

**SUPERADDED LIABILITY COMPANY
“ALLIANZ UKRAINE”**

**International Financial Reporting Standards
Financial Statements
and Independent Auditor’s Report**

31 December 2020

This version of financial statements is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

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Independent Auditor's Report

To the participants and management of SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE"

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE" (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply, in all material respects, with financial reporting requirements of the Law on Accounting and Financial Reporting in Ukraine.

Our auditor's report is consistent with our additional report to the authority (unit) performing the functions of the audit committee dated 26 February 2021.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit of Financial Statements and Auditing that are relevant to our audit of the financial statements in Ukraine. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 6 part 4 of the Law on Audit of Financial Statements and Auditing.



We have not provided any services to the Company, other than the mandatory audit, in the period from 1 January 2020 to 31 December 2020.

Emphasis of Matter

In accordance with the legislation in force as at the date of this audit report, the Company's financial statements should be prepared based on IFRS taxonomy in a single electronic format (iXBRL). As described in Note 3 to the financial statements, as of the date of this audit report management of the Company has not yet prepared the iXBRL reporting package due to the circumstances described in this note and plans to prepare and submit the package during 2021. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Materiality	Overall materiality: UAH 2,280 thousand, which represents 1% of the Company's gross premiums earned
Key audit matters	Valuation of Loss Reserves

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	UAH 2 280 thousand
How we determined it	1% of gross premiums earned
Rationale for the materiality benchmark applied	We chose gross premiums earned as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, in terms of both its market share and customer base. We chose 1% based on our professional judgement, noting that it is within the range of commonly acceptable quantitative materiality thresholds for this benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Loss Reserves</p> <p>We focused on this area because the calculation of the loss reserves requires the management to take discretionary decisions and provide estimates and assumptions. Loss reserve represents estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies and methods to estimate these reserves.</p> <p>At 31 December 2020, the Company had recorded loss reserves of UAH 141,663 thousand representing 52% of its total liabilities.</p> <p>For the accounting policies, explanations on the use of estimates and assumptions used please refer to Note 3 “Summary of Significant Accounting Policies” subsection “Loss reserve” and Note 4 “Critical Accounting Estimates and Judgements in Applying Accounting Policies”. Further disclosures are also made on the financial statement items under Note 16 “Insurance Reserves and Reinsurer’s Share of Insurance Reserves”. Risk disclosures, including sensitivity analysis of loss reserve calculation, are included under Note 22 “Financial and Insurance Risk Management” subsection “Insurance risk”.</p>	<p>Our audit approach to the risk relating to the valuation of loss reserves was as follows:</p> <ul style="list-style-type: none"> • We assessed the compliance of the methodology applied by the Company with current accounting standards and evaluated whether valuation methods were applied consistently. • We evaluated internal control environment relating to: the management of claims and, in particular, the measurement of reserves on a case-by-case basis; the process of calculating the ultimate cost (assumptions, judgments, data, methods, compliance with the applicable accounting principles and methods), the IT systems used to process the technical data and integrate that data into the accounting system. • We applied procedures to test the reliability and integrity of the underlying data. • We applied procedures (including monitoring the change in loss ratios) to analyse the significant changes that took place over the reporting period. • We assessed the outcome of the accounting estimates made in the previous year with a view to assessing the reliability of the process used by management to calculate these estimates. • Our work also included assessing the statistical methods and actuarial inputs applied, as well as of the assumptions used, with respect to the applicable regulations, market practices, and the economic and financial context of the Company. • We undertook an independent assessment of the adequacy of loss reserve by line of business by comparing estimated loss reserve to actual payments on claims and claims reported in the subsequent period after the reporting date. • We carried out our own liability adequacy testing which is a key test performed to check that the insurance liabilities are adequate as compared to the expected future contractual obligations.



Other information including the management report

Management is responsible for the other information. The other information comprises the management report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the management report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work undertaken in the course of our audit, in our opinion, the information given in the management report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, 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.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company for the mandatory audit on 27 August 2018.

Our appointment has been renewed annually by participants resolution representing a total period of uninterrupted engagement appointment of 3 years.

The key audit partner on the audit resulting in this independent auditor's report is Lyudmyla Pakhucha.

LLC PricewaterhouseCoopers Assurance

LLC "PricewaterhouseCoopers Assurance"

Registration number in the Register of Auditors and Auditing Entities 4544

Lyudmyla Pakhucha

Registration number in the Register of Auditors and Auditing Entities 101808

Kyiv, Ukraine

26 February 2021

Statement of Management Responsibilities

**To the Participants of SUPERADDED LIABILITY COMPANY
"ALLIANZ UKRAINE":**

1. We have prepared the financial statements as at 31 December 2020 and for the year then ended which present fairly, in all material respects, the financial position of SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE" (hereinafter referred to as the "Company") as at 31 December 2020 and its performance for the year then ended in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").
2. Management is responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable the financial statements to comply with IFRS and Ukrainian laws and regulations. Management also has a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
3. Management considers that in preparing the financial statements set out on pages 2 to 35, the Company has used appropriate accounting policies, as described on pages 7 to 15, consistently applied and supported by reasonable and prudent judgements and estimates, and that all appropriate International Financial Reporting Standards have been followed.
4. The financial statements are hereby approved by the management of the Company.



Sharaieva Kateryna
Chief Accountant

SLC "ALLIANZ UKRAINE"
Statement of Financial Position

	Note	31 December 2020	31 December 2019
<i>In thousands of Ukrainian hryvnias</i>			
ASSETS			
Cash and cash equivalents	7	49,656	78,705
Deposits with banks	8	119,875	92,683
Receivables including insurance receivables	9	23,831	23,623
Reinsurers' share in reserve for unearned premiums	16	46,385	48,851
Reinsurers' share of loss reserve	16	124,928	45,256
Deferred acquisition costs	19	10,203	11,043
Insurance premium tax prepaid		2,617	2,757
Deferred tax asset	21	1,562	1,165
Right-of-use assets	11	-	2,567
Equipment and other fixed assets		1,011	1,057
Intangible assets		457	401
Prepayments and other assets	10	1,304	657
TOTAL ASSETS		381,829	308,765
LIABILITIES			
Reserve for unearned premiums, gross	16	92,035	92,973
Loss reserves, gross	16	141,663	62,628
Current income tax liability	12	1,238	1,948
Amounts payable to reinsurers	13	14,876	16,648
Amounts payable to agents and policyholders	14	13,677	8,992
Provisions and other liabilities	15	7,487	6,946
Lease liabilities	11	-	2,303
TOTAL LIABILITIES		270,976	192,438
EQUITY			
Registered capital	17	63,160	63,160
Reserve capital		3,935	2,137
Retained earnings		43,758	51,030
TOTAL EQUITY		110,853	116,327
TOTAL LIABILITIES AND EQUITY		381,829	308,765

Approved for issue by management on 26 February 2021.


Muzhuk Andriy
Chief Executive Officer


Sharajeva Kateryna
Chief Accountant

SLC "ALLIANZ UKRAINE"
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Ukrainian hryvnias</i>	Note	2020	2019
Gross premiums written	18	227,125	236,901
Change in unearned premiums reserve, gross	18	938	(17,149)
Premiums earned		228,063	219,752
Premiums ceded to reinsurers	18	(114,193)	(129,651)
Change in reinsurers' share in unearned premiums reserve	18	(2,466)	10,105
Net premiums earned		111,404	100,206
Insurance claims paid, gross	18	(110,051)	(70,862)
Insurance claims recovered from reinsurers	18	86,921	54,386
Change in loss reserves, gross	18	(79,035)	(22,087)
Change in reinsurers' share of loss reserves	18	79,672	20,219
Net claims incurred		(22,493)	(18,344)
Acquisition costs	18, 19	(33,160)	(29,013)
Net result from insurance activity before deduction of administrative and other operating expenses from insurance activity		55,751	52,849
Interest income		15,018	26,161
Finance costs		(88)	-
Administrative and other operating expenses	11	(35,833)	(34,690)
Foreign exchange gains less losses/(losses less gains)	20	(40)	2,031
Other operating income		439	1,794
Other expenses		(1)	(6)
Profit before tax		35,246	48,139
Insurance premium tax expenses	21	(6,712)	(6,382)
Income tax expenses	21	(5,108)	(5,801)
PROFIT FOR THE YEAR		23,426	35,956
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		23,426	35,956

SLC "ALLIANZ UKRAINE"
Statement of Changes in Equity

<i>In thousands of Ukrainian hryvnias</i>	Note	Registered capital	Reserve capital	Retained earnings	Total
Balance at 1 January 2019		63,160	1,145	36,066	100,371
Profit for the year		-	-	35,956	35,956
Total comprehensive income for the year		-	-	35,956	35,956
Increase in reserve capital	3	-	992	(992)	-
Dividends declared	17	-	-	(20,000)	(20,000)
Balance at 31 December 2019		63,160	2,137	51,030	116,327
Profit for the year		-	-	23,426	23,426
Total comprehensive income for the year		-	-	23,426	23,426
Increase in reserve capital	3	-	1,798	(1,798)	-
Dividends declared	17	-	-	(28,900)	(28,900)
Balance at 31 December 2020		63,160	3,935	43,758	110,853

