ANNUAL REPORT 2020

Coface PKZ zavarovalnica d.d.

ANNUAL REPORT
2020

MEMBERS OF THE MANAGEMENT BOARD

Sergej Simoniti
Chairman

Mindaugas Sventickas
Member

Ljubljana, 22 February 2021

CONTENTS

STATEMENT OF THE MANAGEMENT BOARD

The year 2020 was marked by the Covid-19 coronavirus pandemic. The pandemic has caused what is probably the worst economic crisis since the Second World War, and is still ongoing. Coface PKZ, the leading credit insurer on the Slovenian market, has been faced with challenges that it has never encountered before. Despite significant drops in various performance indicators, we believe that we survived the year with the fewest possible negative consequences.

The beginning of the year saw the reorganisation of the company. We began to work in accordance with the processes used in the Coface Group. The beginning of the year also saw the introduction of Atlas, a tool for approving credit limits in insurance. In March the country went into lockdown, and the economy shut down due to the first wave of the pandemic. Coface PKZ responded by reducing its exposure and thus demonstrated its flexibility when managing insurance risks. Since the credit insurance market stopped functioning normally, the European Commission adopted a decision through which it allowed Member States to assume coverage of trade receivables from customers in Member States and OECD countries. In Slovenia, SID Banka carried out a top-up scheme. Coface PKZ immediately concluded a reinsurance contract, so that our customers could receive State aid in the form of the top-up scheme. Our customers suffered a significant drop in turnover.

The economy opened up again just before the summer holidays, and the tourism season was relatively normal. During the autumn we once again saw the imposition of various government measures, with predictable consequences for the economy.

The following factors had an adverse effect on the company's operations. We lost some important customers to the competition. Our operations were also affected by a decrease in insurable turnover. The extraordinary conditions also affected our plans to expand operations with various partners, such as banks and insurers.

In terms of numbers, we experienced a drop in gross premium written from EUR 14.8 million to EUR 12.3 million. Gross operating costs remained on a comparable level to the previous year. We finished the year with gross claims paid of EUR 5.1 million, resulting in a 26% net claims ratio and net operating profit of EUR 2.2 million.

Despite the ongoing crisis, we remain optimistic in our forecasts for the future. The crisis has sparked interest in credit insurance. It also ended a nearly 10-year trend of falling prices. Interest in cooperation among potential strategic partners increased in the second half of the year. We are also planning to launch two new products on the market in 2021, Easyliner and Tradeliner, which will significantly simplify our customers' operations.

We believe that 2021 will be difficult and challenging, but that we will be able to remain by our customers' and other partners' side and make it easier for them to weather the current crisis.

Sergej Simoniti
Chairman of Coface PKZ's management board

SUPERVISORY BOARD REPORT FOR 2020

I. Supervisory board report for 2020

The supervisory board of Coface PKZ zavarovalnica d.d. comprised: Chairman Declan Gerard Daly, Deputy Chairman Jean-Philippe Olivier, and members Marcin Siwa, Constantin-Alexie Coman, Andraž Tinta and Sanja Dimec. The last two members are employee representatives.

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

The supervisory board met at four sessions in 2020, all of which were attended by all members. The supervisory board members actively participated in the discussions and decision-making, thereby contributing to the effective performance of its designated duties. The management board sent the chairman of the supervisory board monthly business reports. The supervisory board obtained all the requisite information in its work and its supervision of the company's operations, based on which it was able to regularly assess the performance and work of the management board, to make decisions and to monitor the implementation of its resolutions. The supervisory board is of the opinion that its cooperation with the management board was appropriate and fully compliant with legislation.

Support for the supervisory board, particularly in the areas of accounting, risk management, the functioning of internal controls, and internal and external auditing, was provided by the audit committee, which regularly reported to the supervisory board on its work and submitted reports on its operations. The chair of the audit committee reported regularly on the findings and proposals of the audit committee at the supervisory board sessions. The supervisory board was also briefed on the work of the audit committee by including the minutes of the audit committee meetings in the materials for the supervisory board sessions.

The supervisory board approved the annual report for 2019 together with the auditor's report and the proposal for use of the distributable profit, drafted the supervisory board's report for the annual report, and set performance-related remuneration for the management board.

The supervisory board discussed the report of the actuarial function.

It discussed and approved the audited solvency and financial condition report (SFCR) for 2019. It also approved the own risk solvency assessment (ORSA) for 2019.

It approved the financial plan for 2020.

The supervisory board discussed the annual report on the work of the compliance function for 2019 and the compliance function's work programme for 2020.

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

The supervisory board issued a positive opinion regarding the annual report on internal auditing for 2019. It discussed the half-yearly reports on internal auditing for the period July to December 2019 and for the period January to June 2020, and was briefed on the implementation of the recommendations from the internal audit reports.

The supervisory board approved the positive opinion of the fit and proper assessment and the authorisation of a new holder of the key function of internal auditing, and was briefed on data on the remuneration of the new holder of the internal auditing function.

It approved the strategic internal audit plan for 2021–2024 and the 2021 annual internal audit plan. It was briefed on the regular review of the internal auditing policy.

It approved the amendments to the insurance-product distribution policy and the remuneration policy.

The supervisory board was briefed on the financial statements for 2020, which Coface PKZ zavarovalnica reported to the ISA, and on the 2020 performance reports, with reference to which it received information on the integration of Coface PKZ in the Coface Group and information regarding the consequences of the coronavirus epidemic on the operations of Coface PKZ zavarovalnica and policyholders. It was briefed on information regarding the transition to the fast close method for financial statements, ex-gratia payments made in 2020, data on the performance of fronting partners and a fit and proper assessment of the employee representatives on the supervisory board.

At its final session in 2020, the supervisory board carried out a self- assessment of its work for the period from April 2019 to the end of 2020.

II. Approval of the 2020 annual report

Coface PKZ delivered the following to the supervisory board on 25 March 2021:
- The annual report of Coface PKZ zavarovalnica d.d. for 2020, together with the auditor's report from Deloitte revizija d.o.o., in which the latter expressed an unqualified opinion in respect of the financial statements for 2020; the management board enclosed the proposal for the use of the distributable profit with the annual report;
- The report on relations with affiliates with the limited assurance report from the auditors Deloitte revizija d.o.o., in which it states in its conclusion that the auditors did not observe anything in the conducted procedures that would cause them to doubt that the statements in the report on relations with affiliates are accurate in all material respects; that the value of the company's legal transactions stated in the report is not disproportionately high given the circumstances that were known at the time the legal transactions were executed; and that there are no circumstances relating to other actions indicated in the report which would indicate a substantially different assessment of the deprivation of income to the one given by the management (which concluded that no deprivation had occurred);

The reports for 2020 were reviewed in advance by the audit committee, which had no further comments. The audit committee found that the mandatory audit was successful, as it conducted all of the reviews and drafted all of the reports specified in the agreement on the audit of the financial statements and the agreement on the review of the report on relations with affiliates pursuant to Article 545 of the ZGD-1, and in the agreement on the review of the solvency and financial condition report. The external auditor carried out the reviews within the time limits and taking account of the provisions set out by the audit committee in the agreements, and sent credible responses to the questions raised by the audit committee.

The supervisory board reviewed and discussed them at its session of 30 March 2021. It was briefed on the audit committee's review of the annual report and its proposal that it be approved by the supervisory board. The supervisory board had no further comments regarding the annual report and the auditor's report after reviewing them. On the basis of the review of the annual report, the auditor's opinion and the audit committee's proposal, the supervisory board approved the annual report of Coface PKZ zavarovalnica d.d. for 2020 at its session of 30 March 2021.

The supervisory board was briefed on the audit committee's review of the report on relations with affiliates for 2020 together with the auditor's limited assurance report, and its related proposal. After the review, the supervisory board had no further comments regarding the report on relations with affiliates, regarding the management's statement on relations with affiliates that was enclosed to the report, and regarding the auditor's limited assurance report and its conclusion, with the content that was summarised in the preceding paragraphs of this report.

Supervisory Board of Coface PKZ zavarovalnica d.d.

Declan G. Daly, Chairman

Ljubljana, 30 March 2021

BUSINESS REPORT 2020

1. ABOUT THE COMPANY

1.1 Key performance indicators[1]

in EUR thousand	2020 or 31/12/2020	2019 or 31/12/2019	Index
Gross premiums written	12,300	14,755	83
Net income from insurance premiums	4,873	5,741	85
Gross claims paid	5,111	5,848	87
Recourse receivables claimed	1,741	1,019	171
Net claim expenses	1,254	2,228	56
Gross operating costs	5,155	5,144	100
Pre-tax profit	2,205	1,479	149
Net profit or loss	2,193	1,160	189
Net claims ratio	26%	39%	66
Net combined ratio	70%	78%	90
Year-end balance of assets	50,179	46,854	107
Year-end balance of equity	24,215	21,861	111
Year-end balance of technical provisions	22,591	22,965	98
Number of insurance contracts	258	305	85
Number of claims paid	147	100	147
Year-end headcount	59	68	87

1.2 Company profile

Company name	Coface PKZ zavarovalnica d.d.
Company name in English	Coface PKZ Insurance Inc.
Abbreviated company name	Coface PKZ d.d.
Address	Davčna ulica 1, 1000 Ljubljana
Telephone/secretarial office	+386 1 200 58 00
Fax	+386 1 425 84 45
E-mail	info-si@coface.com
Website	https://www.coface-pkz.si
Registration no.	1903209000
Tax number	71824847
LEI code	4851000020C6NKQDP691
Share capital	EUR 8,412,618.92

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

Owner	Compagnie Française d'Assurance pour le Commerce Extérieur
Management and supervisory bodies	MANAGEMENT BOARD Sergej Simoniti, chairman Mindaugas Sventickas (member) SUPERVISORY BOARD Declan Gerard Daly, chairman Olivier Jean-Philippe Georges Gerard, deputy chairman Siwa Marcin Coman Constantin-Alexie Andraž Tinta, employee representative Sanja Dimec, employee representative

1.3 Company's establishment, authorisations and share capital

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

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

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

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

1.4 Coface Group

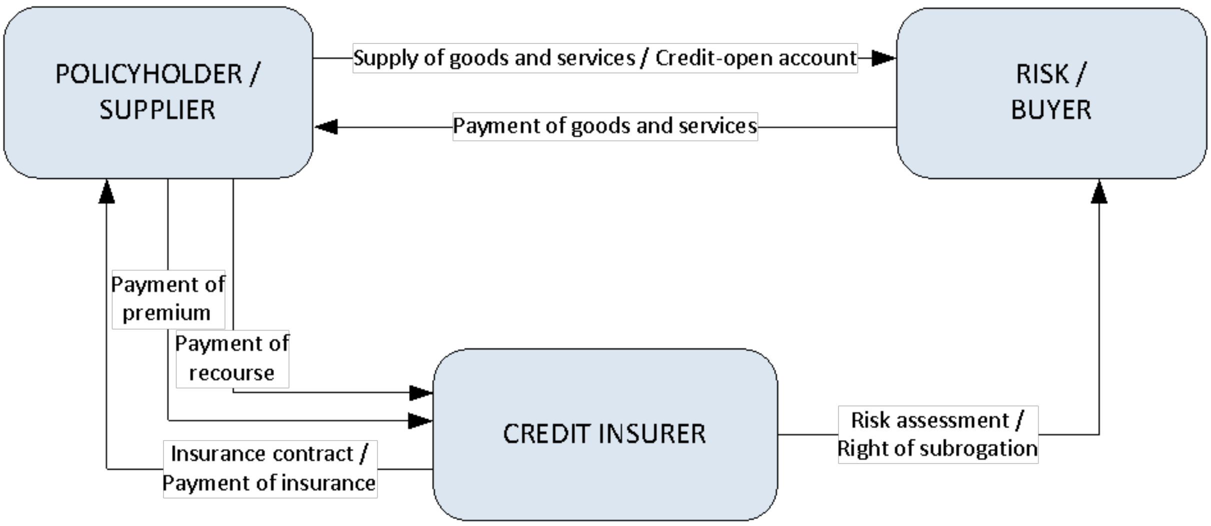
With the ownership transfer, Coface PKZ became a part of the Coface Group (hereinafter: the Group) in the scope of which the new owner of Coface PKZ, i.e. Coface, appears as the principal operational and insurance company. The largest shareholder of Coface is Coface SA, a holding company within the Group,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

1.5 Activity

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

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

Basic scheme of the receivables insurance product

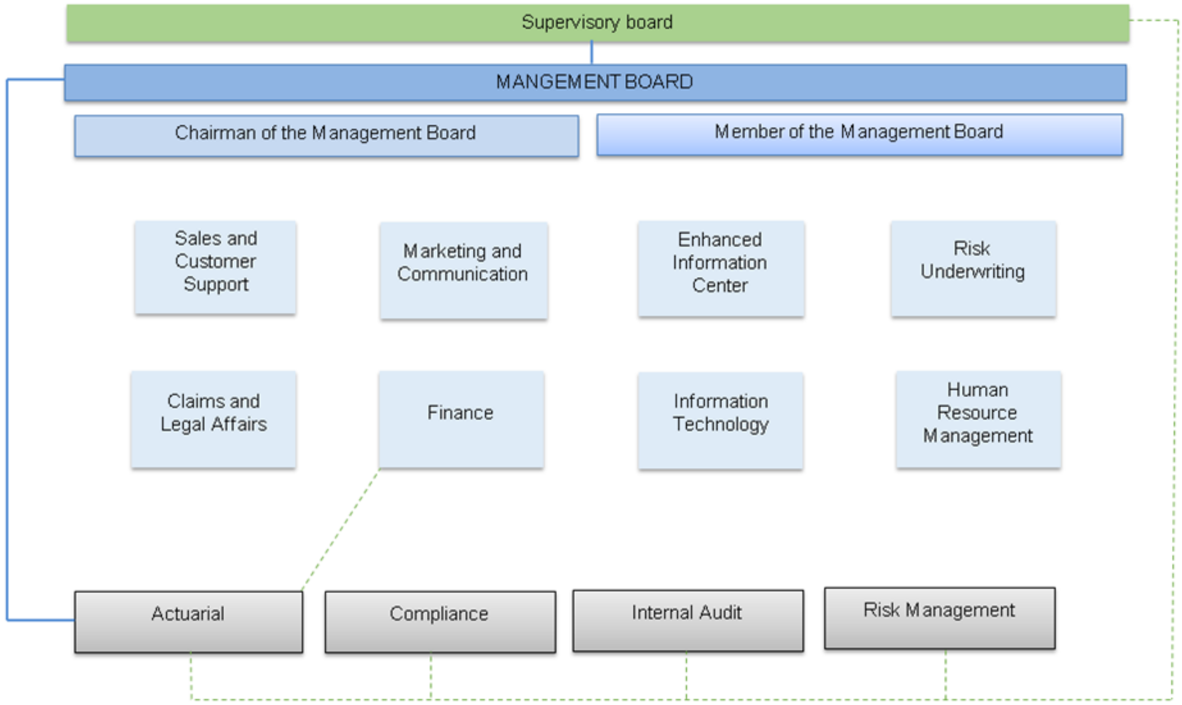


Coface PKZ also provides coverage from suppliers for the repayment of advances paid by the policyholder in accordance with a commercial agreement, where the deadline for the repayment of the advance, which runs from the date on which the supplier received the advance, cannot exceed two years. Commercial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

1.6 Organisational chart

With the merging of Coface PKZ with the Group a change was made to the organisational structure in accordance with the Group companies, effective 1 January 2020.

Coface PKZ's organisational chart



1.7 Significant events in 2020

COVID 19:

- the COVID pandemic affected the company's business performance as it had an effect on the customers of our policyholders;
- this resulted in a downgrading in the companies' ratings;
- establishment of a national scheme for insuring trade receivables through SID Banka.

Management and supervisory bodies:

- approval of an additional term of office for a supervisory board member, i.e. the employee representative.

Annual report for 2019: approval; successfully completed financial year

Strategy:

- monitoring the activities of the strategy for the period 2018–2022;
- the drafting of Coface PKZ's development strategy for the period 2021–2023.

Integration of operations with the Group:
- implementation of Group tools for the handling (processing) of claims (iNCA);
- migration of data;
- proceeding with integration in the Group's IT infrastructure;
- familiarisation with and introduction of Coface Group products;
- updated process for the control of risks in line with the Coface Group processes.

Organisational structure:
- change to the holder of the internal audit function;
- change in the organisational structure in accordance with the group companies, effective 1 January 2020;
- change in labour law acts, effective 1 January 2020.

Solvency II: implementation of the completely updated governance system rules, including the core codes, effective 1 January 2020.

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

1.8 Significant events after the balance-sheet date

All operations between the end of 2020 and the time of the compilation of the report proceeded in line with expectations and the information at the company’s disposal when the financial statements were being compiled, as the trends seen in 2020 continued. The company's integration with the Group has yet to be fully completed and is expected to be finalised at the end of 2021.

2. CORPORATE GOVERNANCE STATEMENT

In accordance with the fifth paragraph of Article 70 of the ZGD-1, Coface PKZ hereby issues the following corporate governance statement, which forms an integral part of the submitted business report. The corporate governance statement relates to the period 1 January 2020 to 31 December 2020.

2.1 List of codes

Coface PKZ maintains high corporate governance standards, and in doing so also complies with the commitments and requirements applied within the Group. As of 1 January 2020, both key codes of the Group, i.e. the code of conduct and the anti-bribery code, entered into force.[2]

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

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

2.2 Corporate governance system

By defining the elements of the corporate governance framework, the corporate governance policy sets out the corporate governance system that facilitates sound and diligent management of Coface PKZ.[3] The corporate governance framework, in particular:

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

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

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

d) covers the rules in the area of remuneration;

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

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

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

2.3 Statement of compliance

There were no relevant deviations from these codes which bind Coface PKZ in 2020.

2.4 Diversity policy

Coface PKZ failed to formalise the diversity policy with the adoption of a bylaw. Closely related requirements regarding diversity are included in some other acts, e.g. the Fit & Proper policy,

[2] At the same time the internal code of ethics and professional standards ceased to be valid. Both codes are published on Coface PKZ's intranet site.
[3] The updated policy entered into force on 1 January 2020.

which in accordance with the requirements of the ZZavar-1 stipulates that the diversity of qualifications, knowledge and experience is pursued in the composition of the management board and supervisory board, as well as in holders of key functions and procurators. Coface PKZ also fully complies with the prohibition of discrimination, as set out by the Employment Relationships Act.

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

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

Coface PKZ's system of internal controls ensures that:

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

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

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

annual risk analysis. A portion of the regular monitoring is also contributed by the internal audit department and compliance function through their reviews and findings.
- Communication and information channels, which combine all other components into an integrated system of internal controls. Communication and informing relates to all levels at the company and proceeds in all directions.

