STOCK COMPANY FOR INSURANCE AND REINSURANCE

MAKEDONIJA – VIENNA INSURANCE GROUP

ANNUAL REPORT

2022

Skopje, 2023

1. Management Board President's Report

MAKEDONIJA Insurance s.c. Skopje - Vienna Insurance Group produced positive financial result in 2022 as well and achieved profit before tax of MKD 46.7 million and profit after tax of MKD 40 million operating under the conditions of gradual recovery of the economy from the consequences related to the previously declared pandemic worldwide. The impact of the Ukraine War has been felt during 2022 as has especially been the very high inflation.

The growth of the gross domestic product in the fourth quarter of 2022 by 0.6 % shows that the whole 2022 ended with GDP growth of 2.1 %. The achieved growth resulted from the post-pandemic consolidation of the economic flows. This growth stems from improved service delivery, especially in those industries that were directly affected by Covid-19 pandemic: trade, transport, and hospitality industry. The manufacturing industry is declining due to the obvious uncertainties related to the rebalancing the global commodity markets and the effects on the supply chains. However, this GDP growth rate is very modest compared to the inflation rate of 14.3 %, a measured rate at which the wholesale prices have been rising. This proportion of inflation to the rise in prices clearly shows that most of the population and companies will face difficulties with liquidity in our country.

Key financial factors

For 2022 the gross written premium of non-life businesses increases by 9.3% or MKD 84 million, compared with the previous year. We state an increase almost in all classes of business, but most strongly for MTPL business shows a significant increase in gross written premium amounting to MKD 23.7 million; there are the health lines of business amounting to MKD 50.5 million, and for property classes of business of MKD 48.5 million.

We record an increase in incurred claims of 20.6% or MKD 45.3 million in an absolute figure, mostly related to property claims.

The operating costs take the highest position in the structure of expenses of the Company and in aggregate value they increased by 3.9% or for total amount of MKD 17.3, while the movement of acquisition costs usually follows the development of gross written premium, we report an increase by 9% or in the total amount of MKD 16.8 million compared to last year.

For the Company insurance portfolio, the property businesses take the largest share at 43.8% and then follow the motor vehicle insurance (MTPL) at 28.6 %, the casualty lines of insurance at 6.5% and Casco motor insurance at 6.4%. All other classes of business take a share below 9.3% respectively and the share of every class of business does not exceed 5.0%.

For 2022, the combined ratio reached the devastating rate of 114% (100% in 2021). The main reason for this result is the increased number of property claims, as are the increase in the acquisition costs, and the costs of high inflation, including energy, transportation, and other items.

During 2022 the Company received 251 complaints in terms of claims indemnities which record a decrease by 12.85 % if compared to last year, which is a very good result showing that the Company has in place excellent claims management processes. All complaints, with no exceptions, were handled within statutory stipulated terms.

During 2022 the net investment income demonstrates an increase of 78.9% or the total result out of the investment income shows an increase amounting to MKD 58.5 million, mostly attributable to capital gains.

The publicly announced data on the Macedonian insurance market key figures movement report an increase in total gross written premium in terms of non-life insurance lines of about 9.2% or about MKD 880 million if compared to last year, where the highest increase is reported for MTPL insurance and health insurance.

Following the 2023 Business Plan, we forecast increase in gross written premium by 3% at least in comparison to obtained result for 2022, whereas we estimate the profit after tax to exceed the last year level of up to 25%.

For 2023, the Company will keep on the same track to achieve the business plan, overcome any possible challenge with liquidity and solvency issues, and meet all liabilities on time. The war between Russia and Ukraine seems to continue; unfortunately, the chances of ending it in 2023 are almost impossible. This fact, and the sanctions against Russia, will certainly contribute to a further increase in the prices of food items despite all administrative measures. If we have extreme summer and winter again, food prices will enormously rise again, and energy prices will hardly be under any control. All this exhausts the liquidity of companies and citizens, and so, unfortunately, our industry may not stay unaffected thereby.

As we do every year, we shall keep repeating that the operating activities of our Company always target the same objectives, which are keeping the good clients, on one hand, and targeting prospects which shall further increase the number of clients, on the other, for those types of insurance products which bring profitable results.

We wish to thank the management team and all staff for their work and engagement and for their contribution in accomplishing the strategic goals of the Company. In a challenging condition due to COVID-19 pandemic, all our staff and our business partners, together with our clients managed to keep high level proficiency and prompt and regular service delivery, which additionally contributed to maintaining required solvency and liquidity margins of the Company.

Certainly, we also want to thank the two insurance representative companies, our exclusive partners as channels of distribution, all their staff, their clients, and their partners. Without them and without our successful cooperation with brokerage companies and corporate banks under business agreements we could have not achieved these results and had successful business year.

2. General Economic Environment

In the last period, we are all dealing in a new macroeconomic environment facing significantly rising prices of energy and food items. Our economy, small and open, is extremely dependent on the economic performances in Europe. During 2022, the Eurozone economy showed stunted annual growth of 2.3 %, in the environment of a significantly lower growth of household consumption and worsened net export demand.

Our economy, small and open, is extremely dependent on the economic performances in Europe, especially the one of Germany. The slowdown in economic growth in Germany reflects the lower expectations for achievements in energy-intensive industry. The European Central Bank, despite the new situation with the invasion of Ukraine, expects growth in the EU this year, but lower than the one initially expected.

The labour market bears a resemblance to the economic surroundings. Restricted economic activities and the enormous uncertainty did not affect the number of unemployed people, which remained intact. Unemployment in the third quarter of 2022 decreased slightly further to 14.3 % compared to the previous 15.7 % by the end of 2021. This result stems from the inactivity of the population again, which means that nearly 8,000 people stopped actively looking for a job during 2022. The data from the State Statistical Office show that the index of a monthly average net salary for an employee paid in December 2022 was 114.8 compared to the same period in 2021.

Structural reforms are expected to focus on further transport and energy markets developments, energy efficiency, stimulating innovation and creativity, improving the competitiveness in the hospitality and agricultural industries, digitising the processes in administration, reducing the shadow economy, facilitating trade development, and strengthening human capital. The implementation of these measures which would have e long-term engagement, supported by the active short-term measures on the labour market, should contribute to increasing the competitiveness of the Macedonian economy, creating job opportunities, and reducing unemployment. An additional long-term problem that our society will face is negative population growth and a high emigration rate, as well. The census, carried out again after 20 years, has demonstrated that for these 20 years, we have lost about 10% of our population, which may be the best scenario, after all.

It becomes obvious that this crisis will continue almost for the whole 2022, and unfortunately it is very likely to enter 2023. We hope that the war crisis will end as soon as possible, although it is debatable, but sanctions against the Russian Federation and Belarus will continue in 2023. This will certainly have a negative impact on energy and metal prices, and food prices as well. With this forecast, an increase in inflation over a certain period is expected, which will certainly lead to adverse effect on the operation of the insurance industry in terms of delayed premium collection, increased reinsurance premiums and increased compensations for claims.

During 2022, the base interest rates on both loans and deposits increased and on the income from government securities. Deposits and government securities are the main instruments of investments out of the technical reserves in the non-life insurance industry. In any case, we expect a very unpredictable period ahead, however, we must be optimistic about the results that have to be achieved in 2023.

Macedonian Insurance Market

The insurance industry in the Republic of North Macedonia recorded a growth of gross written premium (GWP) at 9.2 % for non-life insurance lines due to recovery of the economic environment during 2022 from the impact of the Covid-19 pandemic.

The number of insurers operating on the Macedonian market remains unchanged in 2022, as all 16 insurance companies continue their activities, of which 11 are registered as non-life insurers and 5 as life insurers. Our Company, Makedonija Insurance s.c. Skopje - VIG is the only insurer licensed to underwrite reinsurance.

The analysis of the ownership structure has shown that most of the insurance companies are controlled by the foreign entities of the financial industry.

The number of insurance brokerage companies operating in the insurance market reached the number of 39 by the end of 2022 where one insurance brokerage company had its license revoked. There are 12 insurance agencies and 8 corporate banks which function as insurance representatives operating on the Macedonian market.

In 2022 as many years before, the largest market share in terms of GWP underwritten for non-life insurance business is taken by the compulsory motor insurance (Motor Third Party Liability) of 49.6 %, followed by Property insurance of 20.1 % and Casco insurance of 9.1 %. It is worth mentioning that the motor vehicle insurance takes almost 59% of the total gross written premium for non-life businesses. For 2022 the health insurance has shown the largest growth of gross written premium for non-life classes of business which is 68 %.

During 2022, the incurred claims increased by 8.2%, out of which 50.1% refer to reported claims related to compulsory motor third party liability insurance. However, during the reporting period, the largest increase in claims other than compulsory motor third party liability insurance is reported for health insurance by 200%.

In 2022, there were no significant changes in the regulation of the core business.

3. Company Profile

MAKEDONIJA Insurance s.c. Skopje Vienna Insurance Group has created a foundation for safety and security of, trust in and stable financial support to the insurance industry in the Republic of North Macedonia. The first insurance company with supreme experience and professional expertise in the local market for 77 years and international support and influence for more than two decades, it is today the stable institution within a powerful insurance group VIG in Austria and the contemporary insurance company.

Joint Stock Company for Insurance and Reinsurance MAKEDONIJA Vienna Insurance Group is a leading insurer providing protection against risks for all classes of non-life business including legal entities and natural persons. We sell our insurance policies through our widely established sales force, and brokerage companies, insurance representative agencies and banks.

The Company has enormous experience with the customers and developed reliable database, whereas the digitalised technology allows our clients select and obtain the possibilities of online premium payment and claim handling services or a direct contact with our professional teams. Teams of the Company embrace professional experts including underwriters and claim assessors and handlers and other highly experienced staff cherishing strong corporate culture referred to accountability, closeness to its customers and respect to diversity.

The Company is very seriously devoted to the corporate social responsibility, ensuring legally acceptable volume of resources and committed to increasing insurance related finance education, and so engaged in many different social projects affecting the community to increase public awareness. For several years the Company has been supporting the **Social Active Day** initiative where Company employees are involved in a wide range of projects with a good cause, charity and solidarity.

Our policies on following the updated current trends in insurance industry and ensuring solid financial stability and permanent investment in professionally trained personnel, prove that the MAKEDONIJA Insurance – Vienna Insurance Group's clients' saying is true: **I know when I am safe!**

3.1 Legal Status, Headquarters and Registration of the Company

Company name	Joint Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group
Short name	MAKEDONIJA Insurance s.c. Skopje - Vienna Insurance Group
Registered seat	11 Oktomvri Street 25, 1000 Skopje
WEB page	www.insumak.mk

Business activities of the Company

The Company underwrites insurance and reinsurance business including all classes of non-life insurance.

Size of the Company

Joint Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group is considered a large business.

3.2. Classes of Business

1) *Accident Insurance*
2) *Health Insurance*
3) *Motor Vehicle Insurance (Casco)*
4) *Insurance of Railway Vehicles (Casco)*
5) *Aircraft Insurance (Casco)*
6) *Vessel Insurance (Casco)*
7) *Goods in Transit Insurance (Cargo)*
8) *Property Insurance Against Risk of Fire and Natural Catastrophes*
9) *Other Property Insurance*
10) *Motor Third Party Liability Insurance*

11) *Aircraft Liability Insurance*
12) *Vessel Liability Insurance*
13) *General Liability*
14) *Credit Insurance*
15) *Warranty Insurance*
16) *Financial Loss Insurance*
17) *Legal Protection Insurance*
18) *Travel Assistance Insurance*

List of insurance agreements for 2021

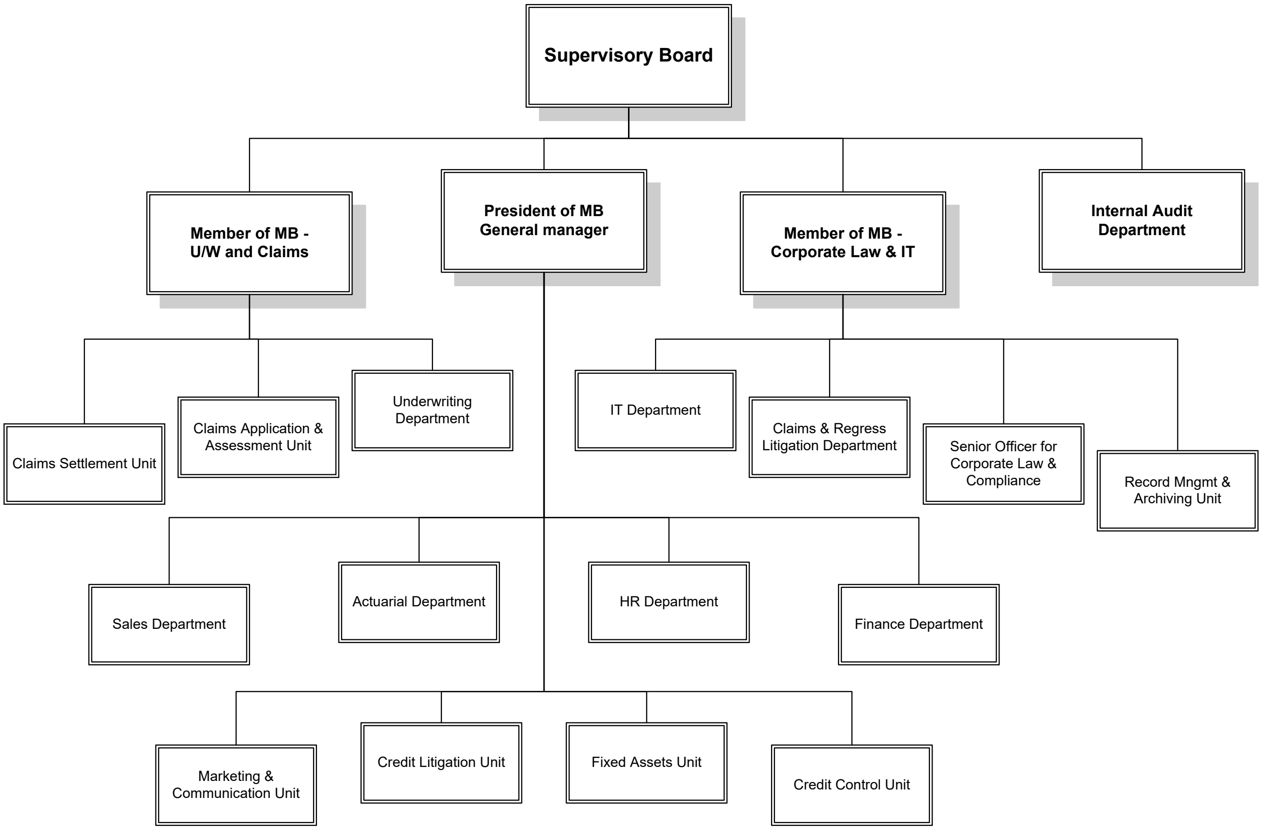
List of insurance agreements	**Class**
Group personal accident insurance	01
Personal accident insurance	01
Managers accident insurance	01
Sports accident insurance	01
Compulsory personal accident insurance of passengers in the public transport	01
Drivers and passengers and workers accident insurance during operating and driving motor or other vehicles	01
Voluntary personal accident insurance of passengers in the public transport	01
Personal accident insurance for guests in hotels, motels, camps, bungalows, resorts	01
Personal accident insurance for spectators of cultural and sports or other events	01
Personal accident insurance for pupils and students	01
Voluntary group health insurance in the event of critical illness	02
Voluntary group health insurance in the event of surgical interventions/operative procedures	02
Private health inpatient and outpatient insurance coverage	02
Motor vehicle insurance (Casco)	01,03
Passenger motor vehicle insurance (Casco)	01,03
Carrier third party liability insurance international and inland road transport	10
Carrier third party liability insurance international and inland road transport by transport organiser	10

Domestic cargo insurance	07
Cargo under general insurance policy	07
Goods in international transport insurance	07
Money and other valuables in domestic transport insurance	07
Fire and allied perils	08,09
Machinery breakdown and allied perils	09
Robbery and burglary insurance	08, 09
Glass breakage insurance	08, 09
Household insurance	08, 09, 13
Construction all risks insurance	08, 09, 13
Erection all risks insurance	08, 09, 13
Low voltage electronic equipment, computers, processors and other devices insurance cover	08, 09
Property insurance – master insurance policy	08, 09, 16
Property insurance for electric power company	08, 09
Combined household insurance cover – family package	01, 03, 08, 09
Combined insurance cover for shops and service providers	07, 08, 09, 13
Commercial combined business insurance	07, 08, 09, 13, 16
Motor third party liability insurance	01, 03, 10
Waterborne craft, ship and motor boat owners third party liability insurance	12
General liability insurance	13
Notary public liability insurance	13
Trustee liability Insurance	13
Medical malpractice insurance	13
Professional liability insurance	13

Auditor liability insurance	13
Brokers liability insurance	13
Lawyer liability insurance	13
Professional liability for accountants	13
Professional liability for architects and engineers	13
Employer’s liability insurance	13
Directors and officers liability insurance	13
TIR Carnet insurance	15
Fraudulent foreign currency risk insurance	16
Business interruption insurance due to fire and allied perils	16
Travel insurance and additional accident and sports accident insurance	18
Trade credit insurance	14

3.3 Organisational Structure

Stock Company for Insurance & Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group



3.4 Share Capital and Shareholders

Company:	Joint Stock Company for Insurance and Reinsurance

	MAKEDONIJA Skopje - Vienna Insurance Group
CRN:	4067037
VAT No:	4030974258740
Number of shares	717462
Nominal value	20,08 Euro
Nominal capital	14 409 506,81 Euro
Types of shares	Ordinary shares
Quotation of shares:	Compulsory quotation / Macedonian Stock Exchange AD Skopje

OWNERSHIP STRUCTURE

Shareholders		Number of shares	Number of shareholders	Percentage
Domestic	Legal entities	16 660	48	2.32%
	Persons	22 965	378	3.20%
Foreign	Legal entities	676 410	4	94.28%
	Persons	1 427	19	0.20%
Total		717 462	449	100.0%

MAJOR SHAREHOLDER

Name of shareholder	VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE
Registered seat	Vienna, Austria
Address	Schottenring 30, 1010 Wien, Austria
CRN	FN 75687 f (Austrian Business Register)
Number of shares	677,022
Total nominal shares	13,597,309.848 Euro
% Shareholder equity	94.36%

SECOND SHAREHOLDER

Name of shareholder	MAKEDONSKI TELEKOM AD SKOPJE
Registered seat	Skopje, R Macedonia
Address	Kej „13 Noemvri “no. 6
CRN	5168660
VAT No:	4030997339640
Number of shares	2 994
Total nominal shares	60 131.5 Euro
% Shareholder equity	0.42%

THIRD SHAREHOLDER

Name of shareholder	TIM INZINERING DOOEL Skopje
Registered seat	Skopje, R Macedonia
Address	Mile Pop Jordanov Street 72/45
CRN	4638948
VAT No:	4030993159515
Number of shares	2 880
Total nominal shares	57,841.920 Euro
% Shareholder equity	0.40%

3.5 Part of Vienna Insurance Group

PART OF **VIENNA INSURANCE GROUP**
COMPANY PORTRAIT

> **We are the leading insurance group in Central and Eastern Europe with the claim to be a stable and reliable partner for our target groups.**
> Elisabeth Stadler, CEO of Vienna Insurance Group

Vienna Insurance Group (VIG), headquartered in Vienna, is the leading insurance group throughout Central and Eastern Europe (CEE). Around 50 insurance companies in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The more than 25,000 employees in the VIG take care of the day-to-day needs of more than 22 million customers.

FROM FIRST MOVER TO MARKET LEADER IN CEE

VIG was one of the first European insurance groups to begin expanding into the markets of the CEE region after the fall of the Iron Curtain in 1989. Step by step, the Group established itself in new markets and has become the number one in the region. Vienna Insurance Group places an emphasis on Central and Eastern Europe as its home market and pursues a long-term strategy in the markets where it is represented. More than half of the total business volume and profit is generated in this region.

> **We pursue a long-term business strategy in our markets that is focused on sustainable profitability and continuous earnings growth.**
> Elisabeth Stadler, CEO of Vienna Insurance Group

EXPERTISE WITH LOCAL RESPONSIBILITY

Vienna Insurance Group is synonymous with stability and expertise in providing its customers with financial protection against risks. Great importance is attached to a local multi-brand policy with regionally established brands and local entrepreneurship. Ultimately, the Group's success and closeness to its customers is down to the individual strengths of each brand and local know-how.

STRONG FINANCES & CREDIT RATING

Vienna Insurance Group has been awarded an A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor’s. VIG is listed in Vienna, Prague and Budapest. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.
Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.

3.6 Shareholders Relations

The information about financial relations with related entities is included in the notes to the final financial statement.

3.7 Organisation Structure

The Company operates through its offices including the Head Office and 14 branches across the whole territory of the Republic of North Macedonia.

Branches	Address
1. Skopje	11 Oktomvri 25
2. Bitola	1 Maj 268
3. Stip	Plostad Toso Arsov 56
4. Veles	Dimitar Vlahov 27
5. Tetovo	Ilirija 36
6. Kavadarci	Ilindenska 11
7. Ohrid	Dimitar Vlahov 14
8. Gostivar	Boris Kidric 115
9. Kumanovo	Dimitar Vlahov 52/3
10. Sveti Nikole	Plostad Ilinden 19
11. Kocani	VMRO 47 vlez 24b
12. Gevgelija	Dimitar Vlahov 7
13. Resen	Tase Milosevski 6
14. Prilep	Marsal Tito 36

The offices have different departments and units which carry out key functions and the regular operations of the Company.

4. Risk Management

The Company undertakes continuous activities for identification, assessment and evaluation and control of risks that the Company is exposed to in the course of its operation and manages those risks in such a manner that permanent sustainability of exposure level is obtained to avoid any risk to Company's capital and its operations and continues its responsibility for protecting and managing the shareholders' interests and protect policy holders, third party claimants and other creditors of the Company in compliance with the statutory regulations and legal requirements. The risk management process has been defined by a special program which is reviewed and approved by the managing body and the supervisory body of the Company once a year. The Program is regularly delivered to the regulator. The risk management program is prepared in line with the principles set out in Pillar 2 of Solvency II (EU Solvency II Directive Pillar 2) and follows the guidelines made available by Vienna Insurance Group (VIG) to non-EU member companies.

Because of its activities, the Company is exposed to a large number of risks. These includes traditional underwriting risks, non-life risk and health risk, and risks due to investments (market risk), and a number of general risks such as credit risk and operational risk. Besides these, the Company is also exposed to many other common risks that other trading companies have been exposed to, like: reputational risk and strategic risk.

The Company operates in a way which ensures that the risks the Company has been exposed to in the course of its operation shall not exceed the level of risk tolerance limited by the Law on insurance supervision.

The risk management organisation is firmly anchored in the management culture of the Company and is based on a clearly defined risk policy and extensive risk expertise. The proper risk awareness throughout the Company with clear definitions of roles and responsibilities are of great importance. Every employee should understand the need and necessity of risk management, primarily being actively engaged into the process. The effective risk management system comprised of strategies and processes shall ensure the undisturbed flow of information from the Management Board to the operating executive level and back.

The Company has put in place the risk management system which embraces the organisational units and risk management processes.