SLC "ALLIANZ UKRAINE"
Statement of Cash Flows

<i>In thousands of Ukrainian hryvnias</i>	Note	2020	2019
Cash flows from operating activities			
Profit before tax		35,246	48,139
Adjustments for:			
- Depreciation and amortisation	20	1,768	546
- Depreciation of right-of-use assets	11	2,139	-
- Change in impairment provision for receivables and other assets	9	-	(1,569)
- Change in provision for unused vacations	15	324	147
- Change in unearned premiums reserve, gross	16, 18	(938)	17,149
- Change in reinsurers' share in unearned premiums reserve	16, 18	2,466	(10,105)
- Change in loss reserves, gross	16, 18	79,035	22,087
- Change in reinsurers' share of loss reserves	16, 18	(79,672)	(20,219)
- Change in deferred acquisition costs	18	840	(3,329)
- Interest income		(15,018)	(26,161)
- Finance costs		88	-
- Foreign exchange losses less gains/(gains less losses)		40	(2,031)
- Other non-monetary operating items		(82)	(3)
Cash flows from operating activities before changes in operating assets and liabilities		26,236	24,651
Changes in operating assets and liabilities			
Net decrease in receivables including insurance receivables		678	7,619
Net increase in other assets		(384)	(143)
Net decrease in amounts payable to reinsurers		(3,134)	(5,980)
Net increase/(decrease) in amounts payable to agents and policyholders		4,684	(1,884)
Net increase in provisions and other liabilities		519	454
Cash flows from operating activities		28,599	24,717
Interest received		18,366	25,042
Income tax and insurance premium tax paid		(12,787)	(12,560)
Interest paid		(88)	-
Net cash from operating activities		34,090	37,199
Cash flows from investing activities			
Placement of deposits with banks		(213,010)	(159,310)
Withdrawal of deposits with banks		182,470	173,350
Proceeds from disposal of non-current assets		11	3
Acquisition of fixed assets		(1,604)	(389)
Acquisition of intangible assets		(174)	(347)
Net cash (used in)/from investing activities		(32,307)	13,307
Cash flows from financing activities			
Dividends paid to the Company participants	17	(28,900)	(20,000)
Repayment of lease liabilities – principal amount	11	(2,067)	-
Net cash used in financing activities		(30,967)	(20,000)
Net (decrease)/increase in cash and cash equivalents		(29,184)	30,506
Effect of exchange rate changes on cash and cash equivalents		135	(304)
Cash and cash equivalents at the beginning of the year		78,705	48,503
Cash and cash equivalents at the end of the year	7	49,656	78,705

Expenses for payment of dividends to the Company participants are presented inclusive of withholding tax for 2020 in the amount of UAH 1,439 thousand (2019: UAH 1,000 thousand) charged on payment of dividends according to the tax legislation rules.

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") as at and for the year ended 31 December 2020 for SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE" (hereinafter referred to as SLC "ALLIANZ UKRAINE" or the "Company").

The Company is registered in Ukraine as a financial institution and is domiciled in Ukraine. The Company was registered on 20 November 2002 as Superadded Liability Company "ROSNO Ukraine". The Company changed its name to SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE" on 1 October 2007.

The Company operates as part of the international financial group Allianz. The participants structure of the Company is disclosed in Note 17. The Company's immediate participant is part of Allianz SE (Germany), which is the ultimate controlling party of the Company. Allianz SE (Germany) is a public company owned by shareholders none of which individually holds a controlling interest.

Principal activity. The principal activity of the Company is provision of insurance services in Ukraine. The Company operates under licences issued by the National Commission for State Regulation of Financial Services Markets. The Company holds 31 licences for provision of obligatory and voluntary insurance services. The Company's insurance services include property insurance, fire risks insurance, financial risks insurance, cargo insurance, carrier liability insurance, third party liability insurance, railway transport insurance, other types of insurance and reinsurance. The Company does not hold the life insurance licence.

Registered address and place of business: 21G, Dehtyarivska Str., Kyiv, 04119, Ukraine.

Presentation currency. These financial statements are presented in thousands of Ukrainian hryvnias ("UAH"), unless otherwise stated.

2 Economic Environment

In the beginning of 2020, the novel coronavirus (COVID-19) began quickly spreading globally, causing the World Health Organisation to declare a pandemic in March 2020. The spread of the virus has had a significant negative impact on the economic activity in the world, including drop on capital markets and sharp decrease of commodity prices. The impact of COVID-19 on the Company's business will largely depend on the duration and extent of effects of the pandemic on the global and Ukrainian economy.

The macroeconomic situation during the first months of 2020 facilitated stability of the financial system in Ukraine. The year over year inflation rate in Ukraine was 5% during 2020 (as compared to 4.1% in 2019), however, internal and external factors that began to impact the Ukrainian economy in the second half of 2019 and significantly strengthened in 2020 resulted in Hryvnia devaluation. As at 31 December 2020, the official NBU exchange rate of Hryvnia against Euro was UAH 34.74 per EUR 1 compared to UAH 26.42 per EUR 1 as at 31 December 2019; the official NBU exchange rate of Hryvnia against US dollar was UAH 28.27 per USD 1 compared to UAH 23.69 per USD 1 as at 31 December 2019.

The repayment period of the sovereign debt raised by Ukraine to maintain the liquidity position during the crisis periods continues. In 2020-2022, the foreign currency repayments of the Government and the National Bank of Ukraine (the NBU) including interest payments will cumulatively exceed USD 24 billion. The major portion of this amount is expected to be refinanced at external markets. Thus, implementation of the new International Monetary Fund programme and terms of cooperation with other international financial organisations remain critically important.

As of the end of 2019, the NBU set its discount rate at 13.5%. During 2020, the NBU further eased the monetary policy and the NBU's discount rate was decreased to 6%. Developments driven by the coronavirus spread resulted in liquidity gaps of certain banks and a growth in demand for interbank credit facilities. To support the financial stability, the NBU implemented long-term refinancing of banks and supported them by foreign currency cash.

2 Economic Environment (Continued)

Significant number of companies in Ukraine had to terminate or limit their operations during the quarantine restriction period. Measures taken to constrain spread of the coronavirus (including quarantine restrictions), social distancing, and suspension of the social infrastructure activities impact economic activities of companies including the Company.

The Government formed after parliamentary elections in July 2019 was dissolved on 4 March 2020 and a new Government was appointed. Amid political changes, the degree of uncertainty including in respect of the future direction of the reforms in Ukraine remains very high. In addition, negative trends in global markets due to the coronavirus pandemic may further affect the Ukrainian economy. The final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

In accordance with paragraph 5, Article 12¹ of the Law of Ukraine on Accounting and Financial Reporting in Ukraine, all IFRS reporters should prepare and submit their financial statements based on the taxonomy of financial statements under international standards in a single electronic format (iXBRL). As of the date of issuing these financial statements, the process for submitting financial statements in the single electronic format using 2020 UA XBRL IFRS taxonomy is not fully operational, and 2020 UA XBRL IFRS taxonomy has not been published yet. Taking this into account, the Financial Reporting System Committee recommended to all regulators to delay deadlines for iXBRL reporting for 2020 and the first 3 quarters of 2021 and not to apply sanctions for delay in submission during 2021. Management of the Company is planning to prepare the iXBRL reporting package and submit it during 2021.

Financial instruments – key measurement terms. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

3 Summary of Significant Accounting Policies (Continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is the method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the period when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factor that the Company considers in determining whether a financial asset is impaired is its overdue status.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the debtor experiences a significant financial difficulty as evidenced by the borrower's financial information that the Company obtains;
- the debtor considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the debtor as a result of changes in the national or local economic conditions that impact the debtor.

3 Summary of Significant Accounting Policies (Continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the period.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the period.

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, balances on current accounts with banks and short-term highly liquid financial investments with original maturities of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash balances restricted for a period of more than three months on origination are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Cash and cash equivalents are carried at amortised cost.

Deposits with banks. Deposits with banks represent bank placements with original maturities over three months. Deposits with banks are carried at amortised cost net of provision for impairment.

Trade and other receivables. Receivables arising from the Company's sales of insurance policies to its clients are considered receivables not available for re-sale and stated at amortised cost net of provision for impairment. The Company management determines the provision for impairment of receivables based on the estimate of recoverability after the performance of a review of the time of debt origination as well as other factors, which influence the outstanding balances.

Prepayments. Prepayments are carried at cost less provision for impairment. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the period.

