of unit-linked policy holders in 2019

EUR	Measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
At 31 December 2018	**106,876**	**0**	**4,412,670**
Increase	500,000	118,553	2,230,459
Revaluation	-434	0	914,691
Maturity / Sales	379,123	118,552	1,093,478
At 31 December 2019	**227,321**	**0**	**6,464,342**

16.7 ASSETS FROM FINANCIAL CONTRACTS

Assets from financial contracts relate to the Prva osebna zavarovalnica d.d. pension funds.

Table 62: Assets from financial contracts

EUR	Carrying amount		Market value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investment into securities:	309,840,620	273,011,982	309,871,676	273,068,023
1. Amortized cost	19,106,729	17,299,207	19,137,785	17,355,247
2. Measured at fair value through profit or loss	290,733,891	255,712,776	290,733,891	255,712,776
Investment property	16,587,655	16,727,824	16,587,655	16,727,824
Total assets	**326,428,275**	**289,739,806**	**326,459,331**	**289,795,847**

The Group assumes that the carrying amounts of trade receivables and cash are the best approximation of fair values, so they are not included in the table above.

Table 63: Investments on accounts of pension insurants

		31.12.2020	31.12.2019
Pension fund Prva in Prva+ Dinamični	Investments into securities held-to-maturity	690,317	388,634
	Investments in securities measured at fair value	46,462,884	36,714,508
	Investment property	0	0
	Cash and cash equivalents	806,839	1,833,391
Pension fund Prva in Prva+ Uravnoteženi	Investments into securities held-to-maturity	2,693,226	1,991,111
	Investments in securities measured at fair value	47,999,842	38,447,759
	Investment property	0	0
	Cash and cash equivalents	1,746,102	1,887,942
Pension fund Prva Zajamčeni	Investments into securities held-to-maturity	2,033,072	1,759,522
	Investments in securities measured at fair value	22,436,618	22,226,226
	Investment property	1,449,374	1,464,779
	Cash and cash equivalents	949,130	1,872,612
Pension fund Prva+ Zajamčeni	Investments into securities held-to-maturity	13,690,114	13,159,939
	Investments in securities measured at fair value	173,834,547	158,324,282
	Investment property	15,138,281	15,263,045
	Cash and cash equivalents	5,778,977	20,027,408

Investments of pension funds in deposits with banks and savings banks represent long-term and short-term deposits and commercial records, denominated in euros. The interest rates on deposits range from -0.2% - 6.0% annually (2019: 0.3% to 6.0%).

Portfolio investments measured at fair value valued until maturity represent deposits and commercial papers of Slovenian issuers.

Investments in securities designated at fair value through profit or loss represent shares traded on the securities market, shares and units of investment funds traded on the securities market, shares, traded on the securities market and corporate bonds from the organised markets of the Republic of Slovenia and EC and EOCD countries, as well as other countries.

Investments in property are measured at fair value. In the year 2020 there was a decrease in value for €140,169 (2019: €627,951 decrease).

Table 64: Movement in investments on accounts of pension insurants

EUR	31.12.2020	31.12.2019
At 1 January	**273,011,982**	**260,290,028**
Increase	344,418,306	321,362,702
Revaluation	3,192,206	20,276,277
Decrease	-310,781,874	-328,917,024
At 31 December	**309,840,620**	**273,011,982**

Table 65: Structure of securities based on type of interest rate on accounts of pension insurants

EUR	31.12.2020	31.12.2019
Debt securities	167,428,145	160,606,246
- Fixed interest rate	167,424,207	160,601,549
- Variable interest rate	3,938	4,697
Equity securities	142,412,475	112,405,736
Total	**309,840,620**	**273,011,982**

The effective interest rate on securities of pension funds ranges from -1.0% to 4.75% (2019: from -1.0 to 4.75%).

On 31 December 2020, the Company conducted an external appraisal of pension funds investment property based on the direct capitalisation of profits method and the discounted cash flow method.

The following assumptions were used in the appraisals:

- Capitalisation rate between 6.64% and 7.20%; (sheltered housing 7.2%, business premises 6.64%-6.94%)
- Non-occupancy deduction between 2.5% and 8.33%
- Non-recoverability deduction between 0.5% and 0.83%
- Annual growth of sheltered housing 1%

On 31 December 2020, the Company also conducted an external appraisal of investments in Prva Group shares owned by pension funds based on the method of the present value of expected cash flows. The following assumptions were used in the appraisals:

- Discount rate: 10.95%
- Growth rate: 1.5%
- Discount for minority stake: 17%
- Discount for liquidity shortage: 21%

On 30 June 2020, the Company also conducted an external appraisal of investments in DBS shares owned by pension funds based on the method of the present value of expected cash flows. The following assumptions were used in the appraisals:

- Discount rate: 8.2%
- Growth rate: 2%
- Discount for minority stake: 15%
- Discount for liquidity shortage: 10%
- Discount for lack of marketability: 10%

16.8 RECEIVABLES AND OTHER ASSETS

Table 66: Receivables and other assets

EUR	Prva Group		The Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Receivables arising out of insurance operations	0	0	585,236	2,170,309
Receivables from reinsurance	0	0	536,239	419,001
Short-term trade receivables	5,700	14,267	195,541	169,836
Short-term advance payments	1,312	1,312	118,921	154,523
Income tax receivables	0	0	1,604	19,757
Receivables to state and other institutions	0	0	22,238	335,338
Other receivables and assets	5	2	563.360	532.953
Total receivables	**7,016**	**15,580**	**2,023,139**	**3,801,717**
Deferred expenses	1,935	2,349	80,532	69,797
Accrued income	0	0	243,061	208,774
Total accrued costs and accrued income	**1,935**	**2,349**	**323,593**	**278,571**
Total	**8,951**	**17,929**	**2,346,731**	**4,080,288**

Receivables arising out of insurance operations include the amount of technical provisions transferred to reinsurance companies in the amount of €366,452 (2019: €1,929,303).

16.9 CASH AND CASH EQUIVALENTS

Table 67: Cash and cash equivalents

EUR	Prva Group		The Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Cash on hand	0	0	75	108
Cash on current accounts (local currency)	20,076	45,688	1,382,113	698,400
Cash on current accounts (foreign currency)	0	0	75,211	36,959
Deposits with up to 3-month maturity at banks	885,238	1,357,644	1,206,366	2,276,439
Total	**905,314**	**1,403,332**	**2,663,765**	**3,011,905**

Deposits with up to three month maturity are disclosed inclusive of related interest as accrued in accordance with contractual terms.

16.10 EQUITY

16.10.1 Share capital

At 31 December 2020, the share capital of the Company amounted to €13,386,247, of which €6,704,638 relates to ordinary shares, with the difference in the amount of €6,681,609 relating to preference shares.

The capital of the Group represents the capital of Prva Group plc. and the capital of a non-controlling interest.

