



Financial Statements and Independent Auditor's  
Report

**EUROLINK Insurance Inc. Skopje**

**31 December 2021**

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## Independent Auditor's Report

To the Shareholders of  
Eurolink Osiguruvanje AD Skopje

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### Report on financial statements

We have audited the accompanying financial statements of Eurolink Osiguruvanje AD Skopje ("the Company"), which comprise the Statement of financial position (Balance Sheet) as at 31 December 2021, and the Statement of comprehensive income (Income Statement), Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 3 to 86.

#### *Management's responsibility for financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulation issued by the Insurance Supervision Agency of the Republic of North Macedonia, 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards accepted in the Republic of North Macedonia<sup>1</sup>. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal control relevant to the Company'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 Company'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.

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 accompanying financial statements present fairly, in all material respects, the financial position of Eurolink Osiguruvanje AD Skopje as of 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the regulation issued by the Insurance Supervision Agency of the Republic of North Macedonia.

#### *Other matter*

The financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion in their report on 30 March 2021.

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<sup>1</sup> International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no.79 from 2010.

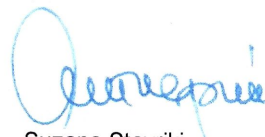
### Report on other legal and regulatory matters

Company's management is responsible for the preparation of the Annual Report for the Company's operations for 2021 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion whether the Annual Report for the Company's operations is consistent with the historical financial information disclosed in the annual accounts and the audited financial statements of the Company as at and for the year ended 31 December 2021, in accordance with auditing standards accepted in the Republic of North Macedonia<sup>2</sup>, and the requirements of Article 34, paragraph 1, point (d) of the Law on Audit.

In our opinion, the historical financial information disclosed in the Annual Report for the Company's operations as at and for the year ended 31 December 2021, are consistent, in all material respects, with the historical financial information disclosed in the annual accounts and the audited financial statements as at and for the year ended 31 December 2021.



Suzana Stavrikj  
Director  
Grant Thornton Doo, Skopje



Suzana Stavrikj  
Certified Auditor

Skopje, 9 March 2022

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<sup>2</sup> International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no.79 from 2010.

Financial Statements  
31 December 2021

## Statement of financial position (Balance sheet)

As at 31.12.2021

In MKD

Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
<b>ASSETS</b>			-	-
<b>A. INTANGIBLE ASSETS (002+003)</b>	<b>001</b>	2.1	<b>1.612.757</b>	<b>1.885.744</b>
1. Goodwill	002		-	-
2. Other intangible assets	003		1.612.757	1.885.744
<b>B. INVESTMENTS (005+013+021+041)</b>	<b>004</b>		<b>1.154.085.937</b>	<b>1.024.016.236</b>
<b>I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS (006+009)</b>	<b>005</b>	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		-	-
<b>II. FINANCIAL INVESTMENTS IN COMPANIES IN A GROUP – SUBSIDIARIES, ASSOCIATES AND JOINT CONTROLLED ENTITIES (014+015+016+017+018+019+020)</b>	<b>013</b>	2.3	<b>14.934.787</b>	<b>16.081.216</b>
1. Shares, equity interests and other equity instruments of value in companies in a group – subsidiaries	014		-	-
2. 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		-	-
4. 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		14.934.787	16.081.216
<b>III. OTHER FINANCIAL INVESTMENTS (022+025+030+035+040)</b>	<b>021</b>	2.4	<b>1.139.151.150</b>	<b>1.007.935.020</b>
<b>1. FINANCIAL INVESTMENTS HELD TO MATURITY (023+024)</b>	<b>022</b>	2.4.1	<b>430.823.398</b>	<b>351.819.431</b>
1.1 Debt securities with maturity up to one year	023		-	-

See accompanying notes to the financial statements

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

Financial Statements  
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Statement of financial position (Balance sheet) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
1.2 Debt securities with maturity over one year	024		430.823.398	351.819.431
<b>2. Financial investments available-for-sale (026+027+028+029)</b>	<b>025</b>	2.4.2	<b>183.075.552</b>	<b>172.144.969</b>
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		2.100.000	10.676.400
2.4 Shares and equity interests in investment funds	029		180.975.552	161.468.569
<b>3. Financial investments for trading (031+032+033+034)</b>	<b>030</b>	2.4.3	<b>64.495.381</b>	<b>85.220.645</b>
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		51.459.471	74.885.802
3.4 Shares and equity interests in investment funds	034		13.035.910	10.334.843
<b>4. Deposits, loans and other placements (036+037+038+039)</b>	<b>035</b>	2.4.4	<b>460.756.819</b>	<b>398.749.975</b>
4.1 Given deposits	036		460.756.819	398.749.975
4.2 Loans secured with mortgages	037		-	-
4.3 Other loans	038		-	-
4.4 Other placements	039		-	-
<b>5. Derivative financial instruments</b>	<b>040</b>		-	-
<b>IV. DEPOSITS OF REINSURANCE COMPANIES AT CEDENTS, BASED ON REINSURANCE CONTRACTS</b>	<b>041</b>		-	-
<b>C. PART FOR CO-INSURANCE AND REINSURANCE IN GROSS TECHNICAL PROVISIONS (043+044+045+046+047+048+049)</b>	<b>042</b>	2.5	<b>158.202.839</b>	<b>67.483.413</b>
1. Part for co-insurance and reinsurance in gross unearned premium reserve	043		126.475.975	55.643.177
2. Part for co-insurance and reinsurance in gross mathematical reserve	044		-	-
3. Part for co-insurance and reinsurance in gross claims reserve	045		31.726.864	11.840.236
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		-	-

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Statement of financial position (Balance sheet) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			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		-	-
<b>D. FINANCIAL INVESTMENTS WHERE THE INSURER TAKES OVER THE INVESTMENT RISK (INSURANCE CONTRACTS)</b>	<b>050</b>		-	-
<b>E. DEFERRRED AND CURRENT TAX ASSETS (052+053)</b>	<b>051</b>	2.6	<b>390.362</b>	<b>2.774.402</b>
1. Deferred tax assets	052		319.833	-
2. Current tax assets	053		70.529	2.774.402
<b>F. RECEIVABLES (055+059+063+067)</b>	<b>054</b>	2.7	<b>352.828.058</b>	<b>305.322.291</b>
<b>I. RECEIVABLES FROM DIRECT INSURANCE WORKS (056+057+058)</b>	<b>055</b>		<b>332.143.404</b>	<b>284.096.053</b>
1. Receivables from insurers	056		332.143.404	284.096.053
2. Receivables from agents	057		-	-
3. Other receivables from direct insurance works	058		-	-
<b>II. RECEIVABLES FROM DIRECT CO-INSURANCE AND REINSURANCE WORKS (060+061+062)</b>	<b>059</b>		-	-
1. Receivables from co-insurance and reinsurance premium	060		-	-
2. Receivables from participation in claims fees from co-insurance and reinsurance	061		-	-
3. Other receivables from co-insurance and reinsurance works	062		-	-
<b>III. OTHER RECEIVABLES (064+065+066)</b>	<b>063</b>		<b>20.684.654</b>	<b>21.226.238</b>
1. Other receivables from direct insurance works	064		11.506.806	11.520.347
2. Receivables from financial investments	065		6.818.293	7.196.780
3. Other receivables	066		2.359.555	2.509.111
<b>IV. RECEIVABLES BASED ON SUBSCRIBED BUT NOT PAID CAPITAL</b>	<b>067</b>			-
<b>G. OTHER ASSETS (069+072+077)</b>	<b>068</b>		<b>23.389.731</b>	<b>33.395.558</b>
<b>I. TANGIBLE ASSETS USED FOR OPERATIONS (OTHER THAN LAND AND BUILDINGS) (070+071)</b>	<b>069</b>	2.8	<b>9.005.449</b>	<b>7.776.895</b>
1. Equipment	070		8.169.086	6.940.532
2. Other tangible assets	071		836.363	836.363

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Financial Statements  
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Statement of financial position (Balance sheet) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
<b>II. CASH AND OTHER CASH EQUIVALENTS (073+074+075+076)</b>	<b>072</b>	2.9	<b>14.384.282</b>	<b>25.618.663</b>
1. Cash in banks	073		15.843.882	27.133.530
2. Cash on hand	074		382.662	327.395
3. Restricted cash to cover mathematical reserves	075		-	-
4. Other cash and cash equivalents	076		(1.842.262)	(1.842.262)
<b>III. INVENTORIES AND SMALL INVENTORY</b>	<b>077</b>		-	-
<b>H. PREPAIDS (079+080+081)</b>	<b>078</b>	2.10	<b>97.909.841</b>	<b>85.875.964</b>
1. Accrued income based on interest and rents	079		-	-
2. Deferred acquisition costs	080		69.481.206	65.964.149
3. Other accrued income and deferred expenses	081		28.428.635	19.911.815
<b>I. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	<b>082</b>		-	-
<b>J. TOTAL ASSETS (A+B+C+D+E+F+G+H+I)</b>	<b>083</b>		<b>1.788.419.525</b>	<b>1.520.753.608</b>
<b>K. OFF-BALANCE SHEET – ASSETS</b>	<b>084</b>	4	<b>266.081.651</b>	<b>249.146.672</b>
<b>LIABILITIES</b>			-	-
<b>A. EQUITY AND RESERVES (086+090+091+095+101-102+103-104)</b>	<b>085</b>	2.11	<b>586.031.890</b>	<b>499.537.083</b>
<b>I. SUBSCRIBED CAPITAL (087+088+089)</b>	<b>086</b>	2.11	<b>195.326.080</b>	<b>195.326.080</b>
1. Subscribed capital from ordinary shares	087		195.326.080	195.326.080
2. Subscribed capital from preference shares	088		-	-
3. Subscribed and non-paid-in capital	089		-	-
<b>II. PREMIUMS ON SHARES ISSUED</b>	<b>090</b>		-	-
<b>III. REVALUATION RESERVES (092+093+094)</b>	<b>091</b>	2.11	<b>(415.302)</b>	<b>2.727.969</b>
1. Tangible assets	092			-
2. Financial investments	093		(415.302)	2.727.969
3. Other revaluation reserves	094			-
<b>IV. RESERVES (096+097+098-099+100)</b>	<b>095</b>	2.11	<b>192.835.567</b>	<b>184.620.662</b>
1. Legal reserves	096		192.835.567	184.620.662
2. Statutory reserves	097		-	-
3. Reserves for treasury shares	098		-	-

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Financial Statements  
31 December 2021

Statement of financial position (Balance sheet) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
4. Purchase of treasury shares	099		-	-
5. Other reserves	100		-	-
<b>V. RETAINED EARNINGS, NET</b>	<b>101</b>		<b>108.647.467</b>	<b>92.217.657</b>
<b>VI. LOSSES CARRIED FORWARD</b>	<b>102</b>		-	-
<b>VII. PROFIT FOR THE CURRENT ACCOUNTING PERIOD</b>	<b>103</b>		<b>89.638.078</b>	<b>24.644.715</b>
<b>VIII. LOSS FOR THE CURRENT ACCOUNTING PERIOD</b>	<b>104</b>		-	-
<b>B. SUBORDINATED LIABILITIES</b>	<b>105</b>		-	-
<b>C. GROSS TECHNICAL PROVISIONS (107+108+109+110+111+112)</b>	<b>106</b>	2.12	<b>1.033.891.331</b>	<b>933.945.567</b>
I. Gross unearned premium reserves	107		523.401.230	455.368.134
II. Gross mathematical reserve	108		-	-
III. Gross claims reserve	109		500.246.660	463.979.811
IV. Gross reserves for bonuses and discounts	110		10.243.441	14.597.622
V. Gross equalization reserve	111		-	-
VI. Gross other technical provisions	112		-	-
<b>D. GROSS TECHNICAL PROVISIONS RELATED TO CONTRACTS WHERE THE INSURER TAKES OVER THE INVESTMENT RISK</b>	<b>113</b>		-	-
<b>E. OTHER RESERVES (115+116)</b>	<b>114</b>		<b>3.505.466</b>	-
1. Reserves for employees	115	2.13	3.505.466	-
2. Other reserves	116		-	-
<b>F. DEFERRED AND CURRENT TAX LIABILITIES (118+119)</b>	<b>117</b>	2.14	<b>6.877.693</b>	<b>1.054.066</b>
1. Deferred tax liabilities	118		380.569	-
2. Current tax liabilities	119		6.497.124	1.054.066
<b>G. LIABILITIES ARISING FROM DEPOSITS OF COMPANIES FOR REINSURANCE AT CEDENTS, BASED ON INSURANCE CONTRACTS</b>	<b>120</b>		-	-
<b>H. LIABILITIES (122+126+130)</b>	<b>121</b>	2.15	<b>45.734.895</b>	<b>43.667.931</b>
<b>I. LIABILITIES FROM DIRECT INSURANCE WORKS (123+124+125)</b>	<b>122</b>		<b>544.672</b>	<b>2.543.889</b>
1. Liabilities to insurers	123		536.412	2.488.419
2. Liabilities to agents	124		-	-

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Financial Statements  
31 December 2021

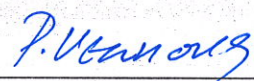
Statement of financial position (Balance sheet) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
3. Other liabilities from direct insurance works	125		8.260	55.470
<b>II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE WORKS (127+128+129)</b>	<b>126</b>		<b>15.234.006</b>	<b>9.598.803</b>
1. Liabilities based on co-insurance and reinsurance premiums	127		15.234.006	9.598.803
2. Liabilities based on participation in coverage of claims	128		-	-
3. Other liabilities from co-insurance and reinsurance works	129		-	-
<b>III. OTHER LIABILITIES (131+132+133)</b>	<b>130</b>		<b>29.956.217</b>	<b>31.525.239</b>
1. Other liabilities from direct insurance works	131		8.598.238	13.186.030
2. Liabilities from financial investments	132		-	-
3. Other liabilities	133		21.357.979	18.339.209
<b>I. ACCRUALS</b>	<b>134</b>	<b>2.16</b>	<b>112.378.250</b>	<b>42.548.961</b>
<b>J. NON-CURRENT LIABILITIES RELATED TO NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS</b>	<b>135</b>		-	-
<b>K. TOTAL EQUITY AND LIABILITIES A+B+C+D+E+F+G+H+I+J</b>	<b>136</b>	<b>4</b>	<b>1.788.419.525</b>	<b>1.520.753.608</b>
<b>L. OFF-BALANCE SHEET - LIABILITIES</b>	<b>137</b>	<b>4</b>	<b>266.081.651</b>	<b>249.146.672</b>

The financial statements have been approved by the Supervisory Board of the Company on 28 February 2022.

Signed on its behalf by:

  
**Mrs. Marija Tomeska**  
 President of Management Board



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

  
**Mrs. Maja Bogdanovska-Stojanoska**  
 Member of Management Board

See accompanying notes to the financial statements

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**Statement of Comprehensive Income (Income Statement)**

For the year then ended on 31.12.2021

In MKD

Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
<b>A. REVENUES FROM OPERATIONS (201+210+223a+224+225)</b>	<b>200</b>		<b>890.698.444</b>	<b>884.917.208</b>
<b>I. EARNED PREMIUM (NET PREMIUM INCOME) (202+203+204-205-206-207+208+209)</b>	<b>201</b>	<b>3.1</b>	<b>762.742.934</b>	<b>792.751.207</b>
1. Gross policy insurance premium	202		1.124.297.921	963.579.047
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		364.354.689	169.923.621
6. Change in gross unearned premium reserves	207		68.033.096	(19.128.761)
7. Change in gross unearned premium reserves– part for co-insurance	208		-	-
8. Change in gross unearned premium reserves– part for reinsurance	209		70.832.798	(20.032.980)
<b>II. INCOME FROM INVESTMENTS (211+212+216+217+218+219+223)</b>	<b>210</b>	<b>3.2</b>	<b>66.566.844</b>	<b>60.604.309</b>
<b>1. Income from subsidiaries, associates and joint controlled entities</b>	<b>211</b>		-	-
<b>2. Income from investments in land and buildings (213+214+215)</b>	<b>212</b>		-	-
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		-	-
<b>3. Interest income</b>	<b>216</b>		<b>20.301.409</b>	<b>20.143.424</b>
<b>4. Foreign exchange gains</b>	<b>217</b>		<b>4.298.990</b>	<b>2.148.490</b>
<b>5. Value adjustments (unrealized gains, reduction at fair value)</b>	<b>218</b>		<b>20.700.953</b>	<b>29.185.598</b>
<b>6. Realized gains from sale of financial assets-capital gains (220+221+222)</b>	<b>219</b>		<b>20.535.177</b>	<b>7.680.497</b>
6.1 Financial investments available-for-sale	220		20.436.907	7.389.915
6.2 Financial investments for trading (at fair value)	221		98.270	290.582
6.3 Other financial investments	222		-	-
<b>7. Other income from investments</b>	<b>223</b>		<b>730.315</b>	<b>1.446.300</b>

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Financial Statements  
31 December 2021

Statement of comprehensive income (Income statement) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
<b>III. INCOME FROM REINSURANCE PROVISIONS</b>	<b>223a</b>		<b>46.698.757</b>	<b>18.014.857</b>
<b>IV. OTHER INSURANCE TECHNICAL INCOME, LESS FOR REINSURANCE</b>	<b>224</b>	<b>3.3</b>	<b>7.693.213</b>	<b>6.322.862</b>
<b>V. OTHER INCOME</b>	<b>225</b>	<b>3.4</b>	<b>6.996.696</b>	<b>7.223.973</b>
<b>B. EXPENSES FROM OPERATIONS (227+235+245+248+251+261+271+274+275)</b>	<b>226</b>		<b>788.867.035</b>	<b>854.131.399</b>
<b>I. CLAIMS INCURRED (Claims expenses, net) (228-229-230-231+232-233-234)</b>	<b>227</b>	<b>3.5</b>	<b>368.990.350</b>	<b>404.681.648</b>
1. Gross paid claims	228		362.047.821	373.301.029
2. Income decrease from gross realized subrogation receivables	229		4.455.382	4.039.855
3. Gross paid claims – part for co-insurance	230		-	-
4. Gross paid claims – part for reinsurance/retrocession	231		4.982.309	9.432.471
5. Changes in gross claim s reserve	232		36.266.848	40.364.036
6. Changes in gross claim s reserve– part for co-insurance	233		-	-
7. Changes in gross claim s reserve– part for reinsurance	234		19.886.628	(4.488.909)
<b>II. CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE (236+239+242)</b>	<b>235</b>	<b>3.6</b>	<b>(4.354.181)</b>	<b>(17.273.523)</b>
<b>1. Changes in mathematical reserve, net of reinsurance (237-238)</b>	<b>236</b>		-	-
1.1 Changes in gross mathematical reserve	237		-	-
1.2 Changes in gross mathematical reserve – part for co-insurance/reinsurance	238		-	-
<b>2. Changes in equalization reserve, net of reinsurance (240-241)</b>	<b>239</b>		-	-
2.1. Changes in gross equalization reserve	240		-	-
2.2 Changes in gross equalization reserve – part for co-insurance/ reinsurance	241		-	-
<b>3. Changes in other technical provisions, net of reinsurance (243-244)</b>	<b>242</b>		<b>(4.354.181)</b>	<b>(17.273.523)</b>
3.1 Changes in other gross technical provisions	243		(4.354.181)	(17.273.523)
3.2 Changes in other gross technical provisions – part for co-insurance and reinsurance	244		-	-
<b>III. CHANGES IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE THE INSURER TAKES OVER THE INVESTMENT RISK, NET OF REINSURANCE (246-247)</b>	<b>245</b>		-	-
1. Changes in gross mathematical reserve for life insurance where the insurer takes over the investment risk	246		-	-

See accompanying notes to the financial statements

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

Financial Statements  
31 December 2021

Statement of comprehensive income (Income statement) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			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		-	-
<b>IV. EXPENSES FOR BONUSES AND DISCOUNTS, NET OF REINSURANCE (249+250)</b>	<b>248</b>	<b>3.7</b>	<b>26.973.310</b>	<b>29.043.319</b>
1. Expenses for bonuses (related to result)	249		3.598.980	2.264.641
2. Expenses for discounts (not related to result)	250		23.374.330	26.778.678
<b>V. NET EXPENSES FOR INSURANCE IMPLEMENTATION (252+256)</b>	<b>251</b>		<b>327.858.195</b>	<b>361.366.625</b>
<b>1. Acquisition costs(253+253a+254+255)</b>	<b>252</b>	<b>3.8</b>	<b>169.033.090</b>	<b>193.746.793</b>
1.1 Fees	253		59.348.061	50.563.786
1.2 Gross salaries for employees in the internal sales network	253a		95.478.001	92.806.303
1.3 Other acquisition costs	254		17.724.085	17.137.729
1.4 Change in Deferred acquisition costs (+/-)	255		(3.517.057)	33.238.975
<b>2. Administration expenses (257+258+259+260)</b>	<b>256</b>	<b>3.9</b>	<b>158.825.105</b>	<b>167.619.832</b>
2.1 Depreciation of tangible and intangible assets that serve in ordinary course of operations	257		3.907.644	4.419.762
2.2 Costs for employees (258a+258б+258г+258д)	258		60.368.185	62.209.353
2.2.1 Salaries and compensations	258a		36.124.787	36.322.338
2.2.2 Expenses for taxes on salaries and compensations	258б		3.370.881	3.408.898
2.2.3 Contributions for mandatory social insurance	258в		15.294.947	15.234.944
2.2.4 Costs for additional pension insurance for employees	258г		-	-
2.2.5 Other costs for employees	258д		5.577.570	7.243.173
2.3 Charges for services of individuals who perform no operations (contracts, copyright agreements and other legal relations) all fees included	259		14.416.070	14.732.685
2.4 Other administration expenses (260a+260б+260в)	260		80.133.206	86.258.032
2.4.1 Costs for services	260a		60.285.462	61.265.212
2.4.2 Operating costs	260б		5.949.908	6.017.259
2.4.3 Costs for reservations and other operating costs	260в		13.897.836	18.975.561
<b>VI. EXPENSES FROM INVESTMENTS (262+263+264+265+266+270)</b>	<b>261</b>		<b>10.161.833</b>	<b>29.322.049</b>
<b>1. Depreciation and value adjustments of tangible assets not used for operations</b>	<b>262</b>		<b>-</b>	<b>-</b>
<b>2. Interest expenses</b>	<b>263</b>		<b>18.942</b>	<b>9.133</b>

See accompanying notes to the financial statements

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

Financial Statements  
31 December 2021

Statement of comprehensive income (Income statement) (continued)			In MKD	
Description	No. of Item	Note	Amount	
			Current year	Previous year
1	2	3	4	5
<b>3. Foreign exchange losses</b>	<b>264</b>		<b>2.000.906</b>	<b>5.721.272</b>
<b>4. Impairment provision (unrealized losses, reduction at fair value)</b>	<b>265</b>		<b>7.483.782</b>	<b>23.591.335</b>
<b>5. Realized losses from sale of financial assets-capital loss (267+268+269)</b>	<b>266</b>		<b>658.203</b>	<b>309</b>
5.1 Financial investments available-for-sale	267		241.523	309
5.2 Financial investments for trading (at fair value)	268		416.680	-
5.3 Other financial investments	269		-	-
<b>6. Other expenses from investments</b>	<b>270</b>		<b>-</b>	<b>-</b>
<b>VII. OTHER INSURANCE TECHNICAL EXPENSES, LESS FOR REINSURANCE (272+273)</b>	<b>271</b>	<b>3.10</b>	<b>33.151.364</b>	<b>33.986.882</b>
1. Expenses for prevention	272		-	-
2. Other insurance technical expenses, less for reinsurance	273		33.151.364	33.986.882
<b>VIII. VALUE ADJUSTMENTS OF RECEIVABLES BASED ON PREMIUM</b>	<b>274</b>	<b>3.11</b>	<b>18.252.710</b>	<b>(2.637.713)</b>
<b>IX. OTHER EXPENSES, INCLUDING VALUE ADJUSTMENTS</b>	<b>275</b>	<b>3.12</b>	<b>7.833.454</b>	<b>15.642.112</b>
<b>X. PROFIT FOR THE YEAR BEFORE TAXATION (200-226)</b>	<b>276</b>		<b>101.831.409</b>	<b>30.785.809</b>
<b>XI. LOSS FOR THE YEAR BEFORE TAXATION (226-200)</b>	<b>277</b>		<b>-</b>	<b>-</b>
<b>XII. INCOME TAX (EXPENSE)</b>	<b>278</b>	<b>3.13</b>	<b>12.193.331</b>	<b>6.141.094</b>
<b>XIII. DEFERRED TAX</b>	<b>279</b>			<b>-</b>
<b>XIV. PROFIT FOR THE YEAR AFTER TAXATION (276-278-279)</b>	<b>280</b>		<b>89.638.078</b>	<b>24.644.715</b>
<b>XV. LOSS FOR THE YEAR AFTER TAXATION (277-278-279)</b>	<b>281</b>		<b>-</b>	<b>-</b>
<b>XVI. OTHER COMPREHENSIVE INCOME / (LOSS)</b>			<b>89.638.078</b>	<b>24.644.715</b>
Changes at fair value of financial assets available-for-sale			(3.143.271)	(6.835.829)
Income tax on components from other comprehensive income			-	-
<b>PROFIT / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS</b>			<b>86.494.807</b>	<b>17.808.886</b>

See accompanying notes to the financial statements

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

Financial Statements  
31 December 2021

## Statement of Cash Flows

For the period from 01.01.2021 to 31.12.2021

In MKD

Description	No. of Item	Amount	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>I. CASH INFLOWS FROM OPERATING ACTIVITIES (301+302+303+304+305)</b>			
	<b>300</b>	<b>1.125.782.112</b>	<b>999.024.001</b>
1. Insurance and co-insurance premiums and advances received	301	1.112.389.831	957.625.496
2. Reinsurance and retrocession premium	302	-	-
3. Inflows from participation in coverage of claims	303	4.982.309	9.432.471
4. Interest received from insurance works	304	-	-
5. Other inflows from operating activities	305	8.409.972	31.966.034
<b>II. CASH OUTFLOWS FROM OPERATING ACTIVITIES (307+308+309+310+311+312+313+314)</b>			
	<b>306</b>	<b>1.052.298.238</b>	<b>978.034.363</b>
1. Paid claims, agreed insurance amounts, participation in coverage of claims from co-insurance and advances given	307	364.047.037	373.509.453
2. Paid claims and participation in coverage of claims from reinsurance and retrocession	308	-	-
3. Co-insurance, reinsurance and retrocession premiums	309	301.253.336	145.179.022
4. Fees and other personal expenses	310	155.324.234	152.422.028
5. Other expenses for insurance works	311	228.815.454	285.597.900
6. Interests paid	312	18.942	9.133
7. Income tax and other charges	313	2.839.235	4.959.233
8. Other outflows from regular activities	314	-	16.357.594
<b>III. CASH INFLOW FROM OPERATING ACTIVITIES, NET (300-306)</b>			
	<b>315</b>	<b>73.483.874</b>	<b>20.989.638</b>
<b>IV. CASH OUTFLOWS FROM OPERATING ACTIVITIES, NET (306-300)</b>			
	<b>316</b>	<b>-</b>	<b>-</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>I. CASH INFLOWS FROM INVESTING ACTIVITIES (318+319+320+321+322+323+324+325)</b>			
	<b>317</b>	<b>21.410.211</b>	<b>86.706.353</b>
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 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	-	-
6. Inflows from other financial placements	323	-	65.343.333
7. Dividends received and other participation in income	324	730.315	1.218.069
8. Interest received	325	20.679.896	17.559.228

See accompanying notes to the financial statements

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

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Statement of cash flows (continued)	In MKD		
	DESCRIPTION	Amount	
		No. of Item	Current year
1	2	3	4
<b>II. CASH OUTFLOWS FROM INVESTING ACTIVITIES (327+328+329+330+331+332+333+334)</b>	<b>326</b>	<b>106.128.466</b>	<b>96.931.438</b>
1. Outflows from intangible assets	327	696.675	442.262
2. Outflows from tangible assets	328	4.166.536	1.769.671
3. 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	79.003.966	94.719.505
6. Outflows from other financial placements	332	22.261.289	-
7. Outflows from dividends and other participation in income	333	-	-
8. Outflows from interests	334	-	-
<b>III. CASH INFLOW FROM INVESTING ACTIVITIES, NET (317-326)</b>	<b>335</b>	-	-
<b>IV. CASH OUTFLOWS FROM INVESTING ACTIVITIES, NET (326-317)</b>	<b>336</b>	<b>84.718.255</b>	<b>10.225.085</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		-	-
<b>I. CASH INFLOWS FROM FINANCING ACTIVITIES (338+339+340)</b>	<b>337</b>	-	-
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	-	-
<b>II. CASH OUTFLOWS FROM FINANCING ACTIVITIES (342+343+344)</b>	<b>341</b>	-	-
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	-	-
<b>III. CASH INFLOWS FROM FINANCING ACTIVITIES, NET (337-341)</b>	<b>345</b>	-	-
<b>IV. CASH OUTFLOWS FROM FINANCING ACTIVITIES, NET (341-337)</b>	<b>346</b>	-	-
<b>D. TOTAL CASH INFLOWS (300+317+337)</b>	<b>347</b>	<b>1.147.192.323</b>	<b>1.085.730.354</b>
<b>E. TOTAL CASH OUTFLOWS (306+326+341)</b>	<b>348</b>	<b>1.158.426.704</b>	<b>1.074.965.801</b>
<b>F. CASH INFLOWS, NET (347-348)</b>	<b>349</b>	-	<b>10.764.553</b>
<b>G. CASH OUTFLOWS, NET (348-347)</b>	<b>350</b>	<b>11.234.381</b>	-
<b>H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE ACCOUNTING PERIOD</b>	<b>351</b>	<b>25.618.663</b>	<b>14.854.110</b>
<b>I. EFFECT FROM CHANGE IN FOREIGN EXCHANGE CURRENCY IN CASH AND CASH EQUIVALENTS</b>	<b>352</b>	-	-
<b>J. CASH AND CASH EQUIVALENTS AT THE END OF THE ACCOUNTING PERIOD (349-350+351+352)</b>	<b>353</b>	<b>14.384.282</b>	<b>25.618.663</b>

See accompanying notes to the financial statements

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



Financial Statements  
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## Statement of Changes in Equity

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

See accompanying notes to the financial statements

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

Financial Statements  
31 December 2021

Statement of changes in equity (continued)	Share capital	Premiums from issued shares	Reserves					Pur- chase of treasury shares	Revaluated reserves	Retained earnings (with + sign) or transferred losses (with - sign)	Profit (with + sign)/loss (with - sign) for the current year	Total equity and reserves
			Legal reserves	Statutory reserves	Reserves of treasury shares	Other reserves	Total reserves					
In MKD												
<b>As of 01 January 2021</b>	<b>195.326.080</b>	-	<b>184.620.662</b>	-	-	-	-	-	<b>2.727.969</b>	<b>92.217.657</b>	<b>24.644.715</b>	<b>499.537.083</b>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments in the previous period	-	-	-	-	-	-	-	-	-	-	-	-
<b>As of 01 January 2021 – adjusted</b>	<b>195.326.080</b>	-	<b>184.620.662</b>	-	-	-	-	-	<b>2.727.969</b>	<b>92.217.657</b>	<b>24.644.715</b>	<b>499.537.083</b>
<b>Profit or loss for 2021</b>	-	-	-	-	-	-	-	-	-	-	<b>89.638.078</b>	<b>89.638.078</b>
Profit or loss for 2021	-	-	-	-	-	-	-	-	-	-	89.638.078	89.638.078
<b>Non-owners' changes in equity</b>	-	-	-	-	-	-	-	-	(3.143.271)	-	-	(3.143.271)
Unrealized profit/loss from tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized profit/loss from financial investments available-for-sale	-	-	-	-	-	-	-	-	17.052.113	-	-	17.052.113
Realized profit/loss from financial investments available-for-sale	-	-	-	-	-	-	-	-	(20.195.384)	-	-	(20.195.384)
Other non-owners' changes in equity	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with owners</b>	-	-	<b>8.214.905</b>	-	-	-	-	-	-	<b>16.429.810</b>	<b>(24.644.715)</b>	-
Increase / Decrease of share capital	-	-	-	-	-	-	-	-	-	-	-	-
Other payments made by owners	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Other allocation to owners	-	-	8.214.905	-	-	-	-	-	-	16.429.810	(24.644.715)	-
<b>As of 31.12.2021</b>	<b>195.326.080</b>	-	<b>192.835.567</b>	-	-	-	-	-	<b>(415.302)</b>	<b>108.647.467</b>	<b>89.638.078</b>	<b>586.031.890</b>

See accompanying notes to the financial statements

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

## Notes to the financial statements

### 1. General information and disclosures

#### 1.1 General information

Eurolink Insurance Inc. Skopje („the Company“) is a joint stock company registered and headquartered in the Republic of North Macedonia.