3 Summary of Significant Accounting Policies (Continued)

Equipment and other fixed assets. Equipment and other fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required. Cost of a fixed asset item comprises amounts paid to suppliers of assets and contractors for construction work (net of indirect taxes), registration charges, statutory duties and similar payments related to the purchase (obtaining) of rights for a fixed asset item, import duties, indirect taxes related to the purchase (production) of fixed asset (unless recoverable to the Company), insurance costs related to fixed asset delivery risk coverage, costs incurred in respect of transportation, installation, assembling and setting up of fixed asset and other costs directly attributable to bringing fixed asset to the condition appropriate for their intended use.

The Company charges depreciation on a straight-line basis over the useful lives of equipment and other fixed assets as follows:

Groups of fixed assets	Years
Computers and related devices, telephone sets	2-4
Tools, fittings and furniture	2-4
Motor vehicles	5
Other fixed assets	12

Gains or losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining the operating profit.

Intangible assets. The Company's intangible assets include capitalised computer software and insurance licences. Intangible assets are recorded at their purchase price. Expenditure on acquired intangible assets is capitalised and amortised using the straight-line method over their estimated useful lives. The estimated useful life of software is determined for each particular type of asset based on the useful life of similar intangible assets, anticipated moral obsolescence, legal or other similar limitations in respect of the useful life and other factors, and varies from 3 to 5 years. Insurance licences with indefinite term are not amortised but reviewed annually for impairment.

Right-of-use assets. The Company leases office premises. Lease contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease prepayments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in any lease of the Company premises. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

3 Summary of Significant Accounting Policies (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of office premises, equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Income tax and insurance premium tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax and insurance premium tax charge comprise current tax, deferred tax and insurance premium tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income and insurance premium are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the Company's interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Equity. The Company is established as a superadded liability company and has no shares issued. In accordance with the effective legislation of Ukraine and the Company's Charter, participants of the Company have the unconditional right to request redemption of their interest in its capital at any time in cash in the amount of its proportionate share in the fair value of the Company's assets. The redemption amount is variable and depends on the fair value of the Company's net assets determined in accordance with IFRS. The Company's obligation to redeem gives rise to a financial liability for the present value of the redemption amount even though the obligation is conditional on the participant exercising the right. As an exception from definition of a financial liability, the instrument that includes this liability is classified as an equity instrument if it meets the following criteria specified in pp 16A and 16B of IAS 32:

(a) The instrument entitles the holder to a pro rata share of the entity's net assets in the event of the entity liquidation. The net assets of the entity are those assets that remain after deducting all other claims on its assets. A pro rata share is determined by:

- 1) dividing the entity's net assets on liquidation into units of equal amount; and
- 2) multiplying that amount by the number of the units held by the financial instrument holder.

(b) The instrument is in the class of instruments that is subordinate to all other classes of instruments. To be in such a class, the instrument:

- 1) has no priority over other claims to the assets of the entity on liquidation, and
- 2) does not need to be converted into another instrument before it is in the class of instruments that is subordinate to all other classes of instruments.

(c) All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features. For example, they must all be puttable, and the formula or other method used to calculate the repurchase or redemption price is the same for all instruments in that class.

(d) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments as defined in paragraph b) of the definition of the financial liability.

(e) The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instrument).

Management believes that each of the above criteria is satisfied, therefore, the net assets of the Company are classified as equity.

The reserve capital is formed by annual allocation of net profit at the rate of not less than 5% until the maximum amount of 25% of the share capital is achieved.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, negotiating the terms of the instrument and for processing transaction documents.

When bank deposits, receivables and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3 Summary of Significant Accounting Policies (Continued)

Insurance operations. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance risk exists when the Company has uncertainty in respect of the following matters at inception of the contract: occurrence of insurance event, date of occurrence of insurance event, and claim value in respect of occurred insurance event.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Premiums earned and reserve for unearned premiums. An insurance premium is recognised as written in the period when, according to the insurance contract, the insurer assumes responsibility for the insured. For insurance contracts, where premium is determined at the end of the term of the insurance contract (or after the end of the period specified in the contract) and could significantly fluctuate depending on conditions specified in the contract, premium is recognised in the period when it can be reliably measured. If such premium can be reliably measured after the end of the reporting period but before the date of issue of financial statements, then such premium is recognised in the reporting period.

The premium forms the premium earned on a pro-rata basis during the term of validity of an insurance policy. The reserve for unearned premiums represents a portion of premiums that relate to the remaining period to expiry of the insurance policy.

Claims paid. Insurance claims paid line in the statement of profit or loss and other comprehensive income comprises claims and claims handling expenses for which funds were transferred to the claimants or service providers. Amounts recoverable under a subrogation are deducted from gross insurance claims in the statement of profit or loss and other comprehensive income and, if material, are disclosed separately in notes to the financial statements.

Loss reserves. Loss reserves represent the accumulation of estimates for ultimate losses and includes reported but not settled claims reserve ("RBNS") and incurred but not reported claims reserve ("IBNR").

RBNS is the estimation of the total amount payable for insurance coverage (benefits) to settle known claims from insurance contract holders including claims handling expenses (expert, consulting and other expenses attributable to loss estimates) that are not settled or not settled in full as of the reporting date and arise of insurance events occurred in the reporting or prior periods, which were actually reported to the Company in compliance with the requirements of applicable laws of Ukraine and/or contractual terms and conditions.

RBNS is estimated individually for each line of business subject to contractual terms and claims received from insurance contract holders in any form (a written application, facsimile message etc.) depending on the amount of losses actually incurred or expected by an insurance contract holder following the reported incident. The total amount of RBNS is calculated as the sum of reported but not settled claims reserves estimated for all lines of business.

RBNS per line of business is estimated for each outstanding claim. If an accident is reported but the loss is not determined, RBNS is estimated as the estimated average loss attributable to the relevant line of business within the limit of the insurance amount covered by the insurance contract.

IBNR is the estimation of the total amount payable for insurance benefits that arise of insurance events occurred in the reporting or prior periods, which were not actually reported to the Company as of the reporting date in compliance with the requirements of applicable laws of Ukraine and/or contractual terms and conditions.

IBNR is estimated using the Chain Ladder method, Bornhuetter-Ferguson method, linear combination of the above actuarial methods or the fixed percentage method as prescribed by Resolution No 1638 of the National Commission for State Regulation of Financial Services Markets dated 18 September 2018.

IBNR is estimated individually for each line of business. The total amount of IBNR is calculated as the sum of incurred but not reported claims reserves estimated for all lines of business.

As 31 December 2020 and 31 December 2019, IBNR is estimated for lines of business such as cargo insurance, property insurance, carrier liability insurance, third party liability insurance and civil liability insurance of land transport owners using the above actuarial methods, and for other lines of business using the fixed percentage method. According to this method, a fixed percentage of 10% is applied to net premiums earned during four quarters preceding the reporting date. The loss reserves are estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

3 Summary of Significant Accounting Policies (Continued)

Liability adequacy test. At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of the recognised liabilities net of unamortised deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administrative expenses are used. If the test shows that a deficiency exists, the shortfall is immediately charged to profit or loss initially by writing off unamortised deferred acquisition costs and subsequently by establishing an unexpired risk reserve for losses arising from liability adequacy test.

Reinsurance. The Company assumes and cedes reinsurance in the normal course of business. The Company's policy is to reinsure all significant risks. Amount of limit depends on the type of insurance product.

Expenses on reinsurance are recorded proportionally throughout the term of validity of a relevant insurance policy. The portion of the premium ceded to reinsurers, which relates to the remaining period to expiry of the insurance policy is shown in the reinsurers' share in unearned premium reserve.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses. Reinsurance payables are obligations of the Company for the transfer of reinsurance premiums to reinsurers.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss and other comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process as adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method as is used for these financial assets.

Deferred acquisition costs. Acquisition costs, representing commissions to agents, brokers and certain other underwriting expenses, which vary with and are incurred in connection with the acquisition or renewal of insurance policies, are deferred and amortised over the period in which the related written premiums are earned. Deferred acquisition costs are calculated separately for each line of business and are reviewed by line of business at the time of the policy issue and at the end of each reporting period to ensure they are recoverable.

Description of insurance products. The Company's business is represented by the following significant types of insurance:

- **Property insurance including insurance against fire risks and natural disasters:** the Company provides insurance of risk of loss or significant damage caused to the insured property as a result of the events described in the insurance contract. An insurance contract usually covers losses caused by fire, lightning, explosion of gas used for household purposes, fall of aircrafts or their parts, motor vehicles running over (collisions), natural disasters, accidents involving water supply, heating, sewage or hydraulic systems, theft and robbery, third party's unlawful actions, breaking glass, damages inflicted due to negligence and production downtime. As a rule, such insurance contracts are concluded for the term of one year and may be prolonged.
- **Insurance against financial risks:** financial risks are usually insured in addition to property insurance contracts to the extent related to loss of profit or income caused by damage of commercial property. As a rule, such insurance contracts are concluded for the term of one year and may be prolonged.
- **Insurance of cargo and luggage:** includes insurance of cargo in transit transported by road, sea and air. The insured items are property interests related to possession, use and disposal of cargoes in transit and property interests related to loss and damage of the cargo. As a rule, such insurance agreements are concluded for the term of one year.
- **Third party liability insurance and voluntary third-party liability insurance of land transport owners including carrier's liability insurance:** the Company undertakes to compensate for loss or to indemnify third parties against damages caused by insured person's acts (omissions) if such third parties raise legitimate claims to protect their rights and interests. As a rule, such insurance agreements are concluded for the term of one year. For liability insurance of clinical trials and construction activities, insurance contracts may be concluded for a longer term.

