



Financial Statements and Independent Auditor's  
Report

EUROLINK Insurance Inc. Skopje

31 December 2022

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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 2022, 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 of 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 2022, and its financial performance and its cash flows for the year then ended in accordance with the regulation of the Insurance Supervision Agency of the Republic of North Macedonia.

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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 2022 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 2022, 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 2022, 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 2022.

  
Suzana Stavrikj  
Director  
Grant Thornton Doo, Skopje  
Biljana Mitrevska  
Certified Auditor

Skopje, 07 March 2023

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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 2022

## Statement of financial position (Balance sheet)

As at 31.12.2022

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>2.879.886</b>	<b>1.612.757</b>
1. Goodwill	002		-	-
2. Other intangible assets	003		2.879.886	1.612.757
<b>B. INVESTMENTS (005+013+021+041)</b>	<b>004</b>		<b>1.235.051.133</b>	<b>1.154.085.937</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>15.180.437</b>	<b>14.934.787</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		15.180.437	14.934.787
<b>III. OTHER FINANCIAL INVESTMENTS (022+025+030+035+040)</b>	<b>021</b>	2.4	<b>1.219.870.696</b>	<b>1.139.151.150</b>
<b>1. FINANCIAL INVESTMENTS HELD TO MATURITY (023+024)</b>	<b>022</b>	2.4.1	<b>449.796.213</b>	<b>430.823.398</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  
31 December 2022

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		449.796.213	430.823.398	
<b>2. Financial investments available-for-sale (026+027+028+029)</b>	<b>025</b>	2.4.2	<b>192.927.352</b>	<b>183.075.552</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	2.100.000	
2.4 Shares and equity interests in investment funds	029		190.827.352	180.975.552	
<b>3. Financial investments for trading (031+032+033+034)</b>	<b>030</b>	2.4.3	<b>58.398.417</b>	<b>64.495.381</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		45.914.060	51.459.471	
3.4 Shares and equity interests in investment funds	034		12.484.357	13.035.910	
<b>4. Deposits, loans and other placements (036+037+038+039)</b>	<b>035</b>	2.4.4	<b>518.748.714</b>	<b>460.756.819</b>	
4.1 Given deposits	036		518.748.714	460.756.819	
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>136.380.551</b>	<b>158.202.839</b>	
1. Part for co-insurance and reinsurance in gross unearned premium reserve	043		91.031.824	126.475.975	
2. Part for co-insurance and reinsurance in gross mathematical reserve	044		-		
3. Part for co-insurance and reinsurance in gross claims reserve	045		45.348.727	31.726.864	
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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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
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>2.982.315</b>	<b>390.362</b>
1. Deferred tax assets	052		2.678.813	319.833
2. Current tax assets	053		303.502	70.529
<b>F. RECEIVABLES (055+059+063+067)</b>	<b>054</b>	2.7	<b>345.158.058</b>	<b>352.828.058</b>
<b>I. RECEIVABLES FROM DIRECT INSURANCE WORKS (056+057+058)</b>	<b>055</b>		<b>326.470.052</b>	<b>332.143.404</b>
1. Receivables from insurers	056		326.470.052	332.143.404
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>18.688.006</b>	<b>20.684.654</b>
1. Other receivables from direct insurance works	064		7.559.590	11.506.806
2. Receivables from financial investments	065		8.427.033	6.818.293
3. Other receivables	066		2.701.383	2.359.555
<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>39.798.252</b>	<b>23.389.731</b>
<b>I. TANGIBLE ASSETS USED FOR OPERATIONS (OTHER THAN LAND AND BUILDINGS) (070+071)</b>	<b>069</b>	2.8	<b>7.557.963</b>	<b>9.005.449</b>
1. Equipment	070		6.721.600	8.169.086
2. Other tangible assets	071		836.363	836.363

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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>32.240.289</b>	<b>14.384.282</b>
1. Cash in banks	073		31.903.870	15.843.882
2. Cash on hand	074		336.419	382.662
3. Restricted cash to cover mathematical reserves	075		-	
4. Other cash and cash equivalents	076		-	(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>98.117.850</b>	<b>97.909.842</b>
1. Accrued income based on interest and rents	079		-	-
2. Deferred acquisition costs	080		78.643.355	69.481.206
3. Other accrued income and deferred expenses	081		19.474.495	28.428.636
<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>1.860.368.045</b>	<b>1.788.419.525</b>
<b>K. OFF-BALANCE SHEET – ASSETS</b>	<b>084</b>	4	<b>309.296.258</b>	<b>266.081.651</b>
<b>LIABILITIES</b>				
<b>A. EQUITY AND RESERVES (086+090+091+095+101-102+103-104)</b>	<b>085</b>	2.11	<b>641.463.991</b>	<b>586.031.890</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>(9.997.732)</b>	<b>(415.302)</b>
1. Tangible assets	092		-	-
2. Financial investments	093		(9.997.732)	(415.302)
3. Other revaluation reserves	094		-	-
<b>IV. RESERVES (096+097+098-099+100)</b>	<b>095</b>	2.11	<b>222.714.926</b>	<b>192.835.567</b>
1. Legal reserves	096		222.714.926	192.835.567
2. Statutory reserves	097		-	-
3. Reserves for treasury shares	098		-	-

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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
4. Purchase of treasury shares	099		-	-
5. Other reserves	100		-	-
<b>V. RETAINED EARNINGS, NET</b>	<b>101</b>		<b>148.406.186</b>	<b>108.647.467</b>
<b>VI. LOSSES CARRIED FORWARD</b>	<b>102</b>		-	-
<b>VII. PROFIT FOR THE CURRENT ACCOUNTING PERIOD</b>	<b>103</b>		<b>85.014.531</b>	<b>89.638.078</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>1.083.665.813</b>	<b>1.033.891.331</b>
I. Gross unearned premium reserves	107		539.102.316	523.401.230
II. Gross mathematical reserve	108		-	-
III. Gross claims reserve	109		532.677.524	500.246.660
IV. Gross reserves for bonuses and discounts	110		11.885.973	10.243.441
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>4.140.756</b>	<b>3.505.466</b>
1. Reserves for employees	115	2.13	4.140.756	3.505.466
2. Other reserves	116		-	-
<b>F. DEFERRED AND CURRENT TAX LIABILITIES (118+119)</b>	<b>117</b>	2.14	<b>3.243.824</b>	<b>6.877.693</b>
1. Deferred tax liabilities	118		1.744.663	380.569
2. Current tax liabilities	119		1.499.161	6.497.124
<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>50.073.737</b>	<b>45.734.895</b>
<b>I. LIABILITIES FROM DIRECT INSURANCE WORKS (123+124+125)</b>	<b>122</b>		<b>2.034.517</b>	<b>544.672</b>
1. Liabilities to insurers	123		2.010.327	536.412
2. Liabilities to agents	124		-	-

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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
3. Other liabilities from direct insurance works	125		24.190	8.260
<b>II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE WORKS (127+128+129)</b>	<b>126</b>		<b>19.307.579</b>	<b>15.234.006</b>
1. Liabilities based on co-insurance and reinsurance premiums	127		19.307.579	15.234.006
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>28.731.641</b>	<b>29.956.217</b>
1. Other liabilities from direct insurance works	131		8.669.590	8.598.238
2. Liabilities from financial investments	132		-	-
3. Other liabilities	133		20.062.051	21.357.979
<b>I. ACCRUALS</b>	<b>134</b>	<b>2.16</b>	<b>77.779.924</b>	<b>112.378.250</b>
<b>J. NON-CURRENT LIABILITIES RELATED TO NON-CURRENT ASSETS HEL-FOR-SALE AND DISCONTINUED OPERATIONS</b>	<b>135</b>		<b>-</b>	<b>-</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>1.860.368.045</b>	<b>1.788.419.525</b>
<b>L. OFF-BALANCE SHEET - LIABILITIES</b>	<b>137</b>	<b>4</b>	<b>309.296.258</b>	<b>266.081.651</b>


These financial statements have been approved by the Supervisory Board of the Company on 28 February 2023.

Signed on its behalf by:

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

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



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

See accompanying notes to the financial statements

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Financial Statements  
31 December 2022

## Statement of Comprehensive Income (Income Statement)

For the year then ended on 31.12.2022

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>937.052.903</b>	<b>890.698.444</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>839.768.920</b>	<b>762.742.934</b>
1. Gross policy insurance premium	202		1.125.322.945	1.124.297.921
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		234.408.788	364.354.689
6. Change in gross unearned premium reserves	207		15.701.086	68.033.096
7. Change in gross unearned premium reserves– part for co-insurance	208		-	-
8. Change in gross unearned premium reserves– part for reinsurance	209		(35.444.151)	70.832.798
<b>II. INCOME FROM INVESTMENTS (211+212+216+217+218+219+223)</b>	<b>210</b>	<b>3.2</b>	<b>42.781.764</b>	<b>66.566.844</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>21.769.776</b>	<b>20.301.409</b>
<b>4. Foreign exchange gains</b>	<b>217</b>		<b>4.716.837</b>	<b>4.298.990</b>
<b>5. Value adjustments (unrealized gains, reduction at fair value)</b>	<b>218</b>		<b>13.935.093</b>	<b>20.700.953</b>
<b>6. Realized gains from sale of financial assets-capital gains(220+221+222)</b>	<b>219</b>		<b>1.207.759</b>	<b>20.535.177</b>
6.1 Financial investments available-for-sale	220		1.207.759	20.436.907
6.2 Financial investments for trading (at fair value)	221		-	98.270
6.3 Other financial investments	222		-	-
<b>7. Other income from investments</b>	<b>223</b>		<b>1.152.299</b>	<b>730.315</b>

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Financial Statements  
31 December 2022

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>35.615.874</b>	<b>46.698.757</b>
<b>IV. OTHER INSURANCE TECHNICAL INCOME, LESS FOR REINSURANCE</b>	<b>224</b>	<b>3.3</b>	<b>5.893.356</b>	<b>7.693.213</b>
<b>V. OTHER INCOME</b>	<b>225</b>	<b>3.4</b>	<b>12.992.989</b>	<b>6.996.696</b>
<b>B. EXPENSES FROM OPERATIONS (227+235+245+248+251+261+271+274+275)</b>	<b>226</b>		<b>839.628.486</b>	<b>788.867.035</b>
<b>I. CLAIMS INCURRED (Claims expenses, net) (228-229-230-231+232-233-234)</b>	<b>227</b>	<b>3.5</b>	<b>380.400.746</b>	<b>368.990.350</b>
1. Gross paid claims	228		373.266.060	362.047.821
2. Income decrease from gross realized subrogation receivables	229		4.271.129	4.455.382
3. Gross paid claims – part for co-insurance	230		-	
4. Gross paid claims – part for reinsurance/retrocession	231		7.403.186	4.982.309
5. Changes in gross claim s reserve	232		32.430.864	36.266.848
6. Changes in gross claim s reserve– part for co-insurance	233		-	-
7. Changes in gross claim s reserve– part for reinsurance	234		13.621.863	19.886.628
<b>II. CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE (236+239+242)</b>	<b>235</b>	<b>3.6</b>	<b>1.642.532</b>	<b>(4.354.181)</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>1.642.532</b>	<b>(4.354.181)</b>
3.1 Changes in other gross technical provisions	243		1.642.532	(4.354.181)
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. 0Changes 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 2022

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>25.987.188</b>	<b>26.973.310</b>
1. Expenses for bonuses (related to result)	249		1.913.428	3.598.980
2. Expenses for discounts (not related to result)	250		24.073.760	23.374.330
<b>V. NET EXPENSES FOR INSURANCE IMPLEMENTATION (252+256)</b>	<b>251</b>		<b>361.095.948</b>	<b>327.858.195</b>
<b>1. Acquisition costs(253+253a+254+255)</b>	<b>252</b>	<b>3.8</b>	<b>172.847.131</b>	<b>169.033.090</b>
1.1 Fees	253		70.654.058	59.348.061
1.2 Gross salaries for employees in the internal sales network	253a		109.443.367	95.478.001
1.3 Other acquisition costs	254		1.911.855	17.724.085
1.4 Change in Deferred acquisition costs (+/-)	255		(9.162.149)	(3.517.057)
<b>2. Administration expenses (257+258+259+260)</b>	<b>256</b>	<b>3.9</b>	<b>188.248.817</b>	<b>158.825.105</b>
2.1 Depreciation of tangible and intangible assets that serve in ordinary course of operations	257		3.882.332	3.907.644
2.2 Costs for employees (258a+258б+258г+258д)	258		62.227.733	60.368.185
2.2.1 Salaries and compensations	258a		36.794.902	36.124.787
2.2.2 Expenses for taxes on salaries and compensations	258б		3.436.548	3.370.881
2.2.3 Contributions for mandatory social insurance	258в		15.617.347	15.294.947
2.2.4 Costs for additional pension insurance for employees	258г		-	-
2.2.5 Other costs for employees	258д		6.378.936	5.577.570
2.3 Charges for services of individuals who perform no operations (contracts, copyright agreements and other legal relations) all fees included	259		16.292.214	14.416.070
2.4 Other administration expenses (260a+260б+260в)	260		105.846.538	80.133.206
2.4.1 Costs for services	260a		83.245.930	60.285.462
2.4.2 Operating costs	260б		8.154.246	5.949.908
2.4.3 Costs for reservations and other operating costs	260в		14.446.362	13.897.836
<b>VI. EXPENSES FROM INVESTMENTS (262+263+264+265+266+270)</b>	<b>261</b>		<b>24.484.971</b>	<b>10.161.833</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>3.279</b>	<b>18.942</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 2022

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>3.025.941</b>	<b>2.000.906</b>
<b>4. Impairment provision (unrealized losses, reduction at fair value)</b>	<b>265</b>		<b>21.397.049</b>	<b>7.483.782</b>
<b>5. Realized losses from sale of financial assets-capital loss (267+268+269)</b>	<b>266</b>		<b>58.702</b>	<b>658.203</b>
5.1 Financial investments available-for-sale	267		-	241.523
5.2 Financial investments for trading (at fair value)	268		58.702	416.680
5.3 Other financial investments	269		-	-
<b>6. Other expenses from investments</b>	<b>270</b>		-	-
<b>VII. OTHER INSURANCE TECHNICAL EXPENSES, LESS FOR REINSURANCE (272+273)</b>	<b>271</b>	<b>3.10</b>	<b>30.634.158</b>	<b>33.151.364</b>
1. Expenses for prevention	272		-	-
2. Other insurance technical expenses, less for reinsurance	273		30.634.158	33.151.364
<b>VIII. VALUE ADJUSTMENTS OF RECEIVABLES BASED ON PREMIUM</b>	<b>274</b>	<b>3.11</b>	<b>15.144.840</b>	<b>18.252.710</b>
<b>IX. OTHER EXPENSES, INCLUDING VALUE ADJUSTMENTS</b>	<b>275</b>	<b>3.12</b>	<b>238.103</b>	<b>7.833.454</b>
<b>X. PROFIT FOR THE YEAR BEFORE TAXATION (200-226)</b>	<b>276</b>		<b>97.424.417</b>	<b>101.831.409</b>
<b>XI. LOSS FOR THE YEAR BEFORE TAXATION (226-200)</b>	<b>277</b>		-	-
<b>XII. INCOME TAX (EXPENSE)</b>	<b>278</b>	<b>3.13</b>	<b>12.409.886</b>	<b>12.193.331</b>
<b>XIII. DEFERRED TAX</b>	<b>279</b>		-	-
<b>XIV. PROFIT FOR THE YEAR AFTER TAXATION (276-278-279)</b>	<b>280</b>		<b>85.014.531</b>	<b>89.638.078</b>
<b>XV. LOSS FOR THE YEAR AFTER TAXATION (277-278-279)</b>	<b>281</b>		-	-
<b>XVI. OTHER COMPREHENSIVE INCOME / (LOSS)</b>			<b>85.014.531</b>	<b>89.638.078</b>
Changes at fair value of financial assets available-for-sale			(9.582.430)	(3.143.271)
Income tax on components from other comprehensive income			-	-
<b>PROFIT / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS</b>			<b>75.432.101</b>	<b>86.494.807</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 2022

## Statement of Cash Flows

For the period from 01.01.2022 to 31.12.2022

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>1.189.904.105</b>	<b>1.125.782.112</b>
1. Insurance and co-insurance premiums and advances received	301	1.157.360.687	1.112.389.831
2. Reinsurance and retrocession premium	302	-	-
3. Inflows from participation in coverage of claims	303	7.403.186	4.982.309
4. Interest received from insurance works	304	-	-
5. Other inflows from operating activities	305	25.140.232	8.409.972
<b>II. CASH OUTFLOWS FROM OPERATING ACTIVITIES (307+308+309+310+311+312+313+314)</b>	<b>306</b>	<b>1.073.044.234</b>	<b>1.052.298.238</b>
1. Paid claims, agreed insurance amounts, participation in coverage of claims from co-insurance and advances given	307	371.776.215	364.047.038
2. Paid claims and participation in coverage of claims from reinsurance and retrocession	308	-	-
3. Co-insurance, reinsurance and retrocession premiums	309	264.933.541	301.253.336
4. Fees and other personal expenses	310	170.973.830	155.324.234
5. Other expenses for insurance works	311	246.476.011	228.815.454
6. Interests paid	312	3.279	18.942
7. Income tax and other charges	313	18.881.358	2.839.235
8. Other outflows from regular activities	314	-	-
<b>III. CASH INFLOW FROM OPERATING ACTIVITIES, NET (300-306)</b>	<b>315</b>	<b>116.859.871</b>	<b>73.483.874</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>22.521.094</b>	<b>21.410.211</b>
1. Inflows from intangible assets	318	-	-
2. Inflows from tangible assets	319	-	-
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	1.207.759	-
7. Dividends received and other participation in income	324	280.000	730.315
8. Interest received	325	21.033.335	20.679.896

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 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>101.524.958</b>	<b>106.128.466</b>
1. Outflows from intangible assets	327	2.086.734	696.675
2. Outflows from tangible assets	328	1.615.590	4.166.536
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	18.972.815	79.003.967
6. Outflows from other financial placements	332	78.849.819	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>-</b>	<b>-</b>
<b>IV. CASH OUTFLOWS FROM INVESTING ACTIVITIES, NET (326-317)</b>	<b>336</b>	<b>79.003.864</b>	<b>84.718.255</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>I. CASH INFLOWS FROM FINANCING ACTIVITIES (338+339+340)</b>	<b>337</b>	<b>-</b>	<b>-</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>	<b>20.000.000</b>	<b>-</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	20.000.000	-
<b>III. CASH INFLOWS FROM FINANCING ACTIVITIES, NET (337-341)</b>	<b>345</b>	<b>-</b>	<b>-</b>
<b>IV. CASH OUTFLOWS FROM FINANCING ACTIVITIES, NET (341-337)</b>	<b>346</b>	<b>20.000.000</b>	<b>-</b>
<b>D. TOTAL CASH INFLOWS (300+317+337)</b>	<b>347</b>	<b>1.212.425.199</b>	<b>1.147.192.323</b>
<b>E. TOTAL CASH OUTFLOWS (306+326+341)</b>	<b>348</b>	<b>1.194.569.192</b>	<b>1.158.426.704</b>
<b>F. CASH INFLOWS, NET (347-348)</b>	<b>349</b>	<b>17.856.007</b>	<b>-</b>
<b>G. CASH OUTFLOWS, NET (348-347)</b>	<b>350</b>	<b>-</b>	<b>11.234.381</b>
<b>H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE ACCOUNTING PERIOD</b>	<b>351</b>	<b>14.384.282</b>	<b>25.618.663</b>
<b>I. EFFECT FROM CHANGE IN FOREIGN EXCHANGE CURRENCY IN CASH AND CASH EQUIVALENTS</b>	<b>352</b>	<b>-</b>	<b>-</b>
<b>J. CASH AND CASH EQUIVALENTS AT THE END OF THE ACCOUNTING PERIOD (349-350+351+352)</b>	<b>353</b>	<b>32.240.289</b>	<b>14.384.282</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 2022

## 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 at 01 January 2021</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>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments in the previous period	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 01 January 2021 – adjusted</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>
<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>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	-	-	-	8.214.905	-	-	16.429.810	(24.644.715)	-
<b>As at 31.12.2021</b>	<b>195.326.080</b>	-	<b>192.835.567</b>	<b>0</b>	<b>0</b>	<b>0</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>

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

Financial Statements  
31 December 2022

Statement of changes in equity (continued)	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					
In MKD												
<b>As at 01 January 2022</b>	<b>195.326.080</b>	-	<b>192.835.567</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>
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments in the previous period	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 01 January 2022 – adjusted</b>	<b>195.326.080</b>	-	<b>192.835.567</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>
<b>Profit or loss for 2022</b>	-	-	-	-	-	-	-	-	-	-	<b>85.014.531</b>	<b>85.432.101</b>
Profit or loss for 2022	-	-	-	-	-	-	-	-	-	-	<b>85.014.531</b>	<b>85.014.531</b>
<b>Non-owners' changes in equity</b>	-	-	-	-	-	-	-	-	<b>(9.582.430)</b>	-	-	<b>(9.582.430)</b>
Unrealized profit/loss from tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized profit/loss from financial investments available-for-sale	-	-	-	-	-	-	-	-	(8.374.671)	-	-	<b>(8.374.671)</b>
Realized profit/loss from financial investments available-for-sale	-	-	-	-	-	-	-	-	(1.207.759)	-	-	<b>(1.207.759)</b>
Other non-owners' changes in equity	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with owners</b>	-	-	<b>29.879.359</b>	-	-	-	<b>29.879.359</b>	-	-	<b>19.758.719</b>	<b>(69.638.078)</b>	<b>(20.000.000)</b>
Increase / Decrease of share capital	-	-	-	-	-	-	-	-	-	-	-	-
Other payments made by owners	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(20.000.000)	-	<b>(20.000.000)</b>
Other allocation to owners	-	-	29.879.359	-	-	-	29.879.359	-	-	39.758.719	(69.638.078)	-
<b>As at 31.12.2022</b>	<b>195.326.080</b>	-	<b>222.714.926</b>	-	-	-	<b>222.714.926</b>	-	<b>(9.997.732)</b>	<b>148.406.186</b>	<b>105.014.531</b>	<b>641.463.991</b>

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

## 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 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, 2022 employs 208 employees (2021: 200 employees).

#### 1.2 Applied accounting policies and valuation techniques

##### *Statement of compliance*

The financial statements have been prepared in accordance with the Trade Companies Law, Low on Insurance Supervision, 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.

Company's Financial Statements have been prepared on the basis of historical cost principle, except for financial assets, which have been prepared on the basis of fair value through profit and loss and financial assets available for sale validated according to fair value. Bases for measurement of each separate asset, obligation, revenues and expenses are described in details further in this Note.

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).

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

## 1.2 Applied accounting policies and valuation techniques (continued)

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

The influence of the Russian-Ukraine conflict starting at the beginning of 2022 did not have a significant impact on the Company's operations in the segment of direct insurance operations.

A direct influence, however, reflected on the Company's increasing administration expenses (administrative costs), through increasing electric supply costs.

At the same time, an indirect influence was reflected in the following segments: increasing energy prices, interrupted or relatively hindered supply chains, inflation upward trend, which caused increasing expenses for our clients, brought to increasing risk of uncollectable receivables, which also added to impaired quality of the portfolio and to intensified activity in the portion of collection of premiums.

### 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>2022</b>	<b>2021</b>
	MKD	MKD
1 EUR	61.4932	61.6270
1 USD	57.6535	54.3736
1 GBP	69.3350	73.4267
1 CHF	62.4487	59.4683

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### **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.

#### *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 cost 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

#### 1.2.4 Property and equipment (continued)

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

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

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

#### 1.2.5 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets, are assessed at Statement of financial position date to determine whether there is 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 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 at 31 December 2022 and 2021 the Company classifies securities whose issuer is a country or legal entity in an EU Member State or OECD in this category.



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 1.2.6 Financial Instruments (continued)

*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 at 31 December 2022 and 2021, 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 at 31 December 2022 and 2021, 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.

*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 at 31 December 2022 and 2021, 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 1.2.6 Financial Instruments (continued)

#### *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.

#### *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 additional 60 days per each category separately, which was enforced until 31 December 2020.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 1.2.7 Impairment of financial assets (continued)

As of 1 January 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.

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 2022

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

Cash and cash equivalents comprise cash on hand and call deposits with original maturity date up to 3 months, 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.

### **1.2.10 Current and deferred Income 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% (2021: 10%) on the day of the statement of financial position and any adjustment to tax payable in respect of previous years.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

#### **1.2.10 Current and deferred Income tax (continued)**

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.

Reservations are checked at each reporting date and corrected for the purpose of having the best current assessment reflected. When the effect of the time value of money is material, the reservation amount means the present value of expenses expected to be incurred for settlement of the obligation.

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

##### *Ordinary shares*

Ordinary shares are classified as equity.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 1.2.13 Shareholders' capital, reserves and dividends payment (continued)

#### *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.

#### *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.



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

#### 1.2.15 Expenses (continued)

##### *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**

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.

##### **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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 1.2.17 Insurance contracts (continued)

#### 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.

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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 1.2.17 Insurance contracts (continued)

#### 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.

During 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 2022.

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.

As at 31 December 2022, differed acquisition costs have positive movement to the amount of 9.162.149 MKD.

#### 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

#### **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/have 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 materialy significant.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

### 1.3 Accounting estimates and judgments (continued)

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

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

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

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. BasicChainLadderbased on paid claims,
2. BasicChainLadderbased on reported claims,
3. Expected claim method (Expected claim technique) ,
4. Bornhuetter - Fergusonmethod 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 2022

### 1.3 Accounting estimates and judgments (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 2022

#### **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.

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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

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>2022</b>	<b>2021</b>
<b>Assets</b>		
Bank deposits and cash equivalents	550.989.003	469.384.282
Bonds and other securities guaranteed by RNM	449.796.213	430.823.398
Securities available-for-sale	192.927.352	183.075.552
Financial Investments for Trading	58.398.417	64.495.381
	<b>1.252.110.985</b>	<b>1.147.778.613</b>
<b>Liabilities (net technical reserves)</b>		
Reserves for transferred premiums, net of the reinsurers part	448.070.492	396.925.255
Reserves for bonuses and discounts	11.885.973	10.243.441
Reserves for claims, net of the reinsurers part	487.328.797	468.519.796
	<b>947.285.262</b>	<b>875.688.492</b>
<b>Asset / liability matching</b>	<b>304.825.723</b>	<b>272.090.121</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.

#### *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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

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.

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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

##### *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.

##### *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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

##### **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 has been applied since 01 January 2021, and according to which there are no substantial difference in calculation of the Run off analysis for 2022 in comparison of 2021.

##### *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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

##### *Geographic and sector concentrations*

The risks underwritten by the Company are located in the Republic of North Macedonia.

The management believes that the Company has no significant concentrations of exposure to any group of policyholders measured by social, professional, age or similar criteria.

These risks are managed through contracts for reinsurance. The Company enters into reinsurance contracts, as they are - excess of loss coverage over the following classes of insurance: property and liability to third parties as well as full reinsurance of individual classes of insurance which provides protection against total risk. The Company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

##### *Interest rate risk*

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

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

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

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

## Notes to the financial statements (continued)

As at and for the year then ended on 31 December 2022

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

As at 31 December 2022

In MKD	Total	Instruments with variable interest rate	Instruments with fix interest rate					Non-interest
			To 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	
<b>Assets</b>								
Debt securities held to maturity	449.796.213	-	-	-	-	61.564.474	388.231.739	-
Trading Securities	58.398.417	-	-	-	-	-	-	58.398.417
Securities available-for-sale	192.927.352	-	-	-	-	-	-	192.927.352
Time deposits	518.748.714	181.748.714	-	30.000.000	20.000.000	287.000.000	-	-
Investments in joint controlled entities	15.180.437	15.180.437	-	-	-	-	-	-
Insurance receivables and other receivables from direct works	326.470.052	-	-	-	-	-	-	326.470.052
Cash and cash equivalents	32.240.289	-	-	-	-	-	-	32.240.289
Reinsurance assets	136.380.551	-	-	-	-	-	-	136.380.551
<b>Liabilities</b>								
Liabilities	(50.073.737)	-	-	-	-	-	-	(50.073.737)
	<b>1.680.068.288</b>	<b>196.929.151</b>	-	<b>30.000.000</b>	<b>20.000.000</b>	<b>348.564.474</b>	<b>388.231.739</b>	<b>696.342.924</b>

As at 31 December 2021

In MKD	Total	Instruments with variable interest rate	Instruments with fix interest rate					Non-interest
			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>39.122.000</b>	<b>362.577.942</b>	<b>368.245.456</b>	<b>706.566.563</b>



Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

#### 1.4 Insurance and financial risk management (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 2022, 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 2022 will be decreased/increased by approximately 24.701.023 MKD (2021: 23.081.719 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.