2.6 Insurer's bodies:

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

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

2.6.1 Management board

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

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

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

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

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

Management board in 2020

In the period 1 January 2020 to 31 December 2020 Coface PKZ was headed by a two-member management board: Sergej Simoniti (chairman) and Mindaugas Sventickas.

Presentation of Chairman Sergej Simoniti

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

Positions (jobs) and experience:

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

Pozavarovalnica Sava, d.d., Ljubljana *(December 2002 – December 2011):*

- *Executive Director – General Affairs and Compliance Sector (September 2009 – December 2011)*
- *Director of the Legal Department (January 2005 – September 2009)*
- *insurance lawyer (December 2002 – December 2004)*

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

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

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

Presentation of member Mindaugas Sventickas

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

Positions (jobs) and experience:
Coface Baltics Services Ltd, Litva *(August 2008 – the present):*
- *Director of the Risk Assumption Department (January 2016 – the present)*
- *Deputy Managing Director (August 2008 – January 2016)*

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

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

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

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

Lietuvos Eksporto ir Importo Draudimas Ltd. IC, Lithuania (*August 2003 – February 2006*):

- *Director of the Credit Insurance Department (October 2004 – February 2006);*
- *Specialist at the Risk Assumption Department (August 2003 – October 2004);*

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

2.6.2 Supervisory board

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

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

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

Supervisory board in 2020

Members of the supervisory board of Coface PKZ

Members	**Title**	**Start of term of office**	**Duration of term of office**
Declan Gerard Daly	Chairman	24/4/2019	24/4/2023
Jean-Philippe Oliver	Deputy Chairman	24/4/2019	24/4/2023
Marcin Siwa	Member	1/7/2019	1/7/2023
Constantin-Alexie Coman	Member	24/4/2019	24/4/2023
Andraž Tinta	Workers' Representative	26/2/2017	26/2/2021
Sanja Dimec	Workers' Representative	1/9/2020	1/9/2024

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

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

Members of the audit committee of Coface PKZ

Members	**Title**	**Start of term of office**	**Duration of term of office**
Jean-Philippe Oliver	Chairman	29/5/2019	29/5/2023
Ana-Maria Constantinescu	Deputy Chairman, Independent expert	29/5/2019	29/5/2023
Marcin Siwa	Member	1/7/2019	1/7/2023

2.6.3 General meeting of shareholders

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

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

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

Mindaugas Sventickas
Member of the management board

Sergej Simoniti
Chairman of the management board

3. STRATEGIC GUIDELINES AND PLANS

3.1 Mission, vision and values

Mission
Through collateralisation we mitigate default risk and ensure financial security in the sale of goods and services, thereby promoting trade and economic development.

Vision
We are a highly respected credit insurer in our region with a dominant market share among insurers from the Western Balkans in the segment of the collateralisation of corporate claims. Policyholders who identify us as the first and best choice for the management of default risk are the central focus of our business activity.

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

3.2 Strategy for the period 2021 –2023

Coface PKZ draws up a strategy for a three-year period. It regularly monitors the strategy and adjusts it smoothly on an annual basis. The strategic guidelines form the basis for drawing up annual financial plans. The implementation of the outlined objectives is monitored quarterly. In the event of significant deviations corrective measures are adopted, and upon major changes, even due to external effects, documents can be adjusted prematurely.

During the final quarter of 2020 Coface PKZ began drafting Coface PKZ's three-year strategy for the period 2021–2023, which is expected to be discussed by the supervisory board in the first half of 2021. This strategy will follow the one that was adopted by the Coface Group ("Build to Lead") at the end of last year.

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

Our objective is to not become the largest but the best in what we do, i.e. in predicting and managing risks, the best in analytics and in defining products that help customers, as well as in fulfilling the needs of our customers regardless of where we operate.
This will become even more important as we will operate in a slower and more volatile world: a slowdown in economic activity and trade, further technological advances, more indebted and zombie companies, trade wars, uprisings, conflicts and even healthcare issues. Being agile

and having the required expertise will be what will set us apart from our competitors in the long-term and build value, in the context of increasing our customer base and our resilience.

We will focus on two main pillars:
• strengthening our leading position in our core activity of credit insurance;
• strengthening the company's other services: factoring, the collateralisation of special claims, suretyship insurance and information services.

3.3 Implementation of objectives in 2020

Realisation of planned objectives in 2020[4]

in EUR mio or in %	Plan 2020	Actual 2020	Index	
Gross premiums written	14.31	12.30	86	Plan not achieved
Gross cost ratio	37%	44%	120	Plan not achieved
Net claims ratio	10%	23%	229	Plan not achieved
Pre-tax profit	1.57	2.20	140	Plan achieved

Coface PKZ performed well in 2020 despite the demanding circumstances due to the Covid-19 virus. Coface PKZ thus exceeded the expectations of the financial plan, as it generated a pre-tax profit of EUR 2.20 million, which was higher than planned.

The realised gross premiums written are EUR 2.01 million lower than planned, or 14%, which was the result of the economic situation due to Covid-19 and the resulting reduced economic activity.

The cost ratio was up seven percentage points on the planned figure, and in 2020 stood at 44%. The significant growth was mainly attributed to the lower gross premiums written.

The claims situation in 2020 was relatively favourable despite the adverse economic situation, as also evidenced by the net claims ratio, which in 2020 stood at 23% and was up on the planned figure (10%) but still below the 2019 figure.

3.4 Plans for 2021

Plans for the 2021 financial year[5]

in EUR mio or in %	Actual 2019	Actual 2020	Plan 2021	Index P2021/2020
Gross premiums written	14.75	12.30	11.99	97
Net claims ratio	37%	23%	18%	81
Pre-tax profit	1.48	2.20	2.39	108

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

Coface PKZ is planning for lower gross premiums written for 2021 relative to 2020 resulting from the continued economic decline due to the Covid situation and the increased activity of competitors.

The 2021 financial plan forecasts that the net claims ratio will be lower than that realised in 2020. Coface PKZ believes that it will maintain a stable net claims ratio despite the situation connected with Covid, as states will support the economy through state aid at least during the first half of 2021. Since credit insurance is highly exposed to economic and political cycles and to individual major claims, there is always a possibility for the gross claims ratio of a particular claims year to significantly deviate from the planned figures, and thus Coface PKZ uses reinsurance protection to a significant extent in order to reconcile the business results and manage insurance risks.

In 2021 Coface PKZ expects to generate an operating profit which will be slightly above than that realised in 2020.

3.5 Investments and development of IT support

In 2020, efforts in the area of IT support development continued in terms of implementing the Group's IT system. In terms of software, it all began with the implementation of the following software solutions:

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

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

4. BUSINESS ENVIRONMENT

4.1 General global economic environment

Global economic growth was at 4.6% in 2019. In its autumn World Economic Outlook report the International Monetary Fund (hereinafter: the IMF)[6] forecast a 4.4% decline in gross domestic product (hereinafter: GDP) for 2020 due to the Covid-19 pandemic and 5.2% growth for 2021. Following the recovery in 2021, global growth is expected to gradually stabilise in the medium-term at ca. 3.5%, meaning that the majority of the economies will only focus on closing the gap to the growth that was forecast prior to the pandemic. It is expected that due to fears of a deep recession economies will carry out structural changes, which will have permanent effects on businesses that will survive the pandemic, such as adjustments to costs and productivity, a greater number of bankruptcies, transfer of resources to other sectors, employee departures from the labour market, slow investment growth and build-up of capital.

Global trade in 2019 contracted for the first time since the financial crisis in 2008–2009, by 0.1%[7]. The Covid-19 pandemic was also said to significantly reduce the volume of trade in 2020, in particular of services. Positive growth was only recorded by states with IT services as their main exports. The global trade decline will depend greatly on the time needed to regain control over the Covid-19 pandemic. Projections indicate that social distancing will continue in 2021, expecting the presence of the virus to subside everywhere by the end of 2022 as a result of higher vaccination coverage.

Major uncertainty in growth projections due to the re-emergence of the Covid-19 virus[8] is seen in the economic outlook of the European Commission's autumn economic forecast. The decline in GDP growth, both across the entire EU and the euro area in 2020, will be unprecedentedly high owing to two negative factors: the coronavirus relief packages and the transition of trade between the EU and the UK on the basis of the rules of the World Trade Organisation. The European economy is expected to contract by 7.4% in 2020, then revive to increase by 4.1% in 2021 and 3.0% in 2022. The annual GDP growth forecast for the euro area, which was -7.8% for 2020, 4.2% for 2021 and 3.0% for 2022, was also cut. The growth rates will vary between states due to differences in the spread of the virus, political responses and the sectoral structure of national economies. The unemployment rate is expected to increase to 7.7% in 2020, 8.6% in 2021, and then fall to 8.0% in 2022. The inflation rate is expected to remain under the influence of the negative energy inflation rates; the rate is expected to fall in the euro area to 0.3% in 2020, 1.1% in 2021, and 1.3% in 2022.

The forecasts include the correlation between the stringency of the government measures during the first months of the pandemic and the level of economic disruption due to these measures being implemented. Economic activity contracted the most in the countries with the most stringent government measures. The restrictions on economic activity contribute to higher solvency risks for businesses that will be forced to adjust their business models.

[6] IMF, World Economic Outlook, October 2020
[7] WTO, World Trade Statistical Review 2020
[8] European Commission, European Economic Forecast Autumn 2020, November 2020

The number of insolvent companies is expected to increase by 26%[9] globally in 2020 due to the coronavirus pandemic, which has forced the global economy into a recession. In terms of the figures indicating global insolvency, which were recorded in the first half of 2020, it is unusual that most countries experienced less insolvency cases than in the same period last year. This was most pronounced in the UK, Spain and France, in contrast to the depth of the recession that affected these countries. The reason for the discrepancy between GDP and the development of insolvency in the first half of 2020 was two-fold. In order to protect businesses against bankruptcy, (first) most countries amended their insolvency laws, (second) the governments and central banks worldwide adopted wage subsidisation schemes, temporary suspension of taxes, allocated grants to small businesses, etc.

A D&B survey[10], conducted in 2020, indicates a certain degree of heterogeneity in payment practices and quite different trends among the examined countries. In terms of complying with payment deadlines, the European average rate for such compliance for 25 European countries increased in 2019, as 44.3% of all liabilities were paid on time (+1.5% relative to the previous year). The percentage of companies which on average made payments more than 90 days in arrears under the agreed terms was 3.9%. The best results were recorded in Denmark, with 86.9% of transactions conducted within the agreed period, followed by Poland (78.7%) and Lithuania (76.9%). Businesses in Bulgaria, Portugal and Romania made less than 20.5% of payments on time.

4.2 Economic environment in Slovenia

Slovenia is the largest individual market within Coface PKZ's portfolio. In 2020 domestic insured turnover accounted for 22% of the entire volume of Coface PKZ's insurance business. The macroeconomic and political situation in the country thus has a major impact on Coface PKZ's operations.

Important indicators for Slovenia

	2018	2019	2020 forecast	2021 forecast	2022 forecast
GDP growth (in %, real)	4.1	2.4	-6.7	5.1	3.7
GDP (in EUR million)	45,755	48,007	45,769	48,818	51,630
GDP per capita (in EUR)	22,083	22,983	22,069	23,539	24,895
Registered unemployment rate (in %)	8.2	7.7	9.1	9.5	8.5
Inflation rate (annual average in %)	1.7	1.6	0.3	1.6	1.9
Total exports (goods and services) from Slovenia (in EUR million)	39,065	40,535	34,896	38,458	41,377
Total imports (goods and services) into Slovenia (in EUR million)	35,276	38,890	30,885	34,154	36,863
Number of bankruptcies	1,497	1,435	/	/	/
Change in number of bankruptcies	13.8%	-4.1%	/	/	/

Source: IMAD, Autumn Forecast of Economic Trends in 2020
Source for the number of bankruptcies: Creditreform, Corporate insolvencies in Europe 2019

The spread of the Covid-19 pandemic since mid-March 2020 brought a decline in economic activity, which was down nearly 8% in Slovenia in the first half of 2020 relative to the same

[9] Atradius, Insolvency Forecast, September 2020
[10] CRIBIS D&B, Payment study 2019

period last year. Service activities, in particular the food service activities, trade and transport contributed most to the decline in value-added due to the significantly contracted economic activity during the application of the protective measures. The Autumn Forecast of Economic Trends[11] in 2020 forecasts a 6.7% drop in GDP. All consumption is expected to decline, with the exception of government consumption. Over the coming two years all aggregates on the expenditure side are expected to recover to the level prior to the epidemic, while growth in government consumption is expected to slow. Recovery is expected in 2021 and 2022, which will proceed at different paces depending on the activity. The adoption of emergency measures for the preservation of jobs mitigated the deterioration in the situation on the labour market, due to which the decline in employment and growth in unemployment will be smaller this year than they would otherwise be as a result of the decline in GDP. Inflation is expected to be lower on average than in 2019, mainly on account of lower energy prices, with the inflation expected to return to the level before the epidemic in the next two years, assuming a moderate economic recovery. The current account surplus is projected to remain at levels above 6% of GDP over the period 2020–2022. After this year's decline, growth in potential GDP is expected to stand at 1.9% on average over the next two years (2020-2022), which is significantly lower than prior to 2009, when Slovenia rapidly closed the gap with the wealthier countries of the EU.

A total of 48.8% of all companies in Slovenia in 2019 (compared with 49.9% in 2018) paid their liabilities on time.A total of 2.0% of Slovenian companies (compared with 1.7% in 2019) paid their liabilities more than 90 days in arrears.[12]

There were 1,435 bankruptcies filed in Slovenia in 2019.[13] This figure was down 4.1% relative to the previous year.

4.3 Economic environment in key foreign trade countries for Coface PKZ

In addition to the domestic market, since 2008, the most important buyer countries in Coface PKZ's portfolio have been Germany, Russia, Italy and Croatia, which in 2020 collectively accounted for 31% of the volume of insurance business. Economic trends in these countries, which are key foreign trade partners of Slovenia, significantly affect the performance of Coface PKZ.

[11]IMAD, Autumn Forecast of Economic Trends in 2020
[12] CRIBIS D&B, Payment study 2019
[13] Creditreform, Corporate insolvencies in Europe 2019

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

		Germany	Russia	Italy	Croatia
GDP per capita (in EUR)	2019	38,900	8,824	28,554	12,664
GDP growth (in %, real)	2019	0.6	1.3	0.3	2.9
	forecast 2020	-5.6	-4.2	-9.9	-9.6
	forecast 2021	3.5	2.0	4.1	5.7
Unemployment rate (in %)	2019	3.1	4.6	10.0	6.6
	forecast 2020	4.0	6.2	9.9	7.7
	forecast 2021	4.0	5.8	11.6	7.5
Inflation rate (annual average in %)	2019	1.4	4.5	0.6	0.8
	forecast 2020	0.4	3.2	-0.1	0.3
	forecast 2021	1.4	3.2	0.7	0.8
Slovenian exports to the country (in EUR million)	2019	6,335	886	3,888	2,895
	1-9/2020	4,322	647	2,214	1,969
Slovenian imports from the country (in EUR million)	2019	5,503	541	4,757	1,725
	1-9/2020	3,666	276	2,775	1,175
Growth/Decline in Slovenian exports to the country in 1-9 2020/1-9 2019		-10.9%	-0.3%	-25.4%	-10.3%
Number of bankruptcies in 2019		18,830	12,135	14,228	11,909
Change in number of bankruptcies 2019/2018		-3.0%	-5.9%	3.9%	0.2%

Source: European Commission, European Economic Forecast Autumn 2020, November 2020
Source for GDP per capita and inflation in Russia and Croatia: IMF, World Economic Outlook Database, October 2020
Source of data on imports and exports: SORS, SI-STAT Database (Foreign trade), www.stat.si
Source for the number of bankruptcies: Creditreform, Corporate insolvencies in Europe 2019
Source for the number of bankruptcies in Russia: Trading Economics, https://tradingeconomics.com/russia/bankruptcies

4.4 Insurance market and market position of Coface PKZ

The Slovenian insurance market achieved 1.6% growth in premiums in 2020. Insurers, members of the Slovenian Insurance Association (hereinafter: SIA), collected EUR 2,569.0 million in insurance premiums. Non-life insurance recorded growth of 3.1% in 2020 relative to the previous year, and stood at EUR 1,818.0 million. This accounted for 70.8% of the total insurance premiums collected.

A total of EUR 29.8 million was collected in 2020 in the category of credit insurance, which was 20.1% less in insurance premiums than in the previous year. Credit insurance in non-life insurance accounted for 1.6%, while Coface PKZ's share of credit insurance stood at 41.3% (which is 4.4% more than in 2019 despite the lower premiums).

Information about the insurance market in Slovenia

	Insurance premium (in EUR million)			Change in growth (in %)	
	2020	2019	2018	2020/2019	2019/2018
Total all insurance classes	2,569.0	2,517.4	2,341.1	2.1%	7.5%
Non-life insurance	1,818.0	1,763.4	1,624.4	3.1%	8.6%
- Credit insurance	29.8	37.3	41.6	-20.1%	-10.5%
- Trade credit insurance (international and domestic)	/	18.2	17.8	/	2.2%
- Coface PKZ	12.3	14.8	14.3	-16.6%	3.3%
- Coface PKZ share in credit insurance	41.3%	39.6%	34.3%	4.4%	15.4%
- Coface PKZ share in trade credit insurance	/	81.3%	80.4%	/	1.1%

Specific data for 2020 was not yet available at the time of drafting the annual report.
Source: Slovenian Insurance Association

A total of 18 insurers that are members of the SIA operated on the Slovenian insurance market in 2020 (21 in 2019). The market concentration rate is increasing, as four of the largest insurers (Triglav, Sava, Vzajemna and Generali, to which Adriatic Slovenca transferred its portfolio at the beginning of the year) control 81.8% of the entire market.In terms of collateral for claims, Coface PKZ recorded a high market share, standing at 81.3% in 2019. The calculation only includes data from insurers that are SIA members.

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

4.5 Impact of the environment on Coface PKZ's performance

The main factors in Coface PKZ’s operations in 2020 were:

- the Covid-19 epidemic since March 2020 and the containment measures that caused a reduction in general economic activity;
- the economic situation in Slovenia and on foreign markets that are most important to Coface PKZ;
- greater complexity in operations (competition and policyholders’ expectations);
- Group activities in underwriting;
- state aid to support the corporate sector for credit insurance via SID Bank (top-up scheme);
- a more favourable claims ratio of policyholders than was expected; and
- procedures for integration into the Group.