The risk management organisational units encompass all Company departments and offices and the decision-making bodies that have been involved in the risk management system. The Management Board is fully responsible for the efficiency and effectiveness of the risk management system.

Furthermore, for the purpose that the risk management culture of the Company is strengthened and the risk owners further integrated into the risk management processes, the Risk Management Committee has been established upon decision approved by the Management Board. The risk management processes have been embedded into the risk management organisational units.

The risk management processes are composed of 6 important steps or phases:

- Risk identification
- Risk assessment and evaluation
- Risk treatment analysis
- Risk management measures
- Risk monitoring
- Reporting

During 2021 the Company carried out three (3) processes based on the risk management system of the Group, such are internal control system and risk inventory and own risk and solvency assessment.

The internal control system is a continuous process of managing operational risks and it provides effective controls not only in terms of compliance with the statutory regulations and legal requirements, but it is also an important tool for proper business decision-making.

The Risk Inventory process is established to support the Company in the task to completely identify, assess and evaluate adequately all risks and provide information on the complete risk profile of the Company and risk owners, thus supporting the management body to adopt an optimal course of actions with respect to the Company’s risk strategy.

The Own Risk and Solvency Assessment is performed on the bases of the complete risk management process results. Following the foregoing, the risk inventory and evaluation, internal risk controlling, all Company ongoing processes related to risk management, planning, risk strategy and relevant calculations for the solvency, current and expected, are also taken into account in the risk assessment.

Qualitatively evaluated risks are assessed by expert judgement or by determining frequency and severity according to a given classification.

Based on the risk evaluation process the internal control system has identified 281 risks and the effectiveness and efficiency of the control reached the level of 98.3%.

All relevant risks that the Company is exposed to are identified and the risk catalogue is created which is composed of 9 risk categories including their risk subcategories.

1. **Market risk**
   - 1.1. Interest rate risk
   - 1.2. Equity risk (risk involved in the changing prices of stock investments)
   - 1.3. Property risk
   - 1.4. Spread risk
   - 1.5. Concentration risk
   - 1.6. Currency risk

2. **Non-life underwriting risk**
   - 2.1. Non-life premium and reserve risk
   - 2.2. Non-life lapse risk
   - 2.3. Non-life catastrophe risk
   - 2.4. Non-life concentration risk

3. **Health underwriting risk**
   - 3.1. Health premium and reserve risk
   - 3.2. Health lapse risk
   - 3.3. Health catastrophe risk

4. **Intangible asset risk**

5. **Counterparty default risk**
   - 5.1. **Type 1-** Counterparty default risk reflects possible losses due to unexpected default of the counterparty not covered against spread risk.
     - 5.1.1. Reinsurer default risk
     - 5.1.2. Financial institutions default risk
     - 5.1.3. Third Party default risk

5.2. **Type 2** – Counterparty default risk where exposure is diversified and not covered under type 1 nor against spread risk.

6. **Liquidity risk**

7. **Operational risk**
   - 7.1. Business interruption risk
   - 7.2. Know-how concentration risk
   - 7.3. Insufficient human resources risk
   - 7.4. Hardware and infrastructure risk
   - 7.5. Software and IT security risk
   - 7.6. Data modelling and quality risk
   - 7.7. IT development risk
   - 7.8. Project risk
   - 7.9. Insurance related legal and compliance risk
   - 7.10. Other legal and compliance risk
   - 7.11. Process and organisation risk
   - 7.12. Human error risk

8. **Strategic risk**

9. **Reputational risk**

Market risk

Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices of trading financial instruments (interest rates fluctuation, foreign exchange rates, property market price, stock price and etc.).

The Company shall be capable to promptly and thoroughly meet its liabilities to third parties arising from the insurance contracts in a suitable manner. Therefore, the investments shall be placed in compliance with the investment terms and maturity of liabilities. When placing investments, the Company shall pay considerate attention to diversity of subjects and financial instruments that the funds have been invested in for the purpose of obtaining appropriate return on investment. Considering the insurance assets, the interest rates for investing insurance funds shall be adjusted to the money market rates movement and capital market rates movement for the purpose that the actual value of the invested funds is retained and increased thereafter. Most of 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. Moreover, the market for securities is closely monitored and following any movement thereof the value of securities invested is calculated accordingly. The movements in market prices of trading financial instruments portfolio and of real property portfolio are analysed.

Considering the insurance contracts made in foreign currency, the foreign exchange rate fluctuation should be monitored as well. The Company manages the foreign exchange rate risk primarily through adjusting the receivables in foreign currency and liabilities in foreign currency. Moreover, this relation of receivables to liabilities in foreign currency is maintained in terms of their maturity. Measuring foreign exchange rate risk exposure applies different methods: follow up and analysis of FX risk by separate positions and in aggregate, foreign currency structure in the balance sheet, foreign currency fund's structure, stress-test and other methods. The mostly used currency is Euro. The foreign exchange rate of the Macedonian currency and its stability, foreign exchange reserves in the Central Bank and any actions within its capacity and the monetary policy of the Central Bank are factors which directly or indirectly affect and determine the level of risk exposure of the Company.

The allowed investment fund groups and how they are placed are more closely described in the articles of Insurance Supervision Law.

The Company regularly adjusts its investment funds related to ones covering technical reserves which are exposed to risks of potential loss due to interest rates movement, foreign exchange rate fluctuation, credit risk and other market risks as to its obligations and responsibilities imposed by the insurance contracts that are affected by all these changes.

The funds covering technical reserves may be invested in accordance with provisions of the Insurance Supervision Law.

The Company keeps bookkeeping and operation records whereby the access is allowed to any investment assets recorded by beneficiaries and investment terms.

Non-life underwriting risk

Non-life underwriting risk that the Company is exposed to when meeting its liabilities arising from non-life insurance contracts and reinsurance treaties in terms of assumed risks and operating processes is seriously analysed. The exposure to this risk means that the Company may not pay future claims out of the premium income fund or that the technical reserve volume is insufficient, because the actual forthcoming expenses and claims differ in value from the anticipated amounts considered in the forecast for the technical reserves.

A proper management and a comprehensive and sound understanding of this risk are crucial for the Company as its risk profile includes almost all classes of non-life insurance businesses.

This risk may be controlled by establishing appropriate underwriting procedures and policies. Moreover, underwriting authorities have been delegated to all underwriters, internal sales agents and insurance representatives. The profitability of any particular class of business has been monitored regularly as are the segments that may affect the results in terms of their deterioration. The detection thereof is performed on a regular basis. The integrated system of evidence and data processing ensure access to any particular client considering their results whereas good clients are selected and separate insurance product portfolios are created which may generate satisfying results. Within its current activities the Company analyses the present terms and conditions for insurance and introduces amendments and supplements thereto and prepares new products to launch in the market.

The Company provides many different reinsurance contracts including the catastrophe excess of loss reinsurance treaty whereby the Company transfers a portion of the risk to the reinsurer in order to limit the potential net loss, thus diversifying the risk.

For the purpose of ensuring permanent meeting of liabilities arising from the insurance agreements, the Company shall set up technical provisions. Quarterly reports are submitted to the regulator on the amounts of technical reserves, accompanied by the authorised actuary’s opinion and the current analysis of the applied assumptions and testing the adequacy of the reserves.

Risk management for provisions

The Company uses a consistent risk management policy for provisions, and it relies on established regular actuarial estimates routine for technical reserves, including analysis of actuarial models, data, methods and assumptions that are part of it in relation to reinsurance gross and net level. The estimates of reserves from previous periods are tested regularly, and, if necessary, the models are modified.

During 2022, the Company hasn’t changed any estimation models used for technical reserves compared to the previous year and the level of estimated reserves has shown no significant discrepancy.

Within its regular work processes, as a result of the appropriate analyses and controls, the designated actuary of the Company has assessed and confirmed that the technical reserves reached the required level at the end of 2022 for the Company to regularly meet its liabilities arising out of the contracts for insurance in the long run and cover possible losses against operational risks. The Company has a vigilant approach to making provisions for a long period of time, with a special focus on long-tailed businesses for which a significant adverse discrepancy margin is calculated, taking into account the nature of claims developments in that portfolio.

The required technical reserves level ensures that the Company may meet its liabilities and obligations towards its insureds and provide protection of the capital in the long run.

By the end of 2021, sensitivity analysis and stress test were made on certain assumptions which arise from realistic scenarios and are relevant to the Company's portfolio. During the testing it was determined that significant changes in the assumptions only and shocks caused by major damages in combination with natural catastrophes during one year would significantly affect the Company’s capital and the implementation of its business strategy.

Counterparty default risk

This risk is defined as potential loss or unfavourable change in market prices of financial instruments or value arising from aggravated financial condition of the clients or debtors and their incapacity to pay the debt or the respective amount within agreed terms.

The Company manages this risk primarily through underwriting process making client’s statement of accounts code analysis and client’s solvency analysis. The receivables are monitored on a monthly basis and the likelihood of collecting the receivables is determined. On the basis of the assessed position the internal rating is defined in terms of the receivables falling due and respective premium provision and it is the Credit Control that ensures collection of receivables.

In compliance with the Insurance Supervision Law or more precisely considering the limits imposed on investment of funds covering technical reserves and the capital itself, the Company in order to disperse the risk, place investments in deposits with several large banks and securities issued by the Government or the National Bank of Republic of North Macedonia.

The Company holds quoted securities and debt securities reserved up to their maturity date, or treasury bills issued by the Government of Republic of North Macedonia.

In order to ensure that the possible risk of any failure of reinsurers to meet their liabilities is mitigated, the Company has put in place an internal process whereby the selection of a reinsurer/broker is based on their ratings of the rating list issued by the official rating agencies (S&P, AM Best, Moody's) as well as Group strategy.

The Company has entered into business agreements with local brokerage companies and insurance representative agencies which fully comply with the operating requirements governed by the Law on Insurance Supervision and in terms of their business activities they are granted licenses by the Insurance Supervision Agency. Prior to signing off any business agreements, the Company ensures that the respective channel of distribution is financially stable and has put in place adequate business and sales processes and procedures that comply with the operation and business policy of the Company.

Liquidity risk

The Liquidity risk is the potential that the Company will be unable to acquire the cash required to meet short-term obligations on maturity date or the cash or cash equivalents required will be acquired at higher cost.

The liquidity risk management will ensure that the assets and liabilities are properly managed in a way that the liabilities are met in a promptly manner under any normal operating circumstances or in an emergency. Planning the expected inflow and outflow ensures regular control over liquidity position and establishes preventive or eliminating measures against any possible liquidity risk. As of 31.12.2022 the liquidity ratio is 18.44. For 2022, in spite of the COVID-19 pandemic, the Company sustained stable current liquidity position and maintained the liquidity above the minimum requirement in line with determined internal limits.

Operational risk

Operational risk is the risk of potential loss resulting from deficiencies or errors in business processes and controls caused by staff, organisation or adverse external factors. Operational risk includes the legal risk but excludes the strategic and reputational risk.

All risk owners are involved in the assessment and control of the respective risk due to the fact that the risk may affect any segment of the operation. Qualitative assessment method is performed and all sub-risks (specified in the Risk Catalogue) together with the risk owners, evaluation methods, results, implemented controls and the applicability thereof are to be documented into the internal control system matrix, whereas the aggregate result of the operational risk assessment is documented into the Risk Catalogue matrix.

The Company manages this risk by establishing a significant number of controls for every sub-risk respectively and implementing security controls, written policies, rulebooks and guidelines.

This risk control ensures continuous adequate staff performance management, their education, delegation of duties and assignments, and measures of their performances so that the Company may reach its strategic goals and operate in compliance with legal requirements and financial regulations.

The Company has in place Business Continuity Plan (BCP). The selected management team hold rights, obligations and responsibilities to ensure business continuity of the Company in situations, circumstances and incidents that may not be predicted but may have significant adverse effect on its operation. Particular responsibility of BCP is to ensure safety and security of IT system of the Company with respect to data and information security that are crucial for its business.

In order to support main activities of the Company with reference to prompt and correct data delivery highly effective operating IT systems have been developed in terms of underwriting, reinsurance and claims. Along with aforementioned systems there are systems supporting human resource, financing and other operations of the Company. The security of the foregoing operating systems is ensured by adequately installed hardware equipment, following IT security policies and procedures and by remarkably skilled personnel.

The control is achieved by implementing particular IT security policies and procedures, holding licenses on IT operating systems and ensuring secure backup copies. The high-level control over the access to IT system shall ensure safeguard to unauthorised access to information and data regarding business activities of the Company.

The Company has created and implemented special compliance policies and procedures and the risk control ensures that the Company operates in compliance with statutory regulations and legal requirements and fulfils its obligation to manage risks that may arise out of legislative requirements, or risks with legal consequences. The control is carried out through implementation of working tasks defined with compliance function policy and procedure act. Through appropriate and timely support, it is ensured that all employees may carry out their duties in compliance with legal requirements and bylaws. The employees are informed on time about any significant changes to regulatory environment that may affect their tasks and performances. The correct business cooperation and communication with governmental bodies and regulatory authorities being part thereof may ensure that all legislative and regulatory requirements are met by the Company and any sanctions by authorities avoided.

In 2022, the Company implemented the identification of compliance risk process (Compliance Risk Inventory Process). This process was carried out alongside the general risk identification processes and internal risk controls. During this process, 65compliance risks were identified.

The following legal areas were subject to special consideration and inspection:

- anti-trust,

- securities,
- corporate law and corporate governance,
- data protection and privacy,
- economic sanctions and embargoes,
- financial crimes,
- insurance,
- employment and social protection rights,
- consumer protection,
- taxes.

The result from the risk inventory related to the compliance risk carried out in 2022 has confirmed that the Company has established adequate risk control mechanisms. The Company appropriately controls all compliance risks. The risk profile is low.

Regarding the identification of compliance risks, the professional teams of the Company prepare respective reports to the managing body and to relevant units of the majority shareholder.

Among others, further risks to mention are below:

Strategic risk – is the risk of adverse business development related to poor business and investment decisions, or errors in communication and implementation of goals, or lack of adjusting capacity to changes of economic environment.

The control of this risk primarily undertakes the preparation and implementation of the business plan which covers multiple years and is approved by the Supervisory Board. The Company is committed to business plan and strategy designed in line with the actual results of the current year, new products development and distribution channels improvement and acquisitions by taking into consideration the particular impacts of the local market environment. Generally, the business strategies are set to direct the activities towards profitable outcomes and avoid any financial loss and optimisation of the function processes.

The established business strategy is being continuously monitored by issuing reports on the actual versus planned activities including the results on achieved premium level, premium rates changes, technical results, expenses and the overall profitability of any class of business. The circle of insurance market has been closely monitored on a regular basis in relation to changes in premium rates followed by changes of premium, deductibles and insurance terms and conditions. The approach of the competition to market conditions is also monitored in order to avoid their attempt to disturb the established business strategy in relation to new products and sales network.

The main goal of the Company is to maintain its image of a trusted insurance company with optimised risk/profit ratio.

Reputational risk is the risk of negative changes in business due to damage to a company's reputation. A loss of reputation can disrupt the confidence of customers, investors, or employees in the Company, and thus may lead to financial damage.

In the course of its operation the Company always strives to maintain a good business culture, transparency, offer products whereto the insurance terms and tariffs are precisely defined, and remain customer oriented and focused and increase the quality service delivery and be socially active corporation engaged in many different social projects affecting the community.

During this year, within the regular risk management processes sustainability risk assessment was made for the first time subject to the existing risk matrix, and it was determined that this risk had no significant adverse impact on the Company risk profile.

For this year, with respect to risk management, the actual implementation of the Group project IFRS17 / IFRS9 is especially important as it introduces new accounting standards and appropriate financial reporting to the Group which are to be put in place in the forthcoming period. The risks arising from the implementation of this new standards are mainly in the area of operational risk.

In 2020, the Insurance Supervision Agency issued new rulebooks including the Rulebook on claims processing, Rulebook on minimum standards for calculation of technical reserves and Rulebook on minimum standards for IT systems of insurance companies. ISA also adopted amendments to the rulebooks on acquisition costs, including the calculation of deferred acquisition costs as well. This year, the risk assessment processes largely focused on analysing the compliance capacity of the Company with the new regulatory regulations and requirements. The conclusion from this assessment in general is that the Company operates in accordance with the provisions thereof.

During 2021, the entire operation of the Company was analysed through the assessment of all risk management processes under the circumstances due to the CIVID-19, and the generated results therefrom show that the processes have been performed efficiently and continually during 2021, undertaking appropriate protection measures and activities for the employees and community in general. The Company successfully manages the current and emerging risks imposed by the new operating conditions, while maintaining the level of stability in terms of solvency and liquidity of the Company.

Capital risk

The Company determines the capital volume and the minimum capital requirement in compliance with the minimum capital requirement regulation stipulated by the Insurance Supervision Agency. The Company is required to hold a certain amount of funds in relation to the scope of business and the classes of business in order to meet its liabilities arising from the insurance agreements and control and manage the risks the Company has been exposed to in the course of its operation.

The Company calculates the solvency margin in accordance with the article 75 paragraph 1 (Solvency I Directive requirement) and the guarantee fund is defined in line with the article 77 of the Law on Insurance Supervision.

MKD 1K	2022	2021

Solvency margin	104 868	96 413
Guarantee capital	276 719	277 322

5. Corporate Governance Report

The corporate governance assumes the continuous compliance of the operating activities of the Company with statutory regulations and legal requirements in the Republic of North Macedonia. Pursuant to regulations and provisions laid down by the Law on Trade Companies and the requirements set by the Law on Insurance Supervision and the Statute of the Company, it has established two-tier government system. The Management Board comprises three (4) members whereas the Supervisory Board comprises four (4) members.

The main characteristic of the corporate governance of the Company as an insurance company is the interaction established with the local regulator related to compliance with the provisions laid down by the Law on Insurance Supervision. The managing and supervisory activities of the Company are regulated by special rulebooks where the detailed distribution of responsibilities and assignment of duties and functions to the members of the managing board are determined.

The corporate governance function of the Company specially relies on transparency and conflict of interest avoidance. Therefore, the members of the Management Board are committed to ensure adequate and timely information to all interested parties. Through the electronic system of the Macedonian Stock Exchange SC Skopje which assists the listed companies, the Company provides all relevant information about its operation and much useful information can also be found on the web site of the Company.

The procedure for appointment and dismissal of members to managing and supervising bodies, their qualifications, and criteria for independent members, defined fringe benefits and interests are regulated by the legal requirements and laws in Republic of North Macedonia, especially by the Law on Trade Companies, the Law on Insurance Supervision and the bylaws of the Insurance Supervision Agency.

5.1 Supervisory Board

The responsibilities and duties of the Supervisory board of the Company are determined in the applicable legal regulations and laws in Republic of North Macedonia. Additionally, certain rulebooks of the Company also detail the duties and responsibilities of the supervisory board members.

As of 31.12.2022, the members of the Supervisory Board of the Company are:

Mr. Gabor Lehel, Chairman of the Supervisory Board;
Mr. Andreja Josifovski, independent member of the Supervisory Board;
Mr. Reinhard Gojer, independent member of the Supervisory Board;

Mr. Phillip Bardas, member of the Supervisory Board.

During 2022, the Supervisory Board of the Company held seven (7) sessions in total whereat the Board undertook all activities relating to the supervision function, approval of certain decisions submitted by the Management Board in terms of business policy and financial plans, representing the Company to the members of the Management Board, maintaining and improving the objectivity and professional functioning of the internal audit, reviewing certain findings and decisions of the regulatory body and protecting shareholders wealth.

By analysing relevant reports, approving special rulebooks submitted and activities performed by the Management Board, the Supervisory Board has fully achieved its control function. The meetings of the Supervisory Board were conducted in compliance with the applicable legal regulations and laws in Republic of North Macedonia and rulebooks of the Company. All decisions adopted by the Supervisory Board at the sessions held in 2021 are recorded in apposite reports. The adopted decisions have been properly implemented in the course of operation of the Company and carried out following the instructions of the competent authorities.

5.2 Management Board

The Management Board manage the Company, ensure that the Company operates in compliance with the risk management principles and Law on Insurance Supervision, control the business risks, ensure the Company keep business records and other accounting documentation, evaluate the items in the balance sheets and prepare periodic and annual reports. The organisational structure and the Management Board function fully comply with the applicable regulations.

In accordance with the provisions of the Statute, the Management Board of the Company is composed of three (4) members, one of whom is elected president. As of 31.12.2022, the members of the Management Board of the Company are:

Mr. Bosko Andov, President of the Management Board;
Mrs. Vesna Gjorceva, member of the Management Board;
Mrs. Tatjana Dimov, member of the Management Board.

Mr Ozren Marjanovic, is a nominated and appointed member of the Management Board, for which function of a member of a managing body of an insurance undertaking, consent is required to attain in a relevant procedure.

In order to maintain and improve the market share and keep the competing position of the Company, during the financial year 2022 the Management Board followed the insurance industry market movements and thoroughly reviewed the operating reports of other insurance companies presented by the insurance regulatory authority and the National Insurance Bureau. The Management Board constantly monitors the liquidity and solvency margin of the Company, the volume of reserves determent by the Law on Insurance Supervision, underwriting and claim handling processes, which are the key elements for successful operation of the Company. For the Management Board it is of great importance that the EU Directives related to insurance market regulations are followed.

During 2022 the Management Board within its authority took a number of activities including adoptions of decisions and rulebooks and issuance of documents which regulate and govern the business policies and strategies. All decisions were adopted in line with the provisions of the applicable regulations. The Management Board undertook all necessary and required preparatory actions related to the functioning of the internal audit and the supervisory board. The prompt notification to the Supervisory Board ensured operational functionality and effectiveness of the supervision. In the reporting period the Management Board provided unconditional support to all organisational units and employees of the Company participating in various projects and procedures and maintaining communication with government bodies (state administration) and local municipalities.

In the period from 01.01.2022 to 31.12.2022, the Management Board of the Company held 78 sessions in total. All members of the Board significantly and effectively contributed to the functioning of the Board.

All decisions of the Board are adopted in a transparent procedure and supported by necessary documentation. The minutes were issued for any meeting and signed by all members of the Management Board as required under local law. The activities of the Board contributed to the Company's operating successfully and profitably in 2022.

5.3 Management

Management Team:

Mrs. Jasminka Ilieva, Underwriting Manager,
Mr. Zoran Todorovski, Out-of-Court Claims Settlement Manager,
Mrs. Margareta Popovska-Goseva, Finance Manager,
Mr. Zoran Aleksovski, Regional Sales Manager,
Mr. Marjan Orucoski, Regional Sales Manager,
Mr. Filip Meskov, Non-Agent Sales Manager,
Ms. Vesna Bogdanovska, HR Manager,
Mrs. Daniela Dimitrieva, IT Manager,
Mrs. Tatjana Ansarova - Jovanovska, Internal Audit Manager.
Mrs. Gordana Minoska, Chief Actuarial Officer

5.4 Corporate Governance Code Implementation Statement

The Article 384-a of the Trade Companies Law (Official Gazette of RNM issue no. 28/04, and all amended and supplemented versions thereof) states that the supervisory board of the joint stock company listed on the stock exchange is required to ensure that the corporate governance implementation statement issued by the managing body is included within the annual report of the company specially placed therein. Moreover, this Law also stipulates that this corporate governance implementation statement is considered integral part of the annual report of the joint stock company listed on the stock exchange.