##### **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:

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

In MKD	2022	2021
Financial investments available-for-sale	192.927.352	183.075.552
Debt securities held to maturity	449.796.213	430.823.398
Term deposits	518.748.714	460.756.819
Investments in jointly controlled entities	15.180.437	14.934.787
Reinsurance assets	136.080.551	158.202.839
Receivables from insurers and other receivables from direct operations	345.158.058	352.828.058
Cash and cash equivalents	32.240.289	14.384.282
	<b>1.690.435.116</b>	<b>1.615.005.735</b>

Included in receivables from the insurers and other receivables from direct operations is the amount of 222.824.545 MKD (2021: 239.004.690 MKD) for which impairment in the amount of 581.296 MKD (2021: 1.171.111 MKD) is recognised in accordance with the Rulebook on the Method of Valuation of Balance Sheet. The amount of 222.243.249 MKD (2021: 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 2022

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

##### 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 2022	In MKD					
	MKD	EUR	USD	CHF	Other currencie	Total
<b>Total assets</b>	<b>1.526.693.931</b>	<b>302.763.384</b>	<b>26.253.385</b>		<b>359.019</b>	<b>1.857.488.159</b>
Investments	1.043.606.219	163.880.671	26.145.803		-	1.235.051.133
Part of co-insurance and reinsurance in the gross technical reserves	-	136.380.551	-	-	-	136.380.551
Financial investments for which the insured assumes the investment risk (insurance contracts)	-	-	-	-	-	-
Current and deferred tax assets	2.982.315	-	-	-	-	2.982.315
Receivables	345.158.058	-	-	-	-	345.158.058
Other Assets	36.829.489	2.502.162	107.582	-	359.019	39.798.252
Prepaid Expenses	98.117.850	-	-	-	-	98.117.850
<b>Total liabilities</b>	<b>1.199.596.474</b>	<b>19.234.713</b>	<b>72.867</b>			<b>1.218.904.054</b>
Subordinated liabilities	-	-	-	-	-	-
Gross technical reserves	1.083.665.813	-	-	-	-	1.083.665.813
Gross technical reserves of contracts in which the insured assumes the investment risk	-	-	-	-	-	-
Other reserves	4.140.756	-	-	-	-	4.140.756
Current and deferred tax liabilities	3.243.824	-	-	-	-	3.243.824
Liabilities arising from deposits of companies for reinsurance at cedents, from reinsurance contracts	-	-	-	-	-	-
Liabilities from direct insurance, co-insurance and reinsurance, and other payables	30.766.157	19.234.713	72.867	-	-	50.073.737
Accruals	77.779.924	-	-	-	-	77.779.924
<b>Difference – unreconciled currency structure</b>	<b>327.097.457</b>	<b>283.528.671</b>	<b>26.180.518</b>	<b>1.418.440</b>	<b>359.019</b>	<b>638.584.105</b>

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

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	22.456.076	904.697	23.707	-	5.250	23.389.730
Prepaid Expenses	97.909.842	-	-	-	-	97.909.842
<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 2022

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

##### *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.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

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

31 December 2022	Up to 1 year	1-3 years	3-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Total
<b>Total Assets</b>	<b>953.588.926</b>	<b>450.667.494</b>	<b>65.000.000</b>	<b>20.018.793</b>	<b>306.993.162</b>	-	<b>61.219.784</b>	<b>1.857.488.159</b>
Investments	331.151.900	450.667.494	65.000.000	20.018.793	306.993.162	-	61.219.784	1.235.051.133
Part of co-insurance and reinsurance in the gross technical reserves	136.380.551	-	-	-	-	-	-	136.380.551
Financial investments for which the insured assumes the investment risk (insurance contracts)	-	-	-	-	-	-	-	-
Current and deferred tax assets	2.982.315	-	-	-	-	-	-	2.982.315
Receivables	345.158.058	-	-	-	-	-	-	345.158.058
Other Assets	39.798.252	-	-	-	-	-	-	39.798.252
Prepaid Expenses	98.117.850	-	-	-	-	-	-	98.117.850
<b>Total Liabilities</b>	<b>1.218.904.054</b>	-	-	-	-	-	-	<b>1.218.904.054</b>
Subordinated liabilities	-	-	-	-	-	-	-	-
Gross technical	1.083.665.813	-	-	-	-	-	-	1.083.665.813
Gross technical provisions of contracts in which the insured assumes the investment risk	-	-	-	-	-	-	-	-
Other reserves	4.140.756	-	-	-	-	-	-	4.140.756
Current and deferred tax liabilities	3.243.824	-	-	-	-	-	-	3.243.824
Liabilities arising from deposits of companies for reinsurance at cedents, from reinsurance contracts	-	-	-	-	-	-	-	-
Liabilities from direct insurance, co-insurance and reinsurance, and other payables	50.073.737	-	-	-	-	-	-	50.073.737
Accruals	77.779.924	-	-	-	-	-	-	77.779.924
<b>Difference – unreconciled age structure</b>	<b>(265.315.128)</b>	<b>450.667.494</b>	<b>65.000.000</b>	<b>20.018.793</b>	<b>306.993.162</b>	-	<b>61.219.784</b>	<b>638.584.105</b>

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

31 December 2021	Up to 1 year	1-3 years	3-5 years	5-10 years	10-15 years	15-20 years	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	23.389.730	-	-	-	-	-	-	23.389.730
Prepaid Expenses	97.909.842	-	-	-	-	-	-	97.909.842
<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	-	-	-	-	-	-	3.505.466,00
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 2022

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

##### *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;

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

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.

#### 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 2022 and 2021 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 2022 amounts to ) 187.745.881 MKD (2021: 188.473.457 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 2022

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

Description	Item	Non-life insurance except health insurance to which the provisions of Article 75 paragraph 6 of the Law apply		Health insurance to which the provisions of Article 75 paragraph 6 of the Law apply		Non-life insurance except health insurance to which the provisions of Article 75 paragraph 6 of the Law apply	
		Current year	Previous year	Current year	Previous year	Current year	Previous year
Gross written premium	1	1.120.289.082	1.117.361.991				
Gross written premium < 10 mil Eur x 0.18	2	110.687.760	110.928.600				
Gross written premium > 10 mil Eur x 0.16	3	80.857.133	80.174.719				
Gross written premium < 10 mil Eur x 18/300	4			0	0		
Gross written premium > 10 mil Eur x 16/300	5			0	0		
Total amount of Gross written premium ((6)=[2] + [3] or [6]=[4] + [5])	6	191.544.893	191.103.319	0	0		
Gross paid claims	7	373.266.060	362.047.821			373.266.060	362.047.821
Net paid claims	8	365.862.874	357.065.512			365.862.874	357.065.512
Coefficient ((9)=[8]/[7] or 0.50, if smaller)	9	0,98	0,99	0,00	0,00	0,98	0,99
<b>Solvency margin - Premium rate method ((10)= [6]*[9])</b>	<b>10</b>	<b>187.745.881</b>	<b>188.473.457</b>	<b>0</b>	<b>0</b>		
Reference period (in years)	11	3	3			7	7
Gross paid claims in the reference period	12	1.108.614.910	1.123.007.827			0	0
Gross claim reserves at the end of the reference period	13	544.563.497	510.490.101			0	0
Gross claim reserves at the beginning of the reference period	14	478.577.434	455.486.921			0	0
Gross incurred claims ((15)=[12] + [13] - [14])/[11])	15	391.533.658	392.670.336	0	0	0	0
Gross incurred claims < 7 mil Eur x 0,26	16	101.798.751	102.094.287			0	0
Gross incurred claims > 7 mil Eur x 0,23	17	0	0			0	0
Gross incurred claims < 7 mil Eur x 26/300	18			0	0		
Gross incurred claims > 7 mil Eur x 23/300	19			0	0		
Total amount of Gross incurred claims ((20)=[16] + [17] or [20]=[18] + [19])	20	101.798.751	102.094.287	0	0	0	0
<b>Solvency margin - Claim rate method ((21)= [20]*[9])</b>	<b>21</b>	<b>99.779.722</b>	<b>100.689.320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Required level of solvency margin ((22)=max([10],[21]))</b>	<b>22</b>	<b>187.745.881</b>	<b>188.473.457</b>	<b>0</b>	<b>0</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 2022

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

#### Equity calculation

		<i>in</i>	<i>MKD</i>
Description	No of position	Amount	
<b>Basic capital, article 69 (I1+I2+I3+I4+I5-I6-I7-I8-I9-I10-I11-I2-I13)</b>	<b>I</b>		<b>563.567.306</b>
Paid in share capital excluding the share capital of the cumulative priority stocks	I1		195.326.080
Premiums from issuance of ordinary shares	I2		-
Legal and statutory reserves	I3		222.714.926
Accumulated undistributed profit	I4		148.406.186
Undistributed profit from current year	I5		
Personal stocks owned by the insurance company (treasury shares)	I6		
Long term intangible assets	I7		2.879.887
Accumulated uncovered losses and loss from current year	I8		-
Unrealized losses from AFS equity investments measured at fair value	I9		-
Unrealized losses from valuation of AFS financial instruments	I10		-
Net negative revaluation reserves and other differences from valuation arising from investments in associated companies or joint ventures valued at equity valuation method	I11		-
Other deductible items arising from non-compliance with limits for investments of capital funds, as prescribed in article 73 from Law on insurance supervision	I12		-
<b>Additional capital, article 71 (II1+II2+II3+II4+II5+II6), if not greater than 50% of basic capital</b>	<b>II</b>		<b>(11.124.093)</b>
Paid in share capital from cumulative priority stocks	II1		-
Premium from issues cumulative priority shares	II2		-
Subordinated debt instruments	II3		-
Securities with undefined maturity	II4		(11.124.093)
Unrealized gains from revaluation of AFS equity instruments measured at fair value	II5		-
Unrealized gains from revaluation of AFS debt instruments measured at fair value	II6		-
<b>Total basic and additional capital I.+II.</b>	<b>III</b>		<b>552.443.213</b>
<b>Deductible items , article 72 (IV1+IV2)</b>	<b>IV</b>		
Investments in shares in legal entities from article 72 of the Law	IV1		-
Investments in subordinated debts and other investments in legal entities from article 72 of the Law for Insurance Supervision	IV2		-
<b>EQUITY I + II - IV</b>	<b>V</b>		<b>552.443.213</b>
Required level of solvency margin (non-life insurance companies)	VI1		187.745.881
Required level of solvency margin (life insurance companies)	VI2		-
Equity	VI3		552.443.213
Guarantee fund*	VI4		184.479.600
Surplus/deficit of Equity compared to Guarantee Fund (VI5 = VI3 -VI4)	VI5		367.963.613
Surplus/deficit of Equity (for non-life) compared to required level of solvency margin (for non-life insurance companies)(VI6 = VI3 - VI1)	VI6		364.697.332
Surplus/deficit of Equity (for life) compared to required level of solvency margin (for life insurance companies)(VI6 = VI3 - VI1)	VI7		-

\*Guarantee Fund is defined in article 77 of the Law and represents 1/3 of required level of solvency margin, and can not be lower than the amount prescribed in article 77, paragraph (3) of the Law

#### 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 2022 and 31 December 2021 is shown in the table below.

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

##### Sensitivity analysis

31 December 2022	Profit for the period	Equity and reserves	Required level of solvency margin	Coverage index	Change in coverage index.
<b>Current equity position</b>	<b>85.014.531</b>	<b>641.463.991</b>	<b>187.745.881</b>	<b>342%</b>	
Investment yield (+2%)	109.715.554	666.165.014	187.745.881	355%	13%
Investment yield (-2%)	60.313.508	616.762.968	187.745.881	329%	-26%
5% decrease in claims incurred	65.994.494	622.443.954	187.745.881	332%	3%
5% increase in claims incurred	104.034.568	660.484.028	187.745.881	352%	20%
2% decrease in admin. and insurance provision expenses	79.836.474	636.285.934	187.745.881	339%	-13%
2% increase in admin. and insurance provision expenses	90.192.589	646.642.049	187.745.881	344%	6%

31 December 2021	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%

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 2022

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

##### *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>2022</b>	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial investments available-for-sale	2.100.000	190.827.352	-	192.927.352
Financial investments for trading	58.398.417	-	-	58.398.417
<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

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

Financial investments for trading consists of investments in securities whose issuer is a country or a foreign legal entity from a European Union Member State or OECD, which are acquired for trading and which are classified at the initial recognition by the 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 2022

#### 1.4 Insurance and financial risk management (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:

	2022		2021	
	Total carrying value	Total fair value	Total carrying value	Total fair value
<b>Assets</b>				
Debt securities held to maturity	449.796.213	449.796.213	430.823.398	430.823.398
Time deposits	518.748.714	518.748.714	460.756.819	460.756.819
Investments in joint controlled entities	15.180.437	15.180.437	14.934.787	14.934.787
Reinsurance assets	136.380.551	136.380.551	158.202.839	158.202.839
Insurance receivables and other receivables from direct works	345.158.058	345.158.058	352.828.058	352.828.058
Cash and cash equivalents	32.240.289	32.240.289	14.384.282	14.384.282
<b>Total Assets</b>	<b>1.497.504.262</b>	<b>1.497.504.262</b>	<b>1.431.930.183</b>	<b>1.431.930.183</b>
Liabilities	50.073.737	50.073.737	45.734.895	45.734.895
<b>Total Liabilities</b>	<b>50.073.737</b>	<b>50.073.737</b>	<b>45.734.895</b>	<b>45.734.895</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 2022

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

##### Financial instruments by category

	Loans and receivables	Held to maturity	Available-for- sale	Trading investments	Total
<b>31 December 2022</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	-	449.796.213	-	-	449.796.213
Deposits, loans and other placements	518.748.714	-	-	-	518.748.714
Financial investments for trading	-	-	-	58.398.417	58.398.417
Investments in joint controlled entities	15.180.437	-	-	-	15.180.437
Reinsurance assets	136.380.551	-	-	-	136.380.551
Insurance receivables and other receivables from direct works	345.158.058	-	-	-	345.158.058
Cash and cash equivalents	32.240.289	-	-	-	32.240.289
	<b>1.047.708.049</b>	<b>449.796.213</b>	<b>183.075.552</b>	<b>58.398.417</b>	<b>1.738.978.231</b>
<b>Liabilities according to the Statement of financial position</b>					
Liabilities			Liabilities at fair value through profits and losses	Other financial liabilities	Total
			-	50.073.737	50.073.737
			-	<b>50.073.737</b>	<b>50.073.737</b>

Notes to the financial statements (continued)  
As at and for the year ended on 31 December 2022

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

	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 profit and loss	Other financial liabilities	Total liabilities
			-	43.667.931	43.667.931
			-	<b>45.734.895</b>	<b>45.734.895</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 2022  
(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 2021	21.855.172	286.541	22.141.713
Purchase/sell (net)	696.675	-	696.675
Transfer	286.541	(286.541)	-
<b>As at December 2021</b>	<b>22.838.388</b>	<b>-</b>	<b>22.838.388</b>
Purchase/sell (net)	2.086.734	-	2.086.734
<b>As at 31 December 2022</b>	<b>24.925.122</b>	<b>-</b>	<b>24.925.122</b>
<b>Accumulated amortization</b>			
As at 01 January 2021	20.255.969	-	20.255.969
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>
Amortization for the year	819.605	-	819.605
<b>As at 31 December 2022</b>	<b>22.045.236</b>	<b>-</b>	<b>22.045.236</b>
<b>Net carrying value</b>			
As at 31 December 2021	1.612.757	-	1.612.757
<b>As at 31 December 2022</b>	<b>2.879.886</b>	<b>-</b>	<b>2.879.886</b>

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

As at 31 December 2022 and 2021, 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 2022

(All amounts expressed in Denar, unless otherwise stated)

**2.3. Investments in jointly controlled entities**

As at 31 December 2022, investments in jointly controlled entities are to the amount of 15.180.437 MKD (2021: 14.934.787 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>2022</b>	<b>2021</b>
Financial investments held to maturity (net value)	449.796.213	430.823.398
Financial investments available-for-sale - shares	2.100.000	2.100.000
Financial investments available-for-sale – stakes in investment funds	190.827.352	180.975.552
Deposits, loans and other placements, net	518.748.714	460.756.819
Financial investments for trading - shares, stakes and other equity instruments	45.914.060	51.459.471
Financial investments for trading - shares and stakes in investment funds	12.484.357	13.035.910
	<b>1.219.870.696</b>	<b>1.139.151.150</b>

**2.4.1 Debt securities held to maturity**

	<b>2022</b>	<b>2021</b>
Government bonds	449.796.213	430.823.398
	<b>449.796.213</b>	<b>430.823.398</b>
Quoted	449.796.213	430.823.398
Not quoted	-	-
	<b>449.796.213</b>	<b>430.823.398</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	449.796.213	430.823.398
<b>Debt securities held to maturity over 1 year</b>	<b>449.796.213</b>	<b>430.823.398</b>

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

	<b>2022</b>	<b>2021</b>
Equity securities	2.100.000	2.100.000
Stakes in investment funds	190.827.352	180.975.552
	<b>192.927.352</b>	<b>183.075.552</b>
Quoted	2.100.000	2.100.000
Not quoted	190.827.352	180.975.552
	<b>192.927.352</b>	<b>183.075.552</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 2022

(All amounts expressed in Denar, unless otherwise stated)

**2.4 Other financial investments (continued)**

During 2022 the Company recorded correction (decrease) of net amount of 8.374.671 MKD (Note 2.11) (2021: increase of 17.052.113 MKD) of the recorded value of investments to their fair value, which amount is recognized in other comprehensive income as revaluation reserves part of the Company's capital. In addition, during 2022 the Company recorded profit from selling financial investments available for sale (stakes in investment funds and shares) to the net amount of 1.207.759 MKD (2021: 20.195.384 MKD) (Note 2.11), recorded as decrease in the revaluation reserve and as realized profit/loss in the Statement of Comprehensive Income (Income Statement), accordingly.

**2.4.3 Financial investments for trading**

	<b>2022</b>	<b>2021</b>
Shares, stakes and other equity instruments	45.914.060	51.459.471
Stakes in investment funds	12.484.357	13.035.910
	<b>58.398.417</b>	<b>64.495.381</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 2022, the Company has 22 securities out of which 7 in different ETFs totaling 32.349.529 MKD, 13 ordinary shares to the portfolio amount of 13.564.531 MKD and stakes in one investment fund to the amount of 12.484.357 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 gain on the fair value of securities to the amount of 13.935.093 MKD ( profit 2021: 20.700.953KD) (Note 3.2).

**2.4.4 Deposits, loans and other placements**

	<b>2022</b>	<b>2021</b>
Term deposits in domestic banks (with maturity to one year)	72.703.576	54.260.590
Term deposits in domestic banks (with maturity over one year)	454.103.020	417.030.600
Allowance for impairment on deposits	(8.057.882)	(10.534.371)
	<b>518.748.714</b>	<b>460.756.819</b>

Deposits maturing within a period not exceeding 12 months from the reporting date bear interest at rate of 0,7% to 2,0% annually (2021: 0,3% to 2,3% annually).

Deposits maturing within a period exceeding more than 12 months from the reporting date bear interest at rate of 0,8% to 3,3% annually (2021: 0,95% to 3,00% annually).

Out of the total deposits, deposits to the amount of 514.000.000 MKD are investments of funds that cover technical reserves, while six deposits to the amount of 4.748.714 MKD are investments of capital funds in specific purpose deposits given as collateral for approved bank guarantees by Komercijalna Banka AD Skopje.

## Notes to the financial statements (continued)

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

As at and for the year ended 31 December 2022

(All amounts expressed in Denar, unless otherwise stated)

**2.4 Other financial investments (continued)**

In 2022 amount of 2.476.489 MKD were collected from the bankruptcy estate of Eurostandard Bank, which represented a part of the deposit of 10.534.371 MKD, which remained in the Bank when the bankruptcy procedure started, and accordingly, release of impairment in the same amount was done.

The movement in the allowance for impairment for 2022 and 2021 is as follows:

	2022	2021
At 1 January	10.534.371	10.534.371
(Release)/Impairment loss for the year (note 3.12)	(2.476.489)	-
<b>At 31 December</b>	<b>8.057.882</b>	<b>10.534.371</b>

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

	2022	2021
<b>Gross provision for unearned premiums</b>		
As at 01 January	126.475.975	55.643.177
Movement for the period (Note 3.1)	(35.444.151)	70.832.798
<b>As at 31 December</b>	<b>91.031.824</b>	<b>126.475.975</b>
<b>Gross provision for claims</b>		
As at 01 January	31.726.864	11.840.236
Movement for the period (Note 3.5)	13.621.863	19.886.628
<b>As at 31 December</b>	<b>45.348.727</b>	<b>31.726.864</b>
<b>Part for reinsurance in gross technical provisions</b>	<b>136.380.551</b>	<b>158.202.839</b>

**2.6. Deferred and current tax assets**

	2022	2021
Deffered tax assets	2.678.813	319.833
Personal income tax receivables	-	70.529
Income tax receivables	303.502	-
	<b>2.982.315</b>	<b>390.362</b>

As at 31 December 2022, the Company recorded deferred tax assets to the amount of 2.678.813 MKD (2021: 319.833 MKD) based on calculated non-realized profit recognized and recorded as revaluation reserve from financial investments categorized as available for sale.

## 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 2022

(All amounts expressed in Denar, unless otherwise stated)

**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 581.296 MKD (2021: 1.171.111 MKD).

	<b>2022</b>	<b>2021</b>
Receivables form insurers	422.048.836	417.611.211
Impairment provision of receivables from insurance contracts	(95.578.784)	(85.467.807)
	<b>326.470.052</b>	<b>332.143.404</b>
Other receivables from insurance direct operations	40.429.676	46.049.998
Impairment provision of other receivables from insurance direct operations	(32.870.086)	(34.543.192)
	<b>7.559.590</b>	<b>11.506.806</b>
Receivables for financial investments (Interest on deposits and government bonds, Dividends, NBIs etc.)	8.440.381	6.831.641
Impairment of the receivables for financial investments	(13.348)	(13.348)
	<b>8.427.033</b>	<b>6.818.293</b>
Receivables from the employees	4.280.134	4.003.880
Impairment provision of other receivables	(1.578.751)	(1.644.325)
	<b>2.701.383</b>	<b>2.359.555</b>
	<b>345.158.058</b>	<b>352.828.058</b>

	<b>2022</b>			<b>2021</b>		
	Receivables	Impairment provision	Present value of receivables	Receivables	Impairment provision	Present value of receivables
to 30 days	54.150.842	(335.681)	53.815.161	50.646.156	(133.548)	50.512.608
31-60 days	22.093.562	(2.310.555)	19.783.007	20.716.977	(2.335.325)	18.381.652
61-120 days	20.454.986	(6.472.942)	13.982.044	17.193.814	(5.447.953)	11.745.861
121-270 days	28.631.494	(15.082.008)	13.549.486	23.596.321	(12.137.540)	11.458.781
271 - 365 days	10.891.301	(7.794.196)	3.097.105	7.650.391	(5.439.468)	2.210.923
over 366 days	63.002.106	(63.002.106)	-	58.802.862	(58.802.862)	-
Matured receivables	199.224.291	(94.997.488)	104.226.803	178.606.521	(84.296.696)	94.309.825
Not matured receivables	222.824.545	(581.296)	222.243.249	239.004.690	(1.171.111)	237.833.579
	<b>422.048.836</b>	<b>(95.578.784)</b>	<b>326.470.052</b>	<b>417.611.211</b>	<b>(85.467.807)</b>	<b>332.143.404</b>

Notes to the financial statements (continued)  
Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)  
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## 2.7 Receivables (continued)

The analysis of movement of the total impairment provision for 2022 and 2021 is as follows:

	2022	2021
As at 01 January	121.668.672	109.627.618
Expense for the year (Note 3.11 and 3.12)	25.108.217	38.877.657
Release for the year (Note 3.11 and 3.12)	(11.486.646)	(19.821.570)
Write-off of previously fully impaired receivables	(5.249.274)	(7.015.033)
<b>As at 31 December</b>	<b>130.040.969</b>	<b>121.668.672</b>

On 31 December 2022, 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 5.249.274 MKD (2021: 7.015.033 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, 2022, the Company recognizes impairment on all other receivables for insurance direct operations (note 2.7). Their structure is as follows:

	2022	2021
Other receivables from insurance direct operations	40.429.676	46.049.998
Impairment provision of other receivables from insurance direct operations	(32.870.086)	(34.543.192)
	<b>7.559.590</b>	<b>11.506.806</b>
Recourse receivables	27.414.574	28.009.044
Impairment of recourse receivables	(26.436.963)	(26.930.938)
	<b>977.611</b>	<b>1.078.106</b>
Receivables UG claims	4.509.220	6.644.940
Impairment of receivables of UG claims	(1.455.678)	(1.402.007)
	<b>3.053.542</b>	<b>5.242.933</b>
Reinsurance fee receivables	96.813	1.554.789
Impairment provision of reinsurance fee receivables	(96.813)	(1.245.031)
	-	<b>309.758</b>
Receivables due to cession and other receivables	7.191.156	6.732.290
Impairment of insurance direct operations	(4.880.632)	(4.965.216)
	<b>2.310.524</b>	<b>1.767.074</b>
Other receivables from GF	1.217.913	3.108.935
Impairment of other receivables from GF	-	-
	<b>1.217.913</b>	<b>3.108.935</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 2022

(All amounts expressed in Denar, unless otherwise stated)

**2.7 Receivables (continued)**

The analysis of the age structure of other receivables from direct insurance operations at 31 December 2022 and 2021 is as follows:

	Receivables	Impairment provision	2022 Present value of receivables		Receivables	Impairment provision	2021 Present value of receivables
to 30 days	4.949.846	-	4.949.846	to 30 days	5.642.494	-	5.642.494
31-60 days	75.449	(7.545)	67.904	31-60 days	499.141	(49.915)	449.226
61-120 days	749.340	(232.295)	517.045	61-120 days	1.458.078	(452.004)	1.006.074
121-270 days	923.699	(471.086)	452.613	121-270 days	1.335.147	(680.923)	654.224
271 - 365 days	263.048	(186.763)	76.285	271 - 365 days	199.103	(141.363)	57.740
over 366 days	31.972.397	(31.972.397)	-	over 366 days	33.218.987	(33.218.987)	-
<b>Matured receivables</b>	<b>38.933.779</b>	<b>(32.870.086)</b>	<b>6.063.693</b>	<b>Matured receivables</b>	<b>42.352.950</b>	<b>(34.543.192)</b>	<b>7.809.758</b>
<b>Not matured receivables</b>	<b>1.495.897</b>	<b>-</b>	<b>1.495.897</b>	<b>Not matured receivables</b>	<b>3.697.048</b>	<b>-</b>	<b>3.697.048</b>
	<b>40.429.676</b>	<b>(32.870.086)</b>	<b>7.559.590</b>		<b>46.049.998</b>	<b>(34.543.192)</b>	<b>11.506.806</b>

Notes to the financial statements (continued)  
Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)  
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## 2.8. Tangible assets used for operations

### Year 2022

	Computers	Furniture and office equipment	Leasehold improvements	Motor vehicles	Other assets	Total
As at 01 January 2022Net	4.836.897	720.897	-	97.071	3.350.584	9.005.449
Purchase	1.240.074	318.067	-	15.659	41.790	1.615.590
Sales	-	-	-	-	-	-
Depreciation	(2.271.110)	(261.796)	-	(71.492)	(458.329)	(3.062.727)
Reconciliation	-	-	-	-	(350)	(350)
As at 31 December 2022Net of accumulated depreciation	<b>3.805.861</b>	<b>777.168</b>	-	<b>41.239</b>	<b>2.933.695</b>	<b>7.557.963</b>

### As at 1 January 2022

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>

### As at 31 December 2022

Purchase value	23.375.916	8.671.180	-	9.340.653	6.023.702	47.411.451
Accumulated depreciation	(19.570.055)	(7.894.012)	-	(9.299.415)	(3.090.007)	(39.853.489)
Net carrying value	<b>3.805.861</b>	<b>777.168</b>	-	<b>41.239</b>	<b>2.933.695</b>	<b>7.557.963</b>

Notes to the financial statements (continued)  
Information and Disclosures to the Statement of Financial Position (Balance Sheet) (continued)  
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## 2.8 Tangible assets used for operations (continued)

### Year 2021

	Computers	Furniture and office equipment	Leasehold improvements	Motor vehicles	Other assets	Total
As at 01 January 2021						
Net of accumulated depreciation	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, net	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
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>
<b>As at 1 January 2021</b>						
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>
<b>As at 31 December 2021</b>						
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>

## Pledge over equipment

As at 31 December 2022 and 2021 the Company has no equipment under pledge.