Foreign currency translation. The functional currency of the Company is the national currency of Ukraine, Ukrainian hryvnias ("UAH").

3 Summary of Significant Accounting Policies (Continued)

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the National Bank of Ukraine (the "NBU") at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the NBU are recognised in the statement of profit or loss and other comprehensive income as foreign exchange gains or losses. Translation at year-end rates does not apply to non-monetary items.

The principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2020, UAH	31 December 2019, UAH
1 US dollar (USD)	28.2746	23.6862
1 Euro (EUR)	34.7396	26.4220

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. A qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Staff costs and related contributions. Wages, salaries, contributions for the obligatory state social insurance, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Reserve for losses and loss adjustment expenses. The Company is required by applicable insurance laws, regulations and IFRS to establish reserves for payment of losses and loss adjustment expenses that arise from the Company's activities which relate to general insurance products. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the end of the reporting period. The Company establishes its reserves by product line, type and extent of coverage. Loss reserves fall into two categories: outstanding claims reserve (OCR) and reserve for incurred but not reported losses (IBNR).

The Company's reserves for reported losses are based on estimates of future payments to settle reported general insurance claims. The Company bases such estimates on the facts available at the time the reserves are established. The Company establishes these reserves on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events.

The Company establishes IBNR reserve, generally on an undiscounted basis, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognise the estimated costs required to bring claims for these not yet reported losses to final settlement. As these losses have not yet been reported, the Company relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Company also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. The Company revises these reserves as additional information becomes available and as claims are actually reported. The Company does not have significant long-tail business. Sensitivity analysis for loss reserves is provided in Note 22.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

In addition, the Company performs the liability adequacy test to verify whether the contractual insurance liabilities net of related unamortised deferred acquisition costs are adequate at the end of the reporting period. In performing these tests, current best estimates of future contractual cash flows and claims handling and administrative expenses are used. If the test shows that a deficiency exists, the shortfall is immediately charged to profit or loss initially by writing off unamortised deferred acquisition costs and subsequently by establishing an unexpired risk reserve for losses arising from liability adequacy test.

The time required to obtain information about the incurred losses and to settle respective claims is an important consideration in establishing the Company's reserves. Short-tail claims, such as for property damage, are normally reported soon after the incident and are generally settled within a month following the reported incident.

In determining the level of reserves and performing the liability adequacy test, the Company considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of insurance coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Company's estimation of reserves. Between the accident date, claim reporting date and date of final claim settlement circumstances may change, which would result in changes to established reserves. Accordingly, the Company reviews and re-evaluates claims and reserves on a regular basis. Amounts ultimately paid for losses (including incurred but not reported) and loss adjustment expenses can vary significantly from the level of reserves originally set.

Extension and termination options. Extension and termination options are included in a number of leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of office premises, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

As at 31 December 2020, the Company did not exercise extension options in assessing the lease term as, based on management assessment, the lease contract for office premises is not subject to fulfilment after an expiry of the period of notice of the contract termination because both the lessee and the lessor has the right to terminate the lease without a permission of the other party having paid not more than an insignificant fine. According to management assessment, termination of the lease contract will not result in significant costs or disruptions in the ordinary course of business both for the Company and the lessor.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a Business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of Materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The Company is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

6 New Accounting Pronouncements (Continued)

- **Reinsurance contracts held – recovery of losses:** When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Company is currently assessing the impact of the amendments on its financial statements.

The following other new pronouncements are not expected to have any material impact on the Company when adopted:

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).**
- **Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).**
- **Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).**
- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3.**
- **Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).**
- **Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).**

7 Cash and Cash Equivalents

As at 31 December 2020 and 31 December 2018, all cash and cash equivalents are placed with uaA and higher rated banks (based on ratings assigned by rating agencies Fitch, Moody's, Credit-Rating or Expert Rating).

Cash and cash equivalents are not collateralised.

As at 31 December 2020, the Company had 5 counterparty banks (31 December 2019: 5 counterparty banks) with aggregated cash and cash equivalent balances of UAH 1,000 thousand and above each. The total aggregate amount of these balances was UAH 49,656 thousand (31 December 2019: UAH 78,705 thousand), or 100% of cash and cash equivalents (31 December 2019: 100%).

Currency analysis of cash and cash equivalents is disclosed in Note 22.

8 Deposits with Banks

As at 31 December 2020 and 31 December 2019, all deposits are placed with uaA and higher rated banks (based on ratings assigned by rating agencies Fitch, Moody's, Credit-Rating or Expert Rating).

As at 31 December 2020 and 31 December 2019, all deposits are UAH-denominated.

As at 31 December 2020, the interest rate on UAH-denominated bank deposits is within the range of 4.9% - 11.9% p.a. (31 December 2019: within the range of 11.8% - 19.3% p.a.) depending on the placement and maturity dates.

Deposits of UAH 119,875 thousand (31 December 2019: UAH 92,683 thousand) mature within 1 year.

All deposits are neither past due nor impaired. No provision was raised for deposits with banks as at 31 December 2020 and 31 December 2019.

Deposits with banks are not collateralised.

At 31 December 2020, the Company had balances with 4 counterparty banks (31 December 2019: 4 counterparty banks) with aggregated amounts above UAH 1,000 thousand (31 December 2019: above UAH 1,000 thousand). The total aggregate amount of these deposits was UAH 119,875 thousand (31 December 2019: UAH 92,683 thousand), or 100% of total deposits with banks (31 December 2019: 100%).

9 Receivables Including Insurance Receivables

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
Receivables under direct insurance contracts	22,279	22,341
Reinsurance receivables	1,004	1,245
Other financial receivables	548	37
Provision for impairment of receivables	-	-
Total receivables including insurance receivables	23,831	23,623

As at 31 December 2020, the Company had 3 debtors (31 December 2019: 1 debtor) with aggregated outstanding receivable balance above UAH 1,000 thousand. Amount of these receivable balances was UAH 4,089 thousand (31 December 2019: UAH 8,187 thousand), or 17% (31 December 2019: 35%) of total receivable balance.

Receivables as at 31 December 2020 and 31 December 2019 are not collateralised.

Currency analysis of receivables is disclosed in Note 22.

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9 Receivables Including Insurance Receivables (Continued)

Analysis of receivables, including receivables from insurance operations, by credit quality as at 31 December 2020, is as follows:

<i>In thousands of Ukrainian hryvnias</i>	Receivables under direct insurance contracts	Reinsurance receivables	Other financial receivables	Total
Total current and not impaired	22,262	833	548	23,643
<i>Balances past due but not impaired:</i>				
- less than 30 days overdue	17	-	-	17
- 30 to 90 days overdue	-	82	-	82
- more than 90 days overdue	-	89	-	89
Total past due but not impaired	17	171	-	188
Less: provision for impairment of receivables	-	-	-	-
Total receivables including insurance receivables	22,279	1,004	548	23,831

Analysis of receivables, including receivables from insurance operations, by credit quality as at 31 December 2019, is as follows:

<i>In thousands of Ukrainian hryvnias</i>	Receivables under direct insurance contracts	Reinsurance receivables	Other financial receivables	Total
Total current and not impaired	22,293	1,245	37	23,575
<i>Balances past due but not impaired:</i>				
- less than 30 days overdue	48	-	-	48
Total past due but not impaired	48	-	-	48
Less: provision for impairment of receivables	-	-	-	-
Total receivables including insurance receivables	22,341	1,245	37	23,623

The primary factors that the Company considers whether a receivable balance is impaired are its overdue status and probability of its settlement. As a result, the Company presents above an ageing analysis of receivables that are individually determined to be past due but not impaired.

The information on related party balances is disclosed in Note 27.

The information on credit, currency and liquidity risks is disclosed in Note 22.

Movements in the impairment provision for receivables during 2019-2020 are as follows:

<i>In thousands of Ukrainian hryvnias</i>	Receivables under direct insurance contracts	Reinsurance receivables	Other financial receivables	Total
Provision for impairment at 1 January 2019	-	-	1,569	1,569
Release (reversal) of provision for impairment during the year	-	-	(1,569)	(1,569)
Provision for impairment at 31 December 2019	-	-	-	-
Provision for impairment at 31 December 2020	-	-	-	-

10 Prepayments and Other Assets

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
Prepayments to suppliers	1,165	881
Prepayments of taxes other than income tax and insurance premium tax	68	65
Other assets	71	13
Less: impairment provision for prepayments and other assets	-	(302)
Total prepayments and other assets	1,304	657

As at 31 December 2020 and 31 December 2019, all prepayments and other assets were included in current assets.