Table 68: Share capital

EUR	31.12.2020	31.12.2019
Approved share capital (ordinary shares with a face value of EUR 23,00)	6,704,638	6,704,638
Approved share capital (preference shares with a face value of EUR 33,00)	6,681,609	6,681,609
Share capital (ordinary shares with a face value of EUR 23,00)	6,704,638	6,704,638
Share capital (preference shares with a face value of EUR 33,00)	6,681,609	6,681,609
Total share capital (issued and paid-up shares)	**13,386,247**	**13,386,247**

Table 69: Number of issued and paid-up shares

EUR	Ordinary shares		Preference shares	
	2020	2019	2020	2019
At 1 January	291,484	291,484	202,437	202,437
Issued	0	0	0	0
At 31 December	291,484	291,484	202,437	202,437

The Company owns 9,902 ordinary and 51 preference treasury shares on 31 December 2020 (in 2019: 9,902 ordinary and 51 preference).

16.10.2 Reserves

Share premium comprises the surplus of capital paid (payments above the minimum emission values of shares or stakes) in the amount of €6,017,833 (2019: €6,017,833) and cannot be distributed. Other profit reserves amount to €3,388 the same as in 2019.

The company separately presents reserves for treasury shares in the amount of EUR 649,698 (2019: EUR 649,698).

Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the profit or loss. These reserves cannot be distributed.

Retained earnings have not been earmarked for any specific purpose and can be used to finance dividend payments in subsequent years.

16.11 DIVIDENDS PROPOSED AND PAID

At 31 December 2020, the distributable profit of Prva Group plc. amounts to €2,666,822 (2019: €2,761,771) and is comprised of retained earnings of €2,361,048 (2019: €834,726) and of the current year's profit amounting to €305,774 (2019: €1,927,046).

The company has also paid dividends in previous years. In 2020, €400,724 dividends were paid to the preference shareholder. Ordinary shareholders did not receive dividends due to regulatory measures as a result of the declared COVID-19 epidemic.

The Company intends to pay dividends to ordinary and preference shareholders for the 2020 financial year. Dividend proposal in the total amount of €1.5 million, will be submitted for approval to the General Meeting which will be held in May 2021. Dividends, which are announced after the reporting period, are not included in the liabilities item in the statement of financial position.

The payment of dividends in 2021 also depends on regulatory measures. In the case of the adoption of regulatory measures that could prevent the payment of dividends, they will not be paid to ordinary shareholders.

16.12 TECHNICAL PROVISIONS

Table 70: Technical provisions

v EUR	31.12.2020	31.12.2019
Non-life insurance	**2,095,796**	**2,364,877**
Gross unearned premiums	69,556	72,451
Gross provision for outstanding claim	486,619	1,199,311
Gross mathematical provisions	1,539,621	1,093,116
Life insurance	**40,352,818**	**33,987,864**
Gross unearned premiums	96,907	95,078
Gross mathematical provisions	26,834,035	22,164,292
Provisions for deficit determined on checking the amount of provisions made	3,219,159	2,236,723
Gross provisions in favour of unit-linked insurance underwriters	8,532,960	6,831,778
Gross provision for outstanding claim	1,669,757	2,659,993
Total	**42,448,614**	**36,352,741**

Table 71: Movement of mathematical provisions and provisions in favour of unit-linked insurance underwriters

v EUR	Life insurance	Non-life insurance	Provisions in favour of unit-linked insurance underwriters
At 1 January	**22,164,292**	**1,093,116**	**6,831,778**
Increase	6,546,466	0	2,298,301
Revaluation	-1,688,964	500,948	327,143
Cancellation of reservations	187,759	54,443	924,261
At 31 December	**26,834,035**	**1,539,621**	**8,532,960**

Technical provisions refer exclusively to Prva osebna zavarovalnica's provisions. The Company assesses the adequacy of mathematical provisions every last day of a quarter. This includes future cash flows based on carefully selected assumptions on future premiums, mortality, morbidity, redemptions, terminations, fund returns and costs. In case of products where a policyholder assumes investment risk, mathematical provisions are set aside as the value of investment property, hence in this case it is only checked whether the present value of other future cash flows relating to such insurance products is positive. If the LAT test shows any deficit, a provision is formed in the amount of such deficit.

Based on the LAT test as at 31 December 2020, Prva made additional €982,435 provisions on the annuity product.

16.13 LIABILITIES FROM FINANCIAL CONTRACTS

While Prva Group plc. does not have any liabilities from financial contracts, its subsidiaries do. Only Prva osebna zavarovalnica recognised these liabilities in the statement of financial position in accordance with IFRS.

Table 72: Liabilities from financial contracts

EUR	31.12.2020	31.12.2019
Other liabilities from PDPZ	397,182	386,756
Net liabilities to pension policyholders	340,123,356	319,661,992
Total	**340,520,538**	**320,048,748**

The Group guarantees the guaranteed liabilities and return with its own funds, and therefore the company classifies such contracts as financial contract.

Table 73: Other liabilities from financial contracts

EUR	31.12.2020	31.12.2019
Liabilities from insurance operations	347,060	326,592
Other liabilities	50,122	60,163
Total	**397,182**	**386,756**

Liabilities from insurance operations are liabilities for fees and commission and liabilities to insurants of Prva osebna zavarovalnica d.d.

Table 74: Net liabilities to pension policyholders

EUR	31.12.2020	31.12.2019
Mathematical provisions for paid net premiums	179,087,420	178,836,057
Mathematical provision for attributable return of fund	58,325,152	57,224,383
Guaranteed return	27,113,033	*20,579,334*
Return exceeding the guaranteed return	31,212,119	*36,645,049*
Provisions for insurance, where the property of fund is dividend into units (VEP)	102,710,786	83,601,552
Total	**340,123,357**	**319,661,992**

Net liabilities to pension policyholders represent mathematical provisions which are managed separately for each individual long term business fund.

Mathematical provisions must comply with the Decision on Detailed Rules and Minimum Standards to be applied in the Calculation of Technical Provisions and at any time equal at least the amount of the redemption value of the insurance.

Thus, provisions are formed for each individual pension fund with guaranteed return and comprise the guaranteed funds on the personal account of policyholders and provisions for returns exceeding the guaranteed return. The guaranteed value of the fund consists of the payment of the net premium and prescribed guaranteed return.

Table 75: Movement in liabilities due to pension insurance policyholders in 2020 and 2019

EUR	2019
At 1 Jan 2019	**283,819,270**
Payments	23,878,785
Redemption and net transfers	-11,478,426
Net result from investments	27,012,528
Fees	-3,570,165
At 31 Dec 2019	**319,661,992**

EUR	2020
At 1 Jan 2020	**319,661,992**
Payments	24,891,457
Redemption and net transfers	-10,306,782
Net result from investments	9,610,211
Fees	-3,733,522
At 31 Dec 2020	**340,123,356**

16.14 OTHER FINANCIAL LIABILITIES

Prva Group and The Group do not have any financial liabilities from borrowings. Other financial liabilities include liabilities from long-term leases in amount of €12,655,768 (2019: €162,768).