The address of the registered headquarters of the Company is:

ul. Pirinska No.23  
1000 Skopje  
Republic of North Macedonia

In March 2020, the ownership structure of the Company changed. Namely, Grazer Wechselseitige Versicherung Aktiengesellschaft with headquarters at 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. The ultimate owner of the Company is GRAWE Vermögensverwaltung. According to its registration, this Company is an association with mutual insurance pursuant to article 63, paragraph 3 of the Austrian Law on Insurance Supervision. Activities are limited to property management. There are no shareholders, only association members who are owners of insurance policies of Grazer Wechselseitige Versicherung Aktiengesellschaft. None of the members of this Company has influence in the Company over 20%. GRAWE Vermögensverwaltung owns 100% of the shares of Grazer Wechselseitige Versicherung Aktiengesellschaft.

The company is registered to perform 18 classes of non-life insurance. The company performs its activities on the territory of the Republic of North Macedonia and as of December 31, 2021 employs 200 employees (2020: 205 employees).

#### 1.2 Applied accounting policies and valuation techniques

##### *Statement of compliance*

The financial statements have been prepared in accordance with the Accounting Standards accepted in the Republic of North Macedonia, published in the "Rulebook on Accounting" and the "Rulebook on the method for valuation of items from the balance sheet and preparation of business balance sheets", and are presented in accordance with the Rulebook for the form and content of the financial statements and detailed content of the annual report on the operation of the insurance and / or reinsurance companies ”.

Presented below are the basic accounting policies used in preparing these financial statements. These policies are consistently applied to all years shown, unless otherwise stated.

Current and comparative data presented in these financial statements are expressed in Macedonian denar thousand. The reporting and functional currency of the Company is Macedonian Denar (MKD).

Where necessary, the presentation for the previous year has been adjusted according to the changes of the current year.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

### 1.2.1 Use of estimates and judgments

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

Estimates and related assumptions are based on past experience and various other factors that are considered reasonable given the circumstances, and are the basis for expressing the carrying amount of assets and liabilities, the value of which can not be determined otherwise. Actual results may differ from these estimates.

Estimates and underlying assumptions are constantly reviewed. Revisions in accounting estimates are recognized in the period in which the revision is made, if the revision affects only that period, or are recognized in future periods if the revision also affects future periods.

The judgments made by the Management that have a significant impact on the financial statements and estimates with a significant risk of material adjustments in the coming year are explained in Note 1.3.

### 1.2.2 Foreign currency transactions

Transactions denominated in foreign currencies are translated in Denars at the official exchange rates of the National Bank of the Republic of North Macedonia valid on the day of their occurrence.

Assets and liabilities denominated in foreign currencies are translated in Denars at the official exchange rates ruling as of the date of preparation of the statement of financial position, while all positive and negative exchange rate differences arising from the conversion of foreign currency amounts are included in The statement of comprehensive income in the period in which they occur. The average exchange rates that were applied to show the positions of the Financial Statements denominated in foreign currency are as follows:

	<b>2021</b>	<b>2020</b>
	MKD	MKD
1 EUR	61.6270	61.6940
1 USD	54.3736	50.2353
1 GBP	73.4267	68.3136
1 CHF	59.4683	56.8242

### 1.2.3 Intangible assets

Intangible assets related to acquired software for the needs of the Company are stated at procurement cost, less for accumulated depreciation and accumulated impairment losses if any.

Subsequent expenditures are capitalized only when there is a likelihood of an inflow of future economic benefits to the Company related to the item and when the procurement cost of the item can be reasonably measured. All other expenditures are recognized in profit or loss as expenses incurred.

Notes to the financial statements (continued)  
 As at and for the year ended on 31 December 2021  
 Applied accounting policies and valuation techniques (continued)

#### Intangible assets (continued)

##### *Depreciation*

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

The annual depreciation rate according to the estimated useful life, 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 procurement cost, accumulated depreciation and accumulated impairment losses if any.

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

When parts of the item of property and equipment have different useful lives, they are recorded as separate items (main components) of the property and equipment.

Gains and losses on sales of property and equipment are determined by comparing the proceeds of the sale with the present value of property and equipment and are recognized on a net basis as "other operating income" from profit or loss.

##### *Subsequent costs*

Expenses incurred to replace an item of property and equipment are added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Company and its cost can be measured reliably. The present value of the replaced part is written off. The costs of day-to-day maintenance of property and equipment are recognized in current profit or loss as incurred.

##### *Depreciation*

Depreciation of property and equipment is calculated in a proportionate manner in order to write off the cost of assets over their useful lives. Leased assets are depreciated after the shorter period of the lease term and the estimated useful life of the assets, unless it is probable that the Company will acquire ownership at 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

### 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 objective indicator 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 or asset 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 higher of its fair value less costs to sell the asset and its value in use. In assessing value in use, 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 estimated at each reporting date to determine whether the loss has been reduced or may no longer exist. Impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. Impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

### 1.2.6 Financial instruments

#### *Classification of financial assets*

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

*Financial assets at fair value through profit or loss* are financial instruments that are acquired in order to be traded or that at initial recognition by the Company are classified as assets at fair value through profit or loss. As of 31 December 2021 the Company classifies securities whose issuer is a country or legal entity in an EU Member State or OECD in this category.

*Held-to-maturity financial assets* are non-derivative financial instruments with fixed repayment periods and a fixed maturity period that the Company intends and is able to hold to maturity. As of 31 December 2021 and 2020, the Company classifies government bonds as held-to-maturity financial assets.

*Loans and receivables* are non-derivative financial instruments with fixed repayment periods that are not quoted in the official markets, except those that the Company intends to sell short-term, those that the Company initially classified as fair value through profit or loss, or available for sale, or those for which the Company will not be able to repay the initial investment that is not the result of the credit investment. As of December 31, 2021 and 2020, the Company classifies money and cash equivalents, claims on insured persons and other receivables from direct business, time deposits in domestic banks, reinsurance assets as loans and receivables.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

#### Financial instruments (continued)

*Available-for-sale financial assets* are non-derivative financial instruments that are either classified in this category or not classified in any of the other categories. As of 31 December 2021 and 2020, the Company classifies equity investments and stakes in investment funds as available-for-sale financial assets.

#### *Classification, initial recognition and subsequent measurement of financial liabilities*

Financial liabilities are classified according to the substance of the contract. Financial liabilities at depreciated procurement cost consist of liabilities to reinsurers, liabilities based on insurance, financial leasing liabilities and other liabilities.

They are recorded at their fair value less for transaction costs and subsequently measured at their depreciated procurement cost using the effective interest method.

Financial lease liabilities are initially recorded at fair value. Consequently, finance lease liabilities are measured at their depreciated procurement cost using the effective interest method.

#### *Initial recognition*

The Company initially recognizes loans and receivables and deposits on the day they are incurred. 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 or loss, are initially measured at their fair value plus transaction costs that can be attributed directly to the acquisition of the financial asset.

#### *Derecognition*

The Company derecognises the financial assets when it loses the rights under the cash flow agreement, or when it transfers the cash flow rights from the asset by a transaction in which all risks and rewards of ownership of the financial asset are transferred to another entity.

If the Company realizes interest on the transferred financial assets and keeps it, the interest is recognized as a separate asset or liability.

The Company derecognizes financial liabilities when the liabilities specified in the contracts are settled, canceled 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 the legal right to offset the recognized amounts and intends to settle the transactions on a net basis or to 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 certain gains and losses arising from groups of similar transactions, such as trading activities.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

#### Financial instruments (continued)

##### *Subsequent measurement of financial assets*

Upon initial recognition, the Company measures available-for-sale financial assets at their fair value without any reduction in transaction costs that may arise from their sale.

The fair value of financial assets listed in the active market is based on their purchase price at the date of the Statement of Financial Position.

If the market in which the financial asset is listed is not active, the Company determines the fair value of the asset by applying valuation techniques. Valuation techniques include the use of normal, commercial transactions between familiar, willing parties, if available, a reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and alternative pricing models.

Held-to-maturity investments and loans and receivables are measured at depreciated procurement cost using the effective interest method less for any impairment losses.

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

In the event of a sale or impairment of available-for-sale financial assets, cumulative gains and losses previously recognized in comprehensive income are recognized in profit or loss. In the event that available-for-sale financial assets bear interest, interest calculated using the effective interest method is recognized in profit or loss.

Financial assets at fair value through profit or loss are measured at fair value and all changes are recorded 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 2020, a Rulebook was adopted to amend the Rulebook on the method of valuation of the balance sheet, which provided for a new classification of receivables depending on the time of delay in fulfillment of obligations by the debtor. Consequently, the adjustment of these receivables is done in the same manner as prescribed in the old Rulebook, but with an additional 60 days per each category separately, which was enforced until December, 31, 2020.

As at January 1, 2021, the old Rulebook was again enforced and the Company estimated the effects of its` implementation in the amount of ca. 9.800.000 MKD additional expense recognized in Profit and Loss Statement for 2021.



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

**Impairment of financial assets (continued)**

In 2020, the Company classified its receivables in adequate groups in the following manner:

Group of receivables	Period of delays in payment in debtors' liability settlement	Impairment provision (in % of total value of individual receivable)
A	Up to 90 days	0%
B	from 91 to 120 days	10%-30%
C	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%

As of 01 January 2021 the old Rulebook on the method of valuation of items in the balance sheet and preparation of financial statements started to be applied again, according to which adjustment of the receivables is determined in the following manner:

Group of receivables	Period of delays in payment in debtors' liability settlement	Impairment provision (in % of total value of individual receivable)
A	Up to 30 days	0%
B	from 31 to 60 days	10%-30%
C	from 61 to 120 days	31%-50%
D	from 121 to 270 days	51%-70%
E	from 271 to 365 days	71%-90%
F	more than 366 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 100% impairment only 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

### **1.2.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, where there is a negligible risk of changes in their fair value.

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

### **1.2.9 Employee benefits**

#### *Defined contribution plans*

The company pays contributions to the pension funds in accordance with the requirements of Macedonian legislation.

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

The Company has no additional obligation to pay under these plans. Obligations for contributions to defined contribution pension plans are recognized as an expense in the profit or loss.

#### *Short-term benefits for employees*

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

The Company recognizes a liability and expense for the amount that is expected to be paid under cash bonus or profit-sharing plans if the Company has a current legal or constructive obligation to make such payments as a result of services provided by the employee and the obligation can be estimated reliably.

#### *Other long-term benefits to employees*

Pursuant to Macedonian legislation, the Company pays two average salaries to the employees at retirement, as well as jubilee rewards in accordance with criteria set forth in the General Group Agreement. Long-term benefits to the employees are discounted so that their net actual value is determined and they are recognized as liability in the Financial Statements Report with parallel recognition in the Comprehensive Income Statement Report. The Company immediately recognizes all other expenses related to benefit plans as expenses for benefits to the employees in profit or loss in the rest comprehensive profit. When plan benefits are changed, a portion of the changed benefits related to the past years of service of the employee is immediately recognized in the Comprehensive Income Statement when actual change of the plan is made.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

#### **1.2.10 Current and deferred tax**

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

Current tax is the expected tax payable on taxable income for the year, using tax rates of 10% (2020: 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. Unrecognized deferred tax assets are assessed at the end of each reporting period and are recognized to the extent, it is probable that future taxable income against which the asset can be utilized will be sufficient.

#### **1.2.11 Leased assets – lessee**

Leases of assets in conditions where the Company assumes substantially all the risks and rewards inherent in ownership are classified as finance leases. At 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 recorded in accordance with the accounting policies applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized in the Statement of financial position of the Company.

#### **1.2.12 Provisions**

A provision is recognized in the statement of financial position when the Company as a result of a past event has a present legal or derivative obligation that can be measured reliably and it is probable that there will be an outflow from the Company to settle the obligation.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

### **1.2.13 Shareholders' capital, reserves and dividends payment**

#### *Ordinary shares*

Ordinary shares are classified as equity.

#### *Reserves*

Reserves, which consist of revaluation and statutory reserves are created during the periods based on gains / losses from revaluation of available-for-sale financial assets, in the case of revaluation reserves as well as through the allocation of the retained earnings in accordance with the legislation and the decisions of the Management and Shareholders of the Company in the case of statutory reserves.

#### *Dividends*

Dividends are recognized as liabilities at the time 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

#### 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

**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 anticipates participation in reinsurance incurred reserves but non-reported claims and they are not expressed as assets in the balances.

The Management considers 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.

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

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

#### **Insurance contracts (continued)**

##### **General insurance contracts (continued)**

The Company for property insurance, third party liability insurance and green card insurance has secured general contract for reinsurance such as XOL (disproportionate contracts for reinsurance 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 content 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 from 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 deferred acquisition costs on 01 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 deferred 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 17.211.532 MKD for the year ended on 31 December 2019 and as at 31 December 2020 additional negative movement to the amount of 33.238.975 MKD). As at 31 December 2021, differed acquisition costs have positive movement to the amount of 3.517.057 MKD.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Applied accounting policies and valuation techniques (continued)

**Insurance contracts (continued)**

**General insurance contracts (continued)**

**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.

**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 has 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.



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021

### 1.3 Accounting estimates and judgments

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.

#### *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:

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Accounting estimates and judgments (continued)

### 1.3 Accounting estimates and judgments (continued)

#### General insurance contracts (continued)

- 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.

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 technique) ,
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. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Accounting estimates and judgments (continued)

### 1.3 Accounting estimates and judgments (continued)

#### Assumptions (continued)

During 2020, due to the emerging situation with Covid 19 and under circumstances of reduced settlement/reporting of claims for the period after 01 April 2020, the Company was making analyses of all deviations of the new development coefficients in relation to the previous historical experience and where the occurrences of reduced payment / reporting of damages for the period were being noticed, corrections were made in the selected development coefficients. With stabilization of the pandemics In the course of 2021, the analysis shows stabilization at the level of settlement/reporting of claims, too.

#### *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 percentage 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021

#### **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 has 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.

##### *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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management (continued)

#### 1.4 Insurance and financial risk management (continued)

##### Assets/Liabilities matching (continued)

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:

<i>In MKD</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Bank deposits and cash equivalents	469.384.282	420.618.663
Bonds and other securities guaranteed by RNM	430.823.398	351.819.431
Securities available-for-sale	183.075.552	172.144.969
Financial Investments for Trading	64.495.381	85.220.645
	<b>1.147.778.613</b>	<b>1.029.803.708</b>
<b>Liabilities (net technical reserves)</b>		
Reserves for transferred premiums, net of the reinsurers part	396.925.255	399.724.957
Reserves for bonuses and discounts	10.243.441	14.597.622
Reserves for claims, net of the reinsurers part	468.519.796	452.139.576
	<b>875.688.492</b>	<b>866.462.155</b>
<b>Asset / liability matching</b>	<b>272.090.121</b>	<b>163.341.553</b>

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 investments and their valuation. In accordance with the Law on Insurance Supervision the Company is in compliance with prescribed indexes.

##### *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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management (continued)

#### 1.4 Insurance and financial risk management (continued)

##### *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.

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 short-term, 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management (continued)

#### 1.4 Insurance and financial risk management (continued)

##### Property (continued)

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.

##### **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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management (continued)

#### 1.4 Insurance and financial risk management (continued)

##### *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, and 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 short-term, which means that increase in expenses and returns on investment are of minor importance

##### *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 2021. According to the new Rulebook there are no substantial difference in calculation of the Run off analysis for 2021 in comparison of 2020.



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management (continued)

#### 1.4 Insurance and financial risk management (continued)

##### *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 ended on 31 December 2021

## Insurance and financial risk management

## Interest rate risk (continued)

As of 31 December 2021

In MKD	Total	Instrument with variable interest rate	Instruments with fixed interest rate				Non- interest bearing	
			up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years		More than 5 years
<b>Assets</b>								
Debt securities held to maturity	430.823.398	-	-	-	-	62.577.942	368.245.456	-
Trading Securities	64.495.381	-	-	-	-	-	-	64.495.381
Securities available-for-sale	183.075.552	-	-	-	-	-	-	183.075.552
Time deposits	460.756.819	117.228.419	4.406.400	-	39.122.000	300.000.000	-	-
Investments in joint controlled entities	14.934.787	14.934.787	-	-	-	-	-	-
Insurance receivables and other receivables from direct works	332.143.404	-	-	-	-	-	-	332.143.404
Cash and cash equivalents	14.384.282	-	-	-	-	-	-	14.384.282
Reinsurance assets	158.202.839	-	-	-	-	-	-	158.202.839
<b>Liabilities</b>								
Liabilities	(45.734.895)	-	-	-	-	-	-	(45.734.895)
	<b>1.613.081.567</b>	<b>132.163.206</b>	<b>4.406.400</b>	<b>-</b>	<b>39.122.000</b>	<b>362.577.942</b>	<b>368.245.456</b>	<b>706.566.563</b>

As of 31 December 2020

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

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management  
**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 2021, 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 2021 will be decreased/increased by approximately 23.081.719 MKD (2020: 20.480.325 MKD).

### *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 bad debts from other parties.

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

Notes to the financial statements (continued)  
 As at and for the year ended on 31 December 2021  
 Insurance and financial risk management  
**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 MKD	2021	2020
Financial investments available-for-sale	183.075.552	172.144.969
Debt securities held to maturity	430.823.398	351.819.431
Term deposits	460.756.819	398.749.975
Investments in jointly controlled entities	14.934.787	16.081.216
Reinsurance assets	158.202.839	67.483.413
Receivables from insurers and other receivables from direct operations	352.828.058	305.322.291
Cash and cash equivalents	14.384.282	25.618.663
	<b>1.615.005.735</b>	<b>1.337.219.958</b>

Included in receivables from the insurers and other receivables from direct operations is the amount of 239.004.690 MKD for which impairment in the amount of 1.171.111 MKD is recognised in accordance with the Rulebook on the Method of Valuation of Balance Sheet. The amount of 237.833.579 MKD are undue, non impaired financial assets.

The Company, does not take any collateral for financial assets.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management  
*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 2021	MKD	EUR	USD	CHF	Other currencie -	In MKD Total
<b>Total assets</b>	<b>1.361.426.745</b>	<b>395.477.311</b>	<b>28.290.790</b>	<b>1.606.672</b>	<b>5.250</b>	<b>1.786.806.768</b>
Investments	887.842.407	236.369.775	28.267.083	1.606.672		1.154.085.937
Part of co-insurance and reinsurance in the gross technical reserves	-	158.202.839	-	-	-	158.202.839
Financial investments for which the insured assumes the investment risk (insurance contracts)	-	-	-	-	-	-
Current and deferred tax assets	390.362	-	-	-	-	390.362
Receivables	352.828.058	-	-	-	-	352.828.058
Other Assets	22.456.077	904.697	23.707	-	5.250	23.389.731
Prepaid Expenses	97.909.841	-	-	-	-	97.909.841
<b>Total liabilities</b>	<b>1.187.153.629</b>	<b>15.165.285</b>	<b>68.721</b>	<b>-</b>	<b>-</b>	<b>1.202.387.635</b>
Subordinated liabilities	-	-	-	-	-	-
Gross technical reserves	1.033.891.331	-	-	-	-	1.033.891.331
Gross technical reserves of contracts in which the insured assumes the investment risk	-	-	-	-	-	-
Other reserves	3.505.466	-	-	-	-	3.505.466
Current and deferred tax liabilities	6.877.693	-	-	-	-	6.877.693
Liabilities arising from deposits of companies for reinsurance at cedents, from reinsurance contracts	-	-	-	-	-	-
Liabilities from direct insurance, co-insurance and reinsurance, and other payables	30.500.889	15.165.285	68.721	-	-	45.734.895
Accruals	112.378.250	-	-	-	-	112.378.250
<b>Difference – unreconciled currency structure</b>	<b>174.273.116</b>	<b>380.312.026</b>	<b>28.222.069</b>	<b>1.606.672</b>	<b>5.250</b>	<b>584.419.133</b>

Notes to the financial statements (continued)  
 As at and for the year ended on 31 December 2021  
 Insurance and financial risk management  
 Foreign exchange risk (continued)

31 December 2020	MKD	EUR	USD	CHF	Other currencie	in MKD Total
<b>Total assets</b>	<b>1.158.536.569</b>	<b>314.423.780</b>	<b>44.644.204</b>	<b>1.255.992</b>	<b>7.319</b>	<b>1.518.867.864</b>
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
<b>Total liabilities</b>	<b>1.011.617.722</b>	<b>9.334.509</b>	<b>217.631</b>	<b>-</b>	<b>46.663</b>	<b>1.021.216.525</b>
Subordinated liabilities	-	-	-	-	-	-
Gross technical reserves	933.945.567	-	-	-	-	933.945.567
Gross technical reserves 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 cedents, 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
<b>Difference – unreconciled currency structure</b>	<b>146.918.847</b>	<b>305.089.271</b>	<b>44.426.573</b>	<b>1.255.992</b>	<b>(39.344)</b>	<b>497.651.339</b>

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

### *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 Company manages the liquidity risk by observing legal rules and internally prescribed policies, regularly monitoring liquidity indicators. The Company regularly plans expected inflows and outflows of cash assets. To this end, the Company prepares monthly plans for expected inflows and outflows of cash assets on a monthly basis – a Report on a monthly plan of asset inflows and outflows. Liquidity Risk Management Committee is in charge of planning the asset inflows and outflows. Regarding its activities, the Committee reports to the Company's Management Board.

The Committees holds meetings at least once in a month and prepares a Report on a monthly plan of asset inflows and outflows for the upcoming month. Director of Finance Department submits the Report to the President of the Management Board not later than the next working day.

For the purpose of monitoring the Company's cash asset inflows and outflows daily calculations are made including: the amount of liquid assets, the amount of liabilities due i.e., liabilities due within seven days and the liquidity ratio.

Liquidity gaps occur due to the Company's preference to invest in high yielding long-term investments, which can fastly be converted into cash, if needed.

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

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

## Liquidity risk (continued)

31 December 2021	Up to 1 year	1-3 years	3-5 years	5-10 years	10-15 years	15-20	Over 20 years	Total
<b>Total Assets</b>	<b>924.017.982</b>	<b>403.608.543</b>	<b>76.000.000</b>	<b>20.021.193</b>	<b>287.004.126</b>	-	<b>76.154.924</b>	<b>1.786.806.768</b>
Investments	291.297.151	403.608.543	76.000.000	20.021.193	287.004.126	-	76.154.924	1.154.085.937
Part of co-insurance and reinsurance in the gross technical reserves	158.202.839	-	-	-	-	-	-	158.202.839
Financial investments for which the insured assumes the investment risk (insurance contracts)	-	-	-	-	-	-	-	-
Current and deferred tax assets	390.362	-	-	-	-	-	-	390.362
Receivables	352.828.058	-	-	-	-	-	-	352.828.058
Other Assets	23.389.731	-	-	-	-	-	-	23.389.731
Prepaid Expenses	97.909.841	-	-	-	-	-	-	97.909.841
<b>Total Liabilities</b>	<b>1.202.387.635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.202.387.635</b>
Subordinated liabilities	-	-	-	-	-	-	-	-
Gross technical	1.033.891.331	-	-	-	-	-	-	1.033.891.331
Gross technical provisions of contracts in which the insured assumes the investment risk	-	-	-	-	-	-	-	-
Other reserves	3.505.466	-	-	-	-	-	-	3.505.466
Current and deferred tax liabilities	6.877.693	-	-	-	-	-	-	6.877.693
Liabilities arising from deposits of companies for reinsurance at cedents, from reinsurance contracts	-	-	-	-	-	-	-	-
Liabilities from direct insurance, co-insurance and reinsurance, and other payables	45.734.895	-	-	-	-	-	-	45.734.895
Accruals	112.378.250	-	-	-	-	-	-	112.378.250
<b>Difference – unreconciled age structure</b>	<b>(278.369.653)</b>	<b>403.608.543</b>	<b>76.000.000</b>	<b>20.021.193</b>	<b>287.004.126</b>	<b>-</b>	<b>76.154.924</b>	<b>584.419.133</b>



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

## Liquidity risk (continued)

31 December 2021	Up to 1 year	1-3 years	3-5 years	5-10 years	10-15 years	15-20	Over 20 years	Total
<b>Total Assets</b>	<b>941.776.742</b>	<b>98.190.475</b>	<b>164.675.737</b>	<b>20.023.494</b>	<b>216.899.710</b>	-	<b>77.301.706</b>	<b>1.518.867.864</b>
Investments	446.925.114	98.190.475	164.675.737	20.023.494	216.899.710	-	77.301.706	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	33.395.558	-	-	-	-	-	-	33.395.558
Prepaid Expenses	85.875.964	-	-	-	-	-	-	85.875.964
<b>Total Liabilities</b>	<b>1.021.216.525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.021.216.525</b>
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 cedents, from reinsurance contracts	-	-	-	-	-	-	-	-
Liabilities from direct insurance, co-insurance and reinsurance, and other payables	43.667.931	-	-	-	-	-	-	123.418.397
Accruals	42.548.961	-	-	-	-	-	-	42.548.961
<b>Difference – unreconciled age structure</b>	<b>(79.439.783)</b>	<b>98.190.475</b>	<b>164.675.737</b>	<b>20.023.494</b>	<b>216.899.710</b>	<b>-</b>	<b>77.301.706</b>	<b>497.651.339</b>

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

### *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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

**Capital management (continued)**

**Guarantee Fund of the Company**

According to 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 2021 and 2020 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 to 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 2021 is to the amount of MKD (Denar) 188.473.457 MKD (2020: 161.306.263 MKD).

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.

At the same time, so determined solvency margin level enables compliance with the provision of the Law reading "the Company's capital at any time should be at least equal to the Company's required solvency margin level."