As at 31 December 2019 prepayments and other assets included UAH 302 thousand, which represented a guarantee deposit under the previous premises lease contract. During 2020, the Company recovered of the unpaid balance of the guarantee deposit in court. Refer to Note 24. During 2020, the Company released the provision for impairment of the respective receivable.

11 Right-of-Use Assets and Lease Liabilities

Right-of-use assets represent the Company's right to use leased assets during the lease term. The Company leases premises in its normal course of business. Lease contracts are typically signed for fixed periods of less than 12 months but may have extension options.

As at 1 January 2019, the Company had no leases required to be recognised as a right-of-use asset with recognition of a corresponding liability due to the remaining short term of the lease.

During 2019, the Company recognised lease liabilities under the lease of the office premises used for its head office. In late October 2020, this lease contract was terminated on the lessor's request and the Company derecognised the lease liability and the related right-of-use asset under this lease contract. In November 2020, the Company entered into a new lease of the office premises used for its head office. Management identified this lease as short-term as the lease contract for the office premises is not enforceable after the expiry of the contract termination notice period. Refer to Note 4.

As at 31 December 2020, the Company had no leases required to be recognised as a right-of-use asset with recognition of a corresponding liability.

As at 31 December 2020, potential future undiscounted cash flows of UAH 1,978 thousand were not included in the liability as these leases are not reasonably certain to be extended (or not terminated).

The Company recognised the following right-of-use assets during 2019 and 2020:

<i>In thousands of Ukrainian hryvnias</i>	Buildings	Total
Carrying amount at 1 January 2019	-	-
Additions (extension of leases)	2,567	2,567
Carrying amount at 31 December 2019	2,567	2,567
Depreciation charge	(2,139)	(2,139)
Disposals (early termination of leases)	(428)	(428)
Carrying amount at 31 December 2020	-	-

The depreciation charge included in administrative expenses during 2020 totalled UAH 2,139 thousand. There was no depreciation charge for 2019 in respect of the right-of-use asset since the right-of-use asset was recognised in December 2019.

The Company recognised lease liabilities as follows:

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
Lease liabilities	-	2,303
Total lease liabilities	-	2,303

11 Right-of-Use Assets and Lease Liabilities (Continued)

Interest expense included in administrative expenses during 2020 totalled UAH 88 thousand. There was no interest expense related to accounting for leases during 2019.

Expenses related to short-term leases and leases of low-value assets that are not recorded as lease expenses are included in administrative expenses:

<i>In thousands of Ukrainian hryvnias</i>	2020	2019
Expense related to short-term leases	467	3,165
Expense related to leases of low-value assets not presented above as short-term leases	119	173

Total cash outflow for leases in 2020 was UAH 2,155 thousand.

The lease contracts do not provide for any covenants other than ensuring performance of obligations in respect of the leased assets owned by the lessor.

The table below presents an analysis of liabilities from financing activities and movements in the Company's liabilities from financing activities for each of the periods presented.

<i>In thousands of Ukrainian hryvnias</i>	Lease liabilities
Liabilities from financing activities at 1 January 2019	-
Recognition of lease liability	2,303
Liabilities from financing activities at 31 December 2019	2,303
Cash flows	(2,155)
Accrued interest	88
Foreign exchange differences	292
Early termination of leases	(428)
Other non-monetary movements (gain on early termination of leases)	(100)
Liabilities from financing activities at 31 December 2020	-

The table below shows lease liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities on leases is as follows:

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
Demand and less than 1 month	-	220
From 1 to 3 months	-	440
From 3 to 12 months	-	1,980
Total future payments	-	2,640

Currency analysis of the lease liability is disclosed in Note 22.

12 Current Income Tax Liability

As at 31 December 2020, the Company has UAH 1,238 thousand of liability to pay income tax and insurance premium tax accrued as a result of operations for the year ended 31 December 2020 (31 December 2019: UAH 1,948 thousand).

Current income tax and insurance premium tax liability was included in current liabilities as at 31 December 2020 and 31 December 2019.

13 Amounts Payable to Reinsurers

The Company is engaged in reinsurance operations primarily with reinsurers operating as part of Allianz Group, as well as with non-resident reinsurers.

Maturity analysis of amounts payable to reinsurers is as follows:

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
Demand and less than 1 year	10,988	14,836
1-5 years	3,888	1,812
Total amounts payable to reinsurers	14,876	16,648

Currency analysis of amounts payable to reinsurers is disclosed in Note 22.

The information on related party balances is disclosed in Note 27.

14 Amounts Payable to Agents and Policyholders

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
<i>Financial payables arising from insurance:</i>		
Fees payable to agents	7,385	5,406
Total financial payables arising from insurance	7,385	5,406
<i>Non-financial payables arising from insurance:</i>		
Advances received from insurance contract holders	6,292	3,586
Total non-financial payables arising from insurance	6,292	3,586
Total amounts payable to agents and policyholders	13,677	8,992

As at 31 December 2020 and 31 December 2019, all amounts payable to agents and policyholders were classified as current liabilities.

15 Provisions and Other Liabilities

Provisions and other liabilities comprise the following:

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
<i>Other financial liabilities:</i>		
Other payables	1,240	808
Total other financial liabilities	1,240	808
<i>Other non-financial liabilities:</i>		
Provision for other employee benefits	4,491	4,706
Provision for employee vacations	1,756	1,432
Total other non-financial liabilities	6,247	6,138
Total other financial and non-financial liabilities	7,487	6,946

The information on related party balances is disclosed in Note 27.

The information on currency and liquidity risks is disclosed in Note 22. As at 31 December 2020 and 31 December 2019, all Company's financial and non-financial liabilities are classified as current liabilities.

15 Provisions and Other Liabilities (Continued)

Movements in provisions during 2019-2020 are as follows:

<i>In thousands of Ukrainian hryvnias</i>	Provision for other employee benefits	Provision for employee vacations	Total
Carrying amount at 1 January 2019	4,315	1,285	5,600
Provision charge through profit or loss	6,607	1,664	8,271
Utilisation	(6,216)	(1,517)	(7,733)
Carrying amount at 31 December 2019	4,706	1,432	6,138
Provision charge through profit or loss	5,849	1,579	7,428
Utilisation	(6,064)	(1,255)	(7,319)
Carrying amount at 31 December 2020	4,491	1,756	6,247

The provision balance at 31 December 2020 is expected to be utilised by the end of 2021.

16 Insurance Reserves and Reinsurer's Share of Insurance Reserves

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
Gross amounts		
Reserve for unearned premiums	92,035	92,973
Loss reserves	141,663	62,628
Total insurance reserves, gross	233,698	155,601
Reinsurer's share		
Reserve for unearned premiums	(46,385)	(48,851)
Loss reserves	(124,928)	(45,256)
Total reinsurer's share of insurance reserves	(171,313)	(94,107)
Net amounts		
Reserve for unearned premiums	45,650	44,122
Loss reserves	16,735	17,372
Total insurance reserves, net	62,385	61,494

Movements in insurance reserves were as follows:

<i>In thousands of Ukrainian hryvnias</i>	Gross	Reinsurers' share	Net
Reserve for unearned premiums at 1 January 2019	75,824	(38,746)	37,078
Premiums written	236,901	(129,651)	107,250
Premiums earned	(219,752)	119,546	(100,206)
Reserve for unearned premiums at 31 December 2019	92,973	(48,851)	44,122
Premiums written	227,125	(114,193)	112,932
Premiums earned	(228,063)	116,659	(111,404)
Reserve for unearned premiums at 31 December 2020	92,035	(46,385)	45,650
Loss reserves at 1 January 2019	40,541	(25,037)	15,504
Claims incurred	92,949	(74,605)	18,344
Insurance claims paid	(70,862)	54,386	(16,476)
Loss reserves at 31 December 2019	62,628	(45,256)	17,372
Claims incurred	189,086	(166,593)	22,493
Insurance claims paid	(110,051)	86,921	(23,130)
Loss reserves at 31 December 2020	141,663	(124,928)	16,735
Total insurance reserves at 1 January 2019	116,365	(63,783)	52,582
Change during the period	39,236	(30,324)	8,912
Total insurance reserves at 31 December 2019	155,601	(94,107)	61,494
Change during the period	78,097	(77,206)	891
Total insurance reserves at 31 December 2020	233,698	(171,313)	62,385

16 Insurance Reserves and Reinsurer's Share of Insurance Reserves (Continued)

The information on related party balances is disclosed in Note 27.

As at 31 December 2020, all insurance reserves are classified as current liabilities, except for part of reserve for unearned premiums in the amount of UAH 26,105 thousand and part of reinsurer's share in reserve for unearned premiums in the amount of UAH 18,760 thousand, which are long-term. As at 31 December 2019, all insurance reserves are classified as current liabilities, except for part of reserve for unearned premiums in the amount of UAH 40,260 thousand and part of reinsurer's share in reserve for unearned premiums in the amount of UAH 29,628 thousand, which are long-term.