## 2.9. Cash and cash equivalents

	2022	2021
Cash in bank	31.903.870	15.843.882
Cash on hand	336.419	382.662
Impairment provision	-	(1.842.262)
	<b>32.240.289</b>	<b>14.384.282</b>

In 2022 amount of 1.842.262 MKD were collected from the bankruptcy estate of Eurostandard Bank, which was the remaining cash on the Company's transaction accounts when the bankruptcy procedure started, and accordingly, release of impairment in the same amount was done.

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

The movement in the allowance for impairment for 2022 and 2021 is as follows:

	2022	2021
At 1 January	1.842.262	1.842.262
Release of impairment for the year (note 3.12)	(1.842.262)	-
<b>At 31 December</b>	<b>-</b>	<b>1.842.262</b>

## 2.10. Prepaid

As at 31 December 2022 prepayments to the amount of 98.117.850 MKD consist of deferred acquisition costs amounting to 78.643.355 MKD and other accrued income amounting to 19.474.495 MKD (2021: 97.909.842 MKD out of which the amount of 69.482.206 MKD refers to deferred acquisition costs and the amount of 28.428.636 MKD refers to other accrued income).

### Deferred acquisition costs

	2022	2021
Deferred premiums costs – acquisition (balance)	52.920.280	41.311.825
Deferred premiums costs – brokers (balance)	25.723.075	28.169.381
<b>As at 31 December</b>	<b>78.643.355</b>	<b>69.481.206</b>

### Other accrued income and prepaid

	2022	2021
Accrued income for commission from reinsurance	11.757.653	19.387.567
Deferred Expenses - Invoices	379.593	72.002
Deferred Expense for discounts – policy commitment agreements (2-3 years)	6.410.551	7.653.063
Other deferred expenses	926.698	1.316.004
	<b>19.474.495</b>	<b>28.428.636</b>

## 2.11. Equity and reserves

On December 2022 shareholders' capital consists of 3,200 (2021: 3,200) ordinary shares with nominal value of EUR 1,000 per share, respectively to 195.326.080 MKD. As at 31 December 2022 shareholders of ordinary shares are entitled to receive dividends as follows:

As at 31 December 2022 the Company's shareholders structure is:

	% of shares with voting right
<u>Grazer Wechselseitige Versicherung Aktiengesellschaft</u>	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 2022

(All amounts expressed in Denar, unless otherwise stated)

**2.11 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. Ultimate parent company is Grazer Wechselseitige Versicherung Aktiengesellschaft.

**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 2022 the total statutory reserve amounts to 222.714.926 MKD (2021: 192.835.567 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 2022 revaluation reserve decreases the Company's capital by (9.995.732) MKD (2021 : decrease of 415.302 MKD).

	<b>2022</b>	<b>2021</b>
Opening balance	(415.302)	2.727.969
Decrease of revaluation reserve for realized losses from financial investments available for sale (Note 2.4.2 и 3.2)	(1.207.759)	(20.195.384)
Increase/Decrease of revaluation reserve for unrealized gains/losses from financial investments available for sale, net (Note 2.4.2)	(8.374.671)	17.052.113
	<b>(9.997.732)</b>	<b>(415.302)</b>

**Net retained earnings**

As at 31 December 2022, the Company has retained earnings to the amount of 148.406.186 MKD (2021: 108.647.467 MKD).

In the course of 2022 the Company paid dividends to the amount of 20 million MKD In 2021 there was no dividend payment.

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 2022, 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.

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
As at 01 January	1.033.891.331	-158.202.839	875.688.492	933.945.568	-67.483.413	866.462.155
Movement on gross provisions for claims	32.430.864	-13.621.863	18.809.001	36.266.848	-19.886.628	16.380.220
Movement on unearned premium	13.701.086	35.444.151	49.145.237	68.903.845	-70.832.798	-1.928.953
Unexpected risk reserve	2.000.000	-	2.000.000	-870.749	-	-870.749
Provisions for bonuses and discounts	1.642.532	-	1.642.532	-4.354.181	-	-4.354.181
<b>As at 31 December</b>	<b>1.083.665.813</b>	<b>-136.380.551</b>	<b>947.285.262</b>	<b>1.033.891.331</b>	<b>-158.202.839</b>	<b>875.688.492</b>
	Бруто	Реосигурување	Нето	Бруто	Реосигурување	Нето
As at 01 January	510.490.101	-31.726.864	478.763.237	478.577.434	-11.840.236	466.737.198
Movement on provisions for incurred, reported claims	14.436.764	-15.548.888	-1.112.125	33.386.523	-20.452.859	12.933.664
Movement on provisions for direct costs	-	-	0	-	-	0
Movement on provisions for indirect costs	1.936.911	-	1.936.911	392.136	-	392.136
Movement on provisions for incurred, but not reported claims	16.057.189	1.927.025	17.984.214	2.488.189	566.231	3.054.420
Reserves for bonuses and discounts	1.642.532	-	1.642.532	-4.354.181	-	-4.354.181
<b>As at 31 December</b>	<b>544.563.496</b>	<b>-45.348.727</b>	<b>499.214.769</b>	<b>510.490.101</b>	<b>-31.726.864</b>	<b>478.763.237</b>
Unearned premium	Бруто	Реосигурување	Нето	Бруто	Реосигурување	Нето
As at 01 January	523.401.231	-126.475.975	396.925.255	455.368.134	-55.643.177	399.724.957
Policy premium for the current year	1.125.322.945	-234.408.788	890.914.157	1.124.297.921	-364.354.689	759.943.232
Costs for bonuses and discounts	-25.987.188	-	-25.987.188	-26.973.310	-	-26.973.310
Earned premiums in the current year	-1.083.634.671	269.852.939	-813.781.732	-1.029.291.514	293.521.891	-735.769.623
<b>As at 31 December</b>	<b>539.102.317</b>	<b>-91.031.824</b>	<b>448.070.492</b>	<b>523.401.230</b>	<b>-126.475.975</b>	<b>396.925.255</b>

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 (continued)

Movement in unearned premium, provision for claims and provisions for bonuses and discounts in 2022:

	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	42.551.179	77.519.244	47.328.044	169.623	21.427	299.586	76.283.092	41.055.852	211.911.833	17.937	253.609	28.046.114	3.915	245.359	11.395.503	<b>537.102.317</b>
Reinsurance unearned premiums	(157.802)	(6.322.405)	(674.411)	(169.625)	-	(36.337)	(52.254.650)	(18.307.127)	-	(17.938)	-	(13.091.529)	-	-	-	<b>(91.031.824)</b>
Unexpired risk reserve	1.700.000	-	-	-	-	-	-	-	-	-	-	-	-	300.000	-	<b>2.000.000</b>
<b>Net unearned premiums (less reinsurance unearned premiums)</b>	<b>44.093.377</b>	<b>71.196.839</b>	<b>46.653.633</b>	<b>(2)</b>	<b>21.427</b>	<b>263.249</b>	<b>24.028.442</b>	<b>22.748.725</b>	<b>211.911.833</b>	<b>(1)</b>	<b>253.609</b>	<b>14.954.585</b>	<b>3.915</b>	<b>545.359</b>	<b>11.395.503</b>	<b>448.070.493</b>
Provision for claims	30.266.634	17.585.490	43.412.646	-	-	605.681	40.756.609	7.724.719	379.658.236	-	-	7.299.073	-	-	5.368.436	532.677.524
Provisions for bonuses and discounts	11.452.083	9.621	153.654	-	-	579	163.016	103.523	-	-	-	3.461	-	-	36	11.885.973
Change in provisions for claims –IBNR – part for reinsurance	(666.344)	-	-	-	-	-	(6.724.296)	-	-	-	-	-	-	-	-	(7.390.640)
Change in provisions for claims –RBNS – part for reinsurance	(120.000)	(5.060)	-	-	-	-	(20.000.000)	(300.000)	(17.233.027)	-	-	(300.000)	-	-	-	(37.958.087)
<b>Net provisions for claims (less reinsurance transferable part)</b>	<b>40.932.373</b>	<b>17.590.051</b>	<b>43.566.300</b>	<b>-</b>	<b>-</b>	<b>606.260</b>	<b>14.195.329</b>	<b>7.528.242</b>	<b>362.425.209</b>	<b>-</b>	<b>-</b>	<b>7.002.534</b>	<b>-</b>	<b>-</b>	<b>5.368.472</b>	<b>499.214.770</b>
	<b>85.025.750</b>	<b>88.786.889</b>	<b>90.219.933</b>	<b>(2)</b>	<b>21.427</b>	<b>869.509</b>	<b>38.223.771</b>	<b>30.276.967</b>	<b>574.337.042</b>	<b>(1)</b>	<b>253.609</b>	<b>21.957.119</b>	<b>3.915</b>	<b>545.359</b>	<b>16.763.975</b>	<b>947.285.263</b>

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

Notes to the financial statements (continued)  
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## 2.12 Gross technical reserves (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	Guarantee	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	<b>523.401.230</b>
Reinsurance unearned premiums	-5.626	-5.360.956	-671.296	-213.970	-	0	-75.636.366	-33.927.212	-	-17.264	-	-10.643.285	-	-	-	<b>-126.475.975</b>
Unexpired risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<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	-	-17.981.441	-	-	-300.000	-	-	-	-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>0</b>	<b>0</b>	<b>787.874</b>	<b>7.612.878</b>	<b>8.654.621</b>	<b>360.362.264</b>	<b>0</b>	<b>0</b>	<b>6.790.450</b>	<b>0</b>	<b>100.574</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>549.147.898</b>	<b>437.542</b>	<b>242.363</b>	<b>22.179.578</b>	<b>2.491</b>	<b>225.556</b>	<b>11.794.955</b>	<b>875.688.492</b>

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



Notes to the financial statements (continued)  
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### 2.13. Other reserves

	2022	2021
Reserves for employee severance pay	1.173.897	1.047.868
Reserves for employee jubilee rewards	2.966.859	2.457.598
	<b>4.140.756</b>	<b>3.505.466</b>

The Company estimated expenses for employee reserves to the total amount of 4.140.756 MKD (2021: 3.505.466 MKD), out of which reserves for severance pays to the employees amounting to 1.173.897 MKD (2021: 1.047.868 MKD) and for jubilee rewards amounting to 2.966.859 MKD (2021: 2.457.598 MKD).

### 2.14. Deferred and current tax liabilities

	2022	2021
Deffered tax liabilities	1.744.663	380.569
Income tax liabilities	1.144.141	6.249.580
Other current tax liabilities	355.020	247.544
	<b>3.243.824</b>	<b>6.877.693</b>

For financial investments classified as available for sale in accordance with IAS 39, in 2021 the Company started to implement IAS 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, 2022, the Company recorded deffered tax liabilities in amount of 1.744.663 MKD, out of which 1.566.897 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

	2022	2021
Liabilities based on coinsurance and reinsurance premiums	19.307.579	15.234.006
Co-insurers payables	2.010.327	536.412
Direct liabilities in insurance	24.190	8.260
Net wage obligations, wage contributions and other employee liabilities	14.257.327	13.560.057
Obligations towards suppliers	3.951.487	4.689.732
Other liabilities from direct insurance business		
- liabilities to GF	1.863.863	963.946
- Commitment Fees Obligations	2.155.488	2.273.672
- fire contribution obligations, etc. legal obligations	2.894.696	2.583.019
- liabilities based on bonuses and discounts that depend on and are not dependent on the result	487.024	-
- other liabilities	1.268.519	2.777.601
Other liabilities	1.853.237	3.108.190
	<b>50.073.737</b>	<b>45.734.895</b>

Notes to the financial statements (continued)  
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**2.16. Accruals**

	<b>2022</b>	<b>2021</b>
Accruals for reinsurance	55.588.596	97.315.616
Accruals for brokers	-	13.384.093
Other accruals	1.733.961	1.678.541
	<b>57.322.557</b>	<b>112.378.250</b>

Notes to the financial statements (continued)  
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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 2022

	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	90.665.190	780.050	(1.700.000)	(2.669.998)	152.176	87.227.418
Health insurance	152.934.866	(21.871.735)	-	(12.833.769)	961.449	119.190.811
Insurance of motor vehicles	90.655.649	(8.418.390)	-	(1.926.740)	3.115	80.313.634
Insurance of aircrafts	61.912.360	44.350	-	(61.912.360)	(44.345)	5
Insurance of vessels	70.326	34.544	-	-	-	104.870
Insurance of goods in transport	4.453.771	21.674	-	(602.276)	36.337	3.909.506
Insurance of property against fire	136.526.158	23.636.219	-	(88.368.410)	(23.381.716)	48.412.251
Other insurance of property	53.963.193	20.313.738	-	(9.328.596)	(15.620.085)	49.328.250
Third party liability insurance	416.531.179	(23.126.199)	-	(10.904.012)	-	382.500.968
Aircraft liability insurance	4.999.070	436.869	-	(4.995.139)	674	441.474
Vessels liability insurance	490.580	(11.247)	-	-	-	479.333
General liability insurance	71.670.146	(2.013.701)	-	(40.867.488)	2.448.244	31.237.201
guarantees	15.039	(1.424)	-	-	-	13.615
Financial losses	438.689	(120.377)	(300.000)	-	-	18.312
Insurance for tourist assistance	39.996.729	(3.405.458)	-	-	-	36.591.271
<b>Total</b>	<b>1.125.322.945</b>	<b>(13.701.086)</b>	<b>(2.000.000)</b>	<b>(234.408.788)</b>	<b>(35.444.151)</b>	<b>839.768.920</b>

Notes to the financial statements (continued)  
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### 3.1 Earned premium (continued)

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>

### 3.2 Investment income

	2022	2021
Interest income from government bonds and government bills	13.468.000	11.557.281
Interest income from term deposits in banks	8.005.614	8.492.154
Interest income from current accounts in banks	126.079	3.308
Interest income from GF	170.083	248.666
<b>Interest income</b>	<b>21.769.776</b>	<b>20.301.409</b>
<b>Foreign exchange gains</b>	<b>4.716.837</b>	<b>4.298.990</b>
<b>Unrealized gains on the fair value of trading investments</b>	<b>13.935.093</b>	<b>20.700.953</b>
<b>Realized gains from investments sold (investment funds) available for sale</b>	<b>1.207.759</b>	<b>20.436.907</b>
<b>Realized gains from sale of trading investments</b>	<b>-</b>	<b>98.270</b>
Dividends	1.152.299	730.315
<b>Other investment income</b>	<b>1.152.299</b>	<b>730.315</b>
<b>Total investment income</b>	<b>42.781.764</b>	<b>66.566.844</b>

Notes to the financial statements (continued)

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

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

	<b>2022</b>	<b>2021</b>
Income from Guarantee Fund from realized subrogation receivables and fee for processing claims	3.068.850	3.792.193
Income from companies for processing claims – service claims	931.897	1.898.402
Other	1.892.609	2.002.618
	<b>5.893.356</b>	<b>7.693.213</b>

**3.4 Other income**

	<b>2022</b>	<b>2021</b>
Interest income and income from court collected receivables	2.202.081	1.987.046
Revenues from foreign exchange difference	6.671.341	2.606.396
Other income	4.119.567	2.403.254
	<b>12.992.989</b>	<b>6.996.696</b>

Notes to the financial statements (continued)

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

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**3.5 Incurred claims**

	<b>2022</b>	<b>Gross 2021</b>	<b>2022</b>	<b>Reinsurance 2021</b>	<b>2022</b>	<b>Net 2021</b>
Incurring, paid claims in the current year	373.266.060	362.047.821	7.403.186	4.982.309	365.862.874	357.065.512
Changes in provisions of incurred, reported claims	16.373.675	33.778.659	15.548.888	20.452.859	824.787	13.325.800
Changes in provisions of incurred, but not reported claims	16.057.189	2.488.189	(1.927.025)	(566.231)	17.984.214	3.054.420
Income from subrogation receivables	(4.271.129)	(4.455.382)	-	-	(4.271.129)	(4.455.382)
<b>Incurring claims (expenses for claims, net)</b>	<b>401.425.795</b>	<b>393.859.287</b>	<b>21.025.049</b>	<b>24.868.937</b>	<b>380.400.746</b>	<b>368.990.350</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)

**3.5 Incurred claims (continued)**

## Analysis of incurred claims as at 31 December 2022

	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	47.913.024	(7.041.333)	(1.536.103)	1.256.870	-	40.592.458
Health insurance	81.160.709	(2.263.329)	-	-	-	78.897.380
Insurance of motor vehicles	38.897.301	18.114.933	-	-	(645.746)	56.366.488
Insurance of aircrafts	-	-	-	-	-	-
Insurance of vessels	-	-	-	-	-	-
Insurance of goods in transport	643.078	(182.193)	-	-	-	460.885
Insurance of property against fire	20.976.884	21.746.582	-	(15.327.147)	-	27.396.319
Other insurance of property	9.903.321	(929.902)	(1.048.405)	(300.000)	-	7.625.014
Third party liability insurance	160.176.038	1.314.531	(4.818.678)	748.414	(3.391.645)	154.028.660
Aircraft liability insurance	-	-	-	-	-	-
Vessels liability insurance	-	-	-	-	-	-
General liability insurance	3.765.984	208.623	-	-	-	3.974.607
Loan insurance	-	-	-	-	(233.738)	(233.738)
Financial losses insurance	-	(100.574)	-	-	-	(100.574)
Insurance for tourist assistance	9.829.721	1.563.526	-	-	-	11.393.247
<b>Total</b>	<b>373.266.060</b>	<b>32.430.864</b>	<b>(7.403.186)</b>	<b>(13.621.863)</b>	<b>(4.271.129)</b>	<b>380.400.746</b>

## 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>

Notes to the financial statements (continued)

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

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### 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 2022 total costs for bonuses and discounts amounted to 25.987.188 MKD (2021: 26.973.310 MKD) out of which the amount of 1.913.428 MKD refers to costs for bonuses (good business collaboration) (2021: 3.598.980 MKD) and costs for discounts to the amount of 24.073.760 (timely payment of premium) (2021: 23.374.330 MKD).

### 3.8 Insurance acquisition costs, net

#### Acquisition costs

	<b>2022</b>	<b>2021</b>
Salaries for employees – sale	109.443.367	95.478.001
Commission	70.654.058	59.348.061
Advertisement *	-	11.144.991
Printed policies	1.911.855	1.851.023
External representation *	-	4.728.071
Change in deferred acquisition costs	(9.162.149)	(3.517.057)
	<b>172.847.131</b>	<b>169.033.090</b>

\* see chapter 3.9 Administrative costs

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.



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### 3.8 Insurance acquisition costs, net (continued)

The table below shows the change in deferred acquisition costs for the years ended 31 December 2022 and 2021:

	2022	2021
Deferred costs for premiums – acquisition (movement)	(4.647.212)	36.576
Deferred costs for premiums – brokers (movement)	(4.514.937)	(3.553.633)
<b>Movement of deferred acquisition costs for policy premiums</b>	<b>(9.162.149)</b>	<b>(3.517.057)</b>

### 3.9 Administrative costs

	2022	2021
Employees costs	62.863.023	63.873.651
-administration salaries	55.848.797	54.790.615
-other employee's costs	6.378.936	5.577.570
-reserved expenses for severance payments and jubilee rewards	635.290	3.505.466
Rent	18.819.465	20.287.758
Rent of assets for operations	958.178	786.789
Phone costs	7.125.326	7.705.456
Sponsorship and representation (Advertisement) *	26.353.563	3.244.741
Depreciation of tangible and intangibles assets	3.882.332	3.907.644
Services to individuals	16.292.214	14.416.070
Fee for use of own vehicle	7.836.332	6.901.731
Utilities	5.425.447	3.466.772
Security costs	21.240	21.240
Bank charges	4.001.000	3.600.437
Office materials and consumables	1.469.190	1.061.491
Insurance premium costs (managerial insurance, health insurance for LU, MA etc.)	8.279.133	7.097.968
Maintenance costs	11.294.064	10.223.496
Costs for lawyers, notary services and enforcement agents	1.368.409	1.016.721
Shipping costs and business trips	2.801.205	1.305.424
Other administrative costs	9.458.696	9.907.716
<b>Administrative costs</b>	<b>188.248.817</b>	<b>158.825.105</b>

\* according changes in Rulebook for form and content of Financial statements (Official Gazzete no 118 from 23.05.2022), costs for Advertisement and External representation are part of Administrative costs (position 256 of Income statement)

### 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.

	2022	2021
Net salaries	109.281.759	99.393.468
Contributions	56.010.405	50.875.148
	<b>165.292.164</b>	<b>150.268.616</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 2022  
(All amounts expressed in Denar, unless otherwise stated)

### 3.10 Other insurance technical expenses, less reinsurance

	<b>2022</b>	<b>2021</b>
Expenses for claims paid to GF for NN vehicles	9.954.968	12.563.349
Fire fight contribution	4.698.348	4.558.813
Health insurance contribution	4.171.857	3.818.359
Insurance Supervision agency contribution	7.708.632	8.104.550
Expenses for National Insurance Bureau	2.898.169	2.822.708
Subrogation costs from NIB	989.649	1.021.779
Other expenses	212.535	261.806
	<b>30.634.158</b>	<b>33.151.364</b>

### 3.11 Value adjustments of receivables based on premium

	<b>2022</b>	<b>2021</b>
Impairment provision of receivables from insurers (Note 2.7)	(8.868.744)	(17.040.022)
Release of impairment provision of receivables from insurers (Note 2.7)	(33.498)	(21.808)
Collected written-off receivables	24.047.082	35.314.540
	<b>15.144.840</b>	<b>18.252.710</b>

### 3.12 Other expenses, including value adjustments

	<b>2022</b>	<b>2021</b>
Impairment provision of insurance direct operations (Note 2.7)	1.061.135	3.563.117
Release of impairment provision of insurance direct operations (Note 2.7)	(2.617.902)	(2.781.548)
Release of impairment provision of deposits (Note 2.4.4)	(2.476.489)	-
Release of impairment provision of cash and cash equivalents (Note 2.9)	(1.842.262)	-
Expenses from foreign exchange differences	6.004.166	6.705.773
Other financial expenses	109.455	346.112
	<b>238.103</b>	<b>7.833.454</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 2022  
(All amounts expressed in Denar, unless otherwise stated)

### 3.13 Tax expense

	<b>2022</b>	<b>2021</b>
Current tax expenses (income tax)	12.409.886	12.193.331
Deferred income tax	-	-
	<b>12.409.886</b>	<b>12.193.331</b>

The reconciliation of the total tax expense in the Income Statement for the years ended 31 December 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Profit before tax	97.424.417	101.831.409
on-deductible expenses for tax purposes	27.998.495	21.563.511
Tax base	125.422.912	123.394.920
<i>Decrease of tax base</i>		
- Dividends	280.000	-
-Amount of carried investments out of the profit (reinvested)	-	-
Tax base after deductions	1.044.056	1.461.610
Calculated income tax 10%	124.098.856	121.933.310
Calculated income tax 10%	12.409.886	12.193.331
Effective tax rate	<b>12.409.886</b>	<b>12.193.331</b>
	<b>12,74%</b>	<b>11,97%</b>

### 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>2022</b>	<b>2021</b>
Earning attributable to shareholders	85.014.531	89.638.078
Less: dividends for preference shares	-	-
Net earnings attributable to holders of ordinary shares	85.014.531	89.638.078
Weighted average number of ordinary shares	3.200	3.200
<b>Basic earnings per share (MKD per share)</b>	<b>26.567</b>	<b>28.012</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 2022  
(All amounts expressed in Denar, unless otherwise stated)

#### 4. Off- balance sheet items

As at 31 December 2022 and 2021 the structure of off- balance sheet items is as follows:

	<b>2022</b>	<b>2021</b>
Unrealized recourse receivables	78.768.985	68.892.981
Bank guaranties	4.748.542	5.613.940
Reserves for claims-GF	34.833.890	33.503.792
Reserve for income- policy commitment agreements (2-3 years) and discount for policy commitment agreements (2-3 years)	190.944.841	158.070.938
	<b>309.296.258</b>	<b>266.081.651</b>

Income reserve – confidence package and confidence package discount to the amount of 190.944.841 MKD (2021: 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

The shareholder of Grazer Wechselseitige Versicherung Aktiengesellschaft is also a shareholder in other legal entities, including companies and financial institutions, which jointly comprise “GRAWE Group”

As at 31 December 2022 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>634.299</b>	<b>1.537.330</b>	<b>2.171.629</b>
<b>Receivables</b>	<b>634.299</b>	<b>1.537.330</b>	<b>2.171.629</b>
Receivables from insurers based on insurance premiums	580.158	-	580.158
Other receivables	54.141	1.537.330	1.591.471
<b>Investments</b>			
Deposits given			
<b>Off-balance sheet records</b>	-	-	-
- Subrogation receivables	-	-	-
<b>Total Liabilities</b>	<b>2.643.580</b>	<b>336.936</b>	<b>2.980.516</b>
<b>Liabilities</b>	<b>2.643.580</b>	<b>336.936</b>	<b>2.980.516</b>
Liabilities towards insurers for claims, insurance amounts and other agreed amounts	-	-	-
Other liabilities	2.643.580	336.936	2.980.516
<b>Off-balance sheet records</b>	-	-	-
- Subrogation receivables	-	-	-
<b>Total Revenues</b>	<b>842.125</b>	<b>1.677.484</b>	<b>2.519.609</b>
<b>Total Expenses</b>	-	<b>14.613.759</b>	<b>14.613.759</b>
<b>Short-term benefits for key management personnel</b>	<b>39.778.782</b>	-	<b>39.778.782</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 2022

(All amounts expressed in Denar, unless otherwise stated)

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

As at 31 December 2021 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>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>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>2.479.744</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>
- Guarantees and other forms of warranty	-	124.145	124.145
<b>Total Revenues</b>	<b>876.482</b>	-	<b>876.482</b>
<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>

**Transactions with the National Insurance Bureau**

	2022	2021
Investments in joint controlled entities	15.120.437	14.874.787
Receivables from the National Insurance Bureau	1.217.913	3.108.935
Liabilities to the National Insurance Bureau	170.083	248.666
Income from investments	2.721.375	439.725
Income from claims proceedings	931.897	3.352.468
Income from realized subrogation receivables	13.842.786	16.407.836

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 2022

(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 2022.