Economic growth in countries that have a material impact on the operations of Coface PKZ was halted in 2020 due to the spread of the Covid-19 epidemic, which brought a decline in insurance business and in the premiums written. The epidemiological situation brought a decline in the business of the existing policyholders, as well as halting the planned inflow of new policyholders. In 2020 the company recorded a decline in premiums relative to previous years. Quite unexpectedly, however, given the difficult economic environment, with the exception of one major claim the company did not identify any proportionate increase in the claims situation. After the March “shutdown of the country” and the resumption of economic activities, Coface PKZ focused its operations on retaining its policyholders and at the same time sought new approaches to the sale and monitoring of insurance, even via the government scheme for the insurance of marketable risks (top-up scheme), which was activated by SID Bank.

Coface PKZ is also expected to operate in difficult circumstances in 2021, as the total end of the coronavirus epidemic is not expected before 2022. Coface PKZ will continue to face the consequences of the pandemic as well as fierce competition in 2021. Coface PKZ is expected to respond to these events from last year by reviving its sales activities via new sales channels and products, with the reactivation of activities for penetration onto Western Balkans markets, continuing to improve its services for policyholders and with the continued computerisation of processes.

Given the European Commission's forecast on economic progress in all countries in which Coface PKZ generates the most turnover, the forecasts regarding the achievement of result in 2021 are extremely uncertain. Given the fact that the stabilisation of Slovene exports to the level before the epidemic is forecast for 2022, we are expecting moderate growth in the volume of insurance business in 2021 relative to 2020. In the wake of uncertain economic forecasts we can expect a major spike in claims. The economic situation remains uncertain, also due to the consequences of Brexit (the withdrawal of the UK from the European Single Market), sanctions and growing trade conflicts, which in the event of rapid changes affect the operations of Coface PKZ.

5. KEY STAKEHOLDERS AND THE ENVIRONMENT

5.1 Responsibility to policyholders

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

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

5.2 Responsibility to reinsurers

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

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

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

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

Due to its integration in the Group, the majority of the company's contacts beginning in 2020 were with the reinsurer Coface Re, which is a member of the Group. Through it the company will be able to collaborate with a larger number of reinsurers than to date.

5.3 Responsibility to employees

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

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

5.3.1 Number and structure of employees

As of 31 December 2020 there were 59 employees, of which 36% were male and 64% female. The company failed to formalise a diversity policy in accordance with the third paragraph of Article 70 of the ZGD-1.

Breakdown of the employees by age group

Age group	31/12/2020		31/12/2019	
	Number	Percentage	Number	Percentage
From 21 to 30	1	2%	5	7%
From 31 to 40	21	36%	24	35%
From 41 to 50	26	44%	28	41%
From 51 to 60	10	17%	11	16%
61 and over	1	2%	0	0%
Total	**59**	**100%**	**68**	**100%**

The average age of the workforce was 44.7 years in 2020 and 42.8 in 2019.

Employees by level of qualifications

Level of education (qualifications)	31/12/2020		31/12/2019	
	Number	Percentage	Number	Percentage
V.	6	10%	7	10%
VI/1.	5	8%	5	7%
VI/2.	12	20%	14	21%
VII.	30	51%	34	50%
VIII.	5	8%	7	10%
IX.	1	2%	1	1%
Total	**59**	**100%**	**68**	**100%**

The majority of employees have a high school or university (level VI/2 and level VII) education. A total of 71% of employees hold this level of qualifications. The percentage of employees with an academic title of MSc or PhD is 10%.

5.3.2 Training and HR development

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

The average number of training hours per employee (considering the average number of employees in 2020) is 8.4. A total of 59 employees took part in training programmes, which accounts for almost 96% relative to the average number of employees.

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

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

5.3.3 Responsibility for employee and occupational health

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

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

5.4 Responsibility to other stakeholders

With the adoption of the code of conduct and the anti-bribery code the company set out the fundamental values and rules that govern the relations with all key stakeholders. These codes thus also regulate the content associated with relations with suppliers, customers and competent state authorities at the primary level.

The company is a member of the Slovenian Insurance Association and acceded to the Insurance Code.

5.5 Responsibility to the environment and community

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

Coface PKZ expresses its sensitive approach to the community by verifying and assessing the risk associated with buyers in connection with relevant sanctions, sponsoring the Slovenian Gazelle awards, which promote the fastest-growing companies in Slovenia, organises and participates in meetings at which companies familiarise themselves with risks on foreign markets, organises workshops for the protection and promotion of health, donates second-hand computer equipment to societies engaged in non-profit activities and financial resources to institutions that help people in distress.

6. PERFORMANCE IN 2020

6.1 Financial result[14]

in EUR thousand	2020	2019	Change	Index
Gross premiums written	12,300	*14,755*	*-2,455*	*83*
Reinsurers' share	-7,786	*-8,893*	*1,107*	*88*
Change in net unearned premiums	359	*-121*	*480*	*-297*
Net income from insurance premiums	**4,873**	**5,741**	**-867**	**85**
Investment income	122	851	-730	14
Income from reinsurance commissions	2,382	2,895	-513	82
Income from charged credit reports	1,202	1,061	142	113
Gross claims paid	*-5,111*	*-5,848*	*737*	*87*
Recourse receivables claimed	*1,741*	*1,019*	*722*	*171*
Reinsurers' share of claims	*2,418*	*2,795*	*-377*	*87*
Reinsurers' share of recourses	*-1,297*	*-509*	*-789*	*255*
Changes in net provisions for claims outstanding	*995*	*314*	*681*	*317*
Net claim expenses	**-1,254**	**-2,228**	**974**	**56**
Net expenses for bonuses	-67	-496	429	13
Change in net provisions for unexpired risks	731	-414	1,145	-176
Operating costs	-5,155	-5,144	-11	100
Investment expenses	-70	-53	-17	132
Expenses for purchased credit reports	-702	-750	48	94
Difference between other expenses and income	143	17	125	835
Pre-tax profit	**2,205**	**1,479**	**726**	**149**
Corporate income tax	-12	-319	306	4
Net profit for the accounting period	**2,193**	**1,160**	**1,032**	**189**

Claims ratio

in EUR thousand or in %	2020	2019	Change	Index
Net claims paid	-2,692	-3,052	360	88
Net recourse claimed	444	510	-66	87
Net claims paid less recourses	**-2,249**	**-2,542**	**294**	**88**
Claims paid / premiums written	42%	40%		
Net claim expenses / net income from premiums	26%	39%		
Gross claim expenses / gross income from premiums	23%	24%		
Net income from premiums - net claim expenses	**3,619**	**3,512**	**107**	**103**
Recourse receivables claimed / gross claims paid	34%	17%		

The items of the income statement that exceed 2% of the gross premiums written in 2020 (EUR 246 thousand) or that are linked to the insurance process are described below.

Gross premiums written in 2020 were down EUR 2.46 million or 17% on 2019. The reinsurers' share of gross premiums written increased to 63% (was at 60% in 2019). Net unearned premiums rose by EUR 0.48 million. Net income from insurance premiums were therefore down by EUR 0.87 million.

The claims situation in 2020 was moderate and even more favourable than in 2019. Gross claims written in 2020 were down EUR 0.74 million or 13% on 2019, while the difference in net claims paid stood at EUR 0.36 million or 12%. Income from gross recourse receivables claimed in 2020 accounted for 34% of gross claims paid (17% in 2019), while in absolute terms this figure was up EUR 0.72 million or 71% relative to the previous year. Net recourse claimed was

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

down EUR 0.07 million or 13% on 2019. Net provisions for claims outstanding were up EUR 0.68 million, which in addition to the other already mentioned factors affected net claim expenses, which in 2020 were down EUR 0.97 million or 44% on 2019.

Net expenses for bonuses were down EUR 0.43 million or 87%, primarily due to the favourable claims situation. Net provisions for unexpired risks were down in 2020.

Income from investments was down EUR 0.73 million or 86% relative to 2019 and stood at EUR 0.12 million, the main reason for this being low interest rates on the market in recent years. Investment expenses comprise expenses from the management of investments and losses realised upon the sale of investments. The latter were up 32% on 2019. The return on investment was down on the previous year and stood at 0.18% (2.78% in 2019).

Income from reinsurance commissions was down EUR 0.51 million or 18% on 2019, which was mainly attributed to lower premiums despite the commission percentage being slightly higher than in 2019 (changed reinsurance structure).

Income from charged credit report fees was up EUR 0.14 million or 13% on 2019 (due to a larger number of limits). Expenses were down EUR 0.05 million or 6%. The coverage of the costs of credit report fees was up 30 percentage points relative to 2019, with income being 71% higher than the expenses.

Operating costs were almost at the same level in 2020 as in 2019. The cost ratio was up seven percentage points on 2019 and stood at 42%[15] (35% in 2019). The main reason for the increase in the cost ratio was a significant decline in the gross premiums written. Labour costs accounted for the majority of costs (59% in 2020 and 66% in 2019), which were down mostly due to a reduction in the number of employees in 2020. Acquisition costs were up 9%, while amortisation and depreciation were up 2%. Other operating costs were up 30%, mostly on account of higher costs for advisory and other services.

Net profit for the accounting period stood at EUR 2.19 million, which was up EUR 1.03 million on 2019.

in EUR thousand	**2020**	**2019**	**Change**	**Index**
Pre-tax profit	2,205	1,479	726	149
Corporate income tax	-12	-319	306	4
Net profit for the accounting period	**2,193**	**1,160**	**1,032**	**189**
Retained earnings	1	1	0	158
Loss brought forward covered by the net profit for the financial year	0	0	0	0
Increase in reserves pursuant to the resolution of the management board	-1,096	-580	-516	189
Distributable profit	**1,097**	**581**	**516**	**189**

[15] Cost ratio calculated from costs by type.

6.2 Financial position[16]

in EUR thousand or in %	31/12/2020	31/12/2019	Change	Index	31/12/2020	31/12/2019
Available-for-sale financial assets, loans and deposits	29,020	28,208	812	103	58%	60%
Amount of technical provisions ceded to reinsurers	13,277	11,634	1,644	114	26%	25%
Receivables from (re)insurance business	2,589	2,967	-378	87	5%	6%
Intangible assets and property, plant and equipment	2,353	2,652	-298	89	5%	6%
Cash and cash equivalents	2,489	1,262	1,227	197	5%	3%
Other assets	450	132	318	342	1%	0%
Total assets	**50,179**	**46,854**	**3,325**	**107**	**100%**	**100%**
Equity	24,215	21,861	2,354	111	48%	47%
- share capital	*8,413*	*8,413*	*0*	*100*	*17%*	*18%*
- revenue reserves: legal, under Articles of Association and other reserves	*13,725*	*12,629*	*1,096*	*109*	*27%*	*27%*
- revaluation surplus	*399*	*239*	*160*	*167*	*1%*	*1%*
- retained earnings	*581*	*1*	*581*	*115669*	*1%*	*0%*
- net profit for the financial year	*1,096*	*580*	*516*	*189*	*2%*	*1%*
Technical provisions	22,591	22,965	-374	98	45%	49%
Other provisions	159	157	2	101	0%	0%
Liabilities from reinsurance business	2,118	749	1,369	283	4%	2%
Other operating liabilities	1,096	1,122	-26	98	2%	2%
Total equity and liabilities	**50,179**	**46,854**	**3,325**	**107**	**100%**	**100%**

In 2020 Coface PKZ changed its way of monitoring recourse claims, thereby adjusting the opening balance sheet as at 31 December 2019 (see the balance sheet in point 1.1 and the notes to point 2.2.3.1 of the financial report).

Assets and liabilities items are described below, which as at 31 December 2020 accounted for at minimum a 5% proportion of assets or liabilities, or the change exceeded 2% of the capital (EUR 484 thousand) in the reporting period.

Within assets the most significant increase was recorded in financial assets and cash and cash equivalents, with the highest decline recorded for receivables. Capital saw the greatest increase among liabilities, while technical provisions saw the greatest decline.

Investments accounted for the largest proportion of assets (58%, down 2 percentage points in 2020), followed by technical provisions ceded to reinsurers (26%, up 1 percentage point on 2019), receivables from the (re)insurance business (5%, down 1 percentage point in 2020), intangible assets and property, plant and equipment, down 1 percentage point on 2019 and in 2020 accounted for 5% of the assets, and cash and cash equivalents (5%, up 2 percentage points in 2020).

Equity accounted for the largest proportion of total equity and liabilities (48%, up 1 percentage point in 2020), followed by technical provisions (45%, down 4 percentage points in 2020), then liabilities from the (re)insurance business (4%, up 2 percentage points in 2020), and finally other operating liabilities (2%, no changes with respect to 2019).

As of 31 December 2020, financial assets were up 3% or EUR 0.81 million relative to the previous year, while the average stock of investments in 2020 was down EUR 0.11 million on 2019. Liquid debt and equity instruments accounted for all of the investments (91% in 2019). Coface PKZ no longer disclosed any current deposits as of 31 December 2020 (they accounted for 9% in 2019).

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

Receivables from (re)insurance business as at 31 December 2020 were down by EUR 0.38 million or 13% relative to the situation as at 31 December 2019. In 2020 the method of calculating (invoicing) received recourses changed, which is explained in detail in point 2.2.3.1 of the financial report.

Intangible assets and property, plant and equipment were down EUR 0.30 million in 2020.

As of 31 December 2020, cash and cash equivalents were up EUR 1.23 million or 97%. The majority of these assets were accounted for by call deposits (96% in 2020; 40% in 2019).

Equity was up EUR 2.35 million or 11%, mostly due to the non-payment of dividends. Coface PKZ already used 50% of the net profit in 2020 when drafting the report under the decision of the management board for the increase of other profit reserves in the amount of EUR 1.096 million. Following the creation of profit reserves, net profit for the financial year stood at EUR 1.096 million. Coface PKZ disclosed a minimum amount in retained earnings from actuarial gains from termination benefits, resulting in an increase in distributable profit.

Technical provisions and reinsurers' shares

in EUR thousand	31/12/2020	Change in 2020	Change in 2020 %	31/12/2019	Reinsurers' shares as at 31/12/2020	Reinsurers' shares as at 31/12/2019
Gross unearned premiums	1,701	-925	-35%	2,626		
Reinsurers' share	-822	566	-41%	-1,388	-48%	-53%
Net unearned premiums	**879**	**-359**	**-29%**	**1,238**		
Gross provisions for claims outstanding	15,986	713	5%	15,273		
Reinsurers' share	-9,644	-1,708	22%	-7,936	-60%	-52%
Net provisions for claims outstanding	**6,342**	**-995**	**-14%**	**7,337**		
Gross provisions for bonuses and rebates	4,030	830	26%	3,201		
Reinsurers' share	-2,317	-763	49%	-1,554	-57%	-49%
Net provisions for bonuses and rebates	**1,713**	**67**	**4%**	**1,647**		
Gross provisions for unexpired risks	873	-992	-53%	1,865		
Reinsurers' share	-494	261	-35%	-755	-57%	-40%
Net provisions for unexpired risks	**379**	**-731**	**-66%**	**1,110**		
Total gross technical provisions	22,591	-374	-2%	22,965		
Total reinsurers' share	-13,277	-1,644	14%	-11,634	-59%	-51%
Total net technical provisions (liabilities under the IFRS)	**9,314**	**-2,018**	**-18%**	**11,332**		

Gross technical provisions declined by EUR 0.37 million or 2%, while the absolute amount of provisions ceded to reinsurers increased by EUR 1.64 million. All this was reflected in a significant decline in net technical provisions (by EUR 2.02 million or 18%). Gross unearned premiums were down EUR 0.78 million or 32%, which was mostly attributed to a decline in the premiums written. Gross provisions for claims outstanding were up 5% or EUR 0.71 million despite the company also including recourse provisions in the provisions for claims outstanding as of 2020, which lower the total provisions for claims outstanding (for more information see section 2.2.3.1 of the financial report). The reinsurers' share increased at a greater percentage resulting in net provisions for claims outstanding declining by 14%. Gross provisions for bonuses were up EUR 26% or 0.83 million, while the amount ceded to reinsurers was up 49%. The reason for the increase in provisions for bonuses in 2020 is the smaller volume of claims and the resulting more favourable claims ratios of certain policyholders. Net provisions for unexpired risks were down EUR 0.73 million.

Liabilities from the (re)insurance business increased by 83% or by EUR 1.37 million.

Contingent assets (off-balance-sheet items) were reversed in 2020 on account of the adjustment to the Group's rules. Contingent liabilities were also reversed in 2020 as there was no longer any legal grounds for them.

6.3 Summary of cash flows[17]

The net cash flow from operating activities, which derives from categories calculated in the income statement, was generated primarily from the difference between net premiums written and claims during the period, and was lower than in 2019 in this segment (primarily as a result of lower net claims and lower net premiums). Net operating working capital was up in 2020 relative to 2019. The deficit difference derives primarily from different changes in receivables and liabilities in both years. For this reason, there were more inflows than outflows generated from operations in 2020 (net cash flow of EUR 1.873 million).

The net cash flow from investing activities derives primarily from the placement and redemption of financial assets. Inflows and outflows from investments were lower in 2020 relative to 2019. The reason for lower outflows and inflows is mostly due reduced activity in the management of the investment portfolio on account of low interest rates on the market. The net cash flow amounts to EUR -0.647 million.

in EUR thousand			**31/12/2020**	**31/12/2019**
A.	**Cash flows from operating activities**			
	a)	Income statement items, of which:	542	1,683
		Net insurance premiums written for the period	*4,514*	*5,862*
		Net claims paid for the period	*-2,249*	*-2,542*
	b)	Changes in net working capital from balance sheet operating items (insurance receivables, other receivables, other assets and deferred tax assets and liabilities), of which:	1,331	-2,044
		Opening less closing receivables from reinsurance business	274	-886
		Opening less closing other receivables from (re)insurance business	*-115*	*459*
	c)	**Net cash flows from operating activities (a + b)**	**1,873**	**-361**
B.	**Cash flows from investing activities**			
	a)	Inflows from investing activities, of which:	12,866	18,599
		Inflows from the disposal of financial assets	*12,397*	*18,063*
	b)	Outflows from investing activities, of which:	-13,513	-17,081
		Outflows for the acquisition of financial assets	*-13,378*	*-17,005*
	c)	**Net cash flows from investing activities (a + b)**	**-647**	**1,519**
C.	**Cash flows from financing activities**			
	a)	Inflows from financing activities	0	0
	b)	Outflows from financing activities, of which:	0	-5,418
	c)	**Net cash flows from financing activities (a + b)**	**0**	**-5,418**
D.	**Closing balance of cash and cash equivalents**		**2,489**	**1,262**

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

6.4 Performance indicators[18]

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

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

In 2020 Coface PKZ adjusted its balance sheet as at 31 December 2019, as can be seen in point 1.1 of the financial report, and adjusted the indicators accordingly.