Mr. Bosko Andov, President of the Management Board and Ms. Vesna Gjorceva, member of the Management Board and Mr. Tatjana Dimov, member of the Management Board, hereto declare in the Statement below that:

1. The Management Board of the Company shall implement the Corporate Governance Code which had been proposed by the Management Board and approved by the Supervisory Board and adopted by the Company shareholders.
2. Corporate Governance Code is published on the official website of the Company (www.insumak.mk).
3. For its performance the Management Board of the Company has fully complied with the provisions of the Corporate Governance Code without any errors or omissions and followed the statutory regulations related to corporate governance of insurance companies applied in the Republic of North Macedonia.

Management Board	Management Board	Management Board
Mr. Bosko Andov	Mrs. Vesna Gjorceva	Mrs. Tatjana Dimov
President	Member	Member

---

6. Internal and External Audit

6.1 Internal Audit

Following the annual audit plan, the internal audit of the Company in 2022 performed 6 audits which addressed all key functions of Company`s operation.

Audits resulted in only one low risk issue and number of immaterial discrepancies for which respective management immediately agreed corrective activities or immediately corrected discrepancies during the audit fieldwork.

Audit opinions for all audits were “Sound”, meaning that the functioning of implemented internal controls in the operation of audited functions was assessed as effective in all material aspects.

Due corrective activities agreed with the Company`s management for eliminating reported issues from prior periods, were completed in appropriate mode and within scheduled timeframe.

6.2 External Audit

The external audit for 2021 was the audit company PRICEWATERHOUSECOOPERS REVIZIJA DOO Skopje, with CRN: 6333370, VAT: 4030008022586 and registered seat at the Bul. 8 Septemvri, DC Hiperium 16, 1000 Skopje.

This Audit Company has been appointed by the Decision 02-3562/7 issued at the General Meeting of Shareholders held on 23/04/2019. In accordance with the Law on Insurance Supervision the Insurance Supervision Agency has issued an official Decision no. 19-2-526 as of 27.05.2019 approving that the Audit Company PRICEWATERHOUSECOOPERS REVIZIJA DOO Skopje may review and audit the financial statements of the Company for the financial year 2019.

7. Actuarial Certificate

The final opinion on the financial situation of the Company as stated in the financial statements and the annual business report is

a) positive opinion b) qualified opinion c) negative opinion

The positive opinion on the financial situation of the Company as stated in the financial statements and the annual report of the Company has been supported by the following arguments:

- The Company has only carried out the registered activities during the reporting period.
- The Company applies the adopted insurance terms and conditions and premium tariffs.
- The Company capital exceeds the required level of solvency margin and the guarantee capital in compliance with the statutory regulations and Company business policy.
- The estimated technical provisions satisfy the requirements set by the provisions of the adopted books of regulations and the recognised actuarial standards.
- The Company delivers prompt and regular claims handling services and effect prompt and regular payments of already settled claims.
- For 2022 the Company produced positive financial result.

The Company has calculated the premiums and the technical reserves in accordance with the Insurance Supervision Law and the Rule Book on minimum standards for calculation of technical provisions and actuarial function.

Having considered the required Company capital volume and the technical reserves policy, we may conclude that the Company has full capacity to meet its liabilities arising out of insurance agreements on a regular and long-term basis and cover possible losses arising from risks that the Company is exposed to in the course of its operation.

Gordana Minoska Jasminka Ilieva

8. Business policy and objectives

8.1 Objectives

Main objectives of the Joint Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje – Vienna Insurance Group (hereinafter The Company) is to ensure achievement of net insurance profit and gains from investment assets and meet its liabilities arising from insurance contracts with clients and manage successful governance, provide education and professional improvement to the employees and other representatives of the Company.

The main activities of the Company to achieve the targeted objectives will be:

- Maximum presence on the insurance, stock exchange and capital market,
- Diversify insurance portfolio and quality development of the portfolio,

- Improvement of quality service delivery,
- Relative decrease in the operating expenses,
- Optimised excess of risk placement for co-insurance and reinsurance to retain portfolio stability,
- Optimally secured and effective collection, utilisation and investment of financial funds and keeping adequate records thereof,
- Sustain required liquidity and solvency level,
- Achieve complete business organisation and technology development and improvement.

8.2 Strategic development streams

- Continuous, dynamic and stable development by increasing the economic strength of the Company based on a permanently positive financial result.
- Maintain consistent solvency and liquidity above the average local insurance market level of Republic of North Macedonia.
- Persistent improvement for effective and reasonable utilisation of insurance funds, improvement of working processes and procedures with no impediments to everyday business activities of the Company.
- Mitigate and gradually eliminate subjective obstacles and mitigate the dependence on the objective difficulties that affect the growth and insurance development of the Company.
- Permanent and proper improvement and development of the professional knowledge and competence, working habits and creativity of staff in the Company to ensure better quality work.

8.3 Business efficiency

Based on the objectives and strategic development streams stated above, particular concern shall be made to achieve the following business efficiency criteria:

- Optimal positive financial results with reference to total income and especially to insurance premium.
- Achieve low combined operating ratio providing positive financial result or profitable underwriting result as stimulating profit for shareholders.
- Effective claim handling process, that is the number of settled claims in relation to reported claims.
- Relative decrease of operating cost in reference to total income.
- Premium increase per employee of the Company.
- Increase the interest yield of available investment funds.

8.4 Stable solvency and liquidity

The Company shall ensure that at any time it may operate and meet its liabilities to third parties which prove the high liquidity ratio of the Company. The Company shall ensure that it follows statutory regulations and requirements regarding approved funds for covering technical reserves.

In the course of its business the Company shall comply with all economic, insurance and actuary principles to sustain profitable operation and with all statutory regulations and legal requirements (operating instruments) which govern the insurance industry.

9. Operating Performance

9.1 Underwriting

The Underwriting Department is composed of the Underwriting Office and Sales Support Centre.
In its operation the Underwriting function assume risks and applies measures and activities to ensure certain stable and profitable portfolios and achievement of positive underwriting results in general. The Company managed to overcome the shock affected by the COVID-19 pandemic successfully and continued its stable, solvent and profitable operation. The Company reported further GWP increase in the classes of business that were mostly affected by the pandemic, including MTPL, Green Card and Border insurances, and the travel assistance line of business. The largest percentage increase in gross written premium was reported for the heath insurance, a business that has revived in non-life business market especially during the year.

Property lines of business take the greatest share of the insurance portfolio of the Company. Even for 2022 the Company maintained the leading role in the market for these classes of business and ensured the trend of keeping positive technical result for property insurance and providing high quality protection to the property of our clients.

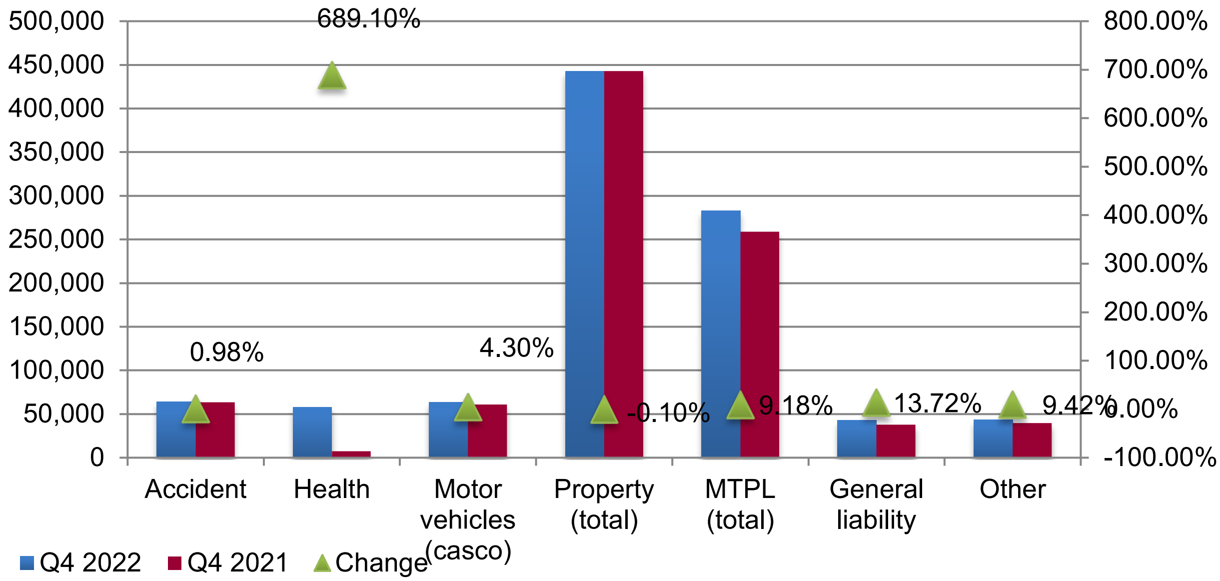
The analysis of the reported technical results achieved in motor vehicle insurances show the improvement in Motor Casco line of business. Regarding these classes of business, the Company continue its strategy of conservative and profitable growth. As regards other classes of business we continued the trend of keeping our clients satisfied by offering underwriting solutions to different categories of clients to ensure profitable business and fulfilment of clients' needs.

During 2022, in order to develop and improve the current insurance products and observe the market needs, we introduced many amendments and alternations to certain insurance terms and conditions and premium tariffs for many different products as a reply to rapidly changing market demands. The significant portion of their activities the underwriters devote to create and develop new products and offer products tailor-made to satisfy needs of specific clients and perform comprehensive risk survey for major clients. Furthermore, underwriters monitor and analyse the technical results by different clients, by different risks and the portfolio in total.

For 2022, the Sales Support Centre (SSC) continued to effectively and efficiently perform its activities for the purpose of ensuring complete and prompt administration of insurance policies and other supporting documentation and provided full support to sales force by operating under applicable system solutions and processes. During 2022 this function managed to process 68,753 cases and most of these cases referred to motor vehicle policies and policies issued to persons. On the other hand, a number of complex insurance policies have been created and issued in relation to property insurance and liability and transport insurances. The tariff control as the final stage of policy creation process is another responsibility of the SSC which actually finalises the whole underwriting process.

The underwriting department is very well organised and underwrites are committed to their effective and efficient performance and satisfaction of the clients' demands for different classes of business which ensure positive technical result and contribute to profitable operation of our Company. The inflationary pressure which is expected to continue even for the next year may rather adversely affect the profitability of the companies in the insurance industry, because it can produce a large increase in claims volume. However, having these circumstances in mind, the main parameters that determine the successful operation of the Company are expected to remain and lead the Company to great achievements.

Written Premium by Classes of Business 2022/2021



9.2 Sales

The sales force network of the Company is organised in a way that it provides availability of the insurance products to clients through various distribution channels for the purpose that the market needs will always be met. Our sales agent network for direct sale is organised in West and East Region teams within Sales Agents Office and the insurance representative agencies which are external sales network. The sales force network is composed of well experienced and trained sales agents and also functions as another source for recruiting new insurance representatives, which will result in increase of our market share.

Non-Agent sales cover the market need of clients which request comparative insurance covers offered by insurance brokers, banks, travel agencies and other partners.

Agents Sales and Insurance Representatives Sales

The East Sales Region

The East Sales Region successfully achieved the 2022 sales target plan. We endeavoured to overcome all challenges we met in the previous period and accomplished the expectations. We reported a total written premium of MKD 385 million, an increase of about MKD 33 million against the sales target plan or MKD 42.5 million more compared to the written premium achievements for 2021.

One of those successes is the reported written premium for the health line of business, hoping this trend of success to continue.

The East Sales Region also reported an increase in the written premium for all classes of business, compared to 2021. These refer to motor third party liability insurance and Green Card line of business, travel insurance, and transport insurance.

For 2022, the situation in Eastern Europe and the raw materials price increase resulted in the rise of the building construction costs, which consequently forced us to increase the sum insured in the second half of the year in order to ensure appropriate coverage for our clients. These caused new increases in the insurance premiums, which was one of the challenges we managed successfully, so we thrived not only to keep the quality of the insurance coverage on the adequate level but almost all our clients for whom we applied this action.

The collection of the premium was within the expected limits.

Team managers' and insurance representatives' commitments and professional approach to their liabilities are the success factors of our achievements.

The West Sales Region

In 2022, the Western Region focused on achieving the budgeted goals and objectives against the business plan and bringing its operating strategy closer to potential clients.

During 2022, we managed to achieve results and performed successfully.

The West Sales Region completed the 2022 reporting gross written premium of MKD 182 million.

Compulsory motor insurance still takes the leading position among other classes of business of the portfolio structure (above 30 %).

We reported an insignificant increase in the gross written premium for other classes of business.

Sales Network: the insurance policies are sold by seven internal sales agents and through a sales network created by DZO Trend – MP comprising 37 internal licensed insurance representatives and over 37 external ones.

DZO Trend takes above 90% of the total sales volume of the West Sales Region.

The main priorities of the West Sales Region during 2022 were the restatement of insurance contracts, which we managed successfully, and new clients in which we put much effort during the year.

In 2022 we continued the process of building our own external sales network and improving our potential through:

- retaining the current and engaging new sales-oriented insurance representatives involved in building their own sales network;
- creating an active sales network;
- continuing the educational and mentoring processes for the external insurance representatives under the direct supervision of the internal coordinators;
- opening new points of sale in line with the market needs and Company strategy.

During the year, there were several educational courses of training.

The West Sales Region still focus on the main strategic goals:

- achieve budgeted goals and targets;
- enlarge product portfolio and the number of clients;
- develop and increase sales network;
- premium collection;
- active participation in the market and satisfaction of clients' needs.

Non-Agent Sales

For 2022 Non-Agent Sales reported a gross written premium of MKD 31 million, a 14 % increase compared to 2021, covering 31 % of the Company portfolio.

This high percentage of participation in the products portfolio of the Company and the significant increase in the non-agent sales performance are attributable to writing insurance businesses partly through insurance brokerage companies regarding voluntary private health insurance lines, MTPL and property lines.

The function operates through several distribution channels:

- Insurance brokerage companies,
- Banks (Komercijalna Banka AD Skopje as an insurance representative),
- Travel agencies.

The successful business cooperation with brokers and brokerage companies sustained during 2022. Two Promoters who were responsible to collaborate with the brokerage companies. The Promoters offered them insurance proposals and policies with the most convenient insurance covers for their clients for all lines of business underwritten by MAKEDONIJA Insurance.

The sales of insurance policies through brokerage companies intensified in all segments, especially for MTPL and health insurance. We reported an increase in sales of MTPL policies and green card policies for all four quarters. Insurance businesses were written by brokers who have entered into agreements with the Company to sell insurance policies to companies engaged in the public tenders announced by the Public Procurement Bureau on behalf of the Company where we reported a 10 % increase.

The total premium invoiced by brokerage companies for 2022 reached MKD 251 million, an increase of 12 % in comparison to 2021 sales of MTPL, Green Card and Border policies amounting to MKD 88 million and showing an increase of about MKD 13 million in comparison to the previous year. The sales of property policies through brokerage companies increased by almost MKD 3 million compared to the previous year.

We also reported an important increase in the sales of insurance policies of private health lines of business through brokerage companies amounting to MKD 23 million. This product has not been included in the portfolio of this function until 2021.

Home and property loan insurance policies and Casco insurance policies are sold by the banks intervened by the Promoter. Our Company entered into agreements with two banks and one brokerage company for underwriting these businesses, which are:

- Komercijalna Bank
- ProCredit Bank (since 2017 through IN-Broker as a brokerage company) and
- Ohridska Bank.

During 2022 the invoiced premium volume written through these channels of distribution where Komercijalna Banka AD took the leading role, reached MKD 56 million or a 15 % increase or MKD 7 million if compared to the previous year.

Business written by ProCredit Bank (represented by IN-Broker, the brokerage company) decreased by 10 % and amounted to MKD 2 million.

Unfortunately, the Ohridska Banka showed an insignificant result.

The established cooperation between the Travel Insurance Promoter and travel agencies continued to function in 2022 as well, and the Promoter was also responsible for selling travel insurance policies through brokerage companies and for a part of businesses written by brokerage companies by the end of the year.

The Company reported an 80% increase in travel insurance written premium compared to one in 2021 amounting to about MKD 900K, generally due to the complete cancellation of the travel restrictions caused by the COVID-19 pandemic.

9.3 Out-of-Court Claims Settlement

The claims team enjoys the reputation of being highly professional within its scope of activities and is well known in terms of its technical skills and capacity regarding different classes of business, including accident, property and motor lines of business. The claim team of the Company possesses unusually rich set of professional qualifications within the relevant business domains such are:

- Legal

- Economy
- Insurance
- Medicine
- Engineering (civil works) and
- Machinery.

Reported Claims/Number of reported claims

Accident	Travel	Health	Casco	Property	MTPL	Other	TOTAL
762	118	2303	486	1257	1587	185	6698

As the number of sold insurance policies for voluntary health lines of business increased, so did the number of reported health claims which resulted in the general incline of 44 % in the total number of claims reported for 2022.

The comparison of reported claims in the preceding year to 2022 shows an increase in the number of reported accident claims to 3.11 %, whereas a decrease is reported for casco claims of 10.83 %, property claims of 8.52 %, and MTPL claims of 11.39 %.

Share of claims by classes of business are presented in the pie chart below.

Settled Claims/Number of settled claims

Accident	Travel	Health	Casco	Property	MTPL	Other
615	104	2142	463	1119	1473	166

The settled claims show the same trend related to their number of cases which is lower than the last year, mainly due to a decrease in the number of settled claims related to accident insurance of 16.78 %, casco insurance of 15.05 %, property insurance of 18.56 % and MTPL insurance of 17.76 %.

Shares of claims for different classes of business are presented in the pie chart below.

RESERVED CLAIMS

Accident	Travel	Health	Casco	Property	MTPL	Other
83	13	80	80	125	518	63

For 2022 the largest settled and paid claim of **MKD 35.8 million** relates to a property loss caused by the risk of fire.

For the following 2023 year, we will continue to develop the professional competence and capacity of the claims staff and recruit young professionals in various fields to ensure that we provide our customers with custom products and services tailored to their needs. Furthermore, we will continue the already started digitalisation processes about online claims notification for all lines of business on our website or by mobile phones. We will also engage all our efforts to identify and solve any possible frauds related to claims thanks to the implementation of digitalisation technology.

9.4 Disputed Claims and Recoveries for 2021

The Department for disputed claims and recoveries is responsible for litigations involving claims related disputes of any classes of insurance or claims for breach of contract, or disputes concerning collection of recourse receivables, employment related lawsuits or other lawsuits in which the Company may be the party that is being sued (the defendant) or the plaintiff. The Department for disputed claims and recoveries manages the litigations by virtue of the proxies which are delegated authorities by the legal representative. The Department employs 4 people and outsources 12 external lawyers. They represent the Company before the courts and any other legal institutions throughout the whole territory of the Republic of North Macedonia.

The Department also supervises and coordinates the lawsuits brought in the courts in other countries which are run by the corresponding agencies. The Department also controls and approves any agreement where the Company acts as a contracting party to third parties. The control in fact will ensure that the agreements have been made in compliance with the statutory regulations and applicable legislation in the Republic of Macedonia and in line with the business policy of the Company.

The proxies are obliged to protect the interests of the Company during legal proceedings and avoid any unnecessary exposure of the Company to legal costs and levies and act within legally determined terms and periods of time. They should work in a professional and conscientious manner when representing the interests of the Company before the competent courts and treat colleagues of the opposite party fairly and act lawfully and with honesty in courts and other government institutions in the country. The external lawyers of the Department for disputed claims and recoveries act on behalf of the Company and represent its interests before the competent legal institutions so they should avoid any conflict of interest, any unethical conduct or any behaviour which may threat the reputation of the Company.

The basic code of behaviour for proxies includes but is not limited to professionalism, honesty and integrity, team work and quality work improvement and development and professional education.

During 2022, 117 litigations including claims related disputes brought against the Company by classes of business refers to the following:

- 75 disputes refer to MTPL,
- 16 disputes refer to uninsured vehicles,
- 8 disputes refer to foreign vehicles under Green Card policy;
- 6 disputes refer to personal accident claims;
- 6 disputes refer to property claims;
- 3 disputes refer to motor casco claims;
- 3 disputes refer to professional liability claims.

During 2022 the Department brought 59 lawsuits against recourse debtors.

9.5 Human Resources

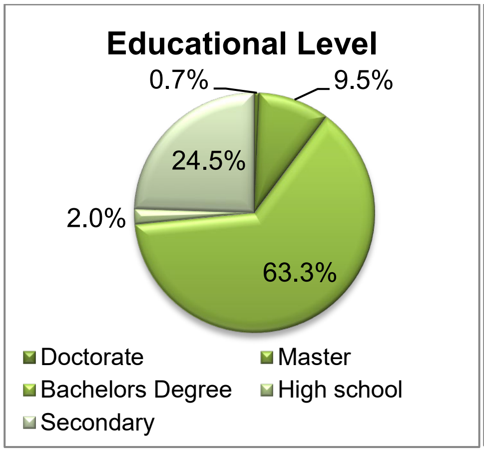
As well as the previous two years, the Covid-19 pandemic had big influence on organising the work of the Company in 2022. The HR Department continued with its very important task in this situation - adaptation of the previously implemented measures for health protection of all employees, associates and clients and for maintenance of normal flow of all working processes. Not a single working process was threatened at any time and this shows that all measures were successfully carried out by the Company management and all employees.

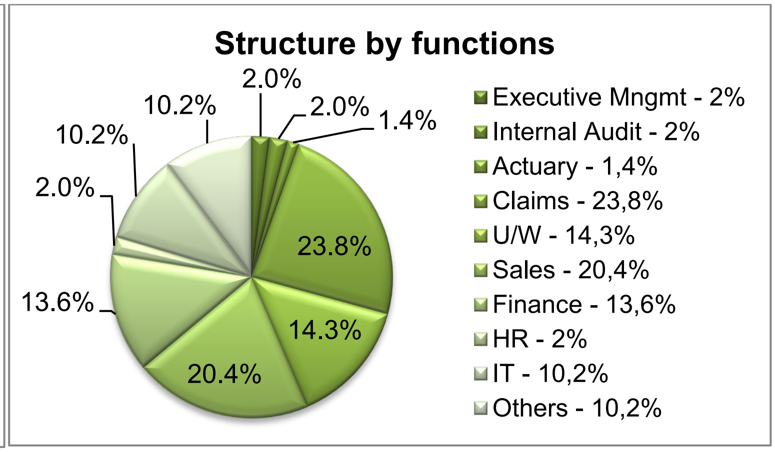
During 2022 more than 60 internal and external trainings were organised and held on the following topics: insurance and reinsurance, management and leadership skills, computer skills, information technology, statutory continuous professional training and health and safety at work, as well as team-buliding activities for development of employees' communication skills.

The employee turnover in 2022, expressed as working force fluctuation rate was in the range of the planned percentile of 10%.

The total number of Company employees as per 31st December 2022 was reduced to 147, out of which 30 in sales function and 117 in other Company functions.