#### Combined Index, gross

31 December 2022	Index of claims, gross	Index of expenses, gross	Combined Index, gross
<b>Total</b>	<b>36,62%</b>	<b>38,03%</b>	<b>74,65%</b>
accident	46,02%	32,47%	78,49%
health	60,21%	36,79%	97,00%
motor vehicles (Casco)	69,51%	47,71%	117,22%
railways vehicles (Casco)	0,00%	0,00%	0,00%
aircrafts (Casco)	0,00%	18,49%	18,49%
vessels (Casco)	0,00%	26,41%	26,41%
goods in transport (Cargo)	10,31%	34,80%	45,11%
property against fire and other dangers	26,78%	27,41%	54,19%
property other	12,22%	39,95%	52,17%
AO (total)	40,79%	43,07%	83,86%
aircraft liability	0,00%	17,03%	17,03%
vessel liability	0,00%	53,97%	53,97%
general liability	3,39%	42,15%	45,54%
loans	0,00%	0,00%	0,00%
guarantees	0,00%	36,99%	36,99%
financial losses	-31,66%	84,57%	52,91%
legal protection	0,00%	0,00%	0,00%
tourist assistance	31,14%	51,48%	82,62%

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%

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 2022

(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 (continued)****Combined Index, net**

31 December 2022	Index of claims, net	Index of expenses, net	Combined Index, net
<b>Total</b>	<b>45,87%</b>	<b>45,98%</b>	<b>91,85%</b>
accident	47,01%	36,33%	83,34%
health	66,21%	41,97%	108,17%
motor vehicles (Casco)	71,17%	53,84%	125,01%
railways vehicles (Casco)	0,00%	0,00%	0,00%
aircrafts (Casco)	0,00%	0,00%	0,00%
vessels (Casco)	0,00%	29,70%	29,70%
goods in transport (Cargo)	11,80%	33,60%	45,40%
property against fire and other dangers	56,93%	47,05%	103,98%
property other	15,67%	60,14%	75,80%
AO (total)	40,89%	48,98%	89,86%
aircraft liability	0,00%	-359,96%	-359,96%
vessel liability	0,00%	59,02%	59,02%
general liability	8,65%	70,24%	78,89%
loans	0,00%	0,00%	0,00%
guarantees	0,00%	42,67%	42,67%
financial losses	-31,66%	91,35%	59,69%
legal protection	0,00%	0,00%	0,00%
tourist assistance	31,14%	56,87%	88,00%

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%

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 2022  
(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 2022. 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 2022, the Company has estimated expenses for employee reserves amounting to 4.140.756 MKD out of which severance pay reserves to the amount of 1.173.897 MKD and jubilee rewards reserves to the amount of 2.966.859 MKD.

## **8. Events after the reporting period**

After 31 December 2022 – 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.



Eurolink Insurance Inc. Skopje

Annexex

As at and for the year ended 31 December 2021

# Annex 1 – Annual account

			<div style="display: flex; justify-content: space-around;"> <span> _ _ _ </span> <span> _ </span> </div>												
			Period								Controlled by				
1 2 3	4 5 6 7 8 9 10 11								1 13 14 15 16 17 18 19 20 21 22 23 24 25 26						
Type of work	ID number (PIDN)								Reserve codex						

Company's name Eurolink Insurance Inc., Skopje, Member of GRAWE Group  
Address, head office, telephone Pirinska 23, Skopje tel. +389 2 32-89-303  
E-mail address eurolink@eurolink.com.mk  
Type of work Non-life Insurance  
Tax number 4030002461596

**INCOME STATEMENT  
(COMPREHENSIVE PROFIT REPORT)**

For the period from 01.01.2022 to 31.12.2022

(in MKD)

No.	DESCRIPTION	AOP Mark	Amount	
			Current year	Previous year
1	2	3	4	5
1.	<b>A. REVENUES FROM OPERATIONS (202+211+234+235)</b>	201	937,052,903	890,698,444
2.	<b>I.EARNED PREMIUM (NET EARNED PREMIUM) (203+204+205-206-207-208+209+210)</b>	202	839,768,920	762,742,934,
3.	Gross policy insurance premium	203	1,125,322,945	1,124,297,921
4.	Gross policy co-insurance premium	204		
5.	Gross policy reinsurance/retrocession premium	205		
6.	Gross policy insurance premium delivered in co-insurance	206		
7.	Gross policy insurance premium delivered in reinsurance/ retrocession	207	234,408,788	364,354,689
8.	Change in gross unearned premium reserve	208	15,701,086	68,033,096
9.	Change in gross unearned premium reserves- part for co-insurance	209		
10.	Change in gross unearned premium reserves - part for reinsurance	210	-35,444,151	70,832,798
11.	<b>II. INCOME FROM INVESTMENTS (212+219+228)</b>	211	42,781,764	66,566,844
12.	<b>Income from investments in holdings (213+214+215+216+217+218)</b>	212		
13.	Interest gains from holdings	213		
14.	Foreign exchange gains from holdings	214		
15.	Dividends gains from holdings	215		
16.	Unrealised gains from reducing to investment fair value in holdings	216		
17.	Realised gains (capital gains) from sale of investments in holdings	217		

No	DESCRIPTION	AOP Mark	Amount	
			Current year	Previous year
1	2	3	4	5
18.	Other incomes from investments in holdings	218		
19.	<b>Other incomes from investments (220+221+222+223+224)</b>	219	42,781,764	66,566,844
20.	Interest income	220	21,769,776	20,301,409
21.	Foreign exchange gains	221	4,716,837	4,298,990
22.	Dividend gains	222	1,152,299	730,315
23.	Unrealised gains from investments	223	13,935,093	20,700,953
24.	Realised gains (capital gains) from sale of investments (225+226+227)	224	1,207,759	20,535,177
24.a.	Financial investments available-for-sale	225	1,207,759	20,436,907
24.6.	Financial investments available for trade (at fair value)	226		98,270
24.b.	Other finances and investments	227		
25.	<b>Other incomes from investments (229+233)</b>	228		0
26.	Revenue from investments in tangible assets that are not used for activity operation (230+231+232)	229		
26.a.	Increase of investment value in tangible assets that are not used for activity performance	230		
26.6.	Realised gain (capital gain) from sale of investment in tangible assets that are not used for activity operation	231		
26.b.	Revenue from rent of investments in tangible assets that are not used for activity operation	232		
27.	Other investments incomes	233		0
28.	<b>III. OTHER INSURANCE-TECHNICAL INCOMES LESS FOR REINSURANCE</b>	234	41,509,230	54,391,970
29.	<b>IV. OTHER FINANCIAL AND DIFFERENT REVENUES</b>	235	12,992,989,	6,996,696
30.	<b>B. EXPENSES FROM OPERATION (237+245+255+258+261+278+296+299)</b>	236	839,628,486	788,867,035
31.	<b>I. CLAIMS INCURRED (NET VALUE OF EXPENSES FOR CLAIMS) (238-239-240-241+242-243-244)</b>	237	380,400,746	368,990,350
32.	Gross paid claims	238	373,266,060	362,047,821
33.	Income decrease from gross realised subrogation receivables	239	4,271,129	4,455,382
34.	Gross paid claims – part of co-insurance	240		0
35.	Gross paid claims – part of re-insurance / retrocession	241	7,403,186	4,982,309
36.	Change in gross claims reserve	242	32,430,864	36,266,848
37.	Change in gross claims reserve – part of co-insurance	243		0
38.	Change in gross claims reserve – part of re-insurance	244	13,621,863	19,886,628
39.	<b>II. CHANGES IN OTHER TECHNICAL PROVISIONS (NET OF REINSURANCE) (246+249+252)</b>	245	1,642,532	-4,354,181
40.	Changes in mathematical reserve, net of reinsurance(247-248)	246		
40.a.	Changes in gross mathematical reserve	247		
40.6.	Changes in mathematical reserve – part for co-insurance and reinsurance	248		



No	DESCRIPTION	AOP Mark	Amount	
			Current year	Previous year
1	2	3	4	5
41.	Changes in equalization reserve, net of reinsurance (250-251)	249		
41.a.	Changes in equalization reserve, net of reinsurance	250		
41.б.	Changes in gross equalization reserve – part for co-insurance and reinsurance	251		
42.	Changes in other technical provisions, net of reinsurance (253-254)	252	1,642,532	-4,354,181
42.a.	Changes in other gross technical provisions	253	1,642,532	-4,354,181
42.б.	Changes in other gross technical provisions – part for co-insurance and reinsurance	254		
43.	<b>III. CHANGES IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE INVESTMENT RISK IS CARRIED BY INSURED PERSON, NET OF REINSURANCE(256-257)</b>	255		
43.a.	Changes in gross mathematical reserve for life insurance where investment risk is carried by the insured person	256		
43.б.	Changes in gross mathematical reserve for life insurance where investment risk is carried by the insured person – part for co-insurance and reinsurance	257		
44.	<b>IV. EXPENSES FOR BONUSES AND DISCOUNTS, NET OF REINSURANCE (259+260)</b>	258	25,987,188	26,973,310
44.a.	Expenses for bonuses (related to result)	259	1,913,428	3,598,980
44.б.	Expenses for discounts (not related to result)	260	24,073,760	23,374,330
45.	<b>V. NET EXPENSES FOR INSURANCE OPERATIONS (262+267)</b>	261	361,095,948	327,858,195
46.	<b>Acquisition costs (263+264+265+266)</b>	262	172,847,131	169,033,090
47.	Fees	263	70,654,058	59,348,061
48.	Other acquisition costs	264	1,911,855	17,724,085
49.	Change in deferred acquisition costs	265	-9162149	-3,517,057
50.	Gross salaries for employees in the internal sales network	266	109,443,367	95,478,001
51.	<b>Administrative expenses (268+269+275+276)</b>	267	188,248,817	158,825,105
52.	Depreciation and value adjustment (devaluation) of tangible and non-tangible assets used for activity operation	268	3,882,332	3,907,644
53.	Costs for employees (270+271+272+273+274)	269	62,227,733	60,368,185
53.a.	Salaries and allowances	270	36,794,902	36,124,787
53.б.	Tax expenses for salaries and allowances	271	3,436,548	3,370,881
53.в.	Contributions from mandatory social insurance	272	15,617,347	15,294,947
53.г.	Costs for additional pension insurance for employees	273		0
53.д.	Other costs for employees	274	6,378,936	5,577,570
54.	Charges for services from private persons that are not performing activity based on full employment rate and benefits	275	16,292,214	14,416,070
55.	Other administrative costs (277+278+279)	276	105,846,538	80,133,206
56.	Costs for services	277	83,245,930	60,285,462



No	DESCRIPTION	AOP Mark	Amount	
			Current year	Previous year
1	2	3	4	5
57.	Material/ Operating costs	278		
58.	Costs for reservations and other operating costs	279	8,154,246	5,949,908
59.	<b>VI. INVESTMENTS EXPENSES (281+287)</b>	280	14,446,362	13,897,836
60.	<b>Investment expenses in holdings (282+283+284+285+286)</b>	281	24,484,971	10,161,833
61.	Interest expenses for holdings	282		
62.	Foreign exchange expenses for holdings	283		
63.	Unrealised loss from decreasing to fair value investments in the holdings	284		
64.	Realised loss from sale (capital loss) of investments in the holdings	285		
65.	Other financial expenses by the holdings	286		
66.	<b>Other investments expenses (288+289+290+291+294+295)</b>	287	24,484,971,	10,161,833
67.	Interest expenses	288	3,279	18,942
68.	Foreign exchange expenses	289	3,025,941	2,000,906
69.	Unrealised loss from decreasing investments at fair value	290	21,397,049	7,483,782
70.	Realised loss from sale (capital loss) of investments (292+293)	291	58,702	658,203
70.a.	Financial investments available-for-sale	292	0	241,523
70.6.	Financial investments for trade (at fair value)	293	58,702	416,680
70.b.	Realised loss from sale of other investments	294		
71.	Other expenses from investments (296+297)	295		
72.	Depreciation of investment in tangible assets that are not used for activity operation	296		
73.	Loss from devaluation of investments and other expenses for investments	297		
74.	<b>VII. OTHER INSURANCE-TECHNICAL EXPENSES, LESS FOR REINSURANCE (299+300)</b>	298	30,634,158	33,151,364
74.a.	Expenses for prevention	299		
74.6	Other insurance-technical expenses, less for reinsurance	300		
75.	<b>VIII. OTHER EXPENSES (302+303)</b>	301	30,634,158	33,151,364
75.a.	Loss due to devaluation of receivables based on insurance premium	302	15,382,943	26,086,164
75.6.	Other financial and different expenses	303	15,144,840	18,252,710
76.	Profit share in associated companies	304	238,103	7,833,454
77.	Loss share in associated companies	305		
78.	Profit for the year (201+304) – (236+305)	306	97,424,417	101,831,409
79.	Loss for the year (236+305) – (201+304)	307		
80.	Net profit from discontinued operations	308		
81.	Net loss from discontinued operations	309		
82.	Profit before taxation (306+308) or (306-309)	310		
83.	Loss before taxation (307+309) or (307-308)	311	97,424,417	101,831,409

No	DESCRIPTION	AOP Mark	Amount	
			Current year	Previous year
1	2	3	4	5
84.	Profit tax	312	12,409,886	12,193,331
85.	Delayed tax income	313		
86.	Delayed tax expenses	314		
87.	PROFIT FOR THE YEAR AFTER TAXATION (310-312+313-314)	315	85,014,531	89,638,078
88.	LOSS FOR THE YEAR AFTER TAXATION (311+312-313+314)	316		
89.	Average employees number based on working hours in the accounting period (in absolute amount)	317	209	199
90.	Number of months of operation (in absolute amount)	318	12	12
91.	PROFIT/LOSS FOR THE PERIOD	319	85,014,531	89,638,078
91.a.	Profit attributed to the shareholders	320		
91.6.	Profit for uncontrolled participation	321		
91.b.	Loss attributed to the shareholders	322		
91.r.	Loss for uncontrolled participation	323		
92.	EARNINGS PER SHARE	324	26,567	28,012
92.a.	Total basic earnings per share	325	26,567	28,012
92.6.	Total diluted earnings per share	326		
92.b.	Basic earnings per share from discontinued operation	327		
92.r.	Diluted earnings per share from discontinued operation	328		



## REPORT ON OTHER COMPREHENSIVE PROFIT

For the period from 01.01.2020 to 31.12.2020

No	DESCRIPTION	AOP Mark	Amount	
			Current year	Previous year
1	2	3	4	5
1.	Year profit	329	85,014,531	89,638,078
2.	Year loss	330		
3.	Other comprehensive profit (333+335+337+339+341+343) - (334+336+338+340+342+344)	331		
4.	Other comprehensive loss (334+336+338+340+342+344) - (333+335+337+339+341+343)	332	-9,582,430	-3,143,271
5.	Profit from translation of foreign operation	333		
6.	Loss from translation of foreign operation	334		
7.	Profit from re-measurement of finances available for sale	335		
8.	Loss from re-measurement of finances available-for-sale	336	-9,582,430	-3143,271
9.	Effective profit share from hedging instruments for cash hedging	337		
10.	Effective loss share from hedging instruments for cash flow hedging	338		
11.	Changes in revalorization reserves for tangible and non-tangible assets (+)	339		
12.	Changes in revalorization reserves for tangible and non-tangible assets (-)	340		
13.	Actuarial gain for employees benefit plans	341		
14.	Actuarial loss for employees benefit plans	342		
15.	Share in other comprehensive profit of associated companies (only for consolidation purposes)	343		
16.	Share in other comprehensive loss of associated companies (only for consolidation purposes)	344		
17.	Profit tax on the other comprehensive profit components	345		
18.	Other comprehensive profit net (331-345)	346		
19.	Other comprehensive loss net (345-331) or (332+345)	347	-9,582,430	-3,143,271
20.	Total year comprehensive profit (329+346) or (346-330)	348	75,432,101	86,494,807
20.a.	Comprehensive profit of company's shareholders	349	75,432,101	86,494,807
20.6.	Comprehensive profit of not controlled participation	350		
21.	Total year comprehensive loss (330+347) or (330-346) or (347-329)	351		
21.a.	Comprehensive loss of company's shareholders	352		
21.6.	Comprehensive loss of not controlled participation	353		

REALISED REVENUES MAINLY FORM ACTIVITY CODE 65,12

6	5	1	2
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(main income code of activity defined by NCA is assigned in accordance with Article 9 of the Law on One Stop Shop System – Official gazette of Republic of Macedonia No. 84/05, 13/07,150/07, 140/08,17/11, 53/11 и 70/13).

Responsible person for the form preparation.

Name and surname Pavlina Velkova

Registration number from the Institute of accountants and  
Authorized accountants of Republic of Macedonia: 0100365

Signature *P. Velkova*

In Skopje

Date 22.02.2023

Skopje Date 22.02.2023	Name and surname of Company's legal representative:	Name and surname of Company's legal representative:
	<u>Marija Tomeska</u>	<u>Maja Bogdanovska - Stojanoska</u>
	Signature <u><i>[Signature]</i></u>	Signature <u><i>[Signature]</i></u>





1 2 3			4 5 6			7 8 9			10 11			12 13 14			15 16 17			18 19 20			21 22 23			24 25 26		
Type of work			Period			ID Number			Controlled by																	

Company's name Eurolink Osiguruvanje AD Skopje, member of GRAWE Group  
Address, head office, telephone Pirinska 23, Skopje tel. +389 2 32-89-303  
E-mail address eurolink@eurolink.com.mk  
Type of work General / None-life Insurance  
Tax number 4030002461596

**BALANCE SHEET  
(FINANCIAL STATUS REPORT)**

On 31.12.2022

No	DESCRIPTION	AOP mark	Amount (in MKD)	
			Current year	Previous year
1	2	3	4	5
1.	ASSETS:	001		
	A. INTANGIBLE ASSETS (002+003)			
2.	Goodwill	002	2,879,886	1,612,756
3.	Other intangible assets	003	2,879,886	1,612,756
4.	B. TANGIBLE ASSETS (005+008+009+010+011+012)	004		
5.	Real Estate (006+007)	005	7,557,963	9,005,449
5a.	Land	006		
5b.	Buildings (Construction objects)	007		
6.	Plants and equipment	008		
7.	Transportation assets and vehicles	009	6,721,600	8,169,086
8.	Advances for procurement of material assets	010		
9.	Tangible assets in preparation	011		
10.	Other tangible assets	012		
11.	C. INVESTMENTS (014+015+021+040)	013	836,363	836,363
12.	1. INVESTMENTS IN TANGIBLE ASSETS THAT ARE NOT USED FOR ACTIVITY OPERATION	014	1,235,051,133	1,154,085,937
13.	11. FINANCIAL INVESTMENTS IN THE GROUP'S COMPANIES (016+017+018+019+020)	015	15,180,437	14,934,787

No.	DESCRIPTION	AOP mark	Amount (in MKD)	
			Current year	Previous year
1	2	3	4	5
14.	Investment in shares, equity parts and securities of subsidiary companies	016		
15.	Investment in shares, equity parts and securities of associated companies and jointly controlled companies	017		
16.	Debt securities issued by the subsidiary companies, associated companies and jointly controlled companies	018		
17.	Receivables for issued loans to subsidiary companies, associated companies and jointly controlled companies	019		
18.	Other financial investments in subsidiary companies, associated companies and jointly controlled companies	020		
			15,180,437	14,934,787
19.	111.OTHER FINANCIAL INVESTMENTS (022+034+035)	021		
			1,219,870,696	1,139,151,150
20.	Investment in securities (023+026+030)	022		
			701,121,982	678,394,331
21.	Investment in securities held to maturity (024+025)	023		
			449,796,213	430,823,398
21.a	Debt securities with maturity up to one year	024		
21b.	Debt securities with maturity over one year	025		
			449,796,213,	430,823,398
22.	Investment in securities available-for-sale (027+028+029)	026		
			192,927,352	183,075,552
22.a.	Debt securities with maturity up to one year	027		
22.b.	Debt securities with maturity over one year	028		
22.c.	Shares, equity parts and other equity instruments	029		
			192,927,352	183,075,552
23.	Investment in securities at fair value via profit or loss (031+032+033)	030		
			58,398,417	64,495,381
23.a.	Debt securities with maturity up to one year	031		
23.b	Debt securities with maturity over one year	032		
23.c.	Shares, equity parts and other equity instruments	033		
			58,398,417	64,495,381
24.	Derivative financial instruments	034		
25.	Deposits, loans and other placements (036+037+038+039)	035		
			518,748,714	460,756,819

No.	DESCRIPTION	AOP mark	Amount (in MKD)	
			Current year	Previous year
1	2	3	4	5
25.a.	Deposits	036	518,748,714	460,756,819
25.b	Loans secured with mortgages	037		
25.c.	Other loans	038		
25.d.	Other placements	039		
26.	IV. DEPOSITS OF REINSURANCE COMPANIES AT CEDENTS, BASED ON REINSURANCE CONTRACTS	040		
27.	D. FINANCIAL INVESTMENTS WHERE INSURED PERSON OVERTAKES INVESTMENT RISK (INSURANCE CONTRACTS)	041		
28.	E. PART FOR CO-INSURANCE AND REINSURANCE IN GROSS TECHNICAL PROVISIONS (043+044+045+046+047+048+049)	042	136,380,551	158,202,839
28.a.	Co-insurance and reinsurance part in gross unearned premium reserves	043	91,031,824	126,475,975
28.b.	Part for co-insurance and reinsurance in gross mathematical reserve	044		
28.c.	Part for co-insurance and reinsurance in gross technical reserves for life insurance where insured person overtakes investment risk	045		
28.d.	Part for co-insurance and reinsurance in gross claims reserve	046	45,348,727	31,726,864
28.e.	Part for co-insurance and reinsurance in gross reserves for bonuses and discounts	047		
28.f.	Co-insurance and reinsurance part in gross equalization reserve (legally prescribed reserve for uncertainly determined claim)	048		
28.g.	Co-insurance and reinsurance part in gross other insurance technical provisions	049		
29.	F.DEFERRED TAX ASSETS	050	2,678,813	319,833
30.	G. RECEIVABLES (052+056+057)	051	345,461,560	352,898,587
31.	1.RECEIVABLES FROM DIRECT INSURANCE WORK (053+054+055)	052	326,470,052	332,143,404
31.a.	Receivables from insured persons	053	326,470,052	332,143,404
31.b	Receivables from representatives and agents	054		
31.c.	Other receivables from direct insurance work	055		
32.	11.RECEIVABLES FROM CO-INSURANCE AND REINSURANCE	056		



No.	DESCRIPTION	AOP mark	Amount (in MKD)	
			Current year	Previous year
33.	111.OTHER RECEIVABLES (058+059+060+061)	057		
			18,991,508	20,755,183
34.	Other receivables from direct insurance work	058		
			7,559,590	11,506,806
35.	Receivables from investments	059		
			8,427,033	6,818,293
36.	Current tax assets	060		
			303,502	70,529
37.	Other receivables	061		
			2,701,383	2,359,555
38.	H.CASH AND CASH EQUIVALENTS	062		
			32,240,289	14,384,282
39.	I.STOCK	063		
40.	J.ASSETS (OR GROUPS FOR ALIENATION) PLANNED FOR SALE AND DISCONTINUED OPERATIONS	064		
41.	K.PAID EXPENSES FOR FOLLOWING PERIODS AND CALCULATED INCOMES (AVR)	065		
			98,117,850	97,909,842
42.	TOTAL ASSETS: ASSETS (001+004+013+041+042+050+051+062+063+064+065)	066		
			1,860,368,045	1,788,419,525
43.	L. OFF BALANCE SHEET RECORDS – ASSETS	067		
			309,296,258	266,081,651
44.	LIABILITIES: A. EQUITY AND RESERVES (069+070-071-072+073+074+079-080+081-082)	068		
			641,463,991	586,031,890
45.	I. SUBSCRIBED CAPITAL	069		
			195,326,080	195,326,080
46.	II.PREMIUMS ON ISSUED SHARES	070		
47.	III.EQUITY SHARES (-)	071		
48.	IV.SUBSCRIBED AND NON-PAID-IN CAPITAL (-)	072		
49.	V. REVALUATION RESERVES	073		
			-9,997,732	-415,302
50.	VI. RESERVES (075+076+077+078)	074		
			222,714,926	192,835,567
50.a.	Legal reserves	075		
			222,714,926	192,835,567
50.b.	Reserves for treasury shares	076		
50.c.	Statutory reserves	077		
50. d.	Other reserves	078		
51.	VII. RETAINED EARNINGS	079		
			148,406,186	108,647,467
52.	VIII. LOSSES CARRIED FORWARD (-)	080		
53.	IX. PROFIT FOR CURRENT ACCOUNTING PERIOD	081		
			85,014,531	89,638,078

No.	DESCRIPTION	AOP mark	Amount (in MKD)	
			Current year	Previous year
54.	X. LOSS FOR CURRENT ACCOUNTING PERIOD	082		
55.	XI. CAPITAL OF THE COMPANY'S OWNERS	083		
56.	XII. UNCONTROLLED PARTICIPATION	084		
57.	B.SUBORDINATED LIABILITIES	085		
58.	C. GROSS TECHNICAL PROVISIONS (087+088+089+090+091+092)	086		
58.a.	Gross unearned premium reserves	087	1,083,665,813	1,033,891,331
58.b.	Gross mathematical reserve	088	539,102,316	523,401,230
58.c.	Gross claims reserve	089		
58.d.	Gross reserves for bonuses and discounts	090	532,677,524	500,246,660
58.e.	Gross equalization reserve	091	11,885,973	10,243,441
58.f.	Gross other insurance technical provisions	092		
59.	D.GROSS TECHNICAL PROVISIONS RELATED TO CONTRACTS WHERE INSURED PERSON OVERTAKES THE INVESTMENT RISK	093		
60.	E. RESERVATIONS FOR RISKS AND UNCERTAINTIES (095+096)	094		
60.a.	Reservations for pension plans, severance pay and similar employees benefits	095	4,140,756	3,505,466
60.b.	Other reservations for risks and uncertainties	096	4,140,756	3,505,466
61.	F. DEFERRED TAX LIABILITIES	097		
62.	G.LIABILITIES ARISING FROM DEPOSITS OF COMPANIES FOR REINSURANCE AT CEDENTS BASED ON REINSURANCE CONTRACTS	098	1,744,663	380,569
63.	H. LIABILITIES(100+104+105)	099		
64.	I. LIABILITIES FROM DIRECT INSURANCE WORKS (101+102+103)	100	51,572,898	52,232,019
64.a.	Liabilities to insured persons	101	2,034,517	544,672
64.b.	Liabilities to the representatives and agents	102	2,010,327	536,412
64.c.	Other liabilities from direct insurance work	103	24,190	8,260
65.	II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	104	19,307,579	15,234,006
66.	III. OTHER LIABILITIES (106+107+108+109+110)	105		
			30,230,802	36,453,341



No	DESCRIPTION	AOP mark	Amount (in MKD)	
			Current year	Previous year
1	2	3	4	5
67.	Liabilities from financial investments	106		
68.	Other liabilities from direct insurance work	107	8,669,590	8,598,238
69.	Liabilities to employees	108	14,257,327	13,560,057
70.	Current tax liabilities	109	1,499,161	6,497,124
71.	Other liabilities	110	5,804,724	7,797,922
72.	J. LIABILITIES BASED ON NON-CURRENT ASSETS (OR ALIENATION GROUPS) PLANNED FOR SALE AND DISCONTINUED OPERATIONS	111		
73.	K. DEFERRED PAYMENTS OF EXPENSES AND INCOMES CARRIED FORWARDED (PVR)	112	77,779,924	112,378,250
74.	TOTAL LIABILITIES: EQUITY AND RESERVS AND LIABILITIES (068+085+086+093+094+097+098+099+111+112)	113	1,860,368,045	1,788,419,525
75.	L.OFF BALANCE SHEET RECORDS – LIABILITIES	114	309,296,258	266,081,651

Responsible person for the form preparation.

Name and surname Pavlina Velkova

Registration number from the Institute of accountants and Authorized accountants of Republic of Macedonia: 0100365

Signature *P. Velkova*

In Skopje  
Date 22.02.2023

Skopje Date 22.02.2023	Name and surname of Company's legal representative:	Name and surname of Company's legal representative:
	Marija Tomaska	Maja Bogdanovska - Stojanoska
	Signature <u><i>[Signature]</i></u>	Signature <u><i>[Signature]</i></u>



Eurolink Insurance Inc. Skopje

Annexex

As at and for the year ended 31 December 2021

## Annex 2 – Annual report



# ANNUAL REPORT

## **On Operations of EUROLINK Insurance Inc. Skopje 2022**

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Skopje, February 2023



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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 of 4 legal entities with a 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. 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, and, accordingly, Eurolink Insurance became a part of a big international insurance family.

