

Financial Statements

EUROLINK Insurance AD Skopje

31 December 2020

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail.

CONTENTS

Independent Auditor's Report	
Statement of financial position (Balance sheet)	1
Statement of Comprehensive Income (Income Statement)	7
Statement of Cash Flows	11
Statement of Changes in Equity	13
Notes to the financial statements	15

Independent Auditors' Report



KPMG AUDIT DOO Skopje 3 Filip Vtori Makedonski Street Skopje 1000, Republic of North Macedonia +389 (2) 3135 220 mk-office@kpmg.com kpmg.com/mk

Independent Auditors' report to the shareholder of Eurolink Insurance AD Skopje

Report on the audit of financial statements

We have audited the accompanying financial statements of Eurolink Insurance AD Skopje ("the Company"), as shown on pages 1 to 80, which comprise the balance sheet as at 31 December 2020, income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the regulation of the Agency for Insurance Supervision, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing adopted and published in the Official Gazette of the Republic of North Macedonia no. 79 from 11 June 2010. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG AUDIT DOO Skopje, a limited liability company registered in the Republic of North Macedonia and a member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registered with the Trade Register of the Republic of North Macedonia with EMBS: 5078598 Tax No. MK4030996107850



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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the regulation of the Agency for Insurance Supervision.

Other matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 19 March 2020.

Report on other legal and regulatory requirements

Annual report on the activities of the Company prepared in accordance with the requirements of article 384(7) of the Trading Companies Law

As required under article 34(d) from the Law on Auditing, we report that the historical financial information disclosed in the annual report of the Company, prepared by management as required under article 384(7) of the Trading Companies Law, is consistent, in all material aspects, with the annual account of the Company and the financial information disclosed in the audited financial statements of the Company as of and for the year ended 31 December 2020. Management is responsible for the preparation of the annual account of the Company which was approved by the Supervisory Board of the Company on 26 February 2021 and for the preparation of the annual report of the operations of the Company which was approved by the Supervisory Board of the Company on 26 February 2021.

Skopje, 30 March 2021

Certified auditor Srdjan Rapdjelovic

KPMG Audit DOO Managing Director Srdjan Randjelovič ПИ ЕВИЗИЈА

Financial Statements

Statement of financial position (Balance sheet)

As at 31.12.2020

As at 31.12	.2020	rr		In Denars		
			Amount			
Description		Note	Current year	Previous year		
1	2	3	4	5		
ASSETS			-	-		
A. INTANGIBLE ASSETS (002+003)	001	2.1	1.885.744	2.442.303		
1. Goodwill	002		-	-		
2. Other intangible assets	003		1.885.744	2.442.303		
B. INVESTMENTS (005+013+021+041)	004		1.024.016.236	988.738.087		
I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS (006+009)	005	2.2	-	-		
1. Land and buildings used for Company's operations (007+008)	006		-	-		
1.1 Land	007		-	-		
1.2 Buildings	008		-	-		
2. Land, buildings and other assets not used for Company's operations (010+011+012)	009		-	-		
2.1 Land	010		-	-		
2.2 Buildings	011		-	-		
2.3 Other tangible assets	012		-	-		
II. FINANCIAL INVESTMENTS IN COMPANIES IN A GROUP – SUBSIDIARIES, ASSOCIATES AND JOINT CONTROLLED ENTITIES (014+015+016+017+018+019+020)	013	2.3	16.081.216	16.846.092		
1. Shares, equity interests and other equity instruments of value in companies in a group – subsidiaries	014		-	-		
 Debt securities issued by companies in a group – subsidiaries and loans to companies in a group - subsidiaries 	015		-	-		
3. Shares, equity interests and other equity instruments in associates	016		-	-		
 Debt securities issued by associates and loans to associates 	017		-	-		
5. Other financial investments in companies in a group – subsidiaries	018		-	-		
6. Other financial investments in associates	019		-	-		
7. Investments in joint controlled entities	020		16.081.216	16.846.092		
III. OTHER FINANCIAL INVESTMENTS (022+025+030+035+040)	021	2.4	1.007.935.020	971.891.995		
1. FINANCIAL INVESTMENTS HELD TO MATURITY (023+024)	022	2.4.1	351.819.431	256.871.695		
1.1 Debt securities with maturity up to one year	023		-	2.292.770		

See accompanying notes to the financial statements

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail.

Statement of financial position (Balance sheet) (continued)		Ĩ		In Denars		
			Amount			
Description		Note	Current year	Previous year		
1	2	3	4	5		
1.2 Debt securities with maturity over one year	024		351.819.431	254.578.925		
2. Financial investments available-for-sale (026+027+028+029)	025	2.4.2	172.144.969	179.156.332		
2.1 Debt securities with maturity up to one year	026		-	-		
2.2 Debt securities with maturity over one year	027		-	-		
2.3 Shares, equity interests and other equity instruments	028		10.676.400	16.725.000		
2.4 Shares and equity interests in investment funds	029		161.468.569	162.431.332		
3. Financial investments for trading (031+032+033+034)	030	2.4.3	85.220.645	87.865.573		
3.1 Debt securities with maturity up to one year	031		-	-		
3.2 Debt securities with maturity over one year	032		-	-		
3.3 Shares, equity interests and other equity instruments	033		74.885.802	77.884.001		
3.4 Shares and equity interests in investment funds	034		10.334.843	9.981.572		
4. Deposits, loans and other placements (036+037+038+039)	035	2.4.4	398.749.975	447.998.395		
4.1 Given deposits	036		398.749.975	447.998.395		
4.2 Loans secured with mortgages	037		-	-		
4.3 Other loans	038		-	-		
4.4 Other placements	039		-	-		
5. Derivative financial instruments	040		-	-		
IV. DEPOSITS OF REINSURANCE COMPANIES AT CEDENTS, BASED ON REINSURANCE CONTRACTS	041		-	-		
C. PART FOR CO-INSURANCE AND REINSURANCE IN GROSS TECHNICAL PROVISIONS (043+044+045+046+047+048+049)	042	2.5	67.483.413	92.005.302		
1. Part for co-insurance and reinsurance in gross unearned premium reserve	043		55.643.177	75.676.157		
2. Part for co-insurance and reinsurance in gross mathematical reserve	044		-	-		
3. Part for co-insurance and reinsurance in gross claims reserve	045		11.840.236	16.329.145		
4. Part for co-insurance and reinsurance in gross reserves for bonuses and discounts	046		-	-		
5. Part for co-insurance and reinsurance in gross equalization reserve	047		-	-		

Statement of financial position (Balance sheet) (continued)	1 1			In Denars	
			Amount		
Description		Note	Current year	Previous year	
1	2	3	4	5	
6. Part for co-insurance and reinsurance in other gross technical provisions	048		-	-	
7. Part for co-insurance and reinsurance in gross technical provisions for life insurance where the insurer takes over the investment risk	049		-	-	
D. FINANCIAL INVESTMENTS WHERE THE INSURER TAKES OVER THE INVESTMENT RISK (INSURANCE CONTRACTS)	050		-		
E. DEFERRRED AND CURRENT TAX ASSETS (052+053)	051	2.6	2.774.402	3.604.680	
1. Deferred tax assets	052		-	-	
2. Current tax assets	053		2.774.402	3.604.680	
F. RECEIVABLES (055+059+063+067)	054	2.7	305.322.291	265.053.775	
I. RECEIVABLES FROM DIRECT INSURANCE WORKS (056+057+058)	055		284.096.053	251.167.070	
1. Receivables from insurers	056		284.096.053	251.167.070	
2. Receivables from agents	057		-	-	
3. Other receivables from direct insurance works	058		-	-	
II. RECEIVABLES FROM DIRECT CO-INSURANCE AND REINSURANCE WORKS (060+061+062)	059		-	-	
1. Receivables from co-insurance and reinsurance premium	060		-	-	
2. Receivables from participation in claims fees from co- insurance and reinsurance	061		-	_	
Other receivables from co-insurance and reinsurance works	062		-	-	
III. OTHER RECEIVABLES (064+065+066)	063		21.226.238	13.886.705	
1. Other receivables from direct insurance works	064		11.520.347	7.070.287	
2. Receivables from financial investments	065		7.196.780	4.612.584	
3. Other receivables	066		2.509.111	2.203.834	
IV. RECEIVABLES BASED ON UNSUBSCRIBED BUT NOT PAID IN CAPITAL	067		-	-	
G. OTHER ASSETS (069+072+077)	068		33.395.558	24.282.275	
I. TANGIBLE ASSETS USED FOR OPERATIONS (OTHER THAN LAND AND BUILDINGS) (070+071)	069	2.8	7.776.895	9.428.165	
1. Equipment	070		6.940.532	8.591.802	
2. Other tangible assets	071		836.363	836.363	

3

Statement of financial position (Balance sheet) (continued)				In Denar		
Description	No. of	Note	Amount			
Description	ltem	Note	Current year	Previous year		
1	2	3	4	5		
II. CASH AND OTHER CASH EQUIVALENTS (073+074+075+076)	072	2.9	25.618.663	14.854.11		
1. Cash in banks	073		27.133.530	14.673.57		
2. Cash on hand	074		327.395	180.53		
3. Restricted cash to cover mathematical reserves	075			-		
4. Other cash and cash equivalents	076		-1.842.262			
III. INVENTORIES AND SMALL INVENTORY	077		-	-		
H. PREPAIDS (079+080+081)	078	2.10	85.875.964	123.418.39		
1. Accrued income based on interest and rents	079		-			
2. Deferred acquisition costs	080		65.964.149	99.203.12		
3. Other accrued income and deferred expenses	081		19.911.815	24.215.27		
I. NON-CURRENT ASSETS HELD FOR SALE AND DISCOUNTINUED OPERATIONS	082		-			
J. TOTAL ASSETS (A+B+C+D+E+F+G+H+I)	083		1.520.753.608	1.499.544.81		
K. OFF-BALANCE SHEET – ASSETS	084	4	249.146.672	265.240.89		
LIABILITIES			-			
A. EQUITY AND RESERVES (086+090+091+095+101-102+103- 104)	085	2.11	499.537.083	481.728.19		
I. SUBSCRIBED CAPITAL (087+088+089)	086	2.11	195.326.080	195.326.08		
1. Subscribed capital from ordinary shares	087		195.326.080	195.326.08		
2. Subscribed capital from preference shares	088		-	-		
3. Subscribed and non-paid-in capital	089		-	-		
II. PREMIUMS ON SHARES ISSUED	090		-	-		
III. REVALUATION RESERVES (092+093+094)	091	2.11	2.727.969	9.563.79		
1. Tangible assets	092					
2. Financial investments	093		2.727.969	9.563.79		
3. Other revaluation reserves	094		-			
IV. RESERVES (096+097+098-099+100)	095	2.11	184.620.662	183.967.43		
1. Legal reserves	096		184.620.662	183.967.43		
2. Statutory reserves	097		-			
3. Reserves for treasury shares	098					

Statement of financial position (Balance sheet) (continued)				In Denars		
	No. of	N. /	Amount			
Description	Item	Note	Current year	Previous year		
1	2	3	4	5		
4. Purchase of treasury shares	099		-	-		
5. Other reserves	100		-	-		
V. RETAINED EARNINGS, NET	101		92.217.657	90.911.205		
VI. LOSSES CARRIED FORWARD	102					
VII. PROFIT FOR THE CURRENT ACCOUNTING PERIOD	103		24.644.715	1.959.678		
VIII. LOSS FOR THE CURRENT ACCOUNTING PERIOD	104		-	-		
B. SUBORDINATED LIABILITIES	105		-	-		
C. GROSS TECHNICAL PROVISIONS (107+108+109+110+111+112)	106	2.12	933.945.567	929.983.816		
I. Gross unearned premium reserves	107		455.368.134	474.496.895		
II. Gross mathematical reserve	108		-	-		
III.Gross claim s reserve	109		463.979.811	423.615.776		
IV.Gross reserves for bonuses and discounts	110		14.597.622	31.871.145		
V. Gross equalization reserve	111		-	-		
VI.Gross other technical provisions	112		-	-		
D. GROSS TECHNICAL PROVISIONS RELATED TO CONTRACTS WHERE THE INSURER TAKES OVER THE INVESTMENT RISK	113		_	-		
E. OTHER RESERVES (115+116)	114		-			
1. Reserves for employees	115		-	-		
2. Other reserves	116		_			
F. DEFERRED AND CURRENT TAX LIABILITIES (118+119)	117	2.13	1.054.066	1.467.359		
1. Deferred tax liabilities	118		-	-		
2. Current tax liabilities	119		1.054.066	1.467.359		
G. LIABILITIES ARAISING FROM DEPOSITS OF COMPANIES FOR REINSURANCE AT CEDENTS, BASED ON INSURANCE CONTRACTS	120		-			
H. LIABILITIES (122+126+130)	121	2.14	43.667.931	52.421.020		
I. LIABILITIES FROM DIRECT INSURANCE WORKS (123+124+125)	122		2.543.889	2.752.312		
1. Liabilities to insurers	123		2.488.419	2.665.812		
2. Liabilities to agents	124		-	-		

Statement of financial position (Balance sheet) (continued)		In Denars			
			Amount		
Description	No. of Item	Note	Current year	Previous year	
1	2	3	4	5	
3. Other liabilities from direct insurance works	125		55.470	86.500	
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE WORKS (127+128+129)	126		9.598.803	5.821.877	
1. Liabilities based on co-insurance and reinsurance premiums	127		9.598.803	5.821.877	
2. Liabilities based on participation in coverage of claims	128		-	-	
3. Other liabilities from co-insurance and reinsurance works	129		_	_	
III. OTHER LIABILITIES (131+132+133)	130		31.525.239	43.846.831	
1. Other liabilities from direct insurance works	131		13.186.030	19.430.274	
2. Liabilities from financial investments	132			-	
3. Other liabilities	133		18.339.209	24.416.557	
I. ACCRUALS	134	2.15	42.548.961	33.944.427	
J. NON-CURRENT LIABILITIES RELATED TO NON-CURRENT ASSETS HEL-FOR-SALE AND DISCOUNTINUED OPERATIONS	135		-	-	
K. TOTAL EQUITY AND LIABILITIES A+B+C+D+E+F+G+H+I+J	136	4	1.520.753.608	1.499.544.819	
L. OFF-BALANCE SHEET - LIABILITIES	137		249.146.672	265.240.893	

These financial statements have been approved by the Supervisory Board of the Company on 26 February 2021.

Signed on its beha WITBO Mrs. Marija Tumeska President of Management Board

Mrs. Maja Bogdanovska-Stojanoska Member of Management Board

Mrs. Pavlina Velkova Director of Accounting Department licence no. 0100365

Statement of Comprehensive Income (Income Statement)

For the year then ended on a	51.12.2020	,		In Denars	
			Amount		
Description		Note	Current year	Previous year	
1	2	3	4	5	
A. REVENUES FROM OPERATIONS (201+210+223a+224+225)	200		884.917.208	933.712.946	
I. EARNED PREMIUM (NET PREMIUM INCOME) (202+203+204- 205-206-207+208+209)	201	3.1	792.751.207	864.567.954	
1. Gross policy insurance premium	202		963.579.047	1.013.068.759	
2. Gross policy co-insurance premium	203		-	-	
3. Gross policy reinsurance/ retrocession premium	204		-	-	
4. Gross policy premium delivered in co-insurance	205		-	-	
5. Gross policy premium delivered in reinsurance/retrocession	206		169.923.621	140.107.379	
6. Change in gross unearned premium reserves	207		(19.128.761)	(13.459.967)	
7. Change in gross unearned premium reserves- part for co- insurance	208		-	-	
8. Change in gross unearned premium reserves- part for reinsurance	209		(20.032.980)	(21.853.393)	
II. INCOME FROM INVESTMENTS (211+212+216+217+218+219+223)	210	3.2	60.604.309	42.460.011	
1. Income from subsidiaries, associates and joint controlled entities	211		-	-	
2. Income from investments in land and buildings (213+214+215)	212		-	-	
2.1 Income from rents	213		-	-	
2.2 Income from increasing the value of land and buildings	214		-	-	
2.3 Income from sale of land and buildings	215		-	-	
3. Interest income	216		20.143.424	20.120.746	
4. Foreign exchange gains	217		2.148.490	642.182	
5. Value adjustments (unrealized gains, reduction at fair value)	218		29.185.598	4.318.680	
6. Realized gains from sale of financial assets-capital gains (220+221+222)	219		7.680.497	14.997.877	
6.1 Financial investments available-for-sale	220		7.389.915	14.462.944	
6.2 Financial investments for trading (at fair value)	221		290.582	534.933	
6.3 Other financial investments	222		-	-	
7. Other income from investments	223		1.446.300	2.380.526	

For the year then ended on 31.12.2020

See accompanying notes to the financial statements

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail.

Statement of comprehensive income (Income statement) (continued)	In Denars				
			Amount		
Description	No. of Item	Note	Current year	Previous year	
1	2	3	4	5	
III. INCOME FROM REINSURANCE PROVISIONS	223a		18.014.857	14.898.329	
IV. OTHER INSURANCE TECHNICAL INCOME, LESS FOR REINSURANCE	224	3.3	6.322.862	5.831.550	
V. OTHER INCOME	225	3.4	7.223.973	5.955.102	
B. EXPENSES FROM OPERATIONS (227+235+245+248+251+261+271+274+275)	226		854.131.399	923.237.946	
I. CLAIMS INCURRED (Claims expenses, net) (228-229-230- 231+232-233-234)	227	3.5	404.681.648	410.163.945	
1. Gross paid claims	228		373.301.029	387.658.977	
2. Income decrease from gross realized subrogation receivables	229		4.039.855	7.873.841	
3. Gross paid claims – part for co-insurance	230		-	-	
4. Gross paid claims – part for reinsurance/retrocession	231		9.432.471	11.109.171	
5. Changes in gross claim s reserve	232		40.364.036	37.439.174	
6. Changes in gross claim s reserve– part for co-insurance	233		-	-	
7. Changes in gross claim s reserve– part for reinsurance	234		(4.488.909)	(4.048.806)	
II. CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE (236+239+242)	235	3.6	(17.273.523)	3.904.923	
1. Changes in mathematical reserve, net of reinsurance (237-238)	236		-	-	
1.1 Changes in gross mathematical reserve	237		-	_	
1.2 Changes in gross mathematical reserve – part for co- insurance/reinsurance	238		_	-	
2. Changes in equalization reserve, net of reinsurance (240- 241)	239		-	-	
2.1. Changes in gross equalization reserve	240		-	-	
2.2 Changes in gross equalization reserve – part for co- insurance/ reinsurance	241		-	-	
3. Changes in other technical provisions, net of reinsurance (243-244)	242		(17.273.523)	3.904.923	
3.1 Changes in other gross technical provisions	243		(17.273.523)	3.904.923	
3.2 Changes in other gross technical provisions – part for co- insurance and reinsurance	244		-	-	
III. CHANGES IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE THE INSURER TAKES OVER THE INVESTMENT RISK, NET OF REINSURANCE (246-247)	245		-	-	
1. 0Changes in gross mathematical reserve for life insurance where the insurer takes over the investment risk	246				

Statement of comprehensive income (Income statement) (continued)	1			In Denars	
			Amount		
Description	No. of Item	Note	Current year	Previous year	
1	2	3	4	5	
2. Changes in gross mathematical reserve for life insurance where the insurer takes over the investment risk – part for co-insurance and reinsurance	247		-	-	
IV. EXPENSES FOR BONUSES AND DISCOUNTS, NET OF REINSURANCE (249+250)	248	3.7	29.043.319	37.543.931	
1. Expenses for bonuses (related to result)	249		2.264.641	7.025.420	
2. Expenses for discounts (not related to result)	250		26.778.678	30.518.511	
V. NET EXPENSES FOR INSURANCE IMPLEMENTATION (252+256)	251		361.366.625	425.063.498	
1. Acquisition costs (253+253a+254+255)	252	3.8	193.746.793	192.779.225	
1.1 Fees	253		50.563.786	62.659.539	
1.2 Gross salaries for employees in the internal sales network	253a		92.806.303	92.387.750	
1.3 Other acquisition costs	254		17.137.729	20.520.404	
1.4 Change in Deferred acquisition costs (+/-)	255		33.238.975	17.211.532	
2. Administration expenses (257+258+259+260)	256	3.9	167.619.832	232.284.273	
2.1 Depreciation of tangible and intangible assets that serve in ordinary course of operations	257		4.419.762	5.984.141	
2.2 Costs for employees (258a+258б+258в+258г+258д)	258		62.209.353	63.640.473	
2.2.1 Salaries and compensations	258a		36.322.338	37.654.238	
2.2.2 Expenses for taxes on salaries and compensations	2586		3.408.898	4.156.077	
2.2.3 Contributions for mandatory social insurance	258в		15.234.944	15.370.165	
2.2.4 Costs for additional pension insurance for employees	258г		-	-	
2.2.5 Other costs for employees	258д		7.243.173	6.459.993	
2.3 Charges for services of individuals who perform no operations (contracts, copyright agreements and other legal relations) all fees included	259		14.732.685	12.486.972	
2.4 Other administration expenses (260a+260б+260в)	260		86.258.032	150.172.687	
2.4.1 Costs for services	260a		61.265.212	85.470.281	
2.4.2 Operating costs	2606		6.017.259	7.104.175	
2.4.3 Costs for reservations and other operating costs	260в		18.975.561	57.598.231	
VI. EXPENSES FROM INVESTMENTS (262+263+264+265+266+270)	261		29.322.049	4.091.619	
1. Depreciation and value adjustments of tangible assets not used for operations	262		-	-	
2. Interest expenses	263		9.133	1.931	

Statement of comprehensive income (Income statement) (continued)	-			In Denars	
			Amount		
Description	No. of Item	Note	Current year	Previous year	
1	2	3	4	5	
3. Foreign exchange losses	264		5.721.272	1.179.601	
4. Impairment provision (unrealized losses, reduction at fair value)	265		23.591.335	895.295	
5. Realized losses from sale of financial assets-capital loss (267+268+269)	266		309	71.719	
5.1 Financial investments available-for-sale	267		309	-	
5.2 Financial investments for trading (at fair value)	268		-	71.719	
5.3 Other financial investments	269		-	-	
6. Other expenses from investments	270		-	1.943.073	
VII. OTHER INSURANCE TECHNICAL EXPENSES, LESS REINSURANCE (272+273)	271	3.10	33.986.882	32.843.772	
1. Expenses for prevention	272		-	-	
2. Other insurance technical expenses, less for reinsurance	273		33.986.882	32.843.772	
VIII. VALUE ADJUSTMENTS OF RECEIVABLES BASED ON PREMIUM	274	3.11	-2.637.713	6.681.442	
IX. OTHER EXPENSES, INCLUDING VALUE ADJUSTMENTS	275	3.12	15.642.112	2.944.816	
X. PROFIT FOR THE YEAR BEFORE TAXATION (200-226)	276		30.785.809	10.475.000	
XI. LOSS FOR THE YEAR BEFORE TAXATION (226-200)	277		-	-	
XII. INCOME TAX (EXPENSE)	278	3.13	6.141.094	8.515.322	
XIII. DEFERRED TAX	279		-	-	
XIV. PROFIT FOR THE YEAR AFTER TAXATION (276-278-279)	280		24.644.715	1.959.678	
XV. LOSS FOR THE YEAR AFTER TAXATION (277-278-279)	281		-	-	
XVI. OTHER COMPREHENSIVE INCOME / (LOSS)			24.644.715	1.959.678	
Changes at fair value of financial assets available-for-sale			-6.835.829	3.533.818	
Income tax on components from other comprehensive income			-	-	
PROFIT / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS			17.808.886	5.493.496	

Statement of Changes in Equity

As at 31.12.2019	195.326.080	-	183.967.436	-	-	-	183.967.436	-	9.563.798	90.911.205	1.959.678	481.728.197
Other allocation to owners	-	-	14.245.961	-	-	-	14.245.961	-	-	28.491.922	(42.737.883)	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Other payments made by owners	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease of share capital	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners	-	-	14.245.961				14.245.961		-	28.491.922	(42.737.883)	-
Other non-owners' changes in equity	-	-	-	-	-	-	-	-	-	-	-	-
Realized profit/loss from financial investments available-for-sale	-	-	-	-	-	-	-	-	(14.462.944)	-	-	(14.462.944)
Unrealized profit/loss from financial investments available-for-sale	-	-	-	-	-	-	-	-	17.996.762	-	-	17.996.762
Unrealized profit/loss from tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-owners' changes in equity	-	-	-	-	-	-	-	-	3.533.818	-	-	3.533.818
Profit or loss for 2019	-	-	-	-	-	-	-	-	-	-	1.959.678	1.959.678
Profit or loss for 2019	-	-	-	-	-	-	-	-	-	-	1.959.678	1.959.678
As at 01 January 2019 - adjusted	195.326.080	-	169.721.475	-	-	-	169.721.475	-	6.029.980	62.419.283	42.737.883	476.234.701
Adjustments in the previous period	-	-	-	-	-	-	-	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
As at 01 January 2019	195.326.080		169.721.475	-			169.721.475		6.029.980	62.419.283	42.737.883	476.234.701
In Denars	Share capital	issued shares	Legal reserves	rese- rves	of treasury shares	Other reserves	Total reserves	treasury shares	Revaluated reserves	losses (with - sign)	for the current year	and reserves
		Premium s from		Statu- tory	Reserves			Purchase of		+ sign) or transferred	sign)/loss (with - sign)	Total equity
						Reserves				Retained earnings (with	Profit (with +	

Eurolink Insurance AD Skopje

Financial Statements 31 December 2020

Statement of changes in equity (continued)					Reserves			Pur-		Retained earnings		
In Denars	Share capital	Premiums from issued shares	Legal reserves	Statutory reserves	Reserves of treasury shares	Other reserves	Total reserves	chase of treasur y shares	Revaluated reserves	(with + sign) or transferred losses (with - sign)	Profit (with + sign)/loss (with - sign) for the current year	Total equity and reserves
As at 01 January 2020	195.326.080	-	183.967.436		-	-	- 183.967.436		9.563.798	90.911.205	1.959.678	481.728.197
Changes in accounting policies	-	-	-		-				-	-	_	-
Adjustments in the previous period	-	-	-								_	-
As at 01 January 2020 – adjusted	195.326.080	_	183.967.436				- 183.967.436		9.563.798	90.911.205	1.959.678	481.728.197
Profit or loss for 2020		_	_				-				24.644.715	24.644.715
Profit or loss for 2020	-	-	_		-		-				24.644.715	24.644.715
Non-owners' changes in equity	-	-	_						(6.835.829)	-	_	(6.835.829)
Unrealized profit/loss from tangible assets	-	-	_		-		-				_	-
Unrealized profit/loss from financial investments available-for-sale	-	-	_		-				554.086	_	-	554.086
Realized profit/loss from financial investments available-for-sale		-	-		-		-		(7.389.915)	-		(7.389.915)
Other non-owners' changes in equity	-	-	-		-		-		-	-	-	-
Transactions with owners	-	-	653.226				653.226		-	1.306.452	(1.959.678)	-
Increase / Decrease of share capital	-	-	_		-				-	-	_	-
Other payments made by owners	-	-	_		-				-	-	_	-
Dividends paid	-	-	_		-	-	-	-	-	-	-	-
Other allocation to owners	-	-	653.226		-		- 653.226	-		1.306.452	(1.959.678)	-
As at 31.12.2020	195.326.080	-	184.620.662		-		184.620.662		2.727.969	92.217.657	24.644.715	499.537.083

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail.

Statement of Cash Flows

For the period from	01.01.2020 to	31.12.2020
---------------------	---------------	------------

For the period from 01.01.2020 to			In Denars
		Amo	ount
Description	No. of Item	Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. CASH INFLOWS FROM OPERATING ACTIVITIES			
(301+302+303+304+305) 1. Insurance and co-insurance premiums and advances	300	999.024.001	1.116.121.581
received	301	957.625.496	1.071.530.802
2. Reinsurance and retrocession premium	302	-	-
3. Inflows from participation in coverage of claims	303	9.432.471	11.109.171
4. Interest received from insurance works	304	-	-
5. Other inflows from operating activities	305	31.966.034	33.481.608
II. CASH OUTFLOWS FROM OPERATING ACTIVITIES (307+308+309+310+311+312+313+314)	306	978.034.363	1.050.178.649
1. Paid claims, agreed insurance amounts, participation in			
coverage of claims from co-insurance and advances given	307	373.509.453	384.938.641
2. Paid claims and participation in coverage of claims from			
reinsurance and retrocession	308	-	-
3. Co-insurance, reinsurance and retrocession premiums	309	145.179.022	146.510.549
4. Fees and other personal expenses	310	152.422.028	158.781.633
5. Other expenses for insurance works	311	285.597.900	342.812.272
6. Interests paid	312	9.133	1.931
7. Income tax and other charges	313	4.959.233	13.911.103
8. Other outflows from regular activities	314	16.357.594	3.222.520
III. CASH INFLOW FROM OPERATING ACTIVITIES, NET (300- 306)	315	20.989.638	65.942.932
IV. CASH OUTFLOWS FROM OPERATING ACTIVITIES, NET		20.000.000	00.0 12.002
(306-300)	316	-	-
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. CASH INFLOWS FROM INVESTING ACTIVITIES			
(318+319+320+321+322+323+324+325)	317	86.706.353	175.709.750
1. Inflows from intangible assets	318	-	-
2. Inflows from tangible assets	319	2.585.723	-
3. Inflows from tangible assets not used for Company's		2.000.120	
operations	320	-	-
4. Inflows from investments in the companies in a group: subsidiaries, associates and joint controlled entities	321	-	-
5. Inflows from investments held-to-maturity	322	-	60.284.609
6. Inflows from other financial placements	323	65.343.333	97.164.549
7. Dividends received and other participation in income	324	1.218.069	1.238.691
8. Interest received	325	17.559.228	17.021.901

Statement of cash flows (continued)		In De	enars
		Am	ount
DESCRIPTION		Current year	Previous year
1	2	3	4
II. CASH OUTFLOWS FROM INVESTING ACTIVITIES (327+328+329+330+331+332+333+334)	326	96.931.438	244.212.373
1. Outflows from intangible assets	327	442.262	1.163.617
2. Outflows from tangible assets	328	1.769.671	2.008.895
 Outflows from tangible assets not used for Company's operations 	329	_	-
4. Outflows from investments in the companies in a group: subsidiaries, associates and joint controlled entities	330	-	-
5. Outflows from investments held-to-maturity	331	94.719.505	140.586.081
6. Outflows from other financial placements	332	-	100.453.780
7. Outflows from dividends and other participation in income	333	-	-
8. Outflows from interests	334	-	-
III. CASH INFLOW FROM INVESTING ACTIVITIES, NET (317-326)	335	-	-
IV. CASH OUTFLOWS FROM INVESTING ACTIVITIES, NET (326-317)	336	10.225.085	68.502.623
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
I. CASH INFLOWS FROM FINANCING ACTIVITIES (338+339+340)	337	-	-
1. Inflows from increase of share capital	338	-	-
2. Inflows from received long-term and short-term credits and loans	339	-	-
3. Inflows from other long-term and short-term liabilities	340	-	-
II. CASH OUTFLOWS FROM FINANCING ACTIVITIES (342+343+344)	341	-	-
1. Outflows from repayment of long-term and short-term credits and loans and other liabilities	342	-	-
2. Outflows from purchase of treasury shares	343	-	-
3. Outflows from dividends paid	344	-	-
III. CASH INFLOWS FROM FINANCING ACTIVITIES, NET (337-341)	345	_	-
IV. CASH OUTFLOWS FROM FINANCING ACTIVITIES, NET (341-337)	346	-	-
D. TOTAL CASH INFLOWS (300+317+337)	347	1.085.730.354	1.291.831.331
E. TOTAL CASH OUTFLOWS (306+326+341)	348	1.074.965.801	1.294.391.022
F. CASH INFLOWS, NET (347-348)	349	10.764.553	-
G. CASH OUTFLOWS, NET (348-347)	350	-	2.559.691
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE ACCOUNTING PERIOD	351	14.854.110	17.413.801
I. EFFECT ROM CHANGE IN FOREIGN EHXCHANGE CURRENCY IN CASH AND CASH EQUIVALENTS	352	-	-
J. CASH AND CASH EQUIVALENTS AT THE END OF THE ACCOUNTING PERIOD (349-350+351+352)	353	25.618.663	14.854.110

Notes to the financial statements

1. General information and disclosures

1.1 General information

EUROLINK Osiguruvanje AD Skopje ("the Company") is Shareholders Company incorporated and domiciled in the Republic of North Macedonia.

The address of the Company's registered office is as follows:

Nikola Kljusev No. 2

1000 Skopje

The Republic of North Macedonia

A change in the Company's ownership structure was made in March 2020. Namely, Grazer Wechselseitige Versicherung Aktiengesellschaft AG with a head office at Herrengasse 18-20, 8010, Graz, Republic of Austria became an owner of 100% of the Company's shares, thus becoming the sole shareholder.

The Company is licensed to perform 18 classes of non-life insurance. The Company performs its activities on the territory of the Republic of North Macedonia and As at 31 December 2020 employs 205 employees (2019: 217 employees).

1.2 Applied accounting policies and valuation techniques

Statement of compliance

The financial statements are prepared in accordance with the Accounting standards adopted in the Republic of North Macedonia published in the "Rulebook for maintetenace of accounting" and the "Rulebook on the valuation method for balance sheet items and preparation of the financial statements" and are presented according the "Rulebook on the form and content of the financial statements and the detailed content of the annual operations report of insurance and/or reinsurance companies".

The basic accounting policies used in the preparation of the financial statements are presented below. These policies are consistently applied to all years presented, unless otherwise stated.

Current and comparative data stated in these financial statements are expressed in Denar thousand. The Company's reporting and functional currency is Macedonian Denar (MKD).

Where necessary, the previous year presentations have been adjusted to conform to the changes in the current year.

1.2.1 Use of estimates and judgements

The preparation of financial statement requires the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the future periods, if the revision affects the future periods.

Judgement made by the Management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in Note 1.3.

1.2.2 Foreign currency transactions

Transactions denominated in foreign currencies have been translated into Denar at rates set by the National Bank of the Republic of North Macedonia on the date when occurred.

Assets and liabilities denominated in foreign currencies are translated at the Statement of financial position date using official rates of exchange prevailing on that date, and any foreign exchange gains or losses, resulting from foreign currency translation, are included in the Statement of comprehensive income in the period in which they occurred. The middle exchange rates used for conversion of the Statement of financial position items denominated in foreign currencies are as follows:

	2020	2019
	MKD	MKD
1 EUR	61.6940	61.4856
1 USD	50.2353	54.9518
1 GBP	68.3136	72.1577
1 CHF	56.8242	56.5593

1.2.3 Intangible assets

Intangible assets that refer to acquired software by the Company are measured at cost less accumulated amortization and accumulated impairment losses if such exists.

Subsequent expenditures are capitalized only when an inflow of future economic benefits for the Company are probable and when the cost of the asset can be measured reliably. All other expenditure is expensed in profit and loss as incurred.

Intangible assets (continued)

Amortization

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, so as to write-off the cost of the asset.

Annual amortization rate according to the estimated useful lives, for the current and previous period for the software is 25%.

1.2.4 Property and equipment

Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other operating income" in profit or loss.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in current profit or loss as incurred.

Depreciation

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of an asset, so as to write-off the cost of the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation rates, based on the estimated useful lives, for the current and comparative periods are as follows:

Computers	25 %
Furniture, equipment, vehicles and other assets	10-25 %

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.2.5 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets, are assessed at Statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

1.2.6 Financial instruments

Classification of financial assets

Financial instruments are classified into four categories, depending on the purpose for which the assets were acquired, the categories are as follows:

Financial instruments at fair value through profit or loss are financial instruments which are acquired principally for the purpose of trading or, which, on initial recognition are designated by the Company at fair value through profit or loss. As at 31 December 2020, in this category, the Company classifies the securities whose issuer is a country or legal entity in an EU Member State or OECD.

Held to maturity investments are non-derivative financialinstruments with fixed payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. As at 31 December 2020 and 2019 the Company classifies the government bonds and bills as financial assets held to maturity.

Loans and receivables are non-derivative financial instruments with fixed payments that are not quoted in an active market, other than those that the Company intends to sell in the near term, those that the Company upon initial recognition designates at fair value through profit or loss, or available for sale, or those where the Company may not recover its initial investment, other than because of credit deterioration. As at 31 December 2020 and 2019 the Company classifies cash and cash equivalents, receivables from insurers and other receivables from direct works, time deposits in domestic banks, assets from reinsurance, loans and receivables.

Financial instruments (continued)

Available-for-sale financial instruments are non-derivative financial instruments that are either designated in this category or are not classified in any of the other categories. As at 31 December 2020 and 2019, the Company classifies its investments in shares and stakes in investment funds as financial assets available-for-sale.

Classification, initial recognition and subsequent measurement of financial liabilities

Financial liabilities are classified in accordance with the agreed engagement. Financial liabilities at amortized cost consist of reinsurance and insurance liabilities, finance lease liabilities and other liabilities.

They are stated at fair value net of transaction costs and subsequently measured at amortized cost using the effective interest method.

Financial lease liabilities are initially recorded at their fair value. Subsequently finance lease liabilities are measured at their amortized cost using the effective interest rate method.

Initial recognition

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

All financial assets, except financial assets at fair value through profit and loss, are initially measured at fair value plus transaction costs that are directly attributable to their acquisition.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Off-setting

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet only when the Company has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Company's trading activity.

Financial instruments (continued)

Subsequent measurement of financial assets

After initial recognition, the Company measures financial assets designated as available-forsale, at fair values without any deduction for transaction costs it may incur on their sale

The fair value of quoted financial assets is their bid prices at the day of the Statement of Financial Position.

If the market on which the financial asset is quoted is not active, the Company establishes fair values by using a valuation technique. Valuation techniques include the use of recent arm's length market transactions between familiarized parties if available, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and optional pricing models.

Held to maturity investments and loans and receivables are measured at amortized cost using the effective interest method, less impairment losses.

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in comprehensive income, except for impairment losses, that are recognized in the profit or loss for the period.

When available-for-sale financial assets are sold or impaired, the cumulative gains or losses previously recognized in comprehensive income are recognized in the profit or loss. Where available-for-sale financial assets are interest bearing, interest calculated using the effective interest method is recognized in profit or loss.

Financial assets at fair value through profit and loss are measured at fair value and all changes are recognized in the Income statement through unrealized gains or losses depending on the change.

The effects of the sale of financial assets at fair value through profit and loss are recognized in profit or loss in the Income statement.

1.2.7 Impairment of financial assets

Assets carried at amortized cost

In the course of 2020 a Rulebook on amendments to the Rulebook on the methods of valuation of balance sheet which specifies a new classification of receivables depending on the time of delay of fulfilment of the obligations on the part of debtors was adopted. Consequently, adjustment of these receivables is made in the same manner as prescribed in the old Rulebook, yet with additional 60 days per each separate category.

According to the estimates of the Company's management, the effects of the application of the new Rulebook in relation to the old Rulebook on the method of valuation of items in the balance sheet and preparation of financial statements, which is again applied from 01 January 2021, would be an additional cost for impairment of receivables of approximately 10 million Denars which would have been recognized in the Income Statement of the Company if it had not been amended as stated above.

Impairment of financial assets (continued)

The Company classifies its receivables in adequate groups based on premiums. Based on this classification, the Company determines adequate impairment provision – Special reserve if receivables in the following manner:

Group receivables	of	Period of delays in payment in debtors liability settlement	total value of individual receivable)
А		Up to 90 days	0%
В		from 91 to 120 days	10%-30%
С		from 120 to 180 days	31%-50%
D		from 181 to 330 days	51%-70%
E		from 331 to 425 days	71%-90%
F		more than 426 days	100%

For receivables from legal entities, for which bankruptcy procedure is acknowledged, the Company recognizes impairment provision of 100%, as well as for those insurance agreements (policies) where the agreed maturity period is determined in the insurance contract i.e. annex to the insurance contract which is determined to be after the expiration of the contract, the Company recognizes impairment after the expiration of the insurance agreement.

Assets carried at fair value

The Company assesses at each date of the Statement of financial position, whether there is objective evidence that a financial asset is impaired. Significant or prolonged decline in the fair value of the financial asset below its cost is considered as objective evidence in determining whether the assets are impaired. If any such evidence exists for financial assets available – for – sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value is recognized in the current profits and losses. If, in a subsequent period, the fair value of a debt instrument classified as available – for – sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in current profits or loss, the impairment loss is reversed through profits and losses. For impaired available-for-sale equity securities any subsequent increase in the fair value is not canceled in the profit and loss but recognized in other comprehensive income.

1.2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and call deposits which are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortized cost in the Balance Sheet.

Impairment provision (in % of

1.2.9 Employee benefits

Defined contribution plans

The Company pays contributions to the pension funds as prescribed by the national legislation.

Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions.

There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognized as an expense in the profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company recognizes liability and expense for the amount expected to be paid under cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.2.10 Current and deferred tax expense

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the income statement except when it relates to items that are recognised directly to equity, then the corresponding tax expense is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates of 10% (2019: 10%) on the day of the statement of financial position and any adjustment to tax payable in respect of previous years.

Deferred tax arises from temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied when the temporary differences based on the laws that have been enacted or substantively enacted at the reporting date are realized.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the amount for which it is probable that there will be future taxable profits against which the asset can be utilized. Deferred tax assets are assessed at the end of each reporting period and reduced to the extent that it is no longer likely that these tax revenues will be realized.

Any such reduction should be reversed to the extent that sufficient taxable profit will probably be available. Unrecognised deferred tax assets are assessed at the end of each reporting period and are recognised to the extent, it is probable that future taxable income against which the asset can be utilised will be sufficient.

1.2.11 Leased assets – lessee

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset

All other leases are operating leases and the leased assets are not recognised on the Company's statement of financial position..

1.2.12 Provisions

A provision is recognized in the Statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that can be reasonably measured, and it is probable that an outflow will be required to settle the obligation.

1.2.13 Shareholders' capital, reserves and dividends payment

Ordinary shares

Ordinary shares are classified as equity.

Reserves

Reserves which consist of revalorization reserves and statutory reserves are created throughout the periods based on losses/gains from revalorization of financial assets available-for-sale, in the case of revalorization reserves as well as by allocation of the retained earnings on the basis of the legislation and the decisions of the Management and the Company's Shareholders.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

1.2.14 Revenues

Earned premiums from insurance contracts

Gross policy premiums reflect the operations during the year and do not include taxes based on premiums.

Investment income

Investment income comprises interest and dividend income, net gains on financial assets classified as fair value through profit and loss, and realized gains on financial assets classified as available-for-sale.

Fee and commission income

Fee and commission income represent income from reinsurers based on the reinsurance contracts with sliding scale and agreed commission, as commission based on deciding service claims. Fee and commissions income are recognized when the related service is performed.

1.2.15 Expenses

Expenses for subscribed premiums

Expenses for subscribed premiums consist of direct and indirect expenses from signed insurance contracts such as fees for agents, brokers and other distributive channels, as well as other expenses included in the sales.

1.2.15 Expenses (continued)

Costs for bonuses and discounts

Costs for bonuses represent costs for accomplishing a good technical result in accordance with the conditions in the concluded insurance contracts.

Expenses for discounts include commercial discounts due to good business cooperation and discounts for payment on time according to the concluded insurance contract. In addition to these discounts, these costs also include the costs of approved discounts arising from concluded loyalty agreements (contracts where the contractor undertakes to renew insurance contracts within a period of three years). Approved discounts on these contracts are recognized in accordance with the recognition period of the premium income, i.e. according to the duration of the lease of these insurance contracts.

Rent expenses

Payments based on rents are recognized as expenses to profit and loss using the straight line method during the rent period. Received discounts are recognized to profit and loss as integral part of the total rent expenses.

Finance expenses

Finance expenses consist of finance expenses for financial lease and profit and loss for foreign exchange differences of monetary assets and liabilities in foreign currencies.

1.2.16 Classification of insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event occur (the insured event) are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable which changes, in the case of a non-financial variable when the variable is not specific to a party of the contract. Insurance contracts may also transfer some financial risk.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

1.2.17 Insurance contracts

General insurance contracts

Premiums

Gross premiums written reflect the operations during the year, and exclude any taxes or duties based on premiums.