The structure of the employees by educational level and function allocation is as follows:





9.6 Information Technology

The main function of the IT Department of the Company is supporting its business and ensuring effective and efficient operation:

- providing and participating in the achievement of targets set by the Company business plan and strategy,
- carrying out corporate and local processes and procedures, and
- ensuring reliable and available information and integrity of data.

The IT Department of the Company is designed in accordance with the necessities of business processes to ensure prompt and complete data processing and availability of documented information used in their operation.

The IT Department is awarded ISO 27001:2013 certificate confirming the compliance with the international standards for IT information security. Recertification is issued in November 2022.

IT Department employs 15 professionals with excellent business knowledge, good range of technology competence and computer skills and they constantly improve their knowledge following the latest developments in the field of information and communication technology.

IT function actively operates in many different fields:

- Access to IT services of 99.99% for 2022;
- Development and maintenance of application software;
- DB administration, development and maintenance of system software, hardware, email and network;
- Application of IT Security Strategy following the standards of the VIG IT Strategy and Security Policy;

- IT management including monitoring of IT projects and resources and functioning of Steering Committee;
- Compliance of the IT activities with the local statutory regulations and requirements;
- IT cost savings by 18.90 % or 81.10 % of the targeted IT cost savings for 2021;
- Achieve IT capital procurement by 71.28 %.

Some of the more important IT projects in 2022 are:

- Development of the second phase of the project – implementation of MBA software solution for VIG Sigma Kosovo;
- Changes in health insurance;
- E-documents for annual leaves;
- Enhancing the WEB portal for online health insurance claims notification;
- WEB Online – registration of transport by CMR organisers;
- Amendments to terms and conditions and tariffs of Third Party Liability insurance;
- Development of WEB Online application for travel insurance policies;
- Connecting to ICP VIG platform;
- Mobile application for online travel insurance policies;
- Digitalisation of travel policies, liability policies, casco policies, mortgage policies for Albania;
- Enhancing the reinsurance module;
- Implementation of QR code for general terms and conditions in policies;
- Implementation of PEPSA for Albania and Kosovo.

Several infrastructure and IT security projects have been realised:

- Increase of the security level of the local network through reconfiguration of Active Directory environment and implementation of higher control system for access to network devices, and deactivation of all unnecessary services.
- Creation of KVM virtual environment servicing WSUS, VPN, Webmail and synchronisation server.
- Replacement of all Windows 8 working stations.
- Renewal of WAN infrastructure through analysis and subsequently ordering six new Cisco routers.
- Purchase and installation of two firewall servers.
- Connection to VIG Cloud through VPN and synchronisation of Active Directory.

10. Financial Results

Explaining the Results

Insurance Makedonija s.c. Skopje - Vienna Insurance Group also produced a positive financial result in 2022 and achieved a profit before tax of MKD 46.7 million, and after tax in amount of 40 million MKD.

Key financial factors

For 2022 the gross written premium of non-life businesses increases by 9.3% or MKD 84 million, compared with the previous year. We state an increase almost in all classes of business, but most strongly for health lines of business amounting to MKD 50.5 million. Regarding other classes of businesses, the MTPL business shows a significant increase in gross written premium amounting to MKD 23.7 million.

We record an increase in incurred claims of 20.6 % or MKD 45.3 million in an absolute figure, mostly related to health claims and property claims. Several claims related to property insured against the risk of fire featured the previous 2022 as did the losses arising out of weather hazards insured against which incurred on the whole territory of the Republic of Macedonia.

The operating costs, as the single biggest business expense in our industry, increased in an aggregate value of 3.9 % or the total amount of MKD 17.3 million compared with the last year. As the acquisition costs movement generally follows the gross written premium developments, we reported an increase of 9 % compared with the 2021 result.

For the Company insurance portfolio, the property businesses take the largest share at 43.8 % and then follow the motor vehicle insurance (MTPL) at 28.6 %, the casualty lines of insurance at 6.5 % and Casco motor insurance at 6.4 %. All other classes of business take a share below 9.3 % respectively and the share of every class of business does not exceed 5.9 %.

The post-Covid-19 pandemic period during 2021 was still affecting the economy even in 2022. Moreover, 2022 featured the war in Ukraine which affected the operation as did the inflation. For 2022, the combined ratio reached 114 % (100 % in 2021).

During 2022 the net investment income demonstrates an increase of 78.9 % or the total result out of the investment income shows an increase amounting to MKD 58.5 million. The increase is attributable to capital gains obtained from sales of financial assets and rental income, whereas we reported a decline in the investment income due to the current financial environment, and the rates are stated to increase in the second half of the year.

The Company managed to retain the liquidity and the solvency margin at a high level even in 2022 and efficiently meet its liabilities.

Accounting policy

During 2022 Insurance MAKEDONIJA sc Skopje VIG did not implement any amendments to the accounting policy compared with the latest revised financial statements.

Dividend

During 2022 MAKEDONIJA Insurance sc Skopje VIG paid out dividends amounting to MKD 71,324 million for 2020 and 2019.

Bank debts

The Company reported no liquidity issues nor any bank debts.

Achieved business plan and expectations in the forthcoming period

Following the 2023 Business Plan, we forecast increase in the gross written premium by 3 % compared with the obtained result for 2022, whereas we estimate profit after tax of 25 % of the achieved profit for 2022.

For 2023 the Company shall direct its operating activities towards achieving the set targets and goals, maintaining required liquidity and solvency margins and providing prompt and regular service delivery.

President of the Management Board
Bosko Andov

____

Member of the Management Board
Vesna Gjorceva

____

Member of the Management Board
Tatjana Dimov

JOINT STOCK COMPANY FOR INSURANCE AND REINSURANCE MAKEDONIJA SKOPJE AD - VIENNA INSURANCE GROUP

Financial statements

With Report of the Auditors thereon

For the year ended 31 December 2022

Content

Independent auditor's report

To the Shareholders and the Supervisory Board of Joint stock company for insurance and reinsurance Makedonija Skopje - Viena Insurance Group

Report on the financial statements

We have audited the accompanying financial statements of Joint stock company for insurance and reinsurance Makedonija Skopje - Vienna Insurance Group (the ''Company''), which comprise the balance sheet as of 31 December 2022 and the 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation of the Insurance Supervision Agency 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 Standards on auditing applicable in the Republic of North Macedonia (the "Standards"). The 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers Revizija DOO 16, 8 Septemvri Blvd. Hyperium Business Center, 2nd floor, 1000 Skopje
Republic of North Macedonia, VAT No. MK4030008022586, T: +389 2 3140 900, F: +389 2 3116 525, www.pwc.com/mk

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the legislation of the Insurance Supervision Agency.

Report on other legal and regulatory requirements

Annual report prepared by the Management in accordance with the requirement of the article 384 of the Company Law.

Management is also responsible for the preparation of the Annual Accounts and Annual Report of the Company, which were approved by the Supervisory Board of the Company.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by Management of the Company in accordance with article 384 of the Company Law, is consistent, in all material respects, with the financial information presented in the Annual Accounts and audited financial statements of the Company as at 31 December 2022 and for the year then ended.

Dragan Davitkov
General Manager

Sime Jovanovski
Certified Auditor

PricewaterhouseCoopers Revizija DOO Skopje

31 March 2023
Skopje, Republic of North Macedonia

Income statement

Description	Note	Amount *in MKD thousands* 2022	2021
A. OPERATING INCOME		**886,970**	**820,956**
I. NET INSURANCE PREMIUM REVENUE	**6**	**569,679**	**559,167**
1. Gross written premium from insurance		981,221	890,769
2. Gross written premium from co-insurance		16,131	20,548
3. Gross written premium for reinsurance / retrocession		-	-
4. Gross written premium delivered in co-insurance		(9,337)	(7,265)
5. Written premium ceded to reinsurers		(375,232)	(346,044)
6. Change in the gross provision from unearned premium		(58,365)	(16,828)
7. Change in the gross provision from unearned premium – co-insurance share		1,996	4,491
8. Change in gross reserve for unearned premium – reinsurance share		13,265	13,496
II. Investment income		**132,759**	**74,204**
1. Income from subsidiaries, associates and jointly controlled entities		**-**	**-**
2. Income from investments in land and buildings		**41,964**	**32,187**
2.1 Rent income		31,594	30,027
2.2 Income from increasing of the land and buildings value		-	-
2.3 Income from sale of land and buildings		10,370	2,160
3. Interest income		**24,050**	**25,391**
4. Positive foreign exchange differences		**1,396**	**2,245**
5. Impairment (unrealised gains, measurement of fair value)		**-**	**-**
6. Realised gains from sale of financial assets – capital gain		**60,295**	**8,945**
6.1 Financial assets available for sale	17	60,295	8,945
6.2 Financial assets held for trading (with fair value)		-	-
6.3 Other financial asset		-	-
7. Other investment income		**5,054**	**5,436**
III. REINSURANCE COMMISSION RECOVERIS INCOME		**123,707**	**104,838**
IV. OTHER INSURANCE TECHNICAL INCOME, NET OF REINSURANCE	**7**	**44,502**	**69,537**
V. OTHER INCOME	**8**	**16,323**	**13,210**

Income statement (continued)

Description	Note	Amount in MKD thousands	
		2022	2021
B. OPERATING EXPENSES		**840,218**	**757,311**
I. NET INSURANCE CLAIMS AND BENEFITS INCURRED	**9**	**264,760**	**219,491**
1. Gross claims paid		403,972	362,361
2. Decrease for the income from gross realized recourse receivables		(3,378)	546
3. Gross claims paid – co-insurance share		-	-
4. Gross claims paid– reinsurance share		(157,493)	(141,436)
5. Change in gross reserves for claims		(13,552)	12,389
6. Change in gross reserves for claims - part for co-insurance		-	-
7. Change in gross reserves for claims – part for reinsurance		35,211	(14,369)
II. CHANGES IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE		**-**	**-**
1. Changes in the mathematical reserve, net of reinsurance		**-**	**-**
1.1 Change in gross mathematical reserve		-	-
1.2 Change in gross mathematical reserve – part for co-insurance/ reinsurance		-	-
2. Changes in equalization reserve, net of reinsurance		**-**	**-**
2.1. Changes in gross equalization reserve		-	-
2.2 Changes in gross equalization reserve – part for co-insurance/reinsurance		-	-
3. Changes in other technical reserves, net of reinsurance		**-**	**-**
3.1 Changes in other gross technical reserves		-	-
3.2 Changes in other gross technical reserves – part for co-insurance and reinsurance		-	-
III. CHANGE IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE INVESTMENT RISK IS BORNE BY INSURED, NET OF REINSURANCE		**-**	**-**
1. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured, net of reinsurance		-	-
2. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured, net of reinsurance – part for co-insurance and reinsurance		-	-
IV. EXPENSES FOR BONUSES AND DISCOUNTS, NET OF REINSURANCE		**28,476**	**20,691**
1. Expenses for bonuses (depending from the profit)		7,958	1,545
2. Expenses for discounts (not depending from profit)		20,518	19,146
V. NET EXPENSES FOR INSURANCE EXPENSES	**10**	**461,025**	**443,691**
1. Acquisition costs		**244,925**	**250,029**
1.1 Commission		204,164	187,288
1.2 Gross salary for sale network		51,531	52,965
1.3 Other acquisition costs		12,290	10,233
1.4 Movement in DAC		(23,060)	(457)
2. Administrative expenses		**216,100**	**193,662**
2.1 Depreciation of tangible assets used for operating purposes		24,035	23,437
2.2 Staff costs		**109,374**	**100,720**
2.2.1 Salaries and contributions		63,031	59,526
2.2.2 Salary taxes		12,721	11,573
2.2.3 Contributions for obligatory social insurance		19,262	18,429
2.2.4 Expenses for pension insurance		350	335
2.2.5 Other expenses for employees		14,010	10,857
2.3 Expenses for services from individuals		6,335	5,346
2.4 Other administrative expenses		**76,356**	**64,159**
2.4.1 Other administrative expenses		39,896	38,639
2.4.2 Material expenses		27,103	19,326
2.4.3 Provisioning expenses and other expenses		9,357	6,194

Income statement (continued)

	Note	Amount in MKD thousands 2022	2021
I. INVESTMENT COSTS		**21,080**	**22,622**
1. Depreciation and impairment for tangible assets not used for operating purposes		**18,975**	**19,745**
2. Interest expenses		**-**	**-**
3. Negative foreign exchange differences		**1,745**	**2,877**
4. Value adjustment (non-realised loss, measurement with fair value)		**-**	**-**
5. Realized loss from sale of financial assets – capital loss		**-**	**-**
5.1 Financial assets available for sale		-	-
5.2 Financial assets held for trading (fair value)		-	-
5.3 Other financial assets		-	-
6. Other investment costs		**360**	**-**
VII. OTHER INSURANCE TECHNICAL EXPENSES, NET OF REINSURANCE	**11**	**41,362**	**40,417**
1. Prevention costs		-	**-**
2. Other insurance technical expenses, net of reinsurance		41,362	40,417
VIII. IMPAIRMENT OF INSURANCE PREMIUM RECEIVABLES		**20,609**	**9,688**
IX. OTHER EXPENSES INCLUDING OTHER IMPAIRMENT	**12**	**2,906**	**711**
X. PROFIT BEFORE TAX		**46,751**	**63,645**
XI. LOSS BEFORE TAX		**-**	**-**
XII. INCOME TAX	**13**	**6,717**	**8,630**
XIII. DEFERRED TAX		**-**	**-**
XIV. PROFIT FOR THE YEAR		**40,034**	**55,015**
XV. LOSS FOR THE YEAR		**-**	**-**

Balance Sheet

Description	Note	Amount in MKD thousands 2022	2021
ASSETS			
A. INTANGIBLE ASSETS	**14**	**6,863**	**10,652**
1. Goodwill			-
2. Other intangible assets		6,863	10,652
B. INVESTMENTS		**1,807,791**	**1,845,406**
I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS		**577,307**	**637,674**
1. Land and buildings for operating activities		**237,166**	**243,793**
1.1 Land		11,248	6,083
1.2 Buildings	16	225,918	237,710
2. Land and buildings not for operating activities		**340,141**	**393,881**
2.1 Land		1,417	967
2.2Buildings	**15**	338,724	392,914
2.3 Other tangible assets		-	-
II. FINANCIAL INVESTMENTS IN GROUP ENTITIES, SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES		**9,673**	**9,657**
1. Stocks, shares and other equities securities in companies in a group – subsidiaries		-	-
2. Debt securities issuedfrom group entities, subsidiaries and loans of group entities – subsidiaries		-	-
3.Stocks, shares and other equities in associates		-	-
4. Debt securities issuedfrom associates and loans of associates		-	-
5. Other financial investments in group entities - subsidiaries		-	-
6. Other financial investments in associates		-	-
7. Investments in National Insurance Bureau		9,673	9,657
III. OTHER FINANCIAL INVESTMENTS	**17**	**1,220,811**	**1,198,075**
1. Financial assets held to maturity		**19,330**	-
1.1 Debt securities with maturity less than one year		19,330	-
1.2 Debt securities with maturity more than one year		-	-
2. Financial assets available for sale		**566,780**	**587,140**
2.1 Debt securities with maturity less than one year		-	-
2.2 Debt securities with maturity more than one year		554,715	493,796
2.3 Stocks, shares and other equities		12,065	93,344
2.4 Stocks and shares in investment funds		-	-
3. Financial assets held for trading		-	-
3.1 Debt securities with maturity less than one year		-	-
3.2 Debt securities with maturity more than one year		-	-
3.3 Stocks, shares and other equities		-	-
3.4 Stocks and shares in investment funds		-	-
4. Deposits loans and other placements		**634,701**	**610,935**
4.1 Deposits		634,701	610,935
4.2 Collateralized loans		-	-
4.3 Other loans		-	-
4.4 Other placements		-	-
5. Derivative financial instruments		-	-

Balance Sheet (continued)

Description	Note	Amount *in MKD thousands*	
		2022	**2021**
IV. DEPOSITS IN ASSIGNORS OF REINSURANCE ENTITIES, BASED ON REINSURANCE CONTRACTS		**-**	-
C. CO-INSURANCE AND REINSURANCE SHARE IN GROSS TECHNICAL RESERVES		**202,204**	**226,186**
1. Co-insurance and reinsurance share in the gross reserve of unearned premium		45,236	34,007
2. Co-insurance and reinsurance share in the gross mathematical reserve		-	-
3. Co-insurance and reinsurance share in gross claims reserves		156,968	192,179
4. Co-insurance and reinsurance share in gross reserves for bonus and discounts		-	-
5. Co-insurance and reinsurance share in gross equalization reserve		-	-
6. Co-insurance and reinsurance share in other technical reserve		-	-
7. Co-insurance and reinsurance share in gross technical reserve for life insurance where the investment risk is borne by the insured		-	-
D. FINANCIAL INVESTMENT IN WHICH INSURED ASSUMES THE INVESTMENT RISK (INSURANCE CONTRACT)		**-**	-
E. DEFERRED AND CURRENT TAX ASSETS		**202**	-
1. Deferred tax assets			-
2. Current tax assets		202	-
F. RECEIVABLES		**301,472**	**280,706**
I. RECEIVABLES FROM DIRECT INSURANCE	**18**	**263,202**	**245,088**
1. Insurance receivables		244,175	231,390
2. Receivables from brokers		-	-
3. Other receivables from insurance		19,027	13,698
II. REINSURANCE AND CO-INSURANCE RECEIVABLES		**16,641**	**7,513**
1. Premium receivables from co-insurance and reinsurance		6,323	6,698
2. Receivables from claims paid for co-insurance and reinsurance		9,735	270
3. Other receivables for co-insurance and reinsurance		583	545
III. OTHER RECEIVABLES		**21,629**	**28,104**
1. Other receivables from direct insurance	19	17,567	16,741
2. Receivables from financial investments	20	854	7,587
3. Other receivables	21	3,208	3,776
IV. RECEIVABLES FROM CALLED NOT PAID CAPITAL		**-**	**-**
G. OTHER ASSETS		**149,444**	**150,907**
I. TANGIBLE ASSETS FOR OPERATIONS		**26,657**	**26,764**
1. Equipment	16	24,049	24,156
2. Other tangible assets	16	2,608	2,608
II. CASH AND CASH EQUIVALENTS	**22**	**121,980**	**123,681**
1. Cash at banks		121,943	123,641
2. Cash on hand		37	40
3. Cash formathematical reserve coverage		-	**-**
4. Other cash and cash equivalents		-	**-**
III. INVENTORIES		**807**	**462**

Balance Sheet (continued)

Description	Note	Amount *in MKD thousands* 2022	2021
H. ACCRUALS AND PREPAID EXPENSES		**144,924**	**108,241**
1. Accrued interest income and rent s		-	-
2. Deferred acquisition costs		102,665	79,606
3. Other prepayments and deferrals		42,259	28,635
3. NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		**-**	-
I. TOTAL ASSETS		**2,612,900**	**2,622,097**
J. OFF BALANCE SHEET ITEMS - ASSETS		**33,254**	**30,147**
LIABILITIES AND EQUITY		-	
A. EQUITY AND RESERVES	**26**	**1,592,558**	**1,681,182**
I. SHARED CAPITAL		**888,308**	**888,308**
1. Shared capital from ordinary shares		888,308	888,308
2. Shared capital from preference shares		-	-
3. Called but not paid capital		-	-
II. PREMIUM FOR ISSUED SHARES		**-**	-
III. REVALORISATION RESERVE		**169,227**	**226,139**
1. Tangible assets		159,861	159,861
2. Financial investments		9,213	66,423
3. Other revalorisation reserves		153	(145)
IV. RESERVES		**318,371**	**300,032**
1. Legal reserves		309,684	291,345
2. Statutory reserves		-	-
3. Reserves for equity shares		-	-
4. Repurchased equity shares		-	-
5. Other reserves		8,687	8,687
V. UNDISTRIBUTED NET PROFIT		**176,618**	**211,688**
VI. ACCUMULATED LOSS		**-**	-
VII. PROFIT FROM THE YEAR		**40,034**	**55,015**
VIII.LOSS FROM THE YEAR		**-**	-
B. SUBORDINATED LIABILITIES		**-**	-
C. GROSS TECHNICAL RESERVES	**23**	**742,563**	**697,751**
I. Gross reserves for unearned premium		383,840	325,475
II. Gross mathematical reserve		-	-
III. Gross claims reserve		340,580	362,138
IV. Gross reserve for bonus and discounts		18,143	10,138
V. Gross equalization reserve		-	-
VI. Gross other technical reserves		-	-
D. GROSS TECHNICAL RESERVES FOR CONTRACTS IN WHICH THE INSURED BORNE THE INVESTMENT RISK		**-**	-
E. OTHER RESERVES		**4,637**	**4,742**
1. Employment benefits		4,637	4,742
2. Other reserves			-
F. DEFERRED AND CURRENT TAX LIABILITIES		**21,181**	**26,908**
1. Deferred tax liabilities		18,786	25,143
2. Current tax liabilities		2,395	1,765
G.LIABILITIES FROM REINSURANCE ENTITY DEPOSITS IN ASSIGNOR, BASED ON REINSURANCE CONTRACTS		**-**	**-**

Balance Sheet (continued)

Description	Note	Amount *in MKD thousands*	
		2022	2021
H. LIABILITIES		**94,551**	**67,481**
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS		**-**	-
1. Claims payable		-	-
2. Liabilities to agents and dealers		-	-
3. Other liabilities from direct insurance operations		-	-
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE		**41,385**	**26,775**
1. Reinsurance premium payable		40,384	25,990
2. Liabilities for participation in claims paid		-	-
3. Other liabilities from co-insurance and reinsurance		1,001	785
III. OTHER LIABILITIES	**24**	**53,166**	**40,706**
1. Other liabilities from direct insurance operations		27,147	17,184
2. Liabilities from financial investments		6,762	6,969
3. Other liabilities		19,257	16,553
3. ACCRUALS AND PREPAID REVENUES	**25**	**159,805**	**144,033**
S. NON CURRENT LIABILITIES FOR NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		**-**	**-**
K. TOTAL LIABILITIES AND EQUITY		**2,612,900**	**2,622,097**
L. OFF BALANCE SHEET ITEMS – LIABILITIES AND EQUITY	**30**	**33,254**	**30,147**

Financial statements are approved by the Management board on 28 February 2023 and adopted by the Supervisory Board on 17 March 2023.