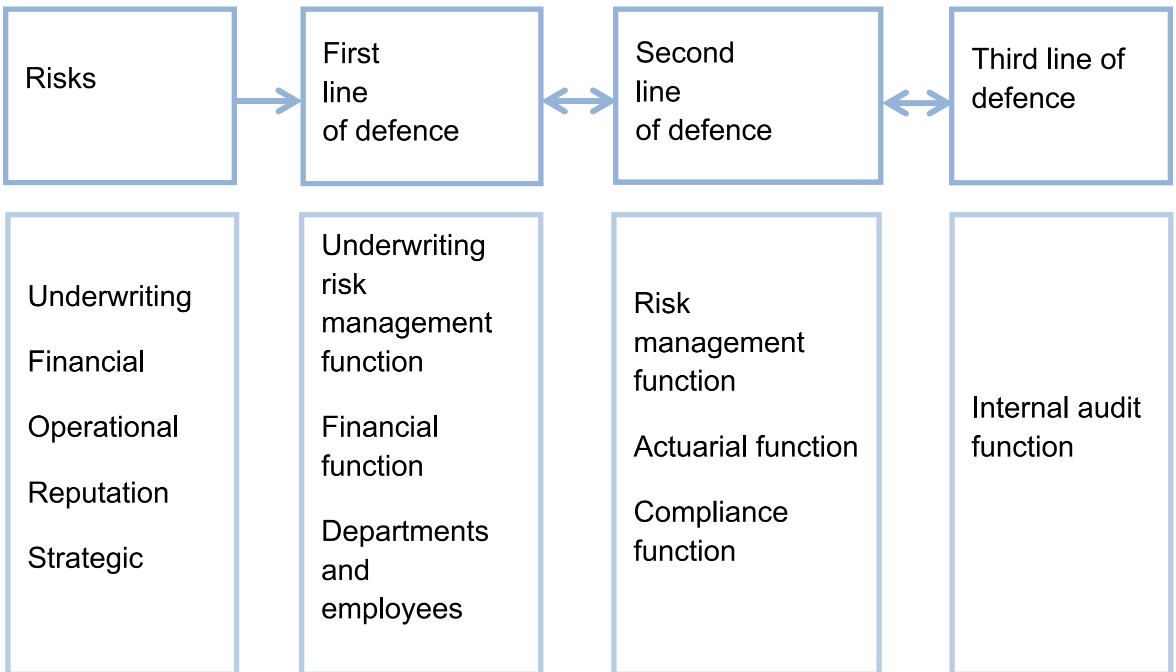
No.	(ISA decision)	Ratio	Formula for calc.	Data for calc. in EUR		2020	Data for calc. in EUR		2019 corrected	Data for calc. in EUR		2019
				Numerator	Denominator		Numerator	Denominator		Numerator	Denominator	
1	1	Growth in gross premiums written (index)	Gross premiums written in the current year x 100 / Gross premiums written in the previous year	12,300,097	14,754,746	**83**	14,754,746	14,279,218	**103**	14,754,746	14,279,218	**103**
2	2	Net insurance premiums written as a % of gross insurance premiums written	Net insurance premiums written x 100 / Gross insurance premiums written	4,514,190	12,300,097	**36.70%**	5,861,528	14,754,746	**39.73%**	5,861,528	14,754,746	**39.73%**
3	3	Changes in gross claims paid (index)	Gross claims paid in the current year x 100 / Gross claims paid in the previous year	5,110,703	5,847,596	**87**	5,847,596	5,194,448	**113**	5,847,596	5,194,448	**113**
4	4	Loss ratio (Claims ratio)	Gross claims paid x 100 / Gross premiums written	5,110,703	12,300,097	**42**	5,847,596	14,754,746	**40**	5,847,596	14,754,746	**40**
5	5	Operating costs as % of gross insurance premiums written	Operating costs x 100/ Gross insurance premiums written	5,155,039	12,300,097	**41.91%**	5,144,168	14,754,746	**34.86%**	5,144,168	14,754,746	**34.86%**
6	6	Acquisition costs as % of gross insurance premiums written	Acquisition costs x 100/ Gross insurance premiums written	900,125	12,300,097	**7.32%**	828,892	14,754,746	**5.62%**	828,892	14,754,746	**5.62%**
7	7	Net claims ratio	(Net insurance claims + change in provisions for claims outstanding) x 100 / Net income from insurance premiums	1,253,978	4,873,238	**26**	2,228,476	5,740,665	**39**	2,228,476	5,740,665	**39**
8	8	Combined claims ratio	(Net insurance claims + change in provisions for claims outstanding + net operating costs) x 100 / Net income from insurance premiums	4,027,095	4,873,238	**83**	4,477,832	5,740,665	**78**	4,477,832	5,740,665	**78**
9	11	Effects of investments as % of the average balance of investments	(Return on investments x 100/ (Balance of investments at the beginning of the year + balance of investments at the end of the year) / 2)	51,188	28,613,525	**0.18%**	797,987	28,728,490	**2.78%**	797,987	28,728,490	**2.78%**
10	11.5	Effects of investments as % of the average balance of investments for non-life insurance	(Return on investments x 100/ (Balance of investments at the beginning of the year + balance of investments at the end of the year) / 2)	39,795	24,608,684	**0.16%**	738,444	24,751,035	**2.98%**	738,444	24,751,035	**2.98%**
11	11.6	Effects of investments as % of the average balance of investments not financed from technical provisions	(Return on investments x 100/ (Balance of investments at the beginning of the year + balance of investments at the end of the year) / 2)	11,392	4,004,841	**0.28%**	59,543	3,977,455	**1.50%**	59,543	3,977,455	**1.50%**
12	12	Net provisions for claims outstanding as % of net income from insurance premiums	Net provisions for claims outstanding x 100/ Net income from insurance premiums	6,342,294	4,873,238	**130.15%**	7,336,839	5,740,665	**127.80%**	8,313,082	5,740,665	**144.81%**
13	13	Gross profit (loss) for the current year as a % of net premiums written	Gross profit (loss) for the current year x 100 / Net premiums written	2,204,635	4,514,190	**48.84%**	1,478,868	5,861,528	**25.23%**	1,478,868	5,861,528	**25.23%**
14	14	Gross profit (loss) for the current year as a % of average equity	Gross profit (loss) for the current year x 100 / (Balance of equity at the beginning of the year + balance of equity at the end of the year) / 2)	2,204,635	23,037,886	**9.57%**	1,478,868	24,123,431	**6.13%**	1,478,868	24,123,431	**6.13%**
15	15	Gross profit (loss) for the current year as a % of average assets	Gross profit (loss) for the current year x 100 / (Balance of assets at the beginning of the year + balance of assets at the end of the year) / 2)	2,204,635	48,516,211	**4.54%**	1,478,868	49,347,411	**3.00%**	1,478,868	53,324,093	**2.77%**
16	16	Gross profit (loss) for the current year per share	Gross profit (loss) / Number of shares	2,204,635	2,016	**1,094**	1,478,868	2,016	**734**	1,478,868	2,016	**734**
17	17	Reinsurance receivables and reinsurer's share of technical provisions as a % of the company's equity	Reinsurance receivables and reinsurer's share of technical provisions x 100 / company's equity	13,890,588	24,214,751	**57%**	12,521,150	21,861,021	**57%**	13,709,236	21,861,021	**63%**
18	18	Net insurance premiums written relative to average balance of equity and technical provisions	Net insurance premiums written x 100/ (average balance of equity + average balance of technical provisions)	4,514,190	33,360,442	**13.53**	5,861,528	34,935,515	**16.78**	5,861,528	36,104,616	**16.23**
19	19	Average balance of net technical provisions relative to net income from insurance premiums	Average balance of net technical provisions x 100 / Net income from insurance premiums	10,322,556	4,873,238	**211.82**	10,812,084	5,740,665	**188.34**	11,981,185	5,740,665	**208.71**
20	20	Equity relative to liabilities	Equity x 100 / Liabilities	24,214,751	50,178,548	**48.26**	21,861,021	46,853,874	**46.66**	21,861,021	50,206,289	**43.54**
21	21	Net technical provisions relative to liabilities	Net technical provisions x 100 / Liabilities	9,313,575	50,178,548	**18.56**	11,331,536	46,853,874	**24.18**	12,307,779	50,206,289	**24.51**
22	23	Gross insurance premiums written relative to number of permanent employees	Gross insurance premiums written / Average number of employees	12,300,097	61	**201,641**	14,754,746	71	**207,813**	14,754,746	71	**207,813**

7. RISK MANAGEMENT

7.1 Risk management system

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

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



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

7.2 Risk management process

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

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

All organisational units are involved in the risk management process.

7.3 Risk profile

The following risks arise in the operations of Coface PKZ:

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

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

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

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

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

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

Coface PKZ manages its credit risk in association with receivables from the insurance business by means of the matching of the payment of receivables and insurance coverage (for premiums and credit reports), and its procedures for approving limits and resolving claims (for recourses).

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

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

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

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

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

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

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

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

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

In accordance with the Solvency II rules Coface PKZ is also drafting a solvency and financial position report that is intended for public disclosure. The report presents the entire management system, which also includes the risk management system. It also provides a detailed presentation of exposure to all types of risks which Coface PKZ faces in its operations. The report also includes a presentation of the capital management system, calculation of capital, capital requirements (solvency capital requirements, minimum capital requirements), capital adequacy, and so on.

8. REPORT ON RELATIONS WITH AFFILIATES

Statement of senior management

All legal transactions between Compagnie Française d'Assurance pour le Commerce Extérieur (the controlling company) and its affiliates were undertaken in a manner such that in the circumstances known to Coface PKZ at the time of the execution of the legal transaction, it did not suffer any deprivation of income. Coface PKZ also refrained from any acts or omissions at the initiative or in the interest of these companies. No deprivation that would necessitate compensation was suffered by the subsidiary in 2020.

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

FINANCIAL REPORT
2020

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia
VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owner Coface PKZ zavarovalnica d.d.

Opinion
We have audited the financial statements of the insurance company Coface PKZ zavarovalnica d.d. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRSs').

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in preparing our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Technical provisions are explained in Note 2.3.10 (accounting policies), Note 2.9.1. (risk management) and Note 2.5.7 (value and assumptions).	
The Insurance Company recognizes the following types of technical provisions: unearned premiums, provisions for claims outstanding, provisions for bonuses and provisions for unexpired risks. As at 31 December 2020, insurance technical provisions amount to EUR 22,519 thousand (2019: EUR 25,129 thousand). The provisions are measured in accordance with the accounting policies set out in the financial statements. Provisions are an accounting estimate and are therefore subject to a high degree of judgment/assessment, which is why we considered this accounting estimate as a key audit matter.	We obtained an understanding of and tested the key controls. We reviewed the process of analysing the economic and non-economic assumptions used in the calculation of provisions. We assessed whether the provisions recorded were in accordance with the requirements of the accounting framework, industry practice and regulatory requirements, and performed an independent recalculation of the provisions. We also included experts from the actuarial field in our audit. In addition, we have reviewed the information disclosed in the financial statements.

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

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.
In relation to this and based on our procedures performed, we report that:

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Deloitte.

With those charged with governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

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

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 30 May 2019. Our total uninterrupted engagement has lasted 6 years.

Confirmation to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 15 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 17 March 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

Deloitte.

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

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The management board has approved the financial statements of Coface PKZ zavarovalnica d.d. for the year ending 31 December 2020, the accounting polices applied, and the notes to the financial statements. The financial statements and accompanying notes have been compiled in accordance with the IFRS as adopted by the EU, under the assumption of a going concern basis.

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

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

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

Sergej Simoniti
Chairman of the Management Board

Mindaugas Sventickas
Member of the Management Board

Ljubljana, 22 February 2021

1. FINANCIAL STATEMENTS

1.1 Balance sheet[19]

in EUR	Notes	31/12/2020	31/12/2019 corrected	01/01/2019
ASSETS		**50,178,548**	**46,853,874**	**51,840,948**
Intangible assets	**2.5.1**	**84,214**	**211,798**	**332,520**
Property, plant and equipment	**2.5.1**	**2,269,217**	**2,439,959**	**2,252,663**
Financial assets:	**2.5.2**	**29,019,511**	**28,207,539**	**29,249,440**
- loans and deposits		0	2,501,636	4,652,500
- available-for-sale		29,019,511	25,705,903	24,596,940
Amount of technical provisions ceded to reinsurers	**2.5.7**	**13,277,128**	**11,633,545**	**12,343,149**
Receivables		**2,998,858**	**2,973,281**	**1,977,552**
1. Receivables from direct insurance business	2.5.3	1,857,177	2,072,369	1,931,987
2. Receivables from reinsurance and coinsurance	2.5.3	613,459	887,605	1,340
3. Current tax assets	2.6.9	261,018	0	0
4. Other receivables	2.5.3	267,204	13,308	44,225
Other assets	**2.5.4**	**40,474**	**125,498**	**162,578**
Cash and cash equivalents	**2.5.5**	**2,489,146**	**1,262,255**	**5,523,046**
Off-balance sheet items	**2.5.10**	**0**	**64,366**	**0**
EQUITY AND LIABILITIES		**50,178,548**	**46,853,874**	**51,840,948**
Equity	**2.5.6**	**24,214,751**	**21,861,021**	**26,385,842**
1. Share capital		8,412,619	8,412,619	8,412,619
2. Profit reserves		13,724,953	12,628,668	12,048,490
3. Revaluation surplus		399,417	239,052	506,556
4. Retained earnings		581,477	503	4,935,554
5. Net profit for the financial year		1,096,285	580,179	482,623
Technical provisions	**2.5.7**	**22,590,704**	**22,965,081**	**22,635,781**
1. Unearned premiums		1,701,125	2,626,002	2,485,475
2. Provisions for claims outstanding		15,986,437	15,273,335	15,784,158
3. Other technical provisions		4,903,143	5,065,744	4,366,148
Other provisions	**2.5.8**	**158,751**	**156,762**	**127,550**
Deferred tax liabilities	**2.6.9**	**63,372**	**27,955**	**92,428**
Other financial liabilities	**2.5.9**	**1,488**	**0**	**0**
Operating liabilities		**1,855,559**	**1,747,079**	**1,347,608**
1. Liabilities arising from direct insurance business	2.5.9	9,188	21,590	21,264
2. Liablities from reinsurance and coinsurance	2.5.9	1,846,371	1,636,675	1,223,325
3. Current tax liabilities	2.6.9	0	88,813	103,019
Other liabilities	**2.5.9**	**1,293,922**	**95,977**	**1,251,740**
Off-balance sheet items	**2.5.10**	**0**	**64,366**	**0**

The notes to the financial statements are part of the financial statements and must be read together with them. Additional explanations regarding the correction of the balance sheet as at 31. December 2019 are given in point 2.2.3.1.

[19]The row off-balance-sheet items is not a part of the financial statements according to the international financial reporting standards.

1.2 Income statement

in EUR	Notes	2020	2019
NET INCOME FROM INSURANCE PREMIUMS	**2.6.1**	**4,873,238**	**5,740,665**
- Gross insurance premiums written		12,300,097	14,754,746
- Premiums written ceded to reinsurance and coinsurance		-7,785,907	-8,893,217
- Change in unearned premiums		359,048	-120,863
INVESTMENT INCOME, of which	**2.6.2**	**121,601**	**851,327**
- interest income calculated using the effective interest rate method		121,601	190,737
- gains from the disposal of financial assets		0	660,492
OTHER INSURANCE INCOME, of which	**2.6.3**	**3,584,015**	**3,958,714**
- income from fees and commissions		2,381,921	2,894,812
OTHER INCOME	**2.6.10**	**201,428**	**443,251**
NET CLAIM EXPENSES	**2.6.4**	**1,253,978**	**2,228,476**
- Gross claims paid		3,369,636	4,828,616
- Reinsurers' and coinsurers' shares		-1,121,114	-2,286,459
- Change in provisions for claims outstanding		-994,545	-313,680
CHANGE IN OTHER TECHNICAL PROVISIONS	**2.6.5**	**730,946**	**-414,295**
EXPENSES FOR BONUSES AND REBATES	**2.6.6**	**66,578**	**495,792**
OPERATING COSTS, of which	**2.6.7**	**5,155,039**	**5,144,168**
- acquisition costs		900,125	828,892
INVESTMENT EXPENSES, of which	**2.6.2**	**70,413**	**53,341**
- impairment of financial assets		0	0
- losses on disposal of investments		13,327	402
OTHER INSURANCE EXPENSES	**2.6.8**	**758,406**	**1,163,460**
OTHER EXPENSES, of which	**2.6.10**	**2,179**	**15,557**
- financing costs		0	0
PRE-TAX PROFIT	**2.6.9**	**2,204,635**	**1,478,868**
CORPORATE INCOME TAX	**2.6.9**	**12,065**	**318,511**
NET PROFIT FOR THE ACCOUNTING PERIOD	**2.6.9**	**2,192,570**	**1,160,357**
Basic and diluted earnings per share (of the sole owner)	**2.5.6**	**1,088**	**576**

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

1.3 Statement of other comprehensive income

in EUR	Notes	2020	2019
NET PROFIT/LOSS FOR THE FINANCIAL YEAR AFTER TAX	**2.6.9**	**2,192,570**	**1,160,357**
OTHER COMPREHENSIVE INCOME AFTER TAX (a+b)	**2.6.9**	**161,161**	**-267,000**
a. Items that will not be reclassified later to profit or loss		**8,560**	**-15,802**
1. Actuarial net gains/losses for pension plans		7,321	-13,199
2. Tax from items that will not be reclassified to profit or loss		1,240	-2,603
b. Items that may be reclassified later to profit or loss		**152,600**	**-251,198**
1. Net gains/losses from remeasurement of available-for-sale financial assets		188,396	-310,121
1.1 Gains/losses recognised in fair value reserve		201,723	-970,211
1.2. Reclassification of profit/loss from fair value reserve to profit or loss		-13,327	660,090
2. Tax from items that may be reclassified subsequently to profit or loss		-35,795	58,923
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX	**2.6.9**	**2,353,730**	**893,357**