Table 76: Maturity of liabilities from leases (EUR)

	Prva Group		The Group	
Maturity	31.12.2020	31.12.2019	31.12.2020	31.12.2019
In one year	0	0	5,936	10,595
In one to five years	0	0	6,719	152,173
In more than 5 years	0	0	0	0
Total	**0**	**0**	**12,655**	**162,768**

16.15 OPERATING LIABILITIES, OTHER PROVISIONS AND OTHER LIABILITIES

Table 77: Liabilities

EUR	Prva Group		The Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Other provisions	0	0	110,520	83,654
Operating liabilities	27,894	28,335	2,825,538	2,351,646
Other liabilities	75,866	76,340	2,240,955	2,326,363
Total	**103,760**	**104,676**	**5,177,012**	**4,761,662**

The Group companies settle their liabilities on maturity. Other liabilities are mostly related to Prva osebna zavarovalnica and relates to liabilities from reinsurance contracts, accounts payable to

suppliers and to employees. Other liabilities of the Group represent deferred income from insurance premiums.

16.16 OFF BALANCE LIABILITIES OF THE GROUP

The Group's off balance sheet liabilities refer to liabilities arising from the pension funds of subsidiaries abroad.

Table 78: Assets of long-term business funds of subsidiaries abroad recognised in the off balance sheet items (Group disclosure)

v EUR	31.12.2020	31.12.2019
Fondi Kosovo	7,932,283	8,012,168
KB Prvo Makedonija	760,132,365	662,748,668
DDOR Garant Srbija	65,402,309	62,861,893
Skupaj	**833,466,957**	**733,622,729**

Foreign subsidiaries do not guarantee a return on such assets with their own assets and, as result, they do not assume such risk. Hence, the Group does not disclose them as financial contracts.

17 OTHER DISCLOSURES TO THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

17.1 REMUNERATIONS OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, AND RELATED PARTY TRANSACTIONS

In 2020, a total of €183,264 was paid to the Management Board and members of the Supervisory Board of Prva Group plc. (2019: €156,763).

Table 79: Costs of the Management and Supervisory Boards (including attendance fees of subsidiaries) for Prva Group

	2020	2019
Management board	169,150	142,649
Supervisory Board	14,114	14,114
Total payouts	**183,264**	**156,763**

In 2020, Prva Group did not provide members of its Management or Subsidiary boards with any prepayments or loans, nor did it assume any liabilities on their behalf. Remunerations made in 2020 are presented below.

Table 80: Remunerations to members of the Management and Supervisory Boards of Prva Group plc, in 2020

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Bonus	Total
Alenka Žnidaršič Kranjc	128,655	2,819	9,326	950	0	1,700	143,450
Boštjan Škufca Zaveršek	24,000	0	0	0		1,700	25,700
Total	**152,655**	**2,819**	**9,326**	**950**	**0**	**3,400**	**169,150**

Members	Function	Attendance fee	Total gross	Personal income tax	Net	Contr, for pension and disability ins. 8.85% + 0.53% flat contrib.
MATEJ AKRAPOVIĆ	2,500	716	3,216	672	2,544	302
MIHA KRANJC	2,500	716	3,216	672	2,544	302
HELENA PETRIN	2,500	716	3,216	672	2,544	302
LINDSAY STUART	3,750	716	4,466	934	3,532	419
Total	**11,250**	**3,400**	**14,114**	**2,951**	**11,163**	**1,324**

The following other entities are considered related to Prva Group plc. and the Group:

- A-Z Finance d.o.o.
- AZ Nepremičnine d.o.o.
- Dej d.o.o.
- MN, d.o.o.
- Deos, d.o.o.

Table 81: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2019

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Bonus	Total
Alenka Žnidaršič Kranjc	82,125	0	11,482	642	0	28,000	122,249
Boštjan Škufca Zaveršek	20,400	0	0	0		0	20,400
Total	**102,525**	**0**	**11,482**	**642**	**0**	**28,000**	**142,649**

Members	Function	Attendance fee	Total gross	Personal income tax	Net	Contr, for pension and disability ins. 8.85% + 0.53% flat contrib.
MATEJ AKRAPOVIĆ	2,500	716	3,216	672	2,544	302
MIHA KRANJC	2,500	716	3,216	672	2,544	302
HELENA PETRIN	2,500	716	3,216	672	2,544	302
LINDSAY STUART	3,750	716	4,466	934	3,532	419
Total	**11,250**	**3,400**	**14,114**	**2,951**	**11,163**	**1,324**

Table 82: Transactions of Prva Group plc, with subsidiaries in 2020

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	1,482	16,000	0	0
KB Prvo	0	0	0	0
DDOR	0	19,333	300	0
FONDI	0	5,400	5,400	0
Total	**1,482**	**40,733**	**5,700**	**0**

PG - related parties	Dividend income	Interest income	Interest expense
POZ	0	0	0
KB Prvo	530,931	0	0
DDOR	58,764	0	0
FONDI	26,960	0	0
Deos	0	0	0
Total	**616,655**	**0**	**0**

Table 83: Transactions of Prva Group plc, with subsidiaries in 2019

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	1,463	0	0	0
KB Prvo	0	0	0	0
DDOR	0	27,200	2,267	0
FONDI	0	12,261	12,000	0
Total	**1,463**	**39,461**	**14,267**	**0**

PG - related parties	Dividend income	Interest income	Interest expense
POZ	1,500,000	0	0
KB Prvo	726,684	0	0
DDOR	117,015	0	0
Deos	0	1,846	0
Total	**2,343,699**	**1,846**	**0**

The Company, the Group and individual subsidiaries recorded no other significant related-party transactions in 2020.

The parent charged to its subsidiaries fees for investment management and internal audit services, as well as rent for hardware and software.

Beside above mentioned transactions the pension funds of Prva osebna zavarovalnica realized earnings from rental fees charged to Deos d.d. in amount of €73,419 (2019: €73,419). The amount of liabilities from rental fees per 31.12.2020 is 0, the same as in 2019. The end balance for receivables per 31.12.2020 from Deos d.d. is €6,118 (2019: €6,118).

As per 31.12.2020 the pension funds of Prva osebna zavarovalnica in total holds 13,775 PPDM shares and 62,381 PPDT Prva Group shares (30.12.2019: 13,775 PPDM shares and 62,381 PPDT shares).

All transactions with subsidiaries have been carried out under market conditions and the Company/Group was not deprived.

18 RISK MANAGEMENT

18.1 RISK MANAGEMENT SYSTEM IN THE LAST YEAR

On 11 March 2020, the World Health Organisation confirmed COVID-19 as pandemic; in the same month, the countries where the Group operates declared epidemics due to the increasing number of infection cases.