Earned proportion of premiums is recognized as revenue. Premiums are earned from the date of concluding the insurance contract until the reporting period, based on the "pro rata temporis" model. Outward reinsurance premiums are recognized as an expense in accordance with "pro rata temporis" method in the same accounting period as the premiums for the related direct insurance business.

1.2.17 Insurance contracts (continued)

General insurance contracts (continued)

Unearned premium reserve

Unearned premium reserve comprises the proportion of gross premiums written which is estimated to be earned in the following financial year, calculated separately for each insurance contract using the daily pro rata method.

For insurance contracts for which the amount of insurance coverage (risk) is increasing or decreasing linearly for the duration of the contract, the unearned premium reserve may be calculated separately for each separate contract with different method than the "pro-rata" method.

The Company uses only the "pro-rata" method for calculation of the unearned premium reserves for each separate insurance contract.

Claims

Claims incurred comprise the settlement and handling costs of paid claims arising from events covered with the insurance agreements, expenses for claims' provisions and the compensation from reinsurers based on their participation in outstanding claims and provisions for incurred and reported claims.

Paid claims are recorded in the moment of processing the claims and are recognized in the amount to be paid to settle the claims. Claims paid are increased by claims settlement and handling costs.

Reserves for reported and non-reported incurred claims include reserves for claims that are allocated in the amount of estimated liabilities that the Company is obligated to pay, based on insurance contracts where the insured event occurred by the end of the accounting period, no matter whether it has been reported by the end of the accounting period. Reserves for outstanding claims are not discounted.

Anticipated reinsurance recoveries based on the participation of resolved claims and participation in reserves in incurred and reported claims as presented separately as assets. Fees from reinsurers and other fees are assessed on the same way as reported claims.

The Company anticipate participation in reinsurance incurred reserves but non-reported claims and they are not expressed as assets in the balances

The management consider that the gross claims' provision and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amounts reserved. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Re-insurance premiums are recognized as expenses in accordance with the basis for premiums recognition from related contracts with the insurer. For the basic insurance business, re-insurance premiums are recognized as expenses during the period covered by the re-insurance in accordance with the expected behavior of the re-insured risk.

1.2.17 Insurance contracts (continued)

General insurance contracts (continued)

Claims (continued)

The Company for property insurance, third party liability insurance and green card insurance has secured general contract for re-insurance such as XOL (disproportionate contracts for re-insurance such as excess claims contracts). For accident insurance, the Company has provided Treaty proportional reinsurance contract for a limited number of clients. Furthermore, for larger clients/risks, the Company provides re-insurance contracts where the risk is fully ceded.

Premium reserve - part of the re-insurance

This type of reserve consists of part of the premium transferred to re-insurance recognized as deferred expense in the next year, calculated for each re-insurance contract separately, using the "pro-rata" method.

Deferred acquisition costs

Expenses incurred during signing of the general insurance contracts, which are deferred, include direct expenses such as fees and indirect expenses such as administrative cost related to the offers processing and policy issuance.

With general re-insurance contracts, the deferred acquisition costs are proportional to the expenses for written premiums corresponding to the gross policy premium not earned As at Balance sheet date.

In the course of 2019, Insurance Supervision Agency adopted a Rulebook on the form and content of the Financial Reports and detailed contenct of the Annual Report on the operations of insurance and/or reinsurance companies, published in the Official Gazette of the Republic of North Macedonia on 16 August 2019 (No.170/2019).

In accordance with this by-law, insurance companies which apply accounting policies of recognition, additional measurement and disclosure of acquisition costs different form the requirements contained in Annex 3 of the Instruction on filling in Financial Reports referred to in this Rulebook, are obliged to ensure application of changed accounting policies as late as the status of differred acquisition costs on 1 January 2021.

As at 31 December 2020, the Company made a full harmonization with the Instruction on applying Chart of Accounts of insurance and/or reinsurance companies Official Gazette of the Republic of North Macedonia on 16 August 2019 (No. 170.2019) related to calculation of diferred acquisition costs. (As at 31 December 2019 a partial compliance with the mentioned Instruction was made thus recording a negative movement in the Income Statement to the amount of 17.211.000 MKD for the year ended on 31 December 2019).

Liability adequacy test

Liability adequacy tests for unearned premiums reserves are performed in order to determine whether the unearned premiums reserves from the insurance contracts are enough for liability settlement in the next accounting period arising from expected future claims and future claims expenses.

The lack is recognized to profit and loss for the current year. During the calculation the assumption of unchanged development of claims in the following accounting period is used.

1.2.17 Insurance contracts (continued)

General insurance contracts (continued)

Receivables and liabilities from the insurance

The amounts due to and due from insurers, agents and other receivables represent financial instruments and are included in receivables and liabilities from insurance and not in insurance contracts reserves.

1.2.18 Related party transactions

In accordance with the Law on insurance supervision related parties are considered two or more legal entities or individuals that are mutually connected in one of the following manners:

a) by management or capital, or in any other manner, when they mutually determine their business policy or work in coordination with each other in order to ensure customary commercial advantages;

b) when one entity has significant influence over the adoption of the financial and business decisions of the other entity;

c) the work or the results from the work of one entity has significant influence over the work and the results of the work of the other entity. The entities are also related when one legal entity or individual has participating interest in another legal entity.

Related entities include:

a) close family members;

b) members of the management body, supervisory body or procurator, as well as members of their close family;

c) persons employed on the basis of an employment contract with special terms and conditions, as well as members of their close family;

d) in a manner that one entity, that is, entities that are related entities, jointly, directly or indirectly have participating interest in another entity;

e) in a manner that a same entity, that is, entities that are considered related has participating interest in both entities.

1.2.19 Events after the reporting date

Events after the reporting date that provide additional information about a Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

1.3 Accounting estimates and judgements

In the application of the accounting policies to these financial statements, the Management of the Company makes estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from their sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.3 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty

Presented below is information about the assumptions and uncertainties relating to insurance liability as well disclosure of the risk factors in these contracts.

Insurance contract provision

The assumptions used for reporting of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in establishing a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability which has been determined.

General insurance contracts

Provision is made at the Balance Sheet date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The provision for claims is not discounted for the time value of money.

The sources of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually.

The assumptions are checked to ensure that they are consistent with observable information or other published information.

The Company pays particular attention to current trends.

Each notified claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provision estimation differs by class of insurance due for a number of reasons, including:

- Differences in the conditions of the insurance contracts;
- Differences in the complexity of claims;
- The severity of individual claims;
- Difference in the dynamic of every claim;
- Difference in the period between the occurrence and reporting of claims.

Significant delays can be experienced in the notification and settlement of certain type of general insurance claims, therefore the ultimate cost of which cannot be known with certainty at the Balance sheet date.

1.3 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

The basic statistical method used is a chain ladder method - (Chain Ladder Method) that uses historical data to estimate the expected outcome of future liabilities arising from insurance contracts based on incurred but not reported claims and provision for reopened claims. Depending on the characteristics of the insurance class, the insurance portfolio of the Company, the types and quality of the available data, the reserves for incurred but not reported claims are calculated using one or a combination of the following actuarial methods:

1.Basic Chain Ladder based on paid claims,

2.Basic Chain Ladder based on reported claims,

3.Expected claim method (Expected claim tehnique),

4.Bornhuetter - Ferguson method based on paid claims,

5.Bornhuetter - Ferguson method based on reported claims.

The application of the historical data means that development pattern of claims will occur again in the future. This is not always the case, methods of valuation vary depending on conditions. The reasons may be:

- Economic, legal, political and social trends (resulting, for example, in a difference in expected levels of inflation);
- Changes in the portfolio of insurance contracts;
- The impact of large losses.

Claims on general insurance contracts are payable on a claims-occurrence basis.

The contracts are concluded for short periods, mostly for one year for which the Company is being liable for all insured events that occurred during the term of the contract.

Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

During 2020, there was a change in the assumptions in determining the reserves for insurance contracts compared to 2019, which would be material for the financial statements. According to the recommendations of the Insurance Supervision Agency for the new situation for Covid 19, from the aspect of maintaining the level of claims reserves, under circumstances of reduced payment / reporting of claims for the period after 01.04.2020, all necessary measures have been taken, i.e. the new situation has been taken into account, all deviations of the new development coefficients in relation to the previous historical experience and in all insurance classes have been analyzed, where the occurrences of reduced payment / reporting of damages for the period have been noticed, corrections have been made in the selected development coefficients, i.e. the development coefficients from the last diagonal have been excluded.

1.3 Accounting estimates and judgements (continued)

Assumptions (continued)

For the first time in 2020, a tail factor was introduced for the Third-Party-Liability insurance class, because although the statistical sample takes 13 years of historical development of claims where the expectations for mature years as well as the experience so far show that there are no significant deviations from the amounts set so far for reserved claims, a conservative approach has been applied to assess the reserve for incurred but not reported claims.

Impairment of financial assets

The impairment of receivables is measured on the basis of the Rulebook on the method for valuation of items from the balance sheet and preparation of financial statements adopted by the Insurance Supervision Agency, according to which depending on the time of delay in fulfilling the obligations by the debtor, calculated from the due date of the receivable, the categories are determined: A (delay up to 30 days), B (delay from 31 to 60 days), C (from 61 to 120 days), G (from 121 to 270 days), D (from 271 to 365 days) and E (delay longer than 365 days). According to the categories, the insurance companies are obliged to determine an appropriate impairment - Reserve for bad and doubtful receivables as a percantage of the total value of each individual receivable, 0% for receivables with a delay of up to 30 days (or category A), minimum 10% for delays up to 60 days (or B category), 31% for category C, 51% for D, 71% for E and 100% for F. Additionally, the rulebook determines the obligation for calculation of impairment of not matured receivables in the amount of 100% if the annex to the contract (policy) determines agreed maturities after the expiration of the expiration date on the insurance contract, starting from the first day of expiration of the deadline and regardless of the period of delay in fulfilling the obligation by the debtor.

During 2020, the Rulebook for amendments to the Rulebook on the method of valuation of the balance sheet was adopted, which predicts a new classification of receivables depending on the time of delay in fulfillment of obligations by the debtor. Consequently, the correction of these receivables is made in the same way as in the old Rulebook, but with an additional 60 days for each category separately. From 1 January 2021, the old rulebook returns to force.

1.4 Insurance and financial risk management

Risk management objectives and policies for mitigating insurance risk

The Company's management of insurance risk is a critical aspect of the business. The objective is to select assets with duration and maturity value which matches the expected cash outflows from the insurance contracts claims.

The primary insurance activity carried out by the Company includes compensation of claims to persons or organizations – Company's' insurers, arising from the insured events. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under the contracts.

The Company manages its insurance risk through setting limits on amounts of insurance, approval procedures to accept the risks in insurance, pricing guidelines, procedures for application, assessment and decision regarding claims and centralized management of reinsurance.

Underwriting policy

The Company underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, reduces the variability of the outcome.

The underwriting strategy is set out in an annual business plan that establishes the classes of business to be written, and the industry sectors in which the Company is prepared to underwrite. All general insurance contracts are annual in nature and the Company have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

Reinsurance policy

The Company reinsures a portion of the insurance contracts in order to control its exposures to losses and protect capital resources.

The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the insurance risk. In addition, the Company provides facultative reinsurance for certain specific insured risks. Facultative reinsurance is subject to pre-approval and the total expenditure on facultative reinsurance is regularly monitored.

The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company's management sets the minimum security criteria for acceptable reinsurance and monitors the purchase of reinsurance against those criteria. The Company's management also monitors the ongoing adequacy of the reinsurance programme. The Company utilizes a reinsurance agreement with non-affiliated reinsurers to control its exposure to losses resulting from one occurrence.

1.4 Insurance and financial risk management

Assets/ liabilities matching

Assets covering technical provisions are those of the Company that serve to cover future liabilities arising from insurance contracts and possible losses in terms of those risks that the Company is obliged to set aside assets for covering technical provisions.

The Company actively manages its financial position using an approach that balances quality, diversification, liquidity and investment return, taking into consideration the limits prescribed by the Law on insurance supervision.

Presented below are assets/liabilities matching according to the local regulatory requirements, in relation to assets covering the technical provisions:

In Denars Assets	2020	2019
Bank deposits and cash equivalents	420.618.663	445.852.505
Bonds and other securities guaranteed by RM Securities available-for-sale	351.819.431 172.144.969	256.871.695 179.156.332
Financial Investments for Trading	85.220.645	87.865.573
	1.029.803.708	<u>969.746.105</u>
Liabilities (net technical reserves)		
Reserves for transferred premiums, net of the reinsurers part	399.724.957	398.820.738
Reserves for bonuses and discounts	14.597.622	31.871.145
Reserves for claims, net of the reinsurers part	452.139.575	407.286.631
	866.462.154	837.978.514
Asset / liability matching	163.341.554	131.767.591

Assets covering the technical reserves are calculated in accordance with the Rulebook on types and characteristics of assets covering the technical reserves and assets covering the mathematical reserves, as well as detailed placement and restriction of those investment and their valuation. In accordance with the Law on Insurance Supervision the Company is in compliance with prescribed indexes.

1.4 Insurance and financial risk management (continued)

Insurance against consequences of an accident (accident)

Characteristics

This type of insurance regulates the relation between the insurance parties in event of death as consequence of an accident, permanent disability (disability) as a consequence of an accident, impermanent disability to work and incurred health disorder that requires medical attention (medical expenses).

Risk Management

The elementary risks in this class of insurance are related with the type of operations of the prospective insurers, their age and gender. The biggest risk arises from the nature of this class of insurance that is unpredictable and happens unexpectedly.

The event causing damage usually happens unexpectedly and the cause of claim is easily determined. In this case the claim may be reported in delayed period, and it will be completed after treatment completion and finalization of the documentation. Accordingly, insurance against consequences of an accident (accident) is classified as long-term due to delayed time schedules.

Liability to third parties

Characteristics

The Company concludes insurance contracts for liability to third parties. Under these contracts compensation is paid for the occurrence of insured event. It may be of material or nonmaterial nature. The settlement period of the material claim is shorter than the period of the nonmaterial claim due to the nature of the claim.

The most of the insurance contracts with incurred material claim against liability to third parties are not subject to significant complexity so that the final outcome is less uncertain. For nonmaterial claims duration of the process of payment of claims from the reporting date of the claim to date of solving the same depends on several factors such as the nature of cover and the policy conditions.

Risk Management

Risks arising from liability of third parties are managed primarily through risk selection, appropriate investment strategy, estimation and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only risks which meet the Company's criteria, are subject to insurance.

For liability contracts for nonmaterial claims, the key risk is the trend for courts to award higher levels of compensation which can significantly varies between court cases and courts.

Property

Characteristics

The Company contracts property insurance in the Republic of North Macedonia. Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own property.

1.4 Insurance and financial risk management (continued)

Property (continued)

The event of damage to buildings or other property usually occurs unexpectedly (as for fire and burglary) and the cause is easily determinable. The claim will thus be promptly reported and can be settled without delay. Property insurance is classified as is classified as shortterm, which means that increase in expenses and returns on investment are of minor importance.

Risk Management

The key risks associated with this product are insurance risk, competitive risk and claims experience risk (including the variable incidence of natural disasters).

The risk of these insurances is the risk that the Company may underestimate the insured risk. The risk on any policy will vary according to many factors such as location, safety measures and the characteristics of property. For insurance of property of individuals, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this will not be the case.

Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

The Company reinsures risk of damage above the standard amount set aside by the Company.

Insurance of motor vehicles (Casco)

Characteristics

The Company concludes insurance contracts for vehicles on the Republic of North Macedonia. Fast payment protects the insured from loss of value of physical damage to vehicle and property at the time of occurrence of harmful events.

Risk Management

In general, claims reporting lags are minor, and claim complexity is relatively low, bearing moderate risk. The Company monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeal.

The frequency of claims is affected by adverse weather conditions. In addition, there is a correlation with the price of fuel and economic activity, which affect the amount of traffic activity.

Health insurance

Characteristics

The Company concludes contracts for voluntary health insurance of insured persons in the territory of the Republic of North Macedonia. Voluntary health insurance covers all medical expenses of the insured, which include, but are not limited to, the following insured risks: hospital treatment in private clinics, outpatient treatment of an aquatic or specialist health facilities, prescribed medication and preventive examinations.

1.4 Insurance and financial risk management (continued)

Health insurance (continued)

Risk Management

The event that causes damage as a cause of damage is easily determined. In this case, the damage will be reported and can be resolved without delay.

The risk management of voluntary health insurance contracts is mainly done through risk selection, an appropriate investment strategy, assessment and reinsurance. The Company monitors and responds to changes in the general economic and commercial conditions in the environment in which it operates in order to ensure that only those risks that are in line with the Company's criteria are subject to insurance.

General responsibility

Characteristics

The Company concludes insurance contracts in the territory of the Republic of North Macedonia. Liability insurance covers the legal liability of the insured for damage caused, death, injury to the body or health, as well as damage or destruction of objects to a third party caused by a sudden and unexpected harmful event.

Risk Management

The risk of each individual policy will vary depending on a number of factors such as location, established security measures, and the characteristics of the entity and the type of activity of the entity. Risk management of liability insurance contracts is mainly done through risk selection, an appropriate investment, valuation and reinsurance strategy. The Company monitors and responds to changes in the general economic and commercial conditions in the environment in which it operates in order to ensure that only those risks that are in line with the Company's criteria are subject to insurance.

Tourist assistance

Characteristics

Based on the insurance contracts, and depending on the type of insurance coverage, the Company provides services specified in the policy, arising from insured cases arising abroad and are associated with travel abroad, and healthcare and insurance, travel assistance and insurance, accident insurance, baggage insurance, business assistance and insurance, trip cancellation, additional insurance for ski package (with extra charge premiums) additional insurance against sport accidents (with extra charge premiums).

Risk Management

The frequency of these claims is directly related to the travel of insurers and the number of reported claims is higher during summer period.

The event causing claim usually is easily determined. In this case the claim will be reported and can be resolved without delays. Accordingly, the travel insurance is classified as shortterm, which means that increase in expenses and returns on investment are of minor importance.

1.4 Insurance and financial risk management (continued)

Claims development

Run off analysis is especially for provision for incurred and reported claims and provision for incurred but not reported claims, as well as on cumulative basis, is done in accordance with the Rulebook for minimum standards for the calculation of technical provision, that is applicable since 01 January 2011.

Concentrations of insurance risks

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular harmful event could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual insurance classes.

Geographic and sector concentrations

The risks underwritten by the Company are located in the Republic of North Macedonia. The management believes that the Company has no significant concentrations of exposure to any group of policyholders measured by social, professional, age or similar criteria. These risks are managed through contracts for reinsurance. The Company enters into reinsurance contracts, as they are - excess of loss coverage over the following classes of insurance: property and liability to third parties as well as full reinsurance of individual classes of insurance which provides protection against total risk. The Company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

Interest rate risk

The Company's exposure on interest rate risk is concentrated in the investment in securities portfolio.

The liabilities from insurance contracts are short-term and the interest rate risk is mitigated by investing in debt instruments that are mostly fixed-income (government bonds and bills).

The short-term liabilities for insurance and reinsurance are not directly sensitive on the market interest rates due to their non-interest bearing character.

The structure of assets and liabilities is given by residual maturity at the reporting dates.

Notes to the financial statements (continued) As at and for the year then ended on 31 December 2020 Insurance and financial risk management (continued)

nterest rate risk (continued) As at 31 December 2020		Instrument		Instrument		Nan		
In Denars	Total	with variable interest rate	up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Non- interest bearing
Assets								-
Debt securities held to maturity	351.819.431	-	-	-	-	53.675.737	298.143.694	-
Trading Securities	85.220.645	-	-	-	-	-	-	85.220.645
Securities available-for-sale	172.144.969	-	-	-	-	-	-	172.144.969
Time deposits	398.749.975	21.190.475	60.000.000	1.581.000	127.978.500	188.000.000	-	-
Investments in joint controlled entities	16.081.216	16.081.216	-	-	-	-	-	-
Insurance receivables and other receivables from direct works	284.096.053	-	-	-	-	-	-	284.096.053
Cash and cash equivalents	25.618.663	-	-	-	-	-	-	25.618.663
Reinsurance assets	67.483.413	-	-	-	-	-	-	67.483.413
Liabilities								
Liabilities	-43.667.931	-	-	-	-	-	-	-43.667.931
	1.357.546.434	37.271.691	60.000.000	1.581.000	127.978.500	241.675.737	298.143.694	590.895.812

As at 31 December 2019				Instruments	s with fixed inter	est rate		
In Denars	Total	Instrument		1 - 3	3 - 12	1 - 5	More than 5	Non-
		with variable interest rate	up to 1 month	months	months	years	years	interest bearing
Assets								_
Debt securities held to maturity	256.871.695	-	-	-	2.292.770	54.688.015	199.890.910	-
Securities available-for-sale	87.865.573	-	-	-	-	-	-	87.865.573
Time deposits	179.156.332	-	-	-	-	-	-	179.156.332
Investments in joint controlled entities	447.998.395	50.000.000	68.500.000	-	30.498.395	299.000.000	-	-
Insurance receivables and other receivables from direct works	16.846.092	16.846.092	-	-	-	-	-	-
Cash and cash equivalents	251.167.070	-	-	-	-	-	-	251.167.070
Reinsurance assets	14.854.110	-	-	-	-	-	-	14.854.110
Liabilities	92.005.302	-	-	-	-	-	-	92.005.302
Liabilities								
	-52.421.020	-	-	-	-	-	-	-52.421.020
	1.294.343.549	66.846.092	68.500.000	-	32.791.165	353.688.015	199.890.910	572.627.367

Interest rate risk (continued)

Sensitivity analysis of interest rates

Sensitivity analysis is determined based on the Company's exposure to changing interest rates on financial instruments at the Balance sheet date. As at 31 December 2020, if interest rates are 200 basis points higher/lower, and the other variables constant, the profit before tax of the Company for the year ended 31 December 2020 will be decreased/increased by approximately Denar 20.480.325 (2019: Denar 19.774.762).

Credit risk

The Company is exposed to credit risk, which is the risk that the counterparties may not be able to pay the amounts in full when they are due. To control exposure to credit risk, the Company performs ongoing credit evaluations of the financial condition of these counterparties on a regular basis.

Insurance receivables

The Company is exposed to credit risk in the event where its customers from the provision of insurance services fail to meet their payment obligations. The Company's exposure to credit risk is limited to the carrying value of premium and other receivables. The premium receivables are owed by a large number of customers on normal credit terms and therefore there is minimal concentration of credit risk. The Company monitors premium receivables on an ongoing basis with the result that the Company's exposure to bad debts is controlled. Analysis of the age structure of due trade receivables for unpaid premiums is presented in Note 2.7.

Reinsurance assets

The Company has exposure to credit risk in relation to its reinsurance assets. Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. The management of the Company performs assessment of the creditworthiness of reinsurers to update reinsurance strategy.

Securities available-for-sale and securities held to maturity

The Company is exposed to credit risk in respect of securities available-for-sale and securities held to maturity in terms of possible uncollectibility from other parties.

However, taking into account that the Company invests in government bills, government bonds, investment funds, listed companies and term deposits in domestic banks is not expected these investments will not be recovered.

Credit risk (continued)

Maximum exposure to credit risk

The maximum exposure of the Company to credit risk is limited to the carrying amount of the financial assets recognized at the date of the financial statement, which are presented in the following table:

In Denars	2020	2019
Financial investments available-for-sale	172.144.969	179.156.332
Debt securities held to maturity	351.819.431	256.871.69
Term deposits	398.749.975	447.998.39
Investments in jointly controlled entities	16.081.216	16.846.09
Reinsurance assets	67.483.413	92.005.30
Receivables from insurers and other receivables from direct operations	305.322.291	265.053.775
Cash and cash equivalents	25.618.663	14.854.11
	1.337.219.958	1.272.785.70

Foreign exchange risk

The Company is exposed to risk in relation to the effects of fluctuations in the prevailing exchange rates that reflect the financial position and cash flow. The Company does not use hedging financial instruments due to the fact that these types of instruments are not in common use in the Republic of North Macedonia.

31 December 2020	MKD	EUR	USD	CHF	Other currencie	In Denars Total
Total assets	1.158.536.569	314.423.780	44.644.204	1.255.992	7.319	1.518.867.864
Investments	734.917.648	246.708.604	41.133.992	1.255.992	-	1.024.016.236
Part of co-insurance and reinsurance in the gross technical reserves	-	67.483.413	-	-	-	67.483.413
Financial investments for which the insured assumes the investment risk (insurance contracts)	-	-	-	-	-	-
Current and deferred tax assets	2.774.402	-	-	-	-	2.774.402
Receivables	305.322.291	-	-	-	-	305.322.291
Other Assets	29.646.264	231.763	3.510.212		7.319	33.395.558
Prepaid Expenses	85.875.964	-	-	-	-	85.875.964
Total liabilities	1.011.617.722	9.334.509	217.631	0	46.663	1.021.216.525
Subordinated liabilities Gross technical reserves Gross technical reserves of	- 933.945.567	-	-	-	-	- 933.945.567
contracts in which the insured assumes the investment risk	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Current and deferred tax liabilities	1.054.066	-	-	-	-	1.054.066
Liabilities arising from deposits of companies for reinsurance at cedants, from reinsurance contracts	-	-	-	-		-
Liabilities from direct insurance, co-insurance and reinsurance, and other payables	34.069.128	9.334.509	217.631	-	46.663	43.667.931
Accruals	42.548.961	-	-	-	-	42.548.961
Difference – unreconciled currency structure	146.918.847	305.089.271	44.426.573	1.255.992	-39.344	497.651.339

Foreign exchange risk (continued)

31 December 2019	MKD	EUR	USD	CHF	Other currencie	in denars Total
Total assets	1.094.038.360	347.311.933	54.490.692	1.256.372	5.159	1.497.102.516
Investments	690.238.082	253.088.603	44.155.030	1.256.372	-	988.738.087
Part of co-insurance and						
reinsurance in the gross	-	92.005.302	-	-	-	92.005.302
technical reserves						
Financial investments for						
which the insured assumes						
the investment risk						
(insurance contracts)	-	-	-	-	-	-
Current and deferred tax	3.604.680					3.604.680
assets	3.004.000	-	-	-	-	5.004.000
Receivables	265.053.775	-	-	-	-	265.053.775
Other Assets	11.723.426	2.218.028	10.335.662	-	5.159	24.282.275
Prepaid Expenses	123.418.397	-	-	-	-	123.418.397
Total liabilities	1.011.994.745	5.821.877	-	-	-	1.017.816.622
Subordinated liabilities	-	-	-	-	-	-
Gross technical reserves	929.983.816	-	-	-	-	929.983.816
Gross technical reserves of						
contracts in which the						
insured assumes the	-	-	-	-	-	-
investment risk						
Other reserves	-	-	-	-	-	-
Current and deferred tax	1.467.359	-	-	-	-	1.467.359
liabilities						
Liabilities arising from						
deposits of companies for						
reinsurance at cedants,						
from reinsurance contracts	-	-	-	-	-	-
Liabilities from direct						
insurance, co-insurance and						
reinsurance, and other						
payables	46.599.143	5.821.877	-	-	-	52.421.020
Accruals	33.944.427	-	-	-	-	33.944.427
Difference – unreconciled currency structure	82.043.615	341.490.056	54.490.692	1.256.372	5.159	479.285.894

Liquidity risk

The major liquidity risk confronting the Company is the daily call on its available cash resources in respect of claims arising from insurance contracts.

The Company owns / maintains a highly satisfactory level of funds at all time, for payment of matured liabilities for payment and potential liabilities as they fall due.

The analysis of the maturity of assets according to their remaining period until the date of their contractual maturity is as follows (In Denars):

31 December 2020	Up to 1 year	1-3 years	3-5 years	5-10 years	10-15 years	15- 20	Over 20 years	Total
Total Assets	941.776.742	98.190.475	164.675.737	20.023.494	216.899.710	-	77.301.706	1.518.867.864
Investments Part of co-insurance	446.925.114	98.190.475	164.675.737	20.023.494	216.899.710	-	77.301.706	1.024.016.236
and reinsurance in the gross technical	67.483.413	-	-	-	-	-	-	67.483.413
Financial investments for which the insured								
assumes the investment risk (insurance contracts)	-	-	-	-	-	-	-	-
Current and deferred tax assets	2.774.402	-	-	-	-	-	-	2.774.402
Receivables	305.322.291	-	-	-	-	-	-	305.322.291
Other Assets	33.395.558	-	-	-	-	-	-	33.395.558
Prepaid Expenses	85.875.964	-	-	-	-	-	-	85.875.964
Total Liabilities and equity	1.021.216.525	-	-	-	-	-	-	1.021.216.525
Subordinated liabilities	-	-	-	-	-	-	-	-
Gross technical	933.945.567	-	-	-	-	-	-	933.945.567
Gross technical								
provisions of contracts in which the insured	_	_	_	_	-	_	_	
assumes the								
investment risk Other reserves								
Current and deferred	-	-	-	-	-	-	-	-
tax liabilities	1.054.066	-	-	-	-	-	-	1.054.066
Liabilities arising from								
deposits of companies for reinsurance at								
cedants, from	-	-	-	-	-	-	-	-
reinsurance contracts								
Liabilities from direct								
insurance, co-								
insurance and	43.667.931	-	-	-	-	-	-	123.418.397
reinsurance, and other payables								
Accruals	42.548.961	-	-	-	-	-	-	42.548.961
Difference – unreconciled age structure	(79.439.783)	98.190.475	164.675.737	20.023.494	216.899.710	-	77.301.706	497.651.339

Liquidity risk (continued)

31 December 2019	Up to 1 year	1-3 years	3-5 years	5-10 year s	10-15 years	15-20 years	Over 20 years	Total
Total Assets	906.677.499	219.000.000	154.688.015	-	147.540.910	-	69.196.092	1.497.102.516
Investments	398.313.070	219.000.000	154.688.015		147.540.910	-	69.196.092	988.738.087
Part of co-insurance and reinsurance in the gross technical reserves	92.005.302	-	-	-	-	-	-	92.005.302
Financial investments for which the insured assumes the investment risk (insurance contracts)	-	-	_	-	_	_	-	_
Current and deferred tax assets	3.604.680	-	-	-	-	-	-	3.604.680
Receivables	265.053.775	-	-	-	-	-	-	265.053.775
Other Assets	24.282.275	-	-	-	-	-	-	24.282.275
Prepaid Expenses	123.418.397	-	-	-	-	-	-	123.418.397
Total Liabilities and equity	1.017.816.622	-	-	-	-	-	-	1.017.816.622
Subordinated liabilities		-	-	-	-	-	-	-
Gross technical provisions	929.983.816	-	-	-	-	-	-	929.983.816
Gross technical provisions of contracts in which the insured assumes the investment risk	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-	-	-
Current and deferred tax liabilities	1.467.359	-	-	-	-	-	-	1.467.359
Liabilities arising from deposits of companies for reinsurance at cedants, from reinsurance contracts	-	-		-		-	-	-
Liabilities from direct insurance, co-insurance and reinsurance, and other payables	52.421.020	-	-	-	-	-	-	52.421.020
Accruals	33.944.427	-	-	-	-	-	-	33.944.427
Difference – unreconciled age structure	(111.139.123)	219.000.000	154.688.015	-	147.540.910	-	-69.196.092	479.285.894

Capital management

The Insurance Supervision Agency is a main regulatory body that monitors the capital adequacy of the Company as a whole. The Company is directly supervised by the regulatory body.

Company's capital

The Company's capital according the legislative requirements is consisted of core and additional capital and is calculated as follows:

When calculating the core capital of the Company, the following items are taken into considerations:

- Paid-in shareholders' capital excluding the paid-in shareholders' capital from cumulative preference shares;

- Reserves of the Company (legal and statutory) which do not arise from insurance contracts;

- Retained earnings carried forward;

- Retained earnings from the current year (after taxation and other contributions and the dividend payable), if the amount of the profit has been verified by a certified auditor.

When calculating the core of the Company for insurance, the following items are considered as deductible:

- Treasury shares own by the Company;
- Long-term intangible assets;
- Uncovered loss and loss from the current year carried forward.

The insurance Company is required to set aside reserves not less than one third of the profit shown in the annual accounts unless the profit is used to cover previous years' losses, until the level of the Company's safety provisions reaches 50% of the average insurance premiums collected over the last two years, whereby previous years' premiums are increased for the value of the retail price index growth, inclusive of the year for which the profit is distributed.

When calculating the additional capital of the insurance undertaking, the following items are taken into consideration:

- paid-up share capital from cumulative preference shares;
- subordinate debt instruments;
- securities with unlimited maturity;

When calculating the capital of the Company, the additional capital referred above is taken into consideration only up to the amount not higher than 50% of the core capital.

When calculating the capital of the Company, the amounts of core and additional capital shall be reduced by the following items:

- Investment made by the Company into shares or subordinate debt instruments issued by another insurance undertaking or other financial institution in which the Company holds a share of more than 10%, as well as other investments in those entities, which are included in the calculation of the respective capital of those entities;
- Investment made by the Company into shares or subordinate debt instruments issued by another insurance undertaking or other financial institution other than those referred above, which exceed 10% of the capital of the insurance undertaking calculated prior to the deduction of the items listed above.

Capital management (continued)

Guarantee Fund of the Company

According the requirements of the Law on insurance supervision the Guarantee Fund must not be less than one third of the required level of solvency margin of the Company. Also, the guarantee fund shall not be less than EUR 3.000.000 if the Company performs insurance operations in all classes of insurance in the group of non-life insurance. As at 31 December 2020 and 2019 the Company is in compliance with these legal requirements.

Required solvency margin

The capital of the insurance company engaged in non-life insurance and / or reinsurance at any time should be at least equal on the required level of solvency margin of the insurance company that is calculated using the Premium Rate Method and the Claims Rate Method, depending on which method provides higher result.

The solvency margin for the year ended 31 December 2020 is in amount of Denar 161.306.263 (2019: Denar 169.127.869).

The Company's management policy is to maintain stability in the capital of the Company to maintain investor's confidence, market and to support future business development. Management of the Company monitors the return on equity, defined as earnings from operations. The Company also takes in consideration the impact that the level of capital on the return to shareholders and the need to maintain a ratio between higher returns and security provided by strong capital position.

The Company is not exposed to external influences on changes in equity. During the year there were no materially significant changes in the approach of the Company referring to the capital management.

Sensitivity analysis

The Company has estimated the impact of changes in certain key variables on the profit for the year, equity and the coverage coefficient.

Compared with the current equity position of the equity, profit for the year, equity, coverage index and solvency with own capital as at 31 December 2020 and 31 December 2019 is shown in the table below.

Sensitivity analysis (continued)

			Required level of solvency		
31 December 2020 Current	Profit for the period	Equity and reserves	margin	Coverage index	Change in coverage index.
position	24.644.715	499.537.083	161.306.263	310%	
Investment yield (+2%)	45.125.040	520.017.408	161.306.263	322%	13%
Investment yield (-2%) 5% decrease in	4.164.390	479.056.758	161.306.263	297%	(25%)
claims incurred 5% increase in claims incurred	4.410.633	479.303.001	161.306.263	297%	0%
2% decrease in admin. and insurance provision expenses	44.878.797	519.771.165	161.306.263	322%	25%
	20.281.043	495.173.411	161.306.263	307%	(15%)
2% increase in admin. and insurance provision expenses	29.008.387	503.900.755	161.306.263	312%	5%

31 December 2019 Current equity	Profit for the period	Equity and reserves	Required level of solvency margin	Coverage index	Change in coverage index
position	1.959.678	481.728.197	169.127.869	285%	
Investment yield (+2%)	21.734.440	501.502.959	169.127.869	297%	12%
Investment yield (-2%) 5% decrease in claims incurred	(17.815.084)	461.953.435	169.127.869	273%	(24%)
5% increase in claims incurred	(18.548.519)	461.220.000	169.127.869	273%	0%
2% decrease in admin. and	22.467.875	502.236.394	169.127.869	297%	24%
insurance provision expenses	(3.939.198)	475.829.321	169.127.869	281%	(16%)
2% increase in admin. and insurance provision expenses	7.858.554	487.627.073	169.127.869	288%	7%

The results from all simulations show good level of capitalization of the Company. The most significant impact on the profit for the period, equity and the coverage index have a potential change in investment income.

This analysis has been prepared for a change in one variable with other assumptions remaining constant. It should be noted that the information in the table above has been produced using a deterministic approach, so is a distribution free analysis with no correlations between the key variables.

Where variables are considered to be non-material, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present, but if the materiality level of an individual variable change, assessment of changes to that variable in the future may be required.

Fair value

Financial instruments recognized at fair value

The financial assets measured according to the fair value in the statement of financial position are further categorized in accordance with the hierarchy of the fair value are shown in the next table. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets. Fair value hierarchy is as follows:

- Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- Level 2: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices) and
- Level 3: incoming data on the asset or liability that are not based on data available for market observing.

The financial assets that are recognized according to their fair values in the Statement of financial position are grouped according to the hierarchy level of the fair value, as follows:

2020	Level 1	Level 2	Level 3	Total
Assets				
Financial investments available-for-sale	10.676.400	161.468.569	-	172.144.969
Financial investments for trading	85.220.645	-	-	85.220.645
2019	Level 1	Level 2	Level 3	Total
2019 Assets	Level 1	Level 2	Level 3	Total
	Level 1 16.725.000	Level 2 162.431.332	Level 3	Total 179.156.332
Assets				

Financial investments available-for-sale consists of investments in shares of companies listed on the Macedonian Stock Exchange and investments in stakes in investments funds. They are recognized at fair value based on their market price at the reporting date.

Financial investments for trading consists of investments in securities whose issuer is a country or a foreign legal entity from a European Union Member State or OECD, which are acquired for trading and which are classified at the initial recognition by the Companyas financial investments at fair value through profit and loss.

They are recognized at fair value based on their market price at the reporting date.

Fair value (continued)

Financial instruments not carried at fair value.

The following table summarizes the difference between the carrying values and the fair values to those financial assets and liabilities that are not recognized in the Balance Sheet at their fair value:

		2019		
Assets	Total carrying value	Total fair value	Total carrying value	Total fair value
Debt securities held to maturity Time deposits	351.819.431 398.749.975	351.819.431 398.749.975	256.871.695 447.998.395	262.013.704 447.998.395
Investments in joint controlled entities Reinsurance assets Insurance receivables and other receivables	16.081.216 67.483.413	16.081.216 67.483.413	16.846.092 92.005.302	16.846.092 92.005.302
from direct works Cash and cash equivalents	305.322.291 25.618.663	305.322.291 25.618.663	265.053.775 14.854.110	265.053.775 14.854.110
Liabilities Liabilities	1.165.074.989 43.667.931 43.667.931	1.165.074.989 43.667.931 43.667.931	1.093.629.369 52.421.020 52.421.020	1.098.771.378 52.421.020 52.421.020

Financial instruments by category

	Loans and receivables	Held to maturity	Available-for- sale	Trading investments	Total
31 December 2020 Assets according to the Statement of financial position Financial investments available-for-					
sale	-	-	172.144.969	-	172.144.969
Debt securities held to maturity	-	351.819.431	-	-	351.819.431
Deposits, loans and other placements	398.749.975	-	-	-	398.749.975
Financial investments for trading	-	-	-	85.220.645	85.220.645
Investments in joint controlled entities	16.081.216	-	-	-	16.081.216
Reinsurance assets	67.483.413	-	-	-	67.483.413
Insurance receivables and other receivables from direct works	305.322.291	-	-	-	305.322.291
Cash and cash equivalents	25.618.663	-	-	-	25.618.663
	813.255.558	351.819.431	172.144.969	85.220.645	1.422.440.603

	-	43.667.931	43.667.931
Liabilities	-	43.667.931	43.667.931
Liabilities according to the Statement of financial position	profits and losses	financial liabilities	Total
Liebilities econding to the	Liabilities at fair value through	Other	

Fair value (continued)

Financial instruments by category (continued)

	Loans and receivables	Held to maturity	Available- for-sale	Trading investments	Total
31 December 2019 Assets according to the Statement of financial position Financial investments available-					
for-sale	-	-	179.156.332	-	179.156.332
Debt securities held to maturity Deposits, loans and other	-	256.871.695	-	-	256.871.695
placements	447.998.395	-	-	-	447.998.395
Financial investments for trading Investments in joint controlled	-	-	-	87.865.573	87.865.573
entities	16.846.092	-	-	-	16.846.092
Reinsurance assets Insurance receivables and other	92.005.302	-	-	-	92.005.302
receivables from direct works	265.053.775	-	-	-	265.053.775
Cash and cash equivalents	14.854.110	-	-	-	14.854.110
	836.757.674	256.871.695	179.156.332	87.865.573	1.360.651.274
			Liabilities at fair value through	Other	

		52.421.020	52.421.020
Liabilities	-	48.388.027	48.388.027
Statement of financial position	loss	liabilities	Total liabilities
Liabilities according to the	profit and	financial	
	through	Other	

Analysis of the pandemic with respect to the Company's operations

World Health Organization declared COVID-19 pandemic on 11 March 2020, as a result of which many countries and the Republic of North Macedonia being among them, took measures to prevent further spreading of the disease thus restricting movements. These measures had an impact both on daily life and on economic activity.

The President of the Republic of North Macedonia declared a state of emergency in th period from 18 March until 30 May 2020 and the Government of the republic of North Macedonia declared a state of crisis for a 30-day period as of 20 November 2020 for the purpose of preotecting the public health, In addition, the Government passed a set of measures and recommendations for coping with the crisis with respect to the private sectore and the citizens. The most important measures are as follows:

- Recommendation for enabling employees to work from home depending on the type of job, as well as providing additional security persons in markets, banks and pharmacies in order to control the number of people in the premises and to keep safe distance;
- Recommendation to banks for an early payment of pensions;
- Subsidy for wages of employees in affected industries
- Price freeze for basic produces

Analysis of the pandemic with respect to the Company's operations (continued)

- Freeze on inforced collection until the end of June 2020, including temporary suspension of enforcement agents' orders;
- Ban on opening bankruptcy proceedings in the time of the crisis and 6 months following the crisis;
- Delay in profit prepayment until March 2021 for companies having decreased revenues of more than 40%;
- Regulations on amendments to Obligations Law prescribing decreased interest rate by 50% for debtors i.e., decrease in the default interest rate by 4% (referential interest rate by +5% for the companies and +4% for the population);
- State credit guarantee amounting to 10 million euros by means of which the economy will have 65 million euros worth credits available, for easier access to cheap financial resources, through taking over a aprt of the credit risk;
- Prolongation of the period for covering losses carried forward to future profits to five instead of three years, effective in 2020 and 2021;
- Recognition of expense for private health insurance and expenditure for COVID-19 testing as tax recognized expenditure;
- Exemption from profit tax and personal income tax for expenses incurred for employees referring to additional qualification and team building. Personal income tax on expenses for employees related to training, qualifications, obtaining licenses will be cancelled, which will enable improvement of the quality of labour the companies dispose of, and with a law prescribed amount for these expenses in effect as of 1 Janaury 2021;
- Various types of grants, vouchers for targeted segments striken by the crisis etc.

Insurance Supervision Agency took measure for supporting the insurance industry and at the meeting of the Council of Experts held on 14 April 2020 adopted a Rulebook on amendments tot he Rulebook on the method evualtion of items in balance sheet and preparation of business balances.

According to this Rulebook applied to financial statements as of 30 June 2020 until 31 December 2020, insurance companies make new classifications of receivables depending on the period of arrears in fulfilment of obligations on the part of debtors, the period specified in the old rulebook being prolonged for additional 60 days in each separate category. According to assessments of the Company's management, the effects of the implementation of the new Rulebook in respect of the old Rulebook regarding the method of evaluation of items in the balance sheet and preparation of business balances, which has been reapplied as of 1 Janaury 2021, are difference of the additional expense for adjusted receivable to an approximate amount of 10 million MKD, which would have been recognized in the Income Statement if the change had not been made as mentioned above.

Analysis of the pandemic with respect to the Company's operations (continued)

In the course of 2020, from the moment the COVID-19 pandemic was declared, during the stet of emergency, as well as to the end of 2020, the Company maintained its continuity of operations by organzing a working process in accordance with governing rules in the said period of time.