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

1.4 Statement of cash flows

in EUR		Notes	2020	2019
A.	**Cash flows from operating activities**			
a)	**Cash flows from operating activities before changes in operating balance sheet items**	**2.7**	**530,241**	**1,364,325**
	Pre-tax profit		2,204,635	1,478,868
	Adjustments:		*-1,674,394*	*-114,543*
	Corporate income tax recognised in profit or loss		-12,065	-318,511
	Financing costs recognised in profit or loss		-121,601	-190,675
	Net (gain) / loss on disposal of available-for-sale financial assets		13,327	-660,090
	Expenses from value adjustments of trade receivables		24,249	385,899
	Reversal of expenses from value adjustments of trade receivables		-4,074	-3,309
	Depreciation / amortisation of non-current assets		433,159	424,663
	Impairments of non-current assets		-3,118	-427,308
	Net foreign exchange (gains) / losses		-600	-72
	Expenses and revenue from provisions		-2,003,670	674,860
b)	***Changes in net working capital / liabilities of operating balance sheet items***		**1,343,668**	**-1,725,556**
	Opening less closing receivables		35,198	-524,115
	Closing less opening liabilities		1,310,968	-1,195,782
	Closing less opening provisions		-2,499	-5,659
c)	***Net cash flow from operating activities (a + b)***		**1,873,909**	**-361,231**
B.	**Cash flows from investing activities**			
a)	***Inflows from investing activities***	**2.7**	**12,865,774**	**18,599,238**
	Inflows from interest relating to investment:	2.5.2	465,174	524,301
	Inflows from the disposal of property, plant and equipment	2.5.1	3,402	11,693
	Inflows from the disposal of financial assets	2.5.2	12,397,198	18,063,244
b)	***Outflows from investing activities***		**-13,512,791**	**-17,080,621**
	Outflows for the acquisition of intangible assets	2.5.1	-1,471	-24,705
	Outflows for the acquisition of property, plant and equipment	2.5.1	-133,646	-50,916
	Outflows for the acquisition of financial assets	2.5.2	-13,377,674	-17,005,000
c)	***Net cash flow from investing activities (a + b)***		**-647,017**	**1,518,617**
C.	**Cash flows from financing activities**			
a)	***Inflows from financing activities***		**0**	**0**
b)	***Outflows from financing activities***		**0**	**-5,418,177**
	Outflows for the payment of dividends and other shares in profit	2.5.6	0	-5,418,177
c)	***Net cash flow from financing activities (a + b)***		**0**	**-5,418,177**
D.	**Closing balance of cash and cash equivalents**	**2.5.5**	**2,489,146**	**1,262,255**
x)	Net cash flow in period (sum of Ac, Bc and Cc)		1,226,891	-4,260,791
y)	Opening balance of cash and cash equivalents		1,262,255	5,523,046

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

1.5 Statement of changes in equity

in EUR		I. Share capital	II. Profit reserves		III. Fair value reserve	IV. Retained earnings	V. Net profit or loss	TOTAL EQUITY
			Legal and reserves under the articles of association	Other reserves			Net profit / loss for the financial year	(from 1 to 6)
		1.	2.	3.	4.	5.	6.	7.
OPENING BALANCE IN PERIOD AS AT	**1/1/2019**	**8,412,619**	**5,062,366**	**6,986,124**	**506,556**	**4,935,554**	**482,623**	**26,385,842**
Comprehensive income for the period after tax		0	0	0	-267,000	0	1,160,357	893,357
a. Net profit or loss		0	0	0	0	0	1,160,357	1,160,357
b. Other comprehensive income		0	0	0	-267,000	0	0	-267,000
Payment (settlement) of dividends		0	0	0	0	-5,418,177	0	-5,418,177
Allocation of net profit to profit reserves		0	0	580,179	0	0	-580,179	0
Transfer to retained earnings		0	0	0	-503	483,126	-482,623	0
CLOSING BALANCE IN PERIOD AS AT	**31/12/2019**	**8,412,619**	**5,062,366**	**7,566,303**	**239,052**	**503**	**580,179**	**21,861,021**
OPENING BALANCE IN PERIOD AS AT	**1/1/2020**	**8,412,619**	**5,062,366**	**7,566,303**	**239,052**	**503**	**580,179**	**21,861,021**
Comprehensive income for the financial year after tax		0	0	0	161,161	0	2,192,570	2,353,730
a. Net profit or loss		0	0	0	0	0	2,192,570	2,192,570
b. Other comprehensive income		0	0	0	161,161	0	0	161,161
Payment (settlement) of dividends		0	0	0	0	0	0	0
Allocation of net profit to profit reserves		0	0	1,096,285	0	0	-1,096,285	0
Transfer to retained earnings		0	0	0	-796	580,975	-580,179	0
CLOSING BALANCE IN PERIOD AS AT	**31/12/2020**	**8,412,619**	**5,062,366**	**8,662,588**	**399,417**	**581,477**	**1,096,285**	**24,214,751**

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

2. NOTES TO THE FINANCIAL STATEMENTS

2.1 Basic information about the company

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

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

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

2.2 Basis for compiling the financial statements

2.2.1 Statement of compliance

Coface PKZ's financial statements for 2020 and the comparative data have been compiled in accordance with the International Financial Reporting Standards (hereinafter: IFRS) and the associated interpretations as adopted by the EU.

2.2.2 Basis for compiling the financial statements

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

The financial statements have been compiled in euros, which is the company's functional and reporting currency. Amounts have been rounded to the nearest whole euro[20].

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

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

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

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

The management board approved the annual report on 22 February 2021.

2.2.3 Use of estimates and judgements

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

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

- provisions for claims outstanding, in particular in the part for claims incurred but not reported (see points 2.3.10, 2.5.7, 2.9.1.1);
- receivables for insurance business as a result of the estimated premiums for risks already taken up but not yet invoiceable (see points 2.3.6, 2.3.13, 2.5.3);
- impairments of receivables for premiums and credit reports (see points 2.3.6, 2.5.3, 2.9.2.1).

The estimate of provisions for claims outstanding for previous years was revised in 2020 (see point 2.9.1.1).

2.2.3.1 Change to the accounting policy for monitoring factored recourse receivables in 2020

In 2020, Coface PKZ changed the manner in which it records recourse receivables in order to harmonise its operations with the rules of the Coface Group and the introduction of the use of the new information support for monitoring loss events.

In 2019, recourse receivables were recorded in the amount that the company could reasonably expect to obtain as received recourses in the future when accounting claims. Factored recourse receivables were estimated on the basis of experiences and internal rules. The difference between the amount of factored recourse receivables and the calculated damages was recognised as contingent assets. The monitoring of a recourse case and the acquisition of new information may lead to impairments of recourse receivables (which can subsequently be reversed) or the recognition of recourse receivables that are higher than originally recognised during the accounting of the claims.

In 2020, recourse receivables were recorded on the basis of recourses actually received in cash, and not the expected or estimated amount. The estimated expected recourses are thus recorded via recourse provisions, which reduce the gross provisions for claims. The change is a result of the change to the recourses monitoring policy and harmonisation with the rules of the Coface Group.

In view of the change to the manner of recording received recourses in 2020, the items were reclassified from recourse receivables to provisions, as can be seen in the table below.

in EUR	31/12/2020	31/12/2019 corrected	Reclassification	31/12/2019
ASSETS	**50,178,548**	**46,853,874**	**-3,352,415**	**50,206,289**
Amount of technical provisions ceded to reinsurers	**13,277,128**	**11,633,545**	**-1,188,086**	**12,821,631**
Receivables	**2,998,858**	**2,973,281**	**-2,164,329**	**5,137,611**
1. Receivables from direct insurance business	1,857,177	2,072,369	0	2,072,369
2. Receivables from reinsurance and coinsurance	613,459	887,605	0	887,605
3. Current tax assets	261,018	0	0	0
4. Other receivables	267,204	13,308	-2,164,329	2,177,637
EQUITY AND LIABILITIES	**50,178,548**	**46,853,874**	**-3,352,415**	**50,206,289**
Technical provisions	**22,590,704**	**22,965,081**	**-2,164,329**	**25,129,410**
1. Unearned premiums	1,701,125	2,626,002	0	2,626,002
2. Provisions for claims outstanding	15,986,437	15,273,335	-2,164,329	17,437,664
3. Other technical provisions	4,903,143	5,065,744	0	5,065,744
Other liabilities	**1,293,922**	**95,977**	**-1,188,086**	**1,284,063**
Off-balance sheet items	**0**	**64,366**	**-73,428,011**	**73,492,377**

in EUR	01/01/2019	Reclassification	31/12/2018
ASSETS	**51,840,948**	**-4,600,948**	**56,441,896**
Amount of technical provisions ceded to reinsurers	**12,343,149**	**-1,619,495**	**13,962,644**
Receivables	**1,977,552**	**-2,981,453**	**4,959,006**
1. Receivables from direct insurance business	1,931,987	0	1,931,987
2. Receivables from reinsurance and coinsurance	1,340	0	1,340
3. Current tax assets	0	0	0
4. Other receivables	44,225	-2,981,453	3,025,679
EQUITY AND LIABILITIES	**51,840,948**	**-4,600,948**	**56,441,896**
Technical provisions	**22,635,781**	**-2,981,453**	**25,617,234**
1. Unearned premiums	2,485,475	0	2,485,475
2. Provisions for claims outstanding	15,784,158	-2,981,453	18,765,611
3. Other technical provisions	4,366,148	0	4,366,148
Other liabilities	**1,347,608**	**-1,619,495**	**2,967,103**
Off-balance sheet items	**0**	**-75,738,692**	**75,738,692**

If this method for recording received recourses had been used in 2019, there would be no change to the profit or loss, except for non-material reclassifications between items under net claims expenses, as the actual amount of received recourses was not significantly different from the estimated amount.

2.3 Significant accounting policies

The company applied the same accounting policies in all the periods presented in the financial statements. Comparative information is in line with the presentation of information for the current year, taking account of the change explained in the point above.

2.3.1 Classification of insurance contracts

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

2.3.2 Translation from foreign currencies

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

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

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

Upon recognition these assets are valued at original cost, which comprises the purchase price and all costs directly related to making the asset fit for use. After recognition assets are valued at original cost less the accumulated amortisation/depreciation adjustment and any accumulated impairment loss (cost model). When the individual components of an asset have different useful lives (which is the case with real estate), they are recorded and amortised/depreciated separately. Gains or losses upon derecognition comprise the difference between the net gain on disposal (if it exists) and the carrying amount of the asset, and are recognised in the income statement. Amortisation is charged on a straight-line basis. The basis for charging amortisation/depreciation is the original cost. Property, plant and equipment and intangible assets become subject to amortisation/depreciation when the asset is available for use. Land and works of art are not subject to depreciation. All intangible assets have a finite useful life. The amortisation/depreciation method, the useful life and the residual value are reviewed at the end of the year, and adjusted as appropriate. The useful lives of assets remained unchanged with respect to 2019.

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

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

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

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

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

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

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

2.3.4 Financial assets (other than operating receivables and cash)

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

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

2.3.4.1 Available-for-sale financial assets

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

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

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

Fair value is evidenced via published prices on an active securities market (Levels 1 and 2 of the fair value hierarchy). In Level 1, the company includes quoted prices on active markets for equivalent assets that can be accessed on the measurement date, and in Level 2 classifies inputs other than the quoted prices included in Level 1, and can be directly or indirectly observed. In Level 2, the company includes financial instruments valued through the use of quoted prices for similar assets on active markets, quoted prices for equivalent or similar assets on inactive markets, or inputs other than quoted prices and that can be observed as assets, e.g. interest rates and yield curves.

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

On the reporting date it is assessed whether there is objective evidence of any impairment of available-for-sale assets, and when such evidence exists the asset is revalued for impairment.

The criteria for determining impairment are cited in point 2.3.4.3. Impairment is determined on an individual basis.

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

2.3.4.2 Loans (and deposits)

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

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

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

2.3.4.3 Criteria for determining impairment of financial assets

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

Criteria for determining impairment of debt financial instruments

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

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

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

Criteria for determining impairment of equity instruments

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

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

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

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

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

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

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

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

2.3.6 Receivables from insurance contracts

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

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

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

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

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

Recourse receivables

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

In 2020, PKZ harmonised its operations with the rules of the Group and transferred the estimated recourse receivables together with the reinsured share as at 1 January 2020 to the balance sheet under provisions for claims outstanding (gross and reinsured). This change did not cause any changes to the net profit brought forward, as it was merely a reclassification of items to a different category. More on this change is given in subsection 2.2.3.1.

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

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

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

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

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

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

2.3.8 Cash and cash equivalents

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

2.3.9 Equity

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

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

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

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

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

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

2.3.10 Technical provisions

Unearned premiums

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

Provisions for claims outstanding

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

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

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

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

As of 2020, projected recourse is deducted from gross provisions for claims outstanding. PKZ thereby harmonised its operations with the rules followed by the Group. This change did not cause any changes to the net profit brought forward, as it was merely a reclassification of items to a different category. More on this is given in subsection 2.2.3.1.

The company does not discount gross provisions for claims outstanding.

Provisions for bonuses

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

Provisions for unexpired risks

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

2.3.11 Other provisions

Provisions for jubilee benefits and termination benefits at retirement

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

- demographic assumptions (mortality and early termination of employment - fluctuation);
- the discount rate taking into account the return on government securities on the reporting date; and
- wage growth taking inflation, ages and promotions into account.

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

2.3.12 Operating liabilities and other liabilities

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

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

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

2.3.13 Revenue

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

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

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

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

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

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

2.3.14 Expenses

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

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

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

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

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

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

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

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

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

The following standards issued by the International Accounting Standards Board (IASB) and adopted by the EU became effective in 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material, adopted by the EU on 29 November 2019 (applicable to annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 3 Business Combinations – Definition of a Business, which the EU adopted on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform, adopted by the EU on 15 January 2020 (applicable to annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 16 Leases – COVID-19-Related Rent Concessions, which the EU adopted on 9 October 2020 and which are applicable to annual periods beginning on or after 1 June 2020, for financial years beginning on or after 1 January 2020.
- Amendments to References to the Conceptual Framework in IFRS standards, adopted by the EU on 29 November 2019 (applicable to annual periods beginning on or after 1 January 2020).

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

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

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

- Amendments to IFRS 4 Insurance Contracts – Extension of Temporary Exemption from Applying IFRS 9, which the European Union adopted on 16 December 2020, but which have not yet entered into force (the date of expiry of the temporary exemption was extended to annual periods beginning on or after 1 January 2023).

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

- IFRS 14 Regulatory Deferral Accounts (applicable to annual periods beginning on or after 1 January 2016). The European Commission opted not to begin proceedings to approve this interim standard, but will wait until the publication of the final version thereof;
- IFRS 17 Insurance Contracts, including amendments to IFRS 17 (applicable to annual periods beginning on or after 1 January 2023);
- Amendment to IAS 1 Presentation of Financial Statements – Classifying Liabilities as Current or Non-current (applies to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (applies to annual periods beginning on or after 1 January 2022);
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (applies to annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework for Amendments to IFRS 3 (applies to annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture, and subsequent amendments (the date of application has been postponed indefinitely until the completion of a research project in connection with the equity method);
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2 (applies to annual periods beginning on or after 1 January 2021);
- Amendments to various standards due to improvements to the IFRS (2018–2020 cycle) proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 1, IFRS 9 and IAS 41 apply to annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 are cited only for illustrative purposes and therefore no effective date is given.)

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

2.5 Notes to the balance sheet

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

in EUR	Intangible assets	Intangible assets under construction	*Total intangible assets*	Buildings	Computers and computer equipment and other communication equipment	Office furniture and equipment	Cars	Property, plant and equipment under manufacture and advances given	*Right-of-use assets*	*Total property, plant and equipment*
Historical cost										
As at 1/1/2019	1,092,394	6,482	*1,098,876*	3,096,179	918,941	320,057	101,960	0	*0*	*4,437,136*
Transfer to use	24,705	-24,705	*0*	0	16,366	2,067	25,660	-44,093	*0*	*0*
Purchase	0	24,705	*24,705*	0	0	0	0	50,916	*0*	*50,916*
Sale/write-off	0	-6,482	*-6,482*	0	-8,931	0	-19,800	-2,391	*0*	*-31,122*
As at 31/12/2019	1,117,099	0	*1,117,099*	3,096,179	926,376	322,124	107,820	4,433	*0*	*4,456,930*
Transfer to use	1,471	-1,471	*0*	0	87,755	3,043	0	-90,798	*0*	*0*
Purchase	0	1,471	*1,471*	0	0	0	0	86,366	*47,281*	*133,646*
Sale/write-off	-4,037	0	*-4,037*	0	-96,464	-9,081	-24,970	0	*0*	*-130,515*
As at 31/12/2020	**1,114,534**	**0**	***1,114,534***	**3,096,179**	**917,666**	**316,086**	**82,850**	**0**	**47,281**	***4,460,062***
Adjustment										
As at 1/1/2019	-766,356	0	*-766,356*	-1,271,141	-608,299	-267,917	-37,116	0	0	*-2,184,473*
Depreciation/amortisation	-138,945	0	*-138,945*	-103,444	-145,201	-23,686	-13,386	0	0	*-285,718*
Impairment	0	0	*0*	440,782	0	0	0	0	0	*440,782*
Sale/write-off	0	0	*0*	0	8,931	0	3,506	0	0	*12,437*
As at 31/12/2019	-905,302	0	*-905,302*	-933,803	-744,570	-291,603	-46,995	0	0	*-2,016,972*
Depreciation/amortisation	-129,055	0	*-129,055*	-121,508	-150,184	-11,055	-10,751	0	*-10,606*	*-304,104*
Impairment		0	*0*	0				0		*0*
Sale/write-off	4,037	0	*4,037*	0	96,381	8,917	24,932	0		*130,231*
As at 31/12/2020	**-1,030,320**	**0**	***-1,030,320***	**-1,055,312**	**-798,372**	**-293,741**	**-32,814**	**0**	**-10,606**	***-2,190,845***
Carrying amount										
As at 1/1/2019	326,038	6,482	*332,520*	1,825,037	310,642	52,140	64,844	0	0	*2,252,663*
As at 31/12/2019	211,798	0	*211,798*	2,162,375	181,806	30,520	60,825	4,433	0	*2,439,959*
As at 31/12/2020	**84,214**	**0**	***84,214***	**2,040,867**	**119,294**	**22,345**	**50,036**	**0**	**36,675**	***2,269,217***

As at 31 December 2020, Coface PKZ does not have property, plant and equipment with restricted ownership rights or which was pledged as security for liabilities.

The property, plant and equipment of Coface PKZ as at 31 December 2020 does not include pledged assets, but does include assets obtained on the basis of an operating lease, as can be seen in the table above (right-of-use assets). Laptop computers were purchased for all employees in 2020 in the amount of EUR 83 thousand.