To contain the spread of Covid-19, the governments of Slovenia, North Macedonia, Serbia and Kosovo adopted various measures to lockdown the majority of public and educational institutions, to prohibit directly offering and selling goods and services, to shutdown public transport, and temporarily prohibit people gathering in public places and at events. They also prepared measures to diminish the epidemic's effects on the economy.

Group companies accordingly verified, unified and properly supplemented internal plans for going concerns upon virus outbreak; with this, Skupina Prva d.d. and all of our subsidiaries duly met their legislative, contractual and strategic framework obligations. Consequently, we have been ensuring uninterrupted fund management and obligation execution to our insured and supervisory institutions. This also includes uninterrupted client communication processing, regular daily accounting of asset units and the uninterrupted performance of important projects. To mitigate the risk of virus spread, the management of Group companies adopted the decision to approve work away from their premises. The major impact on activity performance was seen in the field of sales, where the Group transferred to and technologically upgraded online sales.

None of our companies were entitled to state aid for the majority of the adopted government measures. Only two applied for Prva osebna zavarovalnica, that is, exemption from advance payment of corporate income tax for April and May and payment of crisis supplements to employees whose paid salary in November 2020 did not exceed two times a multiple of the minimum salary. The insurance company paid crisis supplements to employees and filed a cost reimbursement statement. The insurance company did not receive any other state aid. The remaining subsidiaries were not entitled to state aid, not even delayed rent and loan payment assistance.

The measures and recommendations adopted by our subsidiaries' governments affected work organisation and service offer, so the insurance company remotely organised work processes during the epidemic. Back office department work better enables this, so we have permanently introduced shared workplaces, allowing for a combination of remote and office work.

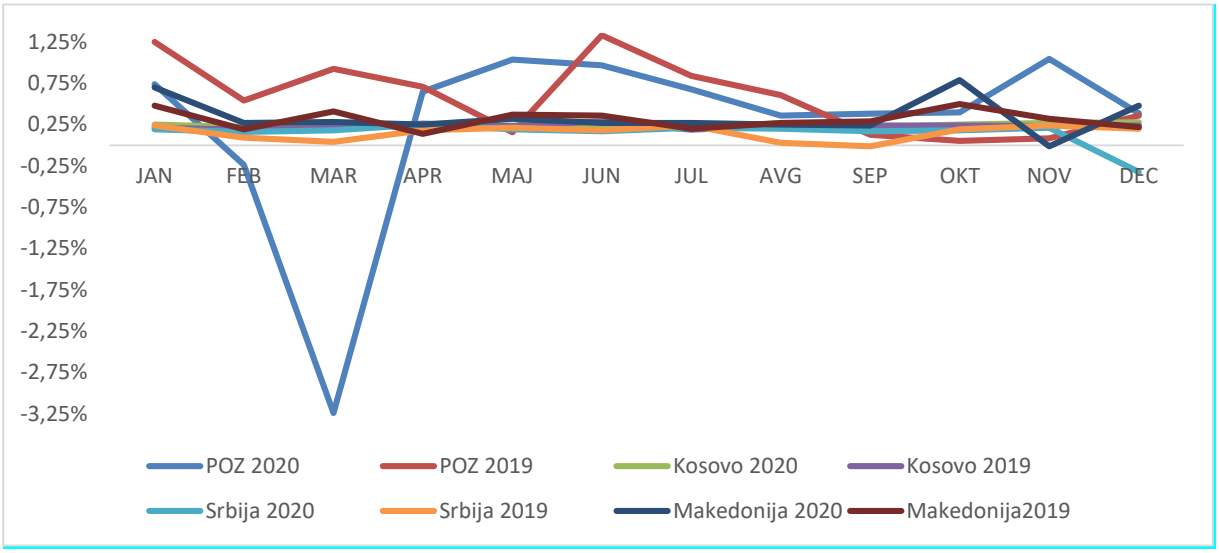
The main risks connected to COVID-19 arise from the drop in financial market values. When global financial markets fell at the end of the first quarter, the Group regularly assessed its effect on financial investment and obligation. The largest impact in the first quarter was reflected in equity securities and bonds, which are a part of assets from financial contracts, assets of the insured assuming investment risk, resulting in changed technical provisions to the insured who assume investment risk and obligations from financial contracts. The estimated negative effect of the drop in financial investment value did not put liquidity at risk as explained below, or subsidiary capital adequacy. At the end of the first quarter of 2020, the COVID-19 pandemic strongly influenced global financial markets, especially in the unprecedented rapid decline in capital market values. The Group was generally prepared for this and much more, as testing similar scenarios is one of the regular processes carried out by its subsidiaries. The financial market situation improved to the point it was stable enough for the Group to subsequently experience positive effects on financial instrument values.

The Group's most important activities are pensions and insurance in Slovenia (hereinafter: "insurance activity"), accounting for 96% of Group total assets, its other activities accounting for only 4%. The Group's remaining financial investment primarily relates to bonds, more than 77% of its financial

investment is in other companies, generating regular inflows from interest without a material drop in portfolio value.

The graph below compares the Group's insurance and pension fund returns between 2019 and 2020, where epidemic impact is most notable. Returns are calculated based on the monthly returns of individual subsidiaries. March 2020 stands out from the average, particularly for Prva osebna zavarovalnica, where the difference between the two years is highest. The differences in returns for DDor Garant and Fondi are practically negligible, as the companies primarily invest in state bonds.

Graph 2: Comparison of return on insurance and pension funds of Group in 2019 - 2020



The subsidiaries regularly assess capital adequacy and maintain the appropriate level for upcoming years. It also assesses emergency situations, such as the one caused by the coronavirus, by means of strategic planning processes, and risk and solvency assessment. Based on current macroeconomic forecasts, it is highly likely that economic growth will slow down, resulting in lower general consumption, which in turn may be reflected in lower demand for insurance services. The major impact on the operations of the insurance company resulting from Covid-19 consequences is also reflected in the fall in financial investment values at the end of the first quarter which, due to the similarly timely financial market recovery in the last three quarters of the year, had only short term effects.

The Group had previously set up mechanisms to ensure operating without interruption and meeting all of its obligations, including situations like the start of the epidemic and subsequent pandemic confirmation, which in this case entailed especially prudent strategic investment allocation, a market presence business plan for several years and a robust going concern plan. In estimating the consequences of the epidemic, the government assumed that reinsurers would meet all of their obligations to the company in terms of reinsurance programmes, which were completed by the end of 2020.

The parent company's management assesses that risk related to Covid-19 and its consequences were already included in its ORSA scenarios, which were prepared for its insurance activity in Slovenia. Based on the implemented ORSAs where capital adequacy is assessed in accordance with the business plan and various stress scenarios, the parent company's management assesses that its scenario for an extraordinary drop in investment value is most applicable to the current situation. In this scenario, the Group assessed capital adequacy and financial position in terms of an immediate decline in the value of all equity security investment by 40%, a decline in property investment by 10% and a decline in the value of investment upon the assumption of an increase in credit spreads for fixed return investment of between 230 and 400 b.p., whereby the spreads for state bond risk slightly decrease by 70 b.p. Even if this scenario were to come true, capital adequacy would remain unchanged. The scenario was based on historically-worst scenarios, especially the financial crisis of 2007-09, on the assumption of instant scenario shock and gradual recovery in one year; we assume instant shock to

evaluate their effect on operations, even when the Group doesn't respond to exceptional declines share, bond and real estate prices, as this best enables timely response.