Nonetheless, teg pandemic had a huge impact on the insurance industry, the gross written premiums showing 4.88% fall compared to 2019. The most affected classes of insurance were MTPL with 9.63% decrease and Travel Insurance with 65.42% decrease compared to 2019. In addition, the pandemic also had an impact of gross paid claims , showing a 3.13% decrease compared to 2019.

Effects of the pandemic on the Company's results are within the framework of the effects on the indsutry both at the level of total gross written premiums and of individual classes of insurance, i.e., the total gross written premiums in 2020 show 4.8% decrease compared to 2019, while gross paid claims show 3.8% decrease compared to 2019. The Company, however, continued its strategy and activities with a view to achieving growth in other non-mandatory classes of insurance and kept leading its prudent policy with regard to assessment of the volume of the Company's technical provisions as at 31 December 2020.

Expetencies of the impact of COVID-19pandemic in 2021

According to projections made by the National Bank of the Republic of Macedonia in the macro-projections in November 2020, a drop in the GDP for 2020 was predicted to be -4.9% (compared to projections od -3.5% made in April) and approximately 4.7% recovery of the economy in 2012 (contrarty to 3.9% projections made in April). Estimates for the period 2021-2023 forecast prolonged effects of the pandemic, the key influence being the duration od the pandemic. Prolonged effects are expected to be more inetnsly present in the first half of 2021, recovery expected to follow later on.

In addition, the Company's operations are expected to be slightly better in 2021 with a gradual improvement of the performances in the 'affected' classes of insurance, which were deirectly dependent on the restricted movement measures (domastic and international). Certainly, this is subject to relaxing of the travelling instructions.

The Company will maintain its stable liquidity position and it is not expected to be jeopardized, and will continue with its prudent policy of risk management, i.e., the prudent policies of the assessment of technical provisions, credit and liquidity risk management, and, of course, the risk of insurance will remain the Company's imperative with a view to generating a stable and good quality insurance and invstement portfolio and stable revenues.

2. Information and disclosures to the Statement of financial position (Balance Sheet)

2.1. Intangible assets

	Software	Intangible assets under preparation	Total
Costs			
As at 01January 2019	20.685.803	-	20.685.803
Additions (net)	1.013.648	-	1.013.648
As at 31 December 2019	21.699.451	-	21.699.451
Additions (net)	155.721	286.541	442.262
As at 31 December 2020	21.855.172	286.541	22.141.713
Accumulated amortization			
As at January 2019	18.429.785	-	18.429.785
Amortization for the year (net)	827.363	-	827.363
As at 31 December 2019	19.257.148	-	19.257.148
Amortization for the year (net)	998.821	-	998.821
As at 31 December 2020	20.255.969	-	20.255.969
Net carrying value			
As at 31 December 2019	2.442.303	-	2.442.303
As at 31 December 2020	1.599.203	286.541	1.885.744

2.2. Land, buildings and other assets not used in the main business operations

As at 31 December 2020 and 2019, the Company has no investments in land, buildings and other assets not used in the main business operations.

2.3. Investments in jointly controlled entities

As at 31 December 2020, investments in jointly controlled entities are in the amount of Denar16.081.216 (2019: Denar 16.846.092) relates to the founders share in National Insurance Bureau in accordance with the requirements of the Law on Insurance Supervision of the Republic of North Macedonia. National Insurance Bureau is a non-profit organization founded by all domestic insurance companies whose purpose is to protect the interests of its members in international insurance of motor vehicles and represents members in front of the international insurance companies. Investments in joint controlled entities are invested interest bearing deposits held in a separate bank account. National Insurance Bureau is obliged not to invest and to return the deposit to each member in case of termination of their operations with insurance of motor vehicles.

2.4 Other financial investments

	2020	2019
Financial investments held to maturity (net value)	351.819.431	256.871.695
Financial investments available-for-sale - shares	10.676.400	16.725.000
Financial investments available-for-sale – stakes in investment funds	161.468.569	162.431.332
Deposits, loans and other placements	398.749.975	447.998.395
Financial investments for trading - shares, stakes and other equity instruments	74.885.802	77.884.001
Financial investments for trading - shares and stakes in investment funds	10.334.843	9.981.572
	1.007.935.020	971.891.995

2.4.1 Debt securities held to maturity

	2020	2019
Government bonds	351.819.431	256.871.695
	351.819.431	256.871.695
Quoted	351.819.431	256.871.695
Not quoted		-
	351.819.431	256.871.695
Government bonds with maturity within 1 year	-	2.520.910
Accumulated amortization	-	(228.140)
Debt securities held to maturity within 1 year	-	2.292.770
Government bonds with maturity over 1 year	351.819.431	254.578.925
Debt securities held to maturity over 1 year	351.819.431	254.578.925

2.4.2 Shares, stakes and other equity instruments

	2020	2019
Equity securities	10.676.400	16.725.000
Stakes in investment funds	161.468.569	162.431.332
	172.144.969	179.156.332
Quoted Not quoted	10.676.400 161.468.569	16.725.000 162.431.332
	172.144.969	179.156.332

As at 31 December 2020 the Company reassessed the carrying values of its investments in securities available-for-sale, through their comparison with the quoting prices of Macedonian Stock Exchange at the reporting date.

During 2020, the Company recorded correction (increase) in the amount of Denar 554.086 (Note 2.11) (2019: increase of Denar 18.531.695) to the recorded value of the investments to their fair value, which amount is recognized as other comprehensive income within revaluation reserves that form part of the Company's capital. Also, during 2020, the Company recorded realized gains from sale of financial investments available for sale (shares in investment funds) in the amount of 7.389.915 (Note 2.11) (2019: realized profit of 14.997.877 Denars), recorded as a decrease in the revaluation reserve and the realized profit within the statement of comprehensive income (income statement), respectively (Note 3.2).

2.4.3 Financial investments for trading

	85.220.645	87.865.573
Stakes in investment funds	10.334.843	9.981.572
Shares, stakes and other equity instruments	74.885.802	77.884.001
	2020	2019

The Company in 2020, starting from the third quarter of 2019, recognize financial instruments issued by a European Union or OECD country or foreign legal entity acquired for trading and which at initial recognition by The Company's financial assets are classified as at fair value through profit or loss. The portfolio is consist of shares, stakes in investment funds, and mostly consists of an ETF or index fund. As at 31 December2020, the Company purchased 16 different ETFs totaling Denar 63.514.528, diversified in currency, geographical and sectoral. Within this portfolio, As at the end of the year, the Company also recorded unrealized gains on the fair value of securities amounting to Denar 29.185.598(Note 3.2).

2.4.4 Deposits, loans and other placements

	2020	2019
Term deposits in domestic banks (with maturity to one year)	200.093.871	128.998.395
Term deposits in domestic banks (with maturity over one year)	209.190.475	319.000.000
Allowance for impairment on deposits	(10.534.371)	
	398.749.975	447.998.395

Deposits maturing within a period not exceeding 12 months from the reporting date bear interest at rate of 0.2% to 3,0% p.a. (2019: 2,1% to 3,0% p.a).

Deposits maturing within a period exceeding more than 12 months from the reporting date bear interest at rate of 1,22% to 3,00% p.a. (2019: 1,64% to 3,00% p.a).

Out of the total deposits, deposits in the amount of Denar 395,000,000 represent investments of funds that cover technical reserves, while five deposits in the amount of Denar 3,749,975 are investments of capital funds in no purpose deposits that are given as collateral for for approved bank guarantees by Komercijalna Banka AD Skopje.

The movement in the allowance for impairment for 2020 and 2019 is as follows:

	2020	2019
At 1 January	-	-
Impairment loss for the year (note 3.12)	10.534.371	-
At 31 December	10.534.371	-

2.5 Part for co-insurance and reinsurance in gross technical provisions

	2020	2019
Gross provision for unearned premiums		
As at 01 January	75.676.157	97.529.550
Movement for the period (Note 3.1)	-20.032.980	-21.853.393
As at 31 December	55.643.177	75.676.157
Gross provision for claims		
As at 01 January	16.329.145	20.377.951
Movement for the period (Note 3.5)	-4.488.909	-4.048.806
As at 31 December	11.840.236	16.329.145
Part for reinsurance in gross technical provisions	67.483.413	92.005.302

2.6 Deferred and current tax assets

	2020	2019
Personal income tax receivables	70.244	81.582
Income tax receivables	2.704.158	3.523.098
	2.774.402	3.604.680

2.7 Receivables

The receivables in the table below are shown in gross amount less impairment provision of receivables from insurance contracts, according to the Rulebook on the methods of evaluation of items on the balance sheet and preparation of financial statements, adopted by the Insurance Supervision Agency According to the Rulebook, impairment of claims is calculated for entities that have filed for bankruptcy and is 100% of the amount of the claim regardless of the period of delay in the fulfillment of the obligation, as well as for those claims where the agreed maturity date. the maturity set out in the insurance contract (policy) is determined after the expiry date. As at 31 December, the Company recognize impairment of receivables in the amount of Denar 1.373.776.

2.7 Receivables (continued)

	2020	2019
Receivables form insurers	358.247.080	334.351.426
Impairment provision of receivables from insurance contracts	(74.151.027)	(83.184.356)
	284.096.053	251.167.070
Receivables on the basis on participation in claims from co-insurance and reinsurance	-	-
	-	-
Other receivables from insurance direct operations	45.534.676	39.223.115
Impairment provision of other receivables from insurance direct operations	(34.014.329)	(32.152.828)
	11.520.347	7.070.287
Receivables for financial investments(Interest on deposits and		
government bonds, Dividends, NBIs etc.)	7.210.128	4.612.584
Impairment of the receivables for financial investments	(13.348)	-
	7.196.780	4.612.584
Other receivables	3.958.025	3.536.253
Impairment provision of other receivables	(1.448.914)	(1.332.419)
	2.509.111	6.816.418
	305.322.291	265.053.775

Analysis of the age structure of receivables from insurers As at 31 December 2020 and 2019 is as follows:

			2020 Present				2019 Present
	Receivables	Impairment provision	value of receivables		Receivables	Impairment provision	value of receivables
to 90 days 91-120	66.106.670	-1.587.667	64.519.003	to 30 days	24.726.369	-127.932	24.598.437
days 1201-180	7.152.510	-732.558	6.419.952	31-60 days 61-120	14.326.312	-1.542.648	12.783.664
days 181-330	9.701.868	-3.163.030	6.538.838	days 121-270	16.842.035	-5.377.899	11.464.136
days 331 - 425	13.275.044	-6.916.327	6.358.717	days 271 - 365	18.881.967	-9.919.398	8.962.569
days over 426	4.698.959	-3.440.234	1.258.725	days over 365	5.296.957	-3.822.467	1.474.490
days	56.937.435	-56.937.435	-	days	60.305.710	-60.305.710	-
Matured				Matured			
receivables	157.872.486	-72.777.251	85.095.235	receivables	140.379.350	-81.096.054	59.283.296
Not				Not			
matured				matured			
receivables	200.374.594	-1.373.776	199.000.818	receivables	193.972.076	-2.088.302	191.883.774
	358.247.080	-74.151.027	284.096.053		334.351.426	-83.184.356	251.167.070

2.7 Receivables (continued)

Analysis of the age structure of receivables from insurers As at 31 December 2020 and 2019 is as follows:

	2020	2019
As at 01 January	116.669.603	109.791.090
Expense for the year (Note 3.11 and 3.12)	18.846.094	11.004.481
Release for the year (Note 3.11)	(19,007,802)	(2.380.312)
Write-off of previously fully impaired receivables	(6.880.277)	(1.745.656)
As at 31 December	109.627.618	116.669.603

On 31 December 2020, the Company reassessed the collectability of the balance of premium receivables from insurers, and has performed write-off due to uncollectability of previously fully impaired receivables in the amount of Denar 6.880.277 (2019:Denar1.745.656).

The entire write-off is in accordance with the legal preconditions for permanent write-off, i.e. the written-off claims refer to claims from entities on which the bankruptcy procedure is closed, entities deleted from the Central Register in accordance with Article 552-b of the Law on Trade Companies or claims from natural persons deceased or obsolete claims.

2.7.1 Other receivables from insurance direct operations

As at December 31, 2020, the Company has recognized impairment on all other receivables for insurance direct operations (note 2.7). Their structure is as follows:

	2020	2019
Other receivables from insurance direct operations	45.534.676	39.223.115
Impairment provision of other receivables from insurance direct operations	(34.014.329)	(32.152.828)
	11.520.347	7.070.287
Recourse receivables	28.715.040	29.582.000
Impairment of recourse receivables	(27.253.767)	(26.881.332)
	1.461.273	2.700.668
Receivables UG claims	8.390.746	2.386.583
Impairment of receivables of UG claims	(1.917.061)	(931.308)
	6.473.685	1.455.275
Reinsurance fee receivables	927.206	403.520
Impairment provision of reinsurance fee receivables	(568.247)	(193.152)
	358.959	210.368
Receivables due to cession and other receivables	5.857.200	5.021.955
Impairment of insurance direct operations	(4.275.254)	(4.147.037)
i	1.581.946	874.918
Other receivables from GF	1.644.484	1.829.057
Impairment of other receivables from GF	-	-
	1.644.484	1.829.057

2.7 Receivables (continued)

The analysis of the age structure of direct insurance claims at 31 December 2020 and 2019 is as follows:

	Receivables	Impairment provision	2020 Present value of receivables	Receivables	Impairment provision	2019 Present value of receivables
to 90 days	3.662.038	0	3.662.038	2.061.781	-	2.061.781
91-120 days	555.132	(55.513)	499.619	238.719	(23.872)	214.847
121-180 days	910.660	(282.305)	628.355	421.634	(130.707)	290.927
181-330 days	1.292.537	(659.194)	633.343	3.688.179	(1.880.971)	1.807.208
331 - 425 days	756.662	(537.230)	219.432	163.870	(116.347)	47.523
over 426 days	32.480.087	(32.480.087)	0	30.000.931	(30.000.931)	-
Matured receivable s	39.657.116	(34.014.329)	5.642.787	36.575.114	(32.152.828)	4.422.286
Not matured receivable s	5.877.560	0	5.877.560	2.648.001		2.648.001
	45.534.676	(34.014.329)	11.520.347	39.223.115	(32.152.828)	7.070.287

2.8 Tangible assets used for operations

As at 31 December 2020

As at 31 December 2020	Computers	Furniture and office equipment	Lease- hold Improve -ments	Motor vehicles	Other assets	Total
As at 01 January 2020Net of accumulated depreciation	3.182.698	558.447	-	3.703.342	1.983.678	9.428.165
Purchase	3.964.813	352.045	-	0	345.047	4.661.905
Sales	-	-	-	(2.884.590)	-	(2.884.590)
Depreciation	(2.203.544)	(287.139)	-	(617.528)	(292.905)	(3.401.116)
Writeoff	-	-	-	(19.825)	-	(19.825)
Adjustment	-	-	-	(7.644)	-	(7.644)
As at 31 December 2020 net of accumulated depreciation	4.943.967	623.353	-	173.755	2.035.820	7.776.895
As at 1 January 2020						
Purchase value	21.086.084	7.831.623	-	24.921.474	4.467.062	58.306.243
Accumulated depreciation	(17.903.386)	(7.273.176)	-	(21.218.132)	(2.483.384)	(48.878.078)
Net carrying value	3.182.698	558.447	-	3.703.342	1.983.678	9.428.165
As at 31 December 2020						
Purchase value	24.145.133	8.138.675	-	9.324.994	4.788.189	46.396.991
Accumulated depreciation	(19.201.167)	(7.515.322)		(9.151.238)	(2.752.369)	(38.620.096)
Net carrying value	4.943.966	623.353	-	173.756	2.035.820	7.776.895

Notes to the financial statements (continued) Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued) As at and for the year ended 31 December 2020

(All amounts expressed in Denar, unless otherwise stated)

As at 31 December 2019

As at 31 December 2019						
	Computers	Furniture and office equipment	Lease- hold Improve -ments	Motor vehicles	Other assets	Total
As at 01 January 2019 Net of accumulated depreciation	3.709.190	705.789	-	5.730.058	2.281.058	12.426.095
Purchase	1.621.654	114.953	-	255.849	16.423	2.008.879
Sales	-	-	-	-	-	-
Depreciation	(2.148.146)	(262.295)	-	(2.282.565)	(313.803)	(5.006.809)
Writeoff	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As at 31 December 2019 net of accumulated depreciation	3.182.698	558.447	-	3.703.342	1.983.678	9.428.165
As at 1 January 2019						
Purchase value	26.765.912	10.726.252	-	24.665.624	5.316.984	67.474.772
Accumulated depreciation	(23.056.722)	(10.020.463)	-	(18.935.567)	(3.035.926)	(55.048.678)
Net carrying value	3.709.190	705.789	_	5.730.057	2.281.058	12.426.094
As at 31 December 2019						
Purchase value	21.086.084	7.831.623	-	24.921.474	4.467.062	58.306.243
Accumulated depreciation	(17.903.386)	(7.273.176)	-	(21.218.132)	(2.483.384)	(48.878.078)
Net carrying value	3.182.698	558.447		3.703.342	1.983.678	9.428.165

Pledge over equipment

As at 31 December 2020 and 2019 the Company has no equipment under pledge.

2.9 Cash and cash equivalents

	2020	2019
Cash in bank	27.133.530	14.673.574
Cash on hand	327.395	180.536
Impairment provision	(1.842.262)	-
	25.618.663	14.854.110

The movement in the allowance for impairment for 2020 and 2019 is as follows:

	2020	2019
At 1 January	-	-
Impairment loss for the year (note 3.12)	1.842.262	-
At 31 December	1.842.262	-

2.10 Prepaid

As at 31 December 2020 repaid in amount of Denar 85.875.964 consist of deferred acquisition costs in amount of Denar 65.964.149 and other accrued income in amount of Denar 19.911.815 (2019: 123.418.397of which the amount of Denar 99.203.124 refers to deferred acquisition costs and the amount of Denar 24.215.273 refers to other accrued income). They have been reduced by Denar 37.5 million due to the implementation of the amendments to the bylaws listed in section 1.2.17 of these financial statements.

Deferred acquisition costs

	2020	2019
Deferred premiums costs – acquisition (balance)	41.348.401	67.883.643
Deferred premiums costs – brokers (balance)	24.615.748	31.319.481
As at 31 December	65.964.149	99.203.124

Other accrued income and prepaid

	2020	2019
Accrued income for commission from reinsurance	10.244.569	7.359.960
Deferred Expenses - Invoices	33.150	4.116.042
Deferred Expenses - Supervisory Board	-	1.760.214
Deferred Expense for discounts – policy commitment agreements (2-3 years)	7.458.415	8.972.153
Other deferred expenses	2.175.681	2.006.904
·	19.911.815	24.215.273

2.11 Equity and reserves

As at 31 December 2020 shareholders' capital consists of 3,200 (2019: 3,200) ordinary shares with nominal value of EUR 1,000 per share, respectively to Denar 195.326.080. Shareholders of ordinary shares are entitled to receive dividends that can be declared.

As at 31 December 2020 the Company's shareholders structure is:

	% of shares with voting right
Grazer Wechselseitige Versicherung Aktiengesellschaft AG	100%
	100%

The Company was incorporated with foreign captal of 4 foreign legal entities – shareholders with a with a share capital to the amount of EUR 3, 200,000 divided into 3,200 ordinary shares with nominal value of EUR 1,000 per share. In February 2009 a change in the Company's ownership structure was made, the shareholder, Gofi-Group of finance and investment SA-Melide, Switzerland, becoming the owner of 100 percent of the Company's shares.

As a result of the change in the ownership structure, the Company was transformed into a Joint Stock Company of a Sole Shareholder. No changes were made in the share capital and the number of issued shares.

2.11 Equity and reserves (continued)

In March 2020 a change in the Company's ownership structure was made. Namely, Grazer Wechselseitige Versicherung Aktiengesellschaft AG with a head office at Herrengasse No.18-20, 8010 Graz, Republic of Austria became the owner of 100% oof the Company's shares, thus becoming the new sole shareholder.

Statutory reserves

Safety reserve

Under local statutory legislation, the Company is required to set aside 1/3 of its net profit for the year (unless the profit is used to cover previous years' losses) in a statutory reserve at a level not lower than 50% of the average insurance premiums collected over the last two years, whereby previous years' premiums are increased for the value of the retail price index growth, inclusive of the year for which the profit is distributed.

The safety reserves are used for covering long term insurance liabilities.

As at 31 December 2020 the total statutory reserve amounts to Denar 184.620.662(2019: Denar183.967.436).

Revaluation reserve

Revaluation reserve for financial assets available-for-sale includes cumulative net effect of the changes in the fair value of investments available-for-sale until their derecognition or impairment. As at 31 December 2020 revaluation reserve of the Company amounts to Denar 2.727.969 (2019: increase by Denar 9.563.798).

	2020	2019
Opening balance	9.563.798	6.029.980
Decrease of revaluation reserve for realized losses from financial investments available for sale(Note 2.4.2 μ 3.2)	(7.389.915)	(14.997.877)
Increase of revaluation reserve for unrealized gains from financial investments available for sale(Note 2.4.2)	554.086	18.531.695
, <i>t</i>	2.727.969	9.563.798

Net retained earnings

As at 31 December 2020, the Company has retained net earnings in amount of Denar 92.217.657 (2019: 90.911.205Denars).

During 2020 and 2019, the Company did not pay dividends.

Notes to the financial statements (continued) Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued) As at and for the year ended 31 December 2020 (All amounts expressed in Denar, unless otherwise stated)

2.12 Gross technical reserves

As at 31 December 2020, gross technical reserves of the Company consist of the following types of provisions: gross provisions for unearned premiums, unexpected risk reserve, provisions for claims and provisions for bonuses and discounts.

			2020			2019
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
As at 01 January	929.983.816	-92.005.302	837.978.514	902.099.686	-117.907.501	784.192.185
Movement on gross provisions for claims	40.364.036	4.488.909	44.852.945	37.439.174	4.048.806	41.487.980
Movement on unearned premium	-19.999.511	20.032.980	33.469	-13.459.967	21.853.393	8.393.426
Unexpected risk reserve	870.749		870.749			
Provisions for bonuses and discounts	-17.273.523	-	-17.273.523	3.904.923	-	3.904.923
As at 31 December	933.945.567	-67.483.413	866.462.154	929.983.816	-92.005.302	837.978.514
Provisions for claims and provisions	Gross	Reinsurance	Net	Gross	Reinsurance	Net
As at 01 January	455.486.921	-16.329.145	439.157.776	414.142.824	-20.377.951	393.764.873
Movement on provisions for incurred, reported claims	-7.405.443	2.545.413	-4.860.030	-150.235	3.962.327	3.812.092
Movement on provisions for direct costs	-	-	0	1.945	-	1.945
Movement on provisions for indirect costs	62.411	-	62.411	141.381	-	141.381
Movement on provisions for incurred, but not reported claims	47.707.067	1.943.496	49.650.563	37.446.083	86.479	37.532.562
Reserves for bonuses and discounts	-17.273.523	-	-17.273.523	3.904.923	-	3.904.923
As at 31 December	478.577.433	-11.840.236	466.737.197	455.486.921	-16.329.145	439.157.776
Unearned premium	Gross	Reinsurance	Net	Gross	Reinsurance	Net
As at 01 January	474.496.895	-75.676.157	398.820.738	487.956.862	-97.529.550	390.427.312
Policy premium for the current year	963.579.047	-169.923.621	793.655.426	1.013.068.759	-140.107.379	872.961.380
Costs for bonuses and discounts	-29.043.319		-29.043.319	-37.543.931	-	-37.543.931
Earned premiums in the current year	-953.664.489	189.956.601	-763.707.888	-988.984.795	161.960.772	-827.024.023
As at 31 December	455.368.134	-55.643.177	399.724.957	474.496.895	-75.676.157	398.820.738

Notes to the financial statements (continued) Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued) As at and for the year ended 31 December 2020 (All amounts expressed in Denar, unless otherwise stated)

2.12 Gross technical provisions (continued)

Movement in unearned premium, provision for claims and provisions for bonuses and discounts in 2020:

	Insurance against accident	Health insu- rance	Insurance of motor vehicles	Insurance of aircrafts	Insurance of vessels	Insurance of goods in trans-port	Insurance of property against fire	Other insurance of property	Third party liability insurance	Aircraft liability insurance	Vessels liability insurance	General liability insurance	Guarante e	Fin. Iosses	Tourist assistance	Total
Provisions for unearned premiums	63.305.329	48.453.366	42.266.358	423.836	23.559	1.033.843	46.368.087	48.724.175	176.562.680	516.328	230.428	23.183.685	14.946	122.662	3.268.105	454.497.385
Reinsurance unearned premiums	-10.488	-4.836.853	-658.365	-423.836	-	-240	-20.688.660	-20.799.827	-	-313.727	-	-7.911.181	-	-	-	-55.643.177
Unexipred risk reserve			870.749													870.749
Net unearned premiums (less reinsurance unearned premiums)	63.294.841	43.616.513	42.478.742	0	23.559	1.033.603	25.679.427	27.924.348	176.562.680	202.601	230.428	15.272.504	14.946	122.662	3.268.105	399.724.957
Provision for claims	46.742.914	15.070.716	35.565.615	-	-	535.869	13.889.963	10.381.840	330.911.788	-	-	7.000.602	-	35000	3.845.504	463.979.811
Provisions for bonuses and discounts	14.597.622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14.597.622
Change in provisions for claims –IBNR – part for reinsurance	-1.509.488	-	-	-	-	-	-8.374.408	-	-	-	-	-	-	-	-	-9.883.896
Change in provisions for claims –RBNS – part for reinsurance	-1.801.340	-133.000	-	-	-	-	-22.000	-	-	-	-	-	-	-	-	-1.956.340
Net provisions for claims (less reinsurance transferable part)	58.029.708	14.937.716	35.565.615	0	0	535.869	5.493.555	10.381.840	330.911.788	0	0	7.000.602	0	35.000	3.845.504	466.737.197
	121.324.549	58.554.229	78.044.357	0	23.559	1.569.472	31.172.982	38.306.188	507.474.468	202.601	230.428	22.273.106	14.946	157.662	7.113.609	866.462.154

Notes to the financial statements (continued) Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued) As at and for the year ended 31 December 2020 (All amounts expressed in Denar, unless otherwise stated)

Gross technical provisions (continued) 2.12

Movement in unearned premium, provision for claims and provisions for bonuses and discounts in 2019:

	Insurance against accident	Health insurance	Insurance of motor vehicles		Insurance of vessels	Insurance of goods in trans-port	Insurance of property against fire	Other insurance of property	Third party liability insurance	Aircraft liability insurance	Vessels liability insurance	General liability insurance	Guarantee	Fin. losses	Tourist assistance	Total
Provisions for unearned premiums	41.154.606	27.841.369	46.180.923	3.901.493	41.054	1.965.595	40.389.285	66.708.274	203.338.092	1.449.724	188.618	30.526.641	75.010	125.354	10.610.857	474.496.895
Reinsurance unearned premiums	(418.967)	(4.381.152)	(695.649)	(3.901.493)	-	(197)	(9.519.533)	(42.530.992)	-	(1.149.357)	-	(13.078.817)	-	-	-	(75.676.157)
Net unearned premiums (less reinsurance unearned																
premiums)	40.735.639	23.460.217	45.485.274	-	41.054	1.965.398	30.869.752	24.177.282	203.338.092	300.367	188.618	17.447.824	75.010	125.354	10.610.857	398.820.738
Provision for claims Provisions for	50.334.447	10.861.206	36.168.824	-	-	179.832	22.295.590	8.142.664	285.379.223	-	-	4.426.317	-	-	5.827.673	423.615.776
bonuses and discounts Change in provisions for	31.871.145	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31.871.145
claims –IBNR – part for reinsurance	(1.850.895)	-	-	-	-	-	(9.976.497)	-	-	-	-	-	-	-	-	(11.827.392)
Change in provisions for claims –RBNS – part for																
reinsurance	(2.094.904)	(231.672)	-	-	-	-	(1.838.177)	-	-	-	-	(337.000)	-	-	-	(4.501.753)
Net provisions for claims (less reinsurance transferable	, , , , , , , , , , , , , , , , ,						. ,									
part)	78.259.793	10.629.534	36.168.824	-	-	179.832	10.480.916	8.142.664	285.379.223	-	-	4.089.317	-	-	5.827.673	439.157.776
	118.995.432	34.089.751	81.654.098	-	41.054	2.145.230	41.350.668	32.319.946	488.717.315	300.367	188.618	21.537.141	75.010	125.354	16.438.530	837.978.514

2.13 Deferred and current tax liabilities

	2020	2019
Current tax liabilities	1.054.066	1.467.359
	1.054.066	1.467.359

2.14 Liabilities

The Company has recorded liabilities from immediate insurance business

	2020	2019
Liabilities based on coinsurance and reinsurance premiums	9.598.803	5.821.877
Co-insurers payables	2.488.419	2.665.812
Direct liabilities in insurance	55.470	86.500
Net wage obligations, wage contributions and other employee liabilities	13.038.105	13.972.080
Obligations towards suppliers	3.291.028	8.842.312
Other liabilities from direct insurance business		
- liabilities to GS	1.776.431	3.188.985
- Commitment Fees Obligations	1.580.611	4.362.670
 fire contribution obligations, etc. legal obligations 	2.298.468	3.768.819
 liabilities based on bonuses and discounts that depend on and are not dependent on the result 	5.140.753	6.921.346
- other liabilities	2.389.767	1.188.454
Other liabilities	2.010.076	1.602.165
	43.667.931	52.421.020

2.15 Accruals

	2020	2019
Accruals for reinsurance	31.782.838	23.480.548
Accruals for brokers	7.381.723	4.713.370
Other accruals	3.384.400	5.750.509
	42.548.961	33.944.427

Notes to the financial statements (continued) Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued) As at and for the year ended 31 December 2020 (All amounts expressed in Denar, unless otherwise stated)

3. Information and disclosures to the Income Statement (the

Statement of comprehensive income)

3.1 Earned premium

Earned premiums As at 31 December 2020

	Gross policy insurance premiums	Change in gross provisions for unearned premiums	Change in gross unexpired	Gross reinsurance policy premiums	Change in gross provisions for unearned premiums – Part for reinsurance (Note 2.5)	Net income from insurance premiums
Insurance against	•	•		•	· · ·	•
consequences of an accident	133.116.162	(22.150.723)		(6.291.116)	(408.479)	104.265.844
Health insurance	112.794.783	(20.611.996)		(13.713.130)	455.701	78.925.358
Insurance of motor vehicles	83.717.294	3.914.565	(870.749)	(1.324.004)	(37.284)	85.399.822
Insurance of aircrafts	2.483.434	3.477.656		(2.483.434)	(3.477.657)	(1)
Insurance of vessels	73.722	17.495		-	-	91.217
Insurance of goods in transport	4.982.673	931.751		(87.708)	43	5.826.759
Insurance of property against fire	124.864.894	(5.978.801)		(81.122.495)	11.169.127	48.932.725
Other insurance of property	76.911.462	17.984.100		(23.411.908)	(21.731.165)	49.752.489
Third party liability insurance	351.528.101	26.775.412		(10.593.198)	-	367.710.315
Aircraft liability insurance	1.617.439	933.396		(1.363.779)	(835.630)	351.426
Vessels liability insurance	414.600	(41.809)		-	-	372.791
General liability insurance	58.860.518	7.342.956		(29.532.849)	(5.167.636)	31.502.989
guarantees	71.520	60.064		-	-	131.584
Financial losses	273.733	2.692		-	-	276.425
Insurance for tourist assistance	11.868.712	7.342.752		-	-	19.211.464
Total	963.579.047	19.999.510	(870.749)	(169.923.621)	(20.032.980)	792.751.207

Notes to the financial statements (continued) Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued) As at and for the year ended 31 December 2020 (All amounts expressed in Denar, unless otherwise stated)

Earned premiums As at 31 December 2019

	Gross policy insurance premiums	Change in gross provisions for unearned premiums	Gross reinsurance policy premiums	Change in gross provisions for unearned premiums – Part for reinsurance (Note 2.5)	Net income from insurance premiums
Insurance against consequences of an					
accident	133.591.698	2.669.154	(6.019.756)	397.025	130.638.121
Health insurance	86.765.538	(8.172.589)	(10.562.967)	159.895	68.189.877
Insurance of motor vehicles	94.217.531	(2.391.014)	(10.302.307)	5.890	89.861.623
Insurance of aircrafts	7.235.086	(2.228.958)	(7.235.086)	2.228.958	-
Insurance of vessels	105.817	(14.913)	(1.200.000)	-	90.904
Insurance of goods in	1001011	(1.10.10)			00.001
transport	5.739.603	(1.151.256)	(72.136)	(70)	4.516.141
Insurance of property					
against fire	100.120.981	3.779.654	(53.600.523)	1.503.154	51.803.266
Other insurance of property	66.510.431	29.622.007	(12.007.118)	(28.199.196)	55.926.124
Third party liability insurance					
	410.191.670	(5.168.220)	(10.382.934)	-	394.640.516
Aircraft liability insurance	2.647.377	(628.128)	(2.308.537)	366.642	77.354
Vessels liability insurance	340.840	(32.286)	-	-	308.554
General liability insurance	67.521.627	(3.069.084)	(35.947.538)	1.684.309	30.189.314
Loan insurance	135.000	(75.010)	-	-	59.990
Insurance for tourist					
assistance	293.083	35.013	-	-	328.096
Insurance of goods in					
transport	37.652.477	285.597	-	-	37.938.074
Total	1.013.068.759	13.459.967	(140.107.379)	(21.853.393)	864.567.954

3.2 Investment income

	2020	2019
Investment income		
Interest income from government bonds and government bills	10.164.276	6.149.994
Interest income from term deposits in banks	9.659.319	13.576.323
Interest income from current accounts in banks	-	-
Interest income from loans given	-	-
Interest income from GF	319.829	394.429
Interest income	20.143.424	20.120.746
Foreign exchange gains	2.148.490	642.182
Other investment income		
Unrealized gains on the fair value of trading investments	29.185.598	4.318.680
Realized gains from investments sold (investment funds) available for sale	7.389.915	14.997.877
Realized gains from sale of trading investments	290.582	-
Interest income from government bills	228.231	1.141.835
Dividends	1.218.069	1.238.691
Other investment income	1.446.300	2.380.526
Total investment income	60.604.309	42.460.011

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail.

Notes to the financial statements (continued) Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued) As at and for the year ended 31 December 2020 (All amounts expressed in Denar, unless otherwise stated)

3.3 Other insurance technical income, less reinsurance

2020	2019
3.165.182	3.853.604
1.408.532	1.117.053
1.749.148	860.893
6.322.862	5.831.550
	3.165.182 1.408.532 1.749.148

3.4 Other income

	2020	2019
Interest income and income from court collected receivables	2.029.812	2.423.074
Capital income from tangible assets sales	2.585.723	-
Other income	2.608.438	3.532.028
	7.223.973	5.955.102

Eurolink Insurance AD Skopje

Notes to the financial statements (continued)

Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)

As at and for the year ended 31 December 2020

(All amounts expressed in Denar, unless otherwise stated)

3.5 Incurred claims

	2020	Gross 2019	2020	Reinsurance 2019	2020	Net 2019
Incurred, paid claims in the current year	373.301.029	387.658.977	9.432.471	11.109.171	363.868.558	376.549.806
Changes in provisions of incurred, reported claims	(7.343.031)	(6.909)	(2.545.413)	(3.962.327)	(4.797.618)	3.955.418
Changes in provisions of incurred, but not reported claims	47.707.067	37.446.083	(1.943.496)	(86.479)	49.650.563	37.532.562
Income from subrogation receivables	(4.039.855)	(7.873.841)	-	-	(4.039.855)	-
Incurred claims (expenses for claims, net)	409.625.210	417.224.310	4.943.562	7.060.365	404.681.648	410.163.945

Notes to the financial statements (continued) Information and diclosures to the Income statement (the Statement of comparehensive income) (continued) As at and for the year ended 31 December 2020

(All amounts expressed in Denar, unless otherwise stated)

Incurred claims (continued)

Analysis of incurred claims As at 31 December 2020

	Total paid claims	Changes in gross provisions for claims	Participa- tion of reinsurers in paid claims	Participa- tion of reinsurers in changes in provisions for claims	Income from gross realized subrogation receivables	Net
Insurance against consequences of an accident	79.707.529	(3.591.533)	(2.352.555)	634.971	-	74.398.412
Health insurance	46.415.939	4.209.511	(835.542)	98.672	-	49.888.580
Insurance of motor vehicles Insurance of aircrafts Insurance of vessels	54.608.100 - -	(603.212)	- -	- -	(1.099.400) - -	52.905.488 - -
Insurance of goods in transport Insurance of property against fire Other insurance of property Third party liability insurance Aircraft liability insurance	15.396 18.275.113 14.074.339 147.651.434	356.037 (8.405.627) 2.239.179 45.532.565	- (4.603.610) - - -	3.418.266 - - -	(62.592) (2.877.863)	371.433 8.684.142 16.250.926 190.306.136
Vessels liability insurance General liability insurance Loan insurance Financial losses insurance	7.168.597	2.574.285 - 35.000	(1.640.764) -	337.000 -	-	8.439.118 35.000
Insurance for tourist assistance Total	5.384.582 373.301.029	(1.982.169) 40.364.036	-9.432.471	4.488.909	-4.039.855	<u>3.402.413</u> 404.681.648

Analysis of incurred claims As at 31 December 2019

Insurance against consequences of an accident Health insurance	Total paid claims 89.293.000 38.863.874	Changes in gross provisions for claims 5.168.152 8.212.888	Participa- tion of reinsurers in paid claims (1.616.346) (643.084)	Participa- tion of reinsurers in changes in provisions for claims 1.059.659 (231.672)	Income from gross realized subrogation receivables	Net 93.904.465 46.202.006
Insurance of motor vehicles Insurance of aircrafts	53.461.814	2.076.048		-	(3.356.398)	52.181.464 -
Insurance of vessels Insurance of goods in transport Insurance of property against fire Other insurance of property Third party liability insurance Aircraft liability insurance	1.130.862 12.773.634 11.428.545 161.052.216	(162) (515.856) 4.873.547 (1.409.966) 18.028.581	- (5.888.514) (1.063.858) - -	(2.408.989) 5.011.097 105.711	(4.517.443)	(162) 615.006 9.349.678 13.965.818 174.669.065
Vessels liability insurance General liability insurance Loan insurance Financial losses insurance	- 7.639.878 - -	- 228.332 - -	- (1.897.369) - -	- 513.000 - -	- - -	- 6.483.841 - -
Insurance for tourist assistance Total	12.015.154 387.658.977	777.610 37.439.174	- (11.109.171)	4.048.806	(7.873.841)	12.792.764 410.163.945

3.6 Change in other technical provisions, net reinsurance

In accordance with the Rulebook on Minimum Standards for Calculation of Technical Provisions, the Company allocates bonus and discounts reserves equal to the amounts insured are entitled to receive on the basis of entitlement to profit, as well as other rights arising from insurance contracts, the right to partial reduction of premiums (discounts) and the right to return part of the premium.

3.7 Costs for bonuses and discounts, net reinsurance

During 2020 total costs for bonuses and discounts in the amounted to Denar29.043.319 refers to costs for bonuses in the amount of Denar2.264.641 and costs for discounts in the amount of Denar 26.778.678(timely payment of premium) (2019: Denar 37.543.931 of which the costs for bonuses are in amount of Denar 7.025.420 and costs for discounts are in amount of Denar 30.518.511).

3.8 Insurance acquisition costs, net

Acquisition costs

	2020	2019
Salaries for employees – sale	92.806.303	92.387.750
Commission	50.563.786	62.659.539
Advertisement	10.265.148	11.440.130
Printed policies	1.829.358	2.142.508
External representation	5.043.223	6.937.766
Change in deferred acquisition costs	33.238.975	17.211.532
	193.746.793	192.779.225

In 2019 the Company calculated the deferred acquisition costs on 31.12.2019 and assessed the effects of full application of the requirements of the Rulebook regarding the recognition of deferred acquisition costs. As of 31 December 2020, the Company has made a complete adjustment to the Guidelines for application of the chart of accounts for insurance and reinsurance companies (Official Gazette of RSM 170/2020) regarding the calculation of deferred acquisition costs.