17 Registered Capital

The nominal registered amount of the Company's share capital is UAH 63,160 thousand (31 December 2019: UAH 63,160 thousand).

During the reporting year, there was a change in the Company's minority participants: in December 2020, ALLIANZ NEW EUROPE HOLDING GMBH transferred its share in the Company's share capital of 0.02% to SOCIETE FONCIERE EUROPEENNE B.V.

The participants of the Company as of 31 December 2020 are as follows:

<i>In thousands of Ukrainian hryvnias except for number of shares</i>	Interest held, %	Nominal value
Participant		
ALLIANZ HOLDING EINS GMBH	99.98%	63,146
SOCIETE FONCIERE EUROPEENNE B.V.	0.02%	13
ALLIANZ EUROPE B.V.	0.00%	1
Total registered capital	100.00%	63,160

The participants of the Company as of 31 December 2019 were as follows:

<i>In thousands of Ukrainian hryvnias except for number of shares</i>	Interest held, %	Nominal value
Participant		
ALLIANZ HOLDING EINS GMBH	99.98%	63,146
ALLIANZ NEW EUROPE HOLDING GMBH	0.02%	13
ALLIANZ EUROPE B.V.	0.00%	1
Total registered capital	100.00%	63,160

Dividends declared and paid during the year were as follows:

<i>In thousands of Ukrainian hryvnias</i>	2020	2019
Dividends payable at 1 January	-	-
Dividends declared during the year	28,900	20,000
Dividends paid during the year	(28,900)	(20,000)
Dividends payable at 31 December	-	-

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18 Analysis of Premiums, Claims and Acquisition Costs

An analysis of premiums and claims by line of business for the year ended 31 December 2020 is presented below:

<i>In thousands of Ukrainian hryvnias</i>	Property	Fire risks	Finan- cial risks	Cargo	Carrier's liability	Third party liability	Railway transport	Other	Total
Gross premiums written									
- direct insurance	46,402	38,440	10,810	60,102	11,152	46,842	1,217	4,116	219,081
- inward reinsurance	3,357	2,811	1,057	248	-	-	340	231	8,044
Gross premiums written	49,759	41,251	11,867	60,350	11,152	46,842	1,557	4,347	227,125
Change in unearned premiums reserve, gross	1,060	(808)	4,810	1,026	(1,080)	(4,022)	1,143	(1,191)	938
Premiums earned, gross	50,819	40,443	16,677	61,376	10,072	42,820	2,700	3,156	228,063
Premiums ceded to reinsurers	(29,734)	(25,721)	(7,623)	(20,461)	(1,343)	(28,412)	(186)	(713)	(114,193)
Change in reinsurer's share in unearned premiums reserve	(221)	1,071	(3,639)	(2,285)	-	2,604	-	4	(2,466)
Net premiums earned	20,864	15,793	5,415	38,630	8,729	17,012	2,514	2,447	111,404
Claims paid	(767)	(1,019)	(1,581)	(15,735)	(9,200)	(76,635)	(279)	(1,234)	(106,450)
Claims handling expenses	(663)	(571)	(748)	(2,293)	(240)	(306)	(3)	(25)	(4,849)
Subrogation income	42	-	-	1,027	-	-	-	179	1,248
Insurance claims recovered from reinsurers	-	-	1,281	6,798	-	75,887	-	-	83,966
Claims handling expenses recovered from reinsurers	558	437	732	2,000	-	253	-	-	3,980
Subrogation income recovered to reinsurers	-	-	-	(1,025)	-	-	-	-	(1,025)
Net insurance claims paid	(830)	(1,153)	(316)	(9,228)	(9,440)	(801)	(282)	(1,080)	(23,130)
Change in loss reserves, gross	(5,691)	(22,988)	(9,659)	4,630	(2,039)	(43,192)	(85)	(11)	(79,035)
Change in reinsurers' share of loss reserves	7,462	23,869	8,518	(4,534)	748	43,609	-	-	79,672
Net change in loss reserves	1,771	881	(1,141)	96	(1,291)	417	(85)	(11)	637
Net claims incurred	941	(272)	(1,457)	(9,132)	(10,731)	(384)	(367)	(1,091)	(22,493)
Acquisition costs incurred during the year	(5,594)	(4,110)	(1,316)	(12,836)	(3,855)	(3,601)	(258)	(750)	(32,320)
Change in deferred acquisition costs	(371)	(179)	(779)	294	282	56	(398)	255	(840)
Acquisition costs	(5,965)	(4,289)	(2,095)	(12,542)	(3,573)	(3,545)	(656)	(495)	(33,160)
Net result from insurance activity before deduction of administrative and other operating expenses from insurance activity	15,840	11,232	1,863	16,956	(5,576)	13,083	1,491	861	55,751

The negative result from insurance activity before deduction of administrative and other operating expenses from insurance activity in carrier's liability line of business arose on several significant insured events reported and paid during 2020.

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18 Analysis of Premiums, Claims and Acquisition Costs (Continued)

An analysis of premiums and claims by line of business for the year ended 31 December 2019 is presented below:

	Property	Fire risks	Finan- cial risks	Cargo	Carrier's liability	Third party liability	Railway transport	Other	Total
<i>In thousands of Ukrainian hryvnias</i>									
Gross premiums written									
- direct insurance	51,561	37,570	24,846	59,113	8,535	48,945	3,997	1,623	236,190
- inward reinsurance	176	251	-	271	-	13	-	-	711
Gross premiums written	51,737	37,821	24,846	59,384	8,535	48,958	3,997	1,623	236,901
Change in unearned premiums reserve, gross	(2,722)	(1,703)	(6,273)	(5,282)	(858)	542	(514)	(339)	(17,149)
Premiums earned, gross	49,015	36,118	18,573	54,102	7,677	49,500	3,483	1,284	219,752
Premiums ceded to reinsurers	(31,356)	(23,410)	(17,116)	(24,711)	(879)	(30,812)	(693)	(674)	(129,651)
Change in reinsurer's share in unearned premiums reserve	881	791	4,273	4,370	-	(258)	-	48	10,105
Net premiums earned	18,540	13,499	5,730	33,761	6,798	18,430	2,790	658	100,206
Claims paid	(2,299)	(4,192)	-	(8,811)	(3,099)	(50,675)	(153)	-	(69,229)
Claims handling expenses	(408)	(479)	-	(2,366)	(185)	(81)	(3)	(3)	(3,525)
Subrogation income	-	-	-	1,852	-	-	-	40	1,892
Insurance claims recovered from reinsurers	-	-	-	3,492	-	49,843	-	-	53,335
Claims handling expenses recovered from reinsurers	288	441	-	2,158	-	14	-	-	2,901
Subrogation income recovered to reinsurers	-	-	-	(1,850)	-	-	-	-	(1,850)
Net insurance claims paid	(2,419)	(4,230)	-	(5,525)	(3,284)	(899)	(156)	37	(16,476)
Change in loss reserves, gross	(5,713)	(5,936)	(5,416)	10,863	866	(16,687)	(113)	49	(22,087)
Change in reinsurers' share of loss reserves	4,537	3,107	5,192	(10,494)	-	17,877	-	-	20,219
Net change in loss reserves	(1,176)	(2,829)	(224)	369	866	1,190	(113)	49	(1,868)
Net claims incurred	(3,595)	(7,059)	(224)	(5,156)	(2,418)	291	(269)	86	(18,344)
Acquisition costs incurred during the year	(6,397)	(4,386)	(3,128)	(10,625)	(2,873)	(3,889)	(908)	(136)	(32,342)
Change in deferred acquisition costs	733	616	863	277	263	284	255	38	3,329
Acquisition costs	(5,664)	(3,770)	(2,265)	(10,348)	(2,610)	(3,605)	(653)	(98)	(29,013)
Net result from insurance activity before deduction of administrative and other operating expenses from insurance activity	9,281	2,670	3,241	18,257	1,770	15,116	1,868	646	52,849

The information on related party balances is disclosed in Note 27.

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19 Acquisition costs

<i>In thousands of Ukrainian hryvnias</i>	2020	2019
Deferred acquisition costs at 1 January	11,043	7,714
Costs incurred during the year	32,320	32,342
Costs amortised to profit or loss	(33,160)	(29,013)
Deferred acquisition costs at 31 December	10,203	11,043

Acquisition costs mainly include commissions paid to agents and brokers.

As at 31 December 2020, deferred acquisition costs are classified as current assets, except for part in the amount of UAH 1,496 thousand, which is long-term. As at 31 December 2019, deferred acquisition costs were classified as current assets, except for part in the amount of UAH 3,098 thousand, which was long-term.