The Group identified lower financial market liquidity, but because of its strong position, especially in terms of cash, in 2020, there were no problems in this field or the need for unplanned and unfavourable investment sale. Based on future cash flow, the Group will make payments until the end of 2021 that are lower than the share of investment portfolios which it can quickly sell on the market.

Based on test scenarios and the aforementioned analysis, the management of the insurance company assesses that it meets its capital requirements even in the case of the most pessimistic scenario and can assume there is no material uncertainty regarding the company being a going concern.

Events at its subsidiary Fondi have definitely affected the Group; the government of Kosovo adopted its Act No 7 / L-016 COVID-19 Economic Recovery, which grants permission to supplementary pension insurance payers to increase their saved funds by 10% and this materially affects the Group. The table below shows the direct effect of the adopted act and that Fondi did not record any major deviation from the plan, as the company managed to make up the deficit by obtaining new insurance clients.

Table 84: Premium withdrawls Fondi

Withdrawals as at 31. december 2020		
Amount of 10% for withdrawal in EUR	Contributions	Amount Withdrawn. EUR
Total	744	254,945

The Parent Company and the Group cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment that the Parent Company and the Group operates in, will not have an adverse effect on the Parent Company or on the Group, and its financial position and operating results, in the medium and longer term. The Parent Company and the Group continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

18.2 INSURANCE RISK MANAGEMENT

Each insurance contract is exposed to uncertainties whether insurance event will appear, when it will appear and what the repayment will be. By nature, the insurance risks that arise from insurance contracts are coincidental and thus unpredictable.

Insurance risks relate to uncertainty of the insurance transactions. The most important components of insurance risks are:

- Risk of unsuitable amount of premium (premium risk); and
- Risk of inappropriate amount of technical provisions (provision risk);
- Risk of improperly calculated costs (cost risk);
- Lapse rate risk or contract termination risk.

Premium and cost risks are the risks that the actual costs and claims incurred will be higher than written premium. This can occur when the frequency or the amount of claims is higher than expected or if products are too expensive or sold unsuccessfully, which results in a product being cost-ineffective. Provision risk is a risk of inappropriate formation of technical provisions. Lapse rate risk is a risk that there will be more contract terminations than expected, which affects the product profitability and exposes the insurance company to the risk of opposite parties, particularly agents, where commission is paid in advance on contract conclusion.

Experience shows that portfolio size and spread decrease variances. The insurance company has implemented a process of accepting insurances that differentiates among different types of risks and aims to achieve appropriate portfolio size risks in order to decrease variability of expected claims.

The insurance company manages risks with the help of criteria set for accepting insurances which depends on the amount or the sum insured and the type of risk. Furthermore, the insurance company manages these risks through appropriate development of products, pricing and reinsurance. It regularly analyses the portfolio and costs in the portfolio, and checks the gender, age and

geographical structure to prevent the occurrence of excessive exposure. Cancellation risk is managed through the return of the unearned commission on reversal and long-term client management. To this end, the insurance company also uses the CRM system.

The risk of inappropriate amount of provisions is managed by checking the appropriateness of provisions with the LAT test. For one of the products, the insurance company has already formed additional provisions.

Insurance contract adequacy test

Prva osebna zavarovalnica conducted the LAT test on gross liabilities on the portfolio balance as at 31 December 2020. In conducting the LAT test, the insurance company applied as recognised all of the liabilities arising from insurance contracts. These are:

- provisions for unearned premiums,
- mathematical provisions,
- claims provisions.

When calculating the best estimate of liabilities (BEL), the insurance company used the present value of the best safe estimate of all future expected contractual cash and related financial flows, including:

- gross premium,
- costs, including the expected inflation,
- commission,
- commission refunds,
- claims,
- options and guarantees.

The test was conducted separately by homogenous groups of insurance types.

Accident insurance

A simplified test was conducted for the group of accident insurance types. The adequacy of claims provisions was estimated using a combined effect of the change of claims provisions during the calendar year and payments from insurance during the calendar year for the claims that occurred prior to the start of the year. The adequacy of provisions for unearned premiums was assessed using the combined (claims and cost) ratio.

Other types of insurance

For the other insurance groups, the best estimate of liabilities (BEL) was calculated using a projection of all future cash flows at the level of an individual insurance contract.

Parameters

The projection of future cash flows was made using economic and biometric parameters based on the available information obtained from financial institutions or own portfolio analyses. The parameters used represent the current best estimate without risk adjustments.

- Interest rate curve: The Republic of Slovenia bond yield curve is applied.
- Costs: The basis for determining costs in insurance types is the accounting categorisation of the insurance company's costs by insurance types. These costs are analysed and broken down to underwriting costs, which do not affect the future operations of the insurance company and are not used in the determination of future costs included in provisions. In the future, 2% growth of costs per individual insurance is expected, except for annuities where the cost is measured by individual annuity and a lower growth of costs per annuity is expected at 0.5% as result of faster expected increase in the volume. In unit-linked life insurance and voluntary supplementary pension insurance, 2% premium growth was applied.
- Mortality and morbidity: Tables, which can be either standard or used in determining insurance prices, are used as the basis for determining the expected mortality and morbidity

rates. The tables are balanced according to the perceived loss result of insurance by individual insurance coverage. In case of an insufficient number of insurance contracts or claims in individual coverage, the data of similar coverage is reasonably used.

- Reversals, redemptions and capitalisations: The expected lapse rates are obtained based on portfolio analysis over the past few years. Annuity redemptions are not anticipated, as annuities are usually non-redeemable.

Results of adequacy test

The test showed a deficit of €931,982 for formed provisions on annuity insurance, whereby due to past deficits, the insurance company formed already €2,236,724 of additional provisions. On the basis of an adequacy test, the insurance company created provisions in the amount of surplus. Thus, for the purpose of testing the provisions adequacy for annuity insurance, the insurance company has created a total of €3,219,158 of additional provisions. In other insurance classes, the LAT test confirmed the adequacy of formed provisions.

Sensitivity analysis of result on change in parameters

The insurance company conducted sensitivity analysis to the change in the key parameters, which were used for carrying out the LAT test.