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

Capital management (continued)

<i>Solvency Margin Required Level</i>		Non-life insurance except for healthcare insurance governed by provisions under article 75, paragraph 6 of the Law	
		Current year	Previous year
Gross Written Premiums	1	1.117.361.991	957.183.431
Gross Written Premiums < 10 million euro x 0.18	2	110.928.600	111.049.200
Gross Written Premiums > 10 million euro x 0.16	3	80.174.719	54.438.949
Gross Written Premiums < 10 million euro x 18/300	4		
Gross Written Premiums > 10 million euro x 16/300	5		
Total Amount Gross Written Premiums ((6]=[2] + [3] or [6]=[4] + [5])	6	191.103.319	165.488.149
Gross Paid Claims	7	362.047.821	373.301.029
Net Paid Claims	8	357.065.512	363.868.558
Factor([9]=[8]/[7] or 0.50, if lower)	9	0,99	0,97
Solvency Margin – Premium Rate Method ((10)= [6]*[9])	10	<b>188.473.457</b>	<b>161.306.638</b>
Referential Period (in years)	11	3	3
Gross Paid Claims in the Referential Period	12	1.123.007.827	1.116.754.962
Gross Provision for Claims at the end of the Referential Period	13	510.490.101	478.577.434
Gross Provision for Claims at the beginning of the Referential Period	14	455.486.921	414.142.824
Gross Incurred Claims ((15]=[12] + [13] - [14])/[11])	15	392.670.336	393.729.857
Gross Incurred Claims < 7 million euro x 0,26	16	102.094.287	102.369.763
Gross Incurred Claims > 7 million euro x 0,23	17	0	0
Gross Incurred Claims < 7 million euro x 26/300	18		
Gross Incurred Claims > 7 million euro x 23/300	19		
Total Amount Gross Incurred Claims ((20]=[16] + [17] or [20]=[18] + [19])	20	102.094.287	102.369.763
Solvency Margin – Loss Ratio Method ((21)= [20]*[9])	21	<b>100.689.320</b>	<b>99.783.111</b>
Solvency Margin required Level ((22)=max([10],[21]))	22	<b>188.473.457</b>	<b>161.306.638</b>

The Company's management policy is to maintain stability of the Company's capital and to preserve the confidence of the investors and the market and to support the future development of the business. The Company's management monitors the return on equity defined as a profit from regular operations. In addition, the Company takes into consideration the impact of the level of capital on the return to the shareholders, as well as the need of correlation between higher yields and safety provided by the strong standing of capital.

The Company is not exposed to external influences on the changes in capital. There were no materially significant changes in the Company's approach to management of its capital in the course of the year.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

Capital management (continued)

Estimate of the Capital		Amount
Basic Capital Article 69 (I1+I2+I3+I4+I5-I6-I7-I8)	I	494.528.895
Paid-in capital excluding the paid-in share capital from cumulative preferred shares (stocks)	I1	195.326.080
Premiums from issued ordinary shares	I2	0
Legal and Statute defined reserves	I3	192.835.567
Undistributed profit carried forward	I4	108.647.467
Undistributed profit from the current year	I5	0
Company's own shares (stocks)	I6	0
Long-term non-tangible assets	I7	1.612.757
Non-covered loss carried forward and loss from the current year	I8	0
Non-realized loss from owner instruments available for sale measured by objective value	I9	667.463
Non-realized loss arising from valuation of financial assets available for sale	I10	
Net negative revaluation reserve and other valuation differences arising from investment in associated companies or joint investments valued by applying equity method	I11	
Other debit entries due to violation of limitations for investing capital assets, stipulated in Article 73 of the ISL	I12	
Additional Capital Article 71 (II1+II2+II3+II4), of not in excess of 50% of the basic capital	II	164.812
Paid-in share capital from cumulative preferred shares	II1	0
Premiums from issued cumulative preference shares	II2	0
Subordinate debt instruments	II3	0
Securities with unlimited maturity	II4	0
Non-realized profit from revaluation of owner instruments available for sale measured by fair value	II5	164.812
Non-realized profit from revaluation of debtor instruments available for sale measured by fair value	II6	0
Total Basic and Additional Capital I. +II.	III	494.693.707
Deducted Items, Article 72 (1+2+3)	IV	0
Investment in legal entities' shares, Article 72 of the Law	IV1	0
Investment in subordinated debt instruments and other investment in legal entities, Article 72 of the Law	IV2	0
CAPITAL I + II – IV	V	494.693.707
Solvency margin required level (Non-life insurance companies)	VI1	188.473.457
Solvency margin required level (Life insurance companies)	VI2	0
Capital	VI3	494.693.707
Guarantee Fund*	VI4	184.881.000
Excess/Lack of Capital with respect to Guarantee Fund (VI5 = VI3 –VI4)	VI5	309.812.707
Excess/Lack of Capital (non-life insurance) with respect to solvency margin required level (VI6 = VI3 – VI1)	VI6	306.220.250
Excess/Lack OF Capital (life insurance) with respect to solvency margin required level (life insurance companies)(VI7=VI3	VI7	494.693.707

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk 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 2021 and 31 December 2020 is shown in the table below.

<b>31 December 2021</b>	Profit for the period	Equity and reserves	Required level of solvency margin	Coverage index	Change in coverage index.
<b>Current equity position</b>	<b>89.638.078</b>	<b>586.031.890</b>	<b>188.473.457</b>	<b>311%</b>	
Investment yield (+2%)	112.719.796	609.113.608	188.473.457	323%	12%
Investment yield (-2%)	66.556.359	562.950.171	188.473.457	299%	(24%)
5% decrease in claims incurred	71.188.560	567.582.372	188.473.457	301%	2%
5% increase in claims incurred	108.087.595	604.481.407	188.473.457	321%	20%
2% decrease in admin. and insurance provision expenses	85.274.614	581.668.426	188.473.457	309%	(12%)
2% increase in admin. and insurance provision expenses	94.001.541	590.395.353	188.473.457	313%	5%

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

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

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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

### *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:

<b>2021</b>	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial investments available-for-sale	2.100.000	180.975.552	-	183.075.552
Financial investments for trading	64.495.381	-	-	64.495.381
<b>2020</b>	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial investments available-for-sale	10.676.400	161.468.569	-	172.144.969
Financial investments for trading	85.220.645	-	-	85.220.645

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 consist 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 Company's financial investments at fair value through profit and loss.

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

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

Fail 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:

	2021		2020	
	Total carrying value	Total fair value	Total carrying value	Total fair value
<b>Assets</b>				
Debt securities held to maturity	430.823.398	430.823.398	351.819.431	351.819.431
Time deposits	460.756.819	460.756.819	398.749.975	398.749.975
Investments in joint controlled entities	14.934.787	14.934.787	16.081.216	16.081.216
Reinsurance assets	158.202.839	158.202.839	67.483.413	67.483.413
Insurance receivables and other receivables from direct works	352.828.058	352.828.058	305.322.291	305.322.291
Cash and cash equivalents	14.384.282	14.384.282	25.618.663	25.618.663
<b>Total Assets</b>	<b>1.431.930.183</b>	<b>1.431.930.183</b>	<b>1.165.074.989</b>	<b>1.165.074.989</b>
Liabilities	45.734.895	45.734.895	43.667.931	43.667.931
<b>Total Liabilities</b>	<b>45.734.895</b>	<b>45.734.895</b>	<b>43.667.931</b>	<b>43.667.931</b>

*Assumptions used in determining the objective value of financial assets and financial liabilities*

In view of the fact that there is no sufficient market experience and liquidity for selling and buying financial assets and liabilities, as well as considering there is no market information published for the purpose of disclosures related to objective value of the financial assets and liabilities, the Company applied a technique of analysis of discounted cash flows. By this valuation technique, interest rates of financial instruments having similar characteristics are used in order to get relevant estimates of current market transaction prices.

As regards short-term receivables and liabilities there is not any significant deviation in their accounting value from their objective value.

The fair value of the financial assets approximates to its book value deduced by its impairment.



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2021  
Insurance and financial risk management

## Fail value (continued)

*Financial instruments by category*

	Loans and receivables	Held to maturity	Available-for- sale	Trading investments	Total
<b>31 December 2021</b>					
<b>Assets according to the Statement of financial position</b>					
Financial investments available- for-sale	-	-	183.075.552	-	183.075.552
Debt securities held to maturity	-	430.823.398	-	-	430.823.398
Deposits, loans and other placements	460.756.819	-	-	-	460.756.819
Financial investments for trading	-	-	-	64.495.381	64.495.381
Investments in joint controlled entities	14.934.787	-	-	-	14.934.787
Reinsurance assets	158.202.839	-	-	-	158.202.839
Insurance receivables and other receivables from direct works	352.828.058	-	-	-	352.828.058
Cash and cash equivalents	14.384.282	-	-	-	14.384.282
	<b>1.001.106.785</b>	<b>430.823.398</b>	<b>183.075.552</b>	<b>64.495.381</b>	<b>1.679.501.116</b>
<b>Liabilities according to the Statement of financial position</b>					
Liabilities			Liabilities at fair value through profits and losses	Other financial liabilities	Total
			-	45.734.895	45.734.895
			-	<b>45.734.895</b>	<b>45.734.895</b>

	Loans and receivables	Held to maturity	Available- for-sale	Trading investments	Total
<b>31 December 2020</b>					
<b>Assets according to the Statement of financial position</b>					
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
	<b>813.255.558</b>	<b>351.819.431</b>	<b>172.144.969</b>	<b>85.220.645</b>	<b>1.422.440.603</b>
<b>Liabilities according to the Statement of financial position</b>					
Liabilities			Liabilities at fair value through profit and loss	Other financial liabilities	Total liabilities
			-	43.667.931	43.667.931
			-	<b>43.667.931</b>	<b>43.667.931</b>

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 2021  
(All amounts expressed in Denar, unless otherwise stated)

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

### 2.1. Intangible assets

	Software	Intangible assets under preparation	Total
<b>Costs</b>			
As at 01 January 2020	21.699.451	-	21.699.451
Additions (net)	155.721	286.541	442.262
<b>As at 31 December 2020</b>	<b>21.855.172</b>	<b>286.541</b>	<b>22.141.713</b>
Additions (net)	696.675	-	696.675
Transfer	286.541	(286.541)	-
<b>As at 31 December 2021</b>	<b>22.838.388</b>	<b>-</b>	<b>22.838.388</b>
<b>Accumulated amortization</b>			
As at 01 January 2020	19.257.148	-	19.257.148
Amortization for the year	998.821	-	998.821
<b>As at 31 December 2020</b>	<b>20.255.969</b>	<b>-</b>	<b>20.255.969</b>
Amortization for the year	969.662	-	969.662
<b>As at 31 December 2021</b>	<b>21.225.631</b>	<b>-</b>	<b>21.225.631</b>
<b>Net carrying value</b>			
As at 31 December 2020	1.599.203	286.541	1.885.744
<b>As at 31 December 2021</b>	<b>1.612.757</b>	<b>-</b>	<b>1.612.757</b>

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

As at 31 December 2021 and 2020, the Company has no investments in land, buildings and other assets not used in the main business operations.

## 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 2021

(All amounts expressed in Denar, unless otherwise stated)

**2.3. Investments in jointly controlled entities**

As at 31 December 2021, investments in jointly controlled entities are to the amount of 14.934.787 MKD (2020: 16.081.216 MKD) 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**

	<b>2021</b>	<b>2020</b>
Financial investments held to maturity (net value)	430.823.398	351.819.431
Financial investments available-for-sale - shares	2.100.000	10.676.400
Financial investments available-for-sale – stakes in investment funds	180.975.552	161.468.569
Deposits, loans and other placements, net	460.756.819	398.749.975
Financial investments for trading - shares, stakes and other equity instruments	51.459.471	74.885.802
Financial investments for trading - shares and stakes in investment funds	13.035.910	10.334.843
	<b>1.139.151.150</b>	<b>1.007.935.020</b>

**2.4.1 Debt securities held to maturity**

	<b>2021</b>	<b>2020</b>
Government bonds	430.823.398	351.819.431
	<b>430.823.398</b>	<b>351.819.431</b>
Quoted	430.823.398	351.819.431
Not quoted	-	-
	<b>430.823.398</b>	<b>351.819.431</b>
Government bonds with maturity within 1 year	-	-
Accumulated amortization	-	-
<b>Debt securities held to maturity within 1 year</b>	<b>-</b>	<b>-</b>
Government bonds with maturity over 1 year	430.823.398	351.819.431
<b>Debt securities held to maturity over 1 year</b>	<b>430.823.398</b>	<b>351.819.431</b>

**2.4.2 Shares, stakes and other equity instruments**

	<b>2021</b>	<b>2020</b>
Equity securities	2.100.000	10.676.400
Stakes in investment funds	180.975.552	161.468.569
	<b>183.075.552</b>	<b>172.144.969</b>
Quoted	2.100.000	10.676.400
Not quoted	180.975.552	161.468.569
	<b>183.075.552</b>	<b>172.144.969</b>

## 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 2021

(All amounts expressed in Denar, unless otherwise stated)

**Shares, stakes and other equity instruments (continued)**

During 2021 the Company recorded correction (increase) to the net amount of 17.052.113 MKD (Note 2.11) (2020: increase amounting to 554.086 MKD) of the recorded value of investments to their objective value, which amount is recognized as other comprehensive profit in the framework of revaluation reserves that are portion of the Company's capital. In addition, in the course of 2021 the Company recorded profit/loss made from selling financial investments available for sale (stakes in investment funds and shares) to the net amount of 20.195.384 MKD (Note 2.11) (2020: realized profit amounting to 7.389.915 MKD), recorded as decrease in the framework of revaluation reserve and realized profit/loss in the framework of the Comprehensive Profit Statement (Income Statement), accordingly.

**2.4.3 Financial investments for trading**

	<b>2021</b>	<b>2020</b>
Shares, stakes and other equity instruments	51.459.471	74.885.802
Stakes in investment funds	13.035.910	10.334.843
	<b>64.495.381</b>	<b>85.220.645</b>

Starting as from the third quarter of 2019, the Company recognizes 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 December 2021, the Company has 22 securities out of which 7 in different ETFs totaling 37.406.576 MKD, 14 ordinary shares to the portfolio amount of 14.052.895 MKD and stakes in one investment fund to the amount of 13.035.910 MKD diversified in currency, geographically and in terms of sectors. Within this portfolio, as at the end of the year, the Company also recorded unrealized gains on the fair value of securities to the amount of 20.700.953 MKD (2020: 29.185.598 MKD) (Note 3.2).

**2.4.4 Deposits, loans and other placements**

	<b>2021</b>	<b>2020</b>
Term deposits in domestic banks (with maturity to one year)	54.260.590	200.093.871
Term deposits in domestic banks (with maturity over one year)	417.030.600	209.190.475
Allowance for impairment on deposits	(10.534.371)	(10.534.371)
	<b>460.756.819</b>	<b>398.749.975</b>

Deposits maturing within a period not exceeding 12 months from the reporting date bear interest at rate of 0,3% to 2,3% annually (2020: 0,2% to 3,0% annually).

Deposits maturing within a period exceeding more than 12 months from the reporting date bear interest at rate of 0,95% to 3,00% annually (2020: 1,22% to 3,00% annually).

Out of the total deposits, deposits to the amount of 455.000.000 MKD are investments of funds that cover technical reserves, while six deposits to the amount of 5.756.819 MKD are investments of capital funds in specific purpose deposits given as collateral for approved bank guarantees by Komercijalna Banka AD Skopje.

**Shares, stakes and other equity instruments (continued)**

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 2021  
(All amounts expressed in Denar, unless otherwise stated)

#### Shares, stakes and other equity instruments (continued)

The movement in the allowance for impairment for 2021 and 2020 is as follows:

	2021	2020
At 1 January		
Impairment loss for the year (note 3.12)	10.534.371	-
<b>At 31 December</b>	<b>-</b>	<b>10.534.371</b>
	<b>10.534.371</b>	<b>10.534.371</b>

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

	2021	2020
<b>Gross provision for unearned premiums</b>	55.643.177	75.676.157
As at 01 January	70.832.798	(20.032.980)
Movement for the period (Note 3.1)	<b>126.475.975</b>	<b>55.643.177</b>
<b>As at 31 December</b>		
<b>Gross provision for claims</b>		
As at 01 January	11.840.236	16.329.145
Movement for the period (Note 3.5)	19.886.628	(4.488.909)
<b>As at 31 December</b>	<b>31.726.864</b>	<b>11.840.236</b>
<b>Part for reinsurance in gross technical provisions</b>	<b>158.202.839</b>	<b>67.483.413</b>

#### 2.6. Deferred and current tax assets

	2021	2020
Deferred tax assets	319.833	
Personal income tax receivables	70.529	70.244
Income tax receivables	-	2.704.158
	<b>390.362</b>	<b>2.774.402</b>

As at 31 December 2021, the Company recorded deferred tax assets to the amount of 319.833 MKD based on calculated non-realized profit recognized and recorded as revaluation reserve from financial investments categorized as available for sale.

#### 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 recognizes impairment of receivables to the amount of 1.171.111 MKD.

##### Receivables (continued)

## 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 2021

(All amounts expressed in Denar, unless otherwise stated)

	2021	2020
Receivables form insurers	417.611.211	358.247.080
Impairment provision of receivables from insurance contracts	(85.467.807)	(74.151.027)
	<b>332.143.404</b>	<b>284.096.053</b>
Receivables on the basis on participation in claims from co-insurance and reinsurance	-	-
Other receivables from insurance direct operations	46.049.998	45.534.676
Impairment provision of other receivables from insurance direct operations	(34.543.192)	(34.014.329)
	<b>11.506.806</b>	<b>11.520.347</b>
Receivables for financial investments (Interest on deposits and government bonds, Dividends, NBIs etc.)	6.831.641	7.210.128
Impairment of the receivables for financial investments	(13.348)	(13.348)
	<b>6.818.293</b>	<b>7.196.780</b>
Receivables from the employees	4.003.880	3.958.025
Impairment provision of other receivables	(1.644.325)	(1.448.914)
	<b>2.359.555</b>	<b>2.509.111</b>
	<b>352.828.058</b>	<b>305.322.291</b>

	2021			2020			
	Receivables	Impairment provision	Present value of receivables	Receivables	Impairment provision	Present value of receivables	
to 30 days	50.646.156	(133.548)	50.512.608	to 90 days	66.106.670	(1.587.667)	64.519.003
31-60 days	20.716.977	(2.335.325)	18.381.652	91-120 days	7.152.510	(732.558)	6.419.952
61-120 days	17.193.814	(5.447.953)	11.745.861	1201-180 days	9.701.868	(3.163.030)	6.538.838
121-270 days	23.596.321	(12.137.540)	11.458.781	181-330 days	13.275.044	(6.916.327)	6.358.717
271 - 365 days	7.650.391	(5.439.468)	2.210.923	331 - 425 days	4.698.959	(3.440.234)	1.258.725
over 366 days	58.802.862	(58.802.862)	-	over 426 days	56.937.435	(56.937.435)	-
Matured receivables	178.606.521	(84.296.696)	94.309.825	Matured receivables	157.872.486	(72.777.251)	85.095.235
Not matured receivables	239.004.690	(1.171.111)	237.833.579	Not matured receivables	200.374.594	(1.373.776)	199.000.818
	<b>417.611.211</b>	<b>(85.467.807)</b>	<b>332.143.404</b>		<b>358.247.080</b>	<b>(74.151.027)</b>	<b>284.096.053</b>

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 2021  
(All amounts expressed in Denar, unless otherwise stated)

#### Receivables (continued)

The analysis of movement of the total impairment provision for 2021 and 2020 is as follows:

	2021	2020
As at 01 January	109.627.618	116.669.603
Expense for the year (Note 3.11 and 3.12)	38.877.657	18.846.094
Release for the year (Note 3.11 and 3.12)	(19.821.570)	(19,007,802)
Write-off of previously fully impaired receivables	(7.015.033)	(6.880.277)
<b>As at 31 December</b>	<b>121.668.672</b>	<b>109.627.618</b>

On 31 December 2021, the Company reassessed the collectability of the balance of premium receivables from insurers, and made write-off due to bad debts of previously fully impaired receivables to the amount of 7.015.033 MKD (2020: 6.880.277 MKD).

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, 2021, the Company recognizes impairment on all other receivables for insurance direct operations (note 2.7). Their structure is as follows:

	2021	2020
Other receivables from insurance direct operations	46.049.998	45.534.676
Impairment provision of other receivables from insurance direct operations	(34.543.192)	(34.014.329)
	<b>11.506.806</b>	<b>11.520.347</b>
Recourse receivables	28.009.044	28.715.040
Impairment of recourse receivables	(26.930.938)	(27.253.767)
	<b>1.078.106</b>	<b>1.461.273</b>
Receivables UG claims	6.644.940	8.390.746
Impairment of receivables of UG claims	(1.402.007)	(1.917.061)
	<b>5.242.933</b>	<b>6.473.685</b>
Reinsurance fee receivables	1.554.789	927.206
Impairment provision of reinsurance fee receivables	(1.245.031)	(568.247)
	<b>309.758</b>	<b>358.959</b>
Receivables due to cession and other receivables	6.732.290	5.857.200
Impairment of insurance direct operations	(4.965.216)	(4.275.254)
	<b>1.767.074</b>	<b>1.581.946</b>
Other receivables from GF	3.108.935	1.644.484
Impairment of other receivables from GF	-	-
	<b>3.108.935</b>	<b>1.644.484</b>

## 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 2021

(All amounts expressed in Denar, unless otherwise stated)

**Receivables (continued)**

The analysis of the age structure of other receivables from direct insurance operations at 31 December 2021 and 2020 is as follows:

	<b>2021</b>			<b>2020</b>			
	Receivables	Impairment provision	Present value of receivables	Receivables	Impairment provision	Present value of receivables	
to 30 days	5.642.494	-	5.642.494	to 90 days	3.662.038	-	3.662.038
31-60 days	499.141	(49.915)	449.226	91-120 days	555.132	(55.513)	499.619
61-120 days	1.458.078	(452.004)	1.006.074	1201-180 days	910.660	(282.305)	628.355
121-270 days	1.335.147	(680.923)	654.224	181-330 days	1.292.537	(659.194)	633.343
271 - 365 days	199.103	(141.363)	57.740	331 - 425 days	756.662	(537.230)	219.432
over 366 days	33.218.987	(33.218.987)	-	over 426 days	32.480.087	(32.480.087)	-
<b>Matured receivables</b>	<b>42.352.950</b>	<b>(34.543.192)</b>	<b>7.809.758</b>	<b>Matured receivables</b>	<b>39.657.116</b>	<b>(34.014.329)</b>	<b>5.642.787</b>
<b>Not matured receivables</b>	<b>3.697.048</b>	<b>-</b>	<b>3.697.048</b>	<b>Not matured receivables</b>	<b>5.877.560</b>	<b>-</b>	<b>5.877.560</b>
	<b>46.049.998</b>	<b>(34.543.192)</b>	<b>11.506.806</b>		<b>45.534.676</b>	<b>(34.014.329)</b>	<b>11.520.347</b>



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 2021  
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## 2.8. Tangible assets used for operations

### As at 31 December 2021

	Computers	Furniture and office equipment	Leasehold improvements	Motor vehicles	Other assets	Total
As at 01 January 2021 Net	4.943.966	623.353	-	173.756	2.035.820	7.776.895
Purchase	2.064.711	413.032	-	-	1.688.792	4.166.535
Sales	-	-	-	-	-	-
Depreciation	(2.171.780)	(315.488)	-	(76.685)	(374.028)	(2.937.981)
Write-off	(2.910.662)	(198.594)	-	-	(398.312)	(3.507.568)
Write-off of accumulated amortization	2.910.662	198.594	-	-	398.312	3.507.568
As at 31 December 2021 Net of accumulated depreciation	<b>4.836.897</b>	<b>720.897</b>	-	<b>97.071</b>	<b>3.350.584</b>	<b>9.005.449</b>

### As of 1 January 2021

Purchase value	24.145.133	8.138.675	286.455	9.324.994	4.788.189	46.683.446
Accumulated depreciation	(19.201.167)	(7.515.322)	(286.455)	(9.151.238)	(2.752.369)	(38.906.551)
Net carrying value	<b>4.943.966</b>	<b>623.353</b>	-	<b>173.756</b>	<b>2.035.820</b>	<b>7.776.895</b>

### As at 31 December 2021

Purchase value	23.299.179	8.353.113	-	9.324.994	6.078.670	47.055.956
Accumulated depreciation	(18.462.282)	(7.632.216)	-	(9.227.923)	(2.728.086)	(38.050.507)
Net carrying value	<b>4.836.897</b>	<b>720.897</b>	-	<b>97.071</b>	<b>3.350.584</b>	<b>9.005.449</b>

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 2021  
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**Tangible assets used for operations (continued)**

**As at 31 December 2020**

	<b>Computers</b>	<b>Furniture and office equipment</b>	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Other assets</b>	<b>Total</b>
As at 01 January 2020						
Net 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)
Write-off, net	-	-	-	(19.825)	-	(19.825)
Adjustment	-	-	-	(7.644)	-	(7.644)
As at 31 December 2020						
Net of accumulated depreciation	<b>4.943.967</b>	<b>623.353</b>	-	<b>173.755</b>	<b>2.035.820</b>	<b>7.776.895</b>
<b>As at 1 January 2020</b>						
Purchase value	21.086.084	7.831.623	286.455	24.921.474	4.467.062	58.592.698
Accumulated depreciation	(17.903.386)	(7.273.176)	(286.455)	(21.218.132)	(2.483.384)	(48.878.078)
Net carrying value	<b>3.182.698</b>	<b>558.447</b>	-	<b>3.703.342</b>	<b>1.983.678</b>	<b>9.714.620</b>
<b>As at 31 December 2020</b>						
Purchase value	24.145.133	8.138.675	286.455	9.324.994	4.788.189	46.396.991
Accumulated depreciation	(19.201.167)	(7.515.322)	(286.455)	(9.151.238)	(2.752.369)	(38.620.096)
Net carrying value	<b>4.943.966</b>	<b>623.353</b>	-	<b>173.756</b>	<b>2.035.820</b>	<b>7.776.895</b>

**Pledge over equipment**

As at 31 December 2021 and 2020 the Company has no equipment under pledge.

**2.9. Cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
Cash in bank	15.843.882	27.133.530
Cash on hand	382.662	327.395
Impairment provision	(1.842.262)	(1.842.262)
	<b>14.384.282</b>	<b>25.618.663</b>

Notes to the financial statements (continued)  
Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)  
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#### Cash and cash equivalents (continued)

The movement in the allowance for impairment for 2021 and 2020 is as follows:

	2021	2020
At 1 January	1.842.262	-
Impairment loss for the year (note 3.12)	-	1.842.262
<b>At 31 December</b>	<b>1.842.262</b>	<b>1.842.262</b>

#### 2.10. Prepaid

As at 31 December 2021 prepayments to the amount of 97.909.841 MKD consist of deferred acquisition costs to the amount of 69.481.206 MKD and other accrued income to the amount of 28.428.635 MKD (2020: 85.875.964 out of which the amount of 65.964.149 MKD refers to deferred acquisition costs and the amount of 19.911.815 MKD refers to other accrued income).

#### Deferred acquisition costs

	2021	2020
Deferred premiums costs – acquisition (balance)	41.311.825	41.348.401
Deferred premiums costs – brokers (balance)	28.169.381	24.615.748
<b>As at 31 December</b>	<b>69.481.206</b>	<b>65.964.149</b>

#### Other accrued income and prepaid

	2021	2020
Accrued income for commission from reinsurance	19.387.567	10.244.569
Deferred Expenses - Invoices	72.002	33.150
Deferred Expense for discounts – policy commitment agreements (2-3 years)	7.653.063	7.458.415
Other deferred expenses	1.316.003	2.175.681
	<b>28.428.635</b>	<b>19.911.815</b>

#### 2.11. Equity and reserves

As at 31 December 2021 shareholders' capital consists of 3,200 (2020: 3,200) ordinary shares with nominal value of EUR 1,000 per share, respectively to 195.326.080 MKD. Shareholders of ordinary shares are entitled to receive dividends that can be declared.

As at 31 December 2021 and 2020 the Company's shareholders structure is:

	% of shares with voting right
Grazer Wechselseitige Versicherung Aktiengesellschaft	100%
	<b>100%</b>

## 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 2021

(All amounts expressed in Denar, unless otherwise stated)

**Equity and reserves (continued)**

In March 2020 a change in the Company's ownership structure was made. Namely, Grazer Wechselseitige Versicherung Aktiengesellschaft with a head office at Herrengasse No.18-20, 8010 Graz, Republic of Austria became the owner of 100% of 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 2021 the total statutory reserve is to the amount of 192.835.567 MKD. (2020: 184.620.662 MKD).

**Revaluation reserve**

Revaluation reserve for financial assets available-for-sale includes the cumulative net effect of the changes in the fair value of investments available-for-sale until they are derecognized or impaired.

As at 31 December 2021 revaluation reserve of the Company amounts to (415.302) MKD (2020: increase of 2.727.969 MKD).

	<b>2021</b>	<b>2020</b>
Opening balance	2.727.969	9.563.798
Decrease of revaluation reserve for realized losses from financial investments available for sale (Note 2.4.2 и 3.2)	(20.195.384)	(7.389.915)
Increase of revaluation reserve for unrealized gains from financial investments available for sale, net (Note 2.4.2)	17.052.113	554.086
	<b>(415.302)</b>	<b>2.727.969</b>

**Net retained earnings**

As at 31 December 2021, the Company has retained earnings to the amount of 108.647.467 MKD (2020: 92.217.657 MKD)

In the course of 2021 and 2020, the Company did not pay dividends.