20 Administrative and Other Operating Expenses

<i>In thousands of Ukrainian hryvnias</i>	2020	2019
Staff costs	23,869	22,573
Professional fees	2,256	2,620
Depreciation of right-of-use assets	2,139	-
Amortisation and depreciation	1,768	546
Rent and maintenance of premises	1,636	4,217
Information technology costs	810	486
Bank charges and commission on currency purchase	736	749
Material expenses	455	308
Advertising	447	510
Communication expenses	309	284
Rent and maintenance of cars	208	279
Business trip expenses	33	752
Other operating expenses	1,167	1,366
Total administrative and other operating expenses	35,833	34,690

Included in staff costs are statutory unified social contributions of UAH 3,626 thousand (2019: UAH 3,218 thousand).

Information on related party transactions is disclosed in Note 27.

21 Income Tax and Insurance Premium Tax Expenses

Income tax and insurance premium tax expenses comprise the following:

<i>In thousands of Ukrainian hryvnias</i>	2020	2019
Current tax	5,505	6,966
Deferred tax	(397)	(1,165)
Income tax charge for the year	5,108	5,801
Insurance premium tax	6,572	7,085
Change in insurance premium tax prepayment	140	(703)
Total insurance premium tax	6,712	6,382
Total income tax and insurance premium tax expense	11,820	12,183

Current income tax liability was included in current liabilities as at 31 December 2020 and 31 December 2019.

21 Income Tax and Insurance Premium Tax Expenses (Continued)

Insurance premium tax prepayment was included in current assets as at 31 December 2020 and 31 December 2019.

On 1 January 2015, the Law of Ukraine No 71 dated 28 December 2014 "On Changes to the Tax Code of Ukraine and Some Legislative Acts of Ukraine in Respect of Tax Reform" (hereinafter referred to as the "Law") came into effect. According to the Law, the corporate profit tax is now taxed on income originating inside or outside of Ukraine determined by adjusting (increase/decrease) the profit or loss recognised in the entity's financial statements in accordance with National Regulations (Standards) of Accounting or IFRS for tax differences defined in the Law.

As such, during 2019-2020 the Company paid income tax on general grounds at the rate of 18% on its profit or loss before tax recorded in these financial statements and adjusted for tax differences. In addition, the Company paid income tax at the rate of 3% on the amount of direct insurance premiums written.

A reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Ukrainian hryvnias</i>	2020	2019
Profit before tax	35,246	48,139
Theoretical tax charge at statutory rate of 18% (2019: 18%)	6,344	8,665
Tax effect of items which are not assessable for tax purposes		
- income, which is exempt from taxation	(53)	-
- decrease of income by the amount of insurance premium tax expense	(1,183)	(1,275)
Recognition and utilisation of previously unrecognised deferred tax asset	-	(1,589)
Income tax charge for the year	5,108	5,801
Insurance premium tax	6,712	6,382
Total income tax and insurance premium tax expense	11,820	12,183

Differences between IFRS and Ukrainian statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movement in the temporary differences presented below is recorded at the rate applicable when they are utilised.

In this regard, certain temporary differences also arise in the Company, primarily on creation of provisions for future expenses.

<i>In thousands of Ukrainian hryvnias</i>	1 January 2019	Charged to profit or loss	31 December 2019	Charged to profit or loss	31 December 2020
Tax effect of deductible temporary differences					
Amounts payable to agents and policyholders	-	937	937	347	1,284
Provisions and other liabilities	-	228	228	50	278
Deferred tax asset	-	1,165	1,165	397	1,562

As at 31 December 2020 and 2019, the deferred income tax asset was included in non-current assets. The provision balance at 31 December 2020 is expected to be utilised by the end of 2021.

22 Financial and Insurance Risk Management

The risk management function within the Company is carried out in respect of financial, operational and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company does not consider those risks to be significant to its activities and, therefore, has no particular objectives and policies for management of those risks. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Key areas where the Company is exposed to credit risk are cash and cash equivalents, deposits with banks, reinsurers' share of loss reserve and receivables including insurance and reinsurance receivables.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial and insurance assets in the statement of financial position.

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020	31 December 2019
Cash and cash equivalents	49,656	78,705
Deposits with banks	119,875	92,683
Receivables including insurance receivables	23,831	23,623
Total maximum on-balance sheet exposure to credit risk	193,362	195,011

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables including insurance receivables and bank balances. Refer to Note 9.

The Company places cash and cash equivalents and deposits only in banks approved by the parent company.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currency and (b) interest rate, all of which are exposed to general and specific market movements.

Currency risk. Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The table below summarises the Company's exposure to currency risk as at 31 December 2020:

<i>In thousands of Ukrainian hryvnias</i>	UAH	USD	EUR	Total
Cash and cash equivalents	48,440	681	535	49,656
Deposits with banks	119,875	-	-	119,875
Reinsurer's share in unearned premiums reserve	29,831	1,507	15,047	46,385
Receivables including insurance receivables	18,289	1,386	4,156	23,831
Total monetary financial and insurance assets	216,435	3,574	19,738	239,747
Reserve for unearned premiums, gross	77,668	3,217	11,150	92,035
Amounts payable to reinsurers	9,228	1,038	4,610	14,876
Fees payable to agents	7,385	-	-	7,385
Other payables	1,240	-	-	1,240
Total monetary financial and insurance liabilities	95,521	4,255	15,760	115,536
Net balance sheet position	120,914	(681)	3,978	124,211

22 Financial and Insurance Risk Management (Continued)

The table below summarises the Company's exposure to currency risk as at 31 December 2019:

<i>In thousands of Ukrainian hryvnias</i>	UAH	USD	EUR	Total
Cash and cash equivalents	77,805	530	370	78,705
Deposits with banks	92,683	-	-	92,683
Reinsurer's share in unearned premiums reserve	29,158	1,571	18,122	48,851
Receivables including insurance receivables	21,335	907	1,381	23,623
Total monetary financial and insurance assets	220,981	3,008	19,873	243,862
Reserve for unearned premiums, gross	81,339	2,592	9,042	92,973
Amounts payable to reinsurers	11,978	712	3,958	16,648
Fees payable to agents	5,406	-	-	5,406
Other payables	808	-	-	808
Lease liabilities	-	2,303	-	2,303
Total monetary financial and insurance liabilities	99,531	5,607	13,000	118,138
Net balance sheet position	121,450	(2,599)	6,873	125,724

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the reporting date, with all other variables held constant:

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020 Impact on profit or loss and equity	31 December 2019 Impact on profit or loss and equity
USD strengthening by 20%	(112)	(426)
USD weakening by 10%	56	213
EUR strengthening by 20%	652	1,127
EUR weakening by 10%	(326)	(564)

Interest rate risk. Interest rate risk is the risk that arises on exposure to the effects of fluctuations in the prevailing levels of market interest rates on Company's financial position and its cash flows. Interest income may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Company does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the Company's business. As at the end of each reporting period, the Company had no variable interest financial assets or interest-bearing liabilities. In performing stress testing for internal purposes, the Company estimates the impact of 1% decrease or increase of the interest rate on operating profit. As at 31 December 2020 and 31 December 2019, the Company's profit or loss and equity would not have been impacted by the change in market interest rates.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources from its suppliers on purchased goods and services and customers on claims for compensation of loss incurred on insured events. The Company has sufficient cash resources on its bank accounts to meet most of these needs. In addition, cash inflows from premium income also provide cash resources to meet the current obligations. At 31 December 2020 and 31 December 2019, all of the Company's financial liabilities are payable on demand or within 1 month after the end of the reporting period, except for payables to reinsurers. Maturity analysis of amounts payable to reinsurers is disclosed in Note 13. Contractual undiscounted cash flows on financial liabilities approximate their carrying amounts. Maturity of accounts receivable does not exceed one year. Maturity periods of reserve for unearned premiums (and reinsurers' share in unearned premiums reserve) and deferred acquisition costs are disclosed in Notes 16 and 18, respectively.

Insurance risk. Insurance risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the estimate established using statistic techniques.

22 Financial and Insurance Risk Management (Continued)

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Company manages insurance risks through:

- underwriting strategy as well as proactive risk monitoring. The Company sets limits on underwriting capacity, and cascade authority to individuals based on their specific expertise. Potential new products are evaluated to make sure risks are well understood and justified by the rewards;
- adequate reinsurance arrangements. The Company aims at diversification of the reinsurance arrangements. The Company uses both obligatory and facultative reinsurance arrangements.

The Company runs its business only in Ukraine and all insurance contracts are in Ukrainian hryvnia (except for insignificant number of contracts with non-residents in US dollars or Euro). Management analyses concentration of insurance risk by line of business. Respective information is provided in Note 18.

Sensitivity analysis of loss reserves calculations. In order to evaluate the sensitivity of gross IBNR calculations based on the actuarial methods (Note 3) for lines of business, the following assumptions were used:

- increase of the outstanding case loss reserves by 5% in order to analyse the effect of changes in outstanding case loss reserve estimates;
- increase of the loss development factors and a predetermined expected loss ratio by 5% each to analyse the effect of inflation.

Sensitivity analysis of IBNR by line of business, which is calculated using the actuarial methods, shows that the change in the IBNR balance compared to the base case scenario is insignificant as at 31 December 2020 and 31 December 2019.