Table 85: Sensitivity analysis - LAT test

Change BEL	Mortality/ Morbidity		Cancellations and capitalization		Costs		Discount rate	
Product unit	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 1 percentage point	- 1 percentage point
PDPZ	153,591	-154,428	2,278,364	-2,463,520	2,428,359	-2,428,359	174,211	-6,456
Annuity	-221,829	249,785	0	0	153,768	-153,507	-1,991,099	2,379,560
Death	1,793,964	-1,807,518	377,926	-395,917	990,965	-990,965	502,825	-514,247
UL	959	-967	11,390	-13,145	203,486	-203,486	-65,450	83,281
Health	1,276,591	-1,282,199	138,482	-143,076	696,390	-696,390	18,375	27,216

18.3 FINANCIAL RISK MANAGEMENTS

The basic financial instruments of the Company and the Group are financial investments in securities, cash deposits and cash on account. The main purpose of these financial instruments is to achieve long-term returns. The Company and the Group also have other financial instruments, such as trade receivables and trade payables.

Risk management policies are summarized below.

18.3.1 Capital management

Prva Group manages its capital with the aim of ensuring both smooth and continued operations of the Company and maximum profitability for its shareholders, through optimal balance between borrowings and capital.

The Group monitors capital balances of its subsidiaries to ensure adequate amount of capital. All of the subsidiaries fully comply with the relevant capital adequacy requirements.

18.3.2 Credit risk

The Company and the Group operate only with well established, trustworthy clients. They are exposed to credit risk in terms of investments in securities, issued loans and deposits, cash and other

receivables The main exposure presents the risk of the other counter party default due to insolvency; the maximum exposure equals the carrying amount of the financial instruments.

In light of the consequences of the Covid-19 pandemic, the credit rating structure of bond investments did not change significantly in 2020, nor did we significantly reduce the duration of the bond investment portfolio. Due to the low required returns on bond markets, investment opportunities in 2020 were sought primarily in the alternative investment segment. Due to the epidemiological situation, credit risk did not increase in 2020, and we managed to increase the share of financial investments with better credit ratings.

Securities presented in the table below have been classified to different groups according to their credit rating. In determining individual investment's credit rating, the credit ratings issued by Moody's, S&P and Fitch are taken into account. When credit rating has been issued by more than one agency, the second best credit rating is applied.

Table 86: The credit quality of the financial assets of Prva Group

Prva Group plc.	31.12.2020	%	31.12.2019	%
1. Rating - AAA	0	0.00%	0	0.00%
2. Rating - AA	0	0.00%	0	0.00%
3. Rating - A	0	0.00%	0	0.00%
4. Rating - BBB	242,773	6.59%	0	0.00%
5. Below BBB	0	0.00%	251,112	6.80%
6. No rating	3,440,276	93.41%	3,443,208	93.20%
Total	**3,683,048**	**100.00%**	**3,694,320**	**100.00%**

The group with rating below BBB represented one government bond in 2020. In the category without rating, the Group classifies investments in shares (82%), commercial papers (14.5%), bonds (2.7%) and shares (0.75%). Compared to 2019, the structure has not changed.

Table 87: The credit quality of the financial assets of the Group

The Group	31.12.2020	%	31.12.2019	%
1. Rating - AAA	2,345,319	3.14%	1,370,953	2.14%
2. Rating - AA	3,021,288	4.04%	1,075,951	1.68%
3. Rating - A	4,612,457	6.17%	4,031,090	6.29%
4. Rating - BBB	19,245,444	25.75%	11,428,133	17.82%
5. Below BBB	14,088,662	18.85%	13,409,256	20.91%
6. No rating	31,433,584	42.05%	32,797,829	51.16%
Total	**74,746,754**	**100.00%**	**64,113,211**	**100.00%**

The following table presents the investment structure in terms of financial instruments used, which are presented in the above table of credit risk analysis. Investments are not pledged. In the rating group lower than the BBB, the Group classifies government bonds (82%), corporate bonds (14%) and deposits in Slovenian banks (6%). In the non-rated category, the Group classifies investments in shares (57%), deposits in Slovenian banks (24%) bonds (13%), shares (5%) and bills (2%). Compared to 2019, the structure has not changed significantly.

Table 88: The credit quality of the financial investments of pension funds

PDPZ	31.12.2020	%	31.12.2019	%
1. Rating - AAA	16,818,989	4.94%	8,728,824	2.73%
2. Rating - AA	20,073,344	5.89%	15,450,930	4.83%
3. Rating - A	34,813,350	10.22%	25,953,405	8.11%
4. Rating - BBB	65,670,719	19.29%	76,903,743	24.03%
5. Below BBB	25,822,878	7.58%	30,211,913	9.44%
6. No rating	177,321,258	52.07%	162,799,933	50.87%
Total	**340,520,538**	**100.00%**	**320,048,748**	**100.00%**

Table 89: Share of financial investments with credit rating below BBB and without rating

Credit rating below BBB	31.12.2020 v %	31.12.2019 v %
Real estate	47.2%	40.9%
Corporate bonds	23.6%	24.5%
Government bonds	20.9%	24.4%
Deposits	8.3%	7.1%
Commercial papers	0.0%	3.1%
Withought credit rating	**31.12.2020 v %**	**31.12.2019 v %**
Domestic and foreign shares	66.2%	60.2%
Domestic and foreign investment funds	20.4%	13.5%
Corporate bonds	6.6%	6.9%
Cash	5.2%	17.5%
Government bonds	1.6%	1.9%

Pension fund investments are diversified in accordance with ZZavar-1, so the company is not significantly exposed to one individual issuer.he Company and pension funds have no outstanding receivables. None of the investments are pledged as collateral. The Company and the Group regularly assess credit risk arising from deposits at banks and by following a conservative investments policy invest any surplus assets in deposits of local banks for which the Company and the Group believe there is no risk of default on repayment i.e. no significant credit risk.

Table 90: Maturity structure of receivables

Gross receivables	Prva Group		The Group	
(EUR)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Not matured	7,016	15,580	1,934,113	3,711,426
Up to 90 days	0	0	95,848	95,440
More than 90 days	0	0	12,480	15,959
Total	**7,016**	**15,580**	**2,042,441**	**3,822,825**

Receivable allowances	Prva Group		The Group	
(EUR)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Not matured	0	0	0	2,228
Up to 90 days	0	0	8,070	10,179
More than 90 days	0	0	11,232	10,929
Total	**0**	**0**	**19,302**	**21,108**

Carrying amount of receivables	Prva Group		The Group	
(EUR)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Not matured	7,016	15,580	1,934,113	3,711,426
Up to 90 days	0	0	87,778	85,261
More than 90 days	0	0	1,248	5,030
Total	**7,016**	**15,580**	**2,023,139**	**3,801,718**

18.3.3 Liquidity risk

The Company and the Group manage liquidity risk through cash flow forecasting. The Company uses cash flow forecasts to take into account the maturity of financial investment including planned outflows which relate to the Company's operations.

Financial investments of the Company and the Group are financed with the Company's capital. The Group does not operate in the field of supply chain financing and consequently is not exposed to liquidity risk for this reason. At the end of the year, the Company and the Group report only liabilities for running costs with maturity of up to 3 months. The following tables represent the structure of assets and liabilities according to maturities.