The table below shows the change in deferred acquisition costs for the years ended 31 December 2020 and 2019: 0040

Movement of deferred acquisition costs for policy premiums	33.238.975	(17.211.532)
Deferred costs for premiums – brokers (movement)	6.703.733	1.635.196
Deferred costs for premiums – acquisition (movement)	26.535.242	(18.846.728)
	2020	2019

~~~~

#### 3.9 Administrative costs

|                                                                                  | 2020        | 2019        |
|----------------------------------------------------------------------------------|-------------|-------------|
| Employees costs                                                                  | 62.209.353  | 63.640.473  |
| -administration salaries                                                         | 54.966.180  | 57.180.480  |
| -other employee's costs                                                          | 7.243.173   | 6.459.993   |
| Rent                                                                             | 26.966.654  | 29.719.518  |
| Rent of assets for operations                                                    | 449.431     | 550.484     |
| Governing bodies costs                                                           | 6.823.518   | 42.284.336  |
| Phone costs                                                                      | 7.277.267   | 8.952.790   |
| Sponsorship and representation                                                   | 2.869.272   | 13.966.752  |
| Depreciation of tangible and intangibles assets                                  | 4.419.762   | 5.984.141   |
| Services to individuals                                                          | 14.732.685  | 12.486.972  |
| Fee for use of own vehicle                                                       | 6.518.844   | 7.074.386   |
| Utilities                                                                        | 3.788.908   | 3.859.354   |
| Security costs                                                                   | 1.656.672   | 3.322.219   |
| Bank charges                                                                     | 3.369.729   | 4.251.649   |
| Office materials and consumables                                                 | 1.343.942   | 1.838.816   |
| Insurance premium costs (managerial insurance, health insurance for LU, MA etc.) | 6.379.821   | 14.971.923  |
| Maintenance costs                                                                | 8.157.310   | 5.597.843   |
| Costs for lawyers, notary services and enforcement agents                        | 2.282.420   | 2.957.154   |
| Shipping costs and business trips                                                | 1.210.241   | 2.619.631   |
| Other administrative costs                                                       | 7.164.003   | 8.205.832   |
| Administrative costs                                                             | 167.619.832 | 232.284.273 |

#### Employee's expenses

Salaries expenses in the Company are separately recorded, the part of the salaries in sales is part of the acquisition costs and the salaries for the employees in the administration in valuation and in liquidation of claims are presented as administrative costs.

Liabilities related to salaries and contributions of the Company are presented in total.

|               | 2020        | 2019        |
|---------------|-------------|-------------|
| Net salaries  | 97.908.401  | 99.201.403  |
| Contributions | 49.864.082  | 50.366.827  |
|               | 147.772.483 | 149.568.230 |

#### 3.10 Other insurance technical expenses, less reinsurance

|                                                | 2020       | 2019       |
|------------------------------------------------|------------|------------|
| Expenses for claims paid to GF for NN vehicles | 13.172.660 | 12.215.162 |
| Fire fight contribution                        | 4.454.017  | 4.578.286  |
| Health insurance contribution                  | 3.473.094  | 4.109.772  |
| Insurance Supervision agency contribution      | 8.543.679  | 7.235.747  |
| Expenses for National Insurance Bureau         | 3.065.926  | 3.247.958  |
| Subrogation costs from NIB                     | 1.009.798  | 1.145.124  |
| Other expenses                                 | 267.708    | 311.723    |
|                                                | 33.986.882 | 32.843.772 |

#### 3.11 Value adjustments of receivables based on premium

|                                                                    | 2020         | 2019        |
|--------------------------------------------------------------------|--------------|-------------|
| Release of impairment provision of receivables from insurers (Note |              |             |
| 2.7)                                                               | (18.433.648) | (1.174.605) |
| Collected written-off receivable                                   | (3.909)      | -           |
| Impairment provision of receivables from insurers (Note 2.7)       | 15.799.844   | 7.856.047   |
|                                                                    | (2.637.713)  | 6.681.442   |

#### 3.12 Other expenses, including value adjustments

|                                                                                                                                  | 2020       | 2019      |
|----------------------------------------------------------------------------------------------------------------------------------|------------|-----------|
| Impairment provision of insurance direct operations (Note 2.7)<br>Release of impairment provision of insurance direct operations | 3.046.250  | 1.942.727 |
| (Note 2.7)                                                                                                                       | 574.154    | -         |
| Impairment provision of deposits (Note 2.4.4)                                                                                    | 10.534.371 | -         |
| Impairment provision of cash and cash equivalents (Note 2.9)                                                                     | 1.842.262  | -         |
| Other financial expenses                                                                                                         | 793.383    | 1.002.089 |
|                                                                                                                                  | 15.642.112 | 2.944.816 |

#### 3.13 Tax expense

-

|                                   | 6.141.094 | 8.515.322 |
|-----------------------------------|-----------|-----------|
| Deferred income tax               |           |           |
| Current tax expenses (income tax) | 6.141.094 | 8.515.322 |
|                                   | 2020      | 2019      |

The reconciliation of the total tax expense in the Income Statement for the years ended 31 December 2020 and 2019 is as follows:

|                                                                                  | 2020       | 2019       |
|----------------------------------------------------------------------------------|------------|------------|
| Profit before tax                                                                | 30.785.809 | 10.475.000 |
| on-deductible expenses for tax purposes                                          | 32.278.583 | 85.229.137 |
| Tax base                                                                         | 63.064.392 | 95.704.137 |
| Decrease of tax base                                                             |            |            |
| - Dividends                                                                      | 347.000    | 989.357    |
| - Repayment of a part of a loan which increased the tax base for                 |            |            |
| the previous period                                                              | -          | -          |
| <ul> <li>Amount of carried investments out of the profit (reinvested)</li> </ul> | 1.306.452  | 2.797.513  |
| Tax base after deductions                                                        | 61.410.940 | 85.153.215 |
| Calculated income tax 10%                                                        | 6.141.094  | 8.515.322  |
| Calculated income tax 10%                                                        | 6.141.094  | 8.515.322  |
| Effective tax rate                                                               | 19,95%     | 81,29%     |

#### 3.14 Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to shareholders of ordinary shares by the weighted average number of ordinary shares during the year:

|                                                         | 2020       | 2019      |
|---------------------------------------------------------|------------|-----------|
| Earning attributable to shareholders                    | 24.644.715 | 1.959.678 |
| Less: dividends for preference shares                   | -          | -         |
| Net earnings attributable to holders of ordinary shares | 24.644.715 | 1.959.678 |
| Weighted average number of ordinary shares              | 3.200      | 3.200     |
| Basic earnings per share (Denars per share)             | 7.701      | 612       |

#### 4. Off balance sheet items

As at 31 December 2020 and 2019 the structure of off balance sheet items is as follows:

|                                                                                                                    | 2020        | 2019        |
|--------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Unrealized recourse receivables                                                                                    | 60.855.031  | 49.849.105  |
| Bank guaranties                                                                                                    | -           | 10.738.985  |
| Reserves for claims-GF                                                                                             | 32.232.170  | 41.650.164  |
| Reserve for income- policy commitment agreements (2-3<br>yyears) and discount for policy commitment agreements (2- |             |             |
| 3 years)                                                                                                           | 156.059.471 | 163.002.639 |
|                                                                                                                    | 249.146.672 | 265.240.893 |

### 5. Receivables and liabilities from companies in a group – subsidiaries, associates and joint controlled entities

#### Transactions with related parties

In March 2020, the ownership structure of the Company changed. Namely, Grazer Wechselseitige Versicherung Aktiengesellschaft AG with headquarters at ul. Herrengasse No. 18-20, 8010 Graz, Republic of Austria, became the owner of 100% of the shares of the Company, thus becoming the new sole shareholder.

Prior to the change of ownership structure, the sole shareholder of the Company was GOFI-GROUP OF FINANCE AND INVESTMENT SA, SWITZERLAND, which was also a shareholder in other legal entities, including companies and financial institutions, which together represent the "Gofi Group".

The table shows the balances of receivables and liabilities and transactions with related parties during the year as of 31 December 2020. Transactions with previous related parties (income and expenses) are shown for the period from 01 January 2020 to 31 March 2020, which is considered to be the date of change of ownership structure, while the balance of receivables and liabilities is as of 31 December 2020. Transactions with the new related parties (income and expenses) include transactions for the period from 01 April 2020 to 31 December 2020 as well as claims and liabilities on 31 December 2020.

|                                                                                        | Кеу           |               |            |
|----------------------------------------------------------------------------------------|---------------|---------------|------------|
|                                                                                        | management    | Other related |            |
|                                                                                        | personnel     | parties       | Total      |
| Total Assets                                                                           | 857.598       | -             | 857.598    |
| Receivables                                                                            | 857.598       | -             | 857.598    |
| Receivables from insurers based on insurance premiums                                  | 442.343       | -             | 442.343    |
| Other receivables                                                                      | 415.255       | -             | 415.255    |
| Investments                                                                            | -             | -             | -          |
| - Given deposits                                                                       | -             | -             | -          |
| Off-balance sheet records                                                              | -             | 124.145       | 124.145    |
| - Subrogation receivables                                                              | -             | 124.145       | 124.145    |
| Total Liabilities                                                                      | 2.678.489     | -             | 2.678.489  |
| Liabilities                                                                            | 2.678.489     | -             | 2.678.489  |
| Liabilities towards insurers for claims, insurance<br>amounts and other agreed amounts | -             | -             | -          |
| Other liabilities                                                                      | 2.678.489     | -             | 2.678.489  |
| Off-balance sheet records                                                              | -             | 124.145       | 124.145    |
| - Subrogation receivables                                                              | -             | 124.145       | 124.145    |
| Total Revenues                                                                         | 813.934       | 3.337.558*    | 4.151.492  |
| Total Expenses                                                                         | -             | 12.802.430**  | 12.802.430 |
| Short-term benefits for key management personnel                                       | 49.838.448*** | -             | 49.838.448 |

Note: The new Supervisory Board of the Company from the moment of its appointment works without compensation in 2020.

\* The total income of Denar 3.337.558 contains income in the amount of Denar 3.293.721 which refers to the previous shareholder and related parties realized in the period from 01 January 2020 to 31 March 2020.

\*\*The total expenses of Denar 12.802.430 refer to the previous shareholder and its related parties and were incurred in the period from 01 January 2020 to 31 March 2020.

\*\*\*Short-term benefits for key management personnel include compensations to previous Supervisory board incurred in the period from 01 January to 31 March 2020.

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail.

# 5. Receivables and liabilities from companies in a group – subsidiaries, associates and joint controlled entities (continued)

Short-term benefits for key management personnel include fees for the previous Supervisory Board, in the period from 01.01.2020 to 31.03.2020.

As at 31 December 2019 and during the year transactions with related parties were as follows:

.....

|                                                        | Key        |                       |            |
|--------------------------------------------------------|------------|-----------------------|------------|
|                                                        | management |                       |            |
|                                                        | personnel  | Other related parties | Total      |
| Total Assets                                           | 909.248    | 96.114.067            | 97.023.315 |
| Receivables                                            | 909.248    | 6.376.687             | 7.285.935  |
| <ul> <li>Receivables from insurers based on</li> </ul> |            |                       |            |
| insurance premiums                                     | 366.298    | 697.061               | 1.063.359  |
| - Other receivables                                    | 542.950    | 5.679.626             | 6.222.576  |
| Investments                                            | -          | 78.998.395            | 78.998.395 |
| - Given deposits                                       | -          | 78.998.395            | 78.998.395 |
| Off-balance sheet records                              | -          | 10.738.985            | 10.738.985 |
| - Guarantees and other forms of warranty               | -          | 10.738.985            | 10.738.985 |
| Total Liabilities                                      | 2.588.587  | 13.032.291            | 15.620.878 |
| Liabilities                                            | 2.588.587  | 2.293.306             | 4.881.893  |
| Liabilities towards insurers for claims,               |            |                       |            |
| insurance amounts and other agreed                     |            |                       |            |
| amounts                                                |            | 15.079                |            |
| - Other liabilities                                    | 2.588.587  | 2.278.227             | 4.866.814  |
| Off-balance sheet records                              | -          | 10.738.985            | 10.738.985 |
| - Guarantees and other forms of warranty               | -          | 10.738.985            | 10.738.985 |
| Total Revenues                                         | 843.402    | 10.811.915            | 11.655.317 |
| Total Expenses                                         | -          | 77.795.257            | 77.795.257 |
| Short-term benefits for key management                 |            |                       |            |
| personnel                                              | 42.586.286 | -                     | 42.586.286 |

#### **Transactions with the National Insurance Bureau**

-

|                                                | 2020       | 2019       |
|------------------------------------------------|------------|------------|
| Investments in joint controlled entities       | 16.081.216 | 16.846.092 |
| Receivables from the National Insurance Bureau | 1.644.484  | 1.829.057  |
| Liabilities to the National Insurance Bureau   | 319.829    | 394.429    |
| Income from investments                        | 550.425    | 427.425    |
| Income from claims proceedings                 | 2.614.757  | 3.426.179  |
| Income from realized subrogation receivables   | 17.248.384 | 16.608.244 |

\_ \_ \_ \_

- - . -

## 6. Data for index of claims, index of expenses and combined index of claims – by classes of insurance

In accordance with the Rulebook on minimal standards for calculation of the technical reserves issued by the Insurance Supervision Agency of the Republic of North Macedonia, the Company calculates the index of claims, the index of expenses and the combined index.

#### Index of claims

The annual index of claims under class of insurance represent the ratio between claims incurred and net earned premiums for certain class of insurance, expressed as decimal rounded to four decimals. The following table shows the index of claims for 2020.

| 31.12.2020                              | Index of claims, | Index od        | Combined Index, |
|-----------------------------------------|------------------|-----------------|-----------------|
| 51:12:2020                              | gross            | expenses, gross | gross           |
| Total                                   | 40,30%           | 43,58%          | 83,88%          |
| accident                                | 53,03%           | 46,10%          | 99,13%          |
| health                                  | 54,95%           | 42,31%          | 97,26%          |
| motor vehicles (Casco)                  | 61,63%           | 55,64%          | 117,27%         |
| railways vehicles (Casco)               | 0,00%            | 0,00%           | 0,00%           |
| aircrafts (Casco)                       | 0,00%            | 0,00%           | 0,00%           |
| vessels (Casco)                         | 0,00%            | 57,70%          | 57,70%          |
| goods in transport (Cargo)              | 6,28%            | 44,61%          | 50,89%          |
| property against fire and other dangers | 8,25%            | 24,71%          | 32,95%          |
| property other                          | 17,18%           | 39,08%          | 56,27%          |
| AO (total)                              | 51,08%           | 49,92%          | 101,00%         |
| aircraft liability                      | 0,00%            | 0,00%           | 0,00%           |
| vessel liability                        | 0,00%            | 45,59%          | 45,59%          |
| general liability                       | 14,72%           | 32,03%          | 46,75%          |
| loans                                   | 0,00%            | 0,00%           | 0,00%           |
| guarantees                              | 0,00%            | 0,00%           | 0,00%           |
| financial losses                        | 12,66%           | 0,00%           | 12,66%          |
| legal protection                        | 0,00%            | 0,00%           | 0,00%           |
| tourist assistance                      | 17,74%           | 51,59%          | 69,33%          |

| 31.12.2019                              | Index of claims,<br>gross | Index od<br>expenses, gross | Combined Index,<br>gross |
|-----------------------------------------|---------------------------|-----------------------------|--------------------------|
| Total                                   | 41,79%                    | 46,54%                      | 88,33%                   |
| accident                                | 72,19%                    | 46,33%                      | 118,52%                  |
| health                                  | 59,90%                    | 45,29%                      | 105,19%                  |
| motor vehicles (Casco)                  | 60,48%                    | 52,29%                      | 112,77%                  |
| railways vehicles (Casco)               | 0,00%                     | 0,00%                       | 0,00%                    |
| aircrafts (Casco)                       | 0,00%                     | 0,00%                       | 0,00%                    |
| vessels (Casco)                         | 0,00%                     | 63,07%                      | 63,07%                   |
| goods in transport (Cargo)              | 13,38%                    | 55,49%                      | 68,87%                   |
| property against fire and other dangers | 16,99%                    | 29,90%                      | 46,88%                   |
| property other                          | 10,42%                    | 40,19%                      | 50,61%                   |
| AO (total)                              | 44,21%                    | 52,93%                      | 97,14%                   |
| aircraft liability                      | 0,00%                     | 0,00%                       | 0,00%                    |
| vessel liability                        | 0,00%                     | 44,55%                      | 44,55%                   |
| general liability                       | 12,21%                    | 37,14%                      | 49,35%                   |
| loans                                   | 0,00%                     | 0,00%                       | 0,00%                    |
| guarantees                              | 0,00%                     | 0,00%                       | 0,00%                    |
| financial losses                        | 0,00%                     | 0,00%                       | 0,00%                    |
| legal protection                        | 0,00%                     | 0,00%                       | 0,00%                    |
| tourist assistance                      | 33,72%                    | 55,49%                      | 89,21%                   |

# 6. Data for index of claims, index of expenses and combined index of claims – by classes of insurance (continued)

| 31.12.2020                              | Index of claims,<br>gross | Index od<br>expenses, gross | Combined Index,<br>gross |
|-----------------------------------------|---------------------------|-----------------------------|--------------------------|
| Total                                   | 49,32%                    | 53,09%                      | 102,41%                  |
| accident                                | 54,79%                    | 48,38%                      | 103,17%                  |
| health                                  | 63,24%                    | 49,42%                      | 112,66%                  |
| motor vehicles (Casco)                  | 62,60%                    | 55,57%                      | 118,17%                  |
| railways vehicles (Casco)               | 0,00%                     | 0,00%                       | 0,00%                    |
| aircrafts (Casco)                       | 0,00%                     | 0,00%                       | 0,00%                    |
| vessels (Casco)                         | 0,00%                     | 57,70%                      | 57,70%                   |
| goods in transport (Cargo)              | 6,37%                     | 45,28%                      | 51,66%                   |
| property against fire and other dangers | 17,61%                    | 60,03%                      | 77,64%                   |
| property other                          | 32,77%                    | 73,73%                      | 106,51%                  |
| AO (total)                              | 52,55%                    | 49,93%                      | 102,48%                  |
| aircraft liability                      | 0,00%                     | 0,00%                       | 0,00%                    |
| vessel liability                        | 0,00%                     | 45,59%                      | 45,59%                   |
| general liability                       | 26,79%                    | 67,32%                      | 94,11%                   |
| loans                                   | 0,00%                     | 0,00%                       | 0,00%                    |
| guarantees                              | 0,00%                     | 0,00%                       | 0,00%                    |
| financial losses                        | 12,66%                    | 0,00%                       | 12,66%                   |
| legal protection                        | 0,00%                     | 0,00%                       | 0,00%                    |
| tourist assistance                      | 17,74%                    | 51,59%                      | 69,33%                   |

| 31.12.2019                              | Index of claims,<br>gross | Index od<br>expenses, gross | Combined Index,<br>gross |  |  |
|-----------------------------------------|---------------------------|-----------------------------|--------------------------|--|--|
| Total                                   | 48,80%                    | 52,91%                      | 101,71%                  |  |  |
| accident                                | 74,87%                    | 47,58%                      | 122,45%                  |  |  |
| health                                  | 67,76%                    | 49,56%                      | 117,31%                  |  |  |
| motor vehicles (Casco)                  | 61,80%                    | 52,99%                      | 114,79%                  |  |  |
| railways vehicles (Casco)               | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| aircrafts (Casco)                       | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| vessels (Casco)                         | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| goods in transport (Cargo)              | 13,60%                    | 55,02%                      | 68,62%                   |  |  |
| property against fire and other dangers | 18,05%                    | 51,22%                      | 69,27%                   |  |  |
| property other                          | 24,97%                    | 66,61%                      | 91,58%                   |  |  |
| AO (total)                              | 45,40%                    | 52,89%                      | 98,30%                   |  |  |
| aircraft liability                      | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| vessel liability                        | 0,00%                     | 44,55%                      | 44,55%                   |  |  |
| general liability                       | 21,48%                    | 57,97%                      | 79,45%                   |  |  |
| loans                                   | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| guarantees                              | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| financial losses                        | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| legal protection                        | 0,00%                     | 0,00%                       | 0,00%                    |  |  |
| tourist assistance                      | 33,72%                    | 55,49%                      | 89,21%                   |  |  |

#### 7. Commitments and contingencies

#### Legal litigations

The Company operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practical to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings including litigations will not have material effect on the Company's results.

#### 7. Commitments and contingencies (continued)

#### Tax risk

Financial statements and the accounting records of the Company are subject to tax control by the tax authorities in the period of 5 years after the submission of the tax report for the financial year and they can cause additional tax liabilities. According the evaluation of the Management of the Company and at the date of these statements no additional terms and conditions exist that may cause contingent liabilities of material significance on such basis.

#### Commitments for procurement of tangible and intangible assets

There are no commitments for procurement of tangible and intangible assets as of the reporting date that are not already recognized in the financial statements.

#### Pension plans

The Company has no defined pension plans for pension contributions or contribution share options As at 31 December 2020 and 2019. The Management considers that the present value for the future employee liabilities in terms of pension contributions and jubilee awards are of no material significance for the financial statements As at 31 December 2020 and 2019.

#### 8. Events after the reporting period

After 31 December 2020 – the reporting date until the approval of these financial reports, except for the above, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.

Annual Report on operation



### ANNUAL REPORT

# On Operations of EUROLINK Insurance Inc. Skopje 2020

Skopje, February 2021

#### Contents

| INCORPORATION and SHARE CAPITAL                         | 4  |
|---------------------------------------------------------|----|
| CORPORATIVE MANAGEMENT                                  | 4  |
| ORGANIZATIONAL AND BUSINESS NETWORK STRUCTURE           | 5  |
| EMPLOYEES AND HUMAN RESOURCES DEVELOPMENT               | 6  |
| MARKETING, PUBLIC RELATIONS AND SOCIAL RESPONSIBILITY   | 10 |
| CERTIFIED INDEPENDENT AUDITOR DATA                      | 12 |
| CLASSES OF INSURANCE                                    | 13 |
| ECONOMIC ENVIRONMENT                                    | 13 |
| BUSINESS POLICY                                         | 22 |
| COMPANY'S OPERATIONS ANALYSIS                           | 23 |
| Company's Activities                                    | 23 |
| Sales Network                                           | 23 |
| Collection of Receivables                               | 26 |
| Reinsurance                                             | 32 |
| Claims                                                  | 32 |
| Information Technology Upgrade                          | 36 |
| FINANCIAL RESULT ANALYSIS                               | 37 |
| Net Income from Premiums                                | 37 |
| Investment Income                                       | 37 |
| Other insurance technical income                        | 39 |
| Other revenues                                          | 39 |
| Claims                                                  | 40 |
| Bonuses and Discounts Expenses                          | 41 |
| Insurance Management Expenses                           | 41 |
| Management Bodies Expenses                              | 43 |
| Other Insurance Technical Expenses                      | 43 |
| Value Adjustment of Receivables from Insurance Premiums | 44 |

| Other Expenditure including Value Adjustment                  |    |
|---------------------------------------------------------------|----|
| Profit                                                        |    |
| FINANCIAL SITUATION ANALYSIS                                  |    |
| Investments                                                   |    |
| Gross Technical Provisions Based on Reinsurance               |    |
| Receivables                                                   |    |
| Other Assets                                                  | 50 |
| Active Time Apportionments                                    | 50 |
| Capital and Reserves                                          |    |
| Gross Technical Provisions                                    | 51 |
| Deferred and current tax liabilities                          |    |
| Liabilities                                                   |    |
| Passive Time Apportionments                                   |    |
| RISK MANAGEMENT                                               | 55 |
| Solvency Margin                                               | 55 |
| Company's Reserves                                            | 55 |
| Investment of Technical Provision Covering Assets             |    |
| Insurance and Financial Risk Management                       | 56 |
| Capital Management                                            | 59 |
| ANNEXES                                                       |    |
| Annex 1–INCOME STATEMENT                                      | 63 |
| Annex 2 – BALANCE SHEET                                       | 67 |
| Annex 3 - SOLVENCY MARGIN REQUIRED LEVEL – NON-LIFE INSURANCE | 73 |
| Annex 4 - ESTIMATE OF THE CAPITAL                             | 74 |
| Annex 5 - INVESTMENT OF TECHNICAL RESERVE COVERING ASSETS     |    |

#### **INCORPORATION and SHARE CAPITAL**

Eurolink Insurance Inc. Skopje was incorporated on 21 November 2002, when registered in the Trade Register under the registration number 4805/2002.

Company's main activity is property insurance - 66.01/2. The Company is registered under the following group and class:

- Group 65.01 Insurance
- Class 65.12 Non-life Insurance

The Company was incorporated by a foreign investment – capital to the amount of 3,200,000 EUR, divided into 3.200 ordinary shares, at a nominal value of 1,000 EUR per stock. Gofi-Group of finance and investment SA-Melide, Switzerland and Pomagi-SA-Lugano, Switzerland, or the total capital to the amount of 3,200,00 EUR divided on 3.200 ordinary shares.

In February 2009, a change in the Company's ownership structure was made, the shareholder, Gofi-Group of finance and investment SA-Melide, Switzerland, becoming the owner of 100 percent of the Company's shares.

As a result of the change in the ownership structure, the Company was transformed into a Joint Stock Company of a Sole Shareholder. No changes were made in the share capital and the number of issued shares.

In March 2020, a change of the ownership structure was made. Namely, Grazer Wechselseitige Versicherung Aktiengesellschaft AG with a head office at Herrengasse 18-20, 8010, Graz, Republic of Austria became the owner of 100% of the Company's shares and became the new sole shareholder.

Company's head office is in Skopje, at 2 Nikola Kljusev St.

#### **CORPORATIVE MANAGEMENT**

In the course of year 2020, the Company's managing bodies carried out activities within their terms of office as specified by laws and by the Company's Statute, providing exercise of rights of the sole shareholder, division of authority, regular and effective monitoring and audit, independence, objectivity and transparency of operations of bodies and officers, abidance by law and ethic standards, as principles of a good corporate governance.

**Shareholder's Assembly** held one regular meeting in the reporting year – the Annual Meeting, at which the sole Shareholder reviewed and adopted consolidated Financial Statements and Annual Account for 2019, the Annual reports and suggested materials. In addition, the Shareholder approved the operations of the Management and Supervisory Boards and appointed independent auditors for conducting external audit of the Financial Statements and the Annual Account for 2020. At the

Annual Meeting, a resolution on amendments to the Company's Statute was passed, whereby the number of members of the Supervisory Board was reduced from five to three and a new composition of the Supervisory Board was elected for a 5-year term of office. One of the significant changes the new Shareholder made was introduction of a collective representation of the Company towards third parties by at least two members of the Management Board at the same time. In addition, the Statute introduced a division of specific responsibilities for each of the Management Board members, prescribing that the representation and signing on behalf of the Company would be made by the President of the Management Board and a member of the Management Board who would be responsible for his/her respective domain of duties.

**Supervisory Board** held 8 meetings, 4 of which in the old and 4 in the new composition. New members of the Supervisory Board including Mag. Klaus Scheitegel, Mag. Gerald Gröstenberger and Dr. Othmar Ederer – as an independent member held their first statutory meeting on 12 June 2020. At their meetings, SB members discussed various relevant issues with respect to the Company's operations and passed decisions thereof.

**Management Board**in the course of 2020continually carried out its activities pursuant to the Insurance Supervision Law, the Company's Statute and other documents, holding 21meeting andmaking decisions related to the Company's operations.

Management Board had5 members employed in the Company as heads of departments with special authorizations, the 4 of them reelected in 2018 for 4-year term of office, including:

Marija Tomeska, a President; Herman Zip, a Deputy President and a Director of the I&R Department; Irena Velkoska Spirovska, a Deputy President and a Director of the Claims Department: Maja Bogdanovska Stojanoska, a Member and a Director of the Financial Department, while Cvetko Delev, a Member and Assistant Director of the I&R Department was a elected a Member at the Supervisory Board's meeting held on 12 June 2019. At the meeting held on 23 September 2020, the Supervisory Board prevoked the decision passed by the previous composition of the Supervisory Board by which two members had been appointed Deputy Presidents – Herman Zip and Irena Velkoska Spirovska and passed a new decision on appointing Herman Zip a Deputy President of the Management Board.

#### ORGANIZATIONAL AND BUSINESS NETWORK STRUCTURE

The Company is organized in Departments, as follows:

- Financial Department
- Accounting Department
- Department of Legal Matters & Law Compliance
- HR Department

- Marketing and PR Department
- IT Department
- Insurance & Reinsurance Department
- Sales Department
- Claims Assessment & Settlement Department
- Certified Actuary as an independent and law defined body
- Certified Internal Auditor
- Claims Supervisor and
- Risk Management Sector

There is Collection Service operating under the Financial Department.

There is a Client Support Service operating under the Sales Department.

Insurance & Reinsurance Department includes Property and Transportation Insurance Sector and Accident and Liability Insurance Sector.

Claim Assessment Department has two Sectors - Assessment of Motor Claims and of Property Claims.

As at 31 December 2020, the Company included 42 business units out of which 12 were branches and 30 offices.

#### EMPLOYEES AND HUMAN RESOURCES DEVELOPMENT

In the course of 2020, the Company carried out recruitment in the business units in accordance with the Operations Plan and as needed.

Number of employees as at 31 December 2020 amounted to 205 full-time employees, which is5% decrease compared to 2019 (2019: 217 employees). With respect to qualifications, 127 employees have a higher education degree, 1 employee holds PhD D, 7 hold MS degree, and 70 with secondary school degree.

#### **RECRUITMENT AND SELECTION**

In February 2020, 8 new consultants started their 3-day training in the Sales Department organized by the HR Department. The training included a general picture of the insurance market, classes of insurance, sales strategy 2020 and products we offer. Due to COVID 19 crisis, the Company decided not to prolong their engagement contracts after 3 months. Two of those employees were re-engaged in the second half of 2020. In addition, sales personnel were engaged by opening new offices in Karpos – Skopje, in Prilep and in Krusevo.

Two new employees were engaged in the Claims Department, one in the Financial Department and a risk management expert the newly opened Risk Management Sector.

#### **EVALUATION – A KEY TOOL FOR ADVANCEMENT OF EMPLOYEES**

#### QUARTERLY EVALUATION OF MANAGERS

Evaluation of branch managers was made for the fourth year in a row. In addition to key indicators of performance, the evaluation in the reporting year also included a development of 7 key competencies of the sales managers.

<u>Key performance indicators</u> included: realization of work plan, scope of policy renewals, scope of creating new opportunities in the CRM system, scope of task processing in the CRM system and volume of realization of promotional sales.

<u>Key competencies</u> under evaluation included: Initiative, adaptability and flexibility, accountability, sales team managing, focus on clients, problem situation approach, learning and development.

In 2020, evaluations were carried out for the last 2 quarters due to the situation with COVID-19. Interviews about the evaluation results were made online with each respective manager.

#### EVALUATION OF CONSULTANTS/EXPERTS

Due to COVID-19, evaluations were made in the last two quarters of the reporting year.

Managers send their evaluations to HRD where the results are archived. They also coordinate with the Accounting Department and IT Department for further processing and getting effects thereof. Key evaluation segments remain the same – realization of plan and renewals, new insurances and promotional sales, CRM activity, field activity. As a result of the efforts of managing the CRM system, it has become a daily tool for their activities.

#### QUARTERLY MONITORING OF THE OPERATIONS OF CONSULTANTS/EXPERTS

Each quarter sales consultants and experts receive written information about their performance with regard to their scheduled targets.

This activity has been introduced for the purpose of making a continuing system of result monitoring that would show underperformance and/or motivate the employees to improve their result in the period to come.

#### EVALUATION OF ADMINISTRATIVE EMPLOYEES

Evaluation of the administrative employees is regularly made on a 6-month basis. Evaluation in 2020 was made for the 2/2 of the year. Evaluations were processed and new performance indicators introduced regarding certain positions based on opinions given by clients and employees and new tasks specified in accordance with job positions. Introduction of evaluation mark based on clients'

satisfaction is a novelty that has been introduced and will be implemented and applied for all Departments.

Evaluation process automation is under progress at present. It would serve as a tool including electronic filling in and approval of evaluations along with archiving and making analytics.

#### ADVANCEMENT AND DEVELOPMENT PROGRAMMES AND ACTIVITIES

#### PROGRAMME FOR ADVANCEMENT OF KNOWLEDGE of PRODUCTS AND SERVICES

The programme for the advancement of knowledge about products and services was implemented in collaboration with the Sales Department and the Insurance & Reinsurance Department. The main objective of the programme is to advance, recognize and reward the excellent knowledge of the Company's products and services. It includes testing of the employees in the sales network with a view to raising and maintaining a high level of technical knowledge and obtaining uniformity of skills and professionalism of our sales network.

In December 2020, testing was carried out of the whole sales network, the average mark being 77 out of total 100. As regards reporting year, 9 colleagues achieved the best category and they would enjoy benefits intended for the employees scoring the excellent test results.

#### ACTIVITIES IN THE PROCESSS OF SALES NETWORK MANAGEMENT

For the purpose of having a busy agenda in the course of a work day of the sales network, as well as for their growth and development, documents and tools had been prepared to enhance team productivity and effectiveness and enable a better dialogue between respective manager and each member of the team:

- 1. Manual for Successful Branch Office Managers
- 2. Manual for Successful Consultants/Experts
- 3. Calendar of Controlling Visits
- 4. Controlling Team Visit Agenda
- 5. Regional Coordinator Visit Agenda
- 6. Controlling Visit Report
- 7. Sales Network Continuous Rewarding Programme
- 8. Evaluation Forms

As a result of the COVID – 19, controlling visits were held online from March until December 2020.

#### EMPLOYEES TRAINING AND EDUCATION

Training and education with a view to improving professional skills of the sales network and of the branch office managers continued in 2020, too.

Prior to health crisis, activities for coping with and overcoming psychological barriers among insurance agents had been initiated and they had to be cancelled in order that efforts are focused

on training the sales network for online communication through platforms. Two such trainings were carried out – one intended for online communication and the other for telephone and online selling.

In collaboration with CEED Macedonia, HR Department coordinated two specific trainings for branch office managers and directors of departments, Coaching 1 and Coaching 2, in the topic of important managerial tools, key steps in coaching, and differences between coaching and similar areas (mentoring, consulting, training, psychotherapy).

#### SELF-TRAINING SESSIONS

In the period when this report was being written, HRD introduced an innovative training method by means of self-training of the employees. The programme includes booklets and term and conditions of current products, e-books in the field of psychology, communication, team work, collegiality etc.

Administrative employees attended trainings held online by outsourcing trainers as needed. In addition, the HRD started to draw up education form that would serve for identifying any needs for training.

#### VIRTUAL MEETINGS OF EUROLINK INSURANCE EMPLOYEES

Upon the onset of the pandemic, HRD introduced a novelty in the Company's functioning by implementing virtual meeting of its employees. News in the domain of operability with respect to working from home, obligations and duties, expectancies, as well as sharing experiences about the new way of working, psychological consequence of the pandemic and advices for coping with them were presented. During sessions, the employees had opportunities to raise questions and receive answers from the President of the Management Board and the Eurolink management team.

#### MANUAL FOR THE EMPLOYEES

The manual for the Eurolink employees sets responsibilities and benefits of the employees. It includes the main operative procedures, rights and obligations of the employees, key products, management structure, employment, reimbursements and benefits, personnel development, trainings and workshops. The manual is primarily intended for the newly employed as the first step of the process of their introduction to work and getting knowledge of the Company's organizational culture.

#### UPDATING OF THE INTRANET PAGE

In the course of the 1 half of 2020, HRD worked on changing and finalizing the Company's intranet page. This page is regularly updated with current activities concerning the employees (information of the best employees per quarters, videos, topical articles, rulebooks and training materials).

#### **REWARDING PROGRAMMES**

SALES NETWORK CONTINUOUS REWARDING PROGRAMME

It is a document specifying activities aimed at motivating the sales network thus contributing to boosting satisfaction of the current employees and attracting new, good quality human resources. Activities include:

- Annual choice of the best consultant, expert and branch office manager and
- Quarterly choice of the best consultant, expert and branch office manager.

Due to the health crisis, such choice was made in the last 2 quarters of 2020.

#### COMPETE AND TRAVEL PROGRAMME

Due to health crisis, only one semi-final competition was organized in the second half of 2020. The best agents and managers would travel to Graz, Austria. The basic objective of the programme is to increase selling of insurance policies by rewarding the best in the sales network and to enhance motivation for success and satisfaction working in the sales department. In addition, two employees of the administrative departments, who got the best marks by the employees – 4 or higher -would also travel.

#### MARKETING, PUBLIC RELATIONS AND SOCIAL RESPONSIBILITY

Marketing and PR Department drew up **Annual Plan on Marketing, PR and CSR** including all necessary analyses, strategic guidelines and selected channel and communication tools with a view to reaching set targets and harmonizing with the Plan on Sales Actions 2020.

Realization of the plan started with an advertising campaign for **DOMI Set – Household Insurance** with an accent on advantages from signing loyalty contracts and on educational activities as regards the ultimate benefit of the household insurance.

With onset of the **health crisis** in March 2020 there was an urgent need to revise the projected plan on marketing, PR and CSR and create an **Emergency Communications Plan**. A revision, cutting and optimizing of all expenses was made wherever possible. Advertising and promotion of products was reduced for the benefit of intensified communication on facilitated conditions the company introduced regarding insurances, such as prolongation of expiry dates of insurance policies, prolongation of payment deadlines, information about notice of losses on-line, payment and payment by instalments on-line, e-sale of policies, telephone support 24/7 etc. All scheduled activities regarding CSR were fully cancelled as a result of introduced measures for coping with the health crisis.

In the peak of the health crisis in the course of Q2, it was needed to enable a good quality and productive internal as well as external communication. It resulted in idea for introducing the **First Online Insurance Branch Office** – an interactive communication platform, enabling the clients to establish a video communication with our insurance consultants without coming to our offices thus

exposing themselves to risks. This solution was an innovation on the market and it was publicised through various communication tools – press releases, social network posts, video tutorials etc.

A gradual recovery of daily private and business activities became more visible in the course of Q3 and Q4 and, notwithstanding measures and restrictions still present, thus enabling more space for intensified communication both through promotion of our product and services and for having more favourable circumstances under which to introduce scheduled new products. To that end, we focused on a **direct communication** with clients communicating customized offers and promotional terms and conditions for various classes of insurance. A new **Social Media Communication Strategy** was created along with a plan for intensified advertising arising from marketing agreements.

The reporting period included various significant activities:

- Month of sales promotions and Back to Eurolink Sales promotions carried out by the Sales Department backed by the Marketing and PR Department through solutions for a direct communications, direct mail, BTL etc.;
- Promotion of the new web site selling oriented, easier to use, with new design and contents;
- Enhanced covers for travel insurances including cover for COVID 19 a promotion of unique covers for the insured persons who have to travel under circumstances of COVID 19 pandemic. It was publicised through press releases, on TV and radio media, social networks, interviews etc.;
- **Bike and Bicyclist Insurance** a new product, unique on the market, which, in addition to accident insurance and liability to third parties, offers a cover against the risk of theft. It was publicised in digital, social and printed media etc.;
- **18 years of Eurolink Insurance** the jubilee was marked by granting 18 bike insurance policies through social media.

### CHANGE OF THE OWNERSHIP STRUCTURE AND SOFT REBRANDING

In the course of 2020, the ownership structure was changed, the process being concluded on 31 March 2020. In this context, a **semi-annual plan for communication with public** was drawn up with a view to publicly presenting the changes and advantages gained by coming of the new owner. To this end, we made:

• Soft rebranding of the Eurolink Insurance logo that was gradually being applied in the Company's materials:



- Direct communication with clients via SMSs and letters
- Interview Mag. Klaus Scheitegel, the new President of the Supervisory Board of Eurolink Insurance and Mag. Marija Tomeska, the President of the Management Board of Eurolink Insurance
- Landing page with information about the change, new owner, future plans and advantages for clients

#### **INTERVIEWS in 2020**

- In the framework of public relations,**twobig interviews** with the top management can be singled out amount other realized in the course of the reporting period:
- Interview with Marija Tomeska, the President of the Management Board of Eurolink Insurance on the topic of E-Trade Association in the RNM and on the first online insurance branch office and
- The abovementioned mega interview in the Mag. Klaus Scheitegel, the new President of the Supervisory Board of Eurolink Insurance and Mag. Marija Tomeska, the President of the Management Board of Eurolink Insurance in the Economy and Business Magazine.

In addition, management team and other employees with various functions in the company gave several interviews or participated in various radio and TV broadcasts, TV coverage etc.

#### SPONSORHIPS AND DONATIONS

Eurolink Insurance significantly cut down the funds allocated for donations and sponsorships. Nonetheless, several important co-operations were realized, as follows:

- 1. Donation of used computers to schools,
- 2. Sponsorship for filming a feature film by Darian Peovski as a director;
- 3. Support to the Museum of Contemporary Arts through sponsorship
- 4. Sponsorship to the E-Trade Association for the Third Annual Conference on E-Trade held online.

#### CERTIFIED INDEPENDENT AUDITOR DATA

The Company's sole shareholder, Grazer Wechselseitige Versicherung Aktiengesellschaft, AG at the General Meeting of the Shareholder appointed KPMG Makedonija DOO Skopje to conduct an independent audit of the Company's Annual Account and Financial Statements for the business year 2020.

#### **CLASSES OF INSURANCE**

In accordance with the Decision No. 18-16582/6 dated 11 November 2002 and 18-2491/6 dated 30 March 2004, issued by the Ministry of Finance, the Company performs its operations in the following classes of insurance:

- 1. <u>Accident Insurance</u> (including industrial injuries and occupational diseases) in the event of death or deteriorated health resulting from injury
- 2. <u>Health Insurance</u>
- 3. <u>Motor Insurance (Casco)</u>
- 4. Rail VehicleInsurance of Rail (Casco)
- 5. <u>Aircraft Insurance (Casco)</u>
- 6. <u>Vessel Insurance of (Casco)</u>
- 7. Goods-in-Transit Insurance (cargo)
- 8. Insurance of property against fire and natural perils
- 9. <u>Other Property Insurance</u>
- 10. <u>Motor Third Party Liability Insurance;</u>
- 11. <u>Aircraft LiabilityInsurance</u>
- 12. Vessel Liability Insurance
- 13. <u>General Liability Insurance</u>
- 14. <u>Credit Insurance</u>
- 15. <u>Warranty Insurance</u>
- 16. <u>Financial Loss Insurance</u>
- 17. <u>Legal Protection Insurance</u>
- 18. <u>Travel Assistance</u>

#### **ECONOMIC ENVIRONMENT**

In 2020, the world faced the greatest challenge in the last century, the health crisis caused by COVID-19 virus. It only took two months the health crisis to spread worldwide and to become an economic and humanitarian crisis by disturbing the global supply chains and restrictive health measures.

In the course of 2020, the substantial worsening of the global economic environment and drop in the foreign demand caused by the health crisis affected activities of domestic export companies and

industrial production, inflow of private transfers from abroad, while restrictive measures for prevention of spreading the corona virus in our country had an impact on the part of the businesses in the service sector, such as trade, transportation, catering and tourism. As a result, both domestic and global economy was facing one of the deepest recessions so far.



Chart1Real growth of GDP and contributions to expenditure components (percentage points)

Source: Draft Budget of the Republic of North Macedonia for 2021

The fastest and the most severe impact was made on economies having tourism as a primary activity. For instance, Montenegro with -14.9% drop and Croatia with -8.8% drop had the biggest fall in GDP in the first three quarters of 2020, showing an enormous drop in the second quarter -20.3% and -15.4% respectively, i.e., with the onset of restrictive health measures. The Republic of North Macedonia had -5.6% fall of the economy in the first three quarters, placing itself in the middle of the list of Western Balkan countries according to the economic result and being slightly better than the average fall of the GDP in the EU-27, which amounted to -6.9%.

GDP fall in the RNM for the whole 2020 is expected to be -4.4%, while in 2021 a steady recovery of domestic economy is expected, the rise of GDP being forecasted 4.1%.

Disturbances in global supply chains had an unfavourable impact on the foreign trade exchange, industrial production, trade etc. Most of the countries in the region showed negative results in their industries even in the first three months of 2020, to further have a serious reduction in the industrial production in the Q2.

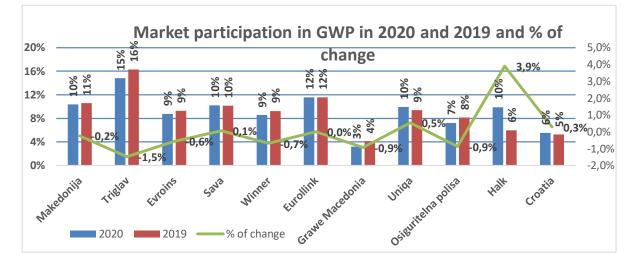
With regard to other economic fundaments, the crisis impact depended on the structure of economies and their condition prior to escalation of the crisis. For instance, unemployment rate in the most of the countries increased in the course of 2020, varying from quarter to quarter depending on the government intervention by means of anti-crisis measures. As to our country, unemployment in the Q1 of 2020 had downward tendency, to slightly increase in the Q2, and to slightly fall in the Q3. It was primarily due to anti-crisis measures taken with a view to keeping job positions by giving subventions for employees' salaries and subventions for social insurance contributions as well as by

providing various financial exemptions offered to businesses for the purpose of maintaining their operations in the time of crisis.

#### **NON-LIFE INSURANCE MARKET**

In accordance with the initially consolidated data FOR 2020 received from NIB, the total non-life insurance market wrote premiums to the amount of 8, 33 billion MKD thus having a 5% decrease compared to 2019.

In 2020, 11 non-life insurance companies were present in the market, 4 of them exceeding the threshold of participation of more than 10% of the gross written premiums (the same 4 companies as in 2019 – Triglav, Eurolink, Makedonija and Sava), while 2 of them almost at that threshold (Halk with 9.84% and Uniqa with 9.94%). The Company had 11.57% marketshare and remained the second ranking in the insurance market throughout the reporting year, right behind Triglav Insurance.



Tabular chart of the total non-life insurance market regarding changes in the market share (comparative % of the market share 2020 versus 2019) show that all insurance companies had falling tendency of GWP except two companies (Uniqa and Halk Insurance).

In terms of overall situation in the insurance market, the biggest increase in gross written premiums was shown in the class of Health Insurance (45%). Positive trends were present in the following classes, too: Accident (8% increase), Vessel – Casco (95%), Goods-in-Transit (4%), Fire and Allied Perils (2%), other Property Insurances (7%), Credit (95%) and Legal Protection (60%). Negative tendencies were present in Motor – Casco (-2%), Aircraft – Casco (-83%), MTPL (-10%), Aircraft Liability (-53%), Vessel Liability (-12%), General Liability (-7%), Financial Loss (-4%), Warranty (-57%) and Travel Assistance (-65%).