Notes to the financial statements (continued)  
Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)  
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## 2.12. Gross technical reserves

As at 31 December 2021, 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.

	2021		2020			
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
As at 01 January	933.945.568	(67.483.413)	866.462.155	929.983.816	-92.005.302	837.978.514
Movement on gross provisions for claims	36.266.848	(19.886.628)	16.380.220	40.364.036	4.488.909	44.852.945
Movement on unearned premium	68.903.845	(70.832.798)	(1.928.953)	(19.999.510)	20.032.980	33.470
Unexpected risk reserve	(870.749)	-	(870.749)	870.749	-	870.749
Provisions for bonuses and discounts	(4.354.181)	-	(4.354.181)	(17.273.523)	-	(17.273.523)
<b>As at 31 December</b>	<b>1.033.891.331</b>	<b>(158.202.839)</b>	<b>875.688.492</b>	<b>933.945.568</b>	<b>-67.483.413</b>	<b>866.462.155</b>
<b>Provisions for claims and provisions</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
As at 01 January	478.577.434	(11.840.236)	466.737.198	455.486.921	(16.329.145)	439.157.776
Movement on provisions for incurred, reported claims	33.386.523	(20.452.859)	12.933.664	(7.405.442)	2.545.413	(4.860.029)
Movement on provisions for direct costs	-	-	-	-	-	-
Movement on provisions for indirect costs	392.136	-	392.136	62.411	-	62.411
Movement on provisions for incurred, but not reported claims	2.488.189	566.231	3.054.420	47.707.067	1.943.496	49.650.563
Reserves for bonuses and discounts	(4.354.181)	-	(4.354.181)	(17.273.523)	-	(17.273.523)
<b>As at 31 December</b>	<b>510.490.101</b>	<b>(31.726.864)</b>	<b>478.763.237</b>	<b>478.577.434</b>	<b>-11.840.236</b>	<b>466.737.198</b>
<b>Unearned premium</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
As at 01 January	455.368.134	-55.643.177	399.724.957	474.496.895	(75.676.157)	398.820.738
Policy premium for the current year	1.124.297.921	(364.354.689)	759.943.232	963.579.047	(169.923.621)	793.655.426
Costs for bonuses and discounts	(26.973.310)	-	(26.973.310)	(29.043.319)	-	(29.043.319)
Earned premiums in the current year	(1.029.291.515)	293.521.891	(735.769.624)	(953.664.489)	189.956.601	(763.707.888)
<b>As at 31 December</b>	<b>523.401.230</b>	<b>(126.475.975)</b>	<b>396.925.255</b>	<b>455.368.134</b>	<b>(55.643.177)</b>	<b>399.724.957</b>

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 2021  
(All amounts expressed in Denar, unless otherwise stated)

## Gross technical provisions (continued)

## Movement in unearned premium, provision for claims and provisions for bonuses and discounts in 2021:

	Insurance against accident	Health insurance	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	Guara ntee	Fin. losses	Tourist assistance	Total
Provisions for unearned premiums	43.331.228	55.647.509	38.909.655	213.973	55.970	321.260	99.919.311	61.369.591	188.785.634	454.806	242.363	26.032.413	2.491	124.982	7.990.045	523.401.230
Reinsurance unearned premiums	(5.626)	(5.360.956)	(671.296)	(213.970)	-	-	(75.636.366)	(33.927.212)	-	(17.264)	-	(10.643.285)	-	-	-	(126.475.975)
Unexpired risk reserve			0													-
<b>Net unearned premiums (less reinsurance unearned premiums)</b>	<b>43.325.602</b>	<b>50.286.553</b>	<b>38.238.359</b>	<b>3</b>	<b>55.970</b>	<b>321.260</b>	<b>24.282.945</b>	<b>27.442.379</b>	<b>188.785.634</b>	<b>437.542</b>	<b>242.363</b>	<b>15.389.128</b>	<b>2.491</b>	<b>124.982</b>	<b>7.990.045</b>	<b>396.925.255</b>
Provision for claims	37.307.967	19.848.819	25.297.713	-	-	787.874	19.010.027	8.654.621	378.343.705	-	-	7.090.450	-	100.574	3.804.910	500.246.660
Provisions for bonuses and discounts	10.243.441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.243.441
Change in provisions for claims –IBNR – part for reinsurance	(920.516)	-	-	-	-	-	(8.397.149)	-	-	-	-	-	-	-	-	(9.317.665)
Change in provisions for claims –RBNS – part for reinsurance	(1.122.698)	(5.060)	-	-	-	-	(3.000.000)	-	-	-	-	(300.000)	-	(17.981.441)	-	(22.409.199)
<b>Net provisions for claims (less reinsurance transferable part)</b>	<b>45.508.194</b>	<b>19.843.759</b>	<b>25.297.713</b>	<b>-</b>	<b>-</b>	<b>787.874</b>	<b>7.612.878</b>	<b>8.654.621</b>	<b>378.343.705</b>	<b>-</b>	<b>-</b>	<b>6.790.450</b>	<b>-</b>	<b>(17.880.867)</b>	<b>3.804.910</b>	<b>478.763.237</b>
	<b>88.833.796</b>	<b>70.130.311</b>	<b>63.536.072</b>	<b>3</b>	<b>55.970</b>	<b>1.109.134</b>	<b>31.895.823</b>	<b>36.097.000</b>	<b>567.129.339</b>	<b>437.542</b>	<b>242.363</b>	<b>22.179.578</b>	<b>2.491</b>	<b>(17.755.885)</b>	<b>11.794.955</b>	<b>875.688.492</b>

Notes to the financial statements (continued)  
Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)  
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## Gross technical provisions (continued)

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

	Insurance against accident	Health insurance	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	Guarantee	Fin. losses	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)
Unexpired risk reserve			870.749													870.749
<b>Net unearned premiums (less reinsurance unearned premiums)</b>	<b>63.294.841</b>	<b>43.616.513</b>	<b>42.478.742</b>	<b>-</b>	<b>23.559</b>	<b>1.033.603</b>	<b>25.679.427</b>	<b>27.924.348</b>	<b>176.562.680</b>	<b>202.601</b>	<b>230.428</b>	<b>15.272.504</b>	<b>14.946</b>	<b>122.662</b>	<b>3.268.105</b>	<b>399.724.957</b>
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	-	35.000	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)
<b>Net provisions for claims (less reinsurance transferable part)</b>	<b>58.029.708</b>	<b>14.937.716</b>	<b>35.565.615</b>	<b>-</b>	<b>-</b>	<b>535.869</b>	<b>5.493.555</b>	<b>10.381.840</b>	<b>330.911.788</b>	<b>-</b>	<b>-</b>	<b>7.000.602</b>	<b>-</b>	<b>35.000</b>	<b>3.845.504</b>	<b>466.737.197</b>
	<b>121.324.549</b>	<b>58.554.229</b>	<b>78.044.357</b>	<b>-</b>	<b>23.559</b>	<b>1.569.472</b>	<b>31.172.982</b>	<b>38.306.188</b>	<b>507.474.468</b>	<b>202.601</b>	<b>230.428</b>	<b>22.273.106</b>	<b>14.946</b>	<b>157.662</b>	<b>7.113.609</b>	<b>866.462.154</b>

Notes to the financial statements (continued)  
Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)  
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### 2.13. Other reserves

	2021	2020
Reserves for employee severance pay	1.047.868	-
Reserves for employee jubilee rewards	2.457.598	-
	<b>3.505.466</b>	<b>-</b>

As from 2021, the Company has estimated expenses for employee reserves to the total amount of 3.505.466 MKD, out of which reserves for severance pays to the employees amounting to 1.047.868 MKD and for jubilee rewards amounting to 2.457.598 MKD.

### 2.14. Deferred and current tax liabilities

	2021	2020
Deferred tax liabilities	380.569	-
Current tax liabilities	6.497.124	1.054.066
	<b>6.877.693</b>	<b>1.054.066</b>

In 2021 the Company implemented MAS 12 for the purpose of financial reporting, i.e., recording of deferred tax assets and deferred tax liabilities arising from deductible or taxable temporary differences between accounting value of a given asset /liability and its tax basis.

As at December, 31, 2021, the Company recorded deferred tax liabilities in amount of 380.569 MKD, out of which 273.687 MKD are liabilities from calculated non-realized profit represented in revaluation reserve from the adjustment of the value of financial assets available-for-sale.

### 2.15. Liabilities

The Company has recorded liabilities from immediate insurance business

	2021	2020
Liabilities based on coinsurance and reinsurance premiums	15.234.006	9.598.803
Co-insurers payables	536.412	2.488.419
Direct liabilities in insurance	8.260	55.470
Net wage obligations, wage contributions and other employee liabilities	13.560.057	13.038.105
Obligations towards suppliers	4.689.732	3.291.028
Other liabilities from direct insurance business		
- liabilities to GF	963.946	1.776.431
- Commitment Fees Obligations	2.273.672	1.580.611
- fire contribution obligations, etc. legal obligations	2.583.019	2.298.468
- liabilities based on bonuses and discounts that depend on and are not dependent on the result	-	5.140.753
- other liabilities	2.777.601	2.389.767
Other liabilities	3.108.190	2.010.076
	<b>45.734.895</b>	<b>43.667.931</b>



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 2021  
(All amounts expressed in Denar, unless otherwise stated)

**2.16. Accruals**

	<b>2021</b>	<b>2020</b>
Accruals for reinsurance	97.315.616	31.782.838
Accruals for brokers	13.384.093	7.505.112
Other accruals	1.678.541	3.261.011
	<b>112.378.250</b>	<b>42.548.961</b>

Notes to the financial statements (continued)  
Information and disclosures to the Income statement (the Statement of comprehensive income)  
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### 3. Information and disclosures to the Income Statement (the statement of comprehensive income)

#### 3.1 Earned premium

Earned premiums as at 31 December 2021

	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	81.661.469	19.974.101	-	(7.826.177)	(4.862)	93.804.531
Health insurance	104.010.595	(7.194.143)	-	(14.707.924)	524.103	82.632.631
Insurance of motor vehicles	77.567.005	3.356.703	870.749	(1.350.007)	12.931	80.457.381
Insurance of aircrafts	78.100.000	209.863	-	(78.099.999)	(209.866)	(2)
Insurance of vessels	185.158	(32.412)	-	-	-	152.746
Insurance of goods in transport	2.729.441	712.583	-	-	(240)	3.441.784
Insurance of property against fire	200.840.435	(53.551.224)	-	(158.059.381)	54.947.706	44.177.536
Other insurance of property	99.099.990	(12.645.416)	-	(49.091.908)	13.127.385	50.490.051
Third party liability insurance	378.356.791	(12.222.954)	-	(9.133.649)	-	357.000.188
Aircraft liability insurance	6.876.006	61.522	-	(6.299.999)	(296.463)	341.066
Vessels liability insurance	495.840	(11.935)	-	-	-	483.905
General liability insurance	69.484.371	(2.848.728)	-	(39.785.645)	2.732.104	29.582.102
guarantees	8.789	12.455	-	-	-	21.244
Financial losses	273.886	(2.321)	-	-	-	271.565
Insurance for tourist assistance	24.608.145	(4.721.940)	-	-	-	19.886.205
<b>Total</b>	<b>1.124.297.921</b>	<b>(68.903.845)</b>	<b>870.749</b>	<b>(364.354.689)</b>	<b>70.832.798</b>	<b>762.742.934</b>

Notes to the financial statements (continued)  
Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)  
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(All amounts expressed in Denar, unless otherwise stated)

**Earned premium (continued)****Earned premiums as at 31 December 2020**

	<b>Gross policy insurance premiums</b>	<b>Change in gross provisions for unearned premiums</b>	<b>Change in gross unexpired</b>	<b>Gross reinsurance policy premiums</b>	<b>Change in gross provisions for unearned premiums – Part for reinsurance (Note 2.5)</b>	<b>Net income from insurance premiums</b>
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
<b>Total</b>	<b>963.579.047</b>	<b>19.999.510</b>	<b>(870.749)</b>	<b>(169.923.621)</b>	<b>(20.032.980)</b>	<b>792.751.207</b>

**3.2 Investment income**

	<b>2021</b>	<b>2020</b>
Investment income		
Interest income from government bonds and government bills	11.557.281	10.164.276
Interest income from term deposits in banks	8.492.154	9.659.319
Interest income from current accounts in banks	3.308	-
Interest income from GF	248.666	319.829
<b>Interest income</b>	<b>20.301.409</b>	<b>20.143.424</b>
Foreign exchange gains		
Other investment income	4.298.990	2.148.490
Unrealized gains on the fair value of trading investments	20.700.953	29.185.598
Realized gains from investments sold (investment funds) available for sale	20.436.907	7.389.915
Realized gains from sale of trading investments	98.270	290.582
Interest income from government bills	-	228.231
Dividends	730.315	1.218.069
Other investment income	<b>730.315</b>	<b>1.446.300</b>
<b>Total investment income</b>	<b>66.566.844</b>	<b>60.604.309</b>

## Notes to the financial statements (continued)

## Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)

As at and for the year ended 31 December 2021

(All amounts expressed in Denar, unless otherwise stated)

**3.3 Other insurance technical income, less reinsurance**

	<b>2021</b>	<b>2020</b>
Income from Guarantee Fund from realized subrogation receivables and fee for processing claims	3.792.193	3.165.182
Income from companies for processing claims – service claims	1.898.402	1.408.532
Other	2.002.618	1.749.148
	<b>7.693.213</b>	<b>6.322.862</b>

**3.4 Other income**

	<b>2021</b>	<b>2020</b>
Interest income and income from court collected receivables	1.987.046	2.029.812
Capital income from tangible assets sales	-	2.585.723
Other income	5.009.650	2.608.438
	<b>6.996.696</b>	<b>7.223.973</b>

Notes to the financial statements (continued)

Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)

As at and for the year ended 31 December 2021

(All amounts expressed in Denar, unless otherwise stated)

**3.5 Incurred claims**

	<b>2021</b>	<b>Gross 2020</b>	<b>2021</b>	<b>Reinsurance 2020</b>	<b>2021</b>	<b>Net 2020</b>
Incurring, paid claims in the current year	362.047.821	373.301.029	4.982.309	9.432.471	357.065.512	363.868.558
Changes in provisions of incurred, reported claims	33.778.659	(7.343.031)	20.452.859	(2.545.413)	13.325.800	(4.797.618)
Changes in provisions of incurred, but not reported claims	2.488.189	47.707.067	(566.231)	(1.943.496)	3.054.420	49.650.563
Income from subrogation receivables	(4.455.382)	(4.039.855)	-	-	(4.455.382)	(4.039.855)
<b>Incurring claims (expenses for claims, net)</b>	<b>393.859.287</b>	<b>409.625.210</b>	<b>24.868.937</b>	<b>4.943.562</b>	<b>368.990.350</b>	<b>404.681.648</b>

## Notes to the financial statements (continued)

## Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)

As at and for the year ended 31 December 2021

(All amounts expressed in Denar, unless otherwise stated)

## Incurred claims (continued)

## Analysis of incurred claims as at 31 December 2021

	Total paid claims	Changes in gross provisions for claims	Participation of reinsurers in paid claims	Participation of reinsurers in changes in provisions for claims	Income from gross realized subrogation receivables	Net
Insurance against consequences of an accident	67.297.158	(9.434.947)	(2.527.624)	1.267.614	-	56.602.201
Health insurance	62.738.957	4.778.102	(1.950.614)	127.940	-	65.694.385
Insurance of motor vehicles	38.981.333	(10.267.902)	-	-	(1.341.611)	27.371.820
Insurance of aircrafts	-	-	-	-	-	-
Insurance of vessels	-	-	-	-	-	-
Insurance of goods in transport	128.413	252.005	-	-	-	380.418
Insurance of property against fire	14.310.720	5.120.064	(494.131)	(3.000.741)	-	15.935.912
Other insurance of property	10.670.171	(1.727.219)	-	-	(3.036)	8.939.916
Third party liability insurance	152.625.297	47.431.917	-	(17.981.441)	(3.110.735)	178.965.038
Aircraft liability insurance	-	-	-	-	-	-
Vessels liability insurance	-	-	-	-	-	-
General liability insurance	6.991.079	89.848	(9.940)	(300.000)	-	6.770.987
Loan insurance	-	-	-	-	-	-
Financial losses insurance	196.367	65.574	-	-	-	261.941
Insurance for tourist assistance	8.108.326	(40.594)	-	-	-	8.067.732
<b>Total</b>	<b>362.047.821</b>	<b>36.266.848</b>	<b>(4.982.309)</b>	<b>(19.886.628)</b>	<b>(4.455.382)</b>	<b>368.990.350</b>

## Analysis of incurred claims as at 31 December 2020

	Total paid claims	Changes in gross provisions for claims	Participation of reinsurers in paid claims	Participation 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	54.608.100	(603.212)	-	-	(1.099.400)	52.905.488
Insurance of aircrafts	-	-	-	-	-	-
Insurance of vessels	-	-	-	-	-	-
Insurance of goods in transport	15.396	356.037	-	-	-	371.433
Insurance of property against fire	18.275.113	(8.405.627)	(4.603.610)	3.418.266	-	8.684.142
Other insurance of property	14.074.339	2.239.179	-	-	(62.592)	16.250.926
Third party liability insurance	147.651.434	45.532.565	-	-	(2.877.863)	190.306.136
Aircraft liability insurance	-	-	-	-	-	-
Vessels liability insurance	-	-	-	-	-	-
General liability insurance	7.168.597	2.574.285	(1.640.764)	337.000	-	8.439.118
Loan insurance	-	-	-	-	-	-
Financial losses insurance	-	35.000	-	-	-	35.000
Insurance for tourist assistance	5.384.582	(1.982.169)	-	-	-	3.402.413
<b>Total</b>	<b>373.301.029</b>	<b>40.364.036</b>	<b>(9.432.471)</b>	<b>4.488.909</b>	<b>(4.039.855)</b>	<b>404.681.648</b>

## Notes to the financial statements (continued)

## Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)

As at and for the year ended 31 December 2021

(All amounts expressed in Denar, unless otherwise stated)

**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**

In the course of 2021 total costs for bonuses and discounts amounted to 26.973.310 MKD out of which the amount of 3.598.980 MKD refers to costs for bonuses (good business collaboration) and costs for discounts to the amount of 23.374.330 (timely payment of premium) (2020: 29.043.319 MKD out of which the costs for bonuses are to the amount of 2.264.641 MKD and costs for discounts 26.778.678 MKD).

**3.8 Insurance acquisition costs, net****Acquisition costs**

	<b>2021</b>	<b>2020</b>
Salaries for employees – sale	95.478.001	92.806.303
Commission	59.348.061	50.563.786
Advertisement	11.144.991	10.265.148
Printed policies	1.851.023	1.829.358
External representation	4.728.071	5.043.223
Change in deferred acquisition costs	(3.517.057)	33.238.975
	<b>169.033.090</b>	<b>193.746.793</b>

In 2019 the Company calculated 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 at 31 December 2020, the Company made a complete harmonization with 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.

According to the changes of the Rulebook, the provision cost includes the amounts that are related to all insurance contracts in the current period realized through the intermediaries.

Recording of the provision is done at the same time when the Company records the gross written premium which refers to the concrete contract/agreement (policy) realized through the intermediaries, regardless of the time of the payment and transfer of the premium by the intermediaries.

The table below shows the change in deferred acquisition costs for the years ended 31 December 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Deferred costs for premiums – acquisition (movement)	36.576	26.535.242
Deferred costs for premiums – brokers (movement)	(3.553.633)	6.703.733
<b>Movement of deferred acquisition costs for policy premiums</b>	<b>(3.517.057)</b>	<b>33.238.975</b>

## Notes to the financial statements (continued)

## Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)

As at and for the year ended 31 December 2021

(All amounts expressed in Denar, unless otherwise stated)

**3.9 Administrative costs**

	<b>2021</b>	<b>2020</b>
Employees costs	<b>63.873.651</b>	<b>62.209.353</b>
-administration salaries	54.790.615	54.966.180
-other employee's costs	5.577.570	7.243.173
-reserved expenses for severance payments and jubilee rewards	3.505.466	-
Rent	20.287.758	26.966.654
Rent of assets for operations	786.789	449.431
Governing bodies costs	-	6.823.518
Phone costs	7.705.456	7.277.267
Sponsorship and representation	3.244.741	2.869.272
Depreciation of tangible and intangibles assets	3.907.644	4.419.762
Services to individuals	14.416.070	14.732.685
Fee for use of own vehicle	6.901.731	6.518.844
Utilities	3.466.772	3.788.908
Security costs	21.240	1.656.672
Bank charges	3.600.437	3.369.729
Office materials and consumables	1.061.491	1.343.942
Insurance premium costs (managerial insurance, health insurance for LU, MA etc.)	7.097.968	6.379.821
Maintenance costs	10.223.496	8.157.310
Costs for lawyers, notary services and enforcement agents	1.016.721	2.282.420
Shipping costs and business trips	1.305.424	1.210.241
Other administrative costs	9.907.716	7.164.003
<b>Administrative costs</b>	<b>158.825.105</b>	<b>167.619.832</b>

Reimbursement expenses for Management Bodies Members in 2020 refer to reimbursements paid to the members of the previous Supervisory Board ending on 30 March 2020. As of 1 April 2020 up to the reporting date, newly appointed Supervisory Board has been working without reimbursement.

**Employee 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.

	<b>2021</b>	<b>2020</b>
Net salaries	99.393.468	97.908.401
Contributions	50.875.148	49.864.082
	<b>150.268.616</b>	<b>147.772.483</b>

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

	<b>2021</b>	<b>2020</b>
Expenses for claims paid to GF for NN vehicles	12.563.349	13.172.660
Fire fight contribution	4.558.813	4.454.017
Health insurance contribution	3.818.359	3.473.094
Insurance Supervision agency contribution	8.104.550	8.543.679
Expenses for National Insurance Bureau	2.822.708	3.065.926
Subrogation costs from NIB	1.021.779	1.009.798
Other expenses	261.806	267.708
	<b>33.151.364</b>	<b>33.986.882</b>



Notes to the financial statements (continued)  
Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)  
As at and for the year ended 31 December 2021  
(All amounts expressed in Denar, unless otherwise stated)

### 3.11 Value adjustments of receivables based on premium

	<b>2021</b>	<b>2020</b>
Impairment provision of receivables from insurers (Note 2.7)	35.314.540	15.799.844
Release of impairment provision of receivables from insurers (Note 2.7)	(17.040.022)	(18.433.648)
Collected written-off receivables	(21.808)	(3.909)
	<b>18.252.710</b>	<b>(2.637.713)</b>

### 3.12 Other expenses, including value adjustments

	<b>2021</b>	<b>2020</b>
Impairment provision of insurance direct operations (Note 2.7)	3.563.117	3.046.250
Release of impairment provision of insurance direct operations (Note 2.7)	(2.781.548)	(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	7.051.885	793.383
	<b>7.833.454</b>	<b>15.642.112</b>

### 3.13 Tax expense

	<b>2021</b>	<b>2020</b>
Current tax expenses (income tax)	12.193.331	6.141.094
Deferred income tax	-	-
	<b>12.193.331</b>	<b>6.141.094</b>

The reconciliation of the total tax expense in the Income Statement for the years ended 31 December 2021 and 2020 is as follows:

	<b>2021</b>	<b>2020</b>
Profit before tax	101.831.409	30.785.809
on-deductible expenses for tax purposes	21.563.511	32.278.583
Tax base	123.394.920	63.064.392
<i>Decrease of tax base</i>		
- Dividends	-	347.000
-Amount of carried investments out of the profit (reinvested)	1.461.610	1.306.452
Tax base after deductions	121.933.310	61.410.940
Calculated income tax 10%	12.193.331	6.141.094
Calculated income tax 10%	<b>12.193.331</b>	<b>6.141.094</b>
Effective tax rate	<b>11,97%</b>	<b>19,95%</b>

Notes to the financial statements (continued)  
 Information and disclosures to the Income statement (the Statement of comprehensive income) (continued)  
 As at and for the year ended 31 December 2021  
 (All amounts expressed in Denar, unless otherwise stated)

### 3.14 Earnings per share

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

	<b>2021</b>	<b>2020</b>
Earning attributable to shareholders	89.638.078	24.644.715
Less: dividends for preference shares	-	-
Net earnings attributable to holders of ordinary shares	89.638.078	24.644.715
Weighted average number of ordinary shares	3.200	3.200
<b>Basic earnings per share (MKD per share)</b>	<b>28.012</b>	<b>7.701</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2021  
(All amounts expressed in Denar, unless otherwise stated)

#### 4. Off- balance sheet items

As at 31 December 2021 and 2020 the structure of off- balance sheet items is as follows:

	2021	2020
Unrealized recourse receivables	68.892.981	60.855.031
Bank guaranties	5.613.940	-
Reserves for claims-GF	33.503.792	32.232.170
Reserve for income- policy commitment agreements (2-3 years) and discount for policy commitment agreements (2-3 years)	158.070.938	156.059.471
	<b>266.081.651</b>	<b>249.146.672</b>

Income reserve – confidence package and confidence package discount to the amount of 158.079.938 MKD refers to discounts given for policy commitment agreements for a period over one year (most usually 3 or 5 years). Pursuant to policy commitment agreements, should the client make and early cancellation of the agreement, the Company is entitled to collection of the discount previously granted to the client.

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

As at 31 December 2021 and transactions with related parties in the course of reporting year were as follows:

##### Transactions with related parties

	Key management personnel	Other related parties	Total
<b>Total Assets</b>	<b>946.748</b>	-	<b>946.748</b>
<b>Receivables</b>	<b>946.748</b>	-	<b>946.748</b>
Receivables from insurers based on insurance premiums	473.310	-	473.310
Other receivables	473.438	-	473.438
<b>Off-balance sheet records</b>	-	<b>124.145</b>	<b>124.145</b>
- Subrogation receivables	-	124.145	124.145
<b>Total Liabilities</b>	<b>2.479.744</b>	<b>47.000</b>	<b>2.526.744</b>
<b>Liabilities</b>	<b>2.479.744</b>	<b>47.000</b>	<b>2.526.744</b>
Liabilities towards insurers for claims, insurance amounts and other agreed amounts	-	-	0
Other liabilities	2.479.744	47.000	2.526.744
<b>Off-balance sheet records</b>	-	<b>124.145</b>	<b>124.145</b>
- Subrogation receivables	-	124.145	124.145
<b>Total Revenues</b>	<b>876.482</b>	-	<b>876.482</b>
<b>Expenses</b>	-	-	-
Rent	-	11.455.139	11.455.139
Other expenses	-	214.161	214.161
<b>Total Expenses</b>	-	<b>11.669.300</b>	<b>11.669.300</b>
<b>Short-term benefits for key management personnel</b>	<b>38.561.898</b>	-	<b>38.561.898</b>

In March 2020, the ownership structure of the Company changed. Namely, Grazer Wechselseitige Versicherung Aktiengesellschaft with headquarters at Herrngasse 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.

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2021  
(All amounts expressed in Denar, unless otherwise stated)

#### Transactions with related parties (continued)

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.

As at 31 December 2020 and transactions with related parties in the course of reporting year were as follows:

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

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.