Table 91: Overview of the contractual maturity of the financial assets and liabilities of Prva Group

EUR	31.12.2020			31.12.2019		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	3,683,048	498,310	3,184,739	3,694,320	35,231	3,659,089
1. Amortized cost	498,310	498,310	0	0	0	0
2. FVOCI	2,847,437	0	2,847,437	3,312,250	0	3,312,250
3. FVTPL	337,301	0	337,301	382,070	35,231	346,839
Cash and cash equivalents	905,314	905,314	0	1,403,332	1,403,332	0
Other receivables	7,016	7,016	0	15,580	15,580	0
TOTAL ASSETS	**4,595,378**	**1,410,640**	**3,184,739**	**5,113,232**	**1,454,142**	**3,659,089**
LIABILITIES						
Other liabilities	27,894	27,894	0	28,335	28,335	0
TOTAL LIABILITIES	**27,894**	**27,894**	**0**	**28,335**	**28,335**	**0**

Table 92: Overview of the contractual maturity of the financial assets and liabilities of the Group

EUR	31.12.2020			31.12.2019		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	74,746,755	15,756,688	58,990,066	64,113,211	13,310,421	50,802,790
Investments in securities	74,746,755	15,756,688	58,990,066	64,113,211	13,310,421	50,802,790
1. Amortized cost	22,687,039	13,174,172	9,512,868	19,547,851	10,754,289	8,793,562
2. FVOCI	22,480,335	33,748	22,446,587	19,885,764	168,456	19,717,308
3. FVTPL	29,579,381	2,548,769	27,030,612	24,679,596	2,387,676	22,291,920
Cash and cash equivalents	2,663,765	2,663,765	0	3,011,905	3,011,905	0
Other receivables	2,023,139	2,023,139	0	3,801,718	3,801,718	0
Assets from financial contracts	340,520,538	190,208,508	150,312,031	320,048,748	171,825,330	148,223,418
TOTAL ASSETS	**419,954,197**	**210,652,100**	**209,302,097**	**390,975,581**	**191,949,374**	**199,026,208**
LIABILITIES						
Other liabilities	2,825,538	2,825,538	0	2,351,646	2,351,646	0
Liabilities from onsurance contracts	42,448,613	6,908,898	35,539,715	36,352,741	6,256,975	30,095,766
Liabilities from financial contracts	340,520,538	7,710,009	332,810,529	320,048,748	-3,443,071	323,491,819
TOTAL LIABILITIES	**385,794,690**	**17,444,444**	**368,350,245**	**358,753,135**	**5,165,550**	**353,587,585**

Table 93: Overview of the structure of assets and liabilities of Prva Group considering expected non-discounted cash flow in 2020

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Assets and liabilities with no maturity	Total	Carrying amount
ASSETS						
Investments in securities	498,310	0	337,301	2,847,437	3,683,048	3,683,048
1. Amortized cost	498,310	0	0	0	498,310	498,310
2. FVOCI	0	0	0	2,847,437	2,847,437	2,847,437
3. FVTPL	0	0	337,301	0	337,301	337,301
Short-term deferred costs and accrued revenue	1,935	0	0	0	1,935	1,935
Assets from financial contracts	0	0	0	0	0	0
Other receivables	7,016	0	0	0	7,016	7,016
Cash and cash equivalents	0	0	0	905,314	905,314	905,314
TOTAL ASSETS	**507,261**	**47,227**	**337,301**	**3,752,751**	**4,644,540**	**4,644,540**
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	103,760	0	0	0	103,760	103,760
TOTAL LIABILITIES	**103,760**	**0**	**0**	**0**	**103,760**	**103,760**

Table 94: Overview of the structure of assets and liabilities of Prva Group considering expected non-discounted cash flow in 2019

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Assets and liabilities with no maturity	Total	Carrying amount
ASSETS						
Investments in securities	35,231	346,839	0	3,312,250	3,694,320	3,694,320
1. Amortized cost	0	0	0	0	0	0
2. FVOCI	0	0	0	3,312,250	3,312,250	3,312,250
3. FVTPL	35,231	346,839	0	0	382,070	382,070
Short-term deferred costs and accrued revenue	2,349	0	0	0	2,349	2,349
Assets from financial contracts	0	0	0	0	0	0
Other receivables	15,580	0	0	0	15,580	15,580
Cash and cash equivalents	0	0	0	1,403,332	1,403,332	1,403,332
TOTAL ASSETS	**53,160**	**346,839**	**0**	**4,715,582**	**5,115,581**	**5,115,581**
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	104,676	0	0	0	104,676	104,676
TOTAL LIABILITIES	**104,676**	**0**	**0**	**0**	**104,676**	**104,676**

Table 95: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2020

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	No maturity /on demand	Total	Carrying amount
ASSETS						
Investments in securities	15,756,685	16,297,213	23,260,351	19,432,505	74,746,755	74,746,754
1. Amortized cost	13,174,169	2,753,000	6,759,871	0	22,687,039	22,687,039
2. FVOCI	33,748	4,471,839	15,127,310	2,847,437	22,480,335	22,480,334
3. FVTPL	2,548,769	9,072,374	1,373,170	16,585,068	29,579,381	29,579,381
Short-term deferred costs and accrued revenue	323,593	0	0	0	323,593	323,593
Assets from financial contracts	190,208,508	62,361,057	87,950,973	0	340,520,538	340,520,538
Other receivables	2,023,139	0	0	0	2,023,139	2,023,139
Cash and cash equivalents	0	0	0	2,663,765	2,663,765	2,663,765
TOTAL ASSETS	**208,311,925**	**78,658,270**	**111,211,325**	**22,096,270**	**420,277,790**	**420,277,790**
LIABILITIES						
Other liabilities	2,825,538	0	0	0	2,825,538	2,825,538
Liabilities from insurance contracts	6,908,898	20,006,426	15,533,290	0	42,448,613	42,448,613
Liabilities from financial contracts	7,710,008	53,967,429	278,843,101	0	340,520,538	340,520,538
TOTAL LIABILITIES	**17,444,444**	**73,973,854**	**294,376,391**	**0**	**385,794,689**	**385,794,690**

Table 96: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2019

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	No maturity /on demand	Total	Carrying amount
ASSETS						
Investments in securities	13,310,421	17,780,027	17,504,424	15,518,339	64,113,211	64,113,211
1. Amortized cost	10,754,289	2,584,524	6,209,038	0	19,547,851	19,547,851
2. FVOCI	168,456	6,146,806	10,258,252	3,312,250	19,885,764	19,885,764
3. FVTPL	2,387,676	9,048,697	1,037,134	12,206,089	24,679,596	24,679,596
Short-term deferred costs and accrued revenue	278,571	0	0	0	278,571	278,571
Assets from financial contracts	171,825,330	70,640,711	77,582,707	0	320,048,748	320,048,748
Other receivables	3,801,718	0	0	0	3,801,718	3,801,718
Cash and cash equivalents	0	0	0	3,011,905	3,011,905	3,011,905
TOTAL ASSETS	**189,216,040**	**88,420,738**	**95,087,131**	**18,530,244**	**391,254,152**	**391,254,152**
LIABILITIES						
Other liabilities	2,351,646	0	0	0	2,351,646	2,351,646
Liabilities from insurance contracts	6,256,975	19,483,485	10,612,281	0	36,352,741	36,352,741
Liabilities from financial contracts	26,652,695	39,027,892	254,368,161	0	320,048,748	320,048,748
TOTAL LIABILITIES	**35,261,316**	**58,511,377**	**264,980,442**	**0**	**358,753,135**	**358,753,135**