Company's head office is in Skopje, at Pirinska 23.

The main activity of the Company is Property Insurance – 66.01/2 and the Company is registered as a Non-life Insurance Company.

## **CORPORATE MANAGEMENT**

Observing the best corporative management practices, the Company continually take steps such practices to be an integral part of its business strategy for operations. Hence, the Company has a clearly defined organizational structure founding the operations on the principles of transparency and accessibility for all parties concerned, which contributes to increasing confidence in the Company's operation principles and commitment to a fair approach towards the employees, the market and the general public. Confirmation of the good corporate culture is also the finding made by the Insurance Supervision Agency following the total field supervision in the course of 2022, stating that the Company's bodies fully abode by their area of competence, legislation and by-laws, as well as the internal regulations. In addition, the supervisor noted a significant improvement in the good corporate governance practices, shown in the Matrix for appraisal of corporate governance

especially with respect to key policies and functions of the corporate governance in terms of their functional operationalization.

In the course of year 2022, 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 ethical standards, as principles of a good corporate governance.

**Shareholder's Assembly** held two regular meetings in the reporting year. The first meeting, held on 16 March 2022 was the Annual Meeting at which the sole Shareholder reviewed and adopted consolidated Financial Statements and Annual Account for 2021, the Annual Reports and proposed materials. In addition, the Shareholder approved the operations of the Management and of Supervisory Boards, passed a decision on allocation of the profit after the Annual Account for 2021, a decision on payment of dividend from the profit realized in 2021, a decision on reallocation of the reinvested profit in 2016 into retained earnings for 2016, decision on reallocation of unused reinvested profit in 2020 into retained earnings for 2020, a decision on election of a new member of the Supervisory Board, a decision on appointing independent auditors for conducting external audit of the Financial Statements and the Annual Account for 2022 and a decision on amendments to the Company's Statute. The amendment to the Statute referred to transferring the authorization to the Management Board in respect of adoption of Inventory Commissions' Reports on the Annual Inventorying (which was under authorization of the Supervisory Board). At the second meeting, the Shareholder made another amendment to the Statute referring the transfer of authorization from the Supervisory to the Management Board to decide on changing the branch office seats. In addition, the Shareholder passed a decision on detailing the selection of independent auditors for conducting external audit of the Financial Statements and the Annual Account for 2022.

**Supervisory Board** held 7 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, one of which being a novelty in acting and the deciding, namely adoption of the Programme for Quality Assurance and Improvement Program of Internal Audit Activity and Adopting Annual Self-assessment Report of Internal Audit Activity. Quoted novelties in the process of Supervisory Board's acting and decision making were introduced at the 60<sup>th</sup> and 61<sup>st</sup> meeting.

**Management Board** in the course of 2022 continually carried out its activities pursuant to the Insurance Supervision Law, the Company's Statute and other documents, holding 17 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 by the Supervisory Board 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. The new term of office of the reelected members is for the period 2022 – 2027, being granted a license by the Insurance Supervision Agency. In that period of reelection, Cvetko Delev, a Member of the Management Board and an Assistant Director of the Insurance and Reinsurance Department still had hold a current term of office.

## **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 2022, the Company included 42 business units.

## **EMPLOYEES AND HUMAN RESOURCES DEVELOPMENT**

In the course of 2022, the Company carried out recruitment in the business units in accordance with the Operations Plan and as needed. The number of employees as at 31 December 2022 amounted to 208 full-time employees, an increase compared to 2021 (2021: 200 employees). With respect to

qualifications, 113 employees have a higher education degree, 1 employee holds PhD D, 9 hold MS degree, and 84 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 of our partners for application of candidates. Applications are being reviewed, and an initial list of candidates for interview is created.

Selection process is being made internally by using a multi-department including stages as follows:

- Employment interviews and short list creating
- Testing through real work tasks and situations
- Personality test for higher job positions
- Second interview with candidates in the shortlist
- Candidate selection and employing

### ***DEVELOPMENT ACTIVITIES FOR NEWLY EMPLOYED***

#### ***SALES DEPARTMENT – CONSULTANT TRAINEES***

On 1 February 2022, 20 new consultant trainees started to work in the Sales Department, in our sales units. The new consultants underwent introductory training for products and acquired elementary knowledge of the Domi Set, MTPL, Green Card, Travel Insurance and Private Health Insurance.

In addition, the new consultants were trained for telephone communication, field activities, the trainings being carried out by branch managers as well as tutorial support given by the regional coordinators and the assistant director of the Sales Department.

This support system proved useful since 5 of them were promoted to consultants and 6 to consultant beginners.

### ***ADMINISTRATIVE DEPARTMENTS***

In 2022, Eurolink engaged new employees in the administrative departments, 2 out of whom in the Insurance & Reinsurance Department, 4 in Claims Department, 1 in Financial Departments and 2 new employees in “Eurolink 24” - the Client Support Centre.

Employees go undergo a rotation process including a few hours a day spent in other departments for the purpose of getting a big picture of the company, learning about the processes and getting to know colleagues closer.

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

The Career On-Line Centre has been finalized. It will enable interested candidates to be better informed about employment opportunities, corporative values and atmosphere in the Company,

The following contents are offered:

- Presentation of the Company and the team
- Welcome video message
- Employment prospects and active job advertisements
- Employees testimonials and video statements
- Possible contacts and fixing an informative meeting,
- Tips for making a good CV, preparing the interview etc.

This Centre will be become public in 2023.

### ***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 under a process of redesigning and adding new information. The new design and contents will be available in 2023.

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

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

In 2022, 4 evaluations were carried out and individual feedback conversation about results was made with each respective manager.

Evaluation process includes competencies and key indicators of performance. The 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. At the end of 2022 a qualitative change in the evaluation of the manager was made in it will be carried out in a new form in 2023.

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

In 2022, 4 quarterly evaluations of experts and managers were carried out.

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.

### ***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 a motivation component for the manager and for the employee, reminding at the same time of the consequences of underperformance.

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

#### ***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 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.

Recognitions for the most successful consultants/experts and the employees in the administrative departments who were the greatest support to the sales in the course of 2022 were awarded at the sales conference held in January 2023.

#### ***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 2022, two travels were organized, one to Istanbul (Turkey) in April and to Rome (Italy) in November. In December, a qualitative change in addition to this programme for 2023.

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

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

The first conference in the year is dedicated to the Sales Departments since it is crucial for each consultant/expert to learn about the novelties in the new year:



- Expectations and strategy
- Insurance market analysis
- Novelties in the offer and in the remunerations in the Sales Department
- Sales action plans and benefits
- Support with CRM opportunities
- Sales plans
- Competitions and continuing rewarding
- Life Insurance selling

Sales network and representatives of the administrative departments attend the conference.

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

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. The Sales Department operates according to guidelines given in the:

- Manual for Successful Branch Office Managers
- Manual for Successful Consultants/Experts
- Life Insurance Activities Plan
- Activities Plan for working with legal entities
- Calendar of Controlling Visits
- Controlling Team Visit Agenda
- Controlling Team Visit Agenda and Report
- Agenda and Report on the Controlling Visit by the Controlling Team
- Evaluation Forms

### ***EMPLOYEE TRAINING AND EDUCATING***

#### **SALES DEPARTMENT**

#### ***TRAINING FOR MANAGEMENT OF SALES PROCESS, SALES SKILLS AND LEADERSHIP APPROACH IN A SITUATION***

Training was organized for all employees in the sales network from March to June 2022. Topics covered included:

- Tuning of sales approach and fast assessment tools
- Setting sales priorities, planning – action plan
- Leadership in sales situation

- Questioning technique and need identification
- Active listening and sales arguments
- Closing the sale

### ***WORKSHOPS FOR BRANCH MANAGERS***

On 2 December 2022 and on 26 December 2022 two workshops were held for branch managers on the topic: Improvement of knowledge of products and of underwriting process and preparing a proposal. This activity is a part of a bigger project aiming to improve the process of issuing proposals.

### **ALL EMPLOYEES**

#### ***CONFLICT MANAGEMENT TRAINING***

Employees in the administrative departments worked on overcoming the challenges when facing unpleasant situations with colleagues and clients and how to handle and reach a win-win situation. In the course of the 2-day training, they became familiar with conflict styles, assertive communication, mindfulness and self-control.

#### ***PILOT TRAINING FOR EXCEPTIONAL CLIENT SERVICE***

In November 2022, a 2-day pilot training was held on the theme of excellent client service, both the sales network and the employees in the administrative departments attending.

#### ***TRAINING IN THE CLAIMS ASSESSMENT AND SETTLEMENT DEPARTMENT***

On 26 October 2022, a training was held for application of the Rulebook on Claims issued by the Insurance Supervision Agency and harmonization of the Company's Rulebook on Notification, Assessment, Settlement and Recording of Claims with the said Rulebook.

#### ***IT SYSTEM SECURITY TRAINING***

In December 2022, all 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.

#### ***MANAGEMENT TEAM***

Members of the management team attended individual coaching sessions in the 2/2 half of the year.

#### ***YOUNG LEADERS PROGRAMME***

In 2022 the schedule of trainings and activities of young leaders kept to be realized. The employees learnt the Microsoft Excel and attended months-long leadership coaching programme for improvement of communication, prioritizing techniques, self-regulation in critical moments and more successful work of the team.

## ***ANNUAL SEMINAR***

The annual seminar for all the employees was held In June 2022. The employees attended lectures on Growth Mind-set and Employee Well-Being, presentations about Eurolink since incorporation up to now and had the opportunity to be the first to learn about the marketing campaign and watch the video spot on the 20<sup>th</sup> jubilee of the Company.

A session on generating ideas including all the employees was organized and 3 projects voted to be worked on in the period to come.

## ***INTERNAL AND EXTERNAL COMMUNICATION***

### ***INTRANET PAGE***

This page is regularly updated with current activities concerning the employees, novelties, interviews, materials etc.

### ***INTERVIEW WITH EMPLOYEES***

In the period of several months interviews with employees on the topic of CRM and benefits from organized work in the sales were published. More than 10 employees in the sales network gave their positive opinion on the usage of this application.

### ***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.

### ***COMMUNICATION WITH SOCIAL MEDIA***

In 2022, a communication project – Eurolink Mondays was realized, focused on the employees and the corporative culture in the Company. Through shared videos, posts and statements the employees are given a loader voice and a transparent picture of the values and working atmosphere broadcast wider in the public.

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

Marketing activities in the course of 2022 were focused on the preparation and realization of the 20th Anniversary of Eurolink Insurance, which dominated the marketing plan, in addition to regular activities in support of the sales.

**The first quarter** was dedicated to choosing the best marketing agency that would provide quality service and the best creative support for all marketing activities in the jubilee year, including the preparation of a complete image campaign and corporate celebration as the biggest activities. The company organized a competition of ideas where 4 best agencies were directly invited. Out of the

two agencies in a short list, at the end of February the full service marketing agency McCann was selected. This agency is part of the McCann Worldgroup network, and Eurolink Insurance signed a 2-year cooperation agreement with them. By the end of the quarter, the concept for the upcoming image campaign was completed and collaborators were selected for the realization of the TV spots - production company AdVenture from Macedonia, Director Gregor Kovacevic from Serbia and Director of Photography Dominik Istencic from Slovenia, who had the most favourable offer and the best vision for realization of the campaign.

**The second quarter** was dedicated to production and post-production of video material. Towards the middle of the quarter, the image campaign was fully prepared, after which Eurolink Insurance started implementing the planned activities. The plan included:

- Internal promotion of the campaign to employees
- First flight of the image campaign in public
- Event with journalists to promote the campaign, results and plans of the Company on the occasion of the 20th anniversary



During this quarter, the anniversary logo was applied to all communication and branding materials of the Company, and it will be in use until mid-2023. The image campaign has the following slogan and jubilee logo:



During 2023, the corporate slogan will move from "20 years by your side" to "Always by your side".

**In the third quarter**, the promotional and marketing activities focused on the enhanced promotion of the travel insurance. A digital marketing campaign was implemented through social media, portals, blog posts on the website, under the slogan "Let the vacation be a true relaxation". Sponsored post, ads and audience engagement activities were carried out throughout the summer until the end of September.

**The fourth quarter** was a period of culmination and completion of all planned activities related to the company's jubilee, including the following:

- On November 9, a corporate celebration was held at the Hilton Hotel in Skopje, attended by over 700 guests, including all employees, numerous clients and associates, members of the Eurolink's Supervisory Board and colleagues from sister companies from the GRAWE Group. The event included a unique multimedia performance directed by Emil Petrov, followed by live musical performances.
- Second flight of the image campaign during November and December



Activities in the field of **public relations** took place throughout the year, from which the following can be highlighted:

- Statement for the media by Marija Tomeska, President of the Management Board of Eurolink Insurance, on the occasion of 20 years of Eurolink Insurance
- Press release on the occasion of 20 years of Eurolink insurance
- Several statements by Members of the Management Board for some of the largest media during the year

**Sponsorships and activities in society** were realized with the same intensity as the previous year. The focus was on activities that encourage healthy habits, as well as on maintaining and building the already established partnerships that are important for social life. The following can be highlighted:

- Women's race in April, where Eurolink Insurance was a sponsor and participant with its own team consisted of employees and family members
- The Skopje Marathon in October, a traditional activity where Eurolink Insurance appears both as a sponsor and as a participant, this year with its own team of 50 competitors, consisted of employees, family members and collaborators.
- Support of the Museum of Contemporary Art, with which we created co-branded annual cards for free entry to all exhibitions. The cards were distributed to 40 loyal customers of the Eurolink Insurance.
- Support for the Fifth E-Commerce Conference, the largest of its kind in the entire region.
- Founding member and active supporter of the Alliance for Gender Equality

Other smaller sponsorships are realized in the form of donations for schools, clients of the Company and support of several local sports activities.

#### **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 2022.

#### **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 economy in the course of 2022 faced a number of challenges, such as inflation, the highest one in the past several decades, Russian invasion on Ukraine and long-term effects of the Covid-19 pandemic, all of which having a negative impact on the prospects of growing global economy. Normalization of monetary policy and narrowed space for fiscal policy (which had given a huge support in time of pandemic) weakens the demand since policy makers are focused on lowering the inflation rate to intended target. Increasing number of economies are in a stage of stunted growth or a full contraction.

The global economy growth in 2022 is expected to reach 3.2 % according to October projections made by IMF. As for the EU, projected growth rate is 3.2% for 2022, while for Germany, which is our biggest trade partner, the growth is anticipated at 1.5% for 2022.

Inflation rate had upward tendency and in the period between January and September 2022 reached 12.4%, reflecting the gap between supply and demand, particularly due to higher prices of primary products on the international market thus affecting our domestic economy mostly through increased prices of food products (18.5%), oil derivatives (36.4%) and electric energy (13%). According to inflation rate movements so far, which are considerably higher compared to previous forecasts, it is expected to reach 12.9% in 2022.

Thus, cost of living indexes according to COICOP (Classification of Individual Consumption by Purpose), an international standard applied by the National Statistical Bureau, shows 19.8% rise

while the retail price index 15.4% rise in October 2022, compared to October 2021. The biggest rise was noted in the subgroup “Food and Beverages” – 31.2%, “Housing, Water, Electricity, Gas and other Fuels” – 19.8% and in “Transportation” – 14.7%, driven by the enormous increase in energy prices.

Uncertainty of developments connected with the military conflict in Ukraine, sanctions imposed on and from Russia, lasting high inflation levels and policies of the monetary authorities for coping with such inflation by tightening financial conditions, occurrence of new waves of Covid-19, might further limit the growth in the period to come, too. On the other hand, NATO membership and start of the negotiations for EU membership might have a considerable impact on the investment activity and implementation of institutional and structural reforms that will boost growth potentials.

Under these unfavourable circumstances the Company has managed to preserve the volume of gross written premiums made in the previous year with a minimum increase of 0.1% making a minimum upward correction in prices of the insurance products for health, travel and property insurances which has started in the last quarter of the year. In the period to come, it will be necessary to make considerable changes in the prices, especially as a result from the considerably increasing prices for servicing all indemnity claims.

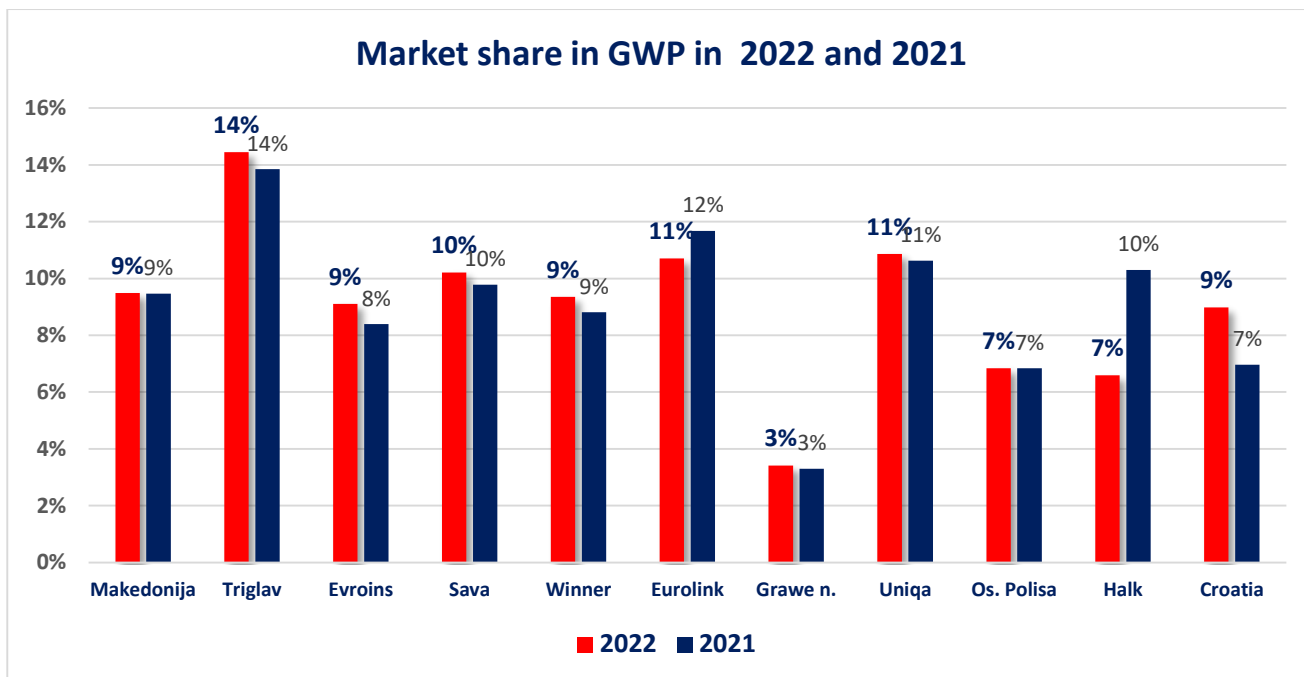
#### ***NON-LIFE INSURANCE MARKET***

In accordance with the initially consolidated data for 2022 received from NIB, the total non-life insurance market wrote premiums in the approximate amount of MKD 10.50 billion MKD thus showing a 9% increase compared to 2021 (2021: 9.63 billion MKD) or by 881 million MKD in the absolute amount.

In 2022, 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, Uniqa, Eurolink and Sava), while 1 of them almost at that threshold ( Makedonija with 9.5%). It is the first time that Sava exceeded the 10% threshold with 10.2% (2021: 9.8%), while Halk went under the threshold with 6.6% (2021: 10.3%) thus making the biggest drop in the market share by 3.7 percentage points, as a result of the -30% drop in the gross written premiums. The biggest movement in the market share was made by Croatia, realizing 3 percentage points rise in the market share, or by 6.9% in the previous year, they realized 8.9% market share, and by making 41% increase in the gross written premiums they realized the biggest relative increase in the gross written premiums made by one company in the market.

Our Company realized 10.7% market share (2021:11.7%) or 1 percentage point less, thus moving to the third ranking in the insurance market, right behind Uniqa Insurance. Triglav remained the market leader with 14.4% (2021: 13.8%).





The chart of the market share 2022 versus 2021 given above shows that all insurance companies realized increase per GWP, except Halk Insurance with realized drop.

Absolutely, in terms of overall situation in the insurance market, the biggest contribution to the increase in gross written premiums has the increase in MTPL Insurance, approximately 372 million MKD (or 8% increase), while relatively, the biggest increase is shown in the class of Health Insurance (68%), or approximately 275 million MKD absolute increase. In addition, substantial positive movements are present in the following classes: Tourist Assistance (55%), Motor Vehicles – Casco (12%), Goods-in-Transit (20%), Credit Insurance (403%), Accident (6%), General Liability (5%) and Financial Losses Insurance (21%).

Negative tendencies are present in Fire and Allied Perils (-3%), other Property Insurances (-3%), Aircraft – Casco (-15%), Warranty Insurance (-5%) and Legal Protection (-40%).

As a comparison, our Company has an absolute increase in Health Insurance, approximately by 49 million MKD, or 47% in relative terms (68% increase at the total market level) followed by the MTPL Insurance by approximate 39 million MKD or 10% (8% increase at the total market level). Increase is also present in the following classes: Accident 11% (6% at the total market level), Goods-in-Transit 63% (20% increase at the total market level), GL 3% (5% at the total market level), Tourist Assistance 63% (55% at the total market level) and Financial Losses 60% (21% increase at the total market level).

**Gross Written Premiums in 2022 and 2021 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			
		2022	2021	% of change	absolute change	2022	2021	% of change	absolute change
1	Accident	90.665	81.661	11%	9.004	685.343	647.100	6%	38.243
2	Health Insurance	152.935	104.012	47%	48.923	679.649	405.010	68%	274.639
3	Motor Vehicles - Hull	90.656	77.567	17%	13.089	994.103	890.288	12%	103.815
4	Rail Vehicles- Hull	0	0		0	0	0		0
5	Aircrafts - Hull	61.912	78.100	-21%	-16.188	74.735	88.367	-15%	-13.632
6	Vessel - Hull	70	185	-62%	-115	1.650	1673	-1%	-23
7	Goods-in-Transit -Cargo	4.454	2.729	63%	1.725	108.869	90.413	20%	18.456
8	Property from Fire and Allied Perils	136.526	200.840	-32%	-64.314	736.355	758.585	-3%	-22.230
9	Other Property Insurances	53.963	99.100	-46%	-45.137	1.371.072	1.408.343	-3%	-37.271
10	MTPL (total)	423.374	384.668	10%	38.706	5.207.931	4.836.285	8%	371.646
11	Aircraft Liability	4.999	6.876	-27%	-1.877	19.703	19.106	3%	597
12	Vessel Liability	491	496	-1%	-5	3.682	3.418	8%	264
13	General Liability	64.827	63.173	3%	1.654	264.806	252.425	5%	12.381
14	Credit Insurance	0	0		0	47.943	9.524	403%	38.419
15	Warranty Insurance	15	9	67%	6	255,59	269	-5%	-13
16	Financial Loss Insurance	439	274	60%	165	83.483	69.169	21%	14.314
17	Legal Protection Insurance	0	0		0	3	5	-40%	-2
18	Travel Insurance	39.997	24.608	63%	15.389	229.344	147.948	55%	81.396
	<b>Total</b>	<b>1.125.323</b>	<b>1.124.298</b>	<b>0%</b>	1.025	<b>10.508.928</b>	<b>9.627.928</b>	<b>9%</b>	<b>881.000</b>

The Company shows drop in the following classes: Aircraft – Casco by -21% (-15% drop at the total market level), Fire and Allied Perils -32% (-3% at the total market level), other Property Insurances -46% (-3% at the total market level) Aircraft Liability -27% (3% increase at the total market level) Vessel Liability -1% (8% increase at the total market level) and Vessel – Casco -62% (-1% drop at the total market level).

With respect to market share in various classes of insurance, the Company remained its primacy (14<sup>th</sup> year in a row) in the volume of written premiums in General Liability Insurance with 24% share out of the total written premiums in this class, as well as in Aircraft Casco with 83% market share. The Company has the second ranking in the Health Insurance with 23% in respect of the total market (right behind Croatia having 23% share) under circumstances of 68% rise of total market. The

Company also accounts for 25% share (second ranking, behind Winner with 62% share) in Aircraft Liability, then for 17% share (second ranking) in the class of Tourist Assistance, behind Triglav having 25% share, as well as 19% share in Fire and Allied Perils Insurance, behind Makedonija (20% of the total market share).

Gross Written Premiums 1 January 2022 31 December 2022

No.	Class of Insurance	Non-Life										Total	
		WIG	Triglav	Evroins	Sava	Winner	Eurolink	Grawe n.	Uniqa	Os. Polisa	Halk		Croatia
1	Accident	64.242	113.423	25.524	80.645	45.738	90.665	15.876	47.051	38.052	51.157	112.970	685.343
2	Health Insurance	57.857	123.696	23.418	61.035	8.243	152.935	0	43.939	9	52.948	155.569	679.649
3	Motor Vehicles - Hull	63.439	167.517	63.388	172.559	78.619	90.656	11.126	79.197	99.222	91.307	77.074	994.103
4	Rail Vehicles- Hull	0	0	0	0	0	0	0	0	0	0	0	0
5	Aircrafts - Hull	0	0	0	0	9.548	61.912	0	0	1.109	2.166	0	74.735
6	Vessel - Hull	10,10	178	1	873	143	70	0	77	166	132	0	1.650
7	Goods-in-Transit -Cargo	20.824	31.836	23.809	3.777	1.544	4.454	0	13.045	2.967	3.851	2.763	108.869
8	Property from Fire and Allied Perils	149.495	92.177	80.004	73.581	16.503	136.526	3.435	42.810	38.412	43.460	59.952	736.355
9	Other Property Insurances	292.993	228.253	261.784	138.926	125.809	53.963	1.330	178.460	16.215	46.029	27.310	1.371.072
10	MTPL (total)	282.806	567.124	463.889	477.176	657.600	423.374	323.938	681.068	485.189	370.475	475.292	5.207.931
11	Aircraft Liability	0	133	0	0	12.232	4.999	0	0	1.133	1.075	131	19.703
12	Vessel Liability	175,99	587	63	912	310	491	0	371	484	215	72	3.682
13	General Liability	42.978	40.905	6.353	12.686	16.368	64.827	487	34.341	18.139	18.211	9.511	264.806
14	Credit Insurance	2.254	34.214	136	7.813	0	0	0	0	0	0	3.525	47.943
15	Warranty Insurance	3,09	68	0	8	0	15	0	0	17	145	0	256
16	Financial Loss Insurance	10.140	59.480	110	5.393	0	439	0	7.596	0	196	128	83.483
17	Legal Protection Insurance	0	0	0	0	0	0	0	0	0	0	3	3
18	Travel Insurance	10.134	58.248	8.597	37.586	10.198	39.997	2.933	13.777	17.562	11.309	19.004	229.344
	<b>Total</b>	<b>997.352</b>	<b>1.517.840</b>	<b>957.076</b>	<b>1.072.971</b>	<b>982.855</b>	<b>1.125.323</b>	<b>359.125</b>	<b>1.141.732</b>	<b>718.675</b>	<b>692.676</b>	<b>943.304</b>	<b>10.508.928</b>

% per non-life insurance company	9,49%	14,44%	9,11%	10,21%	9,35%	<b>10,71%</b>	3,42%	10,86%	6,84%	6,59%	8,98%	100,00%
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Source: Initial consolidated data from NIBM of the RNM

Structure (market share) of Gross Written Premiums in 2022 per Classes and per Insurance Companies

No.	Class of Insurance	Non-Life										Total	
		WIG	Triglav	Evroins	Sava	Winner	Eurolink	Grawe n.	Uniqa	Os. Polisa	Halk		Croatia
1	Accident	9%	17%	4%	12%	7%	13%	2%	7%	6%	7%	16%	100%
2	Health Insurance	9%	18%	3%	9%	1%	23%	0%	6%	0%	8%	23%	100%
3	Motor Vehicles - Hull	6%	17%	6%	17%	8%	9%	1%	8%	10%	9%	8%	100%
4	Rail Vehicles- Hull												0%
5	Aircrafts - Hull	0%	0%	0%	0%	13%	83%	0%	0%	1%	3%	0%	100%
6	Vessel - Hull	1%	11%	0%	53%	9%	4%	0%	5%	10%	8%	0%	100%
7	Goods-in-Transit -Cargo	19%	29%	22%	3%	1%	4%	0%	12%	3%	4%	3%	100%
8	<b>Property from Fire and Allied Perils</b>	20%	13%	11%	10%	2%	19%	0%	6%	5%	6%	8%	100%
9	<b>Other Property Insurances</b>	21%	17%	19%	10%	9%	4%	0%	13%	1%	3%	2%	100%
10	MTPL (total)	5%	11%	9%	9%	13%	8%	6%	13%	9%	7%	9%	100%
11	Aircraft Liability	0%	1%	0%	0%	62%	25%	0%	0%	6%	5%	1%	100%
12	Vessel Liability	5%	16%	2%	25%	8%	13%	0%	10%	13%	6%	2%	100%
13	General Liability	16%	15%	2%	5%	6%	24%	0%	13%	7%	7%	4%	100%
14	Credit Insurance	5%	71%	0%	16%	0%	0%	0%	0%	0%	0%	7%	100%
15	Warranty Insurance	1%	26%	0%	3%	0%	6%	0%	0%	7%	57%	0%	100%
16	Financial Loss Insurance	12%	71%	0%	6%	0%	1%	0%	9%	0%	0%	0%	100%
17	Legal Protection Insurance	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
18	Travel Insurance	4%	25%	4%	16%	4%	17%	1%	6%	8%	5%	8%	100%
	<b>Total</b>	<b>9%</b>	<b>14%</b>	<b>9%</b>	<b>10%</b>	<b>9%</b>	<b>11%</b>	<b>3%</b>	<b>11%</b>	<b>7%</b>	<b>7%</b>	<b>9%</b>	<b>100%</b>

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In 2022, in addition to the main and universal challenge – big inflation and decrease in purchasing power of the consumers and the economy, the Company also faced the following specific challenges:

- Enormous rising of expenses for medical services rendered by private healthcare facilities, thus causing a rise of the expenses for handling claims arising from health insurance policies (30-40% rise)
- Increase in prices of motor vehicle spare parts (30-50%)
- Increase in prices of building materials (20-30%)
- Inadequate sums insured under classes of property and Casco
- Rising reinsurance premiums
- Volatility in investment earnings
- Drop of the sales of MTPL class through outsourcing channels due to considerably higher commissions for brokers offered by the competition (35%-40%)
- Accelerated medical inflation and increased use of medical services due to the restraint during the pandemic!
- Lack of increasing purchasing power of the physical persons and serious liquidity disturbances of the legal entities, resulting in considerably reduced collection of receivables!
- Lack of foreign investments and big infrastructural projects
- Lack of human resources, particularly in the sales

## **BUSINESS POLICY**

Business policy in 2022 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 2022 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 2022, in the context of the health crisis, and security crisis (war in Ukraine), as well as new macroeconomic challenges (increasing inflation under circumstances of the stagnation of growth) 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 small insurances in all classes of insurance and big clients in the field of Property Insurance.