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2021  
(All amounts expressed in Denar, unless otherwise stated)

**Transactions with the National Insurance Bureau**

	<b>2021</b>	<b>2020</b>
Investments in joint controlled entities	14.874.787	16.081.216
Receivables from the National Insurance Bureau	3.108.935	1.644.484
Liabilities to the National Insurance Bureau	248.666	319.829
Income from investments	439.725	550.425
Income from claims proceedings	3.352.468	2.614.757
Income from realized subrogation receivables	16.407.836	17.248.384

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2021  
(All amounts expressed in Denar, unless otherwise stated)

## 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 2021.

#### Combined Index, gross

31 December 2021	Index of claims, gross	Index of expenses, gross	Combined Index, gross
<b>Total</b>	<b>37,33%</b>	<b>38,44%</b>	<b>75,77%</b>
accident	52,65%	32,68%	85,33%
health	69,74%	34,75%	104,49%
motor vehicles (Casco)	35,48%	39,34%	74,83%
railways vehicles (Casco)	0,00%	0,00%	0,00%
aircrafts (Casco)	0,00%	24,65%	24,65%
vessels (Casco)	0,00%	251,10%	251,10%
goods in transport (Cargo)	11,01%	39,53%	50,54%
property against fire and other dangers	13,19%	39,24%	52,43%
property other	10,34%	40,21%	50,55%
AO (total)	55,33%	43,16%	98,50%
aircraft liability	0,00%	24,45%	24,45%
vessel liability	0,00%	26,74%	26,74%
general liability	4,17%	34,23%	38,40%
loans	0,00%	0,00%	0,00%
guarantees	0,00%	(9,09%)	(9,09%)
financial losses	95,96%	53,47%	149,42%
legal protection	0,00%	0,00%	0,00%
tourist assistance	40,57%	50,98%	91,55%

31 December 2020	Index of claims, gross	Index of expenses, gross	Combined Index, gross
<b>Total</b>	<b>40,30%</b>	<b>43,58%</b>	<b>83,88%</b>
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%

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2021  
(All amounts expressed in Denar, unless otherwise stated)

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

**Combined Index, net**

31 December 2021	Index of claims, net	Index of expenses, net	Combined Index, net
<b>Total</b>	<b>49,10%</b>	<b>47,12%</b>	<b>96,22%</b>
accident	58,39%	33,81%	92,20%
health	81,86%	37,11%	118,97%
motor vehicles (Casco)	36,08%	40,01%	76,08%
railways vehicles (Casco)	0,00%	0,00%	0,00%
aircrafts (Casco)	0,00%	0,00%	0,00%
vessels (Casco)	0,00%	251,10%	251,10%
goods in transport (Cargo)	11,01%	39,53%	50,54%
property against fire and other dangers	37,19%	96,59%	133,78%
property other	17,71%	58,44%	76,15%
AO (total)	51,75%	44,26%	96,01%
aircraft liability	0,00%	117,05%	117,05%
vessel liability	0,00%	26,74%	26,74%
general liability	8,93%	65,82%	74,75%
loans	0,00%	0,00%	0,00%
guarantees	0,00%	(9,09%)	(9,09%)
financial losses	95,96%	53,47%	149,42%
legal protection	0,00%	0,00%	0,00%
tourist assistance	40,57%	50,98%	91,55%

31 December 2020	Index of claims, net	Index of expenses, net	Combined Index, net
<b>Total</b>	<b>49,32%</b>	<b>53,09%</b>	<b>102,41%</b>
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%

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2021  
(All amounts expressed in Denar, unless otherwise stated)

## 7. Commitments and contingencies

### *Legal litigations*

The Company in its operations is engaged in legal litigations when sued. These legal litigations arise from indemnification claims based on insurance in regard of which the Company has recorded an adequate provision for claims on the basis of estimated amount of claims in its financial reports, as at 31 December 2021. 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 any material effect on the Company's results, having in mind already calculated and recorded claim reserve.

### *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*

In 2021, the Company has estimated expenses for employee reserves amounting to 3.505.466 MKD out of which severance pay reserves to the amount of 1.047.868 MKD and jubilee rewards reserves to the amount of 2.457.466 MKD.

## 8. Events after the reporting period

After 31 December 2021 – 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 Operations of EUROLINK Insurance Inc. Skopje 2021**

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Skopje, February 2022

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## **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 Pirinska 23.

## **CORPORATIVE MANAGEMENT**

In the course of year 2021, 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 two regular meetings in the reporting year. At the first meeting, the Shareholder passed a decision on amendments to the Company's Statute due to a change of the Company's head office, thus changing the address Nikola Kljusev 2 into the new head office address Pirinska 23. The second meeting was the Annual Meeting at which the sole Shareholder reviewed and adopted consolidated Financial Statements and Annual Account for 2020, the Annual Reports and proposed materials. In addition, the Shareholder approved the operations of the Management

and of Supervisory Boards and appointed independent auditors for conducting external audit of the Financial Statements and the Annual Account for 2021.

**Supervisory Board** held 9 meetings in the reporting year. At their meetings, SB members discussed various relevant issues with respect to the Company's operations and passed decisions thereof, the decision on prolongation of the term of office for a part of the Management Board members due to expiry of their terms of office, being among other decisions. In addition, the change in this decision included extension of the term of office of the members of the Management Board from 4 years to 5 years. Accordingly, 4 of the members of the Management Board, whose term of office will expire in the course of 2022, now have term of office extended to 2027. Supervisory Board passes this decision at their 54<sup>th</sup> meeting held on 2 December 2021.

**Management Board** in the course of 2021 continually carried out its activities pursuant to the Insurance Supervision Law, the Company's Statute and other documents, holding 20 meetings and making decisions related to the Company's operations.

Management Board has 5 members employed in the Company as heads of departments with special authorizations, the 4 of them reelected in 2021 for 5-year term of office counted as of 2022, including:

- Marija Tomeska, MSc, MBA, a President; Herman Zip, a Deputy President and a Director of the Insurance and Reinsurance Department; Irena Velkoska Spirovska, a Member and a Director of the Claim Assessment and Settlement Department; Maja Bogdanovska Stojanoska, a Member and a Director of the Financial Department, while Cvetko Delev, a Member and Assistant Director of the Insurance and Reinsurance Department was a elected a Member at the Supervisory Board's meeting held on 12 June 2019. Consequently, his term of office was not a subject matter of review at the abovementioned meeting of the Supervisory Board.

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## **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 2021, the Company included 42 business units.

## **EMPLOYEES AND HUMAN RESOURCES DEVELOPMENT**

In the course of 2021, 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 2021 amounted to 200 full-time employees, a decrease compared to 2020 (2020: 205 employees). With respect to qualifications, 119 employees have a higher education degree, 1 employee holds PhD D, 10 hold MS degree, and 70 with secondary school degree.

### *RECRUITMENT AND SELECTION*

Human resources recruitment in the Company is made by a combination of internal resources and usage of external platforms for application of candidates from our partners.

Selection process is being made internally, by a multi-department approach.

In 2021, 4 new consultant trainees were engaged in the Sales Department, for the positions in the offices in Sveti Nikole, Karposh, Kisela Voda and the in the Client Support Service. HR Department organized introductory training for the newly employed. The training included a general picture of the insurance market, classes of insurance, sales strategy for 2021 and products we offer. In addition, the new consultants were trained for telephone communication and setting appointments with clients by practicing with real clients from the Company's data base.

New employees were engaged in the Financial Department, Accounting Department, Insurance & Reinsurance Department, Legal Department and IT Department, one in each respective department.

### ***EUROLINK CAREER OPEN DAY***

It was on 17 November 2021 that the Company introduced a career day for all candidates that applied for employment as consultants in the Sales Department. There were 80 candidates attending the open day and having the opportunity to get information about the Company, operating of the departments and to meet the employees.

Career day is one among several activities our Company has scheduled to reach young candidates, to facilitate and strengthen recruitment process and to be accessible to good quality candidates.

### ***CAREER ON-LINE CENTRE***

With a view to being accessible for interested candidates for employment in our Company, thus securing a continuous inflow of good quality candidates, a separate landing page as a segment of the Company's web site is being under construction.

The page is planned to include:

- Presentation of the Company and the team
- Team values
- Welcome video message
- Employment prospects
- Active job advertisements
- Employees testimonials and video statements
- Type of contacts – set up an interview, fix an informative meeting, connect with our employees
- Tips for making a good CV, preparing the interview etc.

This landing page will be launched in the first half of 2022.

### ***MANUAL FOR NEW EMPLOYEES***

This Eurolink Insurance employee manual describes duties and benefits of the Company's employees including the main operational procedures, rights and obligations of the employees, key products, management structure, employment, salaries, reimbursements and benefits, trainings and seminars.

This manual is primarily intended for the newly employed as the first step in the process of their introduction to the job and learning about the Company's organizational culture.

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

### ***EVALUATION OF BRANCH MANAGERS***

Evaluation process includes two key segments: competencies and key indicators of performance.

Key competencies under evaluation include initiative, adaptability and flexibility, accountability, sales team managing, focus on clients, problem situation approach, learning and development.

Key performance indicators include 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.

In 2021, 4 evaluations were carried out and individual feedback conversation about results was made with each respective manager.

### ***EVALUATION OF CONSULTANTS/EXPERTS***

Branch Managers evaluate their employees on a quarterly basis regarding the following key segments of their operations: realization of plan and renewals, new insurances and promotional sales, CRM activity, field activity and give guidelines for growth plan in the next 3 months.

In 2021, 4 quarterly evaluations of experts and managers were carried out.

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

Each quarter sales consultant trainees, consultant beginners, consultants and sales experts receive written information about their underperformance 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.

## ***ADVANCEMENT AND DEVELOPMENT PROGRAMMES***

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

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



### ***SALES NETWORK CONTINUOUS REWARDING PROGRAMME***

This Programme 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.

In the 4 quarters of 2021, the most successful consultants/experts who sold the greatest number of insurance policies during sales campaigns as well as the branch managers with the highest ratio in the quarterly evaluation were proclaimed and awarded. In addition, the annual choice of the best manager, expert and consultant (for 2021) was made.

In the reporting year, a poll on collaboration with administrative departments was made, in which the colleagues in the sales Department voted for the colleagues in the supporting departments who were their greatest support in the daily operations.

### ***COMPETE AND TRAVEL PROGRAMME***

This Programme focuses on new insurances and selling of key products. Two semi-annual competitions are scheduled in selling the key products: household, health, business sets and professional liability policies. The best 10 employees of the Sales Department and 2 employees of the administrative departments are awarded a travel to an attractive European destination.

In September 2021, the best sales consultants and managers travelled to Graz, Austria.

### ***ACTIVITIES IN THE PROCESS OF SALES NETWORK MANAGEMENT***

#### ***SALES CONFERENCE***

This conference is crucial to the Sales Department since it gives directions for movement in the respective year, reveals a strategy and plans for operating in the insurance market and presents the tools Eurolink and its employees in the Sales Department will use for conquering the insurance market and attracting numerous new clients.

Due to pandemic, the 2021 conference was held online, but all the updates and motivation tools were included.

#### ***ACTIVITIES AND DOCUMENTS FOR WORK DAY ORGANIZING***

Well organized sales process strategy was further implemented in the reporting year.

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, existing tools were being improved and updated thus helping the teams to maintain a high level of organization, productivity and having an open dialogue:

- Manual for Successful Branch Office Managers

- Manual for Successful Consultants/Experts
- Calendar of Controlling Visits
- Controlling Team Visit Agenda
- Regional Coordinator Visit Agenda
- Controlling Visit Report
- Sales Network Continuous Rewarding Programme
- Evaluation Forms

## **EMPLOYEE TRAINING AND EDUCATING**

### ***SALES DEPARTMENT***

#### INNER GAME OF SELLING

Improvement of the professional skills of the sales network and leadership skills of the branch managers kept to be in focus in 2021. In June 2021, online trainings were organized for the entire sales network – The Inner Game of Selling – elements creating continuous results.

### ***ALL EMPLOYEES***

#### COMMUNICATION TRAINING

All employees in the Company attended online training focused on improvement of internal and external communication, became aware of challenges and obstacles in the communication and obtained knowledge how to surpass them.

#### IT SYSTEM SECURITY TRAINING

In the course of November 2021, the Company's employees underwent training on the IT security, which in compliance with the Rulebook on the minimum standards for IT systems of the insurance companies issued by the Insurance Supervision Agency is obligatory for all the employees in the insurance companies. Following the training, the employees were testes and all of them successfully passed the exam.

### ***ADMINISTRATIVE DEPARTMENTS***

#### ADVANCED NEGOTIATION SKILLS TRAINING

A part of the colleagues in the Claim Assessment & Settlement Department and the colleagues in the Eurolink 24/7 Client Support Service attended a training focused on improvement of their knowledge and skills in the negotiation process, learned about the most common negotiation mistakes, got acquainted with effective communicating, principled negotiation and practices of conflict solving strategy.

## TELEPHONE COMMUNICATION TRAINING

A part of the colleagues in the Claim Assessment & Settlement Department and the colleagues in the Eurolink 24/7 Client Support Service attended the training about telephone communication advanced skills and on handling client complaints.

## TRAINING ABOUT ADDRESSING DIFFICULT CLIENTS

Colleagues in the Claim Assessment & Settlement Department, in the Collection Service and in the Department of Legal Matters and Law Compliance worked on overcoming challenges when facing difficult situations and clients, how to handle and reach a win-win situation.

## **MANAGEMENT TEAM**

Members of the management team attended a Leader Coaching Programme for improvement of communication, change in behaviour and emotional transformation, conflict situation coping techniques and maintaining the focus on beliefs and values. They acquired practical techniques how to prioritize right, how to regulate themselves in critical moments and how to work more successfully with the team.

## **YOUNG LEADERS PROGRAMME**

In 2021 a selection of young and prospective employees from all departments – a total of 11 were made and they started to attend a Training and Project Programme by means of which to develop themselves in the field of:

- Presentation skills
- Negotiation skills
- Delegating skills
- Project management skills
- Employee motivation skills
- Conflict resolving communication skills
- Mentoring skills
- Effective employee coaching skills
- Strategic thinking skills
- Technical skills for advanced working with MS Office

## **TRANSPARENT COMMUNICATION WITH EMPLOYEES**

### 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).

## EUROLINK BULLETIN

12 e-editions of the Eurolink Bulletin were distributed. It is a monthly bulletin for informing the employees about novelties, achievements and any actual topics in the current month.

### **TEAM BUILDING**

In the month of August, a daily team building activity was organized for the employees – Socializing in Matka Canyon – where they had an opportunity to see beauties of the nature and places of historical and cultural significance of this region. Due to pandemic, all activities were carried out in open space.

### **MARKETING, PUBLIC RELATIONS AND SOCIAL RESPONSIBILITY**

The realization of the campaigns and marketing activities for 2021 was still strongly influenced by the pandemic, especially in the context of the realization of promotions, events with an audience and interaction with clients, due to which the planned activities and campaigns were kept flexible, with enough room for adaptation. Ad hoc activities were realized in support of the Sales Department according to the needs.

**The year started** with the first market position for Eurolink Insurance, which was communicated with the internal and external public as a joint success. Additionally, within the first quarter, the moving of the Headquarters to a new location was realized, which meant enhanced communication especially with the entire external public and complete branding of the new premises. This was a great opportunity to implement the new Eurolink Insurance logo adopted last year.

**The second quarter** was dedicated to the promotion of Bike Insurance - the latest product of Eurolink Insurance for which the first spring after its launch was seen as best period for an integrated marketing campaign. The campaign was based on the key visual created together with the Brainster Academy of Design and the slogan "Turn to safety". As part of the campaign two versions of a TV spot, radio commercial, creative solutions for social media, print, outdoor solutions were prepared.

**During the third quarter**, the situation with the pandemic eased and travelling abroad was again made possible just before the start of the summer holidays. This opened up a great opportunity to promote our Travel Insurance, which had already been expanded to cover Covid-19 treatment and return to the country in the case of Covid-19, and as such was and still is the most competitive on the market. Considering that most trips were possible only by submitting a negative PCR test, which presented a big expenditure for travellers, Eurolink Insurance provided privileged prices in the largest accredited laboratories for all our clients who will buy travel insurance policy. In addition, the information on entry conditions was constantly changing, which created uncertainty for travellers, so during the summer we created a special landing page as a hub for all valid information on entry

conditions for the most common vacation destinations. We provided daily updates of the information in order to stay relevant for our clients.

**The fourth quarter** was dedicated to a digital campaign for the Private Family Health Insurance and another Travel Insurance campaign at the end of the year.

**Throughout the year**, all sales promotions were supported with the necessary printed and digital materials and communication.

There were activities in the field of **public relations** throughout the year. The following activities can be emphasized:

- Interview with Marija Tomeska, President of the Management Board of Eurolink Insurance for the business magazine Kapital
- Multiple statements of Management Board Members for the most prominent national media during the year
- A series of interviews with members of the management and other employees of Eurolink Insurance for one Internet portal

**Sponsorships and CSR activities** were realized with less intensity compared to previous years. Among them, the support and participation in the Skopje Marathon can be emphasized, where Eurolink Insurance was present as a sponsor but also participated with its own team of 44 runners. The team consisted of employees, family members and clients that gladly participated under Eurolink's flag. Furthermore, the traditional support of the Museum of Contemporary Art with which we created jointly co-branded gratis museum tickets for all the exhibitions, intended for our clients. At the end of the year, the support for the Fourth E-Commerce Conference was realized. This is the largest e-commerce conference in the entire region, and Eurolink Insurance, in addition to its sponsorship, contributed by participating in one of the panel discussions.

Other smaller sponsorships are realized in the form of several equipment donations for schools that are our clients and support of a local cycling race.

During December, a **marketing pitch** was organized, directly inviting 3 of the best and largest marketing agencies on the market, in order to obtain the best offer for the upcoming 20<sup>th</sup> Anniversary of Eurolink Insurance.

#### **CERTIFIED INDEPENDENT AUDITOR DATA**

The Company's sole shareholder, Grazer Wechselseitige Versicherung Aktiengesellschaft, AG at the General Assembly of the Shareholder appointed Grant Thornton DOO Skopje to conduct an independent audit of the Company's Annual Account and Financial Statements for the business year 2021.

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

## **ECONOMIC ENVIRONMENT**

Global economic activity in 2021 was in a recovery phase, accompanied by uncertainty as a consequence of prolongation of the pandemic. The risk of new variations of the corona virus increased the insecurity in the global economy thus preventing the economies to fully get back to normal functioning.

Although economy at the global level started to recover, a trend of increasing unemployment was still present along with increasing inflation, and particularly the uncertainty of future developments in the context of pandemic. Uncertainty of energy sources caused additional risks.

Inflation rate had an intensive rise, especially by the end of 2021, reflecting the gap between supply and demand, particularly due to higher prices of primary products thus rising up the living costs. Nevertheless, price pressures at global level are expected to fall in the course of 2022.

The global economy growth in 2021 is expected to reach 5.9% while in 2022 to be 4.9% according to October projections made by IMF. As for the EU, projected growth rate is 5.1% for 2021 and 4.4% for 2022, while for Germany, which is our biggest trade partner, the growth is anticipated at 3.1% for 2021 and 4.6% for 2022.

In 2021, despite prolonged effects of the pandemic, domestic economy started to recover dynamically, showing a 13.1% real growth in the Q2. It was for the first time that it rose above zero in the positive zone after four consecutive quarters with negative growth rates of the GDP, which from the methodological point officially marks the end of the economic crisis. Economic growth in the first half of the reporting year reached 5.2% having a broad basis and mostly due to activities in the service industry, which had a 6.1% real growth driven mostly by an exceptional growth of the trade, transport and catering services by 19.8%, activity that was one of the most severely stricken by the pandemic. Industrial production recovered, especially in the Q2 when showing 11.4% growth, mostly due to increased manufacturing of machines, appliances, electronic equipment and motor vehicles. Agricultural sector had 0.3% real growth in the first half of the year, while civil engineering 0.5% as a result of increased activity in building construction.

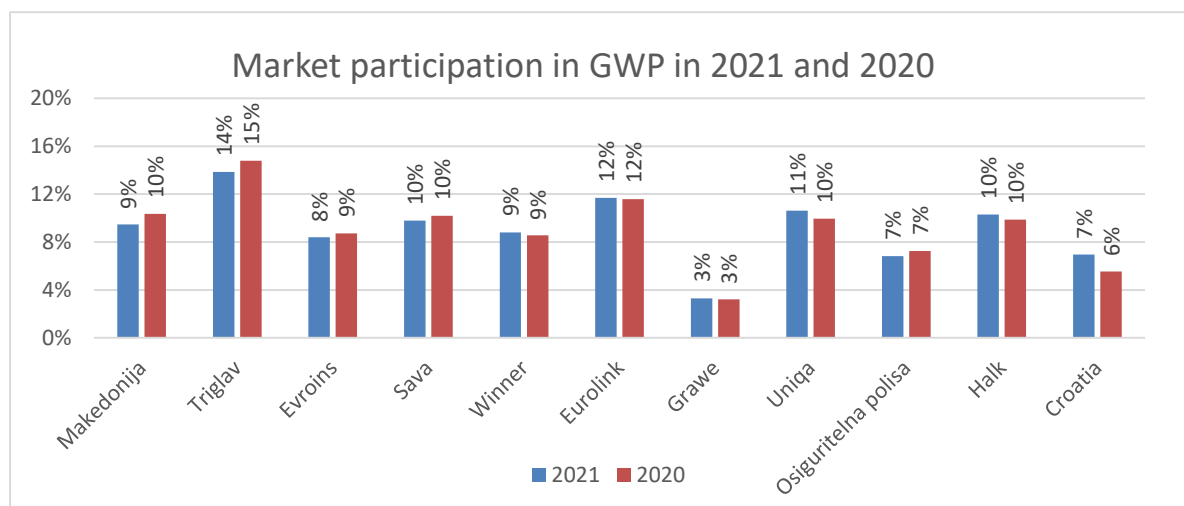
The Government projects **4.1% growth for 2021 and 5.4% average annual growth for the next five years**. It should be noted that, observing the positive economic trends in the course of the year, Q3 inclusive, it is most probably that the Government will have new projections for a higher growth of the GDP for 2021.

Inflation rate in the first nine months of 2021 is 2.8%, driven by the rise in prices of food, tobacco products and energy sources. Actual inflation rate in this period is higher than the forecasted and is expected to reach 3% for 2021, primarily due to price pressures on the part of supply caused by external factors such as energy prices and movement of prices of the primary products on the international market.

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

In accordance with the initially consolidated data for 2021 received from NIB, the total non-life insurance market wrote premiums to the approximate amount of MKD 9.63 billion thus showing a 16% increase compared to 2020.

In 2021, 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 (Triglav, Eurolink, Uniqa and Halk), while 2 of them almost at that threshold (Sava with 9.8% and Makedonija with 9.5%). The Company had 11.7% market share (2020:11,6%) 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 on changes in the market share (comparative % of the market share 2021 versus 2020) shows that all insurance companies realized increase per GWP.

Absolutely and relatively, In terms of overall situation in the insurance market, the biggest increase in gross written premiums was shown in the class of Health Insurance (48%), MTPL (17%) as well in other Property Insurances (29%), while positive trends were also present in the following classes: Motor vehicles – Casco (8%), Vessel – Casco (52%), Aircraft – Casco (873%), Goods-in-Transit (7%), Aircraft Liability (182%), Vessel Liability (26%), GL (19%), Financial Losses (7%) and Travel Assistance (94%).

Negative tendencies were present in Accident (-14 %), Fire and Allied Perils (-1%), Credit (-62%), Warranty (-57%) and Legal Protection (-38%).

Our Company realized 17% increase compared to 2020 and is 1 p.p. over the total market (16%)

As a comparison, our Company had increase in the following classes: Aircraft – Casco 3.045% increase or increase by 75.617.000 MKD (which results in the total market growth of 873%) , Vessel – Casco 150%2% ( 52% increase at total market level) Fire and Allied Perils 61%( compared to 1% decrease at the total market level), other Property Insurances 29% (29% increase at the total market level), MTPL 8% (compared to 17% increase at the total market level), Aircraft Liability 325% (compared to 182% at the total market level), Vessel Liability 20% (compared to 26% increase at the total market



level), GL 19% (19% increase at the total market level) and Travel Assistance 107% (compared to 94% increase at the total market level).

### Gross Written Premiums in 2021 and 2020 and Percentage of Increase at the Total Market Level and at the level of Eurolink

(In 000 MKD)

No.	Class of Insurance	Eurolink				Total Market			
		2021	2020	% of change	absolute change	2021	2020	% of change	absolute change
1	Accident	81.661	133.116	-39%	-51.455	647.100	748.395	-14%	-101.295
2	Health Insurance	104.012	112.795	-8%	-8.783	405.010	273.649	48%	131.361
3	Motor Vehicles - Hull	77.567	83.717	-7%	-6.150	890.288	823.735	8%	66.553
4	Rail Vehicles- Hull	0	0		0	0	0		0
5	Aircrafts - Hull	78.100	2.483	3045%	75.617	88.367	9.084	873%	79.283
6	Vessel - Hull	185	74	150%	111	1.673	1104	52%	569
7	Goods-in-Transit -Cargo	2.729	4.983	-45%	-2.254	90.413	84.696	7%	5.717
8	Property from Fire and Allied Perils	200.840	124.865	61%	75.975	758.585	768.207	-1%	-9.622
9	Other Property Insurances	99.100	76.911	29%	22.189	1.408.343	1.092.263	29%	316.080
10	MTPL (total)	384.668	357.363	8%	27.305	4.836.285	4.136.299	17%	699.986
11	Aircraft Liability	6.876	1.617	325%	5.259	19.106	6.787	182%	12.319
12	Vessel Liability	496	415	20%	81	3.418	2.709	26%	709
13	General Liability	63.173	53.025	19%	10.148	252.425	211.971	19%	40.454
14	Credit Insurance	0	0		0	9.524	25.158	-62%	-15.634
15	Warranty Insurance	9	72	-88%	-63	269	536	-50%	-267
16	Financial Loss Insurance	274	274	0%	0	69.169	64.478	7%	4.691
17	Legal Protection Insurance	0	0		0	5	8	-38%	-3
18	Travel Insurance	24.608	11.869	107%	12.739	147.948	76.325	94%	71.623
	<b>Total</b>	<b>1.124.298</b>	<b>963.579</b>	<b>17%</b>	160.719	<b>9.627.928</b>	<b>8.327.424</b>	<b>16%</b>	<b>1.302.524</b>

The Company had decrease in the following classes: Health Insurance (-8% versus 48% increase at the total market level), Motor Vehicles –Casco (-7% versus 8% increase at the total market level), Cargo (-45% versus 7% increase at the total market level), as well as Warranty Insurance (-88% versus -50% decrease at the total market level).

With respect to market share in various classes of insurance, the Company remained its primacy (13<sup>th</sup> year in a row) in the volume of written premiums in General Liability Insurance with 25% out of the total written premiums in this class, as well as in the Health Insurance with 26% under circumstances of 48% rise of total market. Although the Company has decrease in this class of insurance amounting

to -8%, the leading market position is still a significant realization particularly having in mind the market conditions in the context of seriously tougher competition.

The Company also has a leading market position in the class of Aircraft Liability (88% with respect to the total market), as well as Fire and Allied Perils Insurance (26% of the total market).

Gross Written Premiums 1 January 2021 31 December 2021

No.	Class of Insurance	Non-Life										Total	
		WIG	Triglav	Evroins	Sava	Winner	Eurolink	Eurosig	Uniqa	Os. Polisa	Albisg		Croatia
1	Accident	63.619	85.861	22.511	81.238	46.006	81.661	15.758	53.182	38.112	73.836	85.316	647.100
2	Health Insurance	7.332	86.501	15.632	36.834	1.966	104.012	0	18.920	127	73.702	59.984	405.010
3	Motor Vehicles - Hull	60.822	157.892	57.569	152.921	56.487	77.567	7.870	82.112	88.559	87.529	60.960	890.288
4	Rail Vehicles- Hull	0	0	0	0	0	0	0	0	0	0	0	0
5	Aircrafts - Hull	0	0	0	0	7.300	78.100	0	0	767	2.200	0	88.367
6	Vessel - Hull	6	302	11	519	94	185	0	98	217	241	0	1.673
7	Goods-in-Transit -Cargo	20.978	34.262	10.993	3.104	1.018	2.729	0	8.959	1.898	3.671	2.801	90.413
8	Property from Fire and Allied Perils	149.445	82.929	69.679	61.534	14.231	200.840	3.300	32.257	36.198	56.171	52.001	758.585
9	Other Property Insurances	293.491	220.215	224.552	113.932	86.540	99.100	1.105	145.442	12.461	190.826	20.679	1.408.343
10	MTPL (total)	259.017	536.427	395.570	451.445	605.325	384.668	286.078	623.730	453.458	471.770	368.797	4.836.285
11	Aircraft Liability	0	0	0	0	9.492	6.876	0	0	1.230	1.508	0	19.106
12	Vessel Liability	187	475	77	874	214	496	0	345	480	267	3	3.418
13	General Liability	37.793	37.822	5.014	11.213	13.249	63.173	599	42.162	13.398	21.504	6.498	252.425
14	Credit Insurance	1570	4.584	131	881	0	0	0	0	0	-68	2.426	9.524
15	Warranty Insurance	3	61	62	8	2	9	0	0	16	108	0	269
16	Financial Loss Insurance	10.165	49.409	414	2.406	0	274	0	6.273	0	172	56	69.169
17	Legal Protection Insurance	0	0	2	0	0	0	0	0	0	0	3	5
18	Travel Insurance	6.885	36.131	5.482	24.663	6.424	24.608	3.258	9.976	11.327	8.456	10.738	147.948
	<b>Total</b>	<b>911.313</b>	<b>1.332.871</b>	<b>807.699</b>	<b>941.572</b>	<b>848.348</b>	<b>1.124.298</b>	<b>317.968</b>	<b>1.023.456</b>	<b>658.248</b>	<b>991.893</b>	<b>670.262</b>	<b>9.627.928</b>

% per non-life insurance company	9,47%	13,84%	8,39%	9,78%	8,81%	<b>11,68%</b>	3,30%	10,63%	6,84%	10,30%	6,96%	100,00%
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Source: Initial consolidated data from NIBM of the RNM

Structure (market share) of Gross Written Premiums in 2021 per Classes and per Insurance Companies

No.	Class of Insurance	Non-Life										Total	
		WIG	Triglav	Evroins	Sava	Winner	Eurolink	Eurosig	Uniqa	Os. Polisa	Albisg		Croatia
1	Accident	10%	13%	3%	13%	7%	13%	2%	8%	6%	11%	13%	100%
2	Health Insurance	2%	21%	4%	9%	0%	26%	0%	5%	0%	18%	15%	100%
3	Motor Vehicles - Hull	7%	18%	6%	17%	6%	9%	1%	9%	10%	10%	7%	100%
4	Rail Vehicles- Hull												0%
5	Aircrafts - Hull	0%	0%	0%	0%	8%	88%	0%	0%	1%	2%	0%	100%
6	Vessel - Hull	0%	18%	1%	31%	6%	11%	0%	6%	13%	14%	0%	100%
7	Goods-in-Transit -Cargo	23%	38%	12%	3%	1%	3%	0%	10%	2%	4%	3%	100%
8	<b>Property from Fire and Allied Perils</b>	20%	11%	9%	8%	2%	26%	0%	4%	5%	7%	7%	100%
9	<b>Other Property Insurances</b>	21%	16%	16%	8%	6%	7%	0%	10%	1%	14%	1%	100%
10	MTPL (total)	5%	11%	8%	9%	13%	8%	6%	13%	9%	10%	8%	100%
11	Aircraft Liability	0%	0%	0%	0%	50%	36%	0%	0%	6%	8%	0%	100%
12	Vessel Liability	5%	14%	2%	26%	6%	15%	0%	10%	14%	8%	0%	100%
13	General Liability	15%	15%	2%	4%	5%	25%	0%	17%	5%	9%	3%	100%
14	Credit Insurance	16%	48%	1%	9%	0%	0%	0%	0%	0%	-1%	25%	100%
15	Warranty Insurance	1%	23%	23%	3%	1%	3%	0%	0%	6%	40%	0%	100%
16	Financial Loss Insurance	15%	71%	1%	3%	0%	0%	0%	9%	0%	0%	0%	100%
17	Legal Protection Insurance	0%	0%	40%	0%	0%	0%	0%	0%	0%	0%	60%	100%
18	Travel Insurance	5%	24%	4%	17%	4%	17%	2%	7%	8%	6%	7%	100%
	<b>Total</b>	<b>9%</b>	<b>14%</b>	<b>8%</b>	<b>10%</b>	<b>9%</b>	<b>12%</b>	<b>3%</b>	<b>11%</b>	<b>7%</b>	<b>10%</b>	<b>7%</b>	<b>100%</b>

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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 2021, the Company also faced several major challenges, as follows:

- Drop in the MTPL class through external channels due to considerably higher commissions on the part of insurance brokers!
- 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, Health Insurance in particular!
- Accelerated medical inflation and increased use of medical services due to the restraint during the pandemic!
- Prolongation of interest rate downward tendency, as well as strong volatility and oscillations in the global financial markets caused by the health crisis!
- Lack of increasing purchasing power of the physical persons and serious liquidity disturbances of the legal entities, resulting in considerably reduced collection of receivables!
- Implementation of additional regulatory changes in accounts recording (recognition) of broker commission costs!