2.5.2 Financial assets

Itemisation by functional type

in EUR	31/12/2020	31/12/2019
Financial assets in the form of loans and deposits	**0**	**2,501,636**
Available-for-sale financial assets		
- fixed rate debt instruments	25,446,136	21,858,473
- variable rate debt instruments	0	1,999,982
- mutual funds (ETF)	3,573,374	1,847,448
Total	**29,019,510**	**25,705,903**
Total financial assets	**29,019,510**	**28,207,539**

Fair value hierarchy

in EUR	31/12/2020	31/12/2019
Level 1	3,573,374	24,687,724
Level 2	25,446,136	1,018,179
Level 3	0	0
Total available-for-sale financial assets	**29,019,510**	**25,705,903**

There were transfers of debt securities from Level 1 to Level 2 in 2020.

In accordance with the process of integrating the insurer Coface PKZ into the Coface Group, a new approach was applied in 2020 for determining fair value for debt securities,[21] resulting in transfers between levels of the fair value hierarchy according to the balance as at 31 December 2019. Thus, debt securities amounting to EUR 22,840,276, which were included in the balance as at 31 December 2019, were transferred from Level 1 to Level 2 in 2020.

Fair value is evidenced via published prices on an active securities market (Levels 1 and 2 of the fair value hierarchy). In Level 1, the company includes quoted prices on active markets for equivalent assets that can be accessed on the measurement date (mutual funds – ETF), and in Level 2 classifies inputs other than the quoted prices included in Level 1, and that can be directly or indirectly observed. The Level 2 fair value includes the debt securities classified by the company for which fair value was measured by applying directly observed prices of third parties (BGN, BVAL). Debt securities that are listed on the Ljubljana Stock Exchange and for which none of the aforementioned market prices are available are valued at the closing price from the Ljubljana Stock Exchange. If the liquidity of a particular security does not suffice, the company classifies it to Level 2.

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

[21] Debt securities that were valued as at 31 December 2019 at the CBBT price were valued at BGN or BVAL prices as at 31 December 2020.

Changes in financial assets

in EUR	Financial assets in the form of loans and deposits	Available-for-sale financial assets	Total
As at 1/1/2019	**4,652,500**	**24,596,940**	**29,249,440**
Purchases	3,000,000	14,004,999	17,004,999
Added interest	6,968	183,707	190,675
Revaluation	0	-970,211	-970,211
Realised gains	0	660,090	660,090
Maturity, sale - principals	-5,150,000	-12,253,154	-17,403,154
Maturity, sale - interest	-7,832	-516,469	-524,301
As at 31/12/2019	**2,501,636**	**25,705,903**	**28,207,539**
Purchases	0	13,391,000	13,391,000
Added interest	196	121,405	121,601
Revaluation	0	188,396	188,396
Net realised gains	0	-13,327	-13,327
Maturity, sale - principals	-2,500,000	-9,910,525	-12,410,525
Maturity, sale - interest	-1,832	-463,342	-465,174
As at 31/12/2020	**0**	**29,019,511**	**29,019,511**

In 2020, Coface PKZ did not conclude any deposit transactions, while it achieved an average interest rate of 0.10% in 2019 for such transactions.

Subordinated financial instruments

in EUR	31/12/2020	31/12/2019
Subordinated instruments	334,271	589,525
Share of subordinated instruments in available-for-sale financial assets	**1.2%**	**2.3%**

2.5.3 Receivables(other than current tax assets)

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

Receivables from direct and indirect insurance business

in EUR	31/12/2020	31/12/2019
Receivables from direct and indirect insurance business	673,591	901,962
Funds for premiums not yet written for which the company has taken-up risk	1,183,586	1,170,407
Total receivables from direct insurance business	**1,857,177**	**2,072,369**

in EUR	31/12/2020	31/12/2019
Historical cost of receivables from direct insurance business	13,453,277	1,139,547
Historical cost of receivables from indirect insurance business	147,586	0
Impairment	-22,663	-237,585
Carrying amount of receivables for premiums	**13,578,199**	**901,962**

Receivables from reinsurance and co-insurance

in EUR	31/12/2020	31/12/2019
Receivables from accrued and charged amounts for reinsurance account	613,459	887,605
Total receivables from reinsurance and coinsurance	**613,459**	**887,605**

Receivables from reinsurance decreased year-on-year primarily due to lower amounts accruing for the final reinsurance balance arising from claims.

Other receivables[22]

in EUR	31/12/2020	31.12.2019 corrected	31/12/2019
Receivables from charged and accrued credit reports	118,848	7,121	7,121
Recourse receivables	0	0	2,164,329
Other current receivables	148,356	6,187	6,187
Total other receivables	**267,204**	**13,308**	**2,177,637**

in EUR	31/12/2020	31/12/2019
Historical cost of receivables from charged and accrued credit reports	136,669	25,126
Impairment	-17,821	-18,006
Carrying amount of receivables from charged and accrued credit reports	**118,848**	**7,121**

2.5.4 Other assets

in EUR	31/12/2020	31/12/2019
Deferred costs	40,474	125,498

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

2.5.5 Cash and cash equivalents

in EUR	31/12/2020	31/12/2019
Balance in current account	98,083	753,787
Call deposits, savings account and custody account	2,391,063	508,467
Total cash and cash equivalents	**2,489,146**	**1,262,255**

[22] See note to point 2.2.3.1

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

2.5.6 Equity

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

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

in EUR	31/12/2020	31/12/2019
Share capital	**8,412,619**	**8,412,619**
Legal and reserves under the articles of association	5,062,366	5,062,366
Other profit reserves	8,662,588	7,566,303
Total profit reserves	**13,724,953**	**12,628,668**
Revaluation surplus	**399,417**	**239,052**
Retained earnings	**581,477**	**503**
Net profit or loss for the financial year	**1,096,285**	**580,179**
Total equity	**24,214,751**	**21,861,021**

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

The company held no treasury shares as at 31 December 2020 or in 2020, as was the case in 2019.

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

Other revenue reserves were increased during the compilation of the 2020 annual report by EUR 2192569,63 under a resolution by the management board and supervisory board. A total of 50% of the net profit for the 2020 financial year, which after use remained for mandatory purposes, was used for this.

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

As at 31 December 2019, distributable profit[23] stood at EUR 580,681 and was transferred to retained earnings in accordance with the general meeting resolution of 27 August 2020 (dividends per share amounted to EUR 288.03).

Distributable profit amounted to EUR 1,097,081.02 as at 31 December 2020. The management board and supervisory board proposed to the general meeting of shareholders that the distributable profit remains undistributed in the amount of EUR 1,097,081.02 (as retained earnings).

2.5.7 Technical provisions[24]

in EUR	31/12/2020	Change in 2020	31.12.2019 corrected	31/12/2019	Change in 2019	1/1/2019
Gross unearned premiums	1,701,125	-924,878	2,626,002	2,626,002	47,257	2,485,475
Reinsurers' share	-822,086	565,830	-1,387,916	-1,387,916	-22,469	-1,368,252
Net unearned premiums	**879,038**	**-359,048**	**1,238,087**	**1,238,087**	**24,788**	**1,117,223**
Gross provisions for claims outstanding	15,986,437	-1,451,227	15,273,335	17,437,664	753,475	18,765,611
Reinsurers' share	-9,644,142	-519,560	-7,936,496	-9,124,582	-843,495	-10,138,849
Net provisions for claims outstanding	**6,342,294**	**-1,970,787**	**7,336,839**	**8,313,082**	**-90,019**	**8,626,762**
Gross provisions for bonuses and rebates	4,030,491	829,633	3,200,858	3,200,858	-491,896	2,672,004
Reinsurers' share	-2,317,085	-763,056	-1,554,030	-1,554,030	307,382	-1,456,887
Net provisions for bonuses and rebates	**1,713,406**	**66,578**	**1,646,828**	**1,646,828**	**-184,514**	**1,215,117**
Gross provisions for unexpired risks	872,651	-992,235	1,864,886	1,864,886	490,692	1,694,143
Reinsurers' share	-493,815	261,289	-755,104	-755,104	-377,015	-998,656
Net provisions for unexpired risks	**378,837**	**-730,946**	**1,109,782**	**1,109,782**	**113,677**	**695,487**
Gross technical provisions	**22,590,704**	-2,538,706	**22,965,081**	**25,129,410**	799,528	**25,617,234**
Technical provisions ceded to reinsurers	**-13,277,128**	-455,497	**-11,633,545**	**-12,821,631**	-935,597	**-13,962,644**
Net technical provisions	**9,313,575**	-2,994,203	**11,331,536**	**12,307,779**	-136,069	**11,654,590**

in EUR - gross amount	Provisions for unearned premiums	Provisions for claims outstanding	Provisions for bonuses and rebates	Provisions for unexpired risks	Total technical provisions
As at 1/1/2019	**2,485,475**	**18,765,611**	**2,672,004**	**1,694,143**	**25,617,234**
Creation	2,626,002	10,875,730	927,981	1,864,886	**16,294,599**
Utilisation	-2,485,475	-2,567,829	-590,203	-1,694,143	**-7,337,650**
Reversal (elimination)	0	-9,635,848	191,075	0	**-9,444,773**
As at 31/12/2019	**2,626,002**	**17,437,664**	**3,200,858**	**1,864,886**	**25,129,410**
Creation	1,701,125	9,609,694	1,227,242	872,651	**13,410,712**
Utilisation	-2,626,002	-3,092,931	-440,893	-1,864,886	**-8,024,713**
Reversal (elimination)	0	-7,967,990	43,284	0	**-7,924,706**
As at 31/12/2020	**1,701,125**	**15,986,437**	**4,030,491**	**872,651**	**22,590,704**

[23] The item of distributable profit as defined by the Companies Act.
[24] See point 2.2.3.1

in EUR - net amount	Provisions for unearned premiums	Provisions for claims outstanding	Provisions for bonuses and rebates	Provisions for unexpired risks	Total technical provisions
As at 1/1/2019	**1,117,223**	**8,626,762**	**1,215,117**	**695,487**	**11,654,590**
Creation	1,238,087	5,439,376	510,389	1,109,782	**8,297,635**
Utilisation	-1,117,223	-1,291,524	-280,292	-695,487	**-3,384,526**
Reversal (elimination)	0	-4,461,533	201,613	0	**-4,259,920**
As at 31/12/2019	**1,238,087**	**8,313,082**	**1,646,828**	**1,109,782**	**12,307,779**
Creation	879,039	3,748,021	515,758	378,837	**5,521,654**
Utilisation	-1,238,087	-2,087,648	-194,457	-1,109,782	**-4,629,975**
Reversal (elimination)	0	-3,631,160	-254,723	0	**-3,885,883**
As at 31/12/2020	**879,039**	**6,342,294**	**1,713,406**	**378,837**	**9,313,575**

Itemisation of provisions for claims outstanding

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

in EUR	Gross amount as at 31/12/2019	Reinsurers' share as at 31/12/2019	Net amount as at 31/12/2019
Insurance business			
Loss events incurred and reported	926,553	-437,796	488,758
Loss events incurred but not reported	16,511,110	-8,686,786	7,824,324
Recourse	0	0	0
Total	**17,437,664**	**-9,124,582**	**8,313,082**

2.5.8 Other provisions

in EUR	31/12/2020	31/12/2019
Provisions for jubilee benefits	26,722	29,238
Provisions for termination benefits at retirement	132,030	127,524
Total other provisions	**158,751**	**156,762**

in EUR	Jubilee benefits	Termination benefits at retirement	Total
As at 1/1/2019	**27,946**	**99,604**	**127,550**
Utilisation	-2,175	-3,484	-5,659
Creation (elimination)	3,466	31,404	34,870
As at 31/12/2019	**29,238**	**127,524**	**156,762**
Utilisation	-906	0	-906
Creation (elimination)	-1,610	4,506	2,896
As at 31/12/2020	**26,722**	**132,030**	**158,751**

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

Breakdown of present value of commitments for employee benefits

in EUR	Jubilee benefits	Termination benefits at retirement	Total
Present value of commitments as at 1/1/2019	**27,946**	**99,604**	**127,550**
Interest expenses	103	384	488
Costs of current service	2,936	17,820	20,756
Actuarial gains and losses	427	13,199	13,627
Payment of earnings in 2019	-2,175	-3,484	-5,659
Present value of commitments as at 31/12/2019	**29,238**	**127,524**	**156,762**
Interest expenses	57	255	312
Costs of current service	2,408	11,571	13,979
Actuarial gains and losses	-4,074	-7,321	-11,395
Payment of earnings in 2020	-906	0	-906
Present value of commitments as at 31/12/2020	**26,722**	**132,030**	**158,751**

A sensitivity analysis was prepared solely for a change in one assumption in the amount of +/- 0.5 percentage point or +/-10%, while all other assumptions remain unchanged in individual tests.

Actuarial assumption	Change in assumption	Change in the present value of commitment for termination benefits at retirement as at	
		31/12/2020	**31/12/2019**
Yield	+0,5 % point	-10,010	-10,422
	-0,5 % point	11,050	11,573
Salary growth	+0,5 % point	-9,981	11,441
	-0,5 % point	10,902	-10,412
Fluctuation	+10 %	-9,596	-9,864
	-10 %	9,596	9,864

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

All liabilities are past-due and are not remunerated. Their carrying amounts are the same as their fair values. Debts are not exposed to materially significant currency risk or interest rate risk. The company did not use financial instruments for hedging debts in 2020 (or 2019). As at the reporting date the company held no debts among operating liabilities and other liabilities that would be covered by securities pledged by the company as collateral, or secured by funded protection. Operating liabilities and other liabilities are unsecured.

in EUR	31/12/2020	31.12.2019 corrected	31/12/2019
Liabilities from direct insurance business	**9,188**	**21,590**	**21,590**
Liabilities to reinsurance companies	647,637	0	0
Liabilities from accrued amounts for the last reinsurance account for the year	1,198,734	448,589	448,589
Accrued liabilities to reinsurers from invoiced but not yet paid recourses	0	0	1,188,086
Liabilities from reinsurance	**1,846,371**	**448,589**	**1,636,675**
Other financial liabilities	**1,488**	**0**	**0**
Liabilities to employees	144,045	231,221	231,221
Other liabilities for labour costs	82,643	74,235	74,235
Liabilities to suppliers	174,366	126,121	126,121
Accrued costs of suppliers of goods and services and accrued liabilities to employees	545,783	518,917	518,917
Deferred income for credit reports charged	145,918	184,673	184,673
Other current liabilities from insurance business	116,971	94,369	94,369
Other liabilities	84,195	54,528	54,528
Total other liabilities	**1,293,922**	**1,284,063**	**1,284,063**
- of which amount of contractual commitments for the acquisition of intangible assets	*0*	*0*	*0*
- of which amount of contractual commitments for the acquisition of property, plant and equipment	*0*	*4,433*	*4,433*

2.5.10 Off-balance-sheet items

in EUR	31/12/2020	31/12/2019 corrected	31/12/2019
Contingent assets (unclaimed recourse receivables)	0	0	73,428,011
Contingent liabilities (lawsuit)	0	64,366	64,366
Total	**0**	**64,366**	**73,492,377**

In 2020, Coface PKZ eliminated contingent assets arising from unfactored recourse receivables in order to harmonise its operations with the rules of the Coface Group (see the explanation in point 2.2.3.1). It also eliminated contingent liabilities in the amount of EUR 0.06 million from lawsuits filed by former employees, as the process was concluded in Coface PKZ's favour.

2.6 Notes to the income statement

2.6.1 Net income from insurance premiums

in EUR	2020	2019
Gross insurance premiums written	12,300,097	14,754,746
Premiums written ceded to reinsurance	-7,785,907	-8,893,217
Net insurance premiums written	**4,514,190**	**5,861,528**
Change in gross unearned premiums	924,878	-140,527
Change in unearned premiums for reinsurance share	-565,830	19,664
Change in net unearned premiums	**359,048**	**-120,863**
Net income from insurance premiums	**4,873,238**	**5,740,665**
Gross income from premiums	13,224,975	14,614,219
Reinsurers' share of income from insurance premiums	-8,351,737	-8,873,554
Net income from insurance premiums	**4,873,238**	**5,740,665**

All premium relates to credit insurance.

Itemisation of gross premiums written by location of policyholder/cedent

in EUR	2020	2019
Gross premiums written		
- in Slovenia	11,430,979	13,247,470
- abroad	869,119	1,507,276
of which EU	*455,924*	*1,432,801*
Total	**12,300,097**	**14,754,746**

2.6.2 Investment income/expenses

in EUR	2020	2019
Interest income from available-for-sale financial assets	121,394	183,707
Interest income from loans and deposits	196	6,968
Interest income from cash and cash equivalents	11	160
Total interest income	**121,601**	**190,835**
Interest expense	-1,240	0
Realised gains on sales (available-for-sale financial assets)	0	660,492
Realised losses on sales (available-for-sale financial assets)	-13,327	-402
Other expenses from financial assets	-55,846	-52,939
Total investment income	**121,601**	**851,327**
Total investment expenses	**-70,413**	**-53,341**
Effect of financial assets	**51,188**	**797,987**

Investment income was significantly lower in 2020 than in 2019, which is the result of lower investment activity in comparison with 2019 (the investments were harmonised with the Group's investment policy) and due to lower market interest rates. Investment expenses are higher primarily due to losses incurred upon the sale of the assets.

2.6.3 Other insurance income

in EUR	2020	2019
Income from reinsurance commission	2,381,921	2,894,812
Income from credit report fees charged	1,202,093	1,060,592
Revaluation effect of receivables from premiums and credit reports charged	0	3,309
Other insurance income	**3,584,015**	**3,958,714**

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

2.6.4 Net claim expenses

in EUR	2020	2019
Gross claims paid	5,110,703	5,847,596
Income from gross recourse receivables claimed	-1,741,066	-1,018,980
Gross claims paid less recourses	**3,369,636**	**4,828,616**
Reinsurers' share	**-1,121,114**	**-2,286,459**
Changes in gross provisions for claims outstanding	713,102	-1,327,947
Changes in provisions for claims outstanding for reinsurance share	-1,707,647	1,014,267
Change in net provisions for claims outstanding	**-994,545**	**-313,680**
Net claim expenses	**1,253,978**	**2,228,476**

Despite the Covid-19 crisis, 2020 was a favourable year in terms of claims, as fewer gross claims were paid than in 2019. Net claim expenses were lower than in 2019 due to the changes to the reinsurance business.