Signed on behalf of Makedonija Insurance AD Skopje – Vienna Insurance Group:

Mr. Bosko Andov

General Manger

Ms Margareta Popovska - Goseva

Financial Manager / Certified Accountant
(license number 0100428)

Statement of changes in equity

Description	Note	Share capital	Share premium	Reserves: Legal reserves	Reserves: Statutory reserves	Reserves: Reserves for treasury shares	Reserves: Other reserves	Reserves: Total reserves	Treasury shares	Revaluation reserves	Accumulated/ profit/ loss	Profit for the year	Total capital and reserves
Balance as at 1 January 2021		**888,308**	**-**	**273,155**	**-**	**-**	**8,686**	**281,842**	**-**	**199,404**	**175,308**	**54,570**	**1,599,432**
Balance as at 1 January previous year corrected		**888,308**	**-**	**273,155**	**-**	**-**	**8,686**	**281,842**	**-**	**199,404**	**175,308**	**54,570**	**1,599,432**
Profit or loss for previous year corrected		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55,015**	**55,015**
Profit or loss for current year		-	-	-	-	-	-	-	-	-	-	55,015	55,015
Non ownership changes in equity		-	-	-	-	-	-	-	-	26,736	-	-	26,735
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	17,984	-	-	17,983
Realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	8,752	-	-	8,752
Other non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity		**-**	**-**	**18,190**	**-**	**-**	**-**	**18,190**	**-**	**-**	**36,380**	**(54,570)**	**-**
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	-	-
Other transfers by shareholders		-	-	18,190	-	-	-	18,190	-	-	36,380	(54,570)	-
Balance as at 31 December 2021		**888,308**	**-**	**291,345**	**-**	**-**	**8,686**	**300,031**	**-**	**226,140**	**211,688**	**55,015**	**1,681,182**

Statement of changes in equity (continued)

Description	Note	Share capital	Share premium	Reserves					Treasury shares	Revaluation reserves	Accumulated/ profit/ loss	Profit for the year	Total capital and reserves
				Legal reserves	Statutory reserves	Reserves for treasury shares	Other reserves	Total reserves					
Balance as at 1 January 2022		**888,308**	**-**	**291,345**	**-**	**-**	**8,687**	**300,032**	**-**	**226,139**	**211,688**	**55,015**	**1,681,182**
Balance as at 1 January current year corrected		**888,308**	**-**	**291,345**	**-**	**-**	**8,687**	**300,032**	**-**	**226,139**	**211,688**	**55,015**	**1,681,182**
Profit or loss for current year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,034**	**40,034**
Profit or loss for 2022		-	-	-	-	-	-	-	-	-	-	**40,034**	**40,034**
Non ownership changes in equity		-	-	-	-	-	-	-	-	**(56,912)**	-	-	**(56,912)**
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	**4,616**	-	-	**4,616**
Realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	**(61,528)**	-	-	**(61,528)**
Other non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity		-	-	**18,338**	-	-	-	**18,338**	-	-	**(35,069)**	**(55,015)**	**(71,746)**
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	**(71,746)**	-	**(71,746)**
Other transfers by shareholders		-	-	**18,338**	-	-	-	**18,338**	-	-	**36,677**	**(55,015)**	-
Balance as at 31 December 2022		**888,308**	**-**	**309,683**	**-**	**-**	**8,687**	**318,370**	**-**	**169,227**	**176,619**	**40,034**	**1,592,558**

Cash flow statement

Description	Note	Amount *in MKD thousands* 2022	2021
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. CASH INFLOWS FROM OPERATING ACTIVITIES		**1,295,625**	**1,236,619**
1. Re-insurance and co-insurance premium and prepayments received		951,773	915,185
2. Re-insurance premium and retrocession		-	-
3. Inflows from share in paid claims		148,029	153,677
4. Received interest from insurance operations		-	-
5. Other inflows from operating activities		195,823	167,757
II. CASH OUTFLOWS FROM OPERATING ACTIVITIES		**1,305,032**	**1,231,733**
1. Claims paid, contractual insurance amounts, share in paid claims from co-insurance and prepayments		396,483	354,413
2. Claims paid and share in share in claims paid from reinsurance and retrocession		-	-
3. Co-insurance, reinsurance and retrocession premiums		335,789	349,599
4. Other personal expenses		158,626	148,510
5. Other insurance expenses		182,745	171,367
6. Interest paid		-	-
7. Income tax and other tax payables		30,451	24,542
8. Other outflows from operating activities		200,938	183,302
III. NET CASH INFLOWS FROM OPERATING ACTIVITIES		**-**	**4,887**
IV. NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		**9,407**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. CASH INFLOWS FROM INVESTING ACTIVITIES		**347,411**	**483,502**
1. Inflows from intangible assets		-	-
2. Inflows from material assets		65,040	12,619
3. Inflows from material assets not used for main activities (Investment property)		45,174	43,058
4. Inflows from investments in associates, subsidiaries and joint ventures		-	-s
5. Inflows from Investments in held to maturity (HTM)		-	-
6. Inflows from other financial investments		215,713	396,824
7. Dividends received and other share in profit		4,960	5,400
8. Interest received		16,524	25,601

Cash flow statement (continued)

Description	Note	Amount *in MKD thousands* 2022	2021
II. CASH OUTFLOWS FROM INVESTING ACTIVITIES		**268,378**	**444,474**
1. Outflow from intangible assets		-	-
2. Outflow from material assets		12,957	14,257
3. Outflows from material assets not used for main activities (Investment property)		12,969	4,843
4. Outflows from investments in associates, subsidiaries and joint ventures		-	-
5. Outflows from Investments in held to maturity (HTM)		19,330	-
6. Outflows from other financial investments		223,122	425,374
7. Dividends paid and other share in profit		-	-
8. Interest paid		-	-
III. NET CASH INFLOWS FROM INVESTING ACTIVITIES		**79,032**	**39,028**
IV. NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**-**	**-**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. CASH INFLOWS FROM FINANCING ACTIVITIES		**-**	**-**
1. Inflows from increase in share capital		-	**-**
2. Inflows from received long term and short term borrowed funds		-	**-**
3. Inflows from other long term and short term liabilities		-	-
II. CASH OUTFLOWS FROM FINANCING ACTIVITIES		**71,325**	**26**
1. Outflows from repayment of short term and long term borrowed funds and other liabilities		-	**-**
2. Outflows from repurchase of own shares		-	**-**
3. Dividends paid		71,325	26
III. NET CASH INFLOWS FORM FINANCING ACTIVITIES		**-**	**-**
IV. NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		**71,325**	**26**
D. TOTAL CASH INFLOWS		**1,643,036**	**1,720,121**
E. TOTAL CASH OUTFLOWS		**1,644,735**	**1,676,233**
F. NET CASH INFLOWS		**-**	**43,888**
G. NET CASH OUTFLOWS		**1,699**	**-**
H. CASH AND CASH EQUIVALENTSAT 1 JANUARY		**123,680**	**79,792**
I. EFFECT ON CASH AND CASH EQUIVALENTS FROM CHANGES IN FOREIGN EXCHANGE RATES		**-**	**-**
J. CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**22**	**121,981**	**123,680**

Financial statements are approved by the Management board on 28 February 2023 and adopted by the Supervisory Board on 17 April 2023.

Signed on behalf of Makedonija Insurance AD Skopje – Vienna Insurance Group:

Mr. Bosko Andov

General Manager

Ms Margareta Popovska - Goseva

Financial Manager / Certified Accountant
(license number 0100428)

1. General Information

Joint stock company for insurance and reinsurance Makedonija Skopje - Vienna Insurance Group (thereon the Company) is Joint Stock Company incorporated in Republic of Macedonia Operating activities of the Company include:

- Personal Accident Insurance;
- Medical Insurance;
- Land vehicle Casco insurance;
- Rail vehicle insurance;
- Aircraft insurance;
- Sea. Lake & river shipping insurance;
- Transport insurance;
- Fire explosion & other natural risks insurance;
- Other property insurance;
- Land vehicle MTPL insurance;
- Aircraft liability insurance;
- Sea. Lake & river shipping liability insurance;
- General liability insurance;
- Credit insurance;
- Guarantee insurance;
- Several financial losses insurance;
- Legal expenses insurance and Assistance insurance and
- Travel health insurance.

The Company operates in one Head office and 14 representative offices within the country. As of 31 December 2022 the Company performs its activities with 117 administrative employees and 30 sales agents (2021: 117 administrative employees and 32 sales agents).

The address of its registered office is as follows:

Str.11 Oktomvri No. 25
1000 – Skopje
Republic of Macedonia

2. Basis of preparations

(a) Statement of compliance

These financial statements are prepared in accordance with the Company Law (Official Gazette of Republic of Macedonia 28/04 and the changes 84/2005, 71/2006, 25/2007, 87/2008, 17/2009, 23/2009, 42/2010, 48/2010, 8/2011, 21/2011, 24/2011, 166/2012, 70/2013, 119/2013,120/2013, 187/2013, 38/2014, 41/2014, 138/2014, 88/2015, 192/2015, 217/2015, 6/2016, 30/2016, 61/2016, 64/2018, 120/2018, 195/2018, 225/2018, 239/2018, 290/2020, 215/2021 and 99/2022). Law on Insurance Supervision (Official Gazzette 27/02, 84/02, 98/02, 33/04, 79/07, 08/08, 88/08, 56/09, 67/10, 44/11, 112/11, 7/12, 30/12, 45/12, 60/12, 64/12, 23/13, 188/13, 30/14, 43/14, 112/14, 153/15, 192/15, 23/16, 83/18, 198/18, 101/19, 31/20, 173/22). Accounting standard applicable in the Republic of Macedonia published in the Rule Book for Accounting (Official Gazette 159/2009, 164/2010 и 107/2011 effective from 1 January 2012). Rule Book for Method of recording and valuation of accounting items and preparation of financial statements (Official Gazette 169/2010, 141/2013, 61/2016 and 36/2019) and are presented in accordance with the Rulebook on the form and content of the layout and the operation of the annual report on the operation of the insurance and/or reinsurance (Official Gazzette 5/2011, 41/2011, 64/2011, 187/2013, 61/2016, 170/2019, 107/2020 and 303/2021).

The Rule Book of Accounting comprises International Financial Reporting Standards (IFRS) - IFRS 1 to IFRS 8. International Accounting Standards (IAS) - IAS 1 to IAS 41. International Financial Reporting Interpretations Committee (IFRIC) - IFRIC 1 to IFRIC 17 and Standing Interpretations Committee (SIC) Interpretations comprising SIC 7 to SIC 32, IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRS 14, IFRS 15, IFRS 16, IFRIC 18, IFRIC 19, IFRIC 20 and IFRIC 21, IFRIC 22 and IFRIC 23 are not included in the Rule Book for Accounting and are not applied by the Company. IFRC (including IFRS 1) were initially published in the Official Gazette in 1997 and since then several updates have followed. The last update was in December 2010. The Company applies all relevant standards and the amendments and interpretations which were published in the Official Gazette.

On 29 December 2021 Agency for Supervision issued Rulebook with changes and supplement on the form and content of the layout and the operation of the annual report on the operation of the insurance and/or reinsurance (Official Gazette 5/2011, 41/2011 64/2011, 187/2013, 61/2016, 170/2019, 107/2020, 303/2021).

On December 31, 2021 (Official Gazette 303/2021), the Supervision Agency adopted amendments and additions to the Rulebook on the chart of accounts for insurance and reinsurance companies, which more closely defines the method of calculation and recording of Deferred acquisition costs.

Financial statements for year end 31 December 2022 were approved for publishing by the Company's Management Board on 28 February 2023 and were adopted by the Supervisory Board on 17 April 2023.

2. Basis of preparations (continued)

(b) Operating Environment of the Company

During 2022, the risks and uncertainties related to both the intensity and duration of the pandemic, as well as the economic recovery conditioned by the stoppages in global supply chains, the high increase in energy prices and inflationary pressures remained present. Also, the events in Ukraine since the end of February and the sanctions against Russia further affected the global economic environment, reducing economic growth. In such an environment, additional uncertainties and risks were created in the international financial markets, which motivated central banks to take measures to tighten monetary policies in order to stabilize price growth and reduce the purchasing power of the population. The IMF mission announced at its meetings during 2022 that it expects a development rate of 2.7% for Macedonia, that is, a reduction of the projection at the beginning of the year of 3.2%. It is expected that in 2023 the growth will reach 3%. The monetary policy is restrictive according to the increased rate of inflation and the banking system as a whole is assessed as well capitalized and liquid. The stability of the denar and the banking system, which has been assessed as stable and strong during the pandemic, has been confirmed. Regarding the increase in energy and food prices in global frameworks, the IMF expects inflation to be 10.6% in 2022, and 4.5% in 2023.

In the last period, we are all facing new macroeconomic conditions, which are characterized by a significantly increased level of energy and food prices. Our economy, being small and open, is extremely dependent on developments in the European economy. For now, no recession is expected in the European Union. The European Central Bank, despite the new situation with the invasion of Ukraine, expects growth in the EU this year, but lower than originally expected. The inflation rate as of 31.12.2022 according to the statistics office is 14.2%.

The labor market reflects the state of the economy. In conditions of slowed economic activity and high uncertainty, the number of employees stagnates. Unemployment in the third quarter of 2022 further decreased slightly, to 14.3% from the previous 15.7%. However, employment also decreased, remaining the same at 47.3%. As the current situation is still evolving, the Management of the Company would continue to have a proactive monitoring approach in relation to liquidity, maintaining continuous analysis of its business processes and preventing any side effects.

As of 31.12.2022, the Company has a satisfactory coverage of technical reserves of 100% and there is no excess (see note 5.2.7). As at 31 December 2022 the Company maintained its required solvency margin with surplus from Guarantee Fund of 1,110,650 MKD thousand and surplus of capital in terms of required solvency margin of MKD 1,282,502 MKD thousand (See note 5.2.7). The above explained results show that the Company has reasonable surplus over the solvency margin and will be able to solve its due obligations on time.

The Management Board of Vienna Insurance Group Wiener Versicherung Gruppe decided to start a process for evaluating the possibility of merging Joint stock company for insurance and reinsurance Makedonija Skopje - Vienna Insurance Group and WINNER - Vienna Insurance Group AD Skopje. Up to the date of this Management Representation Letter no such official decision has been enacted.

2. Basis of preparations (continued)

(c) Basis for measurement

The financial statements have been prepared on the historical cost basis, except for the asset classified as available for sale- which are measured by its fair value.

(d) Functional and reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in MKD, which is the Company's functional and presentation currency, rounded to the nearest thousand.

(e) Use of estimates and judgement

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. They are used in determination of accounting value of assets and liabilities when it can't be determined otherwise.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is changed, if the change affects only that year, or in the year of the change and future years, if the change affects both current and future periods.

Judgments made by Management in the application of accounting policies that have significant effect on the financial statement and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(g) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates valid at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in MKD at the beginning of the period, adjusted for effective interest and payments during the period and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into Macedonian MKD at the exchange rate at the date that the fair value was determined.

2. Basis of preparations (continued)

(g) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss for the differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translates by using the exchange rate at the date of the transaction.

Foreign currency that Company deals with is predominantly Euro (EUR) based. The exchange rates used for translation as at 31 December 2022 and 2021 were as follows:

	2022	**2021**
	MKD	**MKD**
USD	57.65	54.37
EUR	61.49	61.63
GBP	69.33	59.65

Significant accounting policies used for preparation of the financial statements for the year ended 31 December 2022 are used consistently for all periods and are presented below:

3. Significant accounting policies

3.1 Contracts for insurance and reinsurance

(i) *Insurance*

Contracts under which the insurer (company) accepts material insurance risk from third party or other beneficiary (insured) to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In the Financial statements are presented information that identifies and explains the amounts that arise from insurance contracts. On the reporting date it will be assessed whether the recognised insurance liabilities are adequate. On the date of acquisition of the insurance assets and liabilities the Company will measure them at fair value.
In the Financial statements are disclosed information which will enable:

- To assess the nature and extent of risk arising from insurance contracts, goals, policies and processes for risk management arising from insurance contracts and methods used for management of those risks, like credit risk, liquidity and market risk.

The Insurer presents information through sensitivity analysis which shows the impact on the profit/loss and equity if there is a significant risk change.

(ii) *Reinsurance*

Reinsurance contract is a contract for insurance issued by one Insurer (Reinsurer) to offset the losses of another Insurer (Cedent) occurred on a basis of a one or more contracts issued by the cedent. Reinsurer is a party with an obligation according to the reinsurance contract to compensate the cedent if an insured event takes place. Reinsurance premiums are recognised as an expense in the income statement on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. Reinsurance recoveries are recognised as an income in the profit and loss statement. An asset is impaired if there is objective evidence, that the Company may not recover all amounts under the contract for reinsurance.
Because the Company carries out international transactions related to reinsurance it is exposed to market risk arising from fluctuations in exchange rates. The Company does not use financial instruments to reduce these risks.

3. Significant accounting policies (continued)

3.1 Contracts for insurance and reinsurance (continued)

3.1.1 Recognition and measurements

Premiums

Gross premiums written reflect businesses written during the year and exclude any taxes or premium payables.
The earned part of premiums is recognised as revenue. Premiums are earned from the inception date, over the indemnity period, based on the pattern of the risks underwritten. The share from written premium which matures in the year that follows is allocated in the following accounting periods as unearned premium.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business. A portion of outward reinsurance premium is treated as an expense and it reduces the premium income.

Unearned premium provision

The provision for unearned premiums 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 rate method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurred during the financial year together with adjustments to prior year claims provisions, but do not includes the expenses for appraisal of claims made by employed appraisers within the Company.

Claims paid are recorded in the moment of processing the claim and are recognised (determined) as the amount to be paid to settle the claim. Claims paid in non-life business are increased by claims handling costs.
Collected claims recoverable from third parties and claims recoverable from third parties that are anticipated to be collected are deducted from claims settled.

Claims outstanding comprise provision for the Company’s estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not. and related internal handling expenses and appropriate prudential margin.

Liability adequacy test

Liability adequacy test is performed to determine if the unearned premium provisions, less deferred acquisition cost and any related intangible assets, such as those acquired in a business combination or portfolio transfer are adequate.

If a shortfall is identified, unexpired risk provision is established. The deficiency is recognised in profit or loss for the year.

At each balance sheet date, an assumption is made that claims development in the remaining term of portfolio at the balance sheet date will be the same as the claims development during the respective year or as the historical experience on this portfolio.

3. Significant accounting policies

3.1 Contracts for insurance and reinsurance (continued)

3.1.1 Recognition and measurements (continued)

Insurance receivables and payables

Amounts due to and from policyholders, agents and other receivables are financial instruments and are included in insurance receivables and payables.

3.2 Revenue

Revenues are measured at fair value of the consideration received or are required. Revenue is recognised if assets are increased or liabilities are decreased.
Revenue is recognised only when it is probable that economic benefits from a transaction will represent an inflow for the Company. When there is uncertainty referred to the collection of an amount already included in revenue, the uncollectible amount or amount for which the compensation is unlikely is recognised as an expense, and not as an adjustment to the amount already recognised as inflow.

3.2.1 Underwriting result

The underwriting result of the non-life insurance is determined on an annual basis.
Written premiums are stated as income for the year when incurred. The share of the premium income that matures in the following year deferred in the forthcoming periods through the provision from unearned premium.
If at the time of the event it is assessed that the collection is not probable, revenue is deferred. Provisioning of receivables is performed for previous accounting periods while for current accounting period expenses are increased.

3.2.2 Investment income

Interest income and expense for all interest-bearing financial instruments, except for those classified as available for sale or designated at fair value through profit or loss are recognised within ‘interest income’ and ‘interest expense’ in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

3.2.3 Fees and commission income

Fees and commission income includes fees received on the basis of passive reinsurance as well as on the basis of assessed and paid out claims.

3. Significant accounting policies (continued)

3.3 Expenses

In recognition of expenses the Company applies the following principles:

- Expenses can result in reduction of assets or increase of liabilities and it can be measured with certainty;
- Expenses have a direct connection with the incurred costs and special items of revenue;
- When a revenue realisation is expected in the following accounting periods, then expenses recognition is performed with a procedure of reasonable allocation in accounting periods;
- The expense is recognised in the accounting period when no future economic benefits from it are expected and there are no conditions for it to be recognised as an item in the balance sheet;
- The expense is recognised in the accounting period when the liability for it occurred and there are no conditions to be recognised as an item in the balance sheet.

All costs and expenses that refer to the accounting period must be included in the financial statements.

3.3.1 Deferred acqusition costs (“DAC”)

Costs incurred in acquiring general insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisition costs include direct costs such as commission to brokers and other direct costs.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts. The rate of amortisation is consistent with the pattern of emergence of such margins.

Based on the changes of the Bylaw published in Official Gazette 170/2019 and the Amended Manual for the chart of accounts of the Insurance Company (Official Gazette 303/2021) and the Rulebook on Account Plan for Insurance and Reinsurance Companies (Official Gazette 303/2021), the Insurance Agency Supervision prescribed a new method for calculation of DAC which should be applied prospectively from 1 January 2022.

The new method for DAC calculation involves clarifying the types of costs that can be used to calculate it. Under the new method, the company has to recognize the commission on a contractual basis in accordance with the contracted Gross Written Premium. The Company adjusts the Commission liability in proportion to the recognized Gross Written Premium income as well as for the amount that would not be collected according to the agreements that the Company has concluded with the intermediaries (agents, brokers, etc.) by which the Commission is paid on the basis of a collected premium. Previously, the commission expense was recognized based on the collected premium. Deferred acquisition costs on December 31, 2022 amount to MKD 102,665 thousand (2021: MKD 79,606 thousand). The aforementioned amounts are based on the implementation of the Rulebook on the account plan for insurance and reinsurance companies (Official Gazette 303/2021), more precisely the specification of the sales costs included in the calculation.

3. Significant accounting policies (continued)

3.4 Employee benefits

(i) Pension plans

The Company is obliged to calculate pension contributions for the pension funds in accordance with the Macedonian law. Pension contributions that are individually determined with the employees' salaries are paid to the pension funds that further are responsible for pension payments.
The Company has no additional obligation for payment regarding these pension plans. Liabilities that arise from these pension plan payments are recognized as expense in the Income Statement. Beside pension contributions they are furthermore contributions that are paid: health contributions, professional additional contributions, employment contribution in case of unemployment, contribution to seniority insurance with increased duration.

(ii) Employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized when the relevant service is received. Short-term employee benefits include: salaries, compulsory social security contributions, short-term paid absences (paid annual leave, paid sick leave) and non-monetary benefits (health care).

(iii) Other long-term employee benefits

In accordance with the Macedonian legislation regarding retiring employees, the Company is paying two average monthly net salaries paid in general in RM during the last three months of the retiree employment. Jubilee awards are being paid also in accordance with the general collective agreement.

In accordance with ISA 19 pensions are defined defined benefits after meeting certain criteria. Booked value of all employee benefits liabilities are calculated at the end of the reporting period. The balances of these liabilities at the end of the reporting period are representing the discounted payment that will be done in future.

3. Significant accounting policies (continued)

3.5 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. According to the provisions of the Income tax law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the income tax rate is 10%. In line with this law, income tax for the year was calculated and recorded in the Statement of comprehensive income.

The Income tax law has been amended effective from 1 January 2019, valid for the fiscal year 2019. Mainly changes relate to broadening of expenses which were included in the non - tax deductible category, changes on the tax treatment of the depreciation and changes in the transfer pricing provisions. The depreciation expense is treated as tax deductible, only if the expense is calculated within the statutory prescribed depreciation rates and rules. These rates and rules are defined in the Guidelines for depreciation which was enacted the end of 2019 with application as of 1 January 2019 and additional changes 290/20 and 151/21. Calculated depreciation expense above tax allowable amount is treated as non-deductible amount in the Annual Profit Tax Return.

Deferred income tax

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Significant accounting policies (continued)

3.6 Intangible assets

a) Classification

Intangible assets include software licences.

b) Initial recognition

Intangible assets are recognized only if it is probable that future economic benefits, attributable to the asset will flow to the company and if the cost of the asset can be measured reliably. If an intangible asset does not meet the criteria for recognition, the expense incurred should be recognized as an expense when incurred.