## **BUSINESS POLICY**

Business policy in 2021 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.

The business policy for 2021 included the following values the Company's operations are based on:

- 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;
- Teamwork and support;
- 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 2021, 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.

In the reporting period, in addition to maintaining the current portfolio, the Company was especially focused on attracting new bigger clients in the field of renewable energy sources.

Considerable time was also devoted to signing new contracts for Group Health Insurance by visiting all major employers in our country.

In addition, intensive activities were carried out in the segment of expanding online services from all aspects for the purpose of enabling the clients a fully contactless service. Online branch with its functionalities was promoted in particular. At the same time, the focus was put on making necessary IT upgrades for the purpose of administrative facilitation of the internal procedures, with a view to speeding up our services to clients, as well as providers/creditors.

As a result, the Company managed to maintain its second ranking according to gross written premiums at the total market level (11.68% market share; 2020: 11.57%) with realized 17% increase in gross written premiums (market level: 16% increase).

In these terms, a special contribution of our Company regarding the market level is evident in the class of Aircraft Hull Insurance (3045% increase), where the Company becomes a leader with a market share of 88% in the framework of the class. In addition the Company remained leader (13<sup>th</sup> year in row) in the General Liability Insurance with its 13% growth (25% of the total market). At the same time, the Company preserves its leading position in the class of Health Insurance (26% of the total market) notwithstanding the 8% decrease, resulting from the seriously tougher competition.

### Sales

In 2021, the Company wrote gross insurance premiums to the amount of 1.124.298.000 MKD, or by 160.719.000 MKD higher amount than the one realized in 2020 (2020: 963.579.000 MKD), thus realizing 17% increase. According to initially consolidated data on 2021 received from NIB, our Company remained the second ranked in the domestic non-life insurance market, having approximately 11.7% market share and increasing at the same time its market share by +0.1 percentage points compared to previous year when the share was 11.6%.

As regards structure of gross written premiums, MTPL insurance participated with the biggest portion of 34% (36% in 2020). It should be pointed out that at the market level; the percentage

participation of this class of insurance in the Company's portfolio structure is considerably lower than the market level (which in 2021 was 50%).

Fire and other Property Insurances participated with 27% (21% in 2020), Health Insurance with 9% (12% in 2020), Accident Insurance with 7% (14% in 2020), Motor Hull (Casco) with 7% (9% in 2020), GL with 6% (6% in 2020), Travel Assistance with 2% (1% in 2020) and Cargo with 1% (1% in 2020) as also Aircraft Liability with 1% (2020:0%).

**Gross Written Premiums per classes, realisation in 2021 and 2020**

		Realization 2021	Realization 2020	Change in % 2021/2020	Structure 2021	Structure 2020
1	Accident	81.662	133.116	-39%	7%	14%
2	Health Insurance	104.011	112.795	-8%	9%	12%
3	Hull – Motor Vehicle	77.567	83.717	-7%	7%	9%
5	Hull - Aircrafts	78.100	2.483	3045%	7%	0%
6	Hull - Vessels	185	74	150%	0%	0%
7	Cargo	2.729	4.983	-45%	0%	1%
8	Fire	200.840	124.865	61%	18%	13%
9	Other Property	99.100	76.911	29%	9%	8%
10	MTPL	378.357	351.528	8%	34%	36%
11	Aircraft Liability	6.876	1.617	325%	1%	0%
12	Vessel Liability	496	415	20%	0%	0%
13	General Liability	69.484	58.860	18%	6%	6%
15	Warranty	9	72	-88%	0%	0%
16	Financial Losses	274	274	0%	0%	0%
18	Travel Assistance	24.608	11.869	107%	2%	1%
<b>Total Written Premiums</b>		<b>1.124.298</b>	<b>963.579</b>	<b>17%</b>	<b>100%</b>	<b>100%</b>

As regards total sales figures, Insurance&Reinsurance\_Department participated with 51% of gross written premiums in the reporting period (2020: 46%) or 30% higher than the previous year, while Sales Department realised 49% of gross written premiums (2020: 54%) or 6% higher 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), as well as return of the selling of Green Cards and Travel Insurance policies.



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.

In addition, new big and key clients were also acquired, as follows:

- ✓ Helicopter Insurance for the Ministry of Internal Affairs
- ✓ Bogoslovec Windmill Park Insurance

#### Gross Written Premiums per Quarters 2021/2020per Departments

(in million MKD)

Quarter	2020	2020cumul	2021	2021cumul	2021plan	2021 plan cumul.	% 2021/ 2020	% 2021cumul/2020cumul.
<b>Q1</b>	315	315	333	333	275	275	6%	6%
<b>Q2</b>	248	563	291	624	256	531	17%	11%
<b>Q3</b>	188	751	284	908	187	718	51%	21%
<b>Q4</b>	213	963	216	1124	211	929	1%	17%
	<b>964</b>		<b>1.124</b>		<b>929</b>		<b>17%</b>	
			<b>100%</b>					

Insurance & Reinsurance Department								
Quarter	2020	2020 cumul.	2021	2021 cumul.	2021 plan	2021plan cumul.	% 2021/ 2020	% 2021cumul/ 2020 cumul.
<b>Q1</b>	171	171	201	201	142	142	18%	18%
<b>Q2</b>	122	293	153	354	128	270	25%	21%
<b>Q3</b>	59	352	136	490	53	323	131%	39%
<b>Q4</b>	92	444	86	576	93	416	-7%	30%
	<b>444</b>		<b>576</b>		<b>416</b>		<b>30%</b>	
	<b>46%</b>		<b>51%</b>					

Sales Department								
Quarter	2020	2020 cumul.	2021	2021 cumul.	2021 plan	2021plan cumul.	%	
							2021/2020	2021cumul/2020 cumul.
Q1	144	144	132	132	133	133	-8%	-8%
Q2	126	270	138	270	128	261	10%	0%
Q3	129	399	148	418	134	395	15%	5%
Q4	120	519	130	548	118	513	8%	6%
	519		548		513		6%	
	54%		49%					

As regards distribution channels, 80, 4% out of total premiums in 2021 was realised by direct sale or 4 percentage points more than the previous year, 15, 3% through brokers or 3 percentage points less than the previous year and the rest was realized via other distribution channels (travel agencies, agents etc.) making 4.3% or 0.7 percentage points less than the last year.

#### Written Premiums per Distribution Channels

in 000 MKD	2021	2020	% of change	Structure of Premiums	
				2021	2020
Distribution Channels	1	2	3=1/2	4	5
Direct Sales	903.506	737.082	123%	80,4%	76,5%
Insurance Brokers	172.068	177.685	97%	15,3%	18,4%
Travel Agencies	5.498	2.816	195%	0,5%	0,3%
Banks	0	0		0,0%	0,0%
Insurance Agents	31.233	34.347	91%	2,8%	3,6%
Other Distribution Channels (Telekom etc)	11.994	11.649	103%	1,1%	1,2%
<b>Total</b>	<b>1.124.299</b>	<b>963.579</b>	<b>117%</b>	<b>100%</b>	<b>100%</b>

## 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 the part of enforced collection, the software gives notifications for monitoring the proceeding deadlines and collection of litigated debts.

The process is managed by the CRM software through generation of daily tasks and it enables the Director of the Finance Department to make a regular monitoring of finished tasks by the Client Support Service, which is in charge of collection from physical persons and by the Collection Service

in charge of collecting debts from legal entities. In addition to monitoring, logs created in the software enable a control of the quantity and quality of tasks done by agents with respect of collection of premiums, thus enabling further training and giving directions for even better performance of jobs and management of the collection of premiums from clients.

### *Receivables from Insurance Premiums*

In the context of the measures for facilitating health crisis consequences, 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, conclusive with 31 December 2020.

Changes specified new classification of receivables depending on the duration of arrears on the part of debtors. Accordingly, the adjustment of those receivables was made in the same manner as in the old Rulebook, yet with additional 60 days for each separate category. As a result, the Company as at 31 December 2020 realized an income to the amount 2.637.000 MKD.

(in days)			
Category	% of adjustment of receivables	Period of arrears in the 'old' Rulebook	Period of arrears in the 'new' Rulebook
A	0%	0-30	0-90
B	10%	31-60	91-120
C	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

The first calculation of the special reserve in accordance with the amended Rulebook, after coming into effect of the said Rulebook, was made on 30 April 2020 when the Company calculated a difference (decrease in expense) between the old and the new method of calculation, only for the receivables from premiums to the approximate amount of 15.400.000 MKD, which was reduced to approximate amount of 9.400.000 MKD to the end of the year (or a total of 9.800.000 MKD for all receivables in respect of which adjustment of values was made).

Calculation in accordance with the amended Rulebook ended on 31 December 2020 and in Q1 of 2021 the Company started to apply the old method of calculation of the special reserve thus "depreciating" the additional expense in the Income Statement for 2021 to the amount of 9.800.000 MKD. In 2021, by applying the old Rulebook, i.e., the age categories, the Company records an expense to the amount of 18.253.000 MKD only on the basis of receivables from premiums as at December 2021.

Total due, uncollected premiums in 2021 as at 31 December 2021 are to the amount of 417.611.000 MKD and are 17% higher than the amount as at 31 December 2020 (2020: 358.247.000 MKD).

Adjusted value as at 31 December 2021 (after writing-off a part of receivables to the amount of 6.958.000 MKD) is to the amount of to 85.468.000 MKD or 17% higher than the values as at 31 December 2020 (74.151.000 MKD), which was calculated in accordance with the amended Rulebook in effect until 31 December 2020. Had the adjusted value of receivables from premiums been calculated in accordance with the current Rulebook, the situation as at 31 December 2020 would have been higher by 9.366.000 MKD (or 83.517.000 MKD), meaning that the calculated adjusted value as at 31 December 2021 is only by 2% higher and/or is slightly higher than the level at the end of the previous year (or by 1.951.000 MKD).

Adjusted value of undue receivables (100% of the amount of all receivables for all currencies i.e., stipulated payment dates after expiration date specified in the insurance contract) in 2021 is to the amount of 1.171.000 MKD or is 15% lower than the adjusted value in 2020 (2020: 1.373.000 MKD). Out of total receivables from premiums, the amount of 239.004.000 MKD (57%) was undue (2020: 200.375.000 MKD or 56%) while 178.607.000 MKD (43%) due (2020: 157.872.000 MKD, or 44%).

The amount of due receivables from premiums is by 20.700.000 MKD higher than the one realized as at 31 December 2020, which represents 13% increase, while undue receivables are 38.700.000 MKD higher, which is 19% increase.

#### Receivables from premiums

2021				2020			
Period (old Rulebook) days	Receivables	Adjusted Value	Current value of Receivables	Period (new Rulebook) days	Receivables	Adjusted Value	Current value of Receivables
to 30 days	50.646.156	-133.548	50.512.608	to 90 days	66.106.670	-1.587.667	64.519.003
31-60 days	20.716.977	-2.335.325	18.381.652	91-120 days	7.152.510	-732.558	6.419.952
61-120 days	17.193.814	-5.447.953	11.745.861	121-180 days	9.701.868	-3.163.030	6.538.838
121-270 days	23.596.321	-12.137.540	11.458.781	181-330 days	13.275.044	-6.916.327	6.358.717
271-365 days	7.650.391	-5.439.468	2.210.923	331-425 days	4.698.959	-3.440.234	1.258.725
More than 365	58.802.862	-58.802.862	0	over 426 days	56.937.435	-56.937.435	0
Due receivables	178.606.521	-84.296.696	94.309.825	Due receivables	157.872.486	-72.777.251	85.095.235
Undue receivables	239.004.690	-1.171.111	237.833.579	Undue receivables	200.374.594	-1.373.776	199.000.818
	<b>417.611.211</b>	<b>-85.467.807</b>	<b>332.143.404</b>		<b>358.247.080</b>	<b>-74.151.027</b>	<b>284.096.053</b>

17%

In 2021, 686 new cases were prepared for enforced collection or 18, 6% less than in 2020, thus decreasing the value of receivables by approximate 2, 9%.

In the course of 2021, 646 cases amounting to 15.161.000 MKD were closed, out of which 369 amounting to 5.416.461 MKD from cases registered in 2021 and 277 cases amounting to 9.744.553 MKD registered in the period from 2004 up to 2020.

As at the end of 2021 the Company took legal actions for enforced collection of receivables for 11.234 cases to the amount of 231.586.000 MKD. On this basis, remaining uncollected premiums as at 31 December 2021 is to the amount of 34.451.000 MKD or 15% of the total due, uncollected premiums in respect of which enforcement proceedings was initiated.

Year	Total		Active		Archived	
	No.	MKD	No.	MKD	No.	MKD
2004-2014	2.736	128.248.974	381	5.657.068	2.355	122.591.906
2015-2020	7.812	92.099.082	1.778	22.973.496	6.034	69.126.130
2021	686	11.566.721	317	5.820.931	369	5.416.461
<b>TOTAL</b>	<b>11.234</b>	<b>231.585.992</b>	<b>2.476</b>	<b>34.451.495</b>	<b>8.758</b>	<b>197.134.497</b>

It should be noted that the value of receivables under “active” cases, in respect of which a formal procedure is underway either in front of a notary public, court of jurisdiction or a bailiff, 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 (8.758) amounting to 197.135.000 MKD, 7.478 cases were fully collected amounting to 122.414.000 MKD, while 872 cases amounting to 61.875.000 MKD remained uncollected.

	Archived Cases									
	Total		Collected		Uncollected		Re-entered/ withdrawn		Uneconomical	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
2004-2014	2.355	122.591.906	1.643	57.104.306	679	58.073.355	30	7.405.960	3	8.285
2015-2020	6.034	69.126.130	5.483	61.031.994	187	3.769.194	156	3.665.297	208	659.645
2021	369	5.416.461	352	4.277.062	6	32.484	11	1.106.915		
<b>TOTAL</b>	<b>8.758</b>	<b>197.134.497</b>	<b>7.478</b>	<b>122.413.362</b>	<b>872</b>	<b>61.875.033</b>	<b>197</b>	<b>12.178.172</b>	<b>211</b>	<b>667.930</b>

In respect of 211 cases amounting to 667.930 MKD the legal proceedings for enforced collection were stopped due to a lack of economic reason and 197 cases amounting to 12.178.000 MKD were 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 164) 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 from 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 2020 with rejected lawsuit.

Year	Bankruptcy, Liquidation		Rejected Request		Non-enforceable	
	No.	Amount	No	Amount	No	Amount
2004-2014	533	46.751.851	13	5.647.518	133	5.673.986
2015-2020	123	3.302.878	4	39.451	60	426.865
2021	2	6.695			4	25.789
<b>TOTAL</b>	<b>658</b>	<b>50.061.424</b>	<b>17</b>	<b>5.686.969</b>	<b>197</b>	<b>6.126.640</b>

In the period from 2004 to 2014, the percentage of uncollected premiums in all archived cases was 28,8% according to number of cases while the value of receivables being much higher – approximately 47.3% 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 2020 when the percentage of uncollected premiums was nearly 3% according to number of cases and 5.4%

according to the value of receivables. In 2021, the percentage of uncollected cases compared to archived ones amounted to 0,16% per number and 0,6% per value. In addition, it is worth mentioning that in 2021, 54% of the litigated cases were closed in the same year. The difference in the efficiency of enforced collection between the periods 2004-2014 and after that primarily resulted from the oldness of debt in the period of litigation 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 as of 2017, although in the Q2 and Q3 of 2020 deadlines were prolonged in due to COVID, which will eventually come back to normal dynamics as in the period prior to outburst of the pandemic.

### *Receivables from Subrogated Claims*

Total receivables from subrogated claims as at 31 December 2021 are to the amount of 28.009.000 MKD or 2% lower than the ones realized at the end of 2020 (28.715.000 MKD).

Decrease in receivables from subrogation was stated in MTPL claims (-3%), Credits (-12%) 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 are MTPL claims (69%) at the same level as in 2020.

**Receivables from subrogation (000 MKD)**

				Structure %	
	2021	2020	% of change	2021	2020
Subrogation - Accident	4	4	0%	0	0
Subrogation – Hull	6.837	6.866	0%	24	24
Subrogation - MTPL	19.214	19.731	-3%	69	69
Subrogation - Credits	1190	1.350	-12%	4	5
Subrogation – Unknown/uninsured vehicles	764	764	0%	3	3
<b>Total</b>	<b>28.009</b>	<b>28.715</b>	<b>-2%</b>	<b>100</b>	<b>100</b>

Out of total receivables as at 31 December 2021, 99,5 % or 27.875.000 MKD are due receivables.

Pursuant to regulations, the Company made adjustment to the value/set aside a reserve to the total amount of 26.931.000 MKD, out of which 26.647.000 MKD (99% of the total adjustment) were adjusted values of the uncollected receivables from subrogation due as at 31 December 2020, or arrears of more than 365 days with 100% adjusted value.

Age structure	Total due non-collected premiums		Adjusted value (reservation)	
	In 000 MKD	%	In 000 MKD	%
Undue subrogation	134	0%	0	0
To 30 days	711	3%	0	0
31 -60	23	0%	2	0
61 - 120	46	0%	14	0
121 -270	252	1%	129	0
271 -365	196	1%	139	1
More than 365 days	26.647	95%	26.647	99
<b>Total</b>	<b>28.009</b>		<b>26.931</b>	<b>100</b>

### *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 2021, uncollected receivables to the amount of 18.537.000 MKD is recorded or 7% more than the level realized in 2020.

The Company set aside provision to the amount of 9.256.000 MKD or 1.046.000 MKD more than the previous year, mostly arising from reinsurance commissions (68%).

Other Receivables (in 000 MKD)	2021		2020			Structure of receivables in %	
	Total receivables	Adjusted value/	Total receivables	Adjusted value	% of change	2020	2018
Reinsurance Commissions	1.555	1.245	927	568	68%	8	5
- Fire	767	606	440	400		49	47
- Aircraft Hull	68	68	71	36		4	8
- General Liability	720	571	416	132		4	2
Handling Claims	6.645	1.402	8.391	1.917	-21%	36	48
Cessions	4.204	3.935	3.968	3.968	6%	23	23
Other	6.133	2.674	4.039	1.757	52%	33	23
<b>Total</b>	<b>18.537</b>	<b>9.256</b>	<b>17.325</b>	<b>8.210</b>	<b>7%</b>	<b>100</b>	<b>100</b>

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.



	2021	
	Total receivables	Adjusted value
Deposit	10.535	10.535
Cash and cash equivalents	1.842	1.842
Receivables from interest on deposit	13	13
<b>Total</b>	<b>12.390</b>	<b>12.390</b>

## 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

Dynamics of reporting, settling and paying claims returned to the level it had prior to pandemic period.

The need for digitalization in claims is naturally imposed by itself, and yet it will become a legal obligation we are intensely working on and implementing effective sublimations of the necessary documents. Internal controls were introduced and conducted by Control Teams thus speeding up the process of recognition of the client needs and the manner of realizing them.

We kept on 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 2021 was as follows:

1 January – 31 December 2021		Settled Claims	Refused Claims	Reserved as at 31 December 2020	Reported Claims	Dynamics of Claim Settlement in %
		1	2	3	4	5=(1+2)/(3+4)*100
Accident	01	1.283	143	242	1.363	89%

Health	02	6.649	265	368	7.189	91%
Motor hull	03	686	88	317	706	76%
Rail hull	04	0	0	0	0	
Aircraft hull	05	0	0	0	0	
Vessel hull	06	0	0	0	0	
Cargo	07	3	0	3	2	60%
Property – Fire and allied perils	08	286	46	64	322	86%
Property - other	09	930	195	225	1099	85%
MTPL (total)	10	2322	352	1263	2718	67%
Aircraft liability	11	0	0	0	0	
Vessel liability	12	0	0	0	0	
General liability	13	40	12	15	53	76%
Credits	14	0	0	0	0	
Warranties	15	0	0	0	0	
Financial losses	16	6	1	1	7	88%
Legal protection	17	0	0	0	0	
Travel Insurance	18	272	86	52	424	75%
<b>Total</b>		<b>12.477</b>	<b>1.188</b>	<b>2.550</b>	<b>13.883</b>	<b>83%</b>

\* 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 83% in the course of 2021.

Compared to 2020, the number of settled claims in the reporting year is 8% higher. The table below shows the number of settled claims per classes of insurance:

	2021	2020	% of change	Structure in%	
				2021	2020
Accident	1.283	1.472	-13%	10%	13%
Health Insurance	6.649	5.505	21%	53%	48%
Motor Hull	686	723	-5%	5%	6%
Vessel Hull	0	0	0%	0%	0%
Cargo	3	1	200%	0%	0%
Fire and Allied Perils	286	262	9%	2%	2%
Property	930	935	-1%	7%	8%
MTPL (total)	2.322	2.305	1%	19%	20%
General Liability	40	26	54%	0%	0%
Financial Losses	6			0%	

Travel Insurance	272	311	-13%	2%	3%
<b>Total Number of Settled Claims</b>	<b>12.477</b>	<b>11.540</b>	<b>8%</b>	<b>100%</b>	<b>100%</b>

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 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.

### **Information Technology Upgrade**

Due to change of the Company's head office in the Q1 of 2021, movement of the whole IT infrastructure was made to the new location, too. Preparatory activities were carried out prior to the movement, including adaptation/extension of the server room, securing a controlled access, protection against physical threats such as theft, fire, explosion, smoke, flood, dust, and enabling a controlled work temperature and humidity. For the purpose of obtaining an uninterruptible power supply, an adequate connecting of a diesel generator with critical components of the IT system was made, which in addition to the primary power supply, are also connected with a so called standby power supply.

Following the preparatory activities, the movement of the whole equipment and restarting was made.

#### Enhancement and Improvement of the IT System

In the course of reporting year regarding improvement of the IT system, a compensation module was designed with a view to enabling an automated process of generating compensation proposals, approval and implementation. The module was in the final phase at the end of the reporting year and will be operational in Q1 of 2022.

Implementation of the module for material management that will facilitate monitoring of pre-printed policies as well as value vouchers used by the sales network was made in the Q4 of 2022.

In the course of 2021, several functionalities were implemented in the main business system (OSIS) related to connecting the transactions in the system with additional documentation (photos,

documents and other files). They are used in the processes of reporting and settling claims as well as in the risk underwriting processes.

#### IT System Security

In the Q1 of 2021, implementation of a log management solution was made, or 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 through recording of every access to IT systems logs.

## FINANCIAL RESULT ANALYSIS

### Net Income from Premiums

In 2021 the Company realized gross written premiums to the amount 1.124.298.000 MKD or 160.719.000 MKD higher amount than the gross premiums written in 2020, thus realizing 17% increase.

Under circumstances of ceded premiums to an approximate amount of 364.357.000 MKD (increased by the amount of 194.431.000 MKD compared to 2020, or 114% increase) and increased income from changes in the unearned premiums reserve to the net amount of 2.800.000 MKD (change in reserve based on unearned premiums amounting to 68.033.000 MKD and in the portion of reinsurance amounting to 70.833.000 MKD), the net earned premiums amounted to 762.743.000 MKD, which is 4% less than the one realized in 2020 (792.751.000 MKD).

In 000 MKD	2021	2020	% of growth
Gross Written Premiums	1.124.298	963.579	17%
Gross Written Premiums ceded			
Change in unearned insurance premium reserve	-68.033	19.129	-456%
Premiums ceded to reinsurers	-364.355	-169.924	114%
Change in unearned reinsurance premium reserve	70.833	-20.033	-454%
<b>Net Revenues from Premiums</b>	<b>762.743</b>	<b>792.751</b>	<b>-4%</b>

### Investment Income

In the reporting year the Company made income based on investment income to the amount of 66.567.000 MKD, which is 10% higher than the one realized in 2020 (2020: 60.604.000 MKD). In the same period total expenses from investments amounted to -10.162.000 MKD (2020: -29.322.000 MKD). Accordingly, income from investment totalled 56.405.000 MKD, which is 180% higher realization than the previous year (2020: 31.282.000 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 11.557.000 MKD or 14% higher than those in 2020: 10.164.000 MKD) while revenues from interests on time deposits in banks amounted to 8.492.000 MKD or 12% lower than the amount realized in 2020 (2020: 9.659.000 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 continued in 2021.

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 (end of 2020: 1.33%), fell at the level of 1.08% by December 2021. In addition, the National Bank of the Republic of North Macedonia decreased the interest rate on Central Bank bills, which was recorded at the level of 2.5% on annual basis in December 2018, to the level of 1.5% (or by 1 percentage point lower) by December 2020, with three consecutive downward corrections. Then, in March 2021, additional decrease for 0.25 p.p. was done, and by the end of 2021 it stayed at the level of 1.25%.

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; 2.56% at the end of 2020) to 1.76% at the end of 2021.

Investment Income	% of change		
(in 000 MKD)	2021	2020	2021/2020
Revenues from interest on treasury notes and government bonds	11.557	10.164	14%
Revenues from interest on fixed term deposits in banks	8.492	9.659	-12%
Revenues from interest on guarantee fund	252	320	-21%
Revenues from dividends	731	1.218	-40%
Revenues from amortization of government bond discounts	0	228	-100%
<i>Foreign exchange net effect</i>	2.298	-3.572	-164%
Revenues from exchange rate differences of held-to-maturity securities	4.299	2.149	100%
Expenditure from exchange rate differences of held-to-maturity securities	-2.001	-5.721	-65%
<i>Net effect of decreasing securities at fair value (held-for-trading securities)</i>	13.217	5.595	-1
Unrealized gains from decreasing securities at fair value	20.701	29.186	-29%
Unrealized losses from decreasing securities at fair value	-7.484	-23.591	-68%
<i>Net effect of realized gains from sold securities</i>	19.877	7.679	159%
Realized gains from sold investment (investment funds) and other revenues	20.535	7.680	167%
Realized losses from selling a financial property – capital loss	-658	-1	65700%
Other investment expenditure (interest expenses etc.)	-19	-9	111%
<b>Total Investment Income</b>	<b>66.567</b>	<b>60.604</b>	<b>10%</b>
<b>Total Investment Expenditure</b>	<b>-10.162</b>	<b>-29.322</b>	<b>-65%</b>
<b>Total Investment Net Income</b>	<b>56.405</b>	<b>31.282</b>	<b>180%</b>

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 13.217.000 MKD or 136% higher than the previous year (2020: 5.595.000 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, still managed to realize a net income (or unrealized net profit) by the end of the year. In the course of 2021, unrealized profit is twice and a half higher than in 2020.

At the same time, the investment portfolio available for sale realized net gains from selling securities to the amount of 20.535.000 MKD or 167% higher than the amount realized in 2020 (2020: 7.680.000 MKD). The amount of 13.117.000 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 (Stopanska banka AD Skopje, Sparkasse banka and Granit AD Skopje) totalling 7.320.000 MKD) and one ETF – ISHR EUR 600 Health Care (DE) to the amount of 98.000 MKD.

#### Other insurance technical income

In 2021, the volume of commissions and fees amounted to 54.392.000 MKD, which is 223% higher than the amount realized in 2020 (24.338.000 MKD).