As a comparison, in the classes that showed increase at the insurance market level, our Company had a high increase in the following classes:Health Insurance with 30% with realization of GWP by 26.000.000 MKD more than the previous year( compared to 45% increase, or by 84.763.000 MKD at the total market level), Fire and Allied Perils (25% compared to 2% increase at the total market level),

other Property Insurances (16% compared to 7% at the total market level) and Vessel Insurance (- 22% compared to - 12% decrease at the total market level.

### Gross Written Premiums in 2020 and 2019 and Percentage of Increase at the Total Market Level and at the level of Eurolink

|     |                                      |         |           |                |                    |              |           | (In 000 MI     | KD)                |  |
|-----|--------------------------------------|---------|-----------|----------------|--------------------|--------------|-----------|----------------|--------------------|--|
| No. | Class of Insurance                   |         | Euroli    | nk             |                    | Total Market |           |                |                    |  |
|     |                                      | 2020    | 2019      | % of<br>change | absolute<br>change | 2020         | 2019      | % of<br>change | absolute<br>change |  |
| 1   | Accident                             | 133.116 | 133.592   | 0%             | -476               | 748.395      | 694.160   | 8%             | 13.821             |  |
| 2   | Health Insurance                     | 112.795 | 86.766    | 30%            | 26.029             | 273.649      | 188.886   | 45%            | 63.177             |  |
| 3   | Motor Vehicles - Hull                | 83.717  | 94.218    | -11%           | -10.501            | 823.735      | 838.236   | -2%            | 40.836             |  |
| 4   | Rail Vehicles- Hull                  | 0       | 0         |                | 0                  | 0            | 0         |                | -                  |  |
| 5   | Aircrafts - Hull                     | 2.483   | 7.235     | -66%           | -4.752             | 9.084        | 53.321    | -83%           | 24.100             |  |
| 6   | Vessel - Hull                        | 74      | 106       | -30%           | -32                | 1.104        | 565       | 95%            | -119               |  |
| 7   | Goods-in-Transit -Cargo              | 4.983   | 5.740     | -13%           | -757               | 84.696       | 81.563    | 4%             | 2.617              |  |
| 8   | Property from Fire and Allied Perils | 124.865 | 100.121   | 25%            | 24.744             | 768.207      | 751.601   | 2%             | 164.619            |  |
| 9   | Other Property Insurances            | 76.911  | 66.510    | 16%            | 10.401             | 1.092.263    | 1.020.798 | 7%             | -111.008           |  |
| 10  | MTPL (total)                         | 357.363 | 416.215   | -14%           | -58.852            | 4.136.299    | 4.577.079 | -10%           | 263.237            |  |
| 11  | Aircraft Liability                   | 1.617   | 2.647     | -39%           | -1.030             | 6.787        | 14.336    | -53%           | 7.667              |  |
| 12  | Vessel Liability                     | 415     | 341       | 22%            | 74                 | 2.709        | 3.063     | -12%           | 428                |  |
| 13  | General Liability                    | 53.025  | 61.499    | -14%           | -8.474             | 211.971      | 226.948   | -7%            | 14.793             |  |
| 14  | Credit Insurance                     | 0       | 0         |                | 0                  | 25.158       | 12.927    |                | 9.404              |  |
| 15  | Warranty Insurance                   | 72      | 135       | -47%           | -63                | 536          | 1.241     | -57%           | -4.008             |  |
| 16  | Financial Loss Insurance             | 274     | 293       | -6%            | -19                | 64.478       | 67.203    | -4%            | -2.385             |  |
| 17  | Legal Protection Insurance           | 0       | 0         |                | 0                  | 8            | 5         |                | -7                 |  |
| 18  | Travel Insurance                     | 11.869  | 37.651    | -68%           | -25.782            | 76.325       | 220.693   | -65%           | 7.700              |  |
|     | Total                                | 963.579 | 1.013.069 | -5%            | -49.490            | 8.325.404    | 8.752.625 | -5%            | 494.872            |  |

With respect to market share in various classes of insurance, the Company remained its primacy in General Liability Insurance with 25% out of the total written premiums and in Accident Insurance with 19%, keeping its leading position from the preceding year, as well as in the Health Insurance with 41% share out of the total market level.

#### Analysis of the pandemic with respect to the Company's operations

World Health Organization declared COVID-19 pandemic on 11 March 2020, as a result of which many countries and the Republic of North Macedonia being among them, took measures to prevent further spreading of the disease thus restricting movements. These measures had an impact both on daily life and on economic activity.

The President of the Republic of North Macedonia declared a state of emergency in the period from 18 March until 30 May 2020 and the Government of the republic of North Macedonia declared a state of crisis for a 30-day period as of 20 November 2020 for the purpose of protecting the public health, In addition, the Government passed a set of measures and recommendations for coping with the crisis with respect to the private sector and the citizens. The most important measures are as follows:

- Recommendation for enabling employees to work from home depending on the type of job, as well as providing additional security persons in markets, banks and pharmacies in order to control the number of people in the premises and to keep safe distance;
- Recommendation to banks for an early payment of pensions;
- Subsidy for wages of employees in affected industries
- Price freeze for basic produces
- Freeze on enforced collection until the end of June 2020, including temporary suspension of enforcement agents' orders;
- Ban on opening bankruptcy proceedings in the time of the crisis and 6 months following the crisis;
- Delay in profit prepayment until March 2021 for companies having decreased revenues of more than 40%;
- Regulations on amendments to Obligations Law prescribing decreased interest rate by 50% for debtors i.e., decrease in the default interest rate by 4% (referential interest rate by +5% for the companies and +4% for the population);
- State credit guarantee amounting to 10 million euros by means of which the economy will have 65 million euros worth credits available, for easier access to cheap financial resources, through taking over a apart of the credit risk;
- Prolongation of the period for covering losses carried forward to future profits to five instead of three years, effective in 2020 and 2021;
- Recognition of expense for private health insurance and expenditure for COVID-19 testing as tax recognized expenditure;
- Exemption from profit tax and personal income tax for expenses incurred for employees
  referring to additional qualification and team building. Personal income tax on expenses for
  employees related to training, qualifications, obtaining licenses will be cancelled, which will
  enable improvement of the quality of labour the companies dispose of, and with a law
  prescribed amount for these expenses in effect as of 1 January 2021;
- Various types of grants, vouchers for targeted segments stricken by the crisis etc.

Insurance Supervision Agency took measure for supporting the insurance industry and at the meeting of the Council of Experts held on 14 April 2020 adopted a Rulebook on amendments to the Rulebook on the method evaluation of items in balance sheet and preparation of business balances.

According to this Rulebook applied to financial statements as of 30 June 2020 until 31 December 2020, insurance companies make new classifications of receivables depending on the period of arrears in fulfilment of obligations on the part of debtors, the period specified in the old rulebook being prolonged for additional 60 days in each separate category. According to assessments of the Company's management, the effects of the implementation of the new Rulebook in respect of the old Rulebook regarding the method of evaluation of items in the balance sheet and preparation of business balances, which has been reapplied as of 1 January 2021, are difference of the additional expense for adjusted receivable to an approximate amount of 10 million MKD, which would have been recognized in the Income Statement if the change had not been made as mentioned above.

In the course of 2020, from the moment the COVID-19 pandemic was declared, during the stet of emergency, as well as to the end of 2020, the Company maintained its continuity of operations by organizing a working process in accordance with governing rules in the said period of time.

Nonetheless, the pandemic had a huge impact on the insurance industry, the gross written premiums showing 4.88% fall compared to 2019. The most affected classes of insurance were MTPL with 9.63% decrease and Travel Insurance with 65.42% decrease compared to 2019. In addition, the pandemic also had an impact of gross paid claims, showing a 3.13% decrease compared to 2019.

Effects of the pandemic on the Company's results are within the framework of the effects on the industry both at the level of total gross written premiums and of individual classes of insurance, i.e., the total gross written premiums in 2020 show 4.8% decrease compared to 2019, while gross paid claims show 3.8% decrease compared to 2019. The Company, however, continued its strategy and activities with a view to achieving growth in other non-mandatory classes of insurance and kept leading its prudent policy with regard to assessment of the volume of the Company's technical provisions as at 31 December 2020.

#### Expectancies of the impact of COVID-19 pandemic in 2021

According to projections made by the National Bank of the Republic of Macedonia in the macroprojections in November 2020, a drop in the GDP for 2020 was predicted to be -4.9% (compared to projections of -3.5% made in April) and approximately 4.7% recovery of the economy in 2012 (contrary to 3.9% projections made in April). Estimates for the period 2021-2023 forecast prolonged effects of the pandemic, the key influence being the duration of the pandemic. Prolonged effects are expected to be more intensely present in the first half of 2021, recovery expected to follow later on. In addition, the Company's operations are expected to be slightly better in 2021 with a gradual improvement of the performances in the 'affected' classes of insurance, which were directly dependent on the restricted movement measures (domestic and international). Certainly, this is subject to relaxing of the travelling instructions.

The Company will maintain its stable liquidity position and it is not expected to be jeopardized, and will continue with its prudent policy of risk management, i.e., the prudent policies of the assessment of technical provisions, credit and liquidity risk management, and, of course, the risk of insurance will remain the Company's imperative with a view to generating a stable and good quality insurance and investment portfolio and stable revenues.

\* \* \*

In addition to the main challenge - unfavourable macroeconomic surrounding, as a result of the health crisis, which more or less had a negative impact on all sectors of the economy in 2020, the Company also faced several <u>major challenges</u>, as follows:

- Drop in the MTPL class (due to low commissions and unfair competition and mostly due to non-selling of Green Card) as well as in the Travel Insurance due to closed borders and late inclusion of the risk of COVID-19) (which was made in October, unlike the competition);
- Problems in renewals of property insurance policies as a result of partnerships of banks with other insurance companies (non-acceptance of our insurance policies);
- Aggressive approach to the market by the competition including dumping prices of the insurance products;
- Prolongation of interest rate downward tendency, as well as strong volatility and oscillations in the global financial marketscaused by the health crisis – decreased profitability of the investment portfolio;
- Lack of increasing purchasing power of the physical persons and serious liquidity disturbances of the legal entities, resulting in considerably reduced collection of receivables;
- Reservation of additional assets as a result of bankruptcy of one of the banks the Company kept deposit in.

| No. | Gross Written Premiums 1 January 2020 31 D | Non-Life |           |                     |                 |                 |          |         |         |            |         | Total   |           |
|-----|--------------------------------------------|----------|-----------|---------------------|-----------------|-----------------|----------|---------|---------|------------|---------|---------|-----------|
|     | Class of Insurance                         | WIG      | Triglav   | Evroins             | Sava            | Winner          | Eurolink | Eurosig | Uniqa   | Os. Polisa | Albisg  | Croatia |           |
| 1   | Accident                                   | 84.864   | 121.866   | 30.226              | 85.721          | 37.523          | 133.116  | 13.325  | 60.224  | 36.611     | 65.946  | 78.973  | 748.395   |
| 2   | Health Insurance                           | 2.251    | 70.296    | 15.883              | 10.531          | 2.385           | 112.795  | 0       | 14.969  | 136        | 31.489  | 12.914  | 273.649   |
| 3   | Motor Vehicles - Hull                      | 66.047   | 147.837   | 55.365              | 143.997         | 49.273          | 83.717   | 8.283   | 67.247  | 90.384     | 58.718  | 52.867  | 823.735   |
| 4   | Rail Vehicles- Hull                        | 0        | 0         | 0                   | 0               | 0               | 0        | 0       | 0       | 0          | 0       | 0       | 0         |
| 5   | Aircrafts - Hull                           | 0        | 0         | 0                   | 0               | 6.601           | 2.483    | 0       | 0       | 0          | 0       | 0       | 9.084     |
| 6   | Vessel - Hull                              | 6        | 309       | 21                  | 121             | 347             | 74       | 0       | 49      | 124        | 53      | 0       | 1.104     |
| 7   | Goods-in-Transit -Cargo                    | 22.012   | 25.625    | 8.694               | 2.672           | 3.755           | 4.983    | 0       | 11.402  | 693        | 3601    | 1.259   | 84.696    |
| 8   | Property from Fire and Allied Perils       | 125.571  | 73.170    | 185.320             | 59.910          | 15.659          | 124.865  | 3.638   | 51.929  | 42.052     | 44.462  | 41.631  | 768.207   |
| 9   | Other Property Insurances                  | 268.828  | 206.762   | 72.795              | 114.244         | 91.469          | 76.911   | 1.656   | 51.324  | 12.315     | 183.101 | 12.858  | 1.092.263 |
| 10  | MTPL (total)                               | 242.389  | 478.537   | 349.762             | 394.166         | 487.092         | 357.363  | 236.641 | 528.436 | 400.386    | 408.606 | 252.921 | 4.136.299 |
| 11  | Aircraft Liability                         | 0        | 152       | 0                   | 0               | 4.733           | 1.617    | 0       | 0       | 285        | 0       | 0       | 6.787     |
| 12  | Vessel Liability                           | 156      | 477       | 90                  | 729             | 106             | 415      | 0       | 189     | 445        | 99      | 3       | 2.709     |
| 13  | General Liability                          | 38.155   | 38.954    | 5.574               | 10.651          | 9.849           | 53.025   | 615     | 27.417  | 13.153     | 12.138  | 2.440   | 211.971   |
| 14  | Credit Insurance                           | 680      | 5.618     | 0                   | 9.762           | 0               | 0        | 0       | 0       | 0          | 9.098   | 0       | 25.158    |
| 15  | Warranty Insurance                         | 3        | 196       | 62                  | 12              | 0               | 72       | 0       | 0       | 63         | 128     | 0       | 536       |
| 16  | Financial Loss Insurance                   | 7.777    | 44.357    | 328                 | 3.630           | 0               | 274      | 0       | 7.816   | 0          | 106     | 190     | 64.478    |
| 17  | Legal Protection Insurance                 | 0        | 0         | 0                   | 0               | 0               | 0        | 0       | 0       | 0          | 3       | 5       | 8         |
| 18  | Travel Insurance                           | 4.121    | 17.461    | 2.876               | 12.252          | 3.337           | 11.869   | 2.658   | 6.542   | 6.332      | 4.182   | 4.695   | 76.325    |
|     | Total                                      | 862.860  | 1.231.617 | 726.996             | 848.398         | 712.129         | 963.579  | 266.816 | 827.544 | 602.979    | 821.730 | 460.756 | 8.325.404 |
|     | % per non-life insurance company           | 10,36    | % 14,79   | <mark>%</mark> 8,73 | 3% <u>10,19</u> | <mark>)%</mark> | 11,57%   | 3,20%   | 9,94%   | 7,24%      | 9,87%   | 5,53%   | 100,00%   |

Gross Written Premiums 1 January 2020 31 December 2020

Source: Initial consolidated data from NIBM of the RNM

| No. |                                      | Non-Life |         |         |        |        |          |         |       |            | Total  |         |      |
|-----|--------------------------------------|----------|---------|---------|--------|--------|----------|---------|-------|------------|--------|---------|------|
|     | Class of Insurance                   | WIG      | Triglav | Evroins | Sava   | Winner | Eurolink | Eurosig | Uniqa | Os. Polisa | Albisg | Croatia |      |
| 1   | Accident                             | 11%      | 16%     | 4%      | 11%    | 5%     | 18%      | 2%      | 8%    | 5%         | 9%     | 11%     | 100% |
| 2   | Health Insurance                     | 1%       | 26%     | 6%      | 4%     | 1%     | 41%      | 0%      | 5%    | 0%         | 12%    | 5%      | 100% |
| 3   | Motor Vehicles - Hull                | 8%       | 18%     | 7%      | 17%    | 6%     | 10%      | 1%      | 8%    | 11%        | 7%     | 6%      | 100% |
| 4   | Rail Vehicles- Hull                  | 0        | 0       | 0       | 0      | 0      | 0        | 0       | 0     | 0          | 0      | 0       | 0    |
| 5   | Aircrafts - Hull                     | 0%       | 0%      | 0%      | 0%     | 73%    | 27%      | 0%      | 0%    | 0%         | 0%     | 0%      | 100% |
| 6   | Vessel - Hull                        | 1%       | 28%     | 2%      | 11%    | 31%    | 7%       | 0%      | 4%    | 11%        | 5%     | 0%      | 100% |
| 7   | Goods-in-Transit -Cargo              | 26%      | 30%     | 10%     | 3%     | 4%     | 6%       | 0%      | 13%   | 1%         | 4%     | 1%      | 100% |
| 8   | Property from Fire and Allied Perils | 16%      | 10%     | 24%     | 8%     | 2%     | 16%      | 0%      | 7%    | 5%         | 6%     | 5%      | 100% |
| 9   | Other Property Insurances            | 25%      | 19%     | 7%      | 10%    | 8%     | 7%       | 0%      | 5%    | 1%         | 17%    | 1%      | 100% |
| 10  | MTPL (total)                         | 6%       | 12%     | 8%      | 10%    | 12%    | 9%       | 6%      | 13%   | 10%        | 10%    | 6%      | 100% |
| 11  | Aircraft Liability                   | 0%       | 2%      | 0%      | 0%     | 70%    | 24%      | 0%      | 0%    | 4%         | 0%     | 0%      | 100% |
| 12  | Vessel Liability                     | 6%       | 18%     | 3%      | 27%    | 4%     | 15%      | 0%      | 7%    | 16%        | 4%     | 0%      | 100% |
| 13  | General Liability                    | 18%      | 18%     | 3%      | 5%     | 5%     | 25%      | 0%      | 13%   | 6%         | 6%     | 1%      | 100% |
| 14  | Credit Insurance                     | 3%       | 22%     | 0%      | 39%    | 0%     | 0%       | 0%      | 0%    | 0%         | 36%    | 0%      | 100% |
| 15  | Warranty Insurance                   | 1%       | 37%     | 12%     | 2%     | 0%     | 13%      | 0%      | 0%    | 12%        | 24%    | 0%      | 100% |
| 16  | Financial Loss Insurance             | 12%      | 69%     | 1%      | 6%     | 0%     | 0%       | 0%      | 12%   | 0%         | 0%     | 0%      | 100% |
| 17  | Legal Protection Insurance           | 0%       | 0%      | 0%      | 0%     | 0%     | 0%       | 0%      | 0%    | 0%         | 38%    | 63%     | 100% |
| 18  | Travel Insurance                     | 5%       | 23%     | 4%      | 16%    | 4%     | 16%      | 3%      | 9%    | 8%         | 5%     | 6%      | 100% |
|     | Total                                | 10,36%   | 14,79%  | 8,73%   | 10,19% | 8,55%  | 11,57%   | 3,20%   | 9,94% | 7,24%      | 9,87%  | 5,53%   | 100% |

#### Structure (market share) of Gross Written Premiums in 2020 per Classes and per Insurance Companies

# **BUSINESS POLICY**

Business policy in 2020 was defined pursuant to the Company's strategy and business acts, Insurance Supervision Law and other domestic legal regulations and by-laws regulating the insurance issues.

The business policy is based on the Company's commitment to applying a business philosophy and professionalism in performing its activities, supported by its qualified human resources and to creating a distinctive image of a true partner in the insurance domain in the Republic of Macedonia.

The Company's business policy is aimed at a further strengthening of its goodwill, building confidence and arousing interest of the citizens and legal entities in the insurance industry.

2019 business policy included the following values the Company's operations are based on as follows:

- Professional relations and communications with clients;
- Expert assessment of risks and corresponding cover;
- Timely and effective claim settlement;
- Prudential risk management;
- Transparency in working and reporting to managing bodies, shareholders and legally authorized organs;
- Actuarial technical reserve assessment and setting aside in accordance with statutory provisions and by-laws and the Company's Acts;
- Company promoting and educating the public in respect of the benefit to be insured and the products we offer;
- Human resource development; operations improvement and
- Building business relations with domestic and foreign professional affiliations;

# **COMPANY'S OPERATIONS ANALYSIS**

# **Company's Activities**

Company's activities in 2020, in the context of the health crisis, were mainly focused on keeping the insurance portfolio, collection of receivables and maintaining, as well as timely settlement and payment of claims, all of which supported by considerable IT upgrades and intense preparation of further improvements made in the course of the reporting period.

In general, activities were carrie3d out with a view to reducing the inevitable fall of the gross written premiums, with a strong accent on renewal of insurance contracts with current clients. The focus was put on expanding online services from all aspects, for the purpose of enabling the clients a fully contactless service.

As a result, the Company managed to maintain its second ranking according to gross written premiums at the total market level (11.57% market share; 2019: 11.57%) despite the -5% decreasein GWP compared to the previous year, which is identical to the fall of the total non-life insurance market (-5%).

Special contribution of our Company regarding the market level is evident in the class of <u>Health</u> <u>Insurance</u>(30% increase), where the Company remained a leader with a market share of 41% in the framework of the class. In addition the Company remained leader in the <u>Accident Insurance</u> with a 18% growth and 18% share of thetotal market, a position obtained two years ago. Finally, the Company has been an absolute leader in the class of <u>Liability Insurance</u> for the past 12 years, with a 25% share of the market, regardless of the realized fall in GWP by -14% compared to the previous year.

# **Sales Network**

In the course of 2020, the Company wrote gross insurance premium to the amount of 963.579.000MKD, orby 54.891.000MKD lower amount than the one realized in 2019 (2019: 1.013.069.000 MKD), thus having5% decrease. According to initially consolidated data on 2020 received from NIB, our Company remained the second rankedin the domestic non-life insurance market, having approximately 11.6% market share or -1.3% decrease compared to previous year (2019:12.9%).

Company remained its supremacy in the segment of written premiums for GL (25% of the market share regarding this class) and Accident (18% of the market share). The Company also remained a leader in selling Health Insurance (41% share) achieved in the previous year.

As regards structure of gross written premiums, MTPL insurance had the biggest portion with 36% (40% in 2019), Accident with 14% (13% in 2019), Fire and Allied Perils with 21% (17% in 2019), Health

Insurance with 12% (9% in 2019), Motor Casco with 9% (9% in 2019), GL with 6% (7% in 2019) and Travel Assistance with 1% (4% in 2019).= and Cargo with 1% (1% in 2019)

|    |                        | Realization<br>2020 | Realization<br>2019 | Change in<br>%<br>2020/2019 | Structure<br>2020 | Structure<br>2019 |
|----|------------------------|---------------------|---------------------|-----------------------------|-------------------|-------------------|
| 1  | Accident               | 133.116             | 133.592             | 0%                          | 14%               | 13%               |
| 2  | Health Insurance       | 112.795             | 86.765              | 30%                         | 12%               | 9%                |
| 3  | Hull – Motor Vehicle   | 83.717              | 94.218              | -11%                        | 9%                | 9%                |
| 5  | Hull - Aircrafts       | 2.483               | 7.235               | -66%                        | 0%                | 1%                |
| 6  | Hull - Vessels         | 74                  | 106                 | -30%                        | 0%                | 0%                |
| 7  | Cargo                  | 4.983               | 5.740               | -13%                        | 1%                | 1%                |
| 8  | Fire                   | 124.865             | 100.121             | 25%                         | 13%               | 10%               |
| 9  | Other Property         | 76.911              | 66.510              | 16%                         | 8%                | 7%                |
| 10 | MTPL                   | 351.528             | 410.192             | -14%                        | 36%               | 40%               |
| 11 | Aircraft Liability     | 1.617               | 2.647               | -39%                        | 0%                | 0%                |
| 12 | Vessel Liability       | 415                 | 341                 | 22%                         | 0%                | 0%                |
| 13 | General Liability      | 58.860              | 67.522              | -13%                        | 6%                | 7%                |
| 15 | Warranty               | 72                  | 135                 | -47%                        | 0%                | 0%                |
| 16 | Financial Losses       | 274                 | 293                 | -6%                         | 0%                | 0%                |
| 18 | Travel Assistance      | 11.869              | 37.652              | -68%                        | 1%                | 4%                |
|    | Total Written Premiums | 963.579             | 1.013.069           | -5%                         | 100%              | 100%              |

| Gross Written Premiums per classes, realisation in 2020 and | 2019 |
|-------------------------------------------------------------|------|
|-------------------------------------------------------------|------|

As regards total sales figures, <u>Insurance&Reinsurance</u> Department participated with 46%, (2019: 44%) or 1% higher than the previous year, while<u>Sales Department realised</u> 54% (2019: 56%) or 9% lower than the previous year.

Within the Sales Department, the accent was put mostly on the key products in the context of health crisis, which resulted in positive results, such as Health Insurance (23% increase) and Accident Insurance (3% increase).

As to Insurance & Reinsurance Department, in spite of intensified and aggressive competition and change in the policy of global insurers, all insurance contracts with the key big clients were renewed, as follows:

- ✓ Health Insurance for US Embassy employees;
- ✓ Property and Liability Insurance for TAV Macedonia;
- ✓ Builder's Risk Insurance for Sinohydro Corporation;
- ✓ Property and Liability Insurance for Macedonian Telecom;
- ✓ Property, Health and Accident Insurance for Cementarnica USJE;
- ✓ Property, Accident and Motor Insurance for Van Hool Makedonija etc.

| Quarter | 2019  | 2019cumul. | 2020 | 2020cumul. | 2020plan | 2020<br>plancumul. | %<br>2020/2019 | %<br>2020cumul/2019cumul. |
|---------|-------|------------|------|------------|----------|--------------------|----------------|---------------------------|
| Q1      | 314   | 314        | 315  | 315        | 314      | 314                | 0%             | 0%                        |
| Q2      | 269   | 583        | 248  | 563        | 266      | 580                | -8%            | -3%                       |
| Q3      | 234   | 817        | 188  | 751        | 256      | 836                | -20%           | -8%                       |
| Q4      | 196   | 1013       | 213  | 964        | 213      | 1049               | 9%             | -5%                       |
|         | 1.013 |            | 964  |            | 1.049    |                    | -5%            |                           |
|         |       |            | 100% |            |          |                    |                |                           |

## Gross Written Premiums per Quarters 2020/2019per Departments

(in million MKD)

**Insurance & Reinsurance Department** % % 2019 2020 2020plan 2020 2020 plan 2019 Quarter 2020cumul/2019 cumul. cumul. cumul. 2020/2019 cumul. **Q1** 174 174 171 171 166 166 -2% -2% Q2 122 113 -1% 296 293 279 0% 122 **Q3** 376 92 80 59 352 371 -26% -6% **Q4** 65 441 93 445 75 446 43% 1% 445 441 446 1%

46%

| Sales Departme | Sales Department |                |      |                |           |                    |                |                               |  |  |
|----------------|------------------|----------------|------|----------------|-----------|--------------------|----------------|-------------------------------|--|--|
| Quarter        | 2019             | 2019<br>cumul. | 2020 | 2020<br>cumul. | 2020 plan | 2020plan<br>cumul. | %<br>2020/2019 | %<br>2020cumul/2019<br>cumul. |  |  |
| Q1             | 140              | 140            | 144  | 144            | 148       | 148                | 3%             | 3%                            |  |  |
| Q2             | 147              | 287            | 126  | 270            | 153       | 301                | -14%           | -6%                           |  |  |
| Q3             | 154              | 441            | 129  | 399            | 164       | 465                | -16%           | -10%                          |  |  |
| Q4             | 131              | 572            | 120  | 519            | 138       | 603                | -8%            | -9%                           |  |  |
|                | 572              |                | 519  |                | 603       |                    | -9%            |                               |  |  |
|                |                  |                |      |                |           |                    |                |                               |  |  |

54%

As regards distribution channels, 76% out of total premiums in 2020was realised by direct sale or 3% less than the previous year, 18% through brokers or 2% more than the previous year and the rest via other distribution channels (travel agencies, agents etc.)

| in 000 MKD                                |         |           | % of<br>change | Structure of Premiums |      |  |
|-------------------------------------------|---------|-----------|----------------|-----------------------|------|--|
| Distribution Channels                     | 2020    | 2019      | enange         | 2020                  | 2019 |  |
|                                           | 1       | 2         | 3=1/2          | 4                     | 5    |  |
| Direct Sales                              | 737.082 | 803.164   | -8%            | 76%                   | 79%  |  |
| Insurance Brokers                         | 177.685 | 166.947   | 6%             | 18%                   | 16%  |  |
| Travel Agencies                           | 2.816   | 11.334    | -75%           | 0%                    | 1%   |  |
| Banks                                     | 0       | 0         |                | 0%                    | 0%   |  |
| Insurance Agents                          | 34.347  | 24.560    | 40%            | 4%                    | 2%   |  |
| Other Distribution Channels (Telekom etc) | 11.649  | 7.064     | 65%            | 1%                    | 1%   |  |
| Total                                     | 963.579 | 1.013.069 | -5%            | 100%                  | 100% |  |

Written Premiums per Distribution Channels

### **Collection of Receivables**

Collection monitoring process has been fully implemented in CRM software both in terms of voluntary collection and enforcement. The software enables the employees working on collection of receivables to use various tools such as sending SMSs and e-mails on early debts as well as reminders both for early debts and arrears prior to enforcement.

In addition, the CRM software has been created to generate daily tasks and to enable the Financial Director to conduct a regular monitoring of finished tasks both on the side of the Client Support Service and the employees collecting debts from physical persons as well as the Collection Service and employees collecting debts form legal entities. The software additionally enables control of the agents with respect of collection of premiums.

### **Receivables from Insurance Premiums**

In the course of 2020, a new Rulebook on amendments to the Rulebook on the Method of Valuation of Balance Sheet came into effect in the Q2 of 2020.

Changes specified new classification of receivables depending on the duration of arrears on the part of debtors. Accordingly, the adjustment of those receivables would be made in the same manner as in the old Rulebook, yet with additional 60 days for each separate category.

|          |                                |                                            | (in days)                                  |
|----------|--------------------------------|--------------------------------------------|--------------------------------------------|
| Category | % of adjustment of receivables | Period of arrears in the 'old'<br>Rulebook | Period of arrears in the 'new'<br>Rulebook |
| А        | 0%                             | 0-30                                       | 0-90                                       |
| В        | 10%                            | 31-60                                      | 91-120                                     |
| с        | 31%                            | 60-120                                     | 121-180                                    |
| D        | 51%                            | 121-270                                    | 181-330                                    |
| E        | 71%                            | 271-365                                    | 331-425                                    |
| F        | 100%                           | More than 365 days                         | More than 425 days                         |

Owing to prolonged period of arrears, decrease in the estimated adjustment of the value of receivables was enabled (decrease in the expense when calculating the receivables), which is presented in the profit & loss account through movement in the special provision.

The first calculation of the special provision in accordance with the amended Rulebook, following its coming into effect, was made on 30 April 2020, when the Company calculated a difference (reduction of expense) between the old and the new manner of estimate, regarding receivables from premiums to the approximate amount of 15.4 million MKD, which was reduced to 9.5 million MKD at the end of the year (or total 9.8 million for all receivables in respect of which value adjustment is calculated).

Calculation in accordance with the amended Rulebook was scheduled to be ended by 31 December 2020. meaning that the Company would have to return to the old manner of calculation of the special provision not later than the Q1 of 2021 and to "absorb" the additional expense in the profit & loss account for 2021, which would result from the return to the old manner of calculation.

Total due, uncollected premiums in 2020as at 31 December 2020 amounted to 358.247.000 MKD or 7% higher than the amount as at 31 December 2019 (2019: 334.351.000 MKD).

Adjusted value as at 31 December 2020(after writing-off a part of receivables to the amount of 6.400.000 MKD) amounted to 74.151.000 MKD or 11% lower than the values as at 31 December 2019 (83.184.000 MKD).

Adjusted value of undue receivables (100% of the amount of all receivables payable) in 2020 amounted to 1.374.000 MKD or 33% lower that the adjusted value shown in 2019 (2019: 2.088.000 MKD). Such amount was mostly due to terms of payment agreed with Van HOOL, one of the clients, owing t0 the fact that MTPL and Green card policies were realized for a policy period shorter than one year while payment deadlines were 60 days as of invoicing date.

Out of total receivables from premiums, the amount of 200.375.000 MKD (56%) was undue (2019:193.972.000 MKD or 58%) while 157.872.000 MKD (44%) due (2019: 140.379.000 MKD, or 42%)

The amount of due receivables from premiums was by 17.5 million MKDhigherthan the one realized as at 31 December 2019, meaning 12% increase.

**Receivables from premiums** 

| 2020               |             |             |                     | 2019            |             |                |                     |
|--------------------|-------------|-------------|---------------------|-----------------|-------------|----------------|---------------------|
| Period (new        |             | Adjusted    | Current<br>value of | Period (old     |             |                | Current<br>value of |
| Rulebook)          | Receivables | Value       | Receivables         | Rulebook)       | Receivables | Adjusted Value | Receivables         |
| days               |             |             |                     | days            |             |                |                     |
| to 90              | 66.106.670  | -1.587.667  | 64.519.003          | to 30           | 24.726.369  | -127.932       | 24.598.437          |
| 91-120             | 7.152.510   | -732.558    | 6.419.952           | 31-60           | 14.326.312  | -1.542.648     | 12.783.664          |
| 121-180            | 9.701.868   | -3.163.030  | 6.538.838           | 61-120          | 16.842.035  | -5.377.899     | 11.464.136          |
| 181-330            | 13.275.044  | -6.916.327  | 6.358.717           | 121-270         | 18.881.967  | -9.919.398     | 8.962.569           |
| 331-425            | 4.698.959   | -3.440.234  | 1.258.725           | 271 - 365       | 5.296.957   | -3.822.467     | 1.474.490           |
| More               |             |             |                     |                 |             |                |                     |
| than426            | 56.937.435  | -56.937.435 | 0                   | More than 365   | 60.305.710  | -60.305.710    | 0                   |
| Due<br>receivables | 157.872.486 | -72.777.251 | 85.095.235          | Due receivables | 140.379.350 | -81.096.054    | 59.283.296          |
| Undue              |             |             |                     | Undue           |             |                |                     |
| receivables        | 200.374.594 | -1.373.776  | 199.000.818         | receivables     | 193.972.076 | -2.088.302     | 191.883.774         |
|                    | 358.247.080 | -74.151.027 | 284.096.053         |                 | 334.351.426 | -83.184.356    | 251.167.070         |
|                    | 7%          | -11%        | 13%                 |                 | -11%        | 6%             | -15%                |

New 843 cases were prepared for enforced collection, approximately 40% less cases than in 2019, thus decreasing the value of receivables by 32%.

In the course of 2020, 799 cases amounting to 14.003.309 MKD were closed, out of which 475 amounting to 5.487.106 MKD from cases registered in 2020 and 324 cases amounting to 8.516.203 registered in the period from 2004 up to 2019.

As at the end of 2020 the Company took legal actions for enforced collection of receivables for 10.562 cases to the amount of 233.936.000 MKD. On this basis, remaininguncollected premiums as at 31 December 20120amounted to 38.375.000 MKD or 17.138% of the due, uncollected premiums in respect of which enforcement proceedings was initiated.

|           | T      | otal        | Act   | ive        | Archive | ed          |
|-----------|--------|-------------|-------|------------|---------|-------------|
| Year      | No.    | MKD         | No.   | MKD        | No.     | MKD         |
| 2004-2014 | 2.738  | 130.330.232 | 406   | 8.495.421  | 2.332   | 121.834.811 |
| 2015-2019 | 6.981  | 82.039.082  | 1.662 | 23.800.081 | 5.319   | 58.239.001  |
| 2020      | 843    | 11.566.721  | 368   | 6.079.615  | 475     | 5.487.106   |
| TOTAL     | 10.562 | 223.936.035 | 2.436 | 38.375.117 | 8.126   | 185.560.918 |

It should be noted that the value of receivables under "active" cases is actually lower than the presented in the table and/or is partially collected. The table shows the values of receivables according to the insurance premiums due.

Out of total number of closed cases (8.126) amounting to 185.561.000 MKD, 6.900 cases were fully collected, amounting to 1113.246.000MKD, while 827 cases amounting to 60.555.000 MKD remained uncollected.

|           |        | Archived Cases |        |             |        |            |               |            |        |         |
|-----------|--------|----------------|--------|-------------|--------|------------|---------------|------------|--------|---------|
|           |        | Total          | Col    | llected     | Unc    | ollected   | Re-entered/ \ | withdrawn  | Uneco  | nomical |
| No.       | Amount | No.            | Amount | No.         | Amount | No.        | Amount        | No.        | Amount |         |
| 2004-2014 | 2.332  | 121.834.811    | 1.633  | 57.021.618  | 666    | 57.398.949 | 30            | 7.405.959  | 3      | 8.285   |
| 2015-2019 | 5.319  | 58.239.001     | 4.797  | 50.751.238  | 156    | 3.142.762  | 157           | 3.669.007  | 209    | 675.994 |
| 2020      | 475    | 5.487.106      | 470    | 5.473.459   | 5      | 13.647     | 0             | 0          |        |         |
| TOTAL     | 8.126  | 185.560.918    | 6.900  | 113.246.315 | 827    | 60.555.358 | 187           | 11.074.966 | 212    | 684.279 |

A regards 212 cases amounting to 684.279 MKD the legal proceedings for enforced collection were stopped due to a lack of economic reason and 187 cases amounting to 11.074.966 MKD archived due to re-entering/withdrawing since from the aspect of collection of premiums they neither fell under collected nor under non-collected. Archiving in the Legal Department due to "a lack of economic reason" means that enforced collection procedure is stopped because it is not economical; "re-entering" as an agreement means that an agreement for payment settling has been reached; while "withdrawn legal action" means that the procedure has been terminated either as a result of payment of the premium or the procedure should not have been started at all.Anyway, with respect to most of such cases the premiums were collected. Case falling under "lack of economic reason" category may be re-entered as "paid" (willingly payment of debt), while portion of cases from 2017 AND 2018 (approximately 163) were reactivated due to continuation of the enforced collection procedure.

The biggest portion of uncollected law suits, both in terms of number and of value, resulted from bankruptcy of the debtor, or impossibility to collect the debt form debtor only formally registered in the Central Register of RM and without any personal property, or deleted from the Central Register (inactive entities for a longer period of time). The practice of such deletion started in 2015 and such cases are most frequently archived following the information received from bailiffs on inability to collect the debt. A typical example for the long process of collecting premiums through legal proceedings was a case initiated for legal proceedings amounting to 5.100.000 MKD back in 2010 and closed in 2019 with rejected lawsuit.

|           | Bankruptcy, Liqu | uidation   | <b>Rejected Request</b> |           | Non-enforceable |           |
|-----------|------------------|------------|-------------------------|-----------|-----------------|-----------|
| Year      | No.              | Amount     | No                      | Amount    | No              | Amount    |
| 2004-2014 | 521              | 45.981.731 | 13                      | 5.647.517 | 132             | 5.769.701 |
| 2015-2019 | 101              | 2.706.737  | 4                       | 39.451    | 51              | 396.574   |
| 2020      | 1                | 3.285      |                         |           | 4               | 10.362    |
| TOTAL     | 623              | 48.691.753 | 17                      | 5.686.968 | 187             | 6.176.637 |

The percentage of uncollected premiums in all archived cases was 29% according to number of cases while the value of receivables being much higher – approximately47.7% owing to a several cases (4 -5) with a big value, started in 2010. In addition, there is a considerable difference in the period from 2004 to 2014 compared to 2015 up to 2019 when the percentage of uncollected premiums amounted to 2.9% according to number of cases and 5.4% according to the value of receivables. Difference in the efficiency of enforced collection between the periods 2004-2014 and 2015-2018 primarily resulted from the oldness of debt in the period of instigation of procedure: until 2014 the procedures were instigated for debts at least 2, 5 years old. As from 2015, procedures were instigated several months following the debt maturity. Such statistics proves and justifies the efforts for speeding up collection procedures and shortening the deadlines for starting enforced collection procedure, a practice applied from 2017 on, although deadlines were prolonged due to COVID.

### **Receivables from Subrogated Claims**

Total receivables from subrogated claims as at 31 December 2020 amounted to 28.715.000 MKD or 3% lower than the ones realized at the end of 2019 (29.582.000 MKD).

Decrease (-4%) was stated in MTPL claims, in subrogation on the basis of loans (-8%) while the same level as the previous year was stated in subrogation on the basis of Casco and Accident claims.

As to structure, the most present were MTPL claims (69%) at the same level as in 2019.

|                                        |        |        |             | Structu | ire % |
|----------------------------------------|--------|--------|-------------|---------|-------|
|                                        | 2020   | 2019   | % of change | 2020    | 2019  |
| Subrogation - Accident                 | 4      | 4      | 0%          | 0       | 0     |
| Subrogation – Hull                     | 6.866  | 6.866  | 0%          | 24      | 23    |
| Subrogation - MTPL                     | 19.731 | 20.478 | -4%         | 69      | 69    |
| Subrogation - Credits<br>Subrogation – | 1350   | 1.470  | -8%         | 5       | 5     |
| Unknown/uninsured vehicles             | 764    | 764    | 0%          | 3       | 3     |
| Total                                  | 28.715 | 29.582 | -3%         | 100     | 100   |

Receivables from subrogation (000 MKD)

Out of total receivables as at 31 December 2019, 99% receivables or 28.386.000 MKD were due.

Pursuant to regulations, the Company made adjustment to the value/set aside a reserve to the total amount of 28.715.000 MKD, out of which 27.117.000 MKD (99% of the total adjustment) were adjusted values of the uncollected receivables from subrogation due as at 31 December 2019, or arrears of more than 426 days with 100% adjusted value.

|                    | Total due non-collected premiums Adjusted value (reservation |     |            |     |  |
|--------------------|--------------------------------------------------------------|-----|------------|-----|--|
| Age structure      | In 000 MKD                                                   | %   | In 000 MKD | %   |  |
| Undue subrogation  | 329                                                          | 1%  | 0          | 0   |  |
| to90 days          | 987                                                          | 3%  | 0          | 0   |  |
| 91 -120            | 31                                                           | 0%  | 3          | 0   |  |
| 121 - 180          | 50                                                           | 0%  | 16         | 0   |  |
| 181 -330           | 126                                                          | 0%  | 64         | 0   |  |
| 331 -425           | 75                                                           | 0%  | 54         | 0   |  |
| More than 426 days | 27.117                                                       | 94% | 27.117     | 99  |  |
| Total              | 28.715                                                       |     | 27.254     | 100 |  |

### **Other Receivables**

Pursuant to regulations the Company also had to make adjustment of values/ set aside provision for receivables arising from reinsurance commissions, cessions etc.

At the end of 2020, uncollected receivables to the amount of 17.325.000 MKD were recorded or 77% more than the level realized in 2019.

The Company set aside provision to the amount of 8.210.000 MKD or 1.607.000 MKD more than the previous year, mostly arising from claims handling services and cession.

|                                   | 2020              |                    | 201               | .9             |                |      | tructure of<br>vables in % |
|-----------------------------------|-------------------|--------------------|-------------------|----------------|----------------|------|----------------------------|
| Other Receivables (in 000<br>MKD) | Total receivables | Adjusted<br>value/ | Total receivables | Adjusted value | % of<br>change | 2019 | 2018                       |
| Reinsurance Commissions           | 927               | 568                | 403               | 193            | 130%           | 5    | 4                          |
| - Fire                            | 440               | 400                | 400               | 191            |                | 47   | 99                         |
| - Aircraft Hull                   | 71                | 36                 |                   |                |                | 8    | 0                          |
| - General Liability               | 416               | 132                | 3                 | 2              |                | 2    | 0                          |
| Handling Claims                   | 8.391             | 1.917              | 2.387             | 931            | 252%           | 48   | 24                         |
| Cessions                          | 3.968             | 3.968              | 3.921             | 3.905          | 1%             | 23   | 40                         |
| Other                             | 4.039             | 1.757              | 3.092             | 1.574          | 31%            | 23   | 32                         |
| Total                             | 17.325            | 8.210              | 9.803             | 6.603          | 77%            | 100  | 100                        |

In the Q3 of 2020, a bankruptcy proceeding was opened over Eurostandard Bank, as a result of which Eurolink entered 100% adjustment of receivables recorded in the bankruptcy estate.

|                                      | 2020              | 2020           |  |  |  |  |
|--------------------------------------|-------------------|----------------|--|--|--|--|
|                                      | Total receivables | Adjusted value |  |  |  |  |
| Deposit                              | 10.534.371        | 10.534.371     |  |  |  |  |
| Cash and cash equivalents            | 1.842.262         | 1.842.262      |  |  |  |  |
| Receivables from interest on deposit | 13.348            | 13.348         |  |  |  |  |
| Total                                | 12.389.981        | 12.389.981     |  |  |  |  |

# Reinsurance

Due to stability of the insurance portfolio, all reinsurance treaties were renewed. No agreements for new classes of insurance were signed.

Uninterrupted underwriting process and continuous written premium rise was carried out by means of obtaining a good reinsurance cover i.e., entering into agreements with renown and highly rated re-insurers thus having a distributed risk cover and reducing the concentration of the insurer's liability in a given sector.

Facultative treaties for reinsurance of certain risks were renewed throughout the year.

### Claims

Activities in this segment were mainly focused on modernization and improvement of loss assessment and claim settlement processes and systems, and on a corporative philosophy of claim management with the intention of getting a high quality of services in this segment, which would be the Company's trademark!

At the same time, notwithstanding the context of the pandemic undoubtedly caused reduced number of reported claims, primarily in the class of travel insurance and MTPL, it additionally reiterated the need for digitalization and expansion of online services in all segments.

We are now working on the initiative for a direct payment of claims in the class of MTPL insurance. Direct Settlement Principle has been applied in several European countries and is most frequently implemented by means of signing cooperation agreements with several insurance companies that are the best in the insurance market,

Dynamics of notification and settlement of claims per classes of insurance in the course of 2020 was as follows:

| 1 January – 31 December 2020      |    | Settled<br>Claims | Refused<br>Claims | Reserved as at<br>31 December<br>2019 | Reported<br>Claims | Dynamics of<br>Claim<br>Settlement in % |
|-----------------------------------|----|-------------------|-------------------|---------------------------------------|--------------------|-----------------------------------------|
|                                   |    | 1                 | 2                 | 3                                     | 4                  | 5=(1+2)/(3+4)*1<br>00                   |
| Accident                          | 1  | 1.472             | 155               | 242                                   | 1.456              | 96%                                     |
| Health                            | 2  | 5.505             | 200               | 368                                   | 5.387              | 99%                                     |
| Motor hull                        | 3  | 723               | 41                | 317                                   | 733                | 73%                                     |
| Rail hull                         | 4  | 0                 | 0                 | 0                                     | 0                  |                                         |
| Aircraft hull                     | 5  | 0                 | 0                 | 0                                     | 0                  |                                         |
| Vessel hull                       | 6  | 0                 | 0                 | 0                                     | 0                  |                                         |
| Cargo                             | 7  | 1                 | 0                 | 3                                     | 3                  | 17%                                     |
| Property – Fire and allied perils | 8  | 262               | 70                | 64                                    | 338                | 83%                                     |
| Property - other                  | 9  | 935               | 154               | 225                                   | 1050               | 85%                                     |
| MTPL (total)                      | 10 | 2305              | 196               | 1263                                  | 2408               | 68%                                     |
| Aircraft liability                | 11 | 0                 | 0                 | 0                                     | 0                  |                                         |
| Vessel liability                  | 12 | 0                 | 0                 | 0                                     | 0                  |                                         |
| General liability                 | 13 | 26                | 15                | 15                                    | 45                 | 68%                                     |
| Credits                           | 14 | 0                 | 0                 | 0                                     | 0                  |                                         |
| Warranties                        | 15 | 0                 | 0                 | 0                                     | 0                  |                                         |
| Financial losses                  | 16 | 0                 | 0                 | 1                                     | 1                  | 0%                                      |
| Legal protection                  | 17 | 0                 | 0                 | 0                                     | 0                  |                                         |
| Travel Insurance                  | 18 | 311               | 109               | 52                                    | 225                | 152%                                    |
| Total                             |    | 11.540            | 940               | 2.550                                 | 11.646             | 88%                                     |

\* Table figures show data on movement of claims in classes of insurance where claims were reported, reserved and settled

Figures presented above show that the Company has adequate procedures for processing reported claims and excellent results of their implementation, which is confirmed by a result of 88% in the course of 2020. Dynamics of notification of losses and settlement of claims showed 9% increase (the result in 2109 was 79%).

Compared to 2019, the number of settled claims in the reporting year was 4% lower. The table below shows the number of settled claims per classes of insurance:

|                                | 2020   | 2019   | % of change | Structu | ıre in% |
|--------------------------------|--------|--------|-------------|---------|---------|
|                                |        |        |             | 2020    | 2019    |
|                                |        |        |             |         |         |
| Accident                       | 1.472  | 1.760  | -16%        | 13%     | 15%     |
| Health Insurance               | 5.505  | 5.239  | 5%          | 48%     | 44%     |
| Motor Hull                     | 723    | 876    | -17%        | 6%      | 7%      |
| Vessel Hull                    |        |        | 0%          | 0%      | 0%      |
| Cargo                          | 1      | 3      | -67%        | 0%      | 0%      |
| Fire and Allied Perils         | 262    | 239    | 10%         | 2%      | 2%      |
| Property                       | 935    | 615    | 52%         | 8%      | 5%      |
| MTPL (total)                   | 2.305  | 2.461  | -6%         | 20%     | 20%     |
| General Liability              | 26     | 24     | 8%          | 0%      | 0%      |
| Financial Losses               |        |        |             |         |         |
| Travel Insurance               | 311    | 795    | -61%        | 3%      | 7%      |
| Total Number of Settled Claims | 11.540 | 12.012 | -4%         | 100%    | 100%    |

At the same time, efficiency in settling claims was followed by a prompt payment thereof, being possible due to the high liquidity position and successful investment policy, resulting from the successful collection of receivables and expertise in managing the investment.

Namely, in 2018, the Company reduced deadlines for payment of claims s from legally prescribed 14 to a maximum of 7 days. In addition, with respect to claims arising from health insurance policies an internal deadline from 1 to 3 days as from claim settlement was introduced for paying such claims. Accordingly, the Company has been recognized for the speed and efficiency in settling and paying health insurance claims. Even in the context of pandemic, the Company has maintained and observed these internal deadlines.