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

in EUR	Gross amount 2019	Reinsurers' share 2019	Net amount 2019
Insurance payouts	5,512,999	-2,610,668	2,902,331
Direct appraisal costs	53,308	-26,376	26,932
Indirect appraisal costs	281,289	-158,088	123,202
Total appraisal costs	*334,597*	*-184,464*	*150,133*
Total gross claims paid	**5,847,596**	**-2,795,132**	**3,052,464**
Income from recourse receivables claimed	-1,018,980	508,673	-510,307
Total claims and recourses paid	**4,828,616**	**-2,286,459**	**2,542,157**

in EUR	2020	2019
Gross claims paid	5,110,703	5,847,596
Reinsurers' share	-2,418,295	-2,795,132
Net claims paid	**2,692,408**	**3,052,464**
Gross claims paid	5,110,703	5,847,596
Income from gross recourse receivables claimed	-1,741,066	-1,018,980
Reinsurers' share	-1,121,114	-2,286,459
Net claims paid less recourses	**2,248,522**	**2,542,157**

in EUR	2020	2019
Gross claims paid	5,110,703	5,847,596
Income from gross recourse receivables claimed	-1,741,066	-1,018,980
Changes in gross provisions for claims outstanding	713,102	-1,327,947
Gross claims incurred	**4,082,738**	**3,500,669**
Reinsurers' share of claims paid	-2,418,295	-2,795,132
Reinsurers' share of recourse receivables claimed	1,297,181	508,673
Reinsurers' share of changes in provisions for claims outstanding	-1,707,647	1,014,267
Reinsurers' share of claim expenses	**-2,828,761**	**-1,272,192**
Net claim expenses	**1,253,978**	**2,228,476**

2.6.5 Change in other technical provisions

in EUR	2020	2019
Change in gross provisions for unexpired risks	992,235	-170,743
Change in reinsurers' share of provisions for unexpired risks	-261,289	-243,552
Net expenses for provisions for unexpired risks	**730,946**	**-414,295**

2.6.6 Expenses for bonuses and rebates

in EUR	2020	2019
Gross bonuses paid	0	140,998
Reinsurers' share of bonuses paid	0	-76,917
Net expenses for bonuses paid	**0**	**64,081**
Change in gross provisions for bonuses	829,633	528,853
Change in reinsurers' share of provisions for bonuses	-763,056	-97,143
Net expenses for provisions for bonuses	**66,578**	**431,711**
Expenses for bonuses and rebates	**66,578**	**495,792**

2.6.7 Operating costs

in EUR	2020	2019
Acquisition expenses	900,125	828,892
Operating costs in narrow sense	4,254,913	4,315,276
Total operating costs (by function)	**5,155,039**	**5,144,168**

in EUR	2020	2019
Labour costs	3,217,841	3,570,361
Costs of materials and services	1,619,939	1,253,653
Depreciation/amortisation	433,159	424,663
Costs of acquisition commissions	172,719	183,419
Total operating costs (by nature)	**5,443,658**	**5,432,096**
- portion of appraisal costs transferred to claim expenses	-288,359	-281,289
- portion of financial asset management costs transferred to investment expenses	-261	-6,639
Transfers	**-288,619**	**-287,928**
Total operating costs (by function)	**5,155,039**	**5,144,168**

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

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

2019	By nature	By function				
in EUR	Total operating costs	Acquisition costs	Operating costs in narrow sense	Total operating costs	Appraisal costs	Asset management costs
Labour costs	3,570,361	439,205	2,939,543	**3,378,748**	191,613	0
Costs of materials and services	1,253,653	154,029	1,026,100	**1,180,128**	66,886	6,639
Depreciation/amortisation	424,663	52,240	349,633	**401,873**	22,791	0
Costs of acquisition commissions	183,419	183,419	0	**183,419**	0	0
Operating costs	**5,432,096**	**828,892**	**4,315,276**	**5,144,168**	**281,289**	**6,639**

in EUR	2020	2019
Salaries	2,426,978	2,585,153
Pension insurance costs	220,966	245,539
Supplementary pension insurance	113,183	119,427
Social security costs	181,767	201,721
Annual leave allowance	57,495	121,174
Other labour costs	217,452	297,347
Total labour costs (by nature)	**3,217,841**	**3,570,361**

in EUR	2020	2019
Software maintenance costs	472,142	326,506
Costs of other services	543,466	209,931
Costs of advertising and membership fees	98,817	220,519
Advisory and audit services	240,677	163,327
Reimbursement of costs to employees	63,981	155,705
Costs for maintenance of buildings and other assets	111,327	74,815
Costs of materials	69,290	73,561
Rental costs	20,237	29,290
Total costs of materials and services (by nature)	**1,619,939**	**1,253,653**

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

2.6.8 Other insurance expenses

in EUR	2020	2019
Expenses for purchased credit reports	701,693	749,530
Effect of revaluation of recourse receivables	0	385,899
Effect of revaluation of receivables from premiums and charged credit reports	24,249	0
Effect of foreign exchange differences from operations	-600	-72
Other insurance expenses	33,065	28,104
Total other insurance expenses	**758,406**	**1,163,460**

2.6.9 Corporate income tax

Deferred tax assets/liabilities

in EUR	1/1/2019	Changes in the income statement	Changes in the statement of other comprehen-sive income	31/12/2019	Changes in the income statement	Changes in the statement of other comprehen-sive income	31/12/2020
Provisions for jubilee benefits and termination benefits	**24,235**	8,154	-2,603	**29,785**	-862	1,240	**30,163**
Revaluation surplus - available-for-sale financial assets	**-116,663**	0	58,923	**-57,740**	0	-35,795	**-93,535**
Deferred taxes	**-92,428**	**8,154**	**56,320**	**-27,955**	**-862**	**-34,556**	**-63,372**

Current tax assets/liabilities

in EUR	31/12/2020	31/12/2019
Prepayment of tax	272,222	237,851
Current tax	-11,204	-326,665
Total current tax asset/liability	**261,018**	**-88,813**

Breakdown of tax expense

v EUR	2020	2019
Odhodek za davek v izkazu poslovnega izida		
Kratkoročni odhodek za davek (odmerjeni davek za tekoče leto)	*-11.204*	*-326.665*
Odloženi davek, pripoznan v izkazu poslovnega izida		
Odloženi odhodek/prihodek za davek, ki se nanaša na vzpostavitev in odpravo začasnih razlik	*-862*	*8.154*
Skupaj odloženi odhodek/prihodek za davek	-862	8.154
Skupaj odhodek za davek v izkazu poslovnega izida	**-12.065**	**-318.511**
Odhodek za davek v drugem vseobsegajočem donosu		
Odloženi prihodek/odhodek za davek, ki se nanaša na postavke, ki kasneje ne bodo prerazvrščene v poslovni izid	*-1.240*	*2.603*
Odloženi odhodek za davek, ki se nanaša na vzpostavitev in odpravo začasnih razlik	*35.795*	*-58.923*
Skupaj odhodek za davek, pripoznan v drugem vseobsegajočem donosu	**34.556**	**-56.320**
Skupaj odhodek za davek v izkazu vseobsegajočega donosa	**22.490**	**-374.831**
Skupaj odhodek za davek	**22.490**	**-374.831**
- od tega skupaj odmerjeni davek v izkazu poslovnega izida	*-11.204*	*-326.665*
- od tega skupaj odloženi odhodek za davek	*33.694*	*-48.166*

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

in EUR	2020	2019
Pre-tax profit	**2,204,635**	**1,478,868**
Tax at prescribed 19% tax rate (same tax rate as in 2018)	-418,881	-280,985
Tax effect of other income exempt from tax assessment	1,869	11,064
Tax effect of expenses not deducted on tax assessment	-41,825	-127,996
Tax effect of expenses increased on tax assessment	428,604	44,962
Tax effect of higher tax base due to tax allowances used in previous years	-48	-284
Tax effect of tax allowances	19,076	26,574
Change in temporary differences of deferred taxes	-862	8,154
Total tax expense in profit or loss	**-12,065**	**-318,511**
Net profit for the accounting period	**2,192,570**	**1,160,357**
Actual tax rate in the income statement	**-0.55%**	**-21.54%**

In accordance with the Corporate Income Tax Act a 19% tax rate applies for 2020.

Note on tax effect in other comprehensive income

in EUR	2020		
	Before tax	Tax expense	Net of tax
Actuarial net gains/losses for pension plans	*7,321*	*1,240*	*8,560*
Net profit/loss after re-measurement of available-for-sale financial assets	*188,396*	*-35,795*	*152,601*
Gains/losses recognised in fair value reserve	188,396	-35,795	152,601
Transfer of gains/losses from fair value reserve to profit or loss (net gains/losses realised in the period)	0	0	0
Other comprehensive income	**195,716**	**-34,556**	**161,161**

in EUR	2019		
	Before tax	Tax expense	Net of tax
Actuarial net gains/losses for pension plans	*-13,199*	*-2,603*	*-15,802*
Net profit/loss after re-measurement of available-for-sale financial assets	*-310,121*	*58,923*	*-251,198*
Gains/losses recognised in fair value reserve	-970,211	184,340	-785,871
Transfer of gains/losses from fair value reserve to profit or loss (net gains/losses realised in the period)	660,090	-125,417	534,673
Other comprehensive income	**-323,320**	**56,320**	**-267,000**

2.6.10 Other revenue / other expenses

in EUR	2020	2019
Other revenues	201,428	443,251
Other expenses	-2,179	-15,557

Other revenue mostly comprises revenues from the provision of services to affiliates (consultancy and sale of credit reports) and revenues from the sale of property, plant and equipment. In 2019 the majority of other revenue relates to the elimination of the impairments of buildings. Other expenses mostly relate to expenses from the write-off of assets and to interest expenses from provisions for jubilee benefits and termination benefits.

2.7 Notes to the statement of cash flows

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

in EUR	2020	2019
A. Cash flows from operating activities		
a) Income statement items	**542,306**	**1,682,836**
Net insurance premiums written for the period	4,514,190	5,861,528
Investment income (other than finance income)	0	161
Other operating income (other than revaluation and excluding any decline in provisions) and finance income from operating receivables	1,396,045	1,062,547
Net claims paid for the period	-2,248,522	-2,542,157
Expenses for bonuses and rebates	0	-64,081
Net operating costs excluding depreciation or amortisation costs and changes in deferred acquisition costs	-2,325,979	-1,803,508
Investment expenses (excluding depreciation/amortisation or finance costs)	-57,086	-52,939
Other operating expenses excluding depreciation/amortisation (other than revaluation and excluding any increase in provisions)	-736,342	-778,716
b) Changes in net working capital in operating balance sheet items (insurance receivables, other receivables, other assets and deferred tax assets and liabilities)	**1,331,002**	**-2,044,139**
Opening less closing receivables from direct insurance	194,356	-136,857
Opening less closing receivables from reinsurance	274,146	-886,265
Opening less closing other receivables from (re)insurance business	-115,140	458,777
Opening less closing other receivables and assets	-318,164	40,231
Closing less opening liabilities from direct insurance	-12,402	326
Closing less opening liabilities from reinsurance	1,397,782	-1,206,145
Closing less opening other operating liabilities	-14,560	-75,107
Closing less other liabilities (other than unearned premiums)	-75,017	-239,099
c) Net cash flow from operating activities (a + b)	**1,873,308**	**-361,303**
B. Cash flows from investing activities		
a) Inflows from investing activities	**12,865,774**	**18,599,238**
Inflows from interest relating to investing activities	465,174	524,301
Inflows from the disposal of property, plant and equipment	3,402	11,693
Inflows from the disposal of financial assets	12,397,198	18,063,244
- Inflows from the disposal of subsidiaries	0	0
- Other inflows from the disposal of financial assets	12,397,198	18,063,244
b) Outflows from investing activities	**-13,512,791**	**-17,080,621**
Outflows for acquisition of intangible assets	-1,471	-24,705
Outflows for acquisition of property, plant and equipment	-133,646	-50,916
Outflows for acquisition of financial assets	-13,377,674	-17,005,000
- Outflows for acquisition of subsidiaries or other companies	0	0
- Other outflows for acquisition of financial assets	-13,377,674	-17,005,000
c) Net cash flow from investing activities (a + b)	**-647,017**	**1,518,617**
C. Cash flows from financing activities		
a) Inflows from financing activities	**0**	**0**
b) Outflows for financing activities	**0**	**-5,418,177**
Outflows for the payment of dividends and other participating interests	0	-5,418,177
c) Net cash flow from financing activities (a + b)	**0**	**-5,418,177**
Č. Closing balance of cash and cash equivalents	**2,489,146**	**1,262,255**
x) Net cash flow for the period (Ac + Bc + Cc)	1,226,291	-4,260,863
+ Exchange rates difference	600	72
y) Opening balance of cash and cash equivalents	1,262,255	5,523,046

Reconciliation of net operating costs in statement of cash flows

in EUR	2020	2019
Operating costs in income statement	-5,155,039	-5,144,168
Fee and commission income in income statement	2,381,921	2,894,812
Net operating costs in income statement	**-2,773,117**	**-2,249,355**
- amortisation/depreciation	*433,159*	*424,663*
- change in provisions for jubilee benefits and termination benefits at retirement	*13,979*	*21,184*
Total difference	*447,138*	*445,847*
Net operating costs in cash flow statement	**-2,325,979**	**-1,803,508**

2.8 Other disclosures

2.8.1 Transactions with affiliates

All the shares of Coface PKZ are held by Compagnie Française d'Assurance pour le Commerce Extérieur, with its registered office at 1 Place Coste set Bellonte 92270 Bois-Colombes, France (hereinafter: Coface SA). The consolidated annual report of Coface for 2020 was compiled according to the IFRS, and can be obtained at Coface's registered office in France or on its website.

In 2020 the controlling company (Coface SA) provided PKZ access to various information systems. Other transactions with other Coface Group companies were derived from the purchase or sale of credit reports, the supervision over the management of PKZ by the CER region, and from advisory and other services.

Illustration of Coface PKZ's transactions with the controlling company and other affiliates[25]

in EUR	Controlling company		Other affiliates	
	2020	2019	2020	2019
Expenses for purchased credit reports	0	0	-568.589	-116.461
Expenses for IT	-159.513	0	0	0
Costs of other services	-11.533	0	-370.336	-58.253
Income from underwriting	0	0	105.180	0
Income from consulting services	0	0	78.541	0
Ceded gross premium	0	0	-4.443.958	0
Commission received from reinsurer	0	0	1.334.339	0
Ceded claims expenditure (claims, recoveries)	0	0	378.895	0
Total	**-171.046**	**0**	**-3.485.927**	**-174.714**

As at 31 December 2020, Coface PKZ had the following outstanding receivables from/liabilities to the controlling company or other affiliates in the Group.

[25]Operating costs in terms of nature.

in EUR	Controlling company		Other affiliates	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Receivables from affiliated companies	30,510	0	105,180	**0**
Deferred income accruals	0	0	21,404	0
Costs accruals	0	0	0	78,832
Liabilities for operating costs and credit reports	0	0	-110,474	0
Receivables/liabilities from reinsurance	0	0	-637,533	0
Total	**30,510**	**0**	**-621,423**	**78,832**

2.8.2 Disclosures about management and supervisory body members

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

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

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

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

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

in EUR	2020	2019
Management Board*	166,477	359,071
Supervisory Board	0	0
Audit Committee	0	2,752
Remuneration for employees to whom the tariff segment of the collective agreement does not apply	813,518	208,930
Total remuneration (gross)	**979,995**	**570,753**

* Mindaugas Sventickas, member of the management board since 4 December 2019, performed the function of member of the management board at Coface PKZ as a seconded worker until 31 August 2020, and has been employed full-time at Coface PKZ since 1 September 2020.

Organisational changes were made at Coface PKZ on 1 January 2020, where the number of employees to whom the tariff section of the collective agreement with regard to the previous year no longer applies was increased.

The company did not approve any advances, loans or sureties for the persons in the above table. As at 31 December 2020, Coface PKZ has liabilities to the management board amounting to EUR 27,060 (of which part of this amount relates to salaries in December 2020, and the remainder to the deferred portion of the performance-related remuneration for 2018).

2.8.3 Educational structure of employees

Level of education (qualifications)	Average number	
	2020	**2019**
V.	6	7
VI/1.	4	4
VI/2.	13	15
VII.	31	36
VIII.	5	7
IX.	2	2
Total	**61**	**71**

2.8.4 Amounts paid to the auditor

DELOITE REVIZIJA d.o.o. was the auditor appointed for 2019 and 2020.

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

in EUR	2020	2019
Auditing of the annual report	29,000	29,000
Auditing of the annual report 2018 (additional)	0	2,250
Other non-audit services	6,000	6,000
Total	**35,000**	**37,250**

The above amounts are net of value added tax.

2.8.5 Reinsurance account

in EUR	2020	2019
Reinsurance premiums written	-7,785,907	-8,893,217
Reinsurers' share of change in unearned premiums	-565,830	19,664
Reinsurers' share of income from premiums	**-8,351,737**	**-8,873,554**
Reinsurers' share of claims and recourses	1,121,114	2,286,459
Reinsurers' share of change in provisions for claims outstanding	1,707,647	-1,014,267
Reinsurers' share of claim expenses	**2,828,761**	**1,272,192**
Reinsurers' share of changes in other technical provisions	-261,289	-243,552
Reinsurers' share of expenses for bonuses	763,056	174,060
Reinsurance commission	2,381,921	2,894,812
Reinsurers' share of change in value adjustments to recourse receivables	0	412,720
Reinsurance account	**-2,639,288**	**-4,363,322**

2.8.6 Events after the reporting date

There were no business events after the reporting date that would have an impact on the financial statements for 2020. There were no other significant events that would not have an impact on the financial statements but that could otherwise affect the interpretation of the financial statements for 2020.

2.9 Risk management

2.9.1

2.9.2 Risks from non-life insurance contracts

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

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

In its insurance contracts Coface PKZ covers the risk that the debtor will fail to execute payment by the original or amended due date of a debt instrument, and Coface PKZ will have to reimburse the policyholder for the loss incurred by the debtor’s default. The debtor in this case is a buyer[26] to which Coface PKZ's policyholder is selling goods or services, and for which Coface PKZ has approved a limit for the policyholder. The debt instrument is the receivable that the policyholder holds in respect of its (Coface PKZ-insured) buyer. By entering into a contract with the policyholder and approving a limit for an individual buyer of the policyholder, Coface PKZ undertakes in exchange for the payment of a premium (specified as a proportion of the value of the policyholder's sales to this buyer) to reimburse the policyholder, in the event of the buyer failing to perform its obligations, for the damage incurred by the default.