18.3.4 Interest rate risk

The Company and Group's exposure to changes in market interest rates is very low as the exposure to such papers on 31.12.2020 was €175,830 (31.12.2019: €179,416)

The Company and the Group adopt decisions for mitigating interest risk on the basis of active monitoring of the development of events on international capital markets. At the same time, interest rate risk of funds managed by Prva osebna zavarovalnica relates to guaranteed return which a fund must ensure to policyholders in line with the pension schemes. Through active management of investments, the Group mitigates its interest rate risk.

Table 97: Interest rate risk - pension funds

Change in market interest rate	FY 2020 Impact on technical provisions (EUR)	FY 2019 Impact on technical provisions (EUR)
+/-10 bt	0	0

18.3.5 Currency risk

The Group's liabilities and receivables are converted according to the reference exchange rate of the European Central Bank at 31 December 2020. Due to regulating exposure by currencies on individual level of subsidiaries, the Group is not exposed to major currency risk. Foreign currency translation reserves arising due to exchange rates are recognised through statement of comprehensive income.

Table below represents sensitivity to changes in important currencies to which the Group is exposed given that all other parameters remain the same.

The MKD currency represents the volatility in the assets of the Macedonian subsidiary. The same applies to bonds denominated in RSD which are included in the portfolio of the Belgrade subsidiary.

Table 98: Currency risk of the Group

	2020		2019	
Currency	Exchange rate change	Impact on pre-tax income	Exchange rate change	Impact on pre-tax income
MKD	5%	26,258	5%	33,910
	-5%	-26,258	-5%	-33,910
RSD	5%	730	5%	5,035
	-5%	-730	-5%	-5,035

Table 99: Values of foreign currency balances in the Group

v EUR	31.12.2020	31.12.2019
MKD	525,154	490,869
RSD	14,603	65,900

18.3.6 The risk of changes to the market prices of securities

2020 was marked by one of the worst global pandemics in the last century, and stock market investors were able to see significant declines in all stock markets by mid-March. Extraordinary monetary and

fiscal stimulations provided a strong market rebound for the rest of the year. At the end of the year, news of the exceptional efficancy of the new vaccine had a positive impact on the further growth of stock prices on world stock exchanges, at the expense of expectations of accelerated normalization of economic conditions. Extraordinary measures by central banks had a strong impact on the growth of bond markets. With the required yields falling, bond prices rose to record highs in 2020.

The Company is exposed to the risk of changes to the market prices of securities in the case of equity securities quoted on financial markets. As at 31 December 2020, the Company reports €0 of such investments (2019: €0).

Table 100: The effect of changes to the market prices of equity securities - Prva Group

	Index change in %	FY 2020 Impact on capital (EUR)	FY 2019 Impact on capital (EUR)
Other	+/-10	0	0

The Group is exposed to the risk of changes to the market prices of securities in relation to equity securities quoted on financial markets. As at 31 December 2020, the Group reports €0 of such investments (2019: €0).

Table 101: The effect of changes to the market prices of equity securities - the Group

	Index change in %	FY 2020 Impact on capital (EUR)	FY 2019 Impact on capital (EUR)
Other	+/-10	0	0

The Company and the Group are also exposed to the risk of changes of market prices of securities due to their exposure to fixed income securities. If the market interest rate was to grow by 100 bp, the market value of the Company's portfolio would fall by €11,120 and the capital of the Group would fall by €3,185,412 as shown by the following table.

Table 102: The effect of changes of market prices of securities sensitive to market interest rates - Prva Group

Change in market interest rate	FY 2020 (EUR)	FY 2019 (EUR)
+/-100 bt	11,120	8,062

Table 103: The effect of changes of market prices of securities sensitive to market interest rates - The Group

Change in market interest rate	FY 2020 Impact on capital (EUR)	FY 2019 Impact on capital (EUR)
+/-100 bt	3,185,412	2,556,916

Neither of the illustrations above includes securities of the long-term business fund carrying investment risk, with respect to which the Group is not exposed to market risk as a result of the management arrangement.

18.4 OTHER FACTS

Prva Group had not issued any participation rights instruments, convertible bonds or similar securities or issued rights.

18.5 SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Subsidiary, Prva osebna zavarovalnica, will implement material status transformation in 2021 pursuant to Article 623 of the Companies Act (ZGD-1), namely by split-off through the establishment (as a subtype of a division). The insurance company's management has drawn up a division plan in accordance with Article 624 of the Companies Act.

Split-off through the establishment shall be performed by transferring individual parts of the transferring company's assets to the transferee corporation.

Following split-off, the transferring company will continue to operate as an independent legal entity, meaning it will continue to operate in terms of the assets not subject to division, or split-off.

Pursuant to the Companies Act, status transformation by split-off shall be carried out so the transferring company continues to operate after transfer of a part of its assets and keeps the total assets (assets and liabilities) that are required or corresponding assets for such activity (establishment) in terms of business and organisation; the following activities will be transferred to the transferee corporation:

- supplementary pension insurance;
- offering and paying pension annuities; and
- managing pension funds and guarantee funds for the payment of pension annuities.

In 2021, the newly established company will assume its role as manager of Prva Group and Prva+ Group's guarantee life cycle funds, and Renta PDPZ's guarantee fund.

Split-off, through establishment will be implemented entirely in accordance with the provisions of the Companies Act (hereinafter: "ZGD-1"), more specifically Articles 623 to 637 of ZGD-1, will transfer company assets determined in the division plan, and the rights and obligations of the transferring company relating to such assets to the transferee company. As the universal legal successor, the transferee company will enter all legal relationships related to the assumed assets, the subject of which was the transferee prior to split-off.

The division cut-off date was 31 December, 2020. From 1 January, 2021, onwards, the transferring company's activities will be carried out fully for the account of the transferee company.

The COVID-19 epidemic is still present and so are its effects on risk, the latter being presented in detail in Sections 5 - General Information on Group Operations, 9 - Organisation and Personnel, 10 - Information Technology, and 18 - Financial Instruments and Risk Management.

There were no other significant events after financial statement date.

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PRVA GROUP

Fajfarjeva ulica 33
1000 Ljubljana

T:+386 1 234 58 00
F: +386 1 436 12 15
E:info@prva.si
I:www.prva.si