The increase was due to increased reinsurance commissions (159% increase or by 28.684.000 MKD higher amount). Revenues realized through subrogated claims from Guarantee Fund were 28% higher than the previous year (increased by 737.000 MKD). Reimbursement from Guarantee Fund for claim handling services is almost at the same level as the previous year, i.e., decreased by 110.000 MKD.

in 000 MKD

	2021	2020	% change
Commissions from reinsurance	46.699	18.015	159%
Fees from GF for handling claims	440	550	-20%
Income from GF for realized subrogation	3.352	2.615	28%
Fees from companies for handling claims	1.898	1.409	35%
Other	2.003	1.749	15%
<b>Net income from fees and commissions</b>	<b>54.392</b>	<b>24.338</b>	<b>123%</b>

## Other revenues

In 2021, other revenues amounted to 6.997.000 MKD, which is 3% lower than the one in 2020. In this framework, revenues from taxes and court expenses were at the same level as those in 2020 (2% lower or drop by 43.000 MKD) while revenues from positive exchange rates and revenues from previous years were 4% lower than the previous year.

In 000 MKD

<b>Other income</b>	<b>2021</b>	<b>2020</b>	<b>% of change</b>
Income from interest and legal expenses arising from collected receivable by legal actions	1.987	2.030	-2%
Other income – positive exchange rate differences, etc.	5.010	5.194	-4%
<b>Total other income</b>	<b>6.997</b>	<b>7.224</b>	<b>-3%</b>

## Claims

In 2021, settled claims amounted to 362.048.000 MKD, which is 3% lower than the ones realized in the previous year. At the same time, they participated in gross written premiums with 32%, which is 7 percentage points lower than the participation in 2020 (39%).

The Company had increasing expenses regarding gross provision for claims to the amount of 36.266.000 MKD (2020: 40.364.000 MKD). In respect of IBNR claims, the Company increased the provision by the amount 2.400.000 MKD, while the provision for RBNS claims was increased by the amount of 33.800.000 MKD.

As regards revenues from subrogation claims, they amounted to 4.455.000 MKD which is 10% increase from 2020 (2020: 4.040.000 MKD).

Having in mind reinsurers' participation in settled and reserved claims, net incurred claims amounted to 368.990.000 MKD or 9% lower than the ones realized in 2020 (404.682.000 MKD).

In total, net incurred claims in 2021 participate with 33% in the gross written premiums (2020: 42%), while 48% in earned premiums (2020: 51%).



## Incurring Claims and Benefits

- In 000 MKD

	Gross			Reinsurer's Share			Net		
	2021	2020	% of change	2021	2020	% of change	2021	2020	% of change
Incurring claims paid in the current year	362.048	373.301	-3%	4.982	9.432	-47%	357.066	363.869	-2%
Changes in reserves RBNS	33.778	-7.343	-560%	20.453	-2.545	-904%	13.325	-4.798	-378%
Changes in reserves IBNR	2.488	47.707	-95%	-566	-1.943	-71%	3.054	49.650	-94%
Income from subrogation	-4.455	-4.040	10%				-4.455	-4.040	10%
<b>Total</b>	<b>393.859</b>	<b>409.625</b>	<b>-4%</b>	<b>24.869</b>	<b>4.944</b>	<b>403%</b>	<b>368.990</b>	<b>404.681</b>	<b>-9%</b>

## Bonuses and Discounts Expenses

Total expenses for bonuses and discounts in the reporting period amounted to 26.973.000 MKD or they are by 2.070.000 MKD (-7%) lower than the ones realized in 2020.

In 000 MKD	2021	2020	% of change
<i>Expenses for bonuses</i>	3.599	2.265	59%
<i>Expenses for discounts</i>	23.374	26.778	-13%
- accident	1.183	1.636	
- health insurance	880	1.071	
- Casco	5.625	5.739	-2%
- property insurances	10.535	12.748	-17%
- general liability	4.384	5.103	-14%
- other	767	481	59%
<b>Expenses for bonuses and discounts</b>	<b>26.973</b>	<b>29.043</b>	<b>-7%</b>

## Insurance Management Expenses

Total insurance management expenses in 2021 amounted to 327.858.000 MKD and they are 9% lower than the ones realized in the previous year.

	2021	2020	% of change
Acquisition Expenses	169.033	193.747	-13%
Overheads	158.825	167.620	-5%
<b>Total</b>	<b>327.858</b>	<b>361.367</b>	<b>-9%</b>

Approximate 48% or 158.825.000 MKD of the insurance management expenses are overheads (2020: 167.620.000 MKD or 46% % of the net insurance management expenses). At the same time, they are -5% lower than the previous year, while the acquisition costs are 13% lower with respect to those realized in 2020.

In accordance with IAS 19 standard, the Company started with estimation of reserves for severance pays and jubilee awards for the employees and recorded an expense amounting to 3.500.000 MKD, out of which the amount of 1.048.000 MKD for severance pays and 2.457.000 MKD for jubilee awards.

(in MKD)	2021	2020	% of change
Employees expenses	60.368	62.209	-3%
- salaries - administration and claims	54.790	54.966	0%
- other expenses for employees	5.578	7.243	-23%
Tenancy	20.288	26.967	-25%
Rented assets	787	449	75%
Management Bodies expenses	0	6.824	-100%
Telephone expenses	7.705	7.277	6%
Sponsoring and entertainment costs	3.244	2.869	13%
Depreciation f tangible assets	3.908	4.420	-12%
Expenses for services from natural persons	14.416	14.733	-2%
Reimbursement for using private cars	7.857	7.547	4%
Utility fees	3.467	3.789	-8%
Security	21	1.657	-99%
Banking services	3.600	3.370	7%
Office supplies	1.061	1.344	-21%
Other overheads	3.505	-	-
	28.598	24.165	18%
	<b>158.825</b>	<b>167.620</b>	<b>-5%</b>

Acquisition costs in 2021 amounted to 169.033.000 MKD (2020: 193.747.000 MKD). They participated with 52% in the total insurance management expenses (2020: 54%) and are 13% lower than the expenses in 2020.

In 000 MKD	2021	2020	% of change	structure 2021	structure 2020
Commission	59.348	50.564	17%	35%	26%
Gross salaries of the inner sales network	95.478	92.806	3%	56%	48%
Other acquisition costs	17.724	17.138	3%	10%	9%
Changes in acquisition costs	-3.517	33.239	-111%	-2%	17%
<b>Net acquisition costs</b>	<b>169.033</b>	<b>193.747</b>	<b>-13%</b>	<b>100%</b>	<b>100%</b>

In this context, external distribution channel commission amounted to 35% of the total acquisition costs or 18% of the net insurance management expenses. They amounted to 59.348.000 MKD or are 17% higher than in 2020 (2020: 50.564.000 MKD). It should be noted that at the end of the year, due to change in the accounting policy and regulations given by the Insurance Supervision Agency, the Company additionally calculated and recorded additional 7.474.000 MKD for commission expenses for intermediaries (agents, brokers and travel agencies), which are recognized according to premiums written by the intermediary yet are not paid, forwarded to the Company. If this effect is isolated, commission expenses would be to the amount of 51.875.000 MKD and is 2.5% rise with respect to the same in the previous year.

Other acquisition costs (sales network salaries, insurance policies printing expenses, publicity etc.) amounted to 113.202.000 MKD (2020: 109.944.000 MKD), which is 3% rise compared to the previous year.

As to the estimated expense for deferred acquisition costs, the Company in 2021 recorded an income to the amount of 3.500.000 MKD (2020: expense recorded to the amount of 33.239.000 MKD) for the purpose of a full compliance with the Guideline on application of the chart of accounts of insurance/reinsurance companies (Official Gazette of the RNM 170/2021) in respect of the estimation of deferred acquisition costs.

Namely, in the course of 2019, Insurance Supervision Agency passed a Rulebook on amendments to the rulebook on the format and contents of financial statements and detailed contents of the annual reports on operations of insurance and/or reinsurance companies, published in the Official Gazette of the Republic of North Macedonia on 16 August 2021 (NO. 170.2021). Pursuant to this by-law, insurance companies that apply accounting policies of recognizing, successive measuring and disclosing acquisition costs differing from the requirements referred to in Annex 3 of the Instruction for filing in financial statements of this Rulebook, are obliged to provide for future application of

amended accounting policies not later than the state of deferred acquisition costs as at 01 January 2022.

As at 31 December 2021, the Company is fully harmonized with the Instruction on the application of the table of accounts for insurance and reinsurance companies (Official Gazette of NRM 170/2021) with respect to calculation of deferred acquisition costs.

Based on the full harmonization, the Company has a negative movement (expense) in the Income Statement for the year ended on 31 December 2021 to the amount of 33.234.000 MKD (2020: expense amounting to 17.211.000 MKD).

### Management Bodies Expenses

In the framework of administrative expenses, the Company in 2021 reported expenses for the managing bodies to the total amount of 21.342.000 MKD (2020: 32.367.000 MKD). In these terms, the Company did not report expenses for Supervisory Board (2020:7.859.000 MKD), while the expenses for the Management Board amounted to 21.342.000 MKD (2020: 24.508.000 MKD). They are presented in the table par types of expenses:

	(In MKD)	
	2021	2020
<b>Supervisory Board Members</b>	<b>0</b>	<b>7.858.963</b>
- Reimbursement for SB meetings	0	5.268.493
- Other reimbursements	0	998.149
Health insurance	0	0
Life insurance	0	0
Managerial insurance	0	998.149
- Other expenses (including entertainment allowance)	0	1.592.321
<b>Management Board Members</b>	<b>21.342.109</b>	<b>24.507.762</b>
- Salaries and reimbursements	15.967.174	15.687.976
- Other reimbursements	4.205.746	4.187.246
Health insurance	389.749	341.332
Life insurance	265.080	265.685
Manager insurance	3.550.917	3.580.229
- Other expenses (entertainment allowance included)	1.169.189	4.632.540
<b>Total</b>	<b>21.342.109</b>	<b>32.366.725</b>

### Other Insurance Technical Expenses

In 2021, the Company set aside 33.151.000 MKD for other insurance technical expenses, a decrease to the amount 836.000 MKD or 2% compared to the previous year. Decrease is mostly due to payment of expenses for paying GF claims for unknown vehicles and it shows 5% decrease or 610.000 MKD with respect to the realized ones in the previous year.

(In MKD)	2021	2020	% of change
GF claims – payment (unknown vehicles)	12.563	13.173	-5%
Fire protection contribution	4.558	4.454	2%
Health care fee	3.818	3.473	10%
Insurance Supervision Agency	8.105	8.544	-5%
National Insurance Bureau	2.823	3.066	-8%
Subrogation to NIB – court expenses	1.022	1.010	1%
Other expenses	262	267	-2%
<b>Total</b>	<b>33.151</b>	<b>33.987</b>	<b>-2%</b>

### Value Adjustment of Receivables from Insurance Premiums

Total adjustment of the value of uncollected receivables from premiums in 2021 is an expense to the amount 18.253.000 MKD (2020: 2.638.000 MKD). The income in 2020 was primarily due to application of the amendments to the 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, i.e., the Company realized an income to the amount of 2.638.000 MKD. As of 1 January 2021, the old (the current/ not amended) Rulebook on the method of valuation of items in the balance sheet came into effect. If we isolate the effect of the current rulebook coming into force, the expenses would be lower by approximate amount of 9.800.000 MKD, which was calculated and recorded right in the beginning of 2021.

#### Value Adjustment of Receivables from Insurance Premiums

	2021	2020	% of change
Adjusted value of receivables from insured persons	11.317	-9.034	-225%
Collected, written-off receivable	-22	-4	
Permanent write-off of receivables	6.958	6.400	9%
<b>Total</b>	<b>18.253</b>	<b>-2.638</b>	<b>-792%</b>

At the end of the business year, the write-off of all receivables was made to the amount of 7.015.000 MKD (2020: 6.881.000 MKD). Most of the write-offs (6.958.000 MKD) resulted from closing down of legal entities, our debtors, and deletion of inactive legal entities in the Central Register of Macedonia. The rest of the amount (57.000 MKD) resulted from another receivable (subrogation etc.).

### Other Expenditure including Value Adjustment

In terms of category of other expenditure including adjusted values, the amount of 725.000 MKD refers to adjusted value of other receivables from direct operations (2020: 14.368.000 MKD, out of which 12.390.000 MKD refers to 100% adjustment of value of receivables from Eurostandard Bank, a bankruptcy procedure of which started in 2020) while for other financial expenditures, expenses are reported to the amount 7.015.000 MKD (2020: 793.000 MKD). Permanent write-off of these receivables for 2021 amounts to 57.000 MKD for 2021 (2020: 481.000MKD)

#### Other expenditures, including value adjustments

	2021	2020	% of change
Adjusted valued of other receivables from direct operations	725	14.368	-95%
Permanent write-off of receivables from direct operations	57	481	-88%
Other financial expenditures	7.051	793	789%
<b>Total</b>	<b>7.833</b>	<b>15.642</b>	<b>-50%</b>

### 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 101.831.000 MKD for 2021 (2020: 30.786.000 MKD, i.e., 89.638.000 MKD after taxation (2020: 24.645.000 MKD).

Total profit resulting from adding/reducing the profit from the re-measurement of the financial assets available for sale to the amount of -3.143.000 MKD (2020: -6.836.000 MKD) is to the amount of 86.495.000 MKD for 2021 (2020:17.809.000 MKD).

## FINANCIAL SITUATION ANALYSIS

Company's total assets as at 31 December 2021 amounted to 1.788.420.000 MKD, showing approximate increase of 18% compared to the previous year (2020: 1.520.754 MKD) (Annex 2).

### Investments

Company's total investments as at 31 December 2021 amount to 1.154.086.000 MKD and are 13% higher than the previous year (2020: 1.024.016.000 MKD.) Investments included 14.935.000 MKD (2020: 16.081.000 MKD) in the National Insurance Bureau's Guarantee Fund, while other financial investments are to the amount of 1.139.151.000 MKD (2020: 1.007.935.000 MKD).

In 2021, the Company increased its investment portfolio by 13% (or by 131.216.000 MKD in the absolute amount) mostly due to the Company's commitment to increasing collection of the insurance of premiums and decreasing the amount of due, uncollected receivables, as well as to efficient investment policies.

In terms of investment portfolio, the amount of 460.757.000 MKD was placed in bank deposits (16% higher compared to 2020), while 430.823.000 MKD in debtor's securities kept at maturity (22% increase compared to 2020) and 183.076.000 MKD in financial investments available for sale (6% increase compared to 2020), as well as 64.485.000 in financial investments held to trading (-24% lower compared to 2020).

	In 000 MKD				
	2021	2020	% of change	Structure in % 2021	2020
<b>Financial investment kept at maturity</b>	<b>430.823</b>	<b>351.819</b>	<b>22%</b>	<b>38%</b>	<b>35%</b>
- Debtors securities with 1-year maturity	0	0			
- Debtors securities over 1-year maturity	430.823	351.819	22%		
<b>Financial investment available for sale</b>	<b>183.076</b>	<b>172.145</b>	<b>6%</b>	<b>16%</b>	<b>17%</b>
- Stocks, shares and other instruments	2.100	10.676	-80%		
- Stocks and shares in investment funds	180.976	161.469	12%		
<b>Financial Investments for Trading</b>	<b>64.495</b>	<b>85.221</b>	<b>-24%</b>	<b>6%</b>	<b>8%</b>
<b>Deposits, loans and other placements</b>	<b>460.757</b>	<b>398.750</b>	<b>16%</b>	<b>40%</b>	<b>40%</b>
<b>Total Financial Investment</b>	<b>1.139.151</b>	<b>1.007.935</b>	<b>13%</b>	<b>100%</b>	<b>100%</b>

In the course of 2021, 94.3% of the investment portfolio structure included investments in instruments in the Republic of North Macedonia while 5.7% in investments abroad (in EU and OECD member states), thus additionally exposing itself to impacts of the global financial market (2020: 92% in domestic investments and 8% in foreign portfolios. Foreign portfolio structure mainly included

units bought in index funds (7 different ETFs) which together with the units in one open-end fund amounted to 50.442.000 MKD, which represents 4.4% of the total investment portfolio, while 1.2 % amounting to 14.053.000 MKD was invested in shares of business entities coming from those countries. Notwithstanding the whole foreign portfolio was categorized as available to trade, 9 ETFs were sold in the course of 2021. 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 course of 2021, the Company bought four new 15-year government bonds to the total value of 70.000.000 MKD and one 3-year bonds to the amount of 9.900.000 MKD by means of which weighted interest rate of the whole portfolio of debtor's securities was positioned at 3.28% at annual level.

The state of the company's investment portfolio as at 31 December 2021 compared to 31 December 2020 was as follows:

*(In 000 MKD)*

	Allowed % of Invested Technical Provision Covering Assets	As at 31 December 2020	% Structure	As at 31 December 2021	% Structure	Absolute Difference 2021-2020	% Difference 2021/2020
<b>Total Investment Portfolio (RNM)</b>		<b>922.714</b>	<b>92%</b>	<b>1.074.656</b>	<b>94,3%</b>	<b>151.942</b>	<b>16%</b>
Deposits in banks that have a licence issued by NBRM	60%	398.750	40%	460.757	40,4%	62.007	16%
Bonds and other securities issued or guaranteed by the RNM on the domestic market	80%	351.819	35%	430.823	37,8%	79.004	22%
Shares traded on a regulated securities market in the RNM	25%	10.676	1%	2.100	0,2%	-8.576	-80%
Stakes and shares of investment funds registered in the RNM	20%	161.469	16%	180.976	15,9%	19.507	12%
<i>Stakes in non-monetary IF</i>		128.439	13%	111.412	9,8%	-17.027	-13%
<i>Stakes in Cash IF</i>		33.029	3%	69.564	6,1%	36.535	111%
<b>Types of Investment Portfolio (EU+OECD)</b>		<b>85.221</b>	<b>8%</b>	<b>64.495</b>	<b>5,7%</b>	<b>-20.726</b>	<b>-24%</b>
Long-term bonds and other long-term debt securities issued by a member state of the EU or a member state of the OECD		0	0%		0,0%	0	
Shares issued by a foreign joint stock company, traded on a regulated securities market in the member states of the EU or in the member states of the OECD	20%	11.371	1%	14.053	1,2%	2.682	24%
Shares (stakes) in investment funds traded on regulated securities market in a member state of the EU or a member state of the OECD		73.850	7%	50.442	4,4%	-23.408	-32%
<b>TOTAL INVESTMENT PORTFOLIO (RNM + abroad (EU+OECD))</b>		<b>1.007.935</b>	<b>100%</b>	<b>1.139.151</b>	<b>100%</b>	<b>131.216</b>	<b>13%</b>



Namely, the biggest decrease, measured at the absolute amount in the investment portfolio, is realized in non-monetary investment funds amounting to 17.027.000 MKD (or -13%) and in shares quoted at the domestic stock market (decrease in the portfolio by 8.576.000 MKD (or - 80%). As for the foreign investment portfolio, i.e., stakes in investment funds traded on regulated securities markets in the EU or OECD member state, the Company has a decrease amounting to 23.408.000 MKD, i.e., 32% due to selling of the portion of its portfolio.

Investment policy, an in this framework a selection of placements per types and volume, is fully complied with legal provisions on 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 2021, the reinsurance portion in gross technical provisions is to the amount of 158.203.000 MKD or 134% higher than the previous year. Out of that amount, 126.476.000 MKD is for gross provision for unearned reinsurance premium, while 31.727.000 MKD is reinsurer's portion in gross provision for claims.

<b>Reinsurance portion in gross technical provision</b>			
In 000 MKD			
	<b>2021</b>	<b>2020</b>	<b>% of change</b>
<b>Gross provision for unearned premiums</b>			
As at 1 January	55.643	75.676	-26%
Unearned premium movement	70.833	-20.033	-454%
<b>As at 31 December</b>	<b>126.476</b>	<b>55.643</b>	<b>127%</b>
<b>Gross provision for claims</b>			
As at 1 January	11.840	16.329	-27%
Movement in the gross provision for claims	19.887	-4.489	-543%
<b>As at 31 December</b>	<b>31.727</b>	<b>11.840</b>	<b>168%</b>
<b>Reinsurance portion in gross technical provisions</b>	<b>158.203</b>	<b>67.483</b>	<b>134%</b>

### Receivables

Company's total receivables as at 31 December 2021 are to the amount of 352.828.000 MKD and are by 47.506.000 MKD higher than in 2020. Out of that amount, 94% are receivables from the insured persons amounting to 332.143.000 MKD or 17% higher than the amount realized in 2020. Receivables from direct insurance operations are at the same level as in 2020, while receivables from financial investments show a slight decrease (5%).

(in 000 MKD)				% structure	
	2021	2020	% of change	2021	2020
Receivables from the Insured	417.611	358.247	17%	118%	117%
Adjusted value of receivables from the Insured	-85.468	-74.151	15%	-24%	-24%
	<b>332.143</b>	<b>284.096</b>	<b>17%</b>	<b>94%</b>	<b>93%</b>
Other receivables from direct insurance operations	46.050	45.534	1%	13%	15%
Adjusted value of receivables from direct insurance operations	-34.543	-34.014	2%	-10%	-11%
	<b>11.507</b>	<b>11.520</b>	<b>0%</b>	<b>3%</b>	<b>4%</b>
Receivables from financial investments	6.831	7.197	-5%	2%	2%
Other receivables	4.004	3.971	1%	1%	1%
Adjusted value of other receivables	-1.657	-1.462	13%	0%	0%
	<b>9.178</b>	<b>9.706</b>	<b>-5%</b>	<b>3%</b>	<b>3%</b>
<b>Total Receivables</b>	<b>352.828</b>	<b>305.322</b>	<b>16%</b>	<b>100%</b>	<b>100%</b>

## Other Assets

On 31 December 2021, the Company had other assets available to the amount of 23.390.000 MKD, or 30% less than in 2020. Out of this amount, 9.005.000 MKD is capital goods and 14.384.000 MKD cash assets and cash equivalents.

Capital goods included equipment to the amount of 8.169.000 MKD (or 91%) while the amount of 836.000.000 MKD included other tangible assets.

Cash and cash equivalents at the year's end amounted to 14.384.000 MKD and are 44% lower compared to the situation as at 31 December 2020.

- In 000 MKD

### Cash and cash equivalents

	2021	2020
Cash with banks	15.844	27.134
Cash on hand	382	327
Other cash	-1.842	-1842
<b>As at 31 December</b>	<b>14.384</b>	<b>25.619</b>

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*.

### Prepayments and accrued income

As at 31 December 2021, prepayments and accrued incomes are to the amount of 97.910.000 MKD, which is 14% higher than the previous year.

In total prepayments and accrues incomes, the biggest portion (71%) refers to deferred *acquisition costs* to the amount of 69.481.000 MKD. They are 5% higher than the level in 2020 or higher by the amount of 3.517.000 MKD.

<b>Deferred Acquisition Costs</b>				
In 000 MKD	2021	2020	Change in MKD	% Of change
Deferred acquisition costs	41.312	41.348	-36	0%
Deferred costs - brokers	28.169	24.616	3.553	14%
<b>As at 31 December</b>	<b>69.481</b>	<b>65.964</b>	<b>3.517</b>	<b>5%</b>

*Other estimated revenues and deferred costs* amount to 28.429.000 MKD (29% of the total prepayments and accrued income) and have 43% increase compared to 2020.

In 000 MKD	2021	2020	% of change
Estimated income from reinsurance commissions	19.388	10.245	89%
Other estimated income	9.041	9.667	-6%
<b>Other estimated income and expenses</b>	<b>28.429</b>	<b>19.912</b>	<b>43%</b>

### Capital and Reserves

In 2021, the Company maintained the value of subscribed capital to the amount of 195.326.000 MKD and showed legally prescribed reserves to the amount of 192.836.000 MKD. Undistributed net profit on 31 December 2021 amounted to 108.647.000 MKD or is 18% higher amount than the one realized in 2020 (2020: 92.218.000 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 to -415.000 MKD, or 3.143.000 MKD less than the realized

in2020 (2020: 2.728.000 MKD), which is mostly due to selling of the shares of Granit AD Skopje and Stopanska banka AD Skopje.

The Company reports a net profit after taxation to the amount of 89.638.000 MKD for 2021.

As at 31 December 2021, total capital standing of the Company is at the level of 586.032.000 MKD or by 86.495.000 MKD (17%) higher than the one realized in 2020 (2020: 499.537.000 MKD).

### Gross Technical Provisions

As at 31 December 2021, the Company set aside gross technical provisions to the gross amount of 1.033.891.000 MKD, which is 11% higher than the level in 2020.

In the framework of total gross technical provisions, gross provision for unearned premiums is to the amount of 523.401.000 MKD (2020: 455.368.000 MKD) or 15% higher than the amount in 2020.

Gross provision for claims, including direct and indirect claims, amounts to 500.247.000 MKD or 8% higher than in 2020 (2020: 463.980.000 MKD).

Provision for bonuses and discounts amounted to 10.243.000 MKD or 30% lower than amount realized in 2020.

(In 000 MKD)	2021	2020	% of change
Gross reserves for unearned premiums	523.401	455.368	15%
Gross reserve for claims	500.247	463.980	8%
Gross reserve for bonuses/discounts	10.243	14.598	-30%
<b>Gross Technical Reserve</b>	<b>1.033.891</b>	<b>933.946</b>	<b>11%</b>

Including the participation of the reinsurers in the Company's gross technical provision to the amount of 158.203.000 MKD (126.476.000 MKD based on unearned premiums and 31.727.000 MKD based on total provision for claims) the net technical provision as at 31 December 2021 is to the amount of 875.688.000 MKD (2020: 866.463.000 MKD).

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Gross Technical Provision</b> (In 000 MKD)						
RBNS – Gross provision for reported but not settled claims	296.545	-22.409	274.136	263.165	-1.956	261.209
Provision for direct expenses	26		26	19		19
Provision for indirect expenses	2.854		2.854	2.462		2.462
IBNR – Gross provision for incurred but not reported claims	200.822	-9.318	191.504	198.334	-9.884	188.450
Provision for bonuses and discounts	10.243		10.243	14.598		14.598
Provision for unearned premiums	523.401	-126.476	396.925	455.368	-55.643	399.725
<b>As at 31 December</b>	<b>1.033.891</b>	<b>-158.203</b>	<b>875.688</b>	<b>933.946</b>	<b>-67.483</b>	<b>866.463</b>

### Deferred and current tax liabilities

As at 31 December 2021, the Company had a current tax liability to the amount of 6.878.000 MKD (2020: 1.054.000 MKD) out of which deferred tax obligations to the amount of 381.000 MKD and current tax obligations to the amount of 6.497.000 MKD.

Deferred tax liabilities	380.569	-
Current tax liabilities	6.497.124	1.054.066
	<b>6.877.693</b>	<b>1.054.066</b>

Namely, for the first time in 2021 and with regard to the financial investments classified as available for sale in compliance with MAS 39, the Company has started with implementation of the MAS 12 for the purpose of financial reporting, i.e., recording of deferred tax assets and deferred tax liabilities arising from deductible or taxable temporary differences between accounting value of a given asset /liability and its tax basis. As at 31 December 2021, the Company calculated deferred tax liabilities of 381.000 MKD, out of which 274.000 MKD are liabilities from non-realized profit represented in revaluation reserve from the adjustment of the value of financial assets available for sale. The other 107.000 MKD are other deferred tax liabilities.

### Liabilities

The Company's total liabilities are to the amount of to 45.735.000 MKD, or 5% above the level of those realized in the previous year.

*Total liabilities from direct insurance operations* are to the amount of to 545.000 MKD, showing 79% decrease compared to 2020

- In 000 MKD	2021	2020	% of change
Other liabilities from direct insurance operations	545	2.544	-79%
Liabilities arising from reinsurance	15.234	9.599	59%
Other liabilities	29.956	31.525	-5%
<b>Total Liabilities</b>	<b>45.735</b>	<b>43.668</b>	<b>5%</b>

**Liabilities from direct insurance operations**  
In 000 MKD

	2021	2020	% change
Liabilities to Insured persons	537	2.488	-78%
Other liabilities	8	56	0%
<b>As at 31 December</b>	<b>545</b>	<b>2.544</b>	<b>-79%</b>

*Liabilities from co-insurance and reinsurance* are to the amount of 15.234.000 MKD or 59% higher than the previous year, most of which undue, according to reinsurance treaties having in mind their fixed maturity.

**Liabilities from reinsurance**  
In 000 MKD

	2021	2020	% change
Liabilities from reinsurance premiums	15.234	9.599	59%
<b>As at 31 December</b>	<b>15.234</b>	<b>9.599</b>	<b>59%</b>

*Other liabilities* are to the amount of 29.956.000MKD showing 5% decrease compared to2020.

**Other Liabilities**

In 000 MKD

	2021	2020	% of change
Liabilities to suppliers	8.598	13.185	-35%
Liabilities to employees	13.560	13.039	4%
Other	7.798	5.301	47%
<b>As at 31 December</b>	<b>29.956</b>	<b>31.525</b>	<b>-5%</b>

### Accruals and deferred income

As at 31 December 2021, the Company has preestimated expenses to the amount of 112.378.000 MKD falling under the period , mostly with respect to estimated reinsurance expenses (or 87% of the total accruals and deferred income)and in respect of which no debit note has been received until the closure of the financial report for the business year.