Considerable time was also devoted to signing new contracts for Group Health Insurance by visiting big and medium enterprises in our country.

In addition, intensive activities were also carried out in the segment of revision of the Company's price policy with a view to adjusting to new trends in expenses for handling indemnity claims. At the same time, sums insured under property insurances were also revised with a view to avoiding underinsurance and preventing the clients from being dissatisfied either when effecting the insurance or in the event of loss occurrence.

In 2022, the Company moved from the position of the second ranked to the third ranked, measured by the share in gross written premiums at the total non-life market level (10.71% market share; 2021: 11.68%) with realized insignificant 0.1% increase in gross written premiums (market level: 9% increase) and/or keeping the volume of gross written premiums almost at the level in the previous year.

In these terms, a special contribution of our Company regarding the market level is evident in the class of Aircraft Hull Insurance with 83% market share thus maintaining the leading position in the framework of the class, showing at the same time -5% drop in GWP. In addition the Company remains leader (14<sup>th</sup> year in row) in the General Liability Insurance with 24% market share (2021: 25%), showing 3% increase. In the class of Health Insurance the Company shares the leading position with Croatia (23% of the total market) with realized 47% increase (68% is the increase at the total market level), which is a result of seriously tougher competition.

### Sales

In 2022, the Company wrote gross insurance premiums to the amount of 1.125.323.000 MKD, or by 9.003.000 MKD higher amount than the one realized in 2021 (2021: 1.124.298.000 MKD), thus maintaining almost the same volume of premiums (0.1% increase). According to initially consolidated



data on 2022 received from NIB, our Company became the third ranked in the domestic non-life insurance market, having approximately 10.7% market share lowering at the same time its market share by -1 percentage point compared to previous year when the share was 11.7%.

As regards structure of gross written premiums, MTPL insurance participated with the biggest portion of 38% (34% in 2021). 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 2022 was 50%).

Fire and other Property Insurances participated with 17% (27% in 2021), Health Insurance with 14% (9% in 2021), Accident Insurance with 8% (7% in 2021), Motor Hull (Casco) with 8% (7% in 2021), GL with 6% (6% in 2021), Travel Assistance with 4% (2% in 2021) and Cargo with 1% (1% in 2021) as also Aircraft Liability with 1% (2021:0%).

**Gross Written Premiums per classes, realisation in 2022 and 2021**

		Realization 2022	Realization 2021	Change in % 2022/2021	Structure 2022	Structure 2021
1	Accident	90.665	81.662	11%	8%	7%
2	Health Insurance	152.935	104.011	47%	14%	9%
3	Hull – Motor Vehicle	90.656	77.567	17%	8%	7%
5	Hull - Aircrafts	61.912	78.100	-21%	6%	7%
6	Hull - Vessels	70	185	-62%	0%	0%
7	Cargo	4.454	2.729	63%	0%	0%
8	Fire	136.526	200.840	-32%	12%	18%
9	Other Property	53.963	99.100	-46%	5%	9%
10	MTPL	423.374	378.357	12%	38%	34%
11	Aircraft Liability	4.999	6.876	-27%	0%	1%
12	Vessel Liability	491	496	-1%	0%	0%
13	General Liability	64.827	69.484	-7%	6%	6%
15	Warranty	15	9	67%	0%	0%
16	Financial Losses	439	274	60%	0%	0%
18	Travel Assistance	39.997	24.608	63%	4%	2%
<b>Total Written Premiums</b>		<b>1.125.323</b>	<b>1.124.298</b>	<b>0,1%</b>	<b>100%</b>	<b>100%</b>

As regards total sales figures, Insurance&Reinsurance\_Department participated with 43% of gross written premiums in the reporting period (2021: 51%) or -15% lower than the previous year, while Sales Department realised 57% of gross written premiums (2021: 49%) or 16% higher than the previous year. At the same time, this is the first time that the Sales Departments realizes such high

share in the structure of gross written premiums, since the usual share has usually been more or less at the threshold of 50%. 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 (70% increase), as well as return of the selling of Green Cards (with noted increases in the total MTPL class of 14\$), as well as Travel Insurance policies (65% increase).

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

- ✓ Health Insurance for US Embassy employees;
- ✓ Property and Liability Insurance for TAV Macedonia;
- ✓ Builder's Risk Insurance for Sinohydro Corporation;
- ✓ Property and Liability Insurance for Macedonian Telecom;
- ✓ Property, Health and Accident Insurance for Cementarnica USJE;
- ✓ Property, Accident and Motor Insurance for Van Hool Makedonija;
- ✓ Helicopter Insurance for the Ministry of Internal Affairs

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

- ✓ Private Health Insurance for Seavus
- ✓

#### Gross Written Premiums per Quarters 2022/2021 per Departments

(in 000 MKD))

Quarter	2021	2021 cumulative	2022	2022 cumulative	2022 plan	2022 plan cumulative	% 2022/2021	2022 cumulative 2021 cumulative
Q1	333.595	333.595	333.786	333.786	269.962	269.962	0%	0%
Q2	290.354	623.949	307.902	641.689	277.714	547.676	6%	3%
Q3	284.954	908.903	235.038	876.726	228.023	775.699	-18%	-4%
Q4	215.395	1.124.298	248.597	1.125.323	224.322	1.000.020	15%	0%
	<b>1.124.298</b>		<b>1.125.323</b>		<b>1.000.020</b>		<b>0%</b>	
			<b>100%</b>					

Insurance & Reinsurance Department								
Quarter	2021	2021 cumulative	2022	2022 cumulative	2022 plan	2022 plan cumulative	% 2022/2021	2022 cumulative  2021 cumulative
Q1	201.169	201.169	183.621	183.621	127.447	127.447	-9%	-9%
Q2	152.971	354.139	142.881	326.502	130.763	258.210	-7%	-8%
Q3	136.513	490.652	63.259	389.761	69.625	327.835	-54%	-21%
Q4	85.636	576.289	97.429	487.190	92.383	420.219	14%	-15%
	<b>576.289</b>		<b>487.190</b>		<b>420.219</b>		<b>-15%</b>	
	<b>51%</b>		<b>43%</b>					

Sales Department								
Quarter	2021	2021 cumulative	2022	2022 cumulative	2022 plan	2022 plan cumulative	% 2022/2021	2022 cumulative  2021 cumulative
Q1	132.427	132.427	150.165	150.165	142.515	142.515	13%	13%
Q2	137.383	269.810	165.021	315.187	146.951	289.466	20%	17%
Q3	148.440	418.250	171.778	486.965	158.397	447.863	16%	16%
Q4	129.759	548.009	151.168	638.133	131.939	579.802	16%	16%
	<b>548.009</b>		<b>638.133</b>		<b>579.802</b>		<b>16%</b>	
	<b>49%</b>		<b>57%</b>					

As regards distribution channels, 75.1% out of total premiums in 2022 was realised by direct sale or 5.3 percentage points less than the previous year (2012: 80.4%), 19.2% through brokers or 3.8 percentage points more than the previous year and the rest was realized via other distribution channels (travel agencies, agents etc.) making 5.8% or 1.3 percentage points more than the last year (2012: 4.4%).

#### Written Premiums per Distribution Channels

in 000 MKD			% of change	Structure of Premiums	
	2022	2021		2022	2021
Distribution Channels	1	2	3=1/2	4	5
Direct Sales	845.265	903.506	94%	75,11%	80,40%
Insurance Brokers	215.206	172.068	125%	19,12%	15,30%
Travel Agencies	10.583	5.498	192%	0,94%	0,50%
Banks	0	0	0%	0,00%	0,00%
Insurance Agents	51.773	31.233	166%	4,60%	2,80%
Other Distribution Channels (Telekom etc.)	2.496	11.994	21%	0,22%	1,10%
<b>Total</b>	<b>1.125.323</b>	<b>1.124.299</b>	<b>100%</b>	<b>100,00%</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 2021, with coming into effect of the old Rulebook that was amended in the course of 2020 in the context of the measures for facilitating health crisis consequences by giving 60 more days for the period of arrears in each separate category) and/or by specifying the age categories as set in the old Rulebook, the Company recorded expense amounting to 18.253.000 MKD only on the basis of receivables from premiums as at 31 December 2021. The same expense amounted to 15.145.000 MKD as at 31 December 2022.

Total due, uncollected premiums in 2022 as at 31 December 2022 are to the amount of 422.048.000 MKD and are 1% higher than the amount as at 31 December 2021 (2021: 417.611.000 MKD).

Their current value, (corrected by the state of the adjusted value of the receivable) amounts to 326.470.000 MKD, which is -2% drop compared to the current value of the receivables at the end of 2021 (2021: 332.143.00 MKD). Though the C change is present at due receivables (11%) in all age categories, age category of debt between 271 to 365 days in particular (40%).

In the framework of all receivables from premiums, receivables amounting to 222.824.000 MKD or 53% are undue (2021:239.004.000 MKD or 57%), while 199.226.000 MKD or 47% are due receivables (2021: 178.607.000 MKD or 43%).

The amount of due receivables from premiums is by 20.6 million MKD higher than the one realized as at 31 December 2021, which is 12% increase, while undue receivables are by 16.2 million MKD lower which is -7% decrease.

#### Receivables from premiums

2022				2021			
Period (maturity structure)	Receivables	Adjusted Value	Current value of Receivables	Receivables	Adjusted Value	Current value of Receivables	% of change of Current Value of Receivables
up to 30 days	54.150.842	-335.681	53.815.161	50.646.156	-133.548	50.512.608	7%
31-60 days	22.093.562	-2.310.555	19.783.007	20.716.977	-2.335.325	18.381.652	8%
61-120 days	20.454.986	-6.472.942	13.982.044	17.193.814	-5.447.953	11.745.861	19%
121-270 days	28.631.494	-15.082.008	13.549.486	23.596.321	-12.137.540	11.458.781	18%
271-365 days	10.891.301	-7.794.196	3.097.105	7.650.391	-5.439.468	2.210.923	40%
More than 365	63.002.106	-63.002.106	0	58.802.862	-58.802.862	-	
Due receivables	199.224.291	-94.997.488	104.226.803	178.606.521	-84.296.696	94.309.825	11%
Undue receivables	222.824.545	-581.296	222.243.249	239.004.690	-1.171.111	237.833.579	-7%
	<b>422.048.836</b>	<b>-95.578.784</b>	<b>326.470.052</b>	<b>417.611.211</b>	<b>-85.467.807</b>	<b>332.143.404</b>	<b>-2%</b>

In 2022, 1,143 new cases were prepared for enforced collection or 66% more than in 2021, thus increasing the value of receivables by approximate 46%.

In the course of 2022, 915 cases amounting to 12.006.000 MKD were closed, out of which 646 amounting to 7.762.000 MKD from cases registered in 2022 and 269 cases amounting to 4.244.000 MKD registered in the period from 2004 up to 2021.

As at the end of 2022 the Company took legal actions for enforced collection of receivables for 12.365 cases to the amount of 246.085.000 MKD. On this basis, remaining uncollected premiums as at 31 December 2022 is to the amount of 37.768.000 MKD or 15,3% 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	2.734	127.971.778	352	4.775.009	2.382	123.196.769
2015-2021	8.488	101.758.334	1.888	24.399.098	6.600	77.359.236
2022	1.143	16.355.346	497	8.593.498	646	7.761.848
<b>TOTAL</b>	<b>12.365</b>	<b>246.085.458</b>	<b>2.737</b>	<b>37.767.605</b>	<b>9.628</b>	<b>208.317.853</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 (approximate 19% for 2004-2014, 22% for 2015-2021 and 16% for 2022). The table shows the values of receivables according to the insurance premiums due in respect of which legal actions were taken.

Out of total number of closed cases (9.628) amounting to 208.318.000 MKD, 8.307 cases were fully collected amounting to 132.546.000 MKD, while 909 cases amounting to 63.011.000 MKD remained uncollected.

		Archived Cases									
Total		Collected		Uncollected		Re-entered/ withdrawn		Uneconomical			
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount		
2004-2014	2.382	123.196.769	1.666	57.326.093	683	58.456.431	30	7.405.960	3		8.285
2015-2021	6.600	77.359.236	6.013	67.857.239	213	4.194.234	168	4.651.383	206		656.380
2022	646	7.761.848	628	7.362.271	13	360.327	5	39.250			
<b>TOTAL</b>	<b>9.628</b>	<b>208.317.853</b>	<b>8.307</b>	<b>132.545.603</b>	<b>909</b>	<b>63.010.992</b>	<b>203</b>	<b>12.096.593</b>	<b>209</b>		<b>664.665</b>

In respect of 206 cases amounting to 664.000 MKD the legal proceedings for enforced collection were stopped due to a lack of economic reason and 203 cases amounting to 12.097.000 MKD were archived due to re-entering/withdrawing of the legal action, 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 in 2020 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 2021 with rejected lawsuit.

Year	Bankruptcy, Liquidation		Rejected Request		Non-enforceable	
	No.	Amount	No	Amount	No	Amount
2004-2014	540	47.447.315	13	5.647.518	130	5.361.598
2015-2021	139	3.673.139	4	39.451	70	481.644
2022	3	33.800			10	326.527
<b>TOTAL</b>	<b>682</b>	<b>51.154.254</b>	<b>17</b>	<b>5.686.969</b>	<b>210</b>	<b>6.169.769</b>

In the period from 2004 to 2014, the percentage of uncollected premiums in all archived cases was 28.7% 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, belonging in the period prior to 2010.

There is a considerable difference in the period from 2004 to 2014 compared to 2015 up to 2021 when the percentage of uncollected premiums was nearly 3% according to number of cases and 5.4% according to the value of receivables. In 2022, the percentage of uncollected cases compared to archived ones amounted to 0.2% per number and 0.6% per value. In addition, it is worth mentioning that in 2022, 55.5% 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 2021 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 2022 amount to 27.415.000 MKD or 2% lower than the ones realized at the end of 2021 (28.009.000 MKD).

Decrease in receivables from subrogation was stated in MTPL claims (-2%), Credits (-12%) Casco (-1%) and subrogation from unknown vehicles (1%).

As to structure, the most present still are MTPL claims (69%) at the same level as in 2021.

#### Receivables from subrogation (000 MKD)

				Structure %	
	2022	2021	% of change	2022	2021
Subrogation - Accident	4	4	0%	0%	0%
Subrogation – Hull	6.795	6.837	-1%	25%	24%
Subrogation - MTPL	18.810	19.214	-2%	69%	69%
Subrogation - Credits	1.046	1.190	-12%	4%	4%
Subrogation – Unknown/uninsured vehicles	760	764	-1%	3%	3%
<b>Total</b>	<b>27.415</b>	<b>28.009</b>	<b>-2%</b>	<b>100%</b>	<b>100%</b>

Pursuant to regulations, the Company made adjustment to the value/set aside a reserve to the total amount of 26.437.000 MKD, out of which 26.347.000 MKD were adjusted values of the uncollected receivables from subrogation due as at 31 December 2021, 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	0	0%	0	0%
To 30 days	863	3%	0	0%
31 -60	28	0%	3	0%
61 - 120	23	0%	7	0%
121 -270	144	1%	74	0%
271 -365	9	0%	6	0%
More than 365 days	26.347	96%	26.347	100%
<b>Total</b>	<b>27.415</b>	<b>100%</b>	<b>26.437</b>	<b>100%</b>

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

At the end of 2022, uncollected receivables amount to 14.021.000 MKD, which is 24% less than the amount realized in 2021.

The Company set aside provision to the amount of 8.012.000 MKD or 1.244.000 MKD less than the previous year, mostly arising from reinsurance commissions (94%).

Other Receivables (in 000 MKD)	2022		2021		% of change	Structure of receivables in %	
	Total receivables	Adjusted value/	Total receivables	Adjusted value		2021	2018
Reinsurance Commissions	97	97	1555	1245	-94%	1%	8%
- Fire	82	82	767	606		1%	4%
- Aircraft Hull	0	0	68	68		0%	0%
- General Liability	15	15	720	571		0%	4%
Handling Claims	4.509	1.456	6.645	1.402	-32%	32%	36%
Cessions	3.927	3.927	4.204	3.935	-7%	28%	23%
Other	5.488	2.532	6.133	2.674	-11%	39%	33%
<b>Total</b>	<b>14.021</b>	<b>8.012</b>	<b>18.537</b>	<b>9.256</b>	<b>-24%</b>	<b>100%</b>	<b>100%</b>

In the Q3 of 2021, a bankruptcy proceeding was opened over Eurostandard Bank, as a result of which Eurolink entered 100% adjustment of receivables recorded in the bankruptcy estate amounting to 12.390.000 MKD and as at 31 December 2021 this situation remained unchanged.

	2022		2021	
	Total receivables	Adjusted value	Total receivables	Adjusted value
Deposit	8.058	8.058	10.535	10.535
Cash and cash equivalents	0	0	1.842	1.842
Receivables from interest on deposit	13	13	13	13
<b>Total</b>	<b>8.071</b>	<b>8.071</b>	<b>12.390</b>	<b>12.390</b>

The situation of these receivables as at 31 December 2022 is changed and is lowered, amounting to 8.071.000 MKD, due to collection of a portion of receivables from the bankruptcy estate of the Bank, in the amount of 4.319.000 MKD.

## Reinsurance

For the purpose of securing further stability of the insurance portfolio, the limit of the Reinsurance Treaty on the property portfolio was increased from € 7,000,000 to € 10,000,000 through buying yet another layer to the amount of € 3,000,000 in the reporting year. In addition, all other reinsurance treaties were renewed as well. In the reporting year, we had faced a further increase in the reinsurance premiums for almost all classes of reinsurance, thus causing our profitability margin to be even more narrowed. Despite such impact, we paid attention to the rating of the reinsurers participating in the reinsurance treaties in accordance with the Company's Reinsurance Programme. Facultative treaties for reinsurance of certain risks were renewed throughout the year.

## Claims

A slight rise in the number of claims compared to the previous year is most obvious in class 02.

Scheduled projects for digitalization, efficacious and effective approval of the processes of notification, assessment and settlement of claims were realized.

Internal controls of the Controlling Teams, as well as trainings of the employees in the Claims Department were successfully conducted thus contributing to additional efficiency of the process itself.

Visits to our VIP clients were made for the purpose of a detailed training of their HR teams that would enable faster handling and processing of claims and providing proofs for their servicing.

We have started several new projects for even greater educative and direct participation of our Insureds in the claim settlement process and its simplification.

Dynamics of notification and settlement of claims per classes of insurance in the course of 2022 is presented in the following table:

1 January – 31 December 2022		Settled Claims	Refused Claims	Reserved as at 31 December 2021	Reported Claims	Dynamics of Claim Settlement in %
		1	2	3	4	5=(1+2)/(3+4)*100
Accident	01	1.234	146	179	1.399	87%
Health	02	8.199	566	643	9.184	89%
Motor hull	03	549	44	249	636	67%
Rail hull	04	0	0	0	0	
Aircraft hull	05	0	0	0	0	
Vessel hull	06	0	0	0	0	
Cargo	07	2	0	2	2	50%
Property – Fire and allied perils	08	459	46	54	526	87%

Property - other	09	504	143	199	562	85%
MTPL (total)	10	2143	350	1301	2483	66%
Aircraft liability	11	0	0	0	0	
Vessel liability	12	0	0	0	0	
General liability	13	32	13	22	56	58%
Credits	14	0	0	0	0	
Warranties	15	0	0	0	0	
Financial losses	16	0	1	1	0	100%
Legal protection	17	0	0	0	0	
Travel Insurance	18	586	108	118	761	79%
<b>Total</b>		<b>13.709</b>	<b>1.419</b>	<b>2.771</b>	<b>15.613</b>	<b>82%</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 82% in the course of 2022.

Compared to 2021, the number of settled claims in the reporting year is 10% higher, owing mostly to the increase in the health insurance class (23% or 1,150 settlements), which can also be seen in the structure of totally settled claims in 2022, where claims arising from health insurance policies account for 60% of the total settled claims (2021: 53%). The table below shows the number of settled claims per classes of insurance:

	2022	2021	% of change	Structure in%	
				2022	2021
Accident	1.234	1.283	-4%	9%	10%
Health Insurance	8.199	6.649	23%	60%	53%
Motor Hull	549	686	-20%	4%	5%
Vessel Hull	0	0	0%	0%	0%
Cargo	2	3	-33%	0%	0%
Fire and Allied Perils	459	286	60%	3%	2%
Property	504	930	-46%	4%	7%
MTPL (total)	2.143	2.322	-8%	16%	19%
General Liability	32	40	-20%	0%	0%
Financial Losses	0	0	0%	0%	0%
Travel Insurance	586	272	115%	4%	2%
<b>Total Number of Settled Claims</b>	<b>13.708</b>	<b>12.477</b>	<b>10%</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 of the Company, as well as due to internal claim payment deadlines not later than 7 days (compared to 14 days, prescribed by law) . In addition, with respect to claims arising from health insurance policies an internal deadline is from 1 to 3 days. Accordingly, the Company has been recognized for the speed and efficiency in settling health insurance claims.

## **INFORMATION TECHNOLOGY UPGRADE**

### IT System Security

In the Q4 of 2022, a penetration testing of the IT system was made complaint with the Rulebook on the minimum standards for the information systems of insurance companies according to which the testing of the IT systems against security threats should be made at least once in a 2-year period.

Purpose of this testing is to make a check of the system and to detect any security weaknesses. It should be noted that such test has not been made in the Company so far. An out-sourcing contractor holding a corresponding certificate for carrying out such tests was hired to conduct this activity.

Penetration testing was realized in two phases. The first phase included services and applications used via internet through Black & Grey Box testing. 7 Internet Servers/Systems, 8 Web Applications and 2 Mobile Applications were checked. The second phased included testing of the corporative wireless network (Black Box). Test results show that the general exposure to a risk level of the tested elements indicates an average risk level exposure.

In the reporting year, as well as in the previous one, training on IT security was organized for all the employees. Such training is to be held each year for the purpose of raising awareness of the IT security, as well as acquiring detailed knowledge for coping with probable threats as the first defence line in the Company. Themes covered in the reporting year are as follows:

- Passwords
- Cookies
- Public wireless internet networks
- Spam
- Phishing
- Malware
- Ransomware
- E-trade
- Social networks and social engineering

### Enhancement and Improvement of the IT System

In the course of reporting year, upgrading was made to communication lines in the branch offices thus accelerating the speed and the flow of data to the maximum in the most of the branch offices, i.e., where technical conditions allow such change.

As regards other relevant upgrading in the OSIS, the central IT system, the following should be mentioned:

- Changes in the mode of debiting distribution channels commission and automatic entry
- Improvement of claims processing system including approval for claim settlement and change in the claim reserve, monitoring of claim settlement deadlines and opening cases wherein all related events and procedures are entered by attaching corresponding documentation, previously digitalized
- Financial Assets/Investments Management Module and Expense Management Module
- Management of Claims Module
- Introduction of workflows in acquisition processes

#### Online Services for Clients

In the course of the reporting year, the first phase of the digital health card project was realized. The Insured person loads the digital health card as a mobile application and may use it as identification card in front of health institutions and to get basic information about the insurance cover covered under health insurance policy.

### **FINANCIAL RESULT ANALYSIS**

#### ***Net Income from Premiums***

In 2022 the Company realized gross written premiums to the amount 1.125.323.000 MKD or 1.025.000 MKD higher amount than the gross premiums written in 2021, thus realizing 0.1% increase.

Under circumstances of ceded premiums to an approximate amount of 364.357.000 MKD (decreased by 129.946.000 MKD compared to 2021, which is 36% drop) and decreased earnings from changes in the unearned premiums reserve in the net amount of 51.145.000 MKD (change in reserve based on unearned premiums amounting to 15,701.000 MKD and in the portion of reinsurance amounting to 35.444.000 MKD), the net earned premiums amount to 839.769.000 MKD, which is 10% higher than the one realized in 2021 (762.743.000 MKD).

In 000 MKD	2022	2021	% of growth
Gross Written Premiums	1.125.323	1.124.298	0%
Gross Written Premiums ceded			
Change in unearned insurance premium reserve	-15.701	-68.033	-77%
Premiums ceded to reinsurers	-234.409	-364.355	-36%
Change in unearned reinsurance premium reserve	-35.444	70.833	-150%
<b>Net Revenues from Premiums</b>	<b>839.769</b>	<b>762.743</b>	<b>10%</b>

### ***Investment Income***

In the reporting year the Company made income based on investment income to the amount of 42.782.000 MKD, which is 36% lower than the one realized in 2021 (2021: 66.567.000 MKD). In the same period total expenses from investments amounted to 24.485.000 MKD (2021: 10.162.000 MKD). Accordingly, net income from investment amounts to 18.297.000 MKD, which is 68% lower realization than the previous year (2021: 56.405.000 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 13.468.000 MKD or 17% higher than those in 2021: 11.557.000 MKD) while revenues from interests on time deposits in banks amounted to 8.006.000 MKD or 6% lower than the amount realized in 2021 (2021: 8.492.000 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 the Q1 of 2022, as well as the substitution of deposits falling due in the course of 2021 and 2022 with deposits bearing lower interest rates. This trend was present until the Q4 of 2022, when bank deposit interest rates started to rise.