Research expenses cannot be recognised as an asset.

Costs incurred in acquiring a license for software as well as other long-term rights are amortized by straight-line method over the expected or contractual life, but not longer than 5 years.

Cost that significantly improves and extends the benefits of the software in terms of their original value is recognized as an additional investment and increase the initial cost of the software. Smaller improvements are regarded as costs of maintenance and are considered expenses in the current period.

The basis for recognition of intangible assets includes: 1) manner of acquisition, 2) the expected period of economic benefit and 3) ability to be sold, Intangible asset are initially measured by cost. Book value includes purchase costs and other necessary costs needed intangible asset to be in function.

c) Measurement after initial recognition

After initial recognition the asset is measured by cost less accumulated amortization and impairment loss, if any.

d) Useful life

Intangible assets are amortized according to their expected useful life, but no longer than 5 years.
Intangible assets are written off at the moment of sale or when they are no longer in use and no economic benefits are expected.
Gains or losses resulting from the withdrawal from use of the assets is determined as the difference between the estimated net gain/loss from sale of the asset and its carrying amount and is recognised as income or expense for the period in which it incurred.

3. Significant accounting policies (continued)

3.7 Property, plant and equipment

a) Classification

Land and buildings are stated at historical cost. After initial recognition the Company does not perform valuation of the land and land is not depreciated.
Tangible assets are consisted out of property, plant and equipment, furniture, vehicles, construction in progress and other tangible assets.
Tangible assets are assets that:

- Are kept for providing products and services, for rental to others or for administrative purposes;
- Are expected to be used for more than one year period.

b) Initial recognition and useful life

Due to the change of the regulation in August 2019, at the date of acquisition, PPE is recognised at the lower of the purchase cost and estimated fair value, if it is probable that the future economic benefits from use of the assets will be cash inflow to the company and if can be reliably measured. The purchase value of the asset, is the amount of paid cash or cash equivalents, to acquire the tangible asset at the time of its acquisition or construction. Cost of the assets includes the purchase price, including import duties and non-refundable taxes and all expenses that can be directly attributed to bringing the asset in condition to be use. All trade discounts and rebates are deducted to calculate the purchase price.

Maintaining expenses of the assets are not recognised in the carrying amount of the asset. but as an expense in the income statement.

c) Subsequent measurement

Based on the new Rulebook enacted by the Insurance Agency for Supervision and based on the received clarification in this respect the Company starting from 2019 recognized its previous revaluated amount of PPE as its new cost (i.e. it becomes the new gross carrying amount). Subsequently, the Company recognizes PPE at the gross carrying amount less accumulated depreciation and accumulated impairment loss.

The Company shall at the end of each period determine whether there is any indication of impairment. If there is any indication of impairment, an estimate of the recoverable amount shall be made.

The Company recognizes an impairment loss in case the estimated fair value obtained from the independent valuation specialist is lower than its carrying amount. To the extent that the Company have positive revaluation reserve arising from its previous revaluation model, the impairment loss is recognized in other comprehensive income. Any sbusuquent impairment is recognized in the income statement.

In case the estimated value obtained from independent valuation specialist is higher than the carrying amount than Company discloses the estimated fair value amount in Note 16.

All other tangible assets (furniture, equipment, computers and vehicles) the cost model was used for subsequent valuation. The asset is recognised at cost less accumulated depreciation and accumulated loss due to impairment.

3. Significant accounting policies (continued)

3.7 Property, plant and equipment (continued)

Depreciation of other material investments is calculated with the straight line method. Constructions in progress are recognised by cost for construction including costs for expenses for third persons. For constructions in progress depreciation is not calculated. At the end of the process, all accumulated expenses are transferred to the appropriate material asset and equipment with appropriate depreciation rate.

Depreciation is calculated separately for each asset within the group according annual depreciation rates of assets until the value of assets is fully depreciated. The applied annual depreciation rates are as follows:

Buildings	2.5% (40 years)
Furniture and equipment	5-20% (5-20 years)
Computers	25% (4 years)
Vehicles	25% (4 years)

When the value of the asset used as basis for calculation of depreciation is offset, depreciation is no longer calculated even though the asset is still in use. Depreciation for property, plant and equipment terminates when they are written off or reclassified as an asset held for sale.

d) Leasehold improvements

Leasehold improvements are recognised as separate items of non-current assets and these kinds of investments are undertaken by the Company in its own name and for its own purposes in accordance with the contract for lease with the owner of the leased asset.

Depreciation of leased assets is calculated on a systematic basis over the estimated useful life of the asset, which can be equal or shorter than the contract for lease.

3. Significant accounting policies (continued)

3.8 Investment property

Investment property is property (land and buildings or part of building or both) held by the Company to earn rentals or for capital appreciation or both. Property used by the company in operational activities is not part from investment property.

Investment property is initially measured at cost and subsequently at cost less depreciation. Due to the change of the regulation starting from August 2019, at the date of acquisition, Investment property is recognised at the lower of the purchase cost and estimated fair value, if it is probable that the future economic benefits from use of the assets will be cash inflow to the company and if can be reliably measured. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Direct attributable expenditures include professional fees for legal services, property transfer taxes and other transaction costs. Subsequent to initial recognition as an asset, the Investment property is recognized at the gross carrying amount less accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is calculated by using the straight line method and with the determined depreciation rates.

The useful life of building is estimated at 40 years at an annual rate of depreciation 2,5%.

Investments in property generate cash inflows independently from the other assets possessed by the Company.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.
The criteria to distinguish investment property that is used for business operations and property that is not used to perform the activity is net usable area of property according to the used space and available space for rent. Review of percentages will be performed annually.

Upon acquisition of an item of Investment Property, the Company is obliged to engage an independent valuation specialist to determine the estimated fair value amount of the Investment property.

The Company shall at the end of each period determine whether there is any indication of impairment. If there is any indication of impairment, an estimate of the recoverable amount shall be made.

The Company recognizes an impairment loss in case the estimated fair value obtained from the independent valuation specialist is lower than its carrying amount. To the extent that the Company have positive revaluation reserve arising from its previous revaluation model on the PPE, the impairment loss is recognized in other comprehensive income. Any subsequent impairment is recognized in the income statement.

3. Significant accounting policies (continued)

3.9 Financial investments

The Company classifies its financial investments as assets held to maturity, assets available for sale and deposits, loans and other receivables.

a) Assets held to maturity

As assets as held to maturity the Company qualifies:
- asset that has fixed or determinable payments;
- assets that has fixed date of maturity ;
- assets for which the Company has a positive intention and ability to keep them to maturity;
- assets which at initial recognition are not recognised at fair value through the profit or loss;
- assets that are not recognised as available for sale;
- assets that are not classified as loans and receivables.

Assets held to maturity include government bills issued by the Ministry of Finance.

The Company recognises the assets as held to maturity in the balance sheet on the day of acquisition. Initial recognition of held to maturity, is at its fair value plus transaction costs for acquisition of the asset.
Subsequently assets held to maturity are measured at amortised cost by using the effective interest method.
Gain or loss from subsequent measurement is recognised in profit or loss when the asset is derecognised or impaired.

b) Assets available for sale

As assets available for sale the Company classifies:

- non-derivative financial instruments that are classified as available for sale;
- assets not classified as loans and receivables, held to maturity investments or financial assets at their fair value through profit or loss;
- any other financial asset classified in this category at its initial recognition.

The Company initially recognises assets available for sale in the balance sheet at the trading date at fair value which is the cash consideration including any transaction costs. As available for sale assets the company has equity instruments.

3. Significant accounting policies (continued)

3.9 Financial instruments (continued)

b) Assets available for sale (continued)

After the initial recognition financial assets are measured at their fair value without any deduction for transaction costs that may occur when asset is sold / disposed.

Gains and losses arising from changes in the fair value of available for sale are recognised directly in equity (revaluation reserve) until their derecognising or impairment. At this time the cumulative gain or loss previously recognised in equity as well as the difference between book value and the purchased value is recognised in profit or loss. The fair values of quoted investments in active markets are based on current bid prices except instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, less impairment losses.

The Company measures investments in securities which are not quoted on an active market and whose maturity is not significant by using individual assessment of the financial position of the issuer. The financial position is determined based on the following criteria whose importance decreases subsequently:

- Solvency of the issuer;
- Liquidity of the issuer;
- Previous period cash inflow and expected future cash inflows;
- Profitability of the issuer;
- General market conditions and future perspectives of the issuer and his market position;
- Timely settlement of the due liabilities as per contract;
- Management quality and expertise.

The Company should write off the financial asset when and only when:

a) the cash flows from the financial asset and contractual rights are expired;

b) when the financial asset is allocated.

Financial assets available for sale issued by Republic of Macedonia that do not have quoted market price on active market are measured with the method of effective interest rate. Investments in security for which fair value cannot be objectively determined are carried at cost.

c) Deposits, loans and other receivables

(ii) Deposits, loans and other receivables are presented in the balance sheet in amount of not w/o principal and interest less impairment for bad and doubtful debts. Impairment of receivables is determined by Management when there is obvious evidence that the Company will not be able to collect all due amounts under previously established conditions.

d) Impairment of financial assets

i) Assets carried at amortized cost

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets which are not measured at fair value are impaired. A financial asset is impaired and impairment losses are incurred if and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

3. Significant accounting policies (continued)

3.9 Financial instruments (continued)

d) Impairment of financial assets (continued)

Objective evidence that financial assets are impaired may include delays in contractual payments, redefinition of receivables by the Company under conditions otherwise not considered, initiation of bankruptcy proceedings, disappearance of an active market for the financial asset, other observable data for a group of assets like adverse changes in the payment status of the owner or issuer of the financial asset, or economic conditions that leads to insolvency in the group.

The amount of loss due to impairment is measured as the difference between the asset's book value and the present value of estimated future cash flows, discounted for the effective interest rate.
Losses due to impairment are recognised in the income statement and are reflected in the accounts for loans corrections, receivables corrections and other receivables.
If in future period amount of impairment loss decreases than loss is adjusted trough the income statement.

ii) Assets classified as available for sale

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets are impaired.

If any such evidence exists for available-for-sale financial assets than the cumulative loss (measured as a difference between acquisition cost and the fair value less any impairment loss on that financial asset) previously recognised in equity is removed from equity and recognised in income statement. 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 recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In the case of investments classified as available for sale, a significant or prolonged decrease in the fair value of the security below its cost is considered in determining whether the assets are impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

e) Derecognition

The Company derecognizes financial assets when the contractual rights to the cash inflows from the financial asset expire, or if rights over the cash flows from the asset with a transaction in which all risks and rewards from ownership of the asset are transferred to third party. Every part from the transferred financial assets which the Company will retain is recognised as a separate asset or liability. The Company derecognizes financial liabilities when the contractual liabilities are settled, cancelled or expired.

3.10 Short term receivables

Receivables, receivables from customers, receivables from employees, receivables from government and other institutions, are booked at nominal value increased for the interest in accordance with the signed contract or payment decision.
The receivables amount is decreased for impairment of bad and doubtful receivables in accordance with their aging structure.

3. Significant accounting policies (continued)

3.11 Cash and cash equivalents

Cash and cash equivalents are highly liquid assets. Cash equivalents are short term, highly liquid investments that are readily convertible to cash and have insignificant risk of changes in their value. Cash and cash equivalents are reported at amortised cost in the balance sheet, usually nominal value.

Cash and cash equivalents of the Company comprise of:

a) Cash on giro accounts in MKD and foreign currency in domestic banks;
b) Petty cash (in MKD and foreign currency).

Cash flows are inflows and outflows of cash and cash equivalents.
The Company reports cash flows from operating activities by using direct method.

3.12 Prepaid expenses

Prepaid expenses are presented as expenses for goods or services that Company will receive in near future and are calculated as expenses for current reporting period. The reason for deferral of the expense and the amounts that refer to future periods must be appropriately accounted for.

3.13 Equity and Reserves

a) Equity

The Company's equity comprises share capital and additional capital.

Subscribed share capital is stated on a separate account in amount that is written in the central registry during the founding of the Company, or during change of the value of the shared capital.
The acquired own shares do not reduce the number of issued shares, but only decrease the number of shares in circulation.

The equity of the Company comprises:

- Share capital which is equal to the nominal value of issued shares (subscribed and paid-in capital);
- A capital increase based on realized difference between the nominal value of shares and the amounts for which they are sold (share premium);
- A capital increase based on distributed revaluation reserve (accounted for revalorisation reserve from previous years) and
- Retained earnings/losses from previous years.

An ordinary share gives the right to its owner a share in distributed dividends of the Company and voting rights at shareholders meetings (one share. one vote).

b) Reserves

According to local legislation, the Company is obliged to create statutory reserve. Statutory reserves are intended to cover the liabilities from the insurance contracts for a longer period of time. The Company is required to set aside at least 1/3 of the net profit for the year presented in the financial statement, if the profit is not used to cover losses from previous years. A Company that has set aside a safety reserve in the amount of at least 50% from the average earned insurance premium in the last two years and these insurance premiums from previous years could be increased for the consumer price index, taking into account also the year in which the profit is distributed, is not obliged to allocate amounts from the profit to the safety reserve.

3. Significant accounting policies (continued)

3.13 Equity and Reserves (continued)

For Insurance Companies article No.485 from the Trading Law. considering the mandatory reserves is not applied.

In revalorisation reserve gains and losses from changes in the fair value of assets available for sale and noncurrent assets are presented. This results in increase or decrease of equity (except for losses due to impairment and gains and losses from exchange differences. which are presented in the income statement).

Transfer of revaluation reserve to retained earning

The revaluation reserve which arises based on revaluation on properties is transferred to retained earnings in the year when the asset is written off. However the transfer of revaluation reserve to retained earnings could be made while the asset is still in use. In that case, the amount of realised revaluation reserve which is transferred to retained earnings represents difference between the amount of depreciation calculated on the revaluated amount of the asset and the depreciation that would have been calculated if the asset has been measured under the cost method. New regulation from August 2019 states that revaluation reserve is not transferred to retained earnings as the Company applies the cost model of accounting PPE and Investment Property. Any impairment loss recognised on PPE and Investment property is recognised in revaluation reserve in accordance with accounting policy 3.7 and 3.8 presented above.

c) Profit or loss

Profit or loss for the current year is determined in accordance with local legislation. The realised profit for the period is transferred and allocated in the next year in accordance with the Shareholders Assembly's decision.

(i) Recognition of retained earnings/losses

Retained earnings are presented separately from retained losses.
The loss from operational activities may be covered with the retained gains only with a decision from the Board of Directors and in accordance with the Law on trading companies.
If loss occurs it is covered from the equity. Shareholders are not bound by statute to cover losses with additional investments.
Dividend is paid out based on a decision from the Shareholders Assembly and in accordance with the Law on trading companies.

(iii) *Recognition of profit or loss for the current year*

Profit or loss for the current year is presented in the income statement as profit/loss before tax.
When presenting the profit or loss for the year, all items from the income and expenses must be included, with an exception of adjustments and changes in accounting policies.
Profit or loss from operational activities is presented from operational and non-operational activities.

3. Significant accounting policies (continued)

3.14 Reserves

3.14.1 Technical reserves

In order to enable permanent settlement of liabilities arising from insurance contracts, the insurance company calculates technical reserves as follows:

1) Unearned premium reserves (UPR);
2) Reserve for bonuses and discounts;
3) Claims reserve;
4) Other technical reserve.

(iii) Unearned premiums reserves

Unearned premiums reserves are allocated for the portion of premium that is going to be earned in the following accounting period, in proportion between the expired insurance period and the remaining period to expiry of the insurance contract. The unearned premium is calculated based on a pro rata temporise for the calendar year with 360 days. The Company allocates reserves for unexpired risks if the expected amount of claims and costs past the reporting date are higher than the unearned premium reserve.

(iv) Reserves for bonuses and discounts

Reserves for bonuses and discounts are allocated in the amount that is equal to the amount that insurers are entitled to receive based on:

1. The rights of share of profit and other rights arising from insurance contracts (bonuses);
2. Right for partially reducing the premium (discounts);
3. Right to return a portion of the premium that refers to the unused period of insurance due to premature termination of the insurance contract (cancellation).

(iii) Claims reserves

Claim reserves are allocated in the amount of estimated liabilities that the insurance company is obliged to pay, based on insurance contracts where the insured event occurred at the end of the accounting period, whether the event is reported or not, including all costs that will result from untimely settlement of liabilities by the insurance company for the request based on a completed claim. The claim reserves, besides the estimated liabilities for reported but not settled claims (RBNS), include estimated liabilities for incurred, but not reported claims (IBNR). The reserve for claims handling costs, include reserve for direct and indirect expenses.

(iv) Other technical reserves

The Company will allocate the technical reserves for unexpired risks.
The calculation of other technical reserves is performed in accordance with the Rulebook for minimum standards for calculation of technical reserves.

3. Significant accounting policies (continued)

3.14 Reserves (continued)

3.14.2 Impairment of insurance premium receivables

Due to real assessment of the receivables based on insurance premium and interest, recourse receivables and the risk assessment of uncollectable receivables, the Company creates a special reserve. Special reserve is created based on the matured unpaid premium receivables, interest and reprogrammed receivables. Maturity refers to the last day on which the client was supposed to pay a certain amount of money, in accordance with the insurance contract. On the maturity date on outstanding premium balance special reserve is calculated.

Reprogrammed receivables with new debtors are classified in accordance with the due date of the new contract. For clients that are bankrupted or in a process of liquidation, a 100% of reservation is calculated.

Special reserve is determined in accordance with the classification of due premium receivables categorised in different categories:

- A Category - Premium receivables and interest with maturity from 0 to 30 days;
- B Category - Premium receivables and interest with maturity from 31 to 60 days;
- C Category - Premium receivables and interest with maturity from 61 to 120 days;
- D Category - Premium receivables and interest with maturity from 121 to 270 days;
- E Category - Premium receivables and interest with maturity from 271 to 365 days;
- F Category - Premium receivables and interest with maturity longer than 365 days.

Special reserve for insurance premiums. interest and receivables based on recourse are formed by using the following percentages:

Category	Days in arrears	Impairment (in % from the total value of the individual receivable)
A	up to 30 days	0%
B	from 31 to 60 days	10%-30%(10%)
C	from 61 to 120 days	31%-50%(31%)
D	from 121 to 270 days	51%-70%(51%)
E	from 271 to 365 days	71%-90%(71%)
F	longer than 365 days	100%

The calculated special reserve which is formed due to outstanding receivables for insurance premium and interest is being recognised through the income statement and is presented in the balance sheet on a special account.

For all other receivables a reserve is determined based on the Rulebook for valuation of assets from the balance sheet and preparation of the business accounts. The determined amounts of reserve are recognised in the income statement.

3. Significant accounting policies (continued)

3.14 Reserves (continued)

3.14.2 Impairment of insurance premium receivables (continued)

Write off of receivables

The Company in accordance with corporate policies writes off receivables older than 36 months (previously those receivables were 100% provided and all legal measures were undertaken).

Written off receivables will be recorded as off balance sheet items in balance sheet and all started activities related to their collection will remain.

3.15 Accrued expenses

In the current accounting period accrued expenses are calculated as expenses for which appropriate supporting documentation does not exist so that they could be recognised as a liability and for which with certainty can be determined that they refer to the current accounting period. When documents will be obtained for recognition of the liability, an adjustment will be made for the accrued expense.

3.16 Comparatives

In order to maintain consistency in the current year presentation, certain items may have been reclassified for comparative purposes. Material changes in disclosures, if any, are described in details in the relevant notes.

4. Accounting estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Technical reserve for contracts from non-life insurance

The assumptions used in the estimation of insurance assets and liabilities are intended to result in reserves 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 RBNS and IBNR, it is likely that the final outcome could be different from the original liability established.

Reserve 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 cost and less amounts already paid.

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

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to the Company until several years after the occurrence of the event giving rise to the claim.

Reserves for claims include:

- estimated liabilities for reported but not settled claims (RBNS);
- estimated liabilities for incurred but not reported claims (IBNR);
- estimated liabilities for claims handling cost.

(a) Reported but not settled ('RBNS'- Reported but not settled)

The reserve amount for reported but not settled amounts is based on the expect amount that will be paid, for each claim individually in accordance with available documentation for the claim.
The reserve is calculated permanently with inventory count of all claims for all types of insurance.

In determining the reserved amount the following calculations are used from:

- Claims adjusters for all types of claims; and
- When a non-material damage is in question, the liquidator will determine the amount of reserve based on the available medical documentation. If the documentation is not considered as sufficient an opinion will be requested from a censor or another expert whose specialties are derived from the nature of the work and are correlated with the insurance and judicial practice.

In determining the reserve amount for other material damages arising from non-material damages (life-long instalments, lost earnings, benefits for social insurance, etc). opinions from doctors, lawyers, actuaries and other persons with specialties in the domain will be used.

Reported but not settled claims which are paid out in a form of life-long installments are provisioned and capitalised with the following amounts:

- Current value; and
- Estimate of future annuity payment.

4. Accounting estimates (continued)

In calculation of reserves for claims with life-long installments, the use of tables for determining the liabilities for payment of life-long installments is compulsory and it can be used for calculation of reserves for life-long installments.

The calculation of the reserved amount for life-long installments is calculated by determining the yearly amount of installment and it is multiplied by the appropriate factor from the Table of factors for determining of reserve and the liability for the gender and the age for the time in which the conditions for payment exist.
Claims that were reported and reserved at the end of the year and were not liquidated or totally liquidated in the next year, will be reserved for the unpaid amount.

The amount of reserve is determined on the following basis:

1. Determination of the amount of reserve for claims at the end of the year;
2. Determination of the amount of reserve for claims at the end of the accounting period shorter than one year.

(b) Reserve for Incurred but not reported (‘IBNR’- Incurred but not reported)

Reserve for incurred but not reported claims is calculated on the basis of statistical data for the number and amount of incurred and reported claims, with technology for processing and payment of claims and with other available data.

The reserve for incurred but not reported claims depending from the class of insurance and insurance portfolio will be calculated by using one of the following actuarial methods:

- Triangulation of claims (Basic Chain Ladder);
- Triangulation of claims adjusted for inflation (Chain Ladder adjusted for triangulation);
- Method of average value of the claim - provision in accordance with this method is calculated as a product of projected average amount of claim and projected expected number of claims;
- Method of expected claim coefficient – expected claim coefficient is determined by the Agency;
- Bornhuetter – Ferguson method and
- Other actuarial methods.

The Company in calculation of the reserve for incurred but not reported claims uses the method of triangulation (basic or adjusted for inflation) as a primary method, except in cases when no historical data is available. Historical data needed includes data about the number and amount of incurred and reported, respectively liquidated claims on a yearly basis, at least for five previous years. An exception can be applied for risk with a shorter tail and historical data needed could include data about the number and amount of incurred and reported. respectively liquidated claims on a yearly basis. at least for three previous years.

(c) Reserve for claims handling costs

Claims handling costs reserves includes reserve for direct and indirect costs.
The reserves for direct costs as part of claims handling costs are an integral part of RBNS and IBNR reserves.
Reserve for indirect costs is created as coverage for expenses for claims handling in case of termination of Company operations.