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

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

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

2.9.2.1 Risk under technical provisions

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

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

Estimates of net ultimate claim costs (excluding recourse) in comparison with previous estimates[27]

in EUR **Claims year**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total 2010-2020**
Estimated net ultimate claim costs													
- in year 1	14,129,520	8,145,394	7,377,852	8,105,766	7,446,974	8,599,659	7,420,862	6,138,234	7,279,933	7,895,574	8,180,344	5,134,555	
- in year 2	10,141,985	7,287,340	6,318,459	6,496,290	5,551,889	6,265,531	4,554,153	4,303,221	3,348,557	3,806,568	5,637,487		
- in year 3	7,853,792	5,981,739	4,916,123	4,909,240	3,685,464	5,669,734	3,605,721	3,505,686	2,712,965	2,376,209			
- in year 4	7,457,794	5,464,599	4,333,635	4,667,828	3,392,324	5,407,573	3,412,144	3,466,693	2,289,683				
- in year 5	7,397,203	5,687,828	4,298,512	4,640,915	3,294,673	5,305,935	3,402,697	3,293,382					
- in year 6	7,353,448	5,653,954	4,247,894	4,608,668	3,257,549	5,302,535	3,307,746						
- in year 7	7,306,862	5,632,535	4,224,844	4,584,435	3,264,996	5,283,225							
- in year 8	7,290,310	5,599,920	4,211,377	4,632,488	3,227,609								
- in year 9	7,290,310	5,599,920	4,234,573	4,535,957									
- in year 10	7,290,310	5,608,541	4,211,370										
- in year 11	7,300,282	5,599,920											
- in year 12	7,293,484												
Current estimated net ultimate claim costs	**7,293,484**	**5,599,920**	**4,211,370**	**4,535,957**	**3,227,609**	**5,283,225**	**3,307,746**	**3,293,382**	**2,289,683**	**2,376,209**	**5,637,487**	**5,134,555**	
Cumulative net claims paid	7,262,426	5,599,863	4,205,783	4,535,957	3,226,812	5,273,306	3,287,030	3,258,363	2,192,273	2,158,065	3,745,405	401,838	45,147,122
Portion for net provisions for unearned premiums and unexpired risks												-715,820	
Net provisions for claims outstanding	31,058	57	5,587	0	797	9,918	20,716	35,019	97,409	218,144	1,892,082	4,016,897	6,327,683
Net provisions for appraisal costs													581,559
Total net provisions for claims outstanding													**6,909,242**
Surplus/deficit relative to the initial estimate	**6,836,036**	**2,545,474**	**3,166,482**	**3,569,809**	**4,219,366**	**3,316,434**	**4,113,117**	**2,844,852**	**4,990,251**	**5,519,364**	**2,542,857**		

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

The development of provisions in the calendar year of 2020 created a surplus, in particular for the claims years of 2017 and 2018, an indication that development in individual years has been more favourable than was projected when these provisions were created in previous periods.

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

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

in EUR	Claim cases until 2020 in 2020	Claim cases until 2019 in 2019
Gross amounts		
Provisions for claims outstanding 1/1	17,437,664	18,765,611
Claims paid in the current year for claims in previous years	-4,855,379	-2,567,829
Recourse	1,762,448	0
Provisions for claims outstanding 31/12	-6,376,743	-6,561,934
Difference	**7,967,990**	**9,635,848**
Decrease in provisions for unearned premiums and provisions for unexpired risks in the current year, for the part relating to claims, for claims years before the current year	1,905,925	3,476,977
Difference	**9,873,914**	**13,112,825**
Net amounts		
Provisions for claims outstanding 1/1	8,313,082	8,626,762
Claims paid in the current year for claims in previous years	-2,552,916	-1,291,524
Recourse	465,268	0
Provisions for claims outstanding 31/12	-2,594,274	-2,873,705
Difference	**3,631,160**	**4,461,533**
Decrease in provisions for unearned premiums and provisions for unexpired risks in the current year, for the part relating to claims, for claims years before the current year	770,336	1,245,444
Difference	**4,401,496**	**5,706,977**

For cases from before 2020, the creation of technical provisions in early 2020 was EUR 9.9 million higher than the claims paid in 2020 for cases from the aforementioned period, and there were residual provisions for claims outstanding at the end of 2020. The differences primarily originate in the improvement in estimates of provisions for previous periods.

The largest positive difference as a result of an improvement in the estimate in 2020 was in provisions for claims outstanding for 2017 and 2018, and the change was reflected in profit or loss[28].

in EUR Claims years	2017	2018	2019	Total 2017-2019
Estimated ultimate claim costs 31/12/2019				
Gross amounts	6,669,915	8,261,800	16,927,559	
Net amounts	2,712,965	3,806,568	8,180,344	
Estimated ultimate claim costs 31/12/2020				
Gross amounts	5,701,592	4,934,938	11,837,813	
Net amounts	2,289,683	2,376,209	5,637,487	
Difference				
Gross amounts	239,423	2,139,907	9,604,315	11,983,645
Net amounts	38,993	635,592	4,089,005	4,763,590

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

Sensitivity analysis

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

The key assumptions for the calculation of provisions for claims outstanding are the first development factor for the most recent financial year and the estimated amount of large claims in the calculation of provisions for claims outstanding for claims incurred but not reported. These assumptions consequently have an impact on the calculation of provisions for unexpired risks and on the reinsurers' shares of these provisions. All changes in estimates are reflected in the income statement. The company has assessed that it would be reasonable to expect a change in the assumption for the first development factor of +/-5%, and an effect of the change in the assumption for the amount of large claims in the estimate of incurred but unreported claims as of 31 December 2020 of +/-5%.

As of 31 December 2020, the effects of changes were non-proportional.

in EUR		2020		2019	
Assumption	Change in assumption	Change in technical provisions		Change in technical provisions	
		Gross amounts	Net amounts	Gross amounts	Net amounts
First development factor under the Chain Ladder method	+5 %	367,673	151,935	685,900	345,580
	-5 %	-367,360	-151,892	-686,359	-345,615
Amount of large claims in estimated incurred but not yet reported claims	+5 %	348,183	147,835	317,818	165,517
	-5 %	-338,278	-143,710	-310,627	-161,186

2.9.3 Financial risks

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

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

2.9.3.1 Credit risk

Credit risk is risk[29] that reflects potential loss due to the unexpected default or a deterioration in the credit position of counterparties and obligors of insurers. Financial assets (involving spread risk), cash and cash equivalents, other receivables and assets from insurance contracts (technical provisions ceded to reinsurers, receivables from reinsurers and receivables from policyholders) are exposed to credit risk.

in EUR	31/12/2020	31.12.2019 corrected	31/12/2019
Available-for-sale financial assets	29,019,511	25,705,903	25,705,903
Financial assets in the form of loans and deposits	0	2,501,636	2,501,636
Reinsurance receivables	613,459	887,605	887,605
Other receivables	148,356	6,187	6,187
Cash and cash equivalents	2,489,146	1,262,255	1,262,255
Total financial instruments	**32,270,472**	**30,363,585**	**30,363,585**
Receivables for premiums	1,857,177	2,072,369	2,072,369
Receivables for charged credit reports	118,848	7,121	7,121
Recourse	0	0	2,164,329
Technical provisions ceded to reinsurers	13,277,128	11,633,545	12,821,631
Total	**47,523,625**	**44,076,620**	**47,429,035**

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

Financial assets

Breakdown of the financial assets portfolio by credit rating

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

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

Credit rating by S&P	31/12/2019						
	Loans and deposits in EUR	Structure	Available-for-sale financial assets in EUR	Structure	Total in EUR	Structure	Cumulative share
AAA	0	0%	1,999,982	8%	**1,999,982**	**7%**	**7%**
AA+ to AA-	0	0%	5,484,293	21%	**5,484,293**	**19%**	**27%**
A+ to A-	0	0%	11,050,469	43%	**11,050,469**	**39%**	**66%**
BBB+ to BBB-	0	0%	3,759,248	15%	**3,759,248**	**13%**	**79%**
BB+ to BB-	0	0%	1,135,810	4%	**1,135,810**	**4%**	**83%**
No credit rating	2,501,636	100%	2,276,102	9%	**4,777,738**	**17%**	**100%**
Total	**2,501,636**	**100%**	**25,705,903**	**100%**	**28,207,539**	**100%**	

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

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

Breakdown by type of financial asset and guarantee

in EUR	31/12/2020	in %	31/12/2019	in %
Securities of EU Member States or guaranteed by one of these entities and international financial institutions	8,740,966	30%	9,727,692	34%
Securities traded in EU and OECD	20,278,544	70%	15,978,211	57%
Deposits	0	0%	2,501,636	9%
Total	**29,019,510**	**100%**	**28,207,539**	**100%**

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

in EUR	31/12/2020	Structure	31/12/2019	Structure
Government	9,471,483	33%	7,299,056	28%
Banks	1,429,630	5%	4,175,323	16%
Corporations	9,001,419	31%	8,570,695	33%
Financial intermediaries	9,116,978	31%	5,071,304	20%
Insurances companies	0	0%	589,525	2%
Total	**29,019,510**	**100%**	**25,705,903**	**100%**

Technical provisions ceded to reinsurers and receivables from reinsurance

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

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

Receivables for premiums and credit reports

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

There is greater credit risk associated with recourse receivables, which arise as part of the ordinary claims resolution process in credit insurance. Risks in connection with recourse receivables are first managed preventively during the phase of risk take-up (review of limits before approval, monitoring of customers) even before any claims and the resulting recourse receivables arise, and then by means of appropriate recovery procedures and the diligent and regular assessment of recourse receivables. Risks in connection with recourse receivables are also indirectly mitigated by reinsurance, as the reinsurers' shares in recourse receivables are recognised when the recourse is accounted, but the reinsurers are only paid the actually received recourses.
Receivables are not hedged by means of financial instruments.

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

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

in EUR 31/12/2019	Gross amount			Net amount		
	Unimpaired receivables	Impaired receivables	Total	Unimpaired receivables	Impaired receivables	Total
Non-past-due	455,109	0	**455,109**	455,109	0	**455,109**
Up to 30 days past due	369,364	0	**369,364**	369,364	0	**369,364**
31 to 90 days past due	69,977	0	**69,977**	69,977	0	**69,977**
91 to 180 days past due	11,299	0	**11,299**	11,299	1,549	**12,848**
181 to 270 days past due	0	5,797	**5,797**	0	278	**278**
More than 270 days past due	1,507	251,620	**253,127**	1,507	0	**1,507**
Amount of receivables for premiums and charged credit reports	**907,256**	**257,418**	**1,164,674**	**907,256**	**1,827**	**909,083**

Changes in adjustments to the value of receivables

in EUR	Receivables from direct insurance business	Credit reports	Recourses	Total
As at 1/1/2019	**-330,563**	**-20,386**	**-4,841,275**	**-5,192,224**
Creation	-3,096	-815	-908,150	-912,061
Write-off	89,453	2,596	305,354	397,404
Reversal (elimination)	6,621	600	105,707	112,928
As at 31/12/2019	**-237,585**	**-18,006**	**-5,338,363**	**-5,593,954**
As at 31.12.2019 corrected	**-237,585**	**-18,006**	**0**	**-255,591**
Creation	-26,036	-3,975	0	-30,012
Write-off	48,837	3,319	0	52,156
Reversal (elimination)	4,922	841	0	5,763
As at 31/12/2020	**-209,863**	**-17,821**	**0**	**-227,684**

2.9.3.2 Market risks

Interest rate risk

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

Financial assets, and cash and cash equivalents are exposed to interest rate risk at Coface PKZ. The company mitigates its interest rate risk by maintaining an appropriate combination of long-term and short-term financial assets with fixed and variable interest rates in its portfolio. Interest rates on fixed-rate instruments are determined at issue and do not change, while interest rates on variable-rate instruments are repriced at least twice a year.

Interest rate risk – period until the change in interest rate

in EUR - 31/12/2020	Interest bearing						Non-interest bearing	Total
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total		
Financial assets in the form of loans and deposits (fixed rate)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Available-for-sale financial assets	**4,602,200**	**0**	**509,785**	**16,308,680**	**6,563,230**	**27,983,894**	**1,035,616**	**29,019,510**
- fixed rate debt instruments	2,064,442	0	509,785	16,308,680	6,563,230	25,446,136	0	25,446,136
- variable rate debt instruments	0	0	0	0	0	0	0	0
- mutual funds (ETF)	2,537,758					2,537,758	1,035,616	3,573,374
Cash and cash equivalents	**2,489,146**	**0**	**0**	**0**	**0**	**2,489,146**	**21,404**	**2,510,550**
Assets	**7,091,346**	**0**	**509,785**	**16,308,680**	**6,563,230**	**30,473,041**	**1,057,020**	**31,530,060**

in EUR - 31/12/2019	Interest bearing						Non-interest bearing	Total
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total		
Financial assets in the form of loans and deposits (fixed rate)	**1,000,953**	**1,500,683**	**0**	**0**	**0**	**2,501,636**	**0**	**2,501,636**
Available-for-sale financial assets	**5,730,489**	**1,018,179**	**0**	**12,276,170**	**6,152,105**	**25,176,943**	**528,960**	**25,705,903**
- fixed rate debt instruments	2,412,019	1,018,179	0	12,276,170	6,152,105	21,858,473	0	21,858,473
- variable rate debt instruments	1,999,982	0	0	0	0	1,999,982	0	1,999,982
- mutual funds (ETF)	1,318,488					1,318,488	528,960	1,847,448
Cash and cash equivalents	**1,262,255**	**0**	**0**	**0**	**0**	**1,262,255**	**0**	**1,262,255**
Assets	**7,993,696**	**2,518,862**	**0**	**12,276,170**	**6,152,105**	**28,940,834**	**528,960**	**29,469,794**

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

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

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

in EUR	2019	
	+1 percentage point	**-1 percentage point**
Change in the value of available-for-sale financial instruments	-9,128	10,000
Change in interest income of available-for-sale debt financial instruments and loans and deposits	46,608	-9,965

Risk associated with shares

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

Currency risk

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

Breakdown of assets and liabilities by currency

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

in EUR - 31/12/2019	EUR	HRK	USD	BAM	HUF	GBP	CZK	Drugo	Skupaj	Total 31.12.2019 corrected
Financial assets	28,207,539	0	0	0	0	0	0	0	29,249,440	29,249,440
Technical provisions ceded to reinsurers	11,532,994	566,900	284,063	82,125	63,996	65,714	54,265	171,574	13,962,644	12,774,557
Receivables	5,137,611	0	0	0	0	0	0	0	4,959,006	2,794,677
Other assets	125,498	0	0	0	0	0	0	0	162,578	162,578
Cash and cash equivalents	1,262,255	0	0	0	0	0	0	0	5,523,046	5,523,046
Total assets	**46,265,895**	**566,900**	**284,063**	**82,125**	**63,996**	**65,714**	**54,265**	**171,574**	**53,856,713**	**50,504,298**
Technical provisions	22,585,343	1,148,815	546,368	156,118	137,217	131,584	112,614	311,351	25,617,234	23,452,905
Other provisions	156,762	0	0	0	0	0	0	0	127,550	127,550
Operating liabilities	1,747,079	0	0	0	0	0	0	0	2,967,103	2,967,103
Other liabilities	1,283,484	0	0	0	0	0	0	580	1,251,740	63,653
Total liabilities	**25,772,667**	**1,148,815**	**546,368**	**156,118**	**137,217**	**131,584**	**112,614**	**311,931**	**29,963,626**	**26,611,211**

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

Risk associated with changes to real estate prices

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

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

in EUR	2020	2019
Change in value of real estate	-510,217	-540,594

2.9.3.3 Concentration risk

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

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

The largest individual exposure as at 31 December 2020 was EUR 2,537,758 to Amundi Asset Management (31 December 2019: EUR 2,278,153 to the Republic of Poland).

2.9.3.4 Liquidity risk

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

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

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

Maturity breakdown of assets and liabilities

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

in EUR 31/12/2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Total 31.12.2019 corrected
Loans and deposits	1,000,953	1,500,683	0	0	0	2,501,636	2,501,636
Available-for-sale financial assets	6,392,151	1,029,915	77,764	12,073,847	6,132,226	25,705,903	25,705,903
Cash and cash equivalents	1,262,255	0	0	0	0	1,262,255	1,262,255
Financial assets	**8,655,358**	**2,530,598**	**77,764**	**12,073,847**	**6,132,226**	**29,469,794**	**29,469,794**
Technical provisions ceded to reinsurers	683,943	1,367,887	6,155,491	4,522,665	91,645	12,821,631	11,633,545
Receivables from insurance business	3,960,083	1,177,527	0	0	0	5,137,611	2,973,281
Other assets	**4,644,027**	**2,545,414**	**6,155,491**	**4,522,665**	**91,645**	**17,959,242**	**14,606,826**
Total assets	***13,299,385***	***5,076,012***	***6,233,255***	***16,596,512***	***6,223,871***	***47,429,035***	***44,076,620***
Technical provisions	1,333,325	2,666,650	11,999,927	8,947,475	182,033	25,129,410	22,965,081
Other provisions	0	348	346	18,589	137,479	156,762	156,762
Operating liabilities	21,590	0	1,725,489	0	0	1,747,079	558,993
Other liabilities	641,701	254,940	342,599	44,824	0	1,284,063	1,284,063
Total liabilities	***1,996,616***	***2,921,938***	***14,068,360***	***9,010,888***	***319,512***	***28,317,313***	***24,964,898***

Assets and liabilities from insurance contracts are not discounted.

Maturity of contractual undiscounted cash flows from financial assets

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

in EUR 31/12/2019	Carrying amount	Contractual cash flows					
		Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Loans and deposits	2,501,636	1,001,073	1,500,758	0	0	0	2,501,832
Available-for-sale financial assets	25,705,903	4,059,573	552,836	601,113	13,676,543	7,025,784	25,915,849
Cash and cash equivalents	1,262,255	1,262,255	0	0	0	0	1,262,255
Financial assets	**29,469,793**	**6,322,901**	**2,053,594**	**601,113**	**13,676,543**	**7,025,784**	**29,679,935**

2.9.3.5 Fair value

	Carrying amount as at		Fair value as at	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans and deposits	0	2,501,636	0	2,501,636
Available-for-sale financial assets	29,019,511	25,705,903	29,019,511	25,705,903
Receivables	2,998,858	5,137,611	2,998,858	5,137,611
Cash and cash equivalents	2,489,146	1,262,255	2,489,146	1,262,255
Total assets	**34,507,515**	**34,607,404**	**34,507,515**	**34,607,404**

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

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

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

2.9.4 Operational risk

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

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

Coface PKZ regularly monitors operational risk events and on the basis of identified events establishes new and improved internal controls. No events associated with operational risk that had a significant financial impact were identified in 2020.

2.9.5 Capital adequacy

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

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

in EUR	31/12/2020	31/12/2019
Equity from the balance sheet	24,214,751	21,861,021
Minimum Capital Requirement	3,700,000	3,700,000