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 2021: 1.08%), fell at the level of 1.06% by December 2022. At the same time, 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 1.25% (or by 1.25 percentage points lower, with three successive downward corrections by December 2021). As of April 2022, having in mind the strong inflation pressure, the NBRNM started to increase the interest rate on the central bank bills in several turns thus increasing the interest rate to 4.75% at the end of 2022.



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 202, 1.76% at the end of 2021) totalling 1.97% at the end of 2022.

Investment Income	% of change		
(in 000 MKD)	2022	2021	2022/2021
Revenues from interest on treasury notes and government bonds	13.468	11.557	17%
Revenues from interest on fixed term deposits in banks	8.006	8.492	-6%
Revenues from interest on guarantee fund	296	252	17%
Revenues from dividends	1.152	731	58%
Revenues from amortization of government bond discounts	0	0	
<i>Foreign exchange net effect</i>	1.691	2.298	-26%
Revenues from exchange rate differences of held-to-maturity securities	4.717	4.299	10%
Expenditure from exchange rate differences of held-to-maturity securities	-3.026	-2.001	51%
<i>Net effect of decreasing securities at fair value (held-for-trading securities)</i>	-7.462	13.217	-156%
Unrealized gains from decreasing securities at fair value	13.935	20.701	-33%
Unrealized losses from decreasing securities at fair value	-21.397	-7.484	186%
<i>Net effect of realized gains from sold securities</i>	1.149	19.877	-94%
Realized gains from sold investment (investment funds) and other revenues	1.208	20.535	-94%
Realized losses from selling a financial property – capital loss	-59	-658	-91%
Other investment expenditure (interest expenses etc.)	-3	-19	-84%
<b>Total Investment Income</b>	<b>42.782</b>	<b>66.567</b>	<b>-36%</b>
<b>Total Investment Expenditure</b>	<b>-24.485</b>	<b>-10.162</b>	<b>141%</b>
<b>Total Investment Net Income</b>	<b>18.297</b>	<b>56.405</b>	<b>-68%</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 -7.462.000 MKD or 156% less than the previous year (2021: 13.217.000 MKD). Starting as of 2020, 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, until repeated shock caused by the war in Ukraine and the energy crisis, when financial markets once more suffered significant losses in the course of 2022 as well. Hence, this portfolio realized net loss (or unrealized net loss) by the end of the year. In

the course of 2022, unrealized net loss was made amounting to 7.462.000 MKD, which is 156% lower than the unrealized profit amounting to 13.217.000 MKD in 2021.

At the same time, the investment portfolio available for sale realized net gains from selling securities to the amount of 1.208.000 MKD or 94% lower than the amount realized in 2021 (2021: 20.535.000 MKD). As a result only from selling of the investment units in the investment funds.

### ***Other insurance technical income***

In 2022, the volume of commissions and fees amounted to 41.509.000 MKD, which is 24% lower than the amount realized in 2021 (54.392.000 MKD).

The decrease is due to decreasing reinsurance commissions (24% decrease or by 11.083.000 MKD). Revenues realized through subrogated claims from Guarantee Fund were 19% lower than the previous year (decreased by 631.000 MKD). Reimbursement from Guarantee Fund for claim handling services is decreased by 93.000 MKD.

in 000 MKD

	<b>2022</b>	<b>2021</b>	<b>% change</b>
Commissions from reinsurance	35.616	46.699	-24%
Fees from GF for handling claims	347	440	-21%
Income from GF for realized subrogation	2.721	3.352	-19%
Fees from companies for handling claims	932	1.898	-51%
Other	1.893	2.003	-5%
<b>Net income from fees and commissions</b>	<b>41.509</b>	<b>54.392</b>	<b>-24%</b>

### ***Other revenues***

In 2022, other revenues amount to 12.993.000 MKD, which is 86% higher than the one in 2021. In this framework, revenues from taxes and court expenses show increase (11% or increase by 215.000 MKD) while revenues from positive exchange rates and revenues from previous years are 115% higher than the previous year.

In 000 MKD

<b>Other income</b>	<b>2022</b>	<b>2021</b>	<b>% of change</b>
Income from interest and legal expenses arising from collected receivable by legal actions	2.202	1.987	11%
Other income – positive exchange rate differences, etc.	10.791	5.010	115%
<b>Total other income</b>	<b>12.993</b>	<b>6.997</b>	<b>86%</b>

### **Claims**

In 2022, settled claims amounted to 373.266 MKD, which is 3% more than the ones realized in the previous year. At the same time, they participate in gross written premiums with approximate 33%, which is 1 percentage point higher than the participation in 2021 (32%).

The Company had increasing expenses regarding gross provision for claims to the amount of 32.432.000 MKD (2021: 36.266.000 MKD). In respect of IBNR claims, the Company increased the provision by the amount 16.057.000 MKD, while the provision for RBNS claims increased by the amount of 16.375.000 MKD.

As regards revenues from subrogation claims, they amounted to 4.271.000 MKD which is 4% lower than in 2021 (2021: 4.455.000 MKD).

Having in mind reinsurers' participation in settled and reserved claims, net incurred claims amount to 380.402.000 MKD or 3% higher than the ones realized in 2021 (368.990.000 MKD).

In total, net incurred claims in 2022 participate with 34% in the gross written premiums (2021: 33%), while 45% in earned premiums (2021: 48%)

#### **Incurred Claims and Benefits**

- In 000 MKD

	<b>Gross</b>			<b>Reinsurer's Share</b>			<b>Net</b>		
	<b>2022</b>	<b>2021</b>	<b>% of change</b>	<b>2022</b>	<b>2021</b>	<b>% of change</b>	<b>2022</b>	<b>2021</b>	<b>% of change</b>
Incurring claims paid in the current year	373.266	362.048	3%	7.403	4.982	49%	365.863	357.066	2%
Changes in reserves RBNS	16.375	33.778	-52%	15.549	20.453	-24%	826	13.325	-94%
Changes in reserves IBNR	16.057	2.488	545%	-1927	-566	240%	17.984	3.054	489%
Income from subrogation	-4.271	-4.455	-4%				-4.271	-4.455	-4%
<b>Total</b>	<b>401.427</b>	<b>393.859</b>	<b>2%</b>	<b>21.025</b>	<b>24.869</b>	<b>-15%</b>	<b>380.402</b>	<b>368.990</b>	<b>3%</b>

### ***Bonuses and Discounts Expenses***

Total expenses for bonuses and discounts in the reporting period amounted to 25.987.000 MKD or they are 986.000.000 MKD or 4% lower than the ones realized in 2021. Bonus expenses account for 49% decrease while discount expenses account for 3% increase compared to the previous year.

In 000 MKD	2022	2021	% of change
<i>Expenses for bonuses</i>	<b>1.914</b>	<b>3.599</b>	<b>-47%</b>
<i>Expenses for discounts</i>	<b>24.073</b>	<b>23.374</b>	<b>3%</b>
- accident	1.512	1.183	28%
- health insurance	1.333	880	51%
- Casco	6.637	5.625	18%
- property insurances	9.085	10.535	-14%
- general liability	5.022	4.384	15%
- other	484	767	-37%
<b>Expenses for bonuses and discounts</b>	<b>25.987</b>	<b>26.973</b>	<b>-4%</b>

### ***Insurance Management Expenses***

Total insurance management expenses in 2022 amounted to 361.096.000 MKD and they are 10% higher than the ones realized in the previous year.

In 000 MKD	2022	% structure	2021	% of change
Acquisition Expenses	172.847		169.033	2%
Overheads	188.249	52%	158.825	19%
<b>Net Insurance Management Expenses</b>	<b>361.096</b>		<b>327.858</b>	<b>10%</b>

Approximate 52% or 188.249.000 MKD of the insurance management expenses are overheads (2021: 158.825.000 MKD or 48% % of the net insurance management expenses). At the same time, they are 19% higher than the previous year, while the acquisition costs amount to 172.847.000 MKD are 2% higher with respect to those realized in 2021 (2021:169.033.000 MKD).

In 2021 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 accordance with IAS 19 standard. In 2022, these expenses amount to 660.000 MKD.

(in 000 MKD)	2022	2021	% of change
Employees expenses	62.228	60.368	3%
- salaries - administration and claims	55.849	54.790	2%
- other expenses for employees	6.379	5.578	14%
Tenancy	18.819	20.288	-7%
Rented assets	958	787	22%
Management Bodies expenses	0	0	
Telephone expenses	7.125	7.705	-8%
Sponsoring and entertainment costs (Marketing)*	26.354	3.244	712%
Depreciation f tangible assets	3.882	3.908	-1%
Expenses for services from natural persons	16.292	14.416	13%
Reimbursement for using private cars	7.836	7.857	0%
Utility fees	5.425	3.467	56%
Security	21	21	1%
Banking services	4.001	3.600	11%
Office supplies	1.469	1.061	38%
Expenses for reserving severance pays and jubilee awards	635	3.505	-82%
Other overheads	33.201	28.598	16%
<b>Administrative expenses</b>	<b>188.249</b>	<b>158.825</b>	<b>19%</b>

*\* according changes in Rulebook for form and content of Financial statements (Official Gazette no 118 from 23.05.2022), costs for Advertisement and External representation are part of Administrative costs (position 256 of Income statement)*

Acquisition costs in 2022 amounted to 172.847.000 MKD (2021: 169.033.000 MKD). They participate with 48% in the total insurance management expenses (2021: 52%) and are 2% higher than the expenses in 2021. It should be noted that pursuant to amendment to the Rulebook on the Form and

Contents of Financial Statements (Official Gazette No. 118 dated 23 May 2022) Marketing and Representation Expenses are reclassified from the position (category) - Other Acquisition Expenses into Administrative Expenses, which accordingly causes variances in the amounts and structure between comparable years in the cumulative positions (categories) - Net Insurance Management Expenses and Administrative Expenses

In 000 MKD	2022	2021	% of change	structure 2022	structure 2021
Commission	70.654	59.348	19%	41%	35%
Gross salaries of the inner sales network	109.443	95.478	15%	63%	56%
Other acquisition costs	1.912	17.724	-89%	1%	10%
Changes in acquisition costs	-9.162	-3.517	161%	-5%	-2%
<b>Net acquisition costs</b>	<b>172.847</b>	<b>169.033</b>	<b>2%</b>	<b>100%</b>	<b>100%</b>

In this context, external distribution channel commission amounted to 41% of the total acquisition costs or 20% of the net insurance management expenses. They amounted to 70.654.000 MKD or are 19% higher than in 2021 (2021: 59.348.000 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. In the course of 2022, this principle of recognition of commission expenses kept to be applied, i.e., recorded expenses are recognized according to the premiums written by the intermediary, thus making the expenses recorded in both years comparable end/or consistently recognized.

Other acquisition costs (sales network salaries, insurance policies printing expenses, publicity etc.) amounted to 111.355.000 MKD on a net basis (2021: 113.202.000 MKD), which is 2% drop compared to the previous year.

As to the estimated expense for deferred acquisition costs, the Company in 2022 recorded an income to the amount of 9.162.000 MKD. In 2021 this income amounted to 3.517.000 MKD.

### ***Management Bodies Expenses***

In the framework of administrative expenses, the Company in 2022 recorded expenses for the management bodies totalling 22.773.000 MKD (2021: 21.342.000 MKD). In these terms, the Company did not report expenses for Supervisory Board, i.e., the expenses for the Management Board are recorded only. They are presented in the table par types of expenses:

(In MKD)

	2022	2021
<b>Supervisory Board Members</b>	<b>0</b>	<b>0</b>
- Reimbursement for SB meetings	0	0
- Other reimbursements	0	0
Health insurance	0	0
Life insurance	0	0
Managerial insurance	0	0
- Other expenses (including entertainment allowance)	0	0
<b>Management Board Members</b>	<b>22.773.124</b>	<b>21.342.109</b>
- Salaries and reimbursements	16.664.296	15.967.174
- Other reimbursements	5.295.792	4.205.746
Health insurance	415.753	389.749
Life insurance	263.665	265.080
Manager insurance	4.616.374	3.550.917
- Other expenses (entertainment allowance included)	813.036	1.169.189
<b>Total</b>	<b>22.773.124</b>	<b>21.342.109</b>

### **Other Insurance Technical Expenses**

In 2022, the Company set aside 30.634.000 MKD for other insurance technical expenses, or 8% less than the previous year. Decrease is mostly due to payment of expenses for paying GF claims for unknown vehicles and it shows 21% decrease with respect to the realized ones in the previous year.

(In MKD)	2022	2021	% of change
GF claims – payment (unknown vehicles)	9.955	12.563	-21%
Fire protection contribution	4.698	4.558	3%
Health care fee	4.172	3.818	9%
Insurance Supervision Agency	7.709	8.105	-5%
National Insurance Bureau	2.898	2.823	3%
Subrogation to NIB – court expenses	990	1.022	-3%
Other expenses	213	262	-19%
<b>Total</b>	<b>30.634</b>	<b>33.151</b>	<b>-8%</b>

### **Value Adjustment of Receivables from Insurance Premiums**

Total adjustment of the value of uncollected receivables from premiums in 2022 is an expense amounting to 15.145.000 MKD or 17% less than in 2021 (2021: 18.253.000 MKD).

<b>Value Adjustment of Receivables from Insurance Premiums</b>	<b>2022</b>	<b>2021</b>	<b>% of change</b>
Adjusted value of receivables from insured persons	10.111	11.317	-11%
Collected, written-off receivable	-33	-22	50%
Permanent write-off of receivables	5.067	6.958	-27%
<b>Total</b>	<b>15.145</b>	<b>18.253</b>	<b>-17%</b>

At the end of the business year, the write-off of all receivables was made to the amount of 5.249.000 MKD (2021: 7.015.000 MKD). Most of the write-offs (5.067.000 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 (182.000 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 -6.057.000 MKD refers to adjusted value of other receivables from direct operations (2021: 725.000 MKD), while for other financial expenditures, expenses are reported to the amount 6.114.000 MKD (2021: 7.051.000 MKD). Permanent write-off of these receivables for 2022 amounts to 182.000 MKD for 2022 (2021: 57.000 MKD).

<b>Other expenditures, including value adjustments</b>	<b>2022</b>	<b>2021</b>	<b>% of change</b>
Adjusted valued of other receivables from direct operations	-6.057	725	-936%
<i>of which Impairment provision of deposits and cash and cash equivalents</i>	-4.319	-	-
Permanent write-off of receivables from direct operations	182	57	219%
Other financial expenditures	6.114	7.051	-13%
<b>Total</b>	<b>238</b>	<b>7.833</b>	<b>-97%</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 97.424.000 MKD for 2022 (2021: 101.831.000 MKD), i.e., 85.015.000 MKD after taxation (2021: 89.638.000 MKD).

Total profit resulting from adding/reducing the profit from the re-measurement of the financial assets available for sale to the amount of -9.852.000 MKD (2021: -3.143.000 MKD) is to the amount of 75.432.000 MKD for 2022 (2021:86.495.000 MKD).

#### **FINANCIAL SITUATION ANALYSIS**

Company's total assets as at 31 December 2022 amounted to 1.860.368.000 MKD, showing approximate increase of 4% compared to the previous year (2021: 1.788.420.000 MKD) (Annex 2).

#### ***Investments***

Company's total investments as at 31 December 2022 amount to 1.235.051.000 MKD and are 7% higher than the previous year (2021: 1.154.086.000 MKD.) Investments included 15.180.000 MKD (2021: 14.935.000 MKD) in the National Insurance Bureau's Guarantee Fund, while other financial investments are to the amount of 1.219.000 MKD (2021: 1.139.151.000 MKD).

In 2022, the Company increased its investment portfolio by 7% (or by 80.720.000 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 518.749.000 MKD was placed in bank deposits (13% higher compared to 2021), while 449.796.000 MKD in debtor's securities kept at maturity (4% increase compared to 2021) and 190.827.000 MKD in financial investments available for sale (5% increase compared to 2021), as well as 58.398.000 in financial investments held to trading (9% lower compared to 2021).

	In 000 MKD				
	2022	2021	% of change	Structure in %	
				2022	2021
<b>Financial investment kept at maturity</b>	<b>449.796</b>	<b>430.823</b>	<b>4%</b>	<b>37%</b>	<b>38%</b>
- Debtors securities with 1-year maturity	0	0	-		
- Debtors securities over 1-year maturity	449.796	430.823	4%		
<b>Financial investment available for sale</b>	<b>192.927</b>	<b>183.076</b>	<b>5%</b>	<b>16%</b>	<b>16%</b>
- Stocks, shares and other instruments	2.100	2.100	0%		
- Stocks and shares in investment funds	190.827	180.976	5%		
<b>Financial Investments for Trading</b>	<b>58.398</b>	<b>64.495</b>	<b>-9%</b>	<b>5%</b>	<b>6%</b>
<b>Deposits, loans and other placements</b>	<b>518.749</b>	<b>460.757</b>	<b>13%</b>	<b>43%</b>	<b>40%</b>
<b>Total Financial Investment</b>	<b>1.219.871</b>	<b>1.139.151</b>	<b>7%</b>	<b>100%</b>	<b>100%</b>

At the end of 2022, 95% of the investment portfolio structure included investments in instruments in the Republic of North Macedonia while 5% in investments abroad (in EU and OECD member states), thus additionally exposing itself to impacts of the global financial market (2021: 94% in domestic investments and 6% 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 44.834.000 MKD, which represents 4% of the total investment portfolio, while 1% amounting to 13.565.000 MKD was invested in shares of business entities coming from those countries. Notwithstanding the whole foreign portfolio was categorized as available to trade, neither selling nor new buying was realized in the course of 2022. 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.

As regards domestic investment portfolio, the Company's investment policy was focused on increasing investment in deposits (13% realized increase) as well as in government bonds (4% increase). As for the investment portfolio of stakes in domestic open investment funds, the Company increased its share in the cash investment funds (by 5%), through new buying/selling, while the drop recorded in non-monetary investment funds (mostly shares and/or bonds) is a result of the drop in the values, i.e., the price of the stakes in these funds, bearing in mind that the Company did not realize any selling or buying of stakes in such funds in the course of 2022 and decided to keep the positions (quantity of stakes) recorded on 31 December 2021.

The state of the company's investment portfolio as at 31 December 2022 compared to 31 December 2021 is as follows:

(In 000 MKD)

	Allowed % of Invested Technical Provision Covering Assets	As at 31 December 2021	% Structure	As at 31 December 2022	% Structure	Absolute Difference 2022-2021	% Difference 2022/2021
<b>Total Investment Portfolio (RNM)</b>		<b>1.074.656</b>	<b>94%</b>	<b>1.161.472</b>	<b>95%</b>	<b>86.816</b>	<b>8%</b>
Deposits in banks that have a licence issued by NBRM	60%	460.757	40%	518.749	43%	57.992	13%
Bonds and other securities issued or guaranteed by the RNM on the domestic market	80%	430.823	38%	449.796	37%	18.973	4%
Shares traded on a regulated securities market in the RNM	25%	2.100	0%	2.100	0%	0	0%
Stakes and shares of investment funds registered in the RNM	20%	180.976	16%	190.827	16%	9.851	5%
<i>Stakes in non-monetary IF</i>		<i>111.412</i>	<i>10%</i>	<i>100.818</i>	<i>8%</i>	<i>-10.594</i>	<i>-10%</i>
<i>Stakes in Cash IF</i>		<i>69.564</i>	<i>6%</i>	<i>90.009</i>	<i>7%</i>	<i>20.445</i>	<i>29%</i>
<b>Types of Investment Portfolio (EU+OECD)</b>		<b>64.495</b>	<b>6%</b>	<b>58.398</b>	<b>5%</b>	<b>-6.097</b>	<b>-9%</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%	14.053	1%	13.565	1%	-488	-3%
Shares (stakes) in investment funds traded on regulated securities market in a member state of the EU or a member state of the OECD		50.442	4%	44.834	4%	-5.608	-11%
<b>TOTAL INVESTMENT PORTFOLIO (RNM + abroad (EU+OECD))</b>		<b>1.139.151</b>	<b>100%</b>	<b>1.219.871</b>	<b>100%</b>	<b>80.720</b>	<b>7%</b>

Investment policy, 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 2022, the reinsurance portion in gross technical provisions is in the amount of 136.381.000 MKD or 14% below the level in the previous year. Out of that amount, 91.032.000 MKD is for gross provision for unearned reinsurance premium, while 45.349.000 MKD is reinsurer's portion in gross provision for claims.

Reinsurance portion in gross technical provision

In 000 MKD

	2022	2021	% of change
<b>Gross provision for unearned premiums</b>			
As at 1 January	126.476	55.643	127%
Unearned premium movement	-35.444	70.833	-150%
<b>As at 31 December</b>	<b>91.032</b>	<b>126.476</b>	<b>-28%</b>
<b>Gross provision for claims</b>			
As at 1 January	31.727	11.840	168%
Movement in the gross provision for claims	13.622	19.887	-32%
<b>As at 31 December</b>	<b>45.349</b>	<b>31.727</b>	<b>43%</b>
<b>Reinsurance portion in gross technical provisions</b>	<b>136.381</b>	<b>158.203</b>	<b>-14%</b>

**Receivables**

Company's total receivables as at 31 December 2022 amount to 345.462.000 MKD and are 7.366.000 MKD lower than those realized in 2021. Out of that amount, 94% are receivables from the insured persons amounting to 326.470.000 MKD or 2% lower than the amount realized in 2021. Receivables from direct insurance operations are 3.947.000 MKD or 34% lower while receivables from financial investments are increased by 2.254.000 MKD or show 25% increase compared to the previous year.

(in 000 MKD)	2022	2021	% of change	% structure	
				2022	2021
Receivables from the Insured	422.049	417.611	1%	122%	118%
Adjusted value of receivables from the Insured	-95.579	-85.468	12%	-28%	-24%
	<b>326.470</b>	<b>332.143</b>	<b>-2%</b>	<b>95%</b>	<b>94%</b>
Other receivables from direct insurance operations	40.430	46.050	-12%	12%	13%
Adjusted value of receivables from direct insurance operations	-32.870	-34.543	-5%	-10%	-10%
	<b>7.560</b>	<b>11.507</b>	<b>-34%</b>	<b>2%</b>	<b>3%</b>
Receivables from financial investments	8.440	6.831	24%	2%	2%
Other receivables	4.584	4.004	14%	1%	1%
Adjusted value of other receivables	-1.592	-1.657	-4%	0%	0%
	<b>11.432</b>	<b>9.178</b>	<b>25%</b>	<b>3%</b>	<b>3%</b>
<b>Total Receivables</b>	<b>345.462</b>	<b>352.828</b>	<b>-2%</b>	<b>100%</b>	<b>100%</b>

### **Other Assets**

On 31 December 2022, the Company had other assets available in the amount of 39.798.000 MKD, or 70% higher than in 2021. Out of this amount, 7.558.000 MKD is capital goods and 32.240.000 MKD cash assets and cash equivalents.

Capital goods included equipment to the amount of 7.558.000 MKD (or 89%) while the amount of 836.000.000 MKD (11%) included other tangible assets.

Cash and cash equivalents at the year's end amounted to 32.240.000 MKD or 17.856.000 higher than the situation as at 31 December 2021.

- In 000 MKD

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

	<b>2022</b>	<b>2021</b>
Cash with banks	31.904	15.844
Cash on hand	336	382
Other cash	0	-1.842
<b>As at 31 December</b>	<b>32.240</b>	<b>14.384</b>

In 2021, 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 -1.842.000 MKD was recorded under the item named *other cash*, which was summed to 0 in the course of 2022, since the receivable was collected from the bankruptcy estate.

### **Prepayments and accrued income**

As at 31 December 2022, prepayments and accrued incomes amount to 98.118.000 MKD, which is 0.2% higher than the previous year.

In total prepayments and accrues incomes, the biggest portion (80%) refers to deferred *acquisition costs* to the amount of 78.643.000 MKD. They are 13% higher than the level in 2021 or higher by the amount of 9.162.000 MKD.

<b>Deferred Acquisition Costs</b>				
In 000 MKD	<b>2022</b>	<b>2021</b>	<b>Change in MKD</b>	<b>% Of change</b>
Deferred acquisition costs	52.920	41.312	11.608	28%
Deferred costs - brokers	25.723	28.169	-2.446	-9%
<b>As at 31 December</b>	<b>78.643</b>	<b>69.481</b>	<b>9.162</b>	<b>13%</b>

*Other estimated revenues and deferred costs* amount to 19.474.000 MKD (20% of the total prepayments and accrued income) and have 32% decrease compared to 2021, mostly due to the drop in the earnings calculated for reinsurance commission (-39%).

In 000 MKD	2022	2021	% of change
Estimated income from reinsurance commissions	11.758	19.388	-39%
Other estimated income	7.717	9.041	-15%
<b>Other estimated income and expenses</b>	<b>19.474</b>	<b>28.429</b>	<b>-31%</b>

### ***Capital and Reserves***

In 2022, the Company maintained the value of subscribed capital amounting to 195.326.000 MKD and showed legally prescribed reserves amounting to 222.715.000 MKD. Undistributed net profit on 31 December 2022 amounted to 148.406.000 MKD or is 37% higher amount than the one realized in 2021 (2021: 108.647.000 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 -9.998.000 MKD, or 9.582.000 MKD less than the realized in 2021 (2021: -415.000 MKD), which is mostly due to the drop in the values of stakes in domestic non-monetary investment funds.

The Company recorded a net profit after taxation for 2022 amounting to 85.015.000 MKD (2021: 89.638.000 MKD).

As at 31 December 2022, total capital standing of the Company is at the level of 641.464.000 MKD or is 55.432.000 MKD (9.5%) higher than the one realized in 2021 (2021: 586.032.000 MKD).

### ***Gross Technical Provisions***

As at 31 December 2022, the Company set aside gross technical provisions to the gross amount of 1.083.666.000 MKD, which is 5 % higher than the level in 2021 (2021: 1.033.891.000 MKD).

In the framework of total gross technical provisions, gross provision for unearned premiums is to the amount of 539.102.000 MKD (2021: 523.401.000 MKD) or 3% higher than the amount in 2021.

Gross provision for claims, including direct and indirect claims, amounts to 532.678.000 MKD or 6.5% higher than in 2021 (2021: 500.247.000 MKD).

Provision for bonuses and discounts amounts to 11.886.000 MKD or 16% lower than amount realized in 2021.

(In 000 MKD)	2022	2021	% of change
Gross reserves for unearned premiums	539.102	523.401	3%
Gross reserve for claims	532.678	500.247	6%
Gross reserve for bonuses/discounts	11.886	10.243	16%
<b>Gross Technical Reserve</b>	<b>1.083.666</b>	<b>1.033.891</b>	<b>5%</b>

Including the participation of the reinsurers in the Company's gross technical provision amounting to 136.380.000 MKD (91.032.000 MKD based on unearned premiums and 45.348.000 MKD based on total provision for claims) the net technical provision as at 31 December 2022 is in the amount of 947.285.000 MKD (2021: 875.688.000 MKD).

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Gross Technical Provision</b> (In 000 MKD)						
RBNS – Gross provision for reported but not settled claims	310.980	-37.958	273.022	296.545	-22.409	274.136
Provision for direct expenses	26		26	26		26
Provision for indirect expenses	4.792		4.792	2.854		2.854
IBNR – Gross provision for incurred but not reported claims	216.879	-7.390	209.489	200.822	-9.318	191.504
Provision for bonuses and discounts	11.886		11.886	10.243		10.243
Provision for unearned premiums	539.102	-91.032	448.070	523.401	-126.476	396.925
<b>As at 31 December</b>	<b>1.083.665</b>	<b>-136.380</b>	<b>947.285</b>	<b>1.033.891</b>	<b>-158.203</b>	<b>875.688</b>

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

As at 31 December 2022, the Company has total tax liability in the amount of 3.244.000 MKD (2021: 6.878.000 MKD) out of which deferred tax obligations amounting to 1.745.000 MKD and current tax obligations amounting to 1.499.000 MKD.