Claim payment dynamics is presented in the following Table:

| 1 January – 31 December 2020      |    | Paid Claims | Settled Claims | Claim Payment<br>Dynamics (in<br>%) |
|-----------------------------------|----|-------------|----------------|-------------------------------------|
|                                   |    | 1           | 2              | 3=1/2*100                           |
| Accident                          | 01 | 1.457       | 1.472          | 99                                  |
| Health                            | 02 | 5.496       | 5.505          | 100                                 |
| Motor hull                        | 03 | 733         | 723            | 101                                 |
| Rail hull                         | 04 | 0           | 0              |                                     |
| Aircraft hull                     | 05 | 0           | 0              |                                     |
| Vessel hull                       | 06 | 0           | 0              |                                     |
| Cargo                             | 07 | 1           | 1              | 100,00                              |
| Property – Fire and allied perils | 08 | 267         | 262            | 102                                 |
| Property - other                  | 09 | 944         | 935            | 101                                 |
| MTPL (total)                      | 10 | 2.295       | 2.305          | 100                                 |
| Aircraft liability                | 11 | 0           | 0              |                                     |
| Vessel liability                  | 12 | 0           | 0              |                                     |
| General liability                 | 13 | 38          | 26             | 146                                 |
| Credits                           | 14 | 0           | 0              |                                     |
| Warranties                        | 15 | 0           | 0              |                                     |
| Financial losses                  | 16 | 0           | 0              |                                     |
| Legal protection                  | 17 | 0           | 0              |                                     |
| Travel Insurance                  | 18 | 323         | 311            | 104                                 |
|                                   |    | 11.554      | 11.540         | 100                                 |

\* Table figures show data on movement of claims in classes of insurance where claims were reported, reserved and settled

# Information Technology Upgrade

## Enhancement and Improvement of the IT System

In the course of reporting year an analysis of the procedure of processing policies prepared by brokers and invoicing was made. The module is expected to optimise our operations with the brokers both in terms of accuracy and of timely processing of broker related data such as brokerage commission, collection monitoring on the part of brokers and invoice payment to brokers.

## Equipping with Hardware Resources

At the onset of the pandemic an action plan was drew up regarding carrying out activities under circumstances of crises and restrictive movement. The plan included equipping the employees with laptops. In the course of 2020, 74 laptops were purchased by means of which we reached 50% of the employees equipped with laptops.

## IT System Safety

In the Q3 of 2020, the Company purchased and implemented an overall solution for prevention, detection and protection of work stations and servers as a part of the Company's Information System, from safety attacks and threats. The solution enables protection of the ultimate spots of the IT system from known computer viruses, worms and other malicious and harmful software that might harm the ultimate spots and data as wells as files contained therein. Having in mind the increased number of laptops, there is increased risk of theft of those laptops and leak of data. Thus the protection solution now also gives encryption of disks on work stations.

In the Q4 of 2020, a procedure for purchasing a solution for log management, more precisely, SIEM

(Security Information and Event Management) by means of which it would be able to identify any unauthorized (fraudulent) access or misuse of personal and other data and to determine the origin of such incidents trough recording of every access to IT systems logs.

Implementation of the solution began in the end of the reporting year and would finish in the Q1 of 2021.

## FINANCIAL RESULT ANALYSIS

### **Net Income from Premiums**

In 2020 the Company realized gross written premiums to the amount 963.579.000 MKD or 49.489.000 MKDlower amount than the gross premiums written in 2019, thus showing5% decrease.

Under circumstances of ceded premiums to an approximate amount of 169.924.000MKD (increased by the amount of 29.817.000 MKD or 21% increase) and decreased net income from changes in the unearned premiums reserve to the net amount of -904.000 MKD(change in reserve based on unearned premiums amounting to 19.129.000 MKD and in the portion of reinsurance amounting to -20.033.000 MKD), the net earned premiums amounted to 792.751.000 MKDor 8% decrease compared to the figures realized in2019 (864.568.000 MKD).

| - In 000 MKD                                   | 2020     | 2019      | % of<br>growth |
|------------------------------------------------|----------|-----------|----------------|
| Gross Written Premiums                         | 963.579  | 1.013.068 | -5%            |
| Gross Written Premiums ceded                   |          |           |                |
| Change in unearned insurance premium reserve   | 19.129   | 13.460    | 42%            |
| Premiums ceded to reinsurers                   | -169.924 | -140.107  | 21%            |
| Change in unearned reinsurance premium reserve | -20.033  | -21.853   | -8%            |
| Net Revenues from Premiums                     | 792.751  | 864.568   | -8%            |

### **Investment Income**

In the reporting year the Company made income based on investment income to the amount of 60.604.000 MKD or 43% higher than in 2019 (2019: 42.460.000 MKD). In the same period total expenses from investments amounted to -29.322.000 MKD (2019: -4.092.000 MKD). Accordingly, income from investment totalled 31.282.000 MKD, which is 18% lower realization than the previous year (2019: 38.368.000 MKD).

In terms of investment portfolio, higher revenues compared to previous year were realized in the segment of interests on government bonds (to the amount of 10.164.000 MKD or 65% higher than those in 2019:6.149.000 MKD) while revenues from interests on time deposits in banks amounted to 9.659.000 MKD or 29% lower than the amount realized in 2019 (2019: 13.576.000 MKD). This is primarily due to the change in the investment portfolio structure with a view to decreasing bank deposits and increasing investment in long-term (30 and 15-year) government bonds, which is a result of the need for realizing higher yields from investments in the context of economic

environment characterized by a continuous fall of interest rates, a trend started as of 2013 and still lasting in 2020.

This impetus was also given by the monetary and fiscal authorities. Namely, the weighted interest on deposits in MKD currency placed in banks without currency clause (at the same time applied for determining the National Referential Interest Rate) that amounted to the level of 1.96% in December 2018, fell at the level of 1.33% by December 2020. In addition, the National Bank of the Republic of North Macedonia decreased the interest rate on treasury bonds, being at the level of 2.5% on annual basis, recorded in December 2018, to the level of 1.5% by December 2020. It triggered downward correction of the basic interest rate in the course of the past two years.

Hence, in line with these movements, the average weighted interest rate at which the Company's assets were placed in bank deposits, amounting 4.85% at the end of 2014, was gradually being reduced (3.34% at the end of 2015; 3.15% at the end of 2016; 2.77% at the end of 2017; 2.74% at the end of 2018; 2.68% at the end of 2019) to 2.56% at the end of 2020.

| Investment Income                                                               |         |        | % of change |
|---------------------------------------------------------------------------------|---------|--------|-------------|
| (in 000 MKD)                                                                    | 2020    | 2019   | 2020/2019   |
| Revenues from interest on treasury notes and government bonds                   | 10.164  | 6.149  | 65%         |
| Revenues from interest on fixed term deposits in banks                          | 9.659   | 13.576 | -29%        |
| Revenues from interest on guarantee fund                                        | 320     | 395    | -19%        |
| Revenues from dividends                                                         | 1.218   | 1.239  | -2%         |
| Revenues fromamortization of government bond discounts                          | 228     | 1.142  | -80%        |
| Foreign exchange net effect                                                     | -3.572  | -538   | 564%        |
| Revenues from exchange rate differences of held-to-maturity securities          | 2.149   | 642    | 235%        |
| Expenditure from exchange rate differences of held-to-maturity securities       | -5.721  | -1.180 | 385%        |
| Net effect of decreasing securities at fair value (held-for-trading securities) | 5.595   | 3.424  | 63%         |
| Unrealized gains from decreasing securities at fair value                       | 29.186  | 4.319  | 576%        |
| Unrealized losses from decreasing securities at fair value                      | -23.591 | -895   | 2536%       |
| Net effect of realized gains from sold securities                               | 7.679   | 14.926 | -49%        |
| Realized gains from sold investment (investment funds) and other revenues       | 7.680   | 14.998 | -49%        |
| Realized losses from selling a financial property – capital loss                | -1      | -72    | -99%        |
| Other investment expenditure (interest expenses etc.)                           | -9      | -1.945 | -100%       |
| Total Investment Income                                                         | 60.604  | 42.460 | 43%         |
| Total Investment Expenditure                                                    | -29.322 | -4.092 | 617%        |
| Total Investment Net Income                                                     | 31.282  | 38.368 | -18%        |

In the reporting period, net revenues realized as a result of reducing held-for trading securities at fair value, shown through the income statement, amounted to 5.595.000 MKD or 63% higher than the previous year (2019: 3.424.000 MKD). In the reporting year, however, as a result of the health crisis this portfolio manifested the greatest volatility of yields due to global stock markets oscillations and

crash in the peak of the crisis, starting by the end of March until the beginning of June, when a gradual stabilization of the stock markets began. Hence, this portfolio, which is fully foreign portfolio (investment of assets in securities, whose issuer is a country or foreign legal entity form EU or OECD member state) managed to realize a net income (or unrealized net profit) by the end of the year.

At the same time, the investment portfolio available for sale realized net gains from selling securities to the amount of 7.680.000 MKD or -49% lower than the amount realized in 2109 (2019: 14.998.000 MKD). The amount of 2.786.000 MKD was realized from selling of the investment units in the investment funds, while the rest of the amount is a realized gain from selling the shares (Komercijalna banka AD Skopje and Alkalloid AD Skopje) totalling 3.928.000 MKD) and one ETF -SPDR Gold to the amount of 610.000 MKD.

## Other insurance technical income

In 2020, the volume of commissions and fees amounted to24.338.000 MKDor 17% higherthan the amount realized in 2019 (20.730.000 MKD).

The increase was due to increased reinsurance commissions (21% increase or 3.117.000 MKD higher amount).Revenues realized through subrogated claims from Guarantee Fund were 24% lower than the previous year (811.000 MKD less than the previous year).Reimbursement from Guarantee Fund for claim handling services was almost at the same level as the previous year, increased by the amount of 123.000 MKD.

in 000 MKD

|                                         | 2020   | 2019   | % change |
|-----------------------------------------|--------|--------|----------|
|                                         |        |        |          |
| Commissions from reinsurance            | 18.015 | 14.898 | 21%      |
| Fees from GF for handling claims        | 550    | 427    | 29%      |
| Income from GF for realized subrogation | 2.615  | 3.426  | -24%     |
| Fees from companies for handling claims | 1.409  | 1.117  | 26%      |
| Other                                   | 1.749  | 861    | 103%     |
| Net income from fees and commissions    | 24.338 | 20.729 | 17%      |

#### **Other revenues**

In 2020, other revenues amounted to 7.224.000 MKD or 21% higher than the one in 2019. In this framework, a slight downward movement was present in revenues from taxes and court expenses (16% decrease) while revenues from positive exchange rates and revenues from previous years were 47% higher than the previous year.

#### In 000 MKD

| Other income                                                                               | 2020  | 2019  | % of change |
|--------------------------------------------------------------------------------------------|-------|-------|-------------|
| Income from interest and legal expenses arising from collected receivable by legal actions | 2.030 | 2.423 | -16%        |
| Other income – positive exchange rate differences, etc.                                    | 5.194 | 3.532 | 47%         |
| Total other income                                                                         | 7.224 | 5.955 | 21%         |

### Claims

In 2020, settled claims amounted to 373.301.000 MKD, which is 4% lowerthan the ones realized in the previous year. At the same time, they participated in gross written premiums with 39%, which is 1% higherthan the participation in 2019(38%).

The Company had increasing expenses regarding gross provision for claims to the amount of 40.364.000 MKD (2019: 37.439.000 MKD). In respect of IBNR claims, the Company increased the provision by the amount 10.200.000 MKD, while the provision for RBNS claims was decreased by the amount of 7.336.000 MKD.

As regards revenues from subrogation claims, they amounted to 4.040.000 MKD or were 49% lowerthan the amount realized in 2019. This is primarily due to the amended by-laws made towards the end of 2019, which prescribed a manner of recognition of revenues from subrogation in the balance only to the amount of collection of such revenues.

Having in mind reinsurers' participation in settled and reserved claims, net incurred claims amounted to 404.682.000 MKD or were 1% higher than the ones realized in 2019 (410.163.000 MKD).

In total, net incurred claims in 2020 participated with 42% in the gross written premiums (2019: 40%), while 51% in earned premiums (2019: 47%).

## Incurred Claims and Benefits

In 000 MKD

|                                          | Gross   |         |                | R      | Reinsurer's Share |                |         | Net     |                |  |
|------------------------------------------|---------|---------|----------------|--------|-------------------|----------------|---------|---------|----------------|--|
|                                          | 2020    | 2019    | % of<br>change | 2020   | 2019              | % of<br>change | 2020    | 2019    | % of<br>change |  |
| Incurred claims paid in the current year | 373.301 | 387.659 | -4%            | 9.432  | 11.109            | -15%           | 363.869 | 376.550 | -3%            |  |
| Changes in reserves<br>RBNS              | -7.343  | -7      | 104800%        | -2.545 | -3.962            | -36%           | -4.798  | 3.955   | -221%          |  |
| Changes in reserves<br>IBNR              | 47.707  | 37.446  | 27%            | -1.943 | -86               | 2159%          | 49.650  | 37.532  | 32%            |  |

| Income      | from |         |         |      |       |       |      |         |         |      |
|-------------|------|---------|---------|------|-------|-------|------|---------|---------|------|
| subrogation |      | -4.040  | -7.874  | -49% |       |       |      | -4.040  | -7.874  | -49% |
| Total       |      |         |         |      |       |       |      |         |         |      |
|             |      |         |         |      |       |       |      |         |         |      |
|             |      | 409.625 | 417.224 | -2%  | 4.944 | 7.061 | -30% | 404.682 | 410.164 | -1%  |

# **Bonuses and Discounts Expenses**

Total expenses for bonuses and discounts in the reporting period amounted to 29.043.000 MKD or 8.501.000 MKD (-8%) lower than the ones realized in 2019.

| In 000 MKD                         | 2020   | 2019   | % of change |
|------------------------------------|--------|--------|-------------|
|                                    |        |        |             |
| Expenses for bonuses               | 2.265  | 7.025  | -68%        |
| Expenses for discounts             | 26.778 | 30.519 | -12%        |
| - accident                         | 1.636  | 0      | -           |
| - health insurance                 | 1.071  | 0      | -           |
| - Casco                            | 5.739  | 5.556  | 3%          |
| - property insurances              | 12.748 | 13.737 | -7%         |
| - general liability                | 5.103  | 7.307  | -30%        |
| - other                            | 481    | 3.919  | -88%        |
| Expenses for bonuses and discounts | 29.043 | 37.544 | -23%        |

# Insurance Management Expenses

Total insurance management expenses in 2020 amounted to 361.367.000 MKD or 15% lower than the ones realized in the previous year.

|                      | 2018    | 2020<br>2018 % of change <sup>2019</sup> |      |
|----------------------|---------|------------------------------------------|------|
| Acquisition Expenses | 193.747 | 192.779                                  | 1%   |
| Overheads            | 167.620 | 232.284                                  | -28% |
| Total                | 361.367 | 425.063                                  | -15% |

Approximately 46% or167.620.000 MKD of the insurance management expenses were overheads (2019: 232.284.000 MKD or 55% % of the insurance management expenses).

| (in MKD)                               | 2020   | 2019   | % of change |
|----------------------------------------|--------|--------|-------------|
| Employees expenses                     | 62.209 | 63.640 | -2%         |
| - salaries - administration and claims | 54.966 | 57.180 | -4%         |

| - other expenses for employees             | 7.243   | 6.460   | 12%  |
|--------------------------------------------|---------|---------|------|
| Tenancy                                    | 26.967  | 29.720  | -9%  |
| Rented assets                              | 449     | 550     | -18% |
| Management Bodies expenses                 | 6.824   | 42.284  | -84% |
| Telephone expenses                         | 7.277   | 8.953   | -19% |
| Sponsoring and entertainment costs         | 2.869   | 13.967  | -79% |
| Depreciation f tangible assets             | 4.420   | 5.984   | -26% |
|                                            |         |         |      |
| Expenses for services from natural persons | 14.733  | 12.487  | 18%  |
| Reimbursement for using private cars       | 7.547   | 7.074   | 7%   |
| Utility fees                               | 3.789   | 3.859   | -2%  |
| Security                                   | 1.657   | 3.322   | -50% |
| Banking services                           | 3.370   | 4.252   | -21% |
| Office supplies                            | 1.344   | 1.839   | -27% |
| Other overheads                            | 24.165  | 34.353  | -30% |
| Overheads                                  | 167.620 | 232.284 | -28% |

Acquisition costs in 2020 amounted to 193.747.000 MKD (2019: 192.779.000 MKD). They participated with 54% in the total insurance management expenses (2019: 45%) and were 1%% higherthan the expenses in 2019.

| In 000 MKD                                | 2020    | 2019    | % of change | structure<br>2020 | structure<br>2019 |
|-------------------------------------------|---------|---------|-------------|-------------------|-------------------|
| Commission                                | 50.564  | 62.660  | -19%        | 26%               | 33%               |
| Gross salaries of the inner sales network | 92.806  | 92.388  | 0%          | 48%               | 48%               |
| Other acquisition costs                   | 17.138  | 20.520  | -16%        | 9%                | 11%               |
| Changes in acquisition cots               | 33.239  | 17.211  | 93%         | 17%               | 9%                |
| Net acquisition costs                     | 193.747 | 192.779 | 1%          | 100%              | 100%              |

In this context, external distribution channel commission amounted to 26% of the total acquisition costs or 14% of the net insurance management expenses. They amounted to 50.564.000 MKD or 19% lower than in 2019 (2019: 62.660.000 MKD).

Other acquisition costs (sales network salaries, insurance policies printing expenses, publicity etc.) amounted to 109.944.000 MKD (2019:112.908.000 MKD) or 2.6% lower than the previous year.

In the course of 20209, Insurance Supervision Agency issued a Rulebook on Amendments to the Rulebook on Form and Contents of Financial Statements and Detailed Contents of the Annual Accounts of Insurance and/or Reinsurance Companies, published in the Official Gazette of the Republic of North Macedonia on 16 August 2020 (No. 170/2020). In accordance with this by-law, insurance companies apply accounting policies of recognition, subsequent measurement and disclosure of acquisition data, which differ from the requirements contained in Annex 3 of the Guideline for filling in financial statements referred to in the Rulebook prescribing that the companies would be obliged to implement the amendments not later than 1 January 2021.

Based on the said Rulebook, the Company in 2019 made estimate/projection of deferred acquisition costs as at 31 December 2019 and evaluated the effects of the full implementation of the Rulebook with respect to the recognition of deferred acquisition costs to the approximate amount of 40.000.000 MKD. As at 31 December 2020, the Company made a full adjustment to the Guideline on application of the chart of accounts of insurance/reinsurance companies (Official Gazette of the RNM 170/2020) in respect of the estimation of deferred acquisition costs.

Based on the full adjustment, the Company recorded a negative movement (expense) in the Income Statement to the amount of 33.234.000 MKD (2019:17.211.000 MKD) for the year ending on 31 December 2020.

### **Management Bodies Expenses**

Insurance management expenses included expenses incurred by the managing bodies totalling 7.859.000MKD, out of which 7.858.000 MKD incurred by Supervisory Board while 24.508.000MKD incurred by the Management Board. They are presented in the table par types of expenses:

|                                                      |            | (In MKD)   |
|------------------------------------------------------|------------|------------|
|                                                      | 2020       | 2019       |
| Supervisory Board Members                            | 7.858.963  | 50.600.244 |
| - Reimbursement for SB meetings                      | 5.268.493  | 19.604.767 |
| - Other reimbursements                               | 998.149    | 8.122.283  |
| Health insurance                                     | 0          | 358.357    |
| Life insurance                                       | 0          | 735.793    |
| Managerial insurance                                 | 998.149    | 7.028.133  |
| - Other expenses (including entertainment allowance) | 1.592.321  | 22.873.194 |
| Management Board Members                             | 24.507.762 | 27.088.245 |
| - Salaries and reimbursements                        | 15.687.976 | 17.304.240 |
| - Other reimbursements                               | 4.187.246  | 4.861.605  |
| Health insurance                                     | 341.332    | 444.708    |
| Life insurance                                       | 265.685    | 276.700    |
| Manager insurance                                    | 3.580.229  | 4.140.197  |
| - Other expenses (entertainment allowance included)  | 4.632.540  | 4.922.400  |
| Total                                                | 32.366.725 | 77.688.489 |

### **Other Insurance Technical Expenses**

In 2020, the Company set aside 33.987.000 MKD for other insurance technical expenses, or 3% increase compared to the previous year.

| Total                                  | 33.987 | 32.844 | 3%          |
|----------------------------------------|--------|--------|-------------|
| Other expenses                         | 267    | 312    | -14%        |
| Subrogation to NIB – court expenses    | 1.010  | 1.145  | -12%        |
| National Insurance Bureau              | 3.066  | 3.248  | -6%         |
| Insurance Supervision Agency           | 8.544  | 7.236  | 18%         |
| Health care fee                        | 3.473  | 4.110  | -15%        |
| Fire protection contribution           | 4.454  | 4.578  | -3%         |
| GF claims – payment (unknown vehicles) | 13.173 | 12.215 | 8%          |
| (In MKD)                               | 2020   | 2019   | % of change |

## Value Adjustment of Receivables from Insurance Premiums

Total adjustment of the value of uncollected receivables from premiums in 2020 amounted to 2.638.000 MKD, which is 139% less than the amount realized in 2019 (2019:6.681.000 MKD). This is primarily due to application of the new rulebook on adjustment of the value of receivables by means of which a prolongation of arrears days in each category was made, resulting in reduced expense,

| Value Adjustment of Receivables from Insurance     |        |       |             |
|----------------------------------------------------|--------|-------|-------------|
| Premiums                                           | 2020   | 2019  | % of change |
|                                                    |        |       |             |
| Adjusted value of receivables from insured persons | -9.034 | 4.994 | -281%       |
| Collected, written-off receivable                  | -4     | 0     |             |
| Permanent write-off of receivables                 | 6.400  | 1.688 | 279%        |
| Total                                              | -2.638 | 6.682 | -139%       |

At the end of the business year, the write-off of all receivables amounted to 6.881.000 MKD (2019: 1.746.000 MKD). Most of the write-offs (6.400.000 MKD) resulted from closing down of legal entities, our debtors. The rest of the amount (481.000 MKD) resulted from other receivable (subrogation etc.).

### Other Expenditure including Value Adjustment

In terms of category of other expenditure including adjusted values, the amount of 14.368.000 MKD referred to adjusted value of other receivables from direct operations (2019: 1.885.000 MKD) while other financial expenses amounted to 793.000 MKD (2019: 1.002.000 MKD). Permanent writ-off of these receivables amounted to 481.000 MKD for 2020 (2019: 58.000 MKD)

#### Other expenditures, including value adjustments

|                                                             | 2020   | 2019  | % of<br>change |
|-------------------------------------------------------------|--------|-------|----------------|
| Adjusted valued of other receivables from direct operations | 14.368 | 1.885 | 762%           |
| Permanent write-off of receivables from direct operations   | 481    | 58    | 829%           |
| Other financial expenditures                                | 793    | 1002  | 79%            |
| Total                                                       | 15.642 | 2.945 | 531%           |

## Profit

Company's clearly defined strategic goals, continuous monitoring and analysis of the situation in the market and corresponding reaction to changes through updating our offer and established procedures as well as competent management of risks and investments resulted in profit before taxation to the amount of 30.786.000 MKDfor 2020 (2019:10.475.000 MKD) or 24.645.000 MKD after taxation (2019: 1.960.000 MKD).

Total profit resulting from adding/reducing the profit from the re-measurement of the financial assets available for sale to the amount of -6.836.000 MKD amounted to17.809.000 MKD for 2020.

### FINANCIAL SITUATION ANALYSIS

Company's total assets as at 31 December 2020 amounted to 1.520.753.000 MKD, showing approximately 2% increase compared to the previous year (2019: 1.499.545.000 MKD) (Annex 2).

### Investments

Company's total investments as at 31 December 2020 amounted to 1.024.016.000 MKDor were 4% higher than the previous year (2019: 988.738.000 MKD.) Investments included 16.846.000 MKD in the National Insurance Bureau's Guarantee Fund, while other financial investments amounted to 1.007.935.000 MKD.

In 2020, the Company increased its investment portfolio by 4%, (by 36.044.000 MK) mostly due to increased collection of theinsurance of premiums and decreased the amount of due, uncollected receivables, as well as to efficient investment policies.

In terms of investment portfolio, the amount of 398.750.000 MKD was placed in bank deposits (-11% lower compared to 2019), while 351.819.000 MKD in debtor's securities kept at maturity (37% increase compared to 2019) and 172.145.000 MKD in financial investments available for sale (4% decrease compared to 2019), as well as financial investments held to trading (-1% lower in respect of 2019)

|                                           |           |         |        | In 000 I | MKD     |
|-------------------------------------------|-----------|---------|--------|----------|---------|
|                                           |           |         | % of   | Structur | re in % |
|                                           | 2020      | 2029    | change | 2020     | 2019    |
| Financial investment kept at maturity     | 351.819   | 256.872 | 37%    | 35       | 26      |
| - Debtors securities with 1-year maturity | -         | 2.293   | -100%  |          |         |
| - Debtors securities over 1-year maturity | 351.819   | 254.579 | 38%    |          |         |
| Financial investment available for sale   | 172.145   | 179.156 | -4%    | 17       | 18      |
| - Stocks, shares and other instruments    | 10.676    | 16.725  | -36%   |          |         |
| - Stocks and shares in investment funds   | 161.469   | 162.431 | -1%    |          |         |
| Financial Investments for Trading         | 85.221    | 87.865  |        | 8        | 9       |
| Deposits, loans and other placements      | 398.750   | 447.998 | -11%   | 40       | 46      |
| Total Financial Investment                | 1.007.935 | 971.891 | 4%     | 100      | 100     |

In the context of continuously present economic circumstances of **low interest rates** in the past three-year period, the Company started to reshape its investment strategy by including "non-traditional" instruments differing from the "usual and conservative" bank deposits and government

securities. They certainly, are riskier and volatile, yet probably yielding a higher profit than the average one, that such "traditional" instruments yield amounting to 2% at annual level.

The latest investment in investment funds was made in February 2020, by selling and rebuying units in investment funds, keeping the same nominal value of the initial investment in each of the openend investment funds only for the purpose of realization of the gained yield. In addition, in the context of the health crisis and consequent uncertainty in the period from April to June, the Company applied a contained investment polices and temporarily invested available liquid assets solely in cash investment funds, taking care of maintaining the liquidity at adequate level.

By the end of 2019, the Company changed the investment portfolio structure from 100% investments in instruments in the Republic of North Macedonia to 92% versus 8% investment abroad ( in EU and OECD member states), thus additionally exposing itself to impacts of the global financial market, a structure being kept until the end of 2020. Foreign portfolio structure mainly includes units bought in index funds (12 different ETFs) which together with the units in one open-end fund amount to 73.850.000 MKD, which represents 7% of the total investment portfolio, while 1% - amounting to 11.371.000 MKD is invested in shares of business entities coming from those countries. Notwithstanding the whole foreign portfolio is categorized as available to trade, in the course of 2020, only one sale of one ETF – SPDR Gold was realized, resulting in a gain to the amount of 610.000 MKD. This is mainly due to the fact that from the onset of the pandemic on, global stock markets had enormous fall, followed by a slow and gradual recovery, thus causing the Company to decide to keep positions gained already with a view to returning the values close to the purchase values.

In the Q4 of 2018, the Company had started to invest in long-term government securities and bought 15 and 30-year bond at respective 3.40% and 4.50% coupon interest rate, and continued with such practice in the period to come increasing its participation in these government securities, for the purpose of maintaining the weighted interest rate of the Company's portfolio in this instrument of more than 3% at annual level.

In the course of 2020, the Company bought 4 new long-term (10, 15 and 30-year) government bonds to the total amount of 98.210.000 MKD, by which the weighted interest rate of the total folio of government securities was positioned to 3.5% at annual level.

Accordingly, the main change on the investment structure in 2020 meant decreasing bank deposits and increasing volume of long-term government bonds.

The status of the company's investment portfolio as at 31 December 2020 compared to 31 December 2019 was as follows:

| (In 000 MKD)                                                                                                                                                     |                                                                             |                              |                |                              |                |                                     |                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------|----------------|------------------------------|----------------|-------------------------------------|------------------------------|
|                                                                                                                                                                  | Allowed<br>% of<br>Invested<br>Technical<br>Provision<br>Covering<br>Assets | As at 31<br>December<br>2019 | %<br>Structure | As at 31<br>December<br>2020 | %<br>Structure | Absolute<br>Difference<br>2020-2019 | %<br>Difference<br>2020/2019 |
| Total Investment Portfolio (RNM)                                                                                                                                 |                                                                             | 884.026                      | 91%            | 922.714                      | 92%            | 38.688                              | 4%                           |
| Deposits in banks that have a licence issued by NBRM                                                                                                             | 60%                                                                         | 447.998                      | 46%            | 398.750                      | 40%            | -49.248                             | -11%                         |
| Bonds and other securities issued or guaranteed by the RNM on the domestic market                                                                                | 80%                                                                         | 256.872                      | 26%            | 351.819                      | 35%            | 94.947                              | 37%                          |
| Shares traded on a regulated securities market in the RNM                                                                                                        | 25%                                                                         | 16.725                       | 2%             | 10.676                       | 1%             | -6.049                              | -36%                         |
| Stakes and shares of investment funds registered in the RNM                                                                                                      | 20%                                                                         | 162.431                      | 17%            | 161.469                      | 16%            | -962                                | -1%                          |
| Stakes in non-monetary IF                                                                                                                                        |                                                                             | 131.431                      | 14%            | 128.439                      | 13%            | -2.992                              | -2%                          |
| Stakes in Cash IF                                                                                                                                                |                                                                             | 31.000                       | 3%             | 33.029                       | 3%             | 2.029                               | 7%                           |
| Types of Investment Portfolio (EU+OECD)                                                                                                                          |                                                                             | 87.866                       | 9%             | 85.221                       | 8%             | -2.645                              | -3%                          |
| Long-term bonds and other long-term debt securities issued by a member state of the EU or a member state of the OECD                                             |                                                                             | 6                            | 6%             |                              | 0%             | 0                                   |                              |
| Shares issued by a foreign joint stock company, traded on<br>a regulated securities market in the member states of the<br>EU or in the member states of the OECD | 20%                                                                         | 11.940                       | 1%             | 11.371                       | 1%             | -569                                | -5%                          |
| Shares (stakes) in investment funds traded on regulated<br>securities market in a member state of the EU or a<br>member state of the OECD                        |                                                                             | 75.926                       | 8%             | 73.850                       | 7%             | -2.076                              | -3%                          |
| TOTAL INVESTMENT PORTFOLIO (RNM + abroad<br>(EU+OECD)                                                                                                            |                                                                             | 971.892                      | 100%           | 1.007.935                    | 100%           | 36.043                              | 4%                           |

The biggest drop, measured at the absolute amount in the investment portfolio was realized in bank deposits (decrease in the portfolio by 49.248.000 MKD -11%), in cash investment funds to the amount of 962.000 MKD (or -1%) and in shares quoted at the domestic stock market decreased by 6.049.000 MKD or -36%. The last decrease resulted from the sale of the shares of Alkaloid AD Skopje and Komercijalna banka AD Skopje, which yielded a capital profit amounting to 3.928.000 MKD. The value of the rest of the shares in this portfolio as at 31 December 2020 was decreased by 440.000 MKD compared to the situation as at 31 December 2019.

Investment policies, an in their framework, a selection of placements per types and volume are fully complied with legal provisions for types of investment of technical provisions covering assets and related restrictions. At the same time, investment portfolio provides protection from exposure to currency and interest risk, while allocation by maturity enables the maximum possible protection against liquidity risk.

### **Gross Technical Provisions Based on Reinsurance**

As at 31 December 2020, the reinsurance portion in gross technical provisions amounted to 67.483.000 MKD or 27% less than the previous year. Out of that amount, 55.643.000 MKD went to gross provision for unearned reinsurance premium, while 11.840.000 MKD was the reinsurer's portion in gross provision for claims.

Reinsurance portion in gross technical provision

| In 000 MKD                                        |         |         |             |
|---------------------------------------------------|---------|---------|-------------|
|                                                   | 2020    | 2019    | % of change |
| Gross provision for unearned premiums             |         |         |             |
| As at 1 January                                   | 75.676  | 97.530  | -22%        |
| Unearned premium movement                         | -20.033 | -21.854 | -8%         |
| As at 31 December                                 | 55.643  | 75.676  | -26%        |
|                                                   |         |         |             |
| Gross provision for claims                        |         |         |             |
| As at 1 January                                   | 16.329  | 20.378  | -20%        |
| Movement in the gross provision for claims        | -4.489  | -4.049  | 11%         |
| As at 31 December                                 | 11.840  | 16.329  | -27%        |
| Reinsurance portion in gross technical provisions | 67.483  | 92.005  | -27%        |

### **Receivables**

Company's total receivables as at 31 December 2020 amounted to 305.322.000 MKD, or 15.000 MKD higher than in 2019. Out of this amount, 93% were receivables from the insured persons amounting to 284.096.000 MKD or 13% higher than the amount realized in 2019. Receivables from direct insurance operations showed 16% increase, whileinvestment Revenueshad 56% increases and other receivables 12% increase

.

|                                                                |         |         |                | % structur | e    |
|----------------------------------------------------------------|---------|---------|----------------|------------|------|
| (in 000 MKD)                                                   | 2020    | 2019    | % of<br>change | 2020       | 2019 |
| Receivables from the Insured                                   | 358.247 | 334.351 | 7%             | 117%       | 126% |
| Adjusted value of receivables from the Insured                 | -74.151 | -83.184 | -11%           | -24%       | -31% |
|                                                                | 284.096 | 251.167 | 13%            | 93%        | 95%  |
| Other receivables from direct insurance operations             | 45.534  | 39.223  | 16%            | 15%        | 15%  |
| Adjusted value of receivables from direct insurance operations | -34.014 | -32.153 | 6%             | -11%       | -12% |
|                                                                | 11.520  | 7.070   | 63%            | 4%         | 3%   |
| Receivables from financial investments                         | 7.197   | 4.613   | 56%            | 2%         | 2%   |
| Other receivables                                              | 3.971   | 3.536   | 12%            | 1%         | 1%   |
| Adjusted value of other receivables                            | -1.462  | -1.332  | 10%            | 0%         | -1%  |
|                                                                | 9.706   | 6.817   | 42%            | 3%         | 3%   |

| Total Receivables | 305.322 | 265.054 | 15% | 100% | 100% |
|-------------------|---------|---------|-----|------|------|

**Other Assets** 

On 31 December 2020, the Company had other assets available to the amount of 33.396.000 MKD, or 38% increase compared to 2019. Out of this amount, 7.777.000 MKD included capital goodsand 25.619.000 MKD cash assets and cash equivalents.

Capital goods included equipment to the amount of 6.941.000 MKD (or 89%) while the amount of 836.000.000 MKD included other tangible assets.

Cash and cash equivalents at the year's end amounted to 25.619.000 MKD, or 72% higher compared to the situation as at 31 December 2019.

- In 000 MKD

Cash and cash equivalents

|                   | 2020   | 2019   |
|-------------------|--------|--------|
| Cash with banks   | 27.133 | 14.674 |
| Cash on hand      | 327    | 180    |
| Other cash        | -1.841 |        |
| As at 31 December | 25.619 | 14.854 |

Adjusted value to the amount of 100% of the receivables from Eurostandard Bank referring the remaining cash on the Company's transaction accounts amounting to -1.841.000 MKD is recorded under the item named *Other cash*.

# **Active Time Apportionments**

As at 31 December 2020, ATA amounted to 85.876.000 MKD, or 30% lowercompared to previous year.

In the structure, 77% went to *deferred acquisition costs* to the amount of 65.964.000 MKD or approximately 34% or 33.239.000 MKDless than the previous year, as a result of the full harmonization with the new by-laws issued by the Insurance Supervision Agency in the course of 2019, .i.e., elimination of a portion of the expenses that had been included in the annual accounts prior to 2020.

| Deferred Acquisition Costs |        |        |               |             |
|----------------------------|--------|--------|---------------|-------------|
| In 000 MKD                 | 2020   | 2019   | Change in MKD | % Of change |
| Deferred acquisitioncosts  | 41.348 | 67.884 | -26.536       | -39%        |
| Deferred costs - brokers   | 24.616 | 31.319 | -6.703        | -21%        |
| As at 31 December          | 65.964 | 99.203 | -33.239       | -34%        |

*Other estimated revenues and deferred costs* amounted to 19.912.000 MKD (23% of the total active time apportionments and they had 18% decrease compared to 2019).

| In 000 MKD                                    | 2020   | 2019   | % of change |
|-----------------------------------------------|--------|--------|-------------|
| Estimated income from reinsurance commissions | 10.245 | 7.360  | 39%         |
| Other estimated income                        | 9.667  | 16.855 | -43%        |
| Other estimated income and expenses           | 19.912 | 24.215 | -18%        |

## **Capital and Reserves**

In 2020, the Company maintained the value of subscribed capital to the amount of 195.326.000 MKD and showed legaly prescribed reserves to the amount of 184.621.000 MKD. Undistributed net profit as at 31 December 2020 amounted to 92.218.000 MKD or 1% higher amount that the one realized in 2019 (2019: 90.911.000 MKD).

Adjustment of the value of financial assets available for sale (shares and stakes in investment funds) was also made, including the net effect of the changes in their current market value on the basis of which a revaluation reserve amounted to2.728.000 MKD, or 6.836.000 MKD less than the realized in2019 (2019: 9.564.000 MKD), which is mostly due to the sold shares of Komercijalna banka AD Skopje (1.97 million of MKD) and Alkaloid AD Skopje (1.96 million of MKD).

The Company made a net profit after taxation to the amount of 24.645.000 MKD for 2020.

As at 31 December 2020, total capital standing of the Company amounted to 472.255.000 MKD or 9.474.000 MKD (2%) less than the one realized in 2019 (2019:481.728.000 MKD).

# **Gross Technical Provisions**

As at 31 December 2020, the Company set aside gross technical provisions to he amount of 933.946.000 MKD, or at the same level as in 2018.

Out of this amount, gross provision for unearned premiums amounted to 455.368.000 MKD (2019: 474.497.000 MKD) or 4% lower than in2019.

Gross provision for claim, including direct and indirect claims, amounted to 463.980.000 MKD or 10% higher than in 2019 (2019:423.616.000 MKD).

Provision for bonuses and discounts amounted to 14.598.000 MKDor 54% lowercompared to 2019 due to change in methodology of its estimate.

| (In 000 MKD)                         | 2020    | 2019    | % of change |
|--------------------------------------|---------|---------|-------------|
| Gross reserves for unearned premiums | 455.368 | 474.497 | -4%         |
| Gross reserve for claims             | 463.980 | 423.616 | 10%         |
| Gross reserve for bonuses/discounts  | 14.598  | 31.871  | -54%        |
| Gross Technical Reserve              | 933.946 | 929.984 | 0%          |

Including the participation of the reinsurers in the Company's gross technical provision to the amount of 67.483.000 MKD (55.643.000 MKD based on unearned premiums and 11.840.000 MKD based on provision for claims) the net technicalprovision as at 31 December 2020 amounted to 866.463.000 MKD (2019: 837.978.000 MKD).

|                                                             |         | 2020        |         |         | 2019        |         |
|-------------------------------------------------------------|---------|-------------|---------|---------|-------------|---------|
|                                                             | Gross   | Reinsurance | Net     | Gross   | Reinsurance | Net     |
| Gross Technical Provision<br>(In 000 MKD)                   |         |             |         |         |             |         |
| RBNS – Gross provision for reported but not settled claims  | 263.165 | -1.956      | 261.209 | 270.570 | -4.502      | 266.068 |
| Provision for direct expenses                               | 19      |             | 19      | 20      |             | 20      |
| Provision for indirect expenses                             | 2.462   |             | 2.462   | 2399    |             | 2.399   |
| IBNR – Gross provision for incurred but not reported claims | 198.334 | -9.884      | 188.450 | 150.627 | -11.827     | 138.800 |
| Provision for bonuses and discounts                         | 14.598  |             | 14.598  | 31871   |             | 31.871  |
| Provision for unearned premiums                             | 455.368 | -55.643     | 399.725 | 474.497 | -75.676     | 398.821 |
| As at 31 December                                           | 933.946 | -67.483     | 866.462 | 929.984 | -92.005     | 837.979 |

### **Deferred and current tax liabilities**

As at 31 December 2020, the Company had a currenttax liability to the amount of 1.054.000 MKD.

## Liabilities

The Company's total liabilities amounted to 43.668.000 MKD, or 17% below the level of those realized in the previous year.

| - In 000 MKD                                       |        |        |             |
|----------------------------------------------------|--------|--------|-------------|
|                                                    | 2020   | 2019   | % of change |
| Other liabilities from direct insurance operations | 2.544  | 2.752  | -8%         |
| Liabilities arising from reinsurance               | 9.599  | 5.822  | 65%         |
| Other liabilities                                  | 31.525 | 43.847 | -28%        |
| Total Liabilities                                  | 43.668 | 52.421 | -17%        |

Total liabilities from direct insurance operationsamounted to 2.544.000 MKD, showing 8% decreasecompared to 2019 and they included liabilities arising from indemnity claims.

In this context, liabilities to the insured personsamounted to 2.488.000 MKD or almost the same as in the previous year.

Liabilities from direct insurance operations In 000 MKD

|                                | 2020  | 2019  | % change |
|--------------------------------|-------|-------|----------|
| Liabilities to Insured persons | 2.488 | 2.666 | -7%      |
| Other liabilities              | 56    | 86    | 0%       |
| As at 31 December              | 2.544 | 2.752 | -8%      |

# Liabilities from co-insurance and reinsurance operations

Liabilities from co-insurance and reinsurance amounted to 9.599.000 MKD or 65% higher than in the previous year, most of which undue, according to reinsurance treaties having in mind their fixed maturity.

Liabilities from reinsurance In 000 MKD

|                                       | 2020  | 2019  | % change |
|---------------------------------------|-------|-------|----------|
| Liabilities from reinsurance premiums | 9.599 | 5.822 | 65%      |
| As at 31 December                     | 9.599 | 5.822 | 65%      |

## Other liabilities

Other liabilities amounted to31.525.000MKD showing 28% fall compared to2019.

| Other Liabilities        |        |        |             |
|--------------------------|--------|--------|-------------|
| In 000 MKD               |        |        |             |
|                          | 2020   | 2019   | % of change |
| Liabilities to suppliers | 13.185 | 19.430 | -32%        |
| Liabilities to employees | 13.039 | 13.972 | -7%         |
| Other                    | 5.301  | 10.445 | -49%        |
|                          |        |        |             |
| As at 31 December        | 31.525 | 43.847 | -28%        |

# **Passive Time Apportionments**

As at 31 December 2020, the Company had preestimated expenses to the amount of 42.549.000 MKD falling under the period , mostly with respect to estimated reinsurance expenses (or 75% of the total PTA) and in respect of which no debit note was received.

Passive time apportionments - In 000 MKD

|                                           | 2020   | 2019   | % of<br>change |
|-------------------------------------------|--------|--------|----------------|
| Pre-estimated reinsurance expenses        | 31.783 | 23.481 | 35%            |
| Pre-estimated brokerage expenses          | 7.382  | 4.713  | 57%            |
| Other pre-estimated expenses per invoices | 3.384  | 5.750  | -41%           |
|                                           | 42.549 | 33.944 | 25%            |

## **RISK MANAGEMENT**

Having in mind the fact that insurance is a risk operating business, the Company permanently carried out activities in order to consistently manage and control insurance risks providing at the same time an adequate capital for covering technical reserves arising from the Company's insurance portfolio and solvency margin.

In October 2020, the Company established Risk Management Sector that would take care of implementing and coordinating activities and processes related to: identification, measurement or estimate, controlling and/or reducing and monitoring of risks under its mandate.

## **Solvency Margin**

The calculation was made in accordance with Article 75 of the Law on Insurance Supervision, on the basis of which the solvency margin required level in 2020 amounted to 161.306.638 MKD as per premium rate method or 99.783.111 MKD as per damage rate method. (Annex 3).

Taking into consideration the Law provision stipulating the higher result (amount) be defined as the solvency margin required level, solvency margin in 2020amounted to 161.306.638MKD. Such defined solvency margin level at the same time enables compliance with the Law provision stipulating that "the capital of the insurance undertaking must be at any time at least equal to the required level of margin of solvency".

At the end of the reporting period, the Company's capitalwas in excess of 310.430.000 MKD in respect of the required solvency margin level. (Annex 4).

# **Company's Reserves**

In view of providing for a permanent and unfailing fulfilment of obligations arising from the insurance contracts, the Company has set aside technical and other provisions by applying insurance and technical principles and accounting standards. These provisions have been set aside in a manner and to the amount ensuring safety of operations, liquidity and profitability.

Pursuant to the Law, and Company's business acts as well as insurance contracts and insurance risks underwritten thereof, the following types of technical provisions have been set aside:

- 1) Provisions for unearned premiums;
- 2) Provisions for unexpired risks
- 3) Provisions for RBNS claims
- 4) Provisions for IBNR claims;
- 5) Provisions for indirect expenses for claims
- 6) Provisions for bonuses and discounts

Technical provisions as at 31 December 2019 were estimated to the amount of 866.462.000 MKD.

### **Investment of Technical Provision Covering Assets**

The Company set aside technical provision covering assets to the amount of 1.029.803.708 MKD.

When investing funds covering the technical reserves the Company took into consideration its classes of insurance offered, based on the principles of safety, profitability, and solvency.

Techncial provision coverering assets in 2020 were diversified so as to ensure not relying on a single category of assets, market or investment.

The Company adjusted investment of techncial provision assets, which are exposed to probable losses arising from changes in interest rates, foreign exchange fluctuations, credit risks and from other market risks, to its obligations arising from insurance contracts affected by such changes.

When investing technical reserve assets, the Company considered maturity of its obligations under insurance contracts. When investing such assets, the Company had in mind limitations to Individual Investments defined under the Law on Insurance Supervision and the Rulebook on Types and Nature of Technical Reserve and Mathematical Reserve Covering Assets as well as on Detailed Placement and Limitation of these Investments and their Evaluation (Annex 5).

## **Insurance and Financial Risk Management**

# Risk management objectives and policies for mitigating insurance risk

The Company's management of insurance and financial risk is a critical aspect of the business. For general insurance contracts, the objective is to select assets with a duration and maturity value which match the expected cash flows from the claims on those portfolios.

The primary insurance activity carried out by the Company assumes the risk of loss from persons or legal entities that are directly subject to the risk. Such risks may relate to property, liability, accident, health, or other perils that may arise from an insurable event.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, strict procedures for notification, assessment and settlement of claims and centralized management of reinsurance.

# Underwriting Strategy

The Company's underwriting policy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, reduces the variability of the outcome.

The underwriting policy is set out in the annual plan of operations that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. All general insurance contracts are annual in nature

and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

# Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources.

The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company. The majority of the reinsurance business ceded is placed on a quota share basis with retention limits varying by product line. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. All purchases of facultative reinsurance are subject to pre-approval and the total expenditure on facultative reinsurance is regularly monitored.

The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company's management sets the minimum security criteria for acceptable reinsurance and monitors the purchase of reinsurance against those criteria. The Company's management also monitors erosion of the reinsurance programme and its ongoing adequacy. Reinsurance treaties are signed with unrelated entities with a view to controlling exposure to loss resulting from one occurrence.

# **Financial Risk**

The Company is exposed to financial risk through its financial assets, financial liabilities, its reinsurance assets, insurance liabilities and reinsurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, currency risk, liquidity risk and credit risk.

The Company's objective is to match insurance contract liabilities with assets subject to identical or similar risks. This policy ensures that the Company is able to meet its obligations under its contractual liabilities as they fall due.

# Interest Rate Risk

The Company's exposure in interest rates is concentrated in the investment portfolio.

In management's view the insurance contracts concluded by the Company are mainly short term insurance contracts and the interest risk is mitigated by matching the insurance liabilities with a portfolio of debt securities. The non-equity portion of the financial assets in this portfolio is characterized by interest rate risk, though most of them are fixed interest bearing instruments (government bonds and government bills).