4. Accounting estimates (continued)

The minimal coefficient for its calculation is 1.5% from the sum of the reserves for incurred and reported claims, reserves for incurred but not reported and reserves for direct expenses.

(d) Sensitivity analyses

The Company has estimated the impact on profit for the year, equity and the coverage coefficient at the end of the year of changes in key variables that have a material effect on them. The Company also considered highly adverse scenario and presented its impact.

In line for current equity position the current result for the profit for the period, equity, coverage coefficient and solvency coefficient with own capital as at 31 December 2022 and 31 December 2021 are shown in the tables below:

31 December 2022	**Profit for the period**	**Equity**	**Required level of margin of solvency**	**Coverage coefficient**	**Change in coverage coefficient**
Current equity position	40,034	1,592,558	104,868	1519%	-
Investment yield (+100 b.p.)	53,309	1,605,834	104,868	1531%	12%
Investment yield (-100 b.p.)	26,758	1,579,282	104,868	1506%	(13%)
10% increase in total expenses	39,743	1,592,267	104,868	1518%	(0%)
10% decrease in total expenses	40,324	1,592,849	104,868	1519%	0%
10% increase in claims incurred	13,558	1,566,082	104,868	1493%	(26%)
10% decrease in claims incurred	66,510	1,619,034	104,868	1544%	25%

31 December 2021	**Profit for the period**	**Equity**	**Required level of margin of solvency**	**Coverage coefficient**	**Change in coverage coefficient**
Current position	55,015	1,681,182	96,412	1744%	-
Investment yield (+100 b.p.)	62,436	1,688,602	96,412	1751%	8%
Investment yield (-100 b.p.)	47,595	1,673,762	96,412	1736%	(8%)
10% increase in claims incurred	54,944	1,681,111	96,412	1744%	0%
10% decrease in claims incurred	55,086	1,681,253	96,412	1744%	0%
10% increase in total expenses	33,066	1,659,233	96,412	1721%	(23%)
10% decrease in total expenses	76,964	1,703,131	96,412	1767%	23%

5. Insurance and financial risk management

The Company is exposed to a variety of risks issues insurance agreements that bear insurance or financial risk or both. The Company's risk management approach is focused on unpredictability of the financial market and seeks to minimise potential adverse effects. Risk management is carried out under policies approved by the Management Board.

5.1 Insurance Risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger portfolio of similar insurance contracts is, the smaller relative volatility on expected outcome is. In addition a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the volatility of the expected outcome. Factors which impact the increase of insurance risk include a lack of diversification of risks relating to different insurance events as well as geographic and sector concetration.

Risk management objectives and policies for mitigating insurance risk

This control ensures effective risk management in the underwriting process and ensuring adequate premium. Through formal procedures which are well known by each employee the Company underwrites premiums with clients that are going to ensure maintaining of the business profitability and in the same time providing quality service to them.

The Company has implemented formal procedures and protocols for insurance risk management. Also there are implemented levels of authorisation for all employees in the Underwriting department and for all agents. The profitability is monitored continuously for each product individually through detecting segments that could negatively impact on the result. The integrated system and data processing enables monitoring of the results for each client individually which on other hand enables selection of clients with high quality and creating client portfolios for individual type of insurance that will provide positive results in accordance with Company's policies. In line with the day to day activities based on analysis if necessary changes are made to the current terms conditions and insurance tariffs.

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. Also the company buys facultative reinsurance in certain specified circumstances which is subject to pre-approval and the total expenditure on facultative reinsurance is regularly monitored.

Ceded reinsurance contains credit risk and such reinsurance recoverable is reported after impairment provisions as a result of occurred recognition asset.

The Company continuously monitors the reinsurance programme and its ongoing adequacy.

The company concludes reinsurance agreement with the parent company and non-affiliated reinsurers in order to control its exposure to losses resulting from one occurrence.

5. Insurance and financial risk management (continued)

5.1 Insurance Risk (continued)

5.1.1 Concentrations of insurance risks

The risk of concentration 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 classes. Therefore the Company puts special emphasis on the importance on management of the concentration risk, through diversification of the portfolio in terms of concentration of types of insurance contracts geographical and industry sector concentration.

Important aspect of concentration risk is that it may arise through risk accumulation of more separate classes of insurance.

Concentrations of risk can also arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is based towards a particular group such as a particular geography.

(a) Geographic and industry sector concentration

The majority of the risk to which the Company is exposed is located in the Republic of Macedonia. Nevertheless there is diversification of the risk in different regions and cities though the country and diversification in terms of different types of insurance contracts. The company closely monitors the risk arising from geographic concentration and accordingly and timely undertakes appropriate strategy of issuing or not insurance contracts, in cases where the risk is low, i.e. high respectively.

The management believes that the Company does not have significant exposure to concentration risk to any group of policy holders measured by social, professional, age or similar criteria.

(b) High-severity, low-frequency concentrations

By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the Company because the occurrence of an event, while unlikely in any given accounting period, would have a significantly adverse effect on the Company’s cash flows.

The Company has special strategy for insurance and reinsurance of such risk according to which in order to issue insurance or reinsurance contract among other procedures a special approval from the Management is necessary.

The Company continuously monitors the reinsurance program as well as the expenses related to the same.

5.2 Financial risk management

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 financial risk comprises 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.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.1 Credit risk

The company is exposed to credit risk, which represents the risk of client's inability to settle its contractual obligations towards the Company, when they fall due.

Credit exposures of the company are composed of investments and deposits in banks, securities, premium receivables and claims recoveries. This risk is defined as the potential loss in market value resulting from adverse charges in a borrower's ability to repay the debt.
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Primarily, MAKEDONIJA INSURANCE S.C. SKOPJE- VIENNA INSURANCE GROUP manages the credit risk through analysing client's solvency before it is accepted as such. Premium receivables are monitored regularly on a monthly basis. Based on established condition of the clients an appropriate provisioning level is determined and relevant measures for collection of receivables are undertaken by the control receivables department.

In accordance with the Law on Insurance Supervision, especially limits as regard to investment which covers technical reserves and capital. MAKEDONIJA INSURANCE S.C. SKOPJE- VIENNA INSURANCE GROUP is diversifying the risk with placing deposits in various banks.

The active market of Securities is regularly monitored and the investments are properly measured in accordance with the changes in the market.

Maximum exposure to credit risk before collateral held or other credit enhancement

	2022	**2021**
Financial assets		
- Debt securities - held to maturity	19,330	**-**
- Debt securities -available for sale	554,715	493,796
- Term deposits	634,701	610,935
Reinsurance assets	202,204	226,186
Insurance receivables	279,843	252,601
Other receivables	21,629	28,104
Cash and cash equivalents	121,980	123,681
Total	**1,834,402**	**1,739,303**

The above table presents the worst case scenario of credit risk exposure to the company as at 31 December 2022 and 2021 without taking account of any collateral held or other credit enhancements attached. The Company does not have any collateral held as at 31 December 2022 (2021: nil). For on-balance-sheet items the exposure set out above are based on net carrying amounts as reported in the balance sheet.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.1 Credit risk (continued)

As shown above, 15.26% (2021: 14.56%) of the total maximum exposure is derived from premium receivables from non-life insurance while 34.60% (2021: 35.21%) represents term deposits.

The investment securities consist of financial instruments that are available for sale and debt securities that are held to maturity, i.e. government bonds / bills issued by the Republic of Macedonia.
The company has invested its term deposits from non-life insurance in big banks MKD 315.375 thousands and MKD 319,326 thousands in middle banks in the Republic of Macedonia. The bank classification is in accordance with statutory regulation as defined by NBRM. The reinsurance assets are receivables from reinsurance companies with credit rating A+ assigned by Standard and Poor's.

Management is confident in its ability to continue to control and sustain minimum exposure to credit risk to the company resulting from premium receivables. receivables from claims and deposits in banks.

Aging analysis of the premium insurance receivable and recourse receivables (regress) is presented in the table below:

	Total receivables	**Impairment**	**Carrying amount**	**% of impairment**
Undue	173,775	-	173,774	0%
0-30 days	26,966	-	26,966	0%
31-60 days	18,166	1,817	16,349	10%
61-120 days	25,943	8,042	17,901	31%
121-270 days	47,219	24,082	23,137	51%
271-365 days	17,496	12,422	5,074	71%
Over 365 days	56,825	56,825	-	100%
Recourses*	25,158	25,158	-	100%
31 December 2022	**391,547**	**128,346**	**263,201**	**32.78%**
31 December 2021	**366,952**	**121,863**	**245,088**	**31.22%**

*All recourses are over 365 days.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.1 Credit risk (continued)

Receivables from claims recoveries – reinsurance

The reinsurance is used to limit liability on a specific risk, to stabilize loss experience, to protect themselves and the insured against catastrophes, and to increase their capacity. In 2022 Company has reinsurance claims recoveries from VIG Holding / VIG. VIG Re zajistovna a.s. and WSTV WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group. VIG Group has A+ credit rating from S&P as at 31 December 2022.

5.2.2 Market risk

Market risk is the risk that changes in market prices. such as the interest rate. equity prices. and foreign exchange rates. will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. while optimizing the return on risk.

5.2.2.1 Interest rate risk

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

According to the Management 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 debt securities are exposed to interest rate risk, though most of them are fixed interest bearing instruments (government bonds and term deposits).

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.

Joint investment

The Company has a deposit in the National Insurance Bureau in respect of the Company's share in MTPL claims arising from unknown or uninsured vehicles. Additionally, the Company, as well as other participants in MTPL business on the market, is liable for a share of unsettled MTPL claims in the event of the liquidation of any insurance company on the market, in accordance with the Insurance Law on insurance supervision.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.1 Interest rate risk (continued)

Interest rate gap analysis of financial assets and liabilities – Non-life insurance

31 December 2022	Total	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Noninterest bearing
Assets							
Financial assets							
- Debt securities - held-to-maturity	**19,330**	-	-	19,330	-	-	-
- Debt securities - available for sale	**566,780**	-	-	261	47,357	507,097	12,065
- Term deposits	**634,701**	124,326	45,096	115,000	350,279	-	
Reinsurance assets	**202,204**	-	-	-	-	-	202,204
Insurance receivables	**279,843**	-	-	-	-	-	279,843
Other receivables	**21,629**	-	-	-	-	-	21,629
Cash and cash equivalents	**121,980**	121,980	-	-	-	-	-
Liabilities		-	-	-	-	-	
Gross technical reserves	**(742,563)**	-	-	-	-	-	(742,563)
Reinsurance payables	**(37,502)**	-	-	-	-	-	(37,502)
Coinsurance payables	**(3,883)**	-	-	-	-	-	(3,883)
Other payables	**(53,166)**	-	-	-	-	-	(53,166)
Net interest rate gap	**1,009,353**	**246,306**	**45,096**	**134,591**	**397,636**	**507,097**	**(321,373)**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.1 Interest rate risk (continued)

Interest rate gap analysis of financial assets and liabilities – Non-life insurance (continued)

		Fixed rate instruments					
31 December 2021	**Total**	**Up to 1 month**	**1 Month to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**Over 5 Years**	**Noninterest bearing**
Assets							
Financial assets							
- Debt securities - held-to-maturity	**-**	-	-	-	-	-	-
- Debt securities - available for sale	**587,140**	-	-	10	41,888	451,898	93,344
- Term deposits	**610,935**	194,560	30,000	15,000	371,375	-	-
Reinsurance assets	**226,186**	-	-	-	-	-	226,186
Insurance receivables	**252,601**	-	-	-	-	-	252,601
Other receivables	**28,104**	-	-	-	-	-	28,104
Cash and cash equivalents	**123,681**	123,681	-	-	-	-	-
Liabilities							
Gross technical reserves	**(697,751)**	-	-	-	-	-	(697,751)
Reinsurance payables	**(23,143)**	-	-	-	-	-	(23,143)
Coinsurance payables	**(3,632)**	-	-	-	-	-	(3,632)
Other payables	**(40,706)**	-	-	-	-	-	(40,706)
Net interest rate gap	**1,063,416**	**318,241**	**30,000**	**15,010**	**413,263**	**451,898**	**(164,997)**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.1 Interest rate risk (continued)

As at 31 December 2022 the company has interest bearing term deposits in amount of MKD 634,701 thousands (2021: MKD 610,935 thousands),) government bills and MKD 554,715 thousands (2021: MKD 493,796 thousands) government bonds. The remaining balance sheet items are non-interest bearing.

Interest rate sensitivity analysis focuses on the exposure of the Company's financial instruments to movements in interest rates at the balance sheet date. In case interest rates on deposits were higher/lower by 0,5%. and all the remaining variables stayed unchanged, the Company's profit before tax as for the year ended 31 December 2022 would be higher/lower by MKD 1,432 thousands (2021: the profit before tax would be higher/lower by MKD 1,076 thousands).

5.2.2.2 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 diversifies its risk by having assets and liabilities in EUR and USD. However mainly assets and liabilities are denominated in EUR. The MKD is pegged to the Euro and the monetary projections for 2022 form NBRM envisage stability of the exchange rate of the MKD against Euro.

The tables below summarize the Company's exposure to foreign currency exchange rate risk. The Company's assets and liabilities at carrying amounts are included in the table. categorized by currency at their carrying amount:

31 December 2022	MKD	EUR	Other	Total
Debt securities - held to maturity	19,330	-	-	**19,330**
Debt securities - available for sale	273,497	293,283	-	**566,780**
Term deposits	634,701	-	-	**634,701**
Reinsurance assets	202,204	-	-	**202,204**
Insurance receivables	270,108	9,735	-	**279,843**
Other receivables	20,216	1,413	-	**21,629**
Cash and cash equivalents	119,569	2,005	407	**121,981**
Total assets	**1,549,360**	**296,701**	**407**	**1,846,468**
Gross technical reserves	742,563	-	-	742,563
Reinsurance payables	300	31,853	5,348	37,501
Coinsurance payables	3,884	-	-	3,884
Other payables	51,631	1,535	-	53,166
Total liabilities	**798,378**	**33,388**	**5,348**	**837,114**
Net position	**750,982**	**263,313**	**(4,941)**	**1,009,354**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.2 Foreign exchange risk (continued)

31 December 2021	MKD	EUR	Other	Total
Debt securities - held to maturity	-	-	-	**-**
Debt securities - available for sale	247,832	339,308	-	**587,140**
Term deposits	610,935	-	-	**610,935**
Reinsurance assets	226,186	-	-	**226,186**
Insurance receivables	252,601	-	-	**252,601**
Other receivables	24,129	2,922	1,053	**28,104**
Cash and cash equivalents	117,526	5,777	378	**123,681**
Total assets	**1,479,209**	**348,007**	**1,431**	**1,828,647**
Gross technical reserves	697,751	-	-	697,751
Reinsurance payables	298	17,847	4,998	23,143
Coinsurance payables	3,632	-	-	3,632
Other payables	39,446	1,260	-	40,706
Total liabilities	**741,127**	**19,107**	**4,998**	**765,232**
Net position	**738,083**	**328,900**	**(3,567)**	**1,063,415**

The Company's functional currency is the Macedonian Denar. The Company has foreign receivables and payables mainly in EUR and USD. The Company operates internationally in relation to reinsurance and Mother Company, therefore the Company is exposed to foreign exchange risk arising from local currency exposure to various major foreign currencies.

The sensitivity analysis of fluctuation of foreign exchange rates of different currencies is based on statistical data which show stability of the foreign exchange rate of the EUR towards MKD.

As at 31 December 2022, if the exchange rate between the MKD and EUR increased or decreased by 0.5%, the pre-tax profit for the twelve months period will approximately get higher or lower for MKD 1,292 thousands (2021: MKD 1,627 thousands).

5.2.3 Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from available for sale investments. The Company holds available for sale investments which are subject to equity price risk.
The Company manages equity price risk by maintaining a diversified portfolio of equity investments.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.4 Liquidity risk

The liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments and obligations. Liquidity risk can result from inability to sell financial assets on its fair value in the shortest period, inability to settle the obligations arising from agreements, liabilities matured earlier than expected or inability to generate cash funds according to the forecast.

Companies mitigate liquidity risk by managing assets and liabilities in a manner that will allow on time payments on liabilities in normal and extraordinary circumstances. According to the Law for Insurance supervision Company is obliged to calculate liquidity ratio and minimum liquidity, that is proportion between liquid assets and due liabilities, i.e. liabilities that will mature.

Planning expected cash inflows and outflows is a continuous control for maintaining stable liquidity. Based on this, the Company undertakes measures for mitigating or removing the reasons for possible insolvency.

The Company is obliged to maintain its liquidity in accordance with the Law for Insurance supervision, which requires that the required level of equity for insurance company that non-life insurance or reinsurance, in each moment has to be at least equal to the required limit of solvency, calculated using the premium method or claims method, depending on which gives the more favorable outcome. The Company regularly monitors its liquidity gap up to one year. The liquidity gap can be also further improved with the investments which are with contractual maturity above one year however for liquidity purposes can be used in a shorter period based on management liquidity purposes.

The Company has cash in banks and other high liquid assets, at any moment, in order to protect itself from unnecessary risk concentration and to be able settle its liabilities that are due to payment, as well as contingent liabilities.

Maturities of the financial assets and liabilities

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the maturity date. While the contractual maturity for technical reserves are considered to be up to one year the Company presented the Gross technical reserves using the expected maturity date.

:

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.4 Liquidity risk (continued)

Liquidity analysis - Non-life insurance

31 December 2022	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Assets						
Financial assets						
- Debt securities - held-to-maturity	-	-	19,330	-	-	**19,330**
- Debt securities - available for sale	-	-	261	47,357	519,162	**566,780**
- Term deposits	124,326	45,096	115,000	350,279	-	**634,701**
Reinsurance assets	9,536	22,036	105,667	63,245	1,720	**202,204**
Insurance receivables	215,423	35,363	29,057	-	-	**279,843**
Other assets	1,491	18,741	1,382	15	-	**21,628**
Cash and cash equivalents	121,980	-	-	-	-	**121,980**
	472,756	**121,236**	**270,697**	**460,896**	**520,882**	**1,846,467**
Liabilities						
Gross technical reserves	30,536	65,227	492,995	143,998	9,807	**742,563**
Reinsurance payables	19,554	5,772	12,175	-	-	**37,501**
Coinsurance payables	-	-	3,884	-	-	**3,884**
Other payables	41,141	-	5,263	6,762	-	**53,166**
	91,231	**70,999**	**514,317**	**150,760**	**9,807**	**837,114**
Liquidity gap	**381,525**	**50,237**	**(243,620)**	**310,136**	**511,075**	**1,009,353**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.4 Liquidity risk (continued)

Liquidity analysis - Non-life insurance (continued)

31 December 2021	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Assets						
Financial assets						
- Debt securities - held-to-maturity	-	-	-	-	-	**-**
- Debt securities - available for sale	-	-	10	41.888	545.242	**587.140**
- Term deposits	194.560	30.000	15.000	371.375	-	**610.935**
Reinsurance assets	9.233	21.667	97.778	95.708	1.800	**226.186**
Insurance receivables	180.624	44.814	27.163	-	-	**252.601**
Other assets	1.702	18.309	1.360	225	6.508	**28.104**
Cash and cash equivalents	123.680	-	-	-	-	**123.680**
	509.799	**114.790**	**141.311**	**509.196**	**553.550**	**1.828.646**
Liabilities						
Gross technical reserves	31.400	64.928	433.231	158.720	9.472	**697.751**
Reinsurance payables	-	9.074	14.069	-	-	**23.143**
Coinsurance payables	-	-	3.632	-	-	**3.632**
Other payables	28.152	-	5.585	6.969	-	**40.706**
	59.552	**74.002**	**456.517**	**165.689**	**9.472**	**765.232**
Liquidity gap	**450.247**	**40.788**	**(315.206)**	**343.507**	**544.078**	**1.063.415**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

Fair value

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. As verifiable market prices are not available for a significant proportion of the Company's financial assets and liabilities, fair values have been based on management assumptions.

The fair value of quoted securities is measured at market price. The fair value of unlisted investment securities are based on the available financial statements. Securities issued by the government classified as available for sale that are unquoted the Company values by applying effective interest rate.

Premium debts and advances are shown net of specific and other provisions for impairment. The estimated fair value of premium debts, loans and advances represents the collectible amount derived by valuation of debtors' repayment history and capability as well as debtors' current financial position and status.

Fair values in respect of premium debts, loans and advances, as well as investments in shares and other securities approximate to their carrying amounts less impairment.

(All amounts in MKD thousands unless otherwise stated)

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.5 Fair value

The table below sets out the Company's classification of each class of financial assets and liabilities. and their fair values for non-life insurance:

	Loans and receivables	Held-to-maturity	Available for sale	Amortised cost	Total carrying amount	Fair value
31 December 2022						
Financial assets						
- Debt securities - held-to-maturity	-	19,330	-	-	19,330	19,330
- Debt securities - available for sale	-	-	554,715	-	554,715	554,715
- Equity securities available for sale	-	-	12,065	-	12,065	12,065
- Term deposits	-	-	-	634,701	634,701	634,701
Reinsurance assets	202,204	-	-	-	202,204	202,204
Insurance receivables	279,843	-	-	-	279,843	279,843
Other assets	21,629	-	-	-	21,629	21,629
Cash and cash equivalents	-	-	-	121,981	121,981	121,981
	503.676	**19.330**	**566.780**	**756.682**	**1.846.468**	**1.846.468**
Gross technical reserves	-	-	-	742,563	742,563	742,563
Reinsurance payables	-	-	-	37,501	37,501	37,501
Coinsurance payables	-	-	-	3,884	3,884	3,884
Other payables	-	-	-	53,166	53,166	53,166
	-	**-**	**-**	**837,114**	**837,114**	**837,114**
31 December 2021						
Financial assets						
- Debt securities - held-to-maturity	-	-	-	-	-	-
- Debt securities - available for sale	-	-	493,796	-	493,796	493,796
- Equity securities available for sale	-	-	93,344	-	93,344	93,344
- Term deposits	-	-	-	610,935	610,935	610,935
Reinsurance assets	226,186	-	-	-	226,186	226,186
Insurance receivables	252,601	-	-	-	252,601	252,601
Other assets	28,104	-	-	-	28,104	28,104
Cash and cash equivalents	-	-	-	123,681	123,681	123,681
	506.891	-	**587.140**	**734.616**	**1.828.647**	**1.828.647**
Gross technical reserves	-	-	-	697,751	697,751	697,751
Reinsurance payables	-	-	-	23,143	23,143	23,143
Coinsurance payables	-	-	-	3,632	3,632	3,632
Other payables	-	-	-	40,706	40,706	40,706
	-	**-**	**-**	**765,232**	**765,232**	**765,232**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.6 Capital management

The company is obliged to hold at any time capital that is appropriate with the scope of its work and the classes in which it performs its insurance work as well as the risks on which the Company is exposed in performing such work.

The company's capital should at any time be at least equal to the necessary level of the solvency margin.

The Company's objectives regarding capital management are:

- To comply with the capital requirements according to the legislative regulation of the Ministry of Finance;
- To safeguard the Company's ability to provide dividends for the shareholders;
- To maintain a strong capital base to support the Company's development.