- In 000 MKD

	2021	2020	% of change
Pre-estimated reinsurance expenses	97.316	31.783	206%
Pre-estimated brokerage expenses	11.830	7.382	60%
Other pre-estimated expenses per invoices	3.232	3.384	-4%
	<b>112.378</b>	<b>42.549</b>	<b>164%</b>

## **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.

### **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 2021 is to the amount of 188.473.457 MKD as per premium rate method or 100.689.320 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 2021 is to the amount of 188.473.457 MKD. 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 capital is in excess of 306.220.250 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 claim costs and
6. Provisions for bonuses and discounts.

Technical provisions as at 31 December 2021 are estimated to the amount of 875.688.000 MKD.

## Investment of Technical Provision Covering Assets

The Company set aside technical provision covering assets to the amount of 1.147.778.613 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.

Technical provision covering assets in 2021 were diversified so as to ensure not relying on a single category of assets, market or investment.

The Company adjusted investment of technical 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 non-observance 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 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.

In the course of the year the Company did not have any material changes in its approach to managing the capital.

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## ANNEXES

**Annex 1–INCOME STATEMENT**  
**As at 31 December 2021**

In MKD

Item	No.	Amount	
		Current Business Year	Previous Business Year
1	2	4	5
<b>A. OPERATIONS REVENUES (201+210+224+225)</b>	<b>200</b>	<b>890.698.444</b>	<b>884.917.208</b>
<b>I. EARNED PREMIUMS NET REVENUES FROM PREMIUMS (202+203+204-205-206-207+208+209)</b>	<b>201</b>	<b>762.742.934</b>	<b>792.751.207</b>
1. Gross Written Insurance Premiums	202	1.124.297.921	963.579.047
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	364.354.689	169.923.621
6. Change in gross reserve for unearned premiums	207	68.033.096	-19.128.761
7. Change in gross reserve for unearned premiums – ceded for co-insurance	208	-	-
8. Change in gross reserve for unearned premiums – ceded for re-insurance	209	70.832.798	-20.032.980
<b>II. INVESTMENT INCOME (211+212+216+217+218+219+223)</b>	<b>210</b>	<b>66.566.844</b>	<b>60.604.309</b>
<b>1. Revenues from branches, affiliations and jointly controlled entities</b>	<b>211</b>	<b>-</b>	<b>-</b>
<b>2. Investment Revenues from land and buildings (213+214+215)</b>	<b>212</b>	<b>0</b>	<b>0</b>
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	-	-
<b>3. Interests</b>	<b>216</b>	<b>20.301.409</b>	<b>20.143.424</b>
4. Positive exchange rate differences	217	4.298.990	2.148.490
5. Adjustment of value of receivables from premiums ( <b>unrealized profits, reduction to objective value</b> )	218	20.700.953	29.185.598
<b>6. Realized profits from selling financial property – capital profit (220+221+222)</b>	<b>219</b>	<b>20.535.177</b>	<b>7.680.497</b>
6.1 Financial investment available for sale	220	20.436.907	7.389.915
6.2 Financial investment for trading (at objective value)	221	98.270	290.582
6.3 Other financial investment	222	-	-
<b>7. Other investment Revenues</b>	<b>223</b>	<b>730.315</b>	<b>1.446.300</b>
<b>III. REINSURANCE COMMISSION</b>	<b>223a</b>	<b>46.698.757</b>	<b>18.014.857</b>
<b>IV. OTHER INSURANCE TECHNICAL REVENUES, DEDUCED FOR CEDED PREMIUMS</b>	<b>224</b>	<b>7.693.213</b>	<b>6.322.862</b>
<b>V. OTHER REVENUES</b>	<b>225</b>	<b>6.996.696</b>	<b>7.223.973</b>
<b>B. OPERATIONS EXPENSES (227+235+245+248+251+261+271+274+275)</b>	<b>226</b>	<b>788.867.035</b>	<b>854.131.399</b>

<b>I. INCURRED CLAIMS (NET EXPENSES FOR CLAIMS) (228-229-230-231+232-233-234)</b>	<b>227</b>	<b>368.990.350</b>	<b>404.681.648</b>
1. Gross paid claims	228	362.047.821	373.301.029
2. Reduction in income for gross realized subrogation claims	229	4.455.382	4.039.855
3. Gross paid claims – portion for co-insurance	230	-	-
4. Gross paid claims – portion for re-insurance	231	4.982.309	9.432.471
5. Changes in gross provision for claims	232	36.266.848	40.364.036
6. Changes in gross provision for claims - portion for co-insurance	233	-	-
7. portion for co-insurance - portion for re-insurance	234	19.886.628	-4.488.909
<b>II. CHANGES IN OTHER TECHNICAL RESERVES, NET FROM REINSURANCE (236+239+242)</b>	<b>235</b>	<b>-4.354.181</b>	<b>-17.273.523</b>
<b>1. Changes in mathematical reserve, net from reinsurance (237-238)</b>	<b>236</b>	<b>0</b>	<b>0</b>
1.1 Changes in gross mathematical reserve	237	-	-
1.2 Changes in gross mathematical reserve – co-insurance/re-insurance portion	238	-	-
<b>2. Changes in equalization reserve, net from reinsurance (240-241)</b>	<b>239</b>	<b>0</b>	<b>0</b>
2.1. Changes in gross equalization reserve	240	-	-
2.2 Changes in gross equalization reserve - co-insurance/re-insurance portion	241	-	-
<b>3. Changes in other technical provisions, net from reinsurance (243-244)</b>	<b>242</b>	<b>-4.354.181</b>	<b>-17.273.523</b>
3.1 Changes in other technical provisions	243	-4.354.181	-17.273.523
3.2 Changes in other technical provisions- co-insurance/re-insurance portion	244	-	-
<b>III. CHANGES IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE INVESTMENT RISK IS DEBITED TO THE INSURED, NET FROM REINSURANCE (246-247)</b>	<b>245</b>	<b>0</b>	<b>0</b>
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	-	-
<b>IV. Expenses for bonuses and discounts, net from reinsurance (249+250)</b>	<b>248</b>	<b>26.973.310</b>	<b>29.043.319</b>
1. Bonus expenses (depending on the reinsurance technical result)	249	3.598.980	2.264.641
2. Discount expenses (not depending on the reinsurance technical result)	250	23.374.330	26.778.678
<b>V. NET INSURANCE MANAGEMENT EXPENSES (252+256)</b>	<b>251</b>	<b>327.858.195</b>	<b>361.366.625</b>
<b>1. Acquisition Costs (253+254+255)</b>	<b>252</b>	<b>169.033.090</b>	<b>193.746.793</b>
1.1 Commission	253	59.348.061	50.563.786
1.2 Gross salary for sales network	253a	95.478.001	92.806.303
1.3 Other acquisition costs	254	17.724.085	17.137.729

1.4 Change in differed acquisition costs (+/-)	255	-3.517.057	33.238.975
<b>2. Overheads (257+258+259+260)</b>	<b>256</b>	<b>158.825.105</b>	<b>167.619.832</b>
2.1 Depreciation of tangible assets serving for carrying out activities	257	3.907.644	4.419.762
2.2 Employees expenses	258	60.368.185	62.209.353
2.2.1 Salaries and reimbursements	258a	36.124.787	36.322.338
2.2.2 Taxes on salaries	258b	3.370.881	3.408.898
2.2.3 Obligatory social insurance	258 c	15.294.947	15.234.944
2.2.4 Additional pension insurance for employees	258d	-	-
2.2.5 Other expenses for employees	258e	5.577.570	7.243.173
2.3 Expenses resulting from services rendered by physical persons (car repair shops, etc.) with all taxes	259	14.416.070	14.732.685
2.4 Other overheads (260a+260b+260c)	260	80.133.206	86.258.032
2.4.1 Expenses for services	260a	60.285.462	61.265.212
2.4.2 Material expenses	260b	5.949.908	6.017.259
2.4.3 Reservation expenses and other operational expenses	260c	13.897.836	18.975.561
<b>VI. INVESTMENT EXPENSES (262+263+264+265+266+270)</b>	<b>261</b>	<b>10.161.833</b>	<b>29.322.049</b>
1. Depreciation and adjustment of tangible assets not serving for carrying out activities	262	-	-
2. Interests expenses	263	18.942	9.133
3. Negative exchange rates differences	264	2.000.906	5.721.272
4. Adjustment of values (unrealized losses, reduction to objective value)	265	7.483.782	23.591.335
5. Realized losses from selling financial property – capital loss (267+268+269)	266	658.203	309
5.1 Financial investment available for sale	267	241.523	309
5.2 Financial investment for trading (at objective value)	268	416.680	-
5.3 Other financial investment	269	-	-
6. Other investment expenses	270	-	-
<b>VII. OTHER INSURANCE TECHNICAL EXPENSES, REDUCED FOR REINSURANCE (272+273)</b>	<b>271</b>	<b>33.151.364</b>	<b>33.986.882</b>
1. Prevention expenses	272	-	-
2. Other insurance technical expenses, reduced for reinsurance	273	33.151.364	33.986.882
<b>VIII. ADJUSTED VALUE OF RECIEVABLES FROM PREMIUMS</b>	<b>274</b>	<b>18.252.710</b>	<b>-2.637.713</b>
<b>IX. OTHER EXPENDITURES, INCLUDING ADJUSTED VALUES</b>	<b>275</b>	<b>7.833.454</b>	<b>15.642.112</b>
<b>X. BUSINESS YEAR PROFIT BEFORE TAX (200-226)</b>	<b>276</b>	<b>101.831.409</b>	<b>30.785.809</b>
<b>XI. BUSINESS YEAR LOSS BEFORER TAX (226-200)</b>	<b>277</b>	<b>-</b>	<b>-</b>
<b>XII. PROFIT/LOSS TAX</b>	<b>278</b>	<b>12.210.815</b>	<b>6.141.094</b>
<b>XIII. DEFFERED TAX</b>	<b>279</b>	<b>-</b>	<b>-</b>
<b>XIV. BUSINESS YEAR PROFIT AFTER TAXATION (276-278-279)</b>	<b>280</b>	<b>89.620.594</b>	<b>24.644.715</b>
<b>XV. BUSINESS YEAR LOSS AFTER TAXATION (277-278-279)</b>	<b>281</b>	<b>-</b>	<b>-</b>



<b>XVI. OTHER COMPREHENSIVE PROFIT/(LOSS)</b>		<b>24.644.715</b>	<b>1.959.678</b>
Profit/loss from repeated measurement of funds available for sale		-3.143.271	-6.835.829
Profit tax on components of comprehensive profit		-	-
<b>PROFIT/(LOSS) BELONGING TO SHAREHOLDERS</b>		<b>86.477.323</b>	<b>17.808.886</b>

## Annex 2 – BALANCE SHEET

In MKD

As at 31 December 2021

Item	No.		
		Current Business Year	Previous Business Year
1	2	4	5
<b>ASSETS</b>			
<b>A. INTANGIBLE ASSETS</b>	<b>001</b>	<b>1.612.757</b>	<b>1.885.744</b>
1. Goodwill	002	-	-
2. Other intangible assets	003	1.612.757	1.885.744
<b>B. INVESTMENT</b>	<b>004</b>	<b>1.154.085.937</b>	<b>1.024.016.236</b>
<b>I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS</b>	<b>005</b>	-	-
<b>1. Land and building for carrying out activities</b>	006	-	-
1.1 Land	007	-	-
1.2 Buildings	008	-	-
<b>2. Land and building not serving for carrying out activities</b>	009	-	-
2.1 Land	010	-	-
2.2 Buildings	011	-	-
2.3 Other tangible assets	012	-	-
<b>II. FINANCIAL INVESTMENT IN A GROUP – BRANCHES, AFFILIATIONS AND JOINTLY CONTROLLED ENTITIES</b>	<b>013</b>	<b>14.934.787</b>	<b>16.081.216</b>
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	14.934.787	16.081.216
<b>III. OTHER FINANCIAL INVESTMENT</b>	<b>021</b>	<b>1.139.151.150</b>	<b>1.007.935.020</b>
<b>1. Financial investment kept to maturity</b>	<b>022</b>	<b>430.823.398</b>	<b>351.819.431</b>
1.1 Debtors securities – one year maturity	023	-	-
1.2 Debtors securities – over one year maturity	024	430.823.398	351.819.431
<b>2. Financial investment available for sale</b>	<b>025</b>	<b>183.075.552</b>	<b>172.144.969</b>

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	2.100.000	10.676.400
2.4 Shares and shares in investment fund	029	180.975.552	161.468.569
<b>3. Financial investment for trading</b>	<b>030</b>	<b>64.495.381</b>	<b>85.220.645</b>
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	51.459.471	74.885.802
3.4 Shares and shares in investment fund	034	13.035.910	10.334.843
<b>4. Deposits, loans and other placements</b>	<b>035</b>	<b>460.756.819</b>	<b>398.749.975</b>
4.1 Give deposits	036	460.756.819	398.749.975
4.2 Mortgage secured loans	037	-	-
4.3 Other loans	038	-	-
4.4 Other placements	039	-	-
<b>5. Derivative financial instruments</b>	<b>040</b>	<b>-</b>	<b>-</b>
<b>IV. DEPOSITIS OF REINSURANCE COMPANIES WITH CESSORS, BASED ON REINSURANCE TREATIES</b>	<b>041</b>	<b>-</b>	<b>-</b>
<b>C. PORTION FOR COINSURANCE, REINSURANCE IN GROSS TECHNICAL RESERVES</b>	<b>042</b>	<b>158.202.839</b>	<b>67.483.413</b>
1. Portion for coinsurance/reinsurance in unearned premium gross reserve	043	126.475.975	55.643.177
2. Portion for coinsurance/reinsurance in gross mathematical reserve	044	-	-
3. Portion for coinsurance/reinsurance in gross claim reserve	045	31.726.864	11.840.236
4. Portion for coinsurance/reinsurance in bonus/discounts gross reserve	046	-	-
5. Portion for coinsurance/reinsurance in gross equalization reserve	047	-	-
6. Co-insurance and reinsurance portion in gross other technical reserve	048	-	-
7. Portion for coinsurance/reinsurance in gross technical reserves for life insurance where investment risk is debited to the insured,	049	-	-
<b>D. FINANCIAL INVESTMENT WHERE THE INSURED UNDERTAKES THE INVESTMENT RISK (INSURANCE CONTRACTS)</b>	<b>050</b>	<b>-</b>	<b>-</b>
<b>E. DEFERRED AND CURRENT TAX ASSETS</b>	<b>051</b>	<b>390.362</b>	<b>2.774.402</b>
1. Deferred tax assets	052	319.833	-
2. Current tax assets	053	70.529	2.774.402
<b>F. RECEIVABLES</b>	<b>054</b>	<b>352.828.058</b>	<b>305.322.291</b>
<b>I. RECEIVABLES FROM DIRECT INSURANCE OPERATIONS</b>	<b>055</b>	<b>332.143.404</b>	<b>284.096.053</b>
1. Receivables from insured	056	332.143.404	284.096.053
2. Receivables from intermediaries	057	-	-
3. Other receivables from direct insurance operations	058	-	-
<b>II. RECEIVABLES FROM COINSURANCE/REINSURANCE</b>	<b>059</b>	<b>0</b>	<b>0</b>

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	-	-
<b>III. OTHER RECEIVABLES</b>	<b>063</b>	<b>20.684.654</b>	<b>21.226.238</b>
1. Other receivables from direct insurance operations	064	11.506.806	11.520.347
2. Receivables from financial investment	065	6.818.293	7.196.780
3. Other receivables	066	2.359.555	2.509.111
<b>IV. RECEIVABLES FROM SUBSCRIBED YET NOT PAID UP CAPITAL</b>	<b>067</b>	<b>-</b>	<b>-</b>
<b>G. OTHER ASSETS</b>	<b>068</b>	<b>23.389.731</b>	<b>33.395.558</b>
<b>I. TANGIBALE ASSTES FOR CARRYING OUT ACTIVITIES (EXCEPT LAND AND BUILDINGS (070+071))</b>	<b>069</b>	<b>9.005.449</b>	<b>7.776.895</b>
1. Equipment	070	8.169.086	6.940.532
2. Other tangible assets	071	836.363	836.363
<b>II. CASH AND CASH EQUIVALENTS</b>	<b>072</b>	<b>14.384.282</b>	<b>25.618.663</b>
1. Cash in bank	073	15.843.882	27.133.530
2. Cash at cashier	074	382.662	327.395
3. Funds set aside for covering mathematical reserve	075	-	-
4. Other cash and cash equivalents	076	(1.842.262)	(1.842.262)
<b>III. STOSK AND PETTY INVENTORY</b>	<b>077</b>	<b>-</b>	<b>-</b>
<b>H. ACTIVE TIME APPORTIONMENTS</b>	<b>078</b>	<b>97.909.842</b>	<b>85.875.964</b>
1. Previously estimated revenues from interest and rents	079	-	-
2. Deferred acquisition costs	080	69.481.206	65.964.149
3. Other estimated revenues and deferred costs	081	28.428.636	19.911.815
<b>3. NON-CURRENT ASSETS KEPT FOR SSALE AND INTERUPTED OERATIONS</b>	<b>082</b>	<b>-</b>	<b>-</b>
<b>I. TOTAL ASSETS</b>	<b>083</b>	<b>1.788.419.525</b>	<b>1.520.753.608</b>
<b>J. OUT-OF-BALANCE RECORDS - ASSETS</b>	<b>084</b>	<b>266.081.651</b>	<b>249.146.672</b>
<b>LIABILITIES</b>			
<b>A. CAPITAL AND RESERVES</b>	<b>085</b>	<b>586.031.890</b>	<b>499.537.083</b>
<b>I. SUBSCRIBED CAPITAL</b>	<b>086</b>	<b>195.326.080</b>	<b>195.326.080</b>
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	-	-
<b>II. PREMIUMS FOR ISSUED SHARES</b>	<b>090</b>	<b>-</b>	<b>-</b>
<b>III. REVALUATION RESERVE</b>	<b>091</b>	<b>(415.302)</b>	<b>2.727.969</b>
1. Tangible assets	092	-	-
2. Financial investment	093	(415.302)	2.727.969
3. Other revaluation reserves	094	-	-

<b>IV. RESERVES</b>	<b>095</b>	<b>192.835.567</b>	<b>184.620.662</b>
1. Legal reserves	096	192.835.567	184.620.662
2. Statutory reserves	097	-	-
3. Own shares reserves	098	-	-
4. Owen shares redeemed	099	-	-
5 Other reserves	100	-	-
<b>V. UNDISTRIBUTED NET PROFIT</b>	<b>101</b>	<b>108.647.467</b>	<b>92.217.657</b>
<b>VI. LOSS CARRIED FORWARD</b>	<b>102</b>	-	-
<b>VII. PROFIT IN THE CURRENT ACCOUNTING PERIOD</b>	<b>103</b>	<b>89.638.078</b>	<b>24.644.715</b>
<b>VIII. LOSS IN THE CURRENT ACCOUNTING PERIOD</b>	<b>104</b>	-	-
<b>B. SUBORDINATED RESERVES</b>	<b>105</b>	-	-
<b>C. GROS TECHNICAL PROVISIONS</b>	<b>106</b>	<b>1.033.891.331</b>	<b>933.945.567</b>
I. Unearned premiums gross provision	107	523.401.230	455.368.134
II. Gross mathematical reserve	108	-	-
III. Claims gross provisions	109	500.246.660	463.979.811
IV. Bonus/discount gross provision	110	10.243.441	14.597.622
V. Equalization gross provision	111	-	-
VI. Other technical gross provisions	112	-	-
<b>D. GROSS TECHNICAL PROVISIONS AS TO INSURANCE CONTRACTS WHERE THE INSURED UNDERTAKES THE INVESTMENT RISK</b>	<b>113</b>	-	-
<b>E. OTHER RESERVES</b>	<b>114</b>	<b>3.505.466</b>	-
1. Employees reserve	115	3.505.466	-
2. Other reserves	116	-	-
<b>F. DEFERRED AND CURRENT TAX LIABILITIES</b>	<b>117</b>	<b>6.877.693</b>	<b>1.054.066</b>
1. Deferred tax liabilities	118	380.569	-
2. Current tax liabilities	119	6.497.124	1.054.066
<b>G. LIABILITIES ARISING FROM DEPOSITS OF THE REINSURANCE COMPANIES WITH CESSORS, BASED ON REINSURANCE TREATIES</b>	<b>120</b>	-	-
<b>H. LIABILITIES</b>	<b>121</b>	<b>45.734.895</b>	<b>43.667.931</b>
<b>I. LIABILITIES ARISING FROM DIRECT INSURANCE OPERATIONS</b>	<b>122</b>	<b>544.672</b>	<b>2.543.889</b>
1. Liabilities to the insured	123	536.412	2.488.419
2. Liabilities to agents and intermediaries	124	-	-
3. Other liabilities arising from direct insurance operations	125	8.260	55.470
<b>II. LIABILITIES FROM COINSURANCE/REINSURANCE</b>	<b>126</b>	<b>15.234.006</b>	<b>9.598.803</b>
1. Liabilities from coinsurance/reinsurance premiums	127	15.234.006	9.598.803
2. Liabilities from participation in claim indemnity	128	-	-
3. Other liabilities from coinsurance/reinsurance	129	-	-
<b>III. OTHER LIABILITIES</b>	<b>130</b>	<b>29.956.217</b>	<b>31.525.239</b>

1. Other liabilities from direct insurance operations	131	8.598.238	13.186.030
2. Liabilities from financial investment	132	-	-
3. Other liabilities	133	21.357.979	18.339.209
<b>3. PASSIVE TIME APPORTIONMENTS</b>	<b>134</b>	<b>112.378.250</b>	<b>42.548.961</b>
<b>I. NON-CURRENT LIABILITIES RELATED TO NON-CURRENT ASSETS KEPT FOR SALE AND INTERRUPTED OPERATIONS</b>	<b>135</b>	<b>-</b>	<b>-</b>
<b>J. TOTAL LIABILITIES</b>	<b>136</b>	<b>1.788.419.525</b>	<b>1.520.753.608</b>
<b>K. OUT-OF-BALANCE RECORDS - LIABILITIES</b>	<b>137</b>	<b>266.081.651</b>	<b>249.146.672</b>

<b>Annex 3 SOLVENCY MARGIN REQUIRED LEVEL – NON-LIFE INSURANCE</b>		Non-life insurance except for healthcare insurance governed by provisions under article 75, paragraph 6 of the Law		Healthcare insurance governed by provisions under article 75, paragraph 6 of the Law		Non-life insurance except for healthcare insurance governed by provisions under article 75, paragraph 6 of the Law*	
		Current year	Previous year	Current year	Previous year	Current year	Previous year
Gross Written Premiums	1	1.117.361.991	957.183.431				
Gross Written Premiums < 10 million euro x 0.18	2	110.928.600	111.049.200				
Gross Written Premiums > 10 million euro x 0.16	3	80.174.719	54.438.949				
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	191.103.319	165.488.149	0	0		
Gross Paid Claims	7	362.047.821	373.301.029			362.047.821	373.301.029
Net Paid Claims	8	357.065.512	363.868.558			357.065.512	363.868.558
Factor([9]=[8]/[7] or 0.50, if lower)	9	0,99	0,97	0,00	0,00	0,99	0,97
Solvency Margin – Premium Rate Method ([10]= [6]*[9])	10	<b>188.473.457</b>	<b>161.306.638</b>	<b>0</b>	<b>0</b>		
Referential Period (in years)	11	3	3			7	7
Gross Paid Claims in the Referential Period	12	1.123.007.827	1.116.754.962			0	0
Gross Provision for Claims at the end of the Referential Period	13	510.490.101	478.577.434			0	0
Gross Provision for Claims at the beginning of the Referential Period	14	455.486.921	414.142.824			0	0
Gross Incurred Claims ([15]=[12] + [13] - [14])/[11])	15	392.670.336	393.729.857	0	0	0	0
Gross Incurred Claims < 7 million euro x 0,26	16	102.094.287	102.369.763			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	102.094.287	102.369.763	0	0	0	0
Solvency Margin – Loss Ratio Method ([21]= [20]*[9])	21	<b>100.689.320</b>	<b>99.783.111</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Solvency Margin required Level ([22]=max([10],[21]))	22	<b>188.473.457</b>	<b>161.306.638</b>	<b>0</b>	<b>0</b>		
Final Estimate of the Solvency Margin Required Level	1	<b>188.473.457</b>	<b>161.306.638</b>				

<b>Annex 4 ESTIMATE OF THE CAPITAL</b>		Amount
Basic Capital Article 69 (I1+I2+I3+I4+I5-I6-I7-I8)	<b>I</b>	<b>494.528.895</b>
Paid-in capital excluding the paid-in share capital from cumulative preferred shares (stocks)	I1	<b>195.326.080</b>
Premiums from issued ordinary shares	I2	<b>0</b>
Legal and Statute defined reserves	I3	<b>192.835.567</b>
Undistributed profit carried forward	I4	<b>108.647.467</b>
Undistributed profit from the current year	I5	<b>0</b>
Company's own shares (stocks)	I6	<b>0</b>
Long-term non-tangible assets	I7	<b>1.612.757</b>
Non-covered loss carried forward and loss from the current year	I8	<b>0</b>
Non-realized loss from owner instruments available for sale measured by objective value	I9	<b>667.463</b>
Non-realized loss arising from valuation of financial assets available for sale	I10	
Net negative revaluation reserve and other valuation differences arising from investment in associated companies or joint investments valued by applying equity method	I11	
Other debit entries due to violation of limitations for investing capital assets, stipulated in Article 73 of the ISL	I12	
Additional Capital Article 71 (II1+II2+II3+II4), of not in excess of 50% of the basic capital	<b>II</b>	<b>164.812</b>
Paid-in share capital from cumulative preferred shares	II1	<b>0</b>
Premiums from issued cumulative preference shares	II2	<b>0</b>
Subordinate debt instruments	II3	<b>0</b>
Securities with unlimited maturity	II4	<b>0</b>
Non-realized profit from revaluation of owner instruments available for sale measured by fair value	II5	<b>164.812</b>
Non-realized profit from revaluation of debtor instruments available for sale measured by fair value	II6	<b>0</b>
Total Basic and Additional Capital I. +II.	<b>III</b>	<b>494.693.707</b>
Deducted Items, Article 72 (1+2+3)	<b>IV</b>	<b>0</b>
Investment in legal entities' shares, Article 72 of the Law	IV1	<b>0</b>
Investment in subordinated debt instruments and other investment in legal entities, Article 72 of the Law	IV2	<b>0</b>
CAPITAL I + II – IV	<b>V</b>	<b>494.693.707</b>
Solvency margin required level (Non-life insurance companies)	VI1	188.473.457
Solvency margin required level (Life insurance companies)	VI2	0
Capital	VI3	<b>494.693.707</b>
Guarantee Fund*	VI4	184.881.000
Excess/Lack of Capital with respect to Guarantee Fund (VI5 = VI3 –VI4)	VI5	<b>309.812.707</b>
Excess/Lack of Capital (non-life insurance) with respect to solvency margin required level (VI6 = VI3 – VI1)	VI6	<b>306.220.250</b>
Excess/Lack OF Capital (life insurance) with respect to solvency margin required level (life insurance companies)(VI7=VI3	VI7	<b>494.693.707</b>



Annex 5 INVESTMENT OF TECHNICAL RESERVE COVERING ASSETS	Order	Allowed %	Realized Amount	Realized %
		1	2	3
Type of Allowed Investments	I			
Funds at cashier and on bank accounts	I1	3%	14.384.282	1,3%
Bank deposits permitted by NBRM	I2	60%	455.000.000	39,6%
Securities issued by RM or NBRM	I3	80%		0,0%
Bonds and other debtor securities guaranteed by RM	I4	80%	430.823.398	37,5%
Bonds and other debtor securities guaranteed by issued or guaranteed by Local Self-Government in RM	I5	10%		0,0%
Bonds and other debtor securities traded at regulated securities market in RM	I6	35%		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	I7	5%		0,0%
Stocks traded at regulated securities market in RM	I8	25%	2.100.000	0,2%
Stocks not traded at regulated securities market in RM, provided their issuer is a legal entity with a head office in RM	I9	5%	0	0,0%
Shares in Companies in RM	I10	5%	0	0,0%
Shares and stocks in investment funds registered in RM	I11	20%	180.975.552	15,8%
Long-term bonds and other long-term securities issued by EU and/or OECD member state	I12	20%	0	0,0%
Long-term bonds and other long-term securities issued by a legal entity from EU and/or OECD member state	I13		0	0,0%
Stocks issued by a foreign joint stock company and traded at regulated securities markets in EU and/or OECD member state	I14		14.052.895	1,2%
Shares in investment funds traded at regulated securities markets in EU and/or OECD member state	I15		50.442.486	4,4%
Other type of investment pursuant to ISA regulations provided not being contrary to Article 89, paragraph (2) of the ISL	I16		10% from unearned premium provision	0
<b>Investment not stipulated under the Rulebook</b>	<b>II</b>			<b>0,0%</b>

*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	III	1.147.778.613
Total net technical provisions	IV	875.688.492
Unearned premium provision	IV1	396.925.255
Bonus and discount provision	IV2	10.243.441
Claim provision	IV3	468.519.796
Other technical reserve	IV4	
Equalization reserve	IV5	
Balance(IV-III)	V	272.090.121