Short-term insurance and reinsurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

# Liquidity Risk

The biggest liquidity risk the Company faces are daily needs for assets available regarding obligations arising from insurance contracts and from claims.

The Company constantly maintains cash at bank and other highly liquid assets in order to prevent undue risk concentrations and to be able to meet payment obligations and potential payment obligations as and when they fall due.

# Foreign Exchange Risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies.

For avoiding the losses from movements with negative impact from the exchange rate, the Company applies a policy of predominant EUR exposure. The MKD currency is pegged to the Euro and the monetary projections envisage stability of the exchange rate of the MKD currency against Euro.

# Credit Risk

Credit risk represents the accounting loss that would be recognized if counterparties failed to perform as contracted. To control exposure to credit risk, the Company performs ongoing credit evaluations of the financial condition of these counterparties.

## - Insurance receivables

The Company is exposed to credit risk in the event where its customers from the provision of insurance services fail to meet their payment obligations. The Company's exposure to credit risk is limited to the carrying value of premium and other receivables. The premium receivables are owed by a large number of customers on normal credit terms and therefore there is minimal concentration of credit risk. The Company monitors premium receivables on an ongoing basis with the result that the Company's exposure to bad debts is controlled.

## - Reinsurance assets

The Company has exposure to credit risk in relation to its reinsurance assets. Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. The management performs assessment of the creditworthiness of reinsurers to update reinsurance purchase strategy.

#### - Financial instruments

The Company is exposed to credit risk from financial instruments with respect to the possible default of counterparties.

However, considering the fact that the Company invests in government bills and bonds and term deposits with domestic banks, no counterparty default is expected.

#### **Operational Risk**

The Company is exposed to operational risk connected with all relevant products, activities, processes and systems of work. Sources of the operational risk are present at all levels of decision making and business process performing, at each performer and at each segment of the business operations. Operational risks cannot be completely avoided, yet regular internal controls may prevent their expansion. Accordingly, the Company gives a special importance to the internal control system as well as to an adequate education of the employees. Good business continuity management decreases the level of operational risks and holds their influence at the lowest levels possible.

#### IT System Risk Management

Assessment of the risk arising from the IT system security includes identification of the IT system assets and their classification, analysis of probability of occurrence of threats and weaknesses of the IT system and monitoring new weaknesses in the system.

#### Legal Risk Management

The Company is exposed to a legal risk related to a risk of loss caused by any incompliance and/or nonobservance of legislation, regulations, prescribed practices or ethic standards or by misinterpretation of legal documents.

## Strategic and Reputation Risk

The Company identifies any possible sources of strategic risks. The Company decreases exposure to strategic risks by setting adequate long-term goals, selection of employees with adequate qualifications and knowledge and their permanent training, efficient risk management system, adequate access to information, proper application of ethic principles and good governance principles. In addition, the Company is exposed to a risk of tarnished reputation. The Company has established strict and clear procedures for a good governance and has been constantly measuring the satisfaction of its clients and making analyses of the insurance market and its trends.

## **Capital Management**

Insurance Supervision Agency is the Company's main regulator that monitors capital requirements for the Company as a whole. The Company is directly supervised by the regulator.

The Company's management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between the higher Revenues that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Company is not exposed to external influences regarding changes in capital. In the course of the year the Company did not have any material changes in its approach to managing the capital.

|                | 1173/                            |
|----------------|----------------------------------|
| Prepared by:   | Maja Kostovska                   |
| Controlled by: | Maja Bogdanovska-Stojanoska, PhD |
| Approved by:   | Marija Tomeska, MSc              |
|                | Herman Zip                       |
|                | Irena Velkovska-Spirovska        |
|                | Maja Bogdanovska-Stojanoska, PhD |
|                | Cvetko Delev, MSc A gang         |
|                |                                  |

C

•0.

· . . .

ANNEXES

## Annex 1–INCOME STATEMENT

| As at 31 December 2020                                                                                 |     |                          | In MKD                    |  |
|--------------------------------------------------------------------------------------------------------|-----|--------------------------|---------------------------|--|
|                                                                                                        |     | Amount                   |                           |  |
| ltem                                                                                                   | No. | Current<br>Business Year | Previous<br>Business Year |  |
| 1                                                                                                      | 2   | 4                        | 5                         |  |
| A. OPERATIONS REVENUES (201+210+224+225)                                                               | 200 | 884.917.208              | 933.712.946               |  |
| I. EARNED PREMIUMS NET REVENUES FROM PREMIUMS (202+203+204-205-206-207+208+209)                        | 201 | 792.751.207              | 864.567.954               |  |
| 1. Gross Written Insurance Premiums                                                                    | 202 | 963.579.047              | 1.013.068.759             |  |
| 2. Gross Written Co-insurance Premiums                                                                 | 203 |                          |                           |  |
| 3. Gross Written Re-insurance Premiums/retrocession                                                    | 204 |                          |                           |  |
| 4. Gross Written Premiums ceded to Co-insurance                                                        | 205 |                          |                           |  |
| 5. Gross Written Premiums ceded to Re-insurance/retrocession                                           | 206 | 169.923.621              | 140.107.379               |  |
| 6. Change in gross reserve for unearned premiums                                                       | 207 | -19.128.761              | -13.459.967               |  |
| 7. Change in gross reserve for unearned premiums – ceded for co-<br>insurance                          |     |                          |                           |  |
| 8. Change in gross reserve for unearned premiums – ceded for re-<br>insurance                          | 209 | -20.032.980              | -21.853.393               |  |
| II. INVESTMENT INCOME (211+212+216+217+218+219+223)                                                    | 210 | 60.604.309               | 42.460.011                |  |
| 1. Revenues from branches, affiliations and jointly controlled entities                                | 211 |                          |                           |  |
| 2. Investment Revenues from land and buildings (213+214+215)                                           | 212 | 0                        | 0                         |  |
| 2.1 Rental revenues                                                                                    | 213 |                          |                           |  |
| 2.2 Revenues from increased value of land and buildings                                                | 214 |                          |                           |  |
| 2.3 Income form sold land and buildings                                                                | 215 |                          |                           |  |
| 3. Interests                                                                                           | 216 | 20.143.424               | 20.120.746                |  |
| 4. Positive exchange rate differences                                                                  | 217 | 2.148.490                | 642.182                   |  |
| 5. Adjustment of value of receivables from premiums (unrealized profits, reduction to objective value) | 218 | 29.185.598               | 4.318.680                 |  |
| 6. Realized profits from selling financial property – capital profit (220+221+222)                     | 219 | 7.680.497                | 14.997.877                |  |
| 6.1 Financial investment available for sale                                                            | 220 | 7.389.915                | 14.462.944                |  |
| 6.2 Financial investment for trading (at objective value)                                              | 221 | 290.582                  | 534.933                   |  |

| 6.3 Other financial investment                                                                                                                      | 222  |             |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------|-------------|
| 7. Other investment Revenues                                                                                                                        | 223  | 1.446.300   | 2.380.526   |
| III. REINSURANCE COMMISSION                                                                                                                         | 223a | 18.014.857  | 14.898.329  |
| IV. OTHER INSURANCE TECHNICAL REVENUES, DEDUCED FOR CEDED PREMIUMS                                                                                  | 224  | 6.322.862   | 5.831.550   |
| V. OTHER REVENUES                                                                                                                                   | 225  | 7.223.973   | 5.955.102   |
| B. OPERATIONS EXPENSES (227+235+245+248+251+261+271+274+275)                                                                                        | 226  | 854.131.399 | 923.237.946 |
| I. INCURRED CLAIMS (NET EXPENSES FOR CLAIMS) (228-229-230-231+232-233-234)                                                                          | 227  | 404.681.648 | 410.163.945 |
| 1. Gross paid claims                                                                                                                                | 228  | 373.301.029 | 387.658.977 |
| 2. Reduction in income for gross realized subrogation claims                                                                                        | 229  | 4.039.855   | 7.873.841   |
| 3. Gross paid claims – portion for co-insurance                                                                                                     | 230  |             |             |
| 4. Gross paid claims – portion for re-insurance                                                                                                     | 231  | 9.432.471   | 11.109.171  |
| 5. Changes in gross provision for claims                                                                                                            | 232  | 40.364.036  | 37.439.174  |
| 6. Changes in gross provision for claims - portion for co-insurance                                                                                 | 233  |             |             |
| 7. portion for co-insurance - portion for re-insurance                                                                                              | 234  | -4.488.909  | -4.048.806  |
| II. CHANGES IN OTHER TECHNICAL RESERVES, NET FROM REINSURANCE (236+239+242)                                                                         | 235  | -17.273.523 | 3.904.923   |
| 1. Changes in mathematical reserve, net from reinsurance (237-<br>238)                                                                              | 236  | 0           | 0           |
| 1.1 Changes in gross mathematical reserve                                                                                                           | 237  |             |             |
| 1.2 Changes in gross mathematical reserve – co-insurance/re-insurance portion                                                                       | 238  |             |             |
| 2. Changes in equalization reserve, net from reinsurance (240-241)                                                                                  | 239  | 0           | 0           |
| 2.1. Changes in gross equalization reserve                                                                                                          | 240  |             |             |
| 2.2 Changes in gross equalization reserve - co-insurance/re-insurance portion                                                                       | 241  |             |             |
| 3. Changes in other technical provisions, net from reinsurance (243-244)                                                                            | 242  | -17.273.523 | 3.904.923   |
| 3.1 Changes in other technical provisions                                                                                                           | 243  | -17.273.523 | 3.904.923   |
| 3.2 Changes in other technical provisions- co-insurance/re-<br>insurance portion                                                                    | 244  | -           | -           |
| III. CHANGES IN GROSS MATHEMATICAL RESERVE FOR LIFE<br>INSURANCE WHERE INVESTMENT RISK IS DEBITED TO THE INSURED,<br>NET FROM REINSURANCE (246-247) | 245  | 0           | 0           |

| 1. Changes in gross mathematical reserve for life insurance where investment risk is debited to the insured                                    | 246   | -           | -           |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------|-------------|
| 2. Changes in gross mathematical reserve for life insurance where investment risk is debited to the insured- co-insurance/re-insurance portion | 247   | -           | -           |
| IV. Expenses for bonuses and discounts, net from reinsurance (249+250)                                                                         | 248   | 29.043.319  | 37.543.931  |
| <ol> <li>Bonus expenses (depending on the reinsurance technical result)</li> </ol>                                                             | 249   | 2.264.641   | 7.025.420   |
| 2. Discount expenses (not depending on the reinsurance technical result)                                                                       | 250   | 26.778.678  | 30.518.511  |
| V. NET INSURANCE MANAGEMENT EXPENSES (252+256)                                                                                                 | 251   | 361.366.625 | 425.063.498 |
| 1. Acquisition Costs (253+254+255)                                                                                                             | 252   | 193.746.793 | 192.779.225 |
| 1.1 Commission                                                                                                                                 | 253   | 50.563.786  | 62.659.539  |
| 1.2 Gross salary for sales network                                                                                                             | 253a  | 92.806.303  | 92.387.750  |
| 1.3 Other acquisition costs                                                                                                                    | 254   | 17.137.729  | 20.520.404  |
| 1.4 Change in differed acquisition costs (+/-)                                                                                                 | 255   | 33.238.975  | 17.211.532  |
| 2. Overheads (257+258+259+260)                                                                                                                 | 256   | 167.619.832 | 232.284.273 |
| 2.1 Depreciation of tangible assets serving for carrying out activities                                                                        | 257   | 4.419.762   | 5.984.141   |
| 2.2 Employees expenses                                                                                                                         | 258   | 62.209.353  | 63.640.473  |
| 2.2.1 Salaries and reimbursements                                                                                                              | 258a  | 36.322.338  | 37.654.238  |
| 2.2.2 Taxes on salaries                                                                                                                        | 258b  | 3.408.898   | 4.156.077   |
| 2.2.3 Obligatory social insurance                                                                                                              | 258 c | 15.234.944  | 15.370.165  |
| 2.2.4 Additional pension insurance for employees                                                                                               | 258d  |             |             |
| 2.2.5 Other expenses for employees                                                                                                             | 258e  | 7.243.173   | 6.459.993   |
| 2.3 Expenses resulting from services rendered by physical persons (car repair shops, etc.) with all taxes                                      | 259   | 14.732.685  | 12.486.972  |
| 2.4 Other overheads (260a+260b+260c)                                                                                                           | 260   | 86.258.032  | 150.172.687 |
| 2.4.1 Expenses for services                                                                                                                    | 260a  | 61.265.212  | 85.470.281  |
| 2.4.2 Material expenses                                                                                                                        | 260b  | 6.017.259   | 7.104.175   |
| 2.4.3 Reservation expenses and other operational expenses                                                                                      | 260c  | 18.975.561  | 57.598.231  |
| VI. INVESTMENT EXPENSES (262+263+264+265+266+270)                                                                                              | 261   | 29.322.049  | 4.091.619   |
| 1. Depreciation and adjustment of tangible assets not serving for<br>carrying out activities                                                   | 262   | -           | -           |

| 2. Interests expenses                                                           | 263 | 9.133      | 1.931      |
|---------------------------------------------------------------------------------|-----|------------|------------|
| 3. Negative exchange rates differences                                          |     | 5.721.272  | 1.179.601  |
| 4. Adjustment of values (unrealized losses, reduction to objective value)       | 265 | 23.591.335 | 895.295    |
| 5. Realized losses from selling financial property – capital loss (267+268+269) |     | 309        | 71.719     |
| 5.1 Financial investment available for sale                                     | 267 | 309        |            |
| 5.2 Financial investment for trading (at objective value)                       | 268 |            | 71.719     |
| 5.3 Other financial investment                                                  | 269 |            |            |
| 6. Other investment expenses                                                    | 270 |            | 1.943.073  |
| VII. OTHER INSURANCE TECHNICAL EXPENSES, REDUCED FOR REINSURANCE (272+273)      | 271 | 33.986.882 | 32.843.772 |
| 1. Prevention expenses                                                          |     |            |            |
| 2. Other insurance technical expenses, reduced for reinsurance                  | 273 | 33.986.882 | 32.843.772 |
| VIII. ADJUSTED VALUE OF RECIEVABLES FROM PREMIUMS                               |     | -2.637.713 | 6.681.442  |
| IX. OTHER EXPENDITURES, INCLUDING ADJUSTED VALUES                               |     | 15.642.112 | 2.944.816  |
| X. BUSINESS YEAR PROFIT BEFORE TAX (200-226)                                    | 276 | 30.785.809 | 10.475.000 |
| XI. BUSINESS YEAR LOSS BEFORER TAX (226-200)                                    | 277 | 0          | 0          |
| XII. PROFIT/LOSS TAX                                                            | 278 | 6.141.094  | 8.515.322  |
| XIII. DEFFERED TAX                                                              | 279 |            |            |
| XIV. BUSINESS YEAR PROFIT AFTER TAXATION (276-278-279)                          | 280 | 24.644.715 | 1.959.678  |
| XV. BUSINESS YEAR LOSS AFTER TAXATION (277-278-279)                             | 281 | -          | 0          |
| XVI. OTHER COMPREHENSIVE PROFIT/(LOSS)                                          |     | 24.644.715 | 1.959.678  |
| Profit/loss from repeated measurement of funds available for sale               |     | -6.835.829 | 3.533.818  |
| Profit tax on components of comprehensive profit                                |     |            |            |
| PROFIT/(LOSS) BELONGING TO SHAREHOLDERS                                         |     | 17.808.886 | 5.493.496  |

In MKD

## Annex 2 – BALANCE SHEET

As at 31 December 2020

| Item                                                                                           | No. | Current<br>Business Year | Previous<br>Business Year |  |  |
|------------------------------------------------------------------------------------------------|-----|--------------------------|---------------------------|--|--|
| 1                                                                                              | 2   | 4                        | 5                         |  |  |
| ASSETS                                                                                         |     |                          |                           |  |  |
| A. INTANGIBLE ASSETS                                                                           | 001 | 1.885.744                | 2.442.303                 |  |  |
| 1. Goodwill                                                                                    | 002 |                          |                           |  |  |
| 2. Other intangible assets                                                                     | 003 | 1.885.744                | 2.442.303                 |  |  |
| B. INVESTMENT                                                                                  | 004 | 1.024.016.236            | 988.738.087               |  |  |
| I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS                                                   | 005 | 0                        | 0                         |  |  |
| 1. Land and building for carrying out activities                                               | 006 | 0                        | 0                         |  |  |
| 1.1 Land                                                                                       | 007 |                          |                           |  |  |
| 1.2 Buildings                                                                                  | 008 |                          |                           |  |  |
| 2. Land and building not serving for carrying out activities                                   | 009 | 0                        | 0                         |  |  |
| 2.1 Land                                                                                       | 010 |                          |                           |  |  |
| 2.2 Buildings                                                                                  | 011 |                          |                           |  |  |
| 2.3 Other tangible assets                                                                      | 012 |                          |                           |  |  |
| II.FINANCIAL INVESTMENT IN A GROUP – BRANCHES,<br>AFFILIATIONS AND JOINTLY CONTROLLED ENTITIES | 013 | 16.081.216               | 16.846.092                |  |  |
| 1. Shares, shares and other ownership securities in group companies - branches                 | 014 |                          |                           |  |  |
| 2. Debtors securities issued by group companies                                                | 015 |                          |                           |  |  |
| 3. Shares, shares and other ownership securities in affiliations                               | 016 |                          |                           |  |  |
| 4. Debtors securities issued by affiliations                                                   | 017 |                          |                           |  |  |
| 5. Other financial investment in group companies - branches                                    | 018 |                          |                           |  |  |
| 6. Other financial investment in affiliations                                                  | 019 |                          |                           |  |  |
| 7. Investment in jointly controlled entities                                                   | 020 | 16.081.216               | 16.846.092                |  |  |
| III. OTHER FINANCIAL INVESTMENT                                                                | 021 | 1.007.935.020            | 971.891.995               |  |  |

| l                                                                                     |     |             |             |
|---------------------------------------------------------------------------------------|-----|-------------|-------------|
| 1. Financial investment kept to maturity                                              | 022 | 351.819.431 | 256.871.695 |
| 1.1 Debtors securities – one year maturity                                            | 023 |             | 2.292.770   |
| 1.2 Debtors securities – over one year maturity                                       | 024 | 351.819.431 | 254.578.925 |
| 2. Financial investment available le for sale                                         | 025 | 172.144.969 | 179.156.332 |
| 2.1 Debtors securities – one year maturity                                            | 026 |             |             |
| 2.2 Debtors securities – over one year maturity                                       | 027 |             |             |
| 2.3 Shares, shares and other securities                                               | 028 | 10.676.400  | 16.725.000  |
| 2.4 Shares and shares in investment fund                                              | 029 | 161.468.569 | 162.431.332 |
| 3. Financial investment for trading                                                   | 030 | 85.220.645  | 87.865.573  |
| 3.1 Debtors securities – one year maturity                                            | 031 |             |             |
| 3.2 Debtors securities – over one year maturity                                       | 032 |             |             |
| 3.3 Shares, shares and other securities                                               | 033 | 74.885.802  | 77.884.001  |
| 3.4 Shares and shares in investment fund                                              | 034 | 10.334.843  | 9.981.572   |
| 4. Deposits, loans and other placements                                               | 035 | 398.749.975 | 447.998.395 |
| 4.1 Give deposits                                                                     | 036 | 398.749.975 | 447.998.395 |
| 4.2 Mortgage secured loans                                                            | 037 |             |             |
| 4.3 Other loans                                                                       | 038 |             |             |
| 4.4 Other placements                                                                  | 039 |             |             |
| 5. Derivative financial instruments                                                   | 040 |             |             |
| IV. DEPOSITIS OF REINSURANCE COMPANIES WITH CESSORS,<br>BASED ON REINSURANCE TREATIES | 041 |             |             |
| C. PORTION FOR COINSURANCE, REINSURANCE IN GROSS<br>TECHNICAL RESERVES                | 042 | 67.483.413  | 92.005.302  |
| 1. Portion for coinsurance/reinsurance in unearned premium gross reserve              | 043 | 55.643.177  | 75.676.157  |
| 2. Portion for coinsurance/reinsurance in gross mathematical reserve                  | 044 |             |             |
| 3. Portion for coinsurance/reinsurance in gross claim reserve                         | 045 | 11.840.236  | 16.329.145  |
| 4. Portion for coinsurance/reinsurance in bonus/discounts gross reserve               | 046 |             |             |
| 5. Portion for coinsurance/reinsurance in gross equalization                          |     |             |             |

| 6. Co-insurance and reinsurance portion in gross other technical reserve                                                                       | 048 |             |             |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------|-------------|
| 7. Portion for coinsurance/reinsurance in gross technical reserves for <b>life insurance where investment risk is debited to the insured</b> , | 049 |             |             |
| D. FINANCIAL INVESTMENT WHERE THE INSURED UNDERTAKES THE INVESTMENT RISK (INSURANCE CONTRACTS)                                                 | 050 |             |             |
| E. DEFERRED AND CURRENT TAX ASSETS                                                                                                             | 051 | 2.774.402   | 3.604.680   |
| 1. Deferred tax assets                                                                                                                         | 052 |             |             |
| 2. Current tax assets                                                                                                                          | 053 | 2.774.402   | 3.604.680   |
| F. RECEIVABLES                                                                                                                                 | 054 | 305.322.291 | 265.053.775 |
| I. RECEIVABLES FROM DIRECT INSURANCE OPERATIONS                                                                                                | 055 | 284.096.053 | 251.167.070 |
| 1. Receivables from insured                                                                                                                    | 056 | 284.096.053 | 251.167.070 |
| 2. Receivables from intermediaries                                                                                                             | 057 |             |             |
| 3. Other receivables from direct insurance operations                                                                                          | 058 |             |             |
| II. RECEIVABLES FROM COINSURANCE/REINSURANCE                                                                                                   | 059 | 0           | 0           |
| 1. Receivables from coinsurance/reinsurance premiums                                                                                           | 060 |             |             |
| 2. Receivables from participation in claim payments arising from coinsurance/reinsurance                                                       | 061 |             |             |
| 3. Other receivables from coinsurance/reinsurance                                                                                              | 062 |             |             |
| III. OTHER RECEIVABLES                                                                                                                         | 063 | 21.226.238  | 13.886.705  |
| 1. Other receivables from direct insurance operations                                                                                          | 064 | 11.520.347  | 7.070.287   |
| 2. Receivables from financial investment                                                                                                       | 065 | 7.196.780   | 4.612.584   |
| 3. Other receivables                                                                                                                           | 066 | 2.509.111   | 2.203.834   |
| IV. RECEIVABLES FROM SUBSCRIBED YET NOT PAID UP CAPITAL                                                                                        | 067 |             |             |
| G. OTHER ASSETS                                                                                                                                | 068 | 33.395.558  | 24.282.275  |
| I. TANGIBALE ASSTES FOR CARRYING OUT ACTIVITIES (EXCEPT<br>LAND AND BUILDINGS (070+071)                                                        | 069 | 7.776.895   | 9.428.165   |
| 1. Equipment                                                                                                                                   | 070 | 6.940.532   | 8.591.802   |
| 2. Other tangible assets                                                                                                                       | 071 | 836.363     | 836.363     |
| II. CASH AND CASH EQUIVALENTS                                                                                                                  | 072 | 25.618.663  | 14.854.110  |
| 1. Cash in bank                                                                                                                                | 073 | 27.133.530  | 14.673.574  |

|                                                                     | 1   |               |               |
|---------------------------------------------------------------------|-----|---------------|---------------|
| 2. Cash at cashier                                                  | 074 | 327.395       | 180.536       |
| 3. Funds set aside for covering mathematical reserve                | 075 |               |               |
| 4. Other cash and cash equivalents                                  | 076 | -1.842.262    |               |
| III. STOSK AND PETTY INVENTORY                                      | 077 |               |               |
| H. ACTIVE TIME APPORTIONMENTS                                       | 078 | 85.875.964    | 123.418.397   |
| 1. Previously estimated revenues from interest and rents            | 079 |               |               |
| 2. Deferred acquisition costs                                       | 080 | 65.964.149    | 99.203.124    |
| 3. Other estimated revenues and deferred costs                      | 081 | 19.911.815    | 24.215.273    |
| 3. NON-CURRENT ASSETS KEPT FOR SSALE AND INTERUPTED OERATIONS       | 082 |               |               |
| I. TOTAL ASSETS                                                     | 083 | 1.520.753.608 | 1.499.544.819 |
| J. OUT-OF-BALANCE RECORDS - ASSETS                                  | 084 | 249.146.672   | 265.240.893   |
| LIABILITIES                                                         |     |               |               |
| A. CAPITAL AND RESERVES                                             | 085 | 499.537.083   | 481.728.197   |
| I. SUBSCRIBED CAPITAL                                               | 086 | 195.326.080   | 195.326.080   |
| 1. Subscribed capital from ordinary shares                          | 087 | 195.326.080   | 195.326.080   |
| 2. Subscribed capital from preferred shares                         | 088 |               |               |
| 3. Subscribed not paid up capital                                   | 089 |               |               |
| II. PREMIUMS FOR ISSUED SHARES                                      | 090 |               |               |
| III. REVALUATION RESERVE                                            | 091 | 2.727.969     | 9.563.798     |
| 1. Tangible assets                                                  | 092 |               |               |
| 2. Financial investment                                             | 093 | 2.727.969     | 9.563.798     |
| 3. Other revaluation reserves                                       | 094 |               |               |
| IV. RESERVES                                                        | 095 | 184.620.662   | 183.967.436   |
| 1. Legal reserves                                                   | 096 | 184.620.662   | 183.967.436   |
|                                                                     | 097 |               |               |
| 2. Statutory reserves                                               |     |               |               |
| <ol> <li>Statutory reserves</li> <li>Own shares reserves</li> </ol> | 098 |               |               |

| 5 Other reserves                                                                                                 | 100 |             |             |
|------------------------------------------------------------------------------------------------------------------|-----|-------------|-------------|
| V. UNDISTRIBUTED NET PROFIT                                                                                      | 101 | 92.217.657  | 90.911.205  |
| VI. LOSS CARRIED FORWARD                                                                                         | 102 |             |             |
| VII. PROFIT IN THE CURRENT ACCOUNTING PERIOD                                                                     | 103 | 24.644.715  | 1.959.678   |
| VIII. LOSS IN THE CURRENT ACCOUNTING PERIOD                                                                      | 104 |             |             |
| B. SUBORDINATED RESERVES                                                                                         | 105 |             |             |
| C. GROS TECHNICAL PROVISIONS                                                                                     | 106 | 933.945.567 | 929.983.816 |
| I. Unearned premiums gross provision                                                                             | 107 | 455.368.134 | 474.496.895 |
| II. Gross mathematical reserve                                                                                   | 108 |             |             |
| III. Claims gross provisions                                                                                     | 109 | 463.979.811 | 423.615.776 |
| IV. Bonus/discount gross provision                                                                               | 110 | 14.597.622  | 31.871.145  |
| V. Equalization gross provision                                                                                  | 111 |             |             |
| VI. Other technical gross provisions                                                                             | 112 |             |             |
| D. GROSS TECHNCIAL PROVISIONS AS TO INSURANCE CONTRACTS<br>WHERE THE INSURED UNDERTAKES THE INVESTMENT RISK      | 113 |             |             |
| E. OTHER RESERVES                                                                                                | 114 | 0           | 0           |
| 1. Employees reserve                                                                                             | 115 |             |             |
| 2. Other reserves                                                                                                | 116 |             |             |
| F.DEFERRED AND CURRENT TAX LIABILITIES                                                                           | 117 | 1.054.066   | 1.467.359   |
| 1. Deferred tax liabilities                                                                                      | 118 |             |             |
| 2. Current tax liabilities                                                                                       | 119 | 1.054.066   | 1.467.359   |
| G. LIABILITIES ARISING FROM DEPOSITS OF THE REINSURANCE<br>COMPANIES WITH CESSORS, BASED ON REINSURANCE TREATIES | 120 |             |             |
| H. LIABILITIES                                                                                                   | 121 | 43.667.931  | 52.421.020  |
| I. LIABILITIES ARISING FROM DIRECT INSURANCE OPERATIONS                                                          | 122 | 2.543.889   | 2.752.312   |
| 1. Liabilities to the insured                                                                                    | 123 | 2.488.419   | 2.665.812   |
| 2. Liabilities to agents and intermediaries                                                                      | 124 |             |             |
| 3. Other liabilities arising from direct insurance operations                                                    | 125 | 55.470      | 86.500      |
| II. LIABILITIES FROM COINSURANCE/REINSURANCE                                                                     | 126 | 9.598.803   | 5.821.877   |

| 1. Liabilities from coinsurance/reinsurance premiums                                                | 127 | 9.598.803     | 5.821.877     |
|-----------------------------------------------------------------------------------------------------|-----|---------------|---------------|
| 2. Liabilities from participation in claim indemnity                                                | 128 |               |               |
| 3. Other liabilities from coinsurance/reinsurance                                                   | 129 |               |               |
| III. OTHER LIABILITIES                                                                              | 130 | 31.525.239    | 43.846.831    |
| 1. Other liabilities from direct insurance operations                                               | 131 | 13.186.030    | 19.430.274    |
| 2. Liabilities from financial investment                                                            | 132 |               |               |
| 3. Other liabilities                                                                                | 133 | 18.339.209    | 24.416.557    |
| 3. PASSIVE TIME APPORTIONMENTS                                                                      | 134 | 42.548.961    | 33.944.427    |
| I. NON-CURRENT LIABILITIES RELATED TO NON-CURRENT ASSETS<br>KEPT FOR SALE AND INTERUPTED OPERATIONS | 135 |               |               |
| J. TOTAL LIABILITIES                                                                                | 136 | 1.520.753.608 | 1.499.544.819 |
| K. OUT-OF-BALANCE RECORDS - LIABILITIES                                                             | 137 | 249.146.672   | 265.240.893   |

| nnex 3 - SOLVENCY MARGIN REQUIRED LEVEL NON-LIFE INSURANCE              |    | Non-life insurance except for<br>healthcare insurance governed by<br>provisions under article 75, paragraph<br>6 of the Law |               | Healthcare insurance governed by provisions under article 75, paragraph 6 of the Law |               | Non-life insurance except for<br>healthcare insurance governed by<br>provisions under article 75, paragraph<br>6 of the Law* |               |
|-------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------|---------------|--------------------------------------------------------------------------------------|---------------|------------------------------------------------------------------------------------------------------------------------------|---------------|
| Amex 3 - Sollveiner manshiri reigemels elvel - non-ell e moonale        |    | Current year                                                                                                                | Previous year | Current year                                                                         | Previous year | Current year                                                                                                                 | Previous year |
| Gross Written Premiums                                                  | 1  | 957.183.431                                                                                                                 | 1.011.381.083 |                                                                                      |               |                                                                                                                              |               |
| Gross Written Premiums < 10 million euro x 0.18                         | 2  | 111.049.200                                                                                                                 | 110.674.080   |                                                                                      |               |                                                                                                                              |               |
| Gross Written Premiums > 10 million euro x 0.16                         | 3  | 54.438.949                                                                                                                  | 63.444.013    |                                                                                      |               |                                                                                                                              |               |
| Gross Written Premiums < 10 million euro x 18/300                       | 4  |                                                                                                                             |               | 0                                                                                    | 0             |                                                                                                                              |               |
| Gross Written Premiums > 10 million euro x 16/300                       | 5  |                                                                                                                             |               | 0                                                                                    | 0             |                                                                                                                              |               |
| Total Amount Gross Written Premiums ([6]=[2] + [3] or [6]=[4] + [5])    | 6  | 165.488.149                                                                                                                 | 174.118.093   | 0                                                                                    | 0             |                                                                                                                              |               |
| Gross Paid Claims                                                       | 7  | 373.301.029                                                                                                                 | 387.658.977   |                                                                                      |               | 373.301.029                                                                                                                  | 387.658.977   |
| Net Paid Claims                                                         | 8  | 363.868.558                                                                                                                 | 376.549.806   |                                                                                      |               | 363.868.558                                                                                                                  | 376.549.806   |
| Factor([9]=[8]/[7] or 0.50, if lower)                                   | 9  | 0,97                                                                                                                        | 0,97          | 0,00                                                                                 | 0,00          | 0,96                                                                                                                         | 0,94          |
| Solvency Margin – Premium Rate Method ([10]= [6]*[9])                   | 10 | 161.306.638                                                                                                                 | 169.128.379   | 0                                                                                    | 0             |                                                                                                                              |               |
| Referential Period (in years)                                           | 11 | 3                                                                                                                           | 3             |                                                                                      |               | 7                                                                                                                            | 7             |
| Gross Paid Claims in the Referential Period                             | 12 | 1.116.754.962                                                                                                               | 1.068.051.034 |                                                                                      |               | 0                                                                                                                            | 0             |
| Gross Provision for Claims at the end of the Referential Period         | 13 | 478.577.434                                                                                                                 | 455.486.921   |                                                                                      |               | 0                                                                                                                            | 0             |
| Gross Provision for Claims at the beginning of the Referential Period   | 14 | 414.142.824                                                                                                                 | 383.322.211   |                                                                                      |               | 0                                                                                                                            | 0             |
| Gross Incurred Claims ([15]=[12] + [13] - [14])/[11])                   | 15 | 393.729.857                                                                                                                 | 380.071.915   | 0                                                                                    | 0             | 0                                                                                                                            | 0             |
| Gross Incurred Claims < 7 million euro x 0,26                           | 16 | 102.369.763                                                                                                                 | 98.818.698    |                                                                                      |               | 0                                                                                                                            | 0             |
| Gross Incurred Claims > 7 million euro x 0,23                           | 17 | 0                                                                                                                           | 0             |                                                                                      |               | 0                                                                                                                            | 0             |
| Gross Incurred Claims < 7 million euro x 26/300                         | 18 |                                                                                                                             |               | 0                                                                                    | 0             |                                                                                                                              |               |
| Gross Incurred Claims > 7 million euro x 23/300                         | 19 |                                                                                                                             |               | 0                                                                                    | 0             |                                                                                                                              |               |
| Total Amount Gross Incurred Claims ([20=[16] + [17] or [20]=[18] + [19] | 20 | 102.369.763                                                                                                                 | 98.818.698    | 0                                                                                    | 0             | 0                                                                                                                            | 0             |
| Solvency Margin – Loss Ratio Method ([21]= [20]*[9])                    | 21 | 99.783.111                                                                                                                  | 95.986.843    | 0                                                                                    | 0             | 0                                                                                                                            | 0             |
| Solvency Margin required Level ([22]=max([10],[21]))                    | 22 | 161.306.638                                                                                                                 | 169.128.379   | 0                                                                                    | 0             |                                                                                                                              |               |
| Final Estimate of the Solvency Margin Required Level                    | 1  |                                                                                                                             | 169.128.379   |                                                                                      |               |                                                                                                                              | $\searrow$    |

| Annex 4 - ESTIMATE OF THE CAPITAL                                                                                                                                        |     |             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------|
| Autex 4 - Equinate of the gold the                                                                                                                                       |     |             |
| Basic Capital Article 69 (11+12+13+14+15-16-17-18)                                                                                                                       | I   | 466.656.713 |
| Paid-in capital excluding the paid-in share capital from cumualtive preferred shares (stocks)                                                                            | 11  | 195.326.080 |
| Premiums from issued ordinary shares                                                                                                                                     | 12  | 0           |
| Legal and Statute defined reserves                                                                                                                                       | 13  | 184.620.662 |
| Undistributed profit carried forward                                                                                                                                     | 14  | 92.217.657  |
| Undistributed profit from the current year                                                                                                                               | 15  | 0           |
| Company's own shares (stocks)                                                                                                                                            | 16  | 0           |
| Long-term non-tangible assets                                                                                                                                            | 17  | 1.885.744   |
| Non-covered loss carried forward and loss from the current year                                                                                                          | 18  | 0           |
| Non-realized loss from owner instruments available for sale measured by objective value                                                                                  | 19  | 3.621.943   |
| Non-realized loss arising from valuation of financial assets available for sale                                                                                          | 110 |             |
| Net negative revaluation reserve and other valuation differences arising from investment in associated companies or joint investments valuated by applying equity method | 111 |             |
| Other debit entries due to violation of limitations for investing capital assets, stipulated in Article 73 of the ISL                                                    | 112 |             |
| Additional Capital Article 71 (II1+II2+II3+II4), of not in excess of 50% of the basic capital                                                                            | П   | 5.079.930   |
| Paid-in share capital from cumulative preferred shares                                                                                                                   | 1   |             |
| Premiums from issued cumulative preference shares                                                                                                                        | 112 |             |
| Subordinate debt instruments                                                                                                                                             | 113 |             |
| Securities with unlimited maturity                                                                                                                                       | 114 |             |
| Non-realized profit from revaluation of owner instruments available for sale measured by fair value                                                                      | 115 | 5.079.930   |
| Non-realized profit from revaluation of debtor instruments available for sale measured by fair value                                                                     | 116 |             |
| Total Basic and Additional Capital I. +II.                                                                                                                               | ш   | 471.736.642 |
| Deducted Items, Article 72 (1+2+3)                                                                                                                                       | IV  | 0           |
| Investment in legal entities' shares, Article 72 of the Law                                                                                                              | IV1 |             |
| Investment in subordinated debt instruments and other investment in legal entities, Article 72 of the Law                                                                | IV2 |             |

| CAPITAL I + II – IV                                                                                                       | v   | 471.736.642 |
|---------------------------------------------------------------------------------------------------------------------------|-----|-------------|
|                                                                                                                           |     |             |
|                                                                                                                           |     |             |
| Solvency margin required level (Non-life insurance companies)                                                             | VI1 | 161.306.638 |
| Solvency margin required level (Life insurance companies)                                                                 | VI2 | 0           |
| Capital                                                                                                                   | VI3 | 471.736.642 |
| Guarantee Fund*                                                                                                           | VI4 | 185.082.000 |
| Excess/Lack of Capital with respect to Guarantee Fund (VI5 = VI3 –VI4)                                                    | VI5 | 286.654.642 |
| Excess/Lack of Capital (non-life insurance) with respect to solvency margin required level (VI6 = VI3 – VI1)              | VI6 | 310.430.004 |
| Excess/Lack OF Capital (life insurance) with respect to solvency margin required level (life insurance companies)(VI7=VI3 | VI7 | 471.736.642 |