No sensitivity analysis of IBNR by line of business such as fire risks insurance, financial risks insurance and railway transport insurance, which is calculated using the fixed percentage method has been performed.

The Company decided not to present the loss development disclosure as the uncertainty in the amount and timing of settlements under insurance contracts is resolved within one year.

23 Capital Management

The Company's objectives when managing capital are (i) to comply with the capital requirements set by the insurance regulator (until 30 June 2020: the National Commission for State Regulation of Financial Services Markets; starting from 1 July 2020: the National Bank of Ukraine), and (ii) to safeguard the Company's ability to continue as a going concern. The Company considers total capital under management to be equity as shown in the statement of financial position. At the end of each reporting period, the Company analyses the amount of equity available and may adjust it by paying dividends to participants or returning capital to participants.

The Company is subject to externally imposed capital requirements. The main external capital requirements are the minimum level of the statutory capital and various solvency ratios. Under the law of Ukraine "On Insurance" No 85/96-вр dated 7 March 1996 with subsequent amendments, the minimum required amount of statutory capital for an insurer providing insurance services other than life insurance is the equivalent of EUR 1,000 thousand at the UAH exchange rate. According to the Resolution No 4934 of the National Commission for State Regulation of Financial Services Markets dated 22 November 2005, in order to apply for registration as a financial institution intending to provide insurance services other than life insurance, the entity is required to have the statutory capital equal to the equivalent of EUR 1,000 thousand at the UAH exchange rate effective at the date of application.

The Company complied with all externally imposed capital requirements as at 31 December 2020 and 31 December 2019 (including statutory requirements set out by the National Commission for State Regulation of Financial Services Markets in Regulation 850 on mandatory criteria and regulatory ratios of capital adequacy, solvency, liquidity, profitability, asset quality and insurer's operations risk).

24 Contingencies and Commitments

Legal proceedings. In the normal course of business, the Company may be involved in disputes, which, if not agreed, may be settled in court. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that, where the Company is a claimant in its pending legal proceedings, no material losses will be incurred in excess of provisions recorded in these financial statements.

In May 2018, the Company filed a claim to MTIBU for recovery of the outstanding balance from the MTIBU guarantee fund. Due to termination of the Company's associated membership in MTIBU, the latter was required to repay the outstanding guarantee contribution balance with the injured protection fund and accrued investment income. Given the refusal to repay the above balance, the Company decided to file a claim to the court. The Company's total claim amounted to UAH 1,780 thousand (including the guarantee contribution, investment income and inflation adjustments). In June 2018, the court of the first instance sustained the Company's claims. MTIBU filed an appeal against the ruling of the Commercial Court in the City of Kyiv. In May 2019, the Northern Commercial Court of Appeal ruled to dismiss the MTIBU's appeal and to uphold the decision of the court of the first instance. MTIBU did not accept the above court ruling and filed a cassation appeal considered by the Supreme Court consisting of the panel of judges of the Cassation Commercial Court, who ruled to dismiss the cassation appeal and to uphold the decision of the court of the first instance. In compliance with the court ruling dated June 2018, MTIBU recovered UAH 1,781 thousand of the outstanding balance to the Company in June 2019. Due to full settlement of the dispute in favour of the Company, the provision for impairment of receivables from guarantee contributions paid to the MTIBU funds as part of other financial receivables as at 31 December 2018 was reversed in 2019 with gain recognised in other operating income.

In late 2018, certain events occurred resulting in a change of the lessor of the Company's office premises. The Company signed the lease contract with the new lessor and made lease payments in the lessor's favour in 2019. However, the Company had the lease contract continued in force with the previous lessor, which was signed for a term by the end of 2019. According to this contract, the Company made the guarantee contribution of UAH 302 thousand and the lease payment of UAH 272 thousand for December 2018. In addition to the above, the Company did not make any lease payments under this lease contract due to the lessor's failure to meet its contractual terms and assesses whether appropriate legal grounds exist to acknowledge it void. The guarantee contribution under the lease contract with the previous lessor was not repaid to the Company. In March 2019, the Company filed a claim to the Commercial Court in the City of Kyiv for recovery of UAH 302 thousand of the guarantee contribution and UAH 272 thousand of the lease payment for December 2018 from the previous lessor defendant. The Company substantiated its claims by applying legal implications of voidness of a legally binding arrangement, specifically by the sub-lease contract signed between the Company and the defendant as the subleased non-residential premises were mortgaged and the mortgage holder did not give its consent to lease or sublease them. In June 2019, the Commercial Court in the City of Kyiv ruled to sustain the Company's claims in full. A third party without independent claims acting on the defendant's side filed an appeal against the decision of the court of the first instance. In October 2019, the Northern Commercial Court of Appeal ruled to uphold a third party's appeal in part; specifically, the decision of the court of the first instance on recovery of the lease payment of UAH 272 thousand by the defendant was reversed and the decision on recovery of the guarantee contribution of UAH 302 thousand by the defendant was upheld. The defendant did not accept the above court decisions and filed a cassation appeal. During 2020, the Cassation Commercial Court heard the case. The Company won the claim and recovered the guarantee contribution from the lessor under the previous lease contract. During 2020, the Company released the provision for impairment of the respective receivable.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant local and central authorities.

The Ukrainian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Ukrainian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

24 Contingencies and Commitments (Continued)

Ukrainian transfer pricing rules were amended during 2020 compared to 2019; in particular, by introducing the 'business purpose' concept and introducing three-level transfer pricing documentation. At the same time, the value criteria for recognition of controlled transactions have remained unchanged since 2017. Transactions are considered as controlled transactions for the transfer pricing purposes if the volume of all transactions with the same counterparty exceeds UAH 10 million net of indirect taxes, provided that the total annual income of the taxpayer exceeds UAH 150 million net of indirect taxes. The deadline for submitting the report on controlled transactions is 1 October of the year following the reporting one.

Management believes that the Company's pricing policy is on the arm's length basis and all transactions are performed in line with the 'business purpose' concept as the Company has implemented relevant internal controls to ensure compliance with the transfer pricing legislation.

Given that the practice of implementation of the new transfer pricing rules in Ukraine has not yet developed, the impact of any challenge of the Company's transfer prices by respective authorities cannot be reliably estimated.

25 Fair Value of Financial Instruments

Fair values of financial assets and liabilities carried at amortised cost as at 31 December 2020 and 31 December 2019 approximated their carrying amounts (Level 3 in the fair value hierarchy, except for cash and cash equivalents classified as Level 1).

26 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss.

As at 31 December 2020 and 31 December 2019, all of the Company's financial assets were included in "loans and receivables" category.

As at 31 December 2020 and 31 December 2019, all of the Company's financial liabilities were carried at amortised cost.

27 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Company is a member of Allianz Group. The participants structure of the Company is disclosed in Note 17. As at 31 December 2020 and 31 December 2019, Allianz SE (Germany) was the ultimate parent of the Company.

There were neither balances nor transactions with the parent company during the reporting periods.

At 31 December 2020 and 31 December 2019, the outstanding balances with related parties were as follows:

<i>In thousands of Ukrainian hryvnias</i>	31 December 2020		31 December 2019	
	Allianz Group entities	Key management personnel	Allianz Group entities	Key management personnel
Assets:				
Reinsurer's share in unearned premiums reserve	37,206	-	34,949	-
Reinsurer's share of loss reserves	113,206	-	38,605	-
Receivables including insurance receivables:				
- reinsurance receivables	450	-	453	-
Liabilities:				
Amounts payable to reinsurers	11,803	-	14,561	-
Other financial and non-financial liabilities:				
- Provision for other employee benefits	-	2,062	-	2,249
- Provision for employee vacations	-	181	-	240
- Other provisions	-	40	-	54

27 Related Party Transactions (Continued)

The income and expense items with related parties for the year ended 31 December 2020 were as follows:

<i>In thousands of Ukrainian hryvnias</i>	Allianz Group entities	Key management personnel
Premiums ceded to reinsurers	(101,263)	-
Change in reinsurer's share in unearned premiums reserve	2,257	-
Insurance claims recovered from reinsurers	79,090	-
Change in reinsurer's share of loss reserves	74,601	-
Administrative and other operating expenses	(762)	(5,352)

The income and expense items with related parties for the year ended 31 December 2019 were as follows:

<i>In thousands of Ukrainian hryvnias</i>	Allianz Group entities	Key management personnel
Premiums ceded to reinsurers	(106,257)	-
Change in reinsurer's share in unearned premiums reserve	2,291	-
Insurance claims recovered from reinsurers	50,928	-
Change in reinsurer's share of loss reserves	(14,764)	-
Administrative and other operating expenses	(612)	(5,839)

Administrative and other operating expenses from operations with key management personnel comprise key management compensation consisting of salaries and short-term bonuses.

28 Events after the Reporting Period

After 31 December 2020, there were no events, which would require disclosure in these financial statements.