(in 000 MKD)	2022	2021
Deferred tax liabilities	1.745	381
Current tax liabilities	1.499	6.497
<b>Total</b>	<b>3.244</b>	<b>6.878</b>

Namely, for the first time in 2022 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. Accordingly, as at 31 December 2022, the Company records deferred tax liabilities amounting to 1.745.000 MKD, out of which 1.567.000 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 178.000 MKD are other deferred tax liabilities.

### **Liabilities**

The Company's total liabilities amount to 50.074.735.000 MKD, or 9% above the level of those realized in the previous year.

- In 000 MKD	2022	2021	% of change
Other liabilities from direct insurance operations	2.035	545	273%
Liabilities arising from reinsurance	19.308	15.234	27%
Other liabilities	28.732	29.956	-4%
<b>Total Liabilities</b>	<b>50.074</b>	<b>45.735</b>	<b>9%</b>

*Total liabilities from direct insurance operations* amount to 2.035.000 MKD, showing 273% increase compared to 2021, referring to liabilities to insureds arising from claims. In this sense, liabilities to insureds amount to 2.010.000 MKD, which 274% higher than the level in 2021

*Liabilities from co-insurance and reinsurance* amount to 19.308.000 000 MKD or 27% higher than the previous year, most of which undue, according to reinsurance treaties having in mind their fixed maturity.

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

	2022	2021	% change
Liabilities to Insured persons	2.010	537	274%
Other liabilities	24	8	202%
<b>As at 31 December</b>	<b>2.035</b>	<b>545</b>	<b>273%</b>



*Other liabilities* are to the amount of 28.732.000 MKD showing 4% decrease compared to 2021.

**Other Liabilities**

In 000 MKD

	<b>2022</b>	<b>2021</b>	<b>% of change</b>
Liabilities to suppliers	8.670	8.598	1%
Liabilities to employees	14.257	13.560	5%
Other	5.805	7.798	-26%
<b>As at 31 December</b>	<b>28.732</b>	<b>29.956</b>	<b>-4%</b>

**Accruals and deferred income**

As at 31 December 2022, the Company has preestimated expenses amounting to 77.780.000 MKD falling under the period, mostly with respect to estimated reinsurance expenses (or 71% 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

	<b>2022</b>	<b>2021</b>	<b>% of change</b>
Pre-estimated reinsurance expenses	55.589	97.316	-43%
Pre-estimated brokerage expenses	17.858	11.830	51%
Other pre-estimated expenses per invoices	4.334	3.232	34%
	<b>77.780</b>	<b>112.378</b>	<b>-31%</b>

## **RISK MANAGEMENT**

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.

### **Capital Management and Solvency Margin**

Insurance Supervision Agency is the main regulator monitoring the adequacy of the Company's capital on the whole.

The Company's management policy is to maintain stability of the Company's capital with a view to preserving confidence of the investors and the market, thus supporting future development of the business. The Company's management monitors the return on equity through the profit from daily operations. In addition, the Company also takes into consideration the influence of the level of capital on the shareholder's return as well as the advantage and safety secured by the strong position of the capital.

The calculation made in accordance with Article 75 of the Law on Insurance Supervision, shows the solvency margin required level in 2022 amounting to 187.745.881 MKD as per premium rate method or 99.779.722 MKD as per damage rate method. (Annex 3).

Considering the provision of the Law stipulating the higher result (amount) be defined as the solvency margin required level, the solvency margin in 2022 amounts to 187.745.881 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 364.697.332 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 2022 are estimated to the amount of 947.285.262 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 2022 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 ethical 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 ethical 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 2022

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>937.052.903</b>	<b>890.698.444</b>
<b>I. EARNED PREMIUMS NET REVENUES FROM PREMIUMS (202+203+204-205-206-207+208+209)</b>	<b>201</b>	<b>839.768.920</b>	<b>762.742.934</b>
1. Gross Written Insurance Premiums	202	1.125.322.945	1.124.297.921
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	234.408.788	364.354.689
6. Change in gross reserve for unearned premiums	207	15.701.086	68.033.096
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	(35.444.151)	70.832.798
<b>II. INVESTMENT INCOME (211+212+216+217+218+219+223)</b>	<b>210</b>	<b>42.781.764</b>	<b>66.566.844</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>-</b>	<b>-</b>
2.1 Rental revenues	213	-	-
2.2 Revenues from increased value of land and buildings	214	-	-
2.3 Income from sold land and buildings	215	-	-
<b>3. Interests</b>	<b>216</b>	<b>21.769.776</b>	<b>20.301.409</b>
4. Positive exchange rate differences	217	4.716.837	4.298.990
5. Adjustment of value of receivables from premiums (unrealized profits, reduction to objective value)	218	13.935.093	20.700.953
<b>6. Realized profits from selling financial property – capital profit (220+221+222)</b>	<b>219</b>	<b>1.207.759</b>	<b>20.535.177</b>
6.1 Financial investment available for sale	220	1.207.759	20.436.907
6.2 Financial investment for trading (at objective value)	221	-	98.270
6.3 Other financial investment	222	-	-
<b>7. Other investment Revenues</b>	<b>223</b>	<b>1.152.299</b>	<b>730.315</b>
<b>III. REINSURANCE COMMISSION</b>	<b>223a</b>	<b>35.615.874</b>	<b>46.698.757</b>
<b>IV. OTHER INSURANCE TECHNICAL REVENUES, DEDUCED FOR CEDED PREMIUMS</b>	<b>224</b>	<b>5.893.356</b>	<b>7.693.213</b>
<b>V. OTHER REVENUES</b>	<b>225</b>	<b>12.992.989</b>	<b>6.996.696</b>

<b>B. OPERATIONS EXPENSES</b> <b>(227+235+245+248+251+261+271+274+275)</b>	<b>226</b>	<b>839.628.486</b>	<b>788.867.035</b>
<b>I. INCURRED CLAIMS (NET EXPENSES FOR CLAIMS) (228-229-230-231+232-233-234)</b>	<b>227</b>	<b>380.400.746</b>	<b>368.990.350</b>
1. Gross paid claims	228	373.266.060	362.047.821
2. Reduction in income for gross realized subrogation claims	229	4.271.129	4.455.382
3. Gross paid claims – portion for co-insurance	230	-	
4. Gross paid claims – portion for re-insurance	231	7.403.186	4.982.309
5. Changes in gross provision for claims	232	32.430.864	36.266.848
6. Changes in gross provision for claims - portion for co-insurance	233	-	-
7. portion for co-insurance - portion for re-insurance	234	13.621.863	19.886.628
<b>II. CHANGES IN OTHER TECHNICAL RESERVES, NET FROM REINSURANCE (236+239+242)</b>	<b>235</b>	<b>1.642.532</b>	<b>(4.354.181)</b>
<b>1. Changes in mathematical reserve, net from reinsurance (237-238)</b>	<b>236</b>	<b>-</b>	<b>-</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>-</b>	<b>-</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>1.642.532</b>	<b>(4.354.181)</b>
3.1 Changes in other technical provisions	243	1.642.532	(4.354.181)
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>-</b>	<b>-</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>25.987.188</b>	<b>26.973.310</b>
1. Bonus expenses (depending on the reinsurance technical result)	249	1.913.428	3.598.980
2. Discount expenses (not depending on the reinsurance technical result)	250	24.073.760	23.374.330
<b>V. NET INSURANCE MANAGEMENT EXPENSES (252+256)</b>	<b>251</b>	<b>361.095.948</b>	<b>327.858.195</b>
<b>1. Acquisition Costs (253+254+255)</b>	<b>252</b>	<b>172.847.131</b>	<b>169.033.090</b>
1.1 Commission	253	70.654.058	59.348.061

1.2 Gross salary for sales network	253a	109.443.367	95.478.001
1.3 Other acquisition costs	254	1.911.855	17.724.085
1.4 Change in differed acquisition costs (+/-)	255	(9.162.149)	(3.517.057)
<b>2. Overheads (257+258+259+260)</b>	<b>256</b>	<b>188.248.817</b>	<b>158.825.105</b>
2.1 Depreciation of tangible assets serving for carrying out activities	257	3.882.332	3.907.644
2.2 Employees expenses	258	62.227.733	60.368.185
2.2.1 Salaries and reimbursements	258a	36.794.902	36.124.787
2.2.2 Taxes on salaries	258b	3.436.548	3.370.881
2.2.3 Obligatory social insurance	258 c	15.617.347	15.294.947
2.2.4 Additional pension insurance for employees	258d	-	-
2.2.5 Other expenses for employees	258e	6.378.936	5.577.570
2.3 Expenses resulting from services rendered by physical persons (car repair shops, etc.) with all taxes	259	16.292.214	14.416.070
2.4 Other overheads (260a+260b+260c)	260	105.846.538	80.133.206
2.4.1 Expenses for services	260a	83.245.930	60.285.462
2.4.2 Material expenses	260b	8.154.246	5.949.908
2.4.3 Reservation expenses and other operational expenses	260c	14.446.362	13.897.836
<b>VI. INVESTMENT EXPENSES (262+263+264+265+266+270)</b>	<b>261</b>	<b>24.484.971</b>	<b>10.161.833</b>
1. Depreciation and adjustment of tangible assets not serving for carrying out activities	262	-	-
2. Interests expenses	263	3.279	18.942
3. Negative exchange rates differences	264	3.025.941	2.000.906
4. Adjustment of values (unrealized losses, reduction to objective value)	265	21.397.049	7.483.782
5. Realized losses from selling financial property – capital loss (267+268+269)	266	58.702	658.203
5.1 Financial investment available for sale	267	-	241.523
5.2 Financial investment for trading (at objective value)	268	58.702	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>30.634.158</b>	<b>33.151.364</b>
1. Prevention expenses	272	-	-
2. Other insurance technical expenses, reduced for reinsurance	273	30.634.158	33.151.364
<b>VIII. ADJUSTED VALUE OF RECIEVABLES FROM PREMIUMS</b>	<b>274</b>	<b>15.144.840</b>	<b>18.252.710</b>
<b>IX. OTHER EXPENDITURES, INCLUDING ADJUSTED VALUES</b>	<b>275</b>	<b>238.103</b>	<b>7.833.454</b>
<b>X. BUSINESS YEAR PROFIT BEFORE TAX (200-226)</b>	<b>276</b>	<b>97.424.417</b>	<b>101.831.409</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>12.409.886</b>	<b>12.193.331</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>85.014.531</b>	<b>89.638.078</b>
<b>XV. BUSINESS YEAR LOSS AFTER TAXATION (277-278-279)</b>	<b>281</b>	-	-
<b>XVI. OTHER COMPREHENSIVE PROFIT/(LOSS)</b>		<b>85.014.531</b>	<b>89.638.078</b>
Profit/loss from repeated measurement of funds available for sale		(9.582.430)	(3.143.271)
Profit tax on components of comprehensive profit		-	-
<b>PROFIT/(LOSS) BELONGING TO SHAREHOLDERS</b>		<b>75.432.101</b>	<b>86.494.807</b>

## Annex 2 – BALANCE SHEET

As at 31 December 2022

In MKD

Item	No.		
		Current Business Year	Previous Business Year
1	2	4	5
<b>ASSETS</b>			
<b>A. INTANGIBLE ASSETS</b>	<b>001</b>	-	-
1. Goodwill	002	3.279	18.942
2. Other intangible assets	003	3.025.941	2.000.906
<b>B. INVESTMENT</b>	<b>004</b>	<b>21.397.049</b>	<b>7.483.782</b>
<b>I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS</b>	<b>005</b>	<b>58.702</b>	<b>658.203</b>
<b>1. Land and building for carrying out activities</b>	006	-	241.523
1.1 Land	007	58.702	416.680
1.2 Buildings	008	-	-
<b>2. Land and building not serving for carrying out activities</b>	009	-	-
2.1 Land	010	30.634.158	33.151.364
2.2 Buildings	011	-	-
2.3 Other tangible assets	012	30.634.158	33.151.364
<b>II. FINANCIAL INVESTMENT IN A GROUP – BRANCHES, AFFILIATIONS AND JOINTLY CONTROLLED ENTITIES</b>	<b>013</b>	<b>15.144.840</b>	<b>18.252.710</b>
1. Shares, shares and other ownership securities in group companies - branches	014	238.103	7.833.454
2. Debtors securities issued by group companies	015	97.424.417	101.831.409
3. Shares, shares and other ownership securities in affiliations	016	-	-
4. Debtors securities issued by affiliations	017	12.409.886	12.193.331
5. Other financial investment in group companies - branches	018	-	-
6. Other financial investment in affiliations	019	85.014.531	89.638.078
7. Investment in jointly controlled entities	020	-	-
<b>III. OTHER FINANCIAL INVESTMENT</b>	<b>021</b>	<b>85.014.531</b>	<b>89.638.078</b>
<b>1. Financial investment kept to maturity</b>	<b>022</b>	(9.582.430)	(3.143.271)
1.1 Debtors securities – one year maturity	023	-	-
1.2 Debtors securities – over one year maturity	024	75.432.101	86.494.807
<b>2. Financial investment available for sale</b>	<b>025</b>	<b>192.927.352</b>	<b>183.075.552</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	2.100.000
2.4 Shares and shares in investment fund	029	190.827.352	180.975.552
<b>3. Financial investment for trading</b>	<b>030</b>	<b>58.398.417</b>	<b>64.495.381</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	45.914.060	51.459.471
3.4 Shares and shares in investment fund	034	12.484.357	13.035.910
<b>4. Deposits, loans and other placements</b>	<b>035</b>	<b>518.748.714</b>	<b>460.756.819</b>
4.1 Give deposits	036	518.748.714	460.756.819
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>136.380.551</b>	<b>158.202.839</b>
1. Portion for coinsurance/reinsurance in unearned premium gross reserve	043	91.031.824	126.475.975
2. Portion for coinsurance/reinsurance in gross mathematical reserve	044	-	-
3. Portion for coinsurance/reinsurance in gross claim reserve	045	45.348.727	31.726.864
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>2.982.315</b>	<b>390.362</b>
1. Deferred tax assets	052	2.678.813	319.833
2. Current tax assets	053	303.502	70.529
<b>F. RECEIVABLES</b>	<b>054</b>	<b>345.158.058</b>	<b>352.828.058</b>
<b>I. RECEIVABLES FROM DIRECT INSURANCE OPERATIONS</b>	<b>055</b>	<b>326.470.052</b>	<b>332.143.404</b>
1. Receivables from insured	056	326.470.052	332.143.404
2. Receivables from intermediaries	057	-	-
3. Other receivables from direct insurance operations	058	-	-
<b>II. RECEIVABLES FROM COINSURANCE/REINSURANCE</b>	<b>059</b>	<b>-</b>	<b>-</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>18.688.006</b>	<b>20.684.654</b>
1. Other receivables from direct insurance operations	064	7.559.590	11.506.806
2. Receivables from financial investment	065	8.427.033	6.818.293
3. Other receivables	066	2.701.383	2.359.555
<b>IV. RECEIVABLES FROM SUBSCRIBED YET NOT PAID UP CAPITAL</b>	<b>067</b>	-	
<b>G. OTHER ASSETS</b>	<b>068</b>	<b>39.798.252</b>	<b>23.389.731</b>
<b>I. TANGIBALE ASSTES FOR CARRYING OUT ACTIVITIES (EXCEPT LAND AND BUILDINGS (070+071))</b>	<b>069</b>	<b>7.557.963</b>	<b>9.005.449</b>
1. Equipment	070	6.721.600	8.169.086
2. Other tangible assets	071	836.363	836.363
<b>II. CASH AND CASH EQUIVALENTS</b>	<b>072</b>	<b>32.240.289</b>	<b>14.384.282</b>
1. Cash in bank	073	31.903.870	15.843.882
2. Cash at cashier	074	336.419	382.662
3. Funds set aside for covering mathematical reserve	075	-	
4. Other cash and cash equivalents	076	-	(1.842.262)
<b>III. STOSK AND PETTY INVENTORY</b>	<b>077</b>	-	
<b>H. ACTIVE TIME APPORTIONMENTS</b>	<b>078</b>	<b>98.117.850</b>	<b>97.909.842</b>
1. Previously estimated revenues from interest and rents	079		
2. Deferred acquisition costs	080	78.643.355	69.481.206
3. Other estimated revenues and deferred costs	081	19.474.495	28.428.636
<b>3. NON-CURRENT ASSETS KEPT FOR SSALE AND INTERUPTED OERATIONS</b>	<b>082</b>	-	-
<b>I. TOTAL ASSETS</b>	<b>083</b>	<b>1.860.368.045</b>	<b>1.788.419.525</b>
<b>J. OUT-OF-BALANCE RECORDS - ASSETS</b>	<b>084</b>	<b>309.296.258</b>	<b>266.081.651</b>
<b>LIABILITIES</b>			-
<b>A. CAPITAL AND RESERVES</b>	<b>085</b>	<b>641.463.991</b>	<b>586.031.890</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>III. REVALUATION RESERVE</b>	<b>091</b>	<b>(9.997.732)</b>	<b>(415.302)</b>
1. Tangible assets	092	-	
2. Financial investment	093	(9.997.732)	(415.302)
3. Other revaluation reserves	094	-	

<b>IV. RESERVES</b>	<b>095</b>	<b>222.714.926</b>	<b>192.835.567</b>
1. Legal reserves	096	222.714.926	192.835.567
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>148.406.186</b>	<b>108.647.467</b>
<b>VI. LOSS CARRIED FORWARD</b>	<b>102</b>	-	
<b>VII. PROFIT IN THE CURRENT ACCOUNTING PERIOD</b>	<b>103</b>	<b>85.014.531</b>	<b>89.638.078</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>1.083.665.813</b>	<b>1.033.891.331</b>
I. Unearned premiums gross provision	107	539.102.316	523.401.230
II. Gross mathematical reserve	108	-	-
III. Claims gross provisions	109	<b>532.677.524</b>	500.246.660
IV. Bonus/discount gross provision	110	11.885.973	10.243.441
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>4.140.756</b>	<b>3.505.466</b>
1. Employees reserve	115	4.140.756	3.505.466
2. Other reserves	116	-	-
<b>F. DEFERRED AND CURRENT TAX LIABILITIES</b>	<b>117</b>	<b>3.243.824</b>	<b>6.877.693</b>
1. Deferred tax liabilities	118	1.744.663	380.569
2. Current tax liabilities	119	1.499.161	6.497.124
<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>50.073.737</b>	<b>45.734.895</b>
<b>I. LIABILITIES ARISING FROM DIRECT INSURANCE OPERATIONS</b>	<b>122</b>	<b>2.034.517</b>	<b>544.672</b>
1. Liabilities to the insured	123	2.010.327	536.412
2. Liabilities to agents and intermediaries	124	-	-
3. Other liabilities arising from direct insurance operations	125	24.190	8.260
<b>II. LIABILITIES FROM COINSURANCE/REINSURANCE</b>	<b>126</b>	<b>19.307.579</b>	<b>15.234.006</b>
1. Liabilities from coinsurance/reinsurance premiums	127	19.307.579	15.234.006
2. Liabilities from participation in claim indemnity	128	-	-
3. Other liabilities from coinsurance/reinsurance	129	-	-
<b>III. OTHER LIABILITIES</b>	<b>130</b>	<b>28.731.641</b>	<b>29.956.217</b>



1. Other liabilities from direct insurance operations	131	8.669.590	8.598.238
2. Liabilities from financial investment	132	-	-
3. Other liabilities	133	20.062.051	21.357.979
<b>3. PASSIVE TIME APPORTIONMENTS</b>	<b>134</b>	<b>77.779.924</b>	<b>112.378.250</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>1.860.368.045</b>	<b>1.788.419.525</b>
<b>K. OUT-OF-BALANCE RECORDS - LIABILITIES</b>	<b>137</b>	<b>309.296.258</b>	<b>266.081.651</b>

### Annex 3-Calculation of solvency margin

Description	Item	Non-life insurance except health insurance to which the provisions of Article 75 paragraph 6 of the Law apply		Health insurance to which the provisions of Article 75 paragraph 6 of the Law apply		Non-life insurance except health insurance to which the provisions of Article 75 paragraph 6 of the Law apply	
		Current year	Previous year	Current year	Previous year	Current year	Previous year
Gross written premium	1	1.120.289.082	1.117.361.991				
Gross written premium < 10 mil Eur x 0.18	2	110.687.760	110.928.600				
Gross written premium > 10 mil Eur x 0.16	3	80.857.133	80.174.719				
Gross written premium < 10 mil Eur x 18/300	4			0	0		
Gross written premium > 10 mil Eur x 16/300	5			0	0		
Total amount of Gross written premium ([6]=[2] + [3] or [6]=[4] + [5])	6	191.544.893	191.103.319	0	0		
Gross paid claims	7	373.266.060	362.047.821			373.266.060	362.047.821
Net paid claims	8	365.862.874	357.065.512			365.862.874	357.065.512
Coefficient ([9]=[8]/[7] or 0.50, if smaller)	9	0,98	0,99	0,00	0,00	0,98	0,99
<b>Solvency margin - Premium rate method ([10]= [6]*[9])</b>	<b>10</b>	<b>187.745.881</b>	<b>188.473.457</b>	<b>0</b>	<b>0</b>		
Reference period (in years)	11	3	3			7	7
Gross paid claims in the reference period	12	1.108.614.910	1.123.007.827			0	0
Gross claim reserves at the end of the reference period	13	544.563.497	510.490.101			0	0
Gross claim reserves at the beginning of the reference period	14	478.577.434	455.486.921			0	0
Gross incurred claims (([15]=[12] + [13] - [14])/[11])	15	391.533.658	392.670.336	0	0	0	0
Gross incurred claims < 7 mil Eur x 0,26	16	101.798.751	102.094.287			0	0
Gross incurred claims > 7 mil Eur x 0,23	17	0	0			0	0
Gross incurred claims < 7 mil Eur x 26/300	18			0	0		
Gross incurred claims > 7 mil Eur x 23/300	19			0	0		
Total amount of Gross incurred claims ([20]=[16] + [17] or [20]=[18] + [19])	20	101.798.751	102.094.287	0	0	0	0
<b>Solvency margin - Claim rate method ([21]= [20]*[9])</b>	<b>21</b>	<b>99.779.722</b>	<b>100.689.320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Required level of solvency margin ([22]=max([10],[21]))</b>	<b>22</b>	<b>187.745.881</b>	<b>188.473.457</b>	<b>0</b>	<b>0</b>		

MS\_2 (n/l ins): Final calculation of required level of solvency margin

Description	Item	Current year	Previous year
Final calculation of required level of solvency margin	1	187.745.881	188.473.457

## Annex 4- Calculation of equity

		<i>in</i>	<i>MKD</i>
Description	No of position	Amount	
<b>Basic capital, article 69 (I1+I2+I3+I4+I5-I6-I7-I8-I9-I10-I11-I12-I13)</b>	<b>I</b>		<b>563.567.306</b>
Paid in share capital excluding the share capital of the cumulative priority stocks	I1		195.326.080
Premiums from issuance of ordinary shares	I2		-
Legal and statutory reserves	I3		222.714.926
Accumulated undistributed profit	I4		148.406.186
Undistributed profit from current year	I5		
Personal stocks owned by the insurance company (treasury shares)	I6		
Long term intangible assets	I7		2.879.887
Accumulated uncovered losses and loss from current year	I8		-
Unrealized losses from AFS equity investments measured at fair value	I9		-
Unrealized losses from valuation of AFS financial instruments	I10		-
Net negative revaluation reserves and other differences from valuation arising from investments in associated companies or joint ventures valued at equity valuation method	I11		-
Other deductible items arising from in compliance with limits for investments of capital funds, as prescribed in article 73 from Law on insurance supervision	I12		-
<b>Additional capital, article 71 (II1+II2+II3+II4+II5+II6), if not greater than 50% of basic capital</b>	<b>II</b>		<b>(11.124.093)</b>
Paid in share capital from cumulative priority stocks	II1		-
Premium from issues cumulative priority shares	II2		-
Subordinated debt instruments	II3		-
Securities with undefined maturity	II4		(11.124.093)
Unrealized gains from revaluation of AFS equity instruments measured at fair value	II5		
Unrealized gains from revaluation of AFS debt instruments measured at fair value	II6		-
<b>Total basic and additional capital I.+II.</b>	<b>III</b>		<b>552.443.213</b>
<b>Deductible items , article 72 (IV1+IV2)</b>	<b>IV</b>		<b>-</b>
Investments in shares in legal entities from article 72 of the Law	IV1		-
Investments in subordinated debts and other investments in legal entities from article 72 of the Law for Insurance Supervision	IV2		-
<b>EQUITY I + II - IV</b>	<b>V</b>		<b>552.443.213</b>

Required level of solvency margin (non-life insurance companies)	VI1		187.745.881
Required level of solvency margin (life insurance companies)	VI2		-
Equity	VI3		552.443.213
Guarantee fund*	VI4		184.479.600
Surplus/deficit of Equity compared to Guarantee Fund (VI5 = VI3 -VI4)	VI5		367.963.613
Surplus/deficit of Equity (for non-life) compared to required level of solvency margin (for non-life insurance companies)(VI6 = VI3 - VI1)	VI6		364.697.332
Surplus/deficit of Equity (for life) compared to required level of solvency margin (for life insurance companies)(VI6 = VI3 - VI1)	VI7		-

\*Guarantee Fund is defined in article 77 of the Law and represents 1/3 of required level of solvency margin, and can not be lower than the amount prescribed in article 77, paragraph (3) of the Law

## Annex 5 – Investments in funds that cover technical reserves

### Investments in funds that cover technical reserves

in MKD

Description	Position	Allowed % (or amount)	Amount realized	Realized %	
		1	2	3	
<b>Types of allowed investments</b>					
Cash on hand and cash in banks	I1	3%	32.240.289	2,6%	
Deposits with banks holding valid licence from NBRNM	I2	60%	514.000.000	41,2%	
Securities issued by RNM or NBRNM	I3	80%	-	0,0%	
Debt securities and other securities guaranteed by the RNM	I4	80%	449.796.213	36,1%	
Debt securities and other securities guaranteed by local self-government units of RNM	I5	10%	-	0,0%	
Debt securities and other securities traded on regulated securities market in the RNM	I6	35%	-	0,0%	
Debt securities and other securities which are not traded on regulated securities market in the RNM, if the issuer is legal entity domiciled in the RNM	I7	5%	-	0,0%	
Shares traded on regulated securities market in the RNM	I8	25%	2.100.000	0,2%	
Shares which are not traded on regulated securities market in the RNM, if the issuer is legal entity domiciled in the RNM	I9	5%		0,0%	
Equity interests in trading companies in the RNM	I10	5%		0,0%	
Equity interests and shares in investment funds registered in the RNM	I11	20%	190.827.352	15,3%	
Long term debt securities and other long term securities issued by an EU member state or a member of the OECD	I12	20%	-	0,0%	4,7%
Long term debt securities and other long term securities issued by foreign legal entity from an EU member state or from a member of the OECD	I13		-	0,0%	
Shares issued by foreign joint venture company which are traded on regulated securities market in the EU member states or states members of the OECD	I14		13.564.531	1,1%	
Equity interests in investment funds which are traded on regulated securities market in the EU member states or states members of the OECD	I15		44.833.886	3,6%	
Other investments according to the rules ISA, provided that it is not contrary to paragraph (2) of Article 89 of the Law on supervision	I16	10% from UPR	-	0,0%	from UPR
<b>Investments not provided for in the Rulebook</b>	<b>II</b>			<b>0%</b>	

NOTE: Investments from item 5 and item 8 of this table can not exceed 5% for the same issuer and investments from item 7 and item 9 of this table can not exceed 1% for the same issuer.

Description	Item	Amount
Total allowed investments	III	1.247.362.271
Total net technical reserves	IV	947.285.262
Reserves for unearned premium	IV1	448.070.492
Reserves for bonuses and discounts	IV2	11.885.973
Claim reserves	IV3	487.328.797
Other technical reserves	IV4	-
Equalisation reserve	IV5	-
Difference (III-IV)	V	300.077.009