|                                                                                                                                                     |       | Allowed %                                    | Realized Amount | Realized % |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------|----------------------------------------------|-----------------|------------|
| Annex 5 - INVESTMENT OF TECHNICAL RESERVE COVERING ASSETS                                                                                           | Order | 1                                            | 2               | 3          |
| Type of Allowed Investments                                                                                                                         | I     |                                              |                 |            |
| Funds at cashier and on bank accounts                                                                                                               | 11    | 3%                                           | 25.618.663      | 2.6%       |
| Bank deposits permitted by NBRM                                                                                                                     | 12    | 60%                                          | 395.000.000     | 57.3%      |
| Securities issued by RM or NBRM                                                                                                                     | 13    | 80%                                          | 0               | 23.0%      |
| Bonds and other debtor securities guaranteed by RM                                                                                                  | 14    | 80%                                          | 351.819.431     | 0.0%       |
| Bonds and other debtor securities guaranteed by issued or guaranteed by Local Self-Government in RM                                                 | 15    | 10%                                          | 0               | 0.0%       |
| Bonds and other debtor securities traded at regulated securities market in RM                                                                       | 16    | 35%                                          | 0               | 0.0%       |
| Bonds and other debtor securities not traded at regulated securities market in RM, provided their issuer is a legal entity with a head office in RM | 17    | 5%                                           | 0               | 0.0%       |
| Stocks traded at regulated securities market in RM                                                                                                  | 18    | 25%                                          | 10.676.400      | 2.2%       |
| Stocks not traded at regulated securities market in RM, provided their issuer is a legal entity with a head office in RM                            | 19    | 5%                                           | 0               | 0.0%       |
| Shares in Companies in RM                                                                                                                           | 110   | 5%                                           | 0               | 0.0%       |
| Shares and stocks in investment funds registered in RM                                                                                              | 111   | 20%                                          | 161.468.569     | 14.9%      |
| Long-term bonds and other long-term securities issued by EU and/or OECD member state                                                                | 112   | 20%                                          | 0               | 0.0%       |
| Long-term bonds and other long-term securities issued by a legal entity from EU and/or OECD member state                                            | 113   | 20%                                          | 0               | 0,0%       |
| Stocks issued by a foreign joint stock company and traded at regulated securities markets in EU and/or OECD member state                            | 114   | 20%                                          | 10.334.843      | 0,0%       |
| Shares in investment funds traded at regulated securities markets in EU and/or OECD member state                                                    | 115   | 20%                                          | 74.885.802      | 0,0%       |
| Other type of investment pursuant to ISA regulations provided not being contrary to Article 89, paragraph (2) of the ISL                            | 116   | 10% from<br>unearned<br>premium<br>provision | 0               | 0,0%       |
| Investment not stipulated under the Rulebook                                                                                                        | П     |                                              |                 | 0,0%       |

Comment Investments referred to in points 5 and 8 under this Table may not be higher than 5% with the same issuer while investments referred to in points 7 and 9 may not be higher than 1% with the same issuer.

| Item                           | Order | Amount        |
|--------------------------------|-------|---------------|
| Total allowed investments      | ш     | 1.029.803.708 |
| Total net technical provisions | IV    | 866.462.154   |
| Unearned premium provision     | IV1   | 399.724.957   |
| Bonus and discount provision   | IV2   | 14.597.622    |
| Claim provision                | IV3   | 452.139.576   |
| Other technical reserve        | IV4   |               |
| Equalization reserve           | IV5   |               |
| Balance(IV-III)                | v     | 163.341.554   |

Unaudited annual account

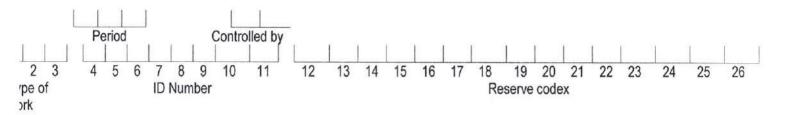
## Unaudited annual account

Annual account of the Company comprises the balance sheet as at 31 December 2020, the income statement for the year then ended .

The form and content of the annual account is regulated in "Rulebook on prescription of the form and content of the annual accounts" ("Rulebook") published in Official Gazette in the Republic of North Macedonia.

The prescribed form and content of the annual accounts in the Rulebook differs from the requirements for the form and content of the financial statements prepared in accordance with the accounting framework stated in the audited financial statements. Consequently, there are differences in the presentation of the items in the balance sheet, income statement in the annual account and the items in the audited financial statements.

The annual account of the Company was out of the scope of our engagement and therefore it was not in subject of our audit. Consequently, we do not express opinion on annual account.



| Company's name                  | Eurolink Insurance Inc., Skopje                 |
|---------------------------------|-------------------------------------------------|
| Address, head office, telephone | Nikola Kljusev. 2, Skopje tel. +389 2 32-89-303 |
| E-mail address                  | eurolink@eurolink.com.mk                        |
| Type of work                    | Non-life Insurance                              |
| Tax number                      | 4030002461596                                   |

# BALANCE SHEET (FINANCIAL STATUS REPORT) On 31.12.2020

| Vo  | DECODIDITION                                                                 | AOP  | Amount (in MKD) | (in MKD)      |
|-----|------------------------------------------------------------------------------|------|-----------------|---------------|
|     | DESCRIPTION                                                                  | mark | Current year    | Previous year |
| 1   | 2                                                                            | 3    | 4               | 5             |
| 1.  | ASSETS:                                                                      | 001  |                 |               |
|     | A. INTANGIBLE ASSETS (002+003)                                               |      | 1,885,744       | 2,442,303     |
| 2.  | Goodwill                                                                     | 002  |                 |               |
| 3.  | Other intangible assets                                                      | 003  | 1,885,744       | 2,442,303     |
| 4.  | B. TANGIBLE ASSETS (005+008+009+010+011+012)                                 | 004  | 1,000,111       | 2,112,000     |
|     |                                                                              |      | 7,776,895       | 9,428,165     |
| 5.  | Real Estate (006+007)                                                        | 005  |                 |               |
| 5a. | Land                                                                         | 006  |                 |               |
| 5b. | Buildings (Construction objects)                                             | 007  |                 |               |
| 6.  | Plants and equipment                                                         | 008  | 6,940,532       | 8,591,802     |
| 7.  | Transportation assets and vehicles                                           | 009  | 010101002       | 0,001,002     |
| 8.  | Advances for procurement of material assets                                  | 010  |                 |               |
| 9.  | Tangible assets in preparation                                               | 011  |                 |               |
| 10. | Other tangible assets                                                        | 012  | 836,363         | 836,363       |
| 11. | C.INVESTMENTS (014+015+021+040)                                              | 013  | 1,024,016,236   | 988,738,087   |
| 12. | 1.INVESTMENTS IN TANGIBLE ASSETS THAT ARE NOT<br>USED FOR ACTIVITY OPERATION | 014  | 1,027,010,200   | 300,730,007   |
| 13. | 11.FINANCIAL INVESTMENTS IN HOLDINGS<br>(016+017+018+019+020)                | 015  |                 |               |
|     |                                                                              |      | 16,081,216      | 16,846,092    |

| 10.   |                                                                                                                | AOP    | Amount        | (in MKD)      |
|-------|----------------------------------------------------------------------------------------------------------------|--------|---------------|---------------|
|       | DESCRIPTION                                                                                                    | mark – | Current year  | Previous year |
| 1     | 2                                                                                                              | 3      | 4             | 5             |
| 14.   | Investment in shares, equities and securities of subsidiary companies                                          | 016    |               |               |
| 15.   | Investment in shares, equities and securities of associated companies and jointly controlled companies         | 017    |               |               |
| 16.   | Debt securities issued by the subsidiary companies, associated<br>companies and jointly controlled companies   | 018    |               |               |
| 17.   | Receivables for issued loans to subsidiary companies,<br>associated companies and jointly controlled companies | 019    |               |               |
| 18.   | Other financial investments in subsidiary companies, associated companies and jointly controlled companies     | 020    | 16,081,216    | 16,846,092    |
| 19.   | 111.OTHER FINANCIAL INVESTMENTS (022+034+035)                                                                  | 021    | 1,007,935,020 | 971,891,995   |
| 20.   | Investment in securities (023+026+030)                                                                         | 022    | 609,185,045   | 523,893,600   |
| 21.   | Investment in securities held to maturity (024+025)                                                            | 023    | 351,819,431   | 256,871,695   |
| 21.a  | Debt securities with maturity up to one year                                                                   | 024    | 0             | 2,292,770     |
| 21b.  | Debt securities with maturity over one year                                                                    | 025    | 351,819,431   | 254,578,925   |
| 22.   | Investment in securities available-for-sale (027+028+029)                                                      | 026    | 172,144,969   | 179,156,332   |
| 22.a. | Debt securities with maturity up to one year                                                                   | 027    |               |               |
| 22.b. | Debt securities with maturity over one year                                                                    | 028    |               |               |
| 22.c. | Shares, equities and other shareholding instruments                                                            | 029    | 172,144,969   | 179,156,332   |
| 23.   | Investment in securities at fair value via profit or loss (031+032+033)                                        | 030    | 05 000 045    | 07 005 57     |
| 23.a. | Debt securities with maturity up to one year                                                                   | 031    | 85,220,645    | 87,865,573    |
| 23.b  | Debt securities with maturity over one year                                                                    | 032    |               |               |
| 23.c. | Shares, equities and other shareholding instruments                                                            | 033    | 85,220,645    | 87,865,573    |
| 24.   | Derivative financial instruments                                                                               | 034    |               |               |

| 25. | Deposits, loans and other placements (036+037+038+039) | 035 |             |             |
|-----|--------------------------------------------------------|-----|-------------|-------------|
|     |                                                        |     | 398,749,975 | 447,998,395 |

| No.   | DESCRIPTION                                                                                                                         | AOP<br>mark | Amo          | ount (in MKD) |  |
|-------|-------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|---------------|--|
|       | DESCRIPTION                                                                                                                         | IIIdIK -    | Current year | Previous year |  |
| 1     | 2                                                                                                                                   | 3           | 4            | 5             |  |
| 25.a. | Deposits                                                                                                                            | 036         | 398,749,975  | 447,998,395   |  |
| 25.b  | Loans secured with mortgages                                                                                                        | 037         |              |               |  |
| 25.c. | Other loans                                                                                                                         | 038         |              |               |  |
| 25.d. | Other placements                                                                                                                    | 039         |              |               |  |
| 26.   | IV. DEPOSITS OF REINSURANCE COMPANIES AT<br>CEDENTS, BASED ON REINSURANCE CONTRACTS                                                 | 040         |              |               |  |
| 27.   | D. FINANCIAL INVESTMENTS WHERE INSURED<br>PERSON OVERTAKES INVESTMENT RISK<br>(INSURANCE CONTRACTS)                                 | 041         |              |               |  |
| 28.   | E. PART FOR CO-INSURANCE AND REINSURANCE<br>IN GROSS TECHNICAL PROVISIONS<br>(043+044+045+046+047+048+049)                          | 042         | 67,483,413   | 92,005,302    |  |
| 28.a. | Co-insurance and reinsurance part in gross unearned                                                                                 | 043         | 07,403,413   | 92,000,302    |  |
| 00 1  | premium reserves                                                                                                                    |             | 55,643,177   | 75,676,157    |  |
| 28.b. | Part for co-insurance and reinsurance in gross<br>mathematical reserve                                                              | 044         |              |               |  |
| 28.c. | Part for co-insurance and reinsurance in gross technical reserves for life insurance where insured person overtakes investment risk | 045         |              |               |  |
| 28.d. | Part for co-insurance and reinsurance in gross claims reserve                                                                       | 046         | 11,840,236   | 16,329,145    |  |
| 28.e. | Part for co-insurance and reinsurance in gross reserves for bonuses and discounts                                                   | 047         | 11,010,200   | 10,020,110    |  |
| 28.f. | Co-insurance and reinsurance part in gross equalization<br>reserve (legally prescribed reserve for uncertainly<br>determined claim) | 048         |              |               |  |
| 28.g. | Co-insurance and reinsurance part in gross other<br>insurance technical provisions                                                  | 049         |              |               |  |
| 29.   | F.DEFERRED TAX ASSETS                                                                                                               | 050         |              |               |  |
| 30.   | G. RECEIVABLES (052+056+057)                                                                                                        | 051         | 308,096,693  | 268,658,455   |  |
| 31.   | 1.RECEIVABLES FROM DIRECT INSURANCE WORK<br>(053+054+055)                                                                           | 052         | 284,096,053  | 251,167,070   |  |
| 31.a. | Receivables from insurers                                                                                                           | 053         | 284,096,053  |               |  |
| 31.b  | Receivables from representatives and agents                                                                                         | 054         | 204,030,033  | 251,167,070   |  |

|        | DESCRIPTION                                         | dire        | Current year | Previous year  |
|--------|-----------------------------------------------------|-------------|--------------|----------------|
| No     | DESCRIPTION                                         | AOP<br>mark | An           | nount (in MKD) |
| 32.    | 11.RECEIVABLES FROM CO-INSURANCE AND<br>REINSURANCE | 056         |              |                |
| 31 .c. | Other receivables from direct insurance work        | 055         |              |                |

| No.    | DESCRIPTION                                                                            | AOP mark | Amo           | ount (in MKD) |
|--------|----------------------------------------------------------------------------------------|----------|---------------|---------------|
|        |                                                                                        |          | Current year  | Previous year |
| 1      | 2                                                                                      | 3        | 4             | 5             |
| 33.    | 111.OTHER RECEIVABLES (058+059+060+061)                                                | 057      |               |               |
|        |                                                                                        |          | 24,000,640    | 17,491,385    |
| 34.    | Other receivables from direct insurance work                                           | 058      | 11,520,347    | 7,070,287     |
| 35.    | Receivables from investments                                                           | 059      | 7,196,780     | 4,612,584     |
| 36.    | Current tax assets                                                                     | 060      | 2,774,402     | 3,604,680     |
| 37.    | Other receivables                                                                      | 061      | 2,509,111     | 2,203,834     |
| 38.    | H.CASH AND CASH EQIVALENTS                                                             | 062      | 25,618,663    | 14,854,110    |
| 39.    | I.STOCK                                                                                | 063      |               |               |
| 40.    | J.ASSETS (OR GROUPS FOR ALIENATION)<br>PLANNED FOR SALE AND DISCONTINUED<br>OPERATIONS | 064      |               |               |
| 41.    | K.PAID EXPENSES FOR FOLLOWING PERIODS AND CALCULATED INCOMES (AVR)                     | 065      | 85,875,964    | 123,418,397   |
| 42.    | TOTAL ASSETS: ASSETS                                                                   | 066      |               |               |
|        | (001+004+013+041+042+050+051+062+063+064+065)                                          |          | 1,520,753,608 | 1,499,544,819 |
| 43.    | L. OFF BALLANCE SHEET RECORDS – ASSETS                                                 | 067      | 249,146,672   | 265,240,893   |
| 44.    | LIABILITIES:<br>A. EQUITY AND RESERVES (069+070-071-<br>072+073+074+079-080+081-082)   | 068      | 499,537,083   | 481,728,197   |
| 45.    | I. SUBSCRIBED CAPITAL                                                                  | 069      | 195,326,080   | 195,326,080   |
| 46.    | II.PREMIUMS ON ISSUED SHARES                                                           | 070      |               |               |
| 47.    | III.EQUITY SHARES (-)                                                                  | 071      |               |               |
| 48.    | IV.SUBSCRIBED AND NON-PAID-IN CAPITAL (-)                                              | 072      |               | •             |
| 49.    | V. REVALUATION RESERVES                                                                | 073      | 2,727,969     | 9,563,798     |
| 50.    | VI. RESERVES (075+076+077+078)                                                         | 074      | 184,620,662   | 183,967,436   |
| 50.a.  | Legal reserves                                                                         | 075      | 184,620,662   | 183,967,436   |
| 50.b.  | Reserves for treasury shares                                                           | 076      |               |               |
| 50.c.  | Statutory reserves                                                                     | 077      |               |               |
| 50. d. | Other reserves                                                                         | 078      |               |               |
| 51.    | VII. RETAINED EARNINGS                                                                 | 079      | 92,217,657    | 90,911,205    |
| 52.    | VIII. LOSSES CARRIED FORWARD (-)                                                       | 080      |               |               |
| 53.    | IX. PROFIT FOR CURRENT ACCUNTING PERIOD                                                | 081      |               |               |
|        |                                                                                        |          | 24,644,715    | 1,959,678     |
| 1      | 2                                                                                      | 3        | 4             | 5             |

| 54.   | X. LOSS FOR CURRENT ACCOUNTING PERIOD                                                                            | 082  |              |                            |
|-------|------------------------------------------------------------------------------------------------------------------|------|--------------|----------------------------|
| 55.   | XI. CAPITAL OF THE COMPANY''S OWNERS                                                                             | 083  |              |                            |
| 56.   | XII. UNCONTROLLED PARTICIPATION                                                                                  | 084  |              |                            |
| 57.   | B.SUBORDINATED LIABILITIES                                                                                       | 085  |              |                            |
| 58.   | C. GROSS TECHNICAL PROVISIONS<br>(087+088+089+090+091+092)                                                       | 086  | 933,945,567  | 929,983,816                |
| 58.a. | Gross unearned premium reserves                                                                                  | 087  | 455,368,134  | 474,496,895                |
| 58.b. | Gross mathematical reserve                                                                                       | 088  | 400,000,104  | 474,490,090                |
| 58.c  | Gross claims reserve                                                                                             | 089  | 463,979,811  | 423,615,776                |
| 58.d. | Gross reserves for bonuses and discounts                                                                         | 090  | 14,597,622   | 31,871,145                 |
| 58.e. | Gross equalization reserve                                                                                       | 091  | 14,007,022   | 51,671,145                 |
| 58.f. | Gross other insurance technical provisions                                                                       | 092  |              |                            |
| 59.   | D.GROSS TECHNICAL PROVISIONS RELATED TO<br>CONTRACTS WHERE INSURED PERSON<br>OVERTAKES THE INVESTMENT RISK       | 093  |              |                            |
| 60.   | E. RESERVATIONS FOR RISKS AND UNCERTAINTIES<br>(095+096)                                                         | 094  |              |                            |
| 60.a. | Reservations for pension plans, severance pay and similar employees benefits                                     | 095  |              |                            |
| 60.b. | Other reservations for risks and uncertainties                                                                   | 096  |              |                            |
| 61.   | F. DEFERRED TAX LIABILITIES                                                                                      | 097  |              |                            |
| 62.   | G.LIABILITIES ARISING FROM DEPOSITS OF<br>COMPANIES FOR REINSURANCE AT CEDENTS<br>BASED ON REINSURANCE CONTRACTS | 098  |              |                            |
| 63.   | H. LIABILITIES(100+104+105)                                                                                      | 099  | 44,721,997   | 53,888,379                 |
| 64.   | I. LIABILITIES FROM DIRECT INSURANCE WORKS<br>(101+102+103)                                                      | 100  | 2,543,889    | 2,752,312                  |
| 64.a. | Liabilities to insurers                                                                                          | 101  | 2,488,419    | 2,665,812                  |
| 64.b. | Liabilities to the representatives and agents                                                                    | 102  | 2,400,413    | 2,000,012                  |
| 64.c. | Other liabilities from direct insurance work                                                                     | 103  | 55,470,      | 86,500                     |
| 65.   | II. LIABILITIES FROM CO-INSURANCE AND<br>REINSURANCE                                                             | 104  | 9,598,803    |                            |
| 66.   | III. OTHER LIABILITIES (106+107+108+109+110)                                                                     | 105  |              | 5,821,877                  |
|       |                                                                                                                  | AOP  | 32,579,305   | 45,314,190<br>Int (in MKD) |
| No    | DESCRIPTION                                                                                                      | mark |              | •                          |
| 1     | 2                                                                                                                | 3    | Current year | Previous year              |
| 07    |                                                                                                                  | 2010 | 4            | 5                          |
| 67.   | Liabilities from financial investments                                                                           | 106  |              |                            |

| 68. | Other liabilities from direct insurance work                                                              | 107 |               |               |
|-----|-----------------------------------------------------------------------------------------------------------|-----|---------------|---------------|
|     |                                                                                                           |     | 13,186,029    | 19,430,274    |
| 69. | Liabilities to employees                                                                                  | 108 | 13,038,106    | 13,972,080    |
| 70. | Current tax liabilities                                                                                   | 109 | 1,054,066     | 1,467,359     |
| 71. | Other liabilities                                                                                         | 110 | 5,301,104     | 10,444,477    |
| 72. | J. NON-CURRENT LIABILITIES RELATED TO NON-<br>CURRENT ASSETS HELD FOR SALE AND<br>DISCONTINUED OPERATIONS | 111 |               |               |
| 73. | K. ACCRUALS                                                                                               | 112 | 42,548,961    | 33,944,427    |
| 74. | TOTAL LIABILITIES:<br>EQUITY AND RESERVS AND LIABILITIES<br>(068+085+086+093+094+097+098+099+111+112)     | 113 | 1,520,753,608 | 1,499,544,819 |
| 75. | L.OFF BALANCE SHEET RECORDS – LIABLITIES                                                                  | 114 | 249,146,672   | 265,240,893   |

Responsible person for the form preparation.

Name and surname Pavlina Velkova

5

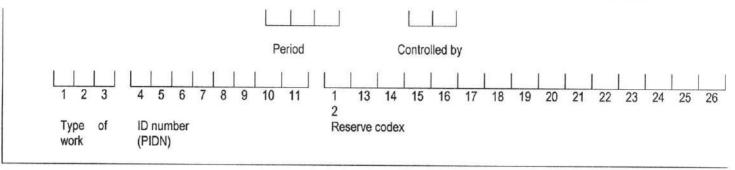
Registration number from the Institute of accountants and Authorized accountants of Republic of Macedonia: 0100365 Deude

Signature

In Skopje Date 26.02.2020

| Skopje<br>Date 26.02.2020 | Name and surname of Company's legal representative:<br>Marija Tomeska | Name and surname of Company's legal<br>representative:<br>Maja Bogdanovska - Støjaroska |
|---------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
|                           | Signature                                                             | Signature                                                                               |





Company's name

Eurolink Insurance Inc., Skopje

Address, head office, telephone E-mail address Type of work Tax number Nikola Kljusev. 2, Skopje tel. +389 2 32-89-303 eurolink@eurolink.com.mk Non-life Insurance 4030002461596

## INCOME STATEMENT (COMPREHENSIVE PROFIT REPORT)

For the period from 01.01.2020 to 31.12.2020

|     |                                                                            | AOP  |              | (in MKD)      |
|-----|----------------------------------------------------------------------------|------|--------------|---------------|
| No. | DESCRIPTION                                                                | Mark | Amount       |               |
|     |                                                                            |      | Current year | Previous year |
| 1   | 2                                                                          | 3    | 4            | 5             |
| 1.  | A. REVENUES FROM OPERATIONS (202+211+234+235)                              | 201  | 884,917,208  | 933,712,946   |
| 2.  | I.EARNED PREMIUM (NET EARNED PREMIUM)<br>(203+204+205-206-207-208+209+210) | 202  | 792,751,207  | 864,567,954   |
| 3.  | Gross policy insurance premium                                             | 203  | 963,579,047  | 1,013,068,759 |
| 4.  | Gross policy co-insurance premium                                          | 204  | 000,010,011  | 1,010,000,100 |
| 5.  | Gross policy reinsurance/retrocession premium                              | 205  |              |               |
| 6.  | Gross policy insurance premium delivered in co-insurance                   | 206  |              |               |
| 7.  | Gross policy insurance premium delivered in reinsurance/<br>retrocession   | 207  | 169,923,621  | 140,107,379   |
| 8.  | Change in gross unearned premium reserve                                   | 208  | -19,128,761  | -13,459,967   |
| 9.  | Change in gross unearned premium reserves- part for co-<br>insurance       | 209  | -10,120,701  | -13,433,307   |
| 10. | Change in gross unearned premium reserves - part for<br>reinsurance        | 210  | -20,032,980  | -21,853,393   |
| 11. | II. INCOME FROM INVESTMENTS<br>(212+219+228)                               | 211  | 60,604,309   | 42,460,011    |
| 12. | Income from investments in holdings<br>(213+214+215+216+217+218)           | 212  |              |               |
| 13. | Interest gains from holdings                                               | 213  |              |               |
| 14. | Foreign exchange gains from holdings                                       | 214  |              |               |
| 15. | Dividends gains from holdings                                              | 215  |              |               |
| 16. | Unrealised gains from reducing to investment fair value in<br>holdings     | 216  |              |               |
| 17. | Realised gains (capital gains) from sale of investments in holdings        | 217  |              |               |

| Ne    | DESCRIPTION                                                                                                      | AOP<br>Mark | Amount                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |               |
|-------|------------------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| No    |                                                                                                                  |             | Current year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Previous year |
| 1     | 2                                                                                                                | 3           | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 5             |
| 18.   | Other incomes from investments in holdings                                                                       | 218         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
| 19.   | Other incomes from investments (220+221+222+223+224)                                                             | 219         | 60,376,078                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 41,318,176    |
| 20.   | Interest income                                                                                                  | 220         | 20,143,424                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 20,120,746    |
| 21.   | Foreign exchange gains                                                                                           | 221         | 2,148,490                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 642,182       |
| 22.   | Dividend gains                                                                                                   | 222         | 1,218,069                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 1,238,691     |
| 23.   | Unrealised gains from investments                                                                                | 223         | 29,185,598                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 4,318,680     |
| 24.   | Realised gains (capital gains) from sale of investments (225+226+227)                                            | 224         | 7,680,497                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 14,997,877    |
| 24.a. | Financial investments available-for-sale                                                                         | 225         | 7,389,915                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 14,462,944    |
| 24.б. | Financial investments available for trade (at fair value)                                                        | 226         | 290,582                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 534,933       |
| 24.в. | Other finances and investments                                                                                   | 227         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
| 25.   | Other incomes from investments (229+233)                                                                         | 228         | 228,231                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1,141,835     |
| 26.   | Revenue from investments in tangible assets that are not used for activity operation (230+231+232)               | 229         | 220,201                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1,141,000     |
| 26.a. | Increase of investment value in tangible assets that are not used<br>for activity performance                    | 230         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
| 26.б. | Realised gain (capital gain) from sale of investment in tangible assets that are not used for activity operation | 231         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
| 26.в. | Revenue from rent of investments in tangible assets that are not used for activity operation                     | 232         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
| 27.   | Other investments incomes                                                                                        | 233         | 228,231                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1,141,835     |
| 28.   | III. OTHER INSURANCE-TECHNICAL INCOMES LESS FOR<br>REINSURANCE                                                   | 234         | 24,337,719                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 20,729,879    |
| 29.   | IV. OTHER FINANCIAL AND DIFFERENT REVENUES                                                                       | 235         | 7,223,973                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 5,955,102     |
| 30.   | B. EXPENSES FROM OPERATION<br>(237+245+255+258+261+278+296+299)                                                  | 236         | 854,131,399                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 923,237,946   |
| 31.   | I. CLAIMS INCURRED (NET VALUE OF EXPENSES FOR CLAIMS) (238-239-240-241+242-243-244)                              | 237         | 404,681,648                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 410,163,945   |
| 32.   | Gross paid claims                                                                                                | 238         | 373,301,029                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 387,658,977   |
| 33.   | Income decrease from gross realised subrogation receivables                                                      | 239         | 4,039,855                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 7,873,841     |
| 34.   | Gross paid claims - part of co-insurance                                                                         | 240         | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 0             |
| 35.   | Gross paid claims - part of re-insurance / retrocession                                                          | 241         | 9,432,471                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 11,109,171    |
| 36.   | Change in gross claims reserve                                                                                   | 242         | 40,364,036                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 37,439,174    |
| 37.   | Change in gross claims reserve – part of co-insurance                                                            | 243         | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 0             |
| 38.   | Change in gross claims reserve – part of re-insurance                                                            | 244         | -4.488,909                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -4,048,806    |
| 39.   | II. CHANGES IN OTHER TECHNICAL PROVISIONS (NET OF<br>REINSURANCE) (246+249+252)                                  | 245         | -17,273,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 3,904,923     |
| 40.   | Changes in mathematical reserve, net of reinsurance(247-248)                                                     | 246         | 200 <b>2</b> - 200 <b>2</b> |               |
| 40.a. | Changes in gross mathematical reserve                                                                            | 247         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
| 40.б. | Changes in mathematical reserve – part for co-insurance and reinsurance                                          | 248         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
|       | reinsurance                                                                                                      |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |
|       |                                                                                                                  |             | Amou                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | int           |
| No    | DESCRIPTION                                                                                                      | AOP<br>Mark | Current year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Previous year |

| 1     | 2                                                                                                                                                              | 3   | 4           | 5           |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------|-------------|
| 41.   | Changes in equalization reserve, net of reinsurance (250-251)                                                                                                  | 249 |             |             |
| 41.a. | Changes in equalization reserve, net of reinsurance                                                                                                            | 250 |             |             |
| 41.б. | Changes in gross equalization reserve – part for co-insurance and reinsurance                                                                                  | 251 |             |             |
| 42.   | Changes in other technical provisions, net of reinsurance (253-<br>254)                                                                                        | 252 | -17,273,523 | 3,904,923   |
| 42.a. | Changes in other gross technical provisions                                                                                                                    | 253 | -17,273,523 | 3,904,923   |
| 42.б. | Changes in other gross technical provisions – part for co-<br>insurance and reinsurance                                                                        | 254 |             | 0,001,02    |
| 43.   | III. CHANGES IN GROSS MATHEMATICAL RESERVE FOR<br>LIFE INSURANCE WHERE INVESTMENT RISK IS CARRIED<br>BY INSURED PERSON, NET OF REINSURANCE(256-257)            | 255 |             |             |
| 43.a. | Changes in gross mathematical reserve for life insurance where<br>investment risk is carried by the insured person                                             | 256 |             |             |
| 43.б. | Changes in gross mathematical reserve for life insurance where<br>investment risk is carried by the insured person – part for co-<br>insurance and reinsurance | 257 |             |             |
| 44.   | IV. EXPENSES FOR BONUSES AND DISCOUNTS, NET OF<br>REINSURANCE (259+260)                                                                                        | 258 | 29,043,319  | 37,543,93   |
| 44.a. | Expenses for bonuses (related to result)                                                                                                                       | 259 | 2,264,641   | 7,025,42    |
| 44.б. | Expenses for discounts (not related to result)                                                                                                                 | 260 | 26,778,678  | 30,518,51   |
| 45.   | V. NET EXPENSES FOR INSURANCE OPERATIONS<br>(262+267)                                                                                                          | 261 | 361,366,625 | 425,063,498 |
| 46.   | Acquisition costs (263+264+265+266)                                                                                                                            | 262 | 193,746,793 | 192,779,225 |
| 47.   | Fees                                                                                                                                                           | 263 | 50,563,786  | 62,659,539  |
| 48.   | Other acquisition costs                                                                                                                                        | 264 | 17,137,729  | 20,520,404  |
| 49.   | Change in deferred acquisition costs                                                                                                                           | 265 | 33,238,975  | 17,211,532  |
| 50.   | Gross salaries for employees in the internal sales network                                                                                                     | 266 | 92,806,303  | 92,387,750  |
| 51.   | Administrative expenses (268+269+275+276)                                                                                                                      | 267 | 167,619,832 | 232,284,273 |
| 52.   | Depreciation and value adjustment (devaluation) of tangible and non-tangible assets used for activity operation                                                | 268 | 4,419,762   | 5,984,14    |
| 53.   | Costs for employees (270+271+272+273+274)                                                                                                                      | 269 | 62,209,353  | 63,640,473  |
| 53.a. | Salaries and allowances                                                                                                                                        | 270 | 36,322,338  | 37,654,238  |
| 53.б. | Tax expenses for salaries and allowances                                                                                                                       | 271 | 3,408,898   | 4,156,077   |
| 53.в. | Contributions from mandatory social insurance                                                                                                                  | 272 | 15,234,944  | 15,370,165  |
| 53.г  | Costs for additional pension insurance for employees                                                                                                           | 273 | 0           |             |
| 53.д. | Other costs for employees                                                                                                                                      | 274 | 7,243,173   | 6,459,993   |
| 54.   | Charges for services from private persons that are not performing activity based on full employment rate and benefits                                          | 275 | 14,732,685  | 12,486,972  |
| 55.   | Other administrative costs (277+278+279)                                                                                                                       | 276 | 86,258,032  | 150,172,687 |
| 56.   | Costs for services                                                                                                                                             | 277 | 61,265,212  | 85,470,281  |

|       |                                                                                        |             | Amount       |               |
|-------|----------------------------------------------------------------------------------------|-------------|--------------|---------------|
| No    | DESCRIPTION                                                                            | AOP<br>Mark | Current year | Previous year |
| 1     | 2                                                                                      | 3           | 4            | 5             |
| 57.   | Material/ Operating costs                                                              | 278         | 6,017,259    | 7,104,175     |
| 58.   | Costs for reservations and other operating costs                                       | 279         | 18,975,561   | 57,598,231    |
| 59.   | VI. INVESTMENTS EXPENSES (281+287)                                                     | 280         | 29,322,049   | 4,091,619     |
| 60.   | Investment expenses in holdings (282+283+284+285+286)                                  | 281         |              |               |
| 61.   | Interest expenses for holdings                                                         | 282         |              |               |
| 62.   | Foreign exchange expenses for holdings                                                 | 283         |              |               |
|       | Unrealised loss from decreasing to fair value investments in the<br>holdings           | 284         |              |               |
|       | Realised loss from sale (capital loss) of investments in the<br>holdings               | 285         |              |               |
| 65.   | Other financial expenses by the holdings                                               | 286         |              |               |
| 66.   | Other investments expenses (288+289+290+291+294+295)                                   | 287         | 29,322,049   | 4,091,619     |
| 67.   | Interest expenses                                                                      | 288         | 9,133        | 1,931         |
| 68.   | Foreign exchange expenses                                                              | 289         | 5,721,272    | 1,179,601     |
| 69.   | Unrealised loss from decreasing investments at fair value                              | 290         | 23,591,335   | 895,295       |
| 70.   | Realised loss from sale (capital loss) of investments (292+293)                        | 291         | 309          | 71,719        |
| 70.a. | Financial investments available-for-sale                                               | 292         | 309          |               |
| 70.б. | Financial investments for trade (at fair value)                                        | 293         | 0            | 71,719        |
| 70.в. | Realised loss from sale of other investments                                           | 294         |              |               |
| 71.   | Other expenses from investments (296+297)                                              | 295         | 0            | 1,943,073     |
|       | Depreciation of investment in tangible assets that are not used for activity operation | 296         |              |               |
|       | Loss from devaluation of investments and other expenses for<br>investments             | 297         | 0            | 1,943,073     |
|       | VII. OTHER INSURANCE-TECHNICAL EXPENSES, LESS<br>FOR REINSURANCE (299+300)             | 298         | 33,986,882   | 32,843,772    |
|       | Expenses for prevention                                                                | 299         |              |               |
|       | Other insurance-technical expenses, less for reinsurance                               | 300         | 33,986,882   | 32,843,772    |
|       | VIII. OTHER EXPENSES (302+303)                                                         | 301         | 13,004,399   | 9,626,258     |
| 75.a. | Loss due to devaluation of receivables based on insurance<br>premium                   | 302         | -2637713     | 6,681,442     |
| 75.б. | Other financial and different expenses                                                 | 303         | 15,642,112   | 2,944,816     |
| 76.   | Profit share in associated companies                                                   | 304         |              |               |
| 77.   | Loss share in associated companies                                                     | 305         |              |               |
| 78.   | Profit for the year<br>(201+304) – (236+305)                                           | 306         | 30,785,809   | 10,475,000    |
| 79.   | Loss for the year<br>(236+305) – (201+304)                                             | 307         |              |               |
| 80.   | Net profit from discontinued operations                                                | 308         |              |               |
| 81.   | Net loss from discontinued operations                                                  | 309         |              |               |
| 82.   | Profit before taxation (306+308) or (306-309)                                          | 310         | 30,785,809   | 10,475,000    |
| 83.   | Loss before taxation (307+309) or (307-308)                                            | 311         |              |               |
| No    |                                                                                        | AOP         | Amount       |               |
|       | DESCRIPTION                                                                            | Mark        | Current year | Previous year |
| 1     | 2                                                                                      | 3           | 4            | 5             |
| SSV/2 | Profit tax                                                                             | 312         | 6,141,094    | 8,515,322     |
|       | Delayed tax income                                                                     | 313         |              |               |
|       | Delayed tax expenses                                                                   | 314         |              |               |
| 87.   | PROFIT FOR THE YEAR AFTER TAXATION                                                     | 315         | 24,644,715   | 1,959,678     |

|       | (310-312+313-314)                                                                             |     |            |           |
|-------|-----------------------------------------------------------------------------------------------|-----|------------|-----------|
| 88.   | LOSS FOR THE YEAR AFTER TAXATION<br>(311+312-313+314)                                         | 316 |            |           |
| 89.   | Average employees number based on working hours in the accounting period (in absolute amount) | 317 | 210        | 215       |
| 90.   | Number of months of operation (in absolute amount)                                            | 318 | 12         | 12        |
| 91.   | PROFIT/LOSS FOR THE PERIOD                                                                    | 319 | 24,644,715 | 1,959,678 |
| 91.a. | Profit attributed to the shareholders                                                         | 320 | 21,011,110 | 1,000,070 |
| 91.б. | Profit for uncontrolled participation                                                         | 321 |            |           |
| 91.в. | Loss attributed to the shareholders                                                           | 322 |            |           |
| 91.г. | Loss for uncontrolled participation                                                           | 323 |            |           |
| 92.   | EARNINGS PER SHARE                                                                            | 324 | 7,701      | 612       |
| 92.a. | Total basic earnings per share                                                                | 325 | 7,701      | 612       |
| 92.6. | Total diluted earnings per share                                                              | 326 | .,,        |           |
| 92.в. | Basic earnings per share from discontinued operation                                          | 327 |            |           |
| 92.г. | Diluted earnings per share from discontinued operation                                        | 328 |            |           |

-

## REPORT ON OTHER COMPREHENSIVE PROFIT For the period from 01.01.2016 to 31.12.2016

| No    |                                                                                               | AOP<br>Mark | Amount       |               |
|-------|-----------------------------------------------------------------------------------------------|-------------|--------------|---------------|
| NO    | DESCRIPTION                                                                                   |             | Current year | Previous year |
| 1     | 2                                                                                             | 3           | 4            | 5             |
| 1.    | Year profit                                                                                   | 329         | 24,644,715   | 1,959,678     |
| 2.    | Year loss                                                                                     | 330         |              |               |
| 3.    | Other comprehensive profit<br>(333+335+337+339+341+343) - (334+336+338+340+342+344)           | 331         |              | 3,533,818     |
| 4.    | Other comprehensive loss<br>(334+336+338+340+342+344) - (333+335+337+339+341+343)             | 332         | -6,835,829   |               |
| 5.    | Profit from translation of foreign operation                                                  | 333         |              |               |
| 6.    | Loss from translation of foreign operation                                                    | 334         |              |               |
| 7.    | Profit from re-measurement of finances available for sale                                     | 335         |              | 3,533,818     |
| 8.    | Loss from re-measurement of finances available-for-sale                                       | 336         | -6,835,829   |               |
| 9.    | Effective profit share from hedging instruments for cash hedging                              | 337         |              |               |
| 10.   | Effective loss share from hedging instruments for cash flow<br>hedging                        | 338         |              |               |
| 11.   | Changes in revalorization reserves for tangible and non-tangible assets (+)                   | 339         |              |               |
| 12.   | Changes in revalorization reserves for tangible and non-tangible assets (-)                   | 340         |              |               |
| 13.   | Actuarial gain for employees benefit plans                                                    | 341         |              |               |
| 14.   | Actuarial loss for employees benefit plans                                                    | 342         |              |               |
| 15.   | Share in other comprehensive profit of associated companies (only for consolidation purposes) | 343         |              |               |
| 16.   | Share in other comprehensive loss of associated companies (only for consolidation purposes)   | 344         |              |               |
| 17.   | Profit tax on the other comprehensive profit components                                       | 345         |              |               |
| 18.   | Other comprehensive profit net (331-345)                                                      | 346         |              | 3,533,818     |
| 19.   | Other comprehensive loss net (345-331) or (332+345)                                           | 347         | -6,835,829   |               |
| 20.   | Total year comprehensive profit (329+346) or (346-330)                                        | 348         | 17,808,886   | 5,493,496     |
| 20.a. | Comprehensive profit of company's shareholders                                                | 349         | 17,808,886   | 5,493,496     |
| 20.б. | Comprehensive profit of not controlled participation                                          | 350         |              |               |
| 21.   | Total year comprehensive loss (330+347) or (330-346) or (347-<br>329)                         | 351         |              |               |
| 21.a. | Comprehensive loss of company's shareholders                                                  | 352         |              |               |
| 21.б  | Comprehensive loss of not controlled participation                                            | 353         |              |               |

#### REALISED REVENUES MAINLY FORM ACTIVITY CODE 65,12



(main income code of activity defined by NCA is assigned in accordance with Article 9 of the Law on One Stop Shop System – Official gazette of Republic of Macedonia No. 84/05, 13/07,150/07, 140/08,17/11, 53/11 и 70/13).

Responsible person for the form preparation.

Name and surname Pavlina Velkova

Registration number from the Institute of accountants and Authorized accountants of Republic of Macedonia: 0100365

F Dewly Signature

In Skopje

Date 26.02.2020

| Skopje<br>Date 26.02.2020 | Name and surname of Company's legal representative:<br>Marija Tomeska | Name and surname of Company's legal<br>representative:<br>Maja Bøgdanovska - Stojanoska |  |  |
|---------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--|--|
|                           | Signature                                                             | Signature                                                                               |  |  |