The Company is in compliance with the legislative regulation if the capital is adequate to the solvency margin. The solvency margin and the usage of the Company's own assets is regularly monitored by the company's management by using techniques prescribed by the Ministry of Finance and reports are issued on quarterly basis.

The Company's assets are comprised of the main capital which includes: ordinary and preference shares, reserves, revaluation reserves and retained earnings or accumulated losses.

According to the legislative regulation the Company's share capital should be at least as high as the Guarantee Fund.

According to the solvency margin calculations the minimum capital that MAKEDONIJA INSURANCE S.C. SKOPJE- VIENNA INSURANCE GROUP needs to maintain as at 31 December 2022 is as follows (see note 5.2.7):

Solvency margin	**2022**	**2021**
Solvency margin	104,868	96,412
Guarantee capital	276,719	277,322

The Insurance Company's solvency margin is calculated by using the Premium Rate Method or the Claims Rate Method, depending on which method provides higher results.

- According to the premium rate method the total amount of gross written premium for insurance and reinsurance for the last business year is reduced for the amount of canceled premium in the same year and the result is multiplied with specified coefficients.
- According to the claims rate method the total amount of gross paid claims for insurance and reinsurance in the last three business years is increased for the amount of gross claim reserves for insurance and reinsurance at the end of the last business year of the period and decreased for gross claim reserves for insurance and reinsurance at the beginning of that period and the result is divided by three and then multiplied with specified coefficients.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.6 Capital management (continued)

5.2.6 A Required level of solvency margin for non-life insurance

		Non-life insurance except health insurance in MKD	
		2022	**2021**
Gross written premium	1	997,352	911,317
Gross written premium < 10 million EUR x 0.18	2	110,688	110,929
Gross written premium > 10 million EUR x 0.16	3	61,187	47,208
Gross written premium < 10 million EUR x 18/300	4	-	-
Gross written premium > 10 million EUR x 16/300	5	-	-
Total Gross written premium ([6]=[2] + [3] or [6]=[4] + [5])	6	171,875	158,136
Gross claims paid	7	403,972	362,361
Net claims paid	8	246,479	220,925
Coefficient ([9]=[8]/[7] or 0.50, if smaller)	9	0.61	0.61
Solvency margin - Premium rate method ([10]= [6]*[9])	**10**	**104,868**	**96,412**
Reference period (in years)	11	3	3
Gross claims paid in the reference period	12	1,122,000	1,001,611
Gross claims reserves at the end of the reference period	13	340,580	362,138
Gross claims reserves at the beginning of the reference period	14	310,131	330,823
Gross incurred claims ([15]=[12] + [13] - [14])/[11])	15	384,150	344,308
Gross incurred claims < 7 million EUR x 0,26	16	99,879	89,520
Gross incurred claims > 7 million EUR x 0,23	17	-	-
Gross incurred claims < 7 million EUR x 26/300	18	-	-
Gross incurred claims > 7 million EUR x 23/300	19	-	-
Total Gross incurred claims ([20=[16] + [17] or [20]=[18] + [19]	20	**99,879**	**89,520**
Solvency margin – Claims rate method ([21]= [20]*[9])	**21**	**60,940**	**54,579**
Required level of solvency margin ([22]=max([10],[21]))	**22**	**104,868**	**96,412**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.7 Asset/liability matching

The Law on insurance supervision prescribes certain limits regarding Company's asset/liability matching policy, i.e. limits up to which the Company may invest the assets that are used as coverage for the technical reserves.

The Company manages its financial position using an approach that balances quality, liquidity and investment return, taking into consideration the limits prescribed by the Law on insurance supervision. The main think is to match the timing of cash flows from the respective assets and liabilities.

In the schedule are presented technical reserves of the Company and whole assets which are used for coverage of Technical reserves and the equity:

	2022	2021
Assets		
Cash and cash	121,980	123,681
Government bills issued by RM	19,330	-
Government bonds and other securities issued by RM	566,780	587,140
Bank deposits which have licence from NBRM	634,701	610,935
	1,342,791	**1,321,756**
Liabilities (Technical reserves)		
Gross insurance contract reserves	742,563	697,751
Unearned premium net of reinsurance (reinsurance share)	(202,204)	(226,186)
Total net technical reserves	**540,359**	**471,565**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.7 Asset/liability matching

According to the amendments to the Rulebook on the types and descriptions of items taken into account when calculating the capital of insurance and reinsurance companies in 2022, the Company has made a change in the calculation of total capital.

Capital is calculated as presented below:

		2022	2021
Core capital, art 69 (I1+I2+I3+I4+I5-I6-I7-I8-I9-I10-I11-I12)	**I**	**1,377,960**	**1,389,765**
Paid up share capital other than paid up share capital from cumulative preferred shares	I1	888,308	888,308
Share premiums	I2	-	-
Legal and statutory reserves	I3	318,371	300,032
Profit brought forward	I4	176,618	211,688
Profit from the financial year	I5	-	-
Own shares	I6	-	-
Long-term intangible assets	I7	6,863	10,652
Loss brought forward and loss from the financial year	I8	-	-
Unrealized loss on equity instruments available for sale	I9	(182)	(3)
Unrealized loss on available for sale financial assets	I10	(1,344)	(387)
Net negative revaluation reserves and other valuation differences arising from investments in associates or joint ventures that are valued using the equity method	I11	-	-
Other deductible items for failure to comply with capital investment restrictions provided for in Article 73-a of the ISA	I12	-	-
Supplementary capital, art. 71 (II1+II2+II3+II4), cannot be in excess of 50% of the core capital	**II**	**9,411**	**59,354**
Paid up shareholders capital from cumulative preferred shares	II1	-	-
Share premiums	II2	-	-
Subordinated debt instruments	II3	-	-
Securities whose maturity is not defined	II4	-	-
Unrealized gain on revaluation of equity instruments available for sale at fair value	II5	7,146	56,525
Unrealized gains on revaluation of available for sale debt securities at fair value	II6	2,265	2,829
Total core and supplementary capital I.+II.	**III**	**1,387,371**	**1,449,120**
Adjustments of the available capital for the items listed in art. 72 (IV1+IV2)	**IV**	**-**	**-**
Investments in shares in legal entity underarticle 72 of the ISL	IV1	-	-
Investments in subordinated debt instrumnets and other investments in legal entity under article 72 of the ISL	IV2	-	-
AVAILABLE CAPITAL I + II - IV	**V**	**1,387,371**	**1,449,120**
Required solvency margin (for non-life insurance undertakings)	VI1	104,868	96,412
Required solvency margin (for life insurance undertakings)	VI2	-	-
Available capital	VI3	1,387,370	1,449,120
Guarantee fund*	VI4	276,719	277,322
Surplus/Deficit of available capital compared to the Guarantee fund (VI5 = VI3 -VI4)	VI5	1,110,651	1,171,798
Surplus/Deficit of available capital (for non-life insurance) compared to the required solvency margin (for non-life insurance undertakings) (VI6 = VI3 - VI1)	VI6	1,282,502	1,352,707
Surplus/Deficit of available capital (for life assurance) compared to the required solvency margin (for life assurance undertakings) (VI6 = VI3 - VI1)	VI7	-	-

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.7 Asset/liability matching (continued)

Investments that cover technical and mathematical reserves

In accordance with Rules on types and characteristics of assets that cover technical & mathematical reserve and detailed placement/restriction on those investments the Company as at 31.12.2022 invested its assets as stated bellow:

Investments that covers technical reserves 2022	Allowed %	Amount	Realized in %
Allowed investments			
Cash in hand and at bank	3%	12,336	2.3%
Bank (licensed by the NBRM)	60%	265,712	49.2%
Securities issued by the NBRM	80%	-	0.0%
Bonds and other debt securities	80%	258,635	47.9%
Shares traded on a regulated market	25%	3,676	0.7%
Total allowed investments in assets		540,359	
Total net technical reserves		540,359	
Unearned premium reserves		338,604	
Provisions for bonuses and rebates		18,143	
Claims provisions		183,612	
Other technical provisions		-	
Equalization reserve		-	
Difference		-	

Investments that covers technical reserves 2021	Allowed %	Amount	Realized in %
Allowed investments			
Cash in hand and at bank	3%	10,103	2.1%
Bank (licensed by the NBRM)	60%	74,000	15.7%
Securities issued by the NBRM	80%	-	0.0%
Bonds and other debt securities	80%	370,677	78.6%
Shares traded on a regulated market	10%	16,784	3.6%
Total allowed investments in assets		471,564	
Total net technical reserves		471,564	
Unearned premium reserves		291,468	
Provisions for bonuses and rebates		10,138	
Claims provisions		169,959	
Other technical provisions		-	
Equalization reserve		-	
Difference		-	

6. Net earned premium

Insurance class	Gross written premium	Written premiums ceded to reinsurers	Change in the gross provision for unearned premiums	Reinsurers' share of change in the provision for unearned premiums	Net earned premium
Accident	64,242	(539)	(546)	-	63,157
Health	57,857	-	(30,348)	-	27,509
Motor vehicles	63,439	(175)	(2,518)	-	60,746
Marine	10	-	(2)	-	8
Cargo	20,824	(3,815)	(326)	9	16,692
Property-fire	144,827	(75,599)	(3,439)	(347)	65,442
Property-other	288,726	(130,108)	(6,002)	4,968	157,584
Motor vehicle liability insurance	282,806	(132,136)	(10,576)	5,869	145,963
Marine liability insurance	176	-	8	-	184
General liability insurance	42,978	(23,015)	(2,264)	2,598	20,297
Credit insurance	2,254	(2,103)	-	-	151
Guarantees	3	-	-	-	3
Financial loss	9,739	(7,742)	51	167	2,215
Travel assistance	10,134	-	(405)	-	9,729
Total	**988,015**	**(375,232)**	**(56,367)**	**13,264**	**569,680**

In GWP for 2022 in amount of MKD 988,015 thousands are included: gross premium in amount of MKD 981.221 thousands, coinsurance in amount of MKD 16,131 thousands and gross written premium delivered in co-insurance in amount of MKD (9,337) thousands.

6. Net earned premium (continued)

Insurance class	Gross written premium	Written premiums ceded to reinsurers	Change in the gross provision for unearned premiums	Reinsurers' share of change in the provision for unearned premiums	Net earned premium
Accident	63,619	(552)	7,492	-	70,559
Health	7,332	-	(3,180)	-	4,152
Motor vehicles	60,822	(182)	2,875	-	63,515
Marine	6	-	-	-	6
Cargo	20,979	(3,421)	230	(25)	17,763
Property-fire	145,812	(74,732)	(4,846)	7,113	73,347
Property-other	290,170	(120,425)	(4,909)	4,194	169,030
Motor vehicle liability insurance	259,019	(119,937)	(7,905)	1,774	132,951
Marine liability insurance	187	-	(16)	-	171
General liability insurance	37,795	(18,741)	265	348	19,667
Credit insurance	1,570	(1,456)	-	-	114
Guarantees	3	-	-	-	3
Financial loss	9,853	(6,598)	(1,431)	92	1,916
Travel assistance	6,885	-	(912)	-	5,973
Total	**904,052**	**(346,044)**	**(12,337)**	**13,496**	**559,167**

In GWP for 2021 in amount of MKD 904,052 thousands are included: gross premium in amount of MKD 890.769 thousands, coinsurance in amount of MKD 20,548 thousands and Gross written premium delivered in co-insurance in amount of MKD (7,265) thousands.

7. Other insurance technical income net of reinsurance

	2022	2021
Collected written off receivables	27.514	36,144
Commission liabilities written off	5.577	15,110
Transferable bonus premium	-	6,914
Income from guarantee fund for resources	1.762	2,170
Resources from previous years	3.654	2,124
Compensation for claims paid	1.168	1,989
Income from guarantee fund for unknown and uninsured vehicle	335	563
Others	4.493	4,524
Total	**44,503**	**69,537**

Amount of MKD 27,514 thousand collected written off receivables on 31 December 2022 refers to collection from clients in bankruptcy (2021 MKD 36,144 thousands).

8. Other income

	2022	2021
Rent income	6,280	4,314
IT service income	6,717	6,843
Income from disposal fixed assets	2,399	1,375
Other	927	678
Total	**16,323**	**13,210**

9. Claims incurred

	2022		2021	
	Gross claims paid	**Change in gross reserve for claims**	**Gross claims paid**	**Change in gross reserve for claims**
Accident	32,234	254	51,726	(2,636)
Health insurance	18,553	2,801	1,890	47
Motor vehicles	29,590	1,887	32,175	(2,338)
Aircraft	-	-	-	-
Marine	-	-	-	-
Cargo	5,577	(5,719)	2,580	6,241
Property-fire	152,712	(64,524)	46,262	19,431
Property-other	56,294	43,840	106,845	(16,072)
Motor vehicles liability insurance	100,412	8,154	114,914	6,647
Aircraft liability insurance	-	-	-	-
Marine liability insurance	97	-	-	-
General liability	4,691	150	4,138	786
Loans	-	-	-	-
Guarantees	-	-	-	-
Financial loss	1,292	(761)	40	761
Travel assistance	2,520	367	1,791	(478)
Claims from active insurance	-	-	-	-
Total	**403,972**	**(13,551)**	**362,361**	**12,389**
Decrease of income for resources	**(3,378)**	**-**	**546**	**-**
Change in gross reserves for claims - Reinsurance part	**(122,282)**	**-**	**(155,805)**	**-**
Gross claims paid	**264,761**	**-**	**219,491**	**-**

9. Claims incurred (continued)

Claims ratio. cost ratio and combined ratio-Non-life

	2022 Ratios			2021 Ratios		
Insurance class	**Claims**	**Cost**	**Combined**	**Claims**	**Cost**	**Combined**
Accident	51%	51%	102%	69%	39%	108%
Health	78%	58%	136%	47%	42%	89%
Casco	49%	50%	99%	47%	44%	92%
Aircraft	0%	66%	66%	0%	383%	383%
Cargo	(1%)	50%	49%	50%	45%	94%
Property – fire	70%	92%	162%	26%	66%	93%
Property – other	44%	69%	113%	24%	56%	80%
MTPL	40%	69%	109%	48%	85%	132%
Marine liability insurance	53%	49%	102%	0%	50%	50%
General liability insurance	23%	89%	112%	25%	69%	94%
Credit insurance	(78%)	320%	242%	(411%)	120%	(290%)
Guarantees	0%	40%	40%	0%	67%	67%
Financial loss	24%	38%	62%	42%	22%	64%
Travel assistance	30%	80%	110%	22%	72%	94%
Total	**46%**	**67%**	**113%**	**39%**	**61%**	**100%**

10. Net expenses for insurance

	2022	**2021**
Commission	204,164	187,288
Salaries for administration and agents	160,906	153,685
Depreciation	24,035	23,437
Heat and electrical energy	21,918	14,149
Current and investment maintenance	8,465	8,990
Marketing	7,503	7,097
Utility costs	6,944	6,924
Rental costs	1,882	1,791
Representation	5,352	4,044
Change in deferred acquisition cost	(23,060)	(457)
Expenses for individuals	6,335	5,346
Mailing costs	1,864	2,326
Mobile phone and internet	3,333	3,452
Security	4,284	4,585
Administrative court expenses	985	1,820
Insurance premium	1,951	1,994
Intercompany expenses	5,245	4,989
Other administrative expenses	18,919	16,280
Total	**461,025**	**443,691**

11. Other insurance technical expenses net for reinsurance

	2022	2021
Expenses for claims payment of uninsured and unknown vehicles	6,223	7,927
Legal fees	9,204	7,139
Contribution for fire prevention	6,995	6,547
Health contribution	2,680	2,483
Expenses for Supervisory Authority	6,910	7,308
National Biro for insurance financing	2,437	2,493
Other	6,913	6,520
Total	**41,362**	**40,417**

12. Other expenses including other impairment

	2022	2021
Impairment of recourse debts	(633)	(1,662)
Impairment of other receivables	728	(554)
Other expenses	2,811	2,927
Total	**2,906**	**711**

13. Income Tax

	2022	2021
Income tax	6,717	8,630
Total	**6,717**	**8,630**

Reconciliation of effective tax rate

	%	2022	%	2021
Profit before tax		46,751		63,645
Loss before tax		-		-
Income tax using the domestic corporation tax rate	10.0%	4,675	10.0%	6,365
Non-deductable expenses	5.4%	2,538	4.4%	2,805
Tax credit	1.1%	(496)	0.8%	(540)
Income tax	**14.3%**	**6,717**	**13.6%**	**8,630**

14. Investment in intangible assets

	Intangible assets
Cost value	
As at 1 January 2021	33,833
Additions	6,299
Disposals	-
Balance as at 31 December 2021	**40,132**
As at 1 January 2022	40,132
Additions	177
Disposals	
Balance as at 31 December 2022	**40,309**
Depreciation	
As at 1 January 2021	25,894
Depreciation for 2021	3,586
Balance as at 31 December 2021	**29,480**
As at 1 January 2022	29,480
Depreciation for 2022	3,966
Balance as at 31 December 2022	**33,446**
Book value	
As at 31 December 2021	**10,652**
As at 31 December 2022	**6,863**

15. Investment property - Buildings

	2022	2021
Gross book amount	784,913	789,534
Accumulated depreciation	(391,998)	(377,691)
Net book amount on 1st of January	**392,915**	**411,843**
Opening net book amount	392,915	411,843
Additions	7,355	4,843
Assets in course of construction buildings	-	3,351
Disposals and write-off	(89,850)	(12,816)
Effect from disposals and write - off - accumulated depreciation	47,281	5,438
Depreciation charge	(18,975)	(19,745)
Closing net book amount as at 31 December	**338,726**	**392,914**
Cost value	702,418	784,913
Accumulated depreciation	(363,692)	(391,998)
Net book amount as at 31 December	**338,726**	**392,914**

The estimated fair value of the total Investment property is in the amount of 634,572 MKD thousands (2021: 567,812 MKD thousands).

16. Property and equipment

	Buildings	Land	Computer	Furniture & Equipment	Motor vehicles	Assets in course of construction	Other	Total
Gross book amount as at 1 January 2021	514,817	6,083	33,732	70,827	12,270	944	2,608	641,282
Accumulated depreciation	(277,247)	-	(28,827)	(56,001)	(8,649)	-	-	(370,725)
Net book amount as at 31 December 2021	**237,570**	**6,083**	**4,905**	**14,826**	**3,621**	**944**	**2,608**	**270,557**
Opening net book amount as at 1 January 2022	**237,570**	**6,083**	**4,905**	**14,826**	**3,621**	**944**	**2,608**	**270,557**
Additions	1,212	5,165	2,884	1,425	2,581	239	-	13,506
Transfers from assets in course of construction	-	-	-	-	-	-	-	-
Elimination and disposal	-	-	(1,037)	(154)	(4,508)	(140)	-	(5,839)
Current value of elimination asset	-	-	-	-	-	-	-	-
Depreciation charge	(12,873)	-	(2,376)	(2,857)	(1,839)	-	-	(19,945)
Closing net book amount at 31 December 2022	**225,909**	-	**5,413**	**13,239**	**4,363**	**1,043**	**2,608**	**263,823**
Gross book amount	516,029	-	35,579	72,098	10,343	1,043	2,608	648,948
Accumulated depreciation	(290,120)	**11,248**	(30,166)	(58,859)	(5,980)	-	-	(385,125)
Net book amount as at 31 December 2022	**225,909**	11,248	**5,413**	**13,239**	**4,363**	**1,043**	**2,608**	**263,823**

The estimated fair value of the total Property plant is in the amount of 469,786 MKD thousands (2021: 358,690 MKD thousands).

*The line item computers. furniture and equipment. motor vehicles and assets in course of construction equipment are presented on total in the balance sheet in Equipment

17. Other financial investments

	2022	2021
Deposits	634,701	610,935
Financial assets hold to maturity (HTM)	19,330	-
Financial assets available for sale (AFS)	566,780	587,140
Total	**1,220,811**	**1,198,075**

As at 31.12.2022 the Company has investments in deposits in domestic banks that have maturity from 12 to 60 months (2021: from 12 to 60 months) with interest rates from 0,8% to 2,06% (2021: from 0,7% to 2,6%).

Financial assets available for sale (AFS)

	2022	2021
Shares	12,065	93,344
Government bonds	554,715	493,796
Total	**566,780**	**587,140**
Listed – Shares	12,065	93,344
Unlisted – Bonds	554,715	493,796
Total	**566,780**	**587,140**

As at 31.12.2022 the Company has financial investments in Government Bonds available for sale that due from 10 to 30 years (2021: from 10 to 30 years) with interest rates from 2% to 4, 6% (2021: from 2% to 4,6%).

	2022	2021
Realised gains from sale of financial assets – capital gain	60,295	8,945
Total	**60,295**	**8,945**

In 2022, 7,000 shares (2021: 1,000 shares) of Komercijalna Banka were sold with a capital gain of 60,295 thousand denars (2021: 9,945 thousand denars).

Financial assets held to maturity	**2022**	**2021**
T – Bills	19,330	0
Total	**19,330**	**0**
Unlisted - T - Bills	19,330	0
Total	**19,330**	**0**

As of December 31, 2022, the Company has held-to-maturity financial investments in treasury bills with a maturity of up to 1 year (2021: none) and an interest rate of 3.5% (2021: none).

18. Receivables from direct insurance

	2022	2021
Insurance receivables	327,367	307,228
Other receivables from insurance	39,023	33,933
Total	**366,390**	**341,161**
Impairment	(103,188)	(96,073)
Total	**263,202**	**245,088**

Movement of impairment of receivables from direct insurance

	2022	2021
Balance as at 1 of January	**96,073**	**99,779**
Additional impairment	36,425	22,850
Release of impairment	(16,203)	(13,163)
Write off	(13,107)	(13,394)
Balance as at 31 of December	**103,188**	**96,073**

19. Other receivables from direct insurance operations

	2022	2021
Recourse receivables	25,158	25,791
Receivables from the National Bureau	13,779	13,369
Advances given	5,414	5,414
Receivables for service claims paid	3,666	2,763
Receivables from reinsurance commission	1,413	1,352
Receivables for claims	17	17
Total receivables	**49,447**	**48,706**
Impairment	(31,880)	(31,965)
Total	**17,567**	**16,741**

Movement of impairment of other receivables

	2022	2021
Balance as at 1 of January	**31,965**	**33,281**
Release of impairment	(633)	(1,670)
Release of impairment recourses & service claims	(95)	(100)
Other	642	(795)
Balance as at 31 of December	**31,879**	**31,965**

20. Receivables from financial investments

	2022	2021
Accrued interest Securities	-	6,668
Rent receivables	829	1,001
Interest receivables	110	164
Total	**939**	**7,833**
Impairment	(85)	(246)
Total	**854**	**7,587**

21. Other receivables

	2022	2021
Suppliers receivables	1,486	2,620
Receivables from employees	64	27
Other receivables	3,000	2,291
Total receivables	**4,550**	**4,938**
Impairment	(1,342)	(1,161)
Net receivables	**3,208**	**3,776**

Movement of impairment of receivables - other

	2022	2021
Balance as at 1 of January	**1,161**	**2,070**
Release of Impairment	181	(909)
Write off	-	-
Balance as at 31 of December	**1,342**	**1,161**

22. Cash and cash equivalents

	2022	2021
Cash on hand	37	40
Cash in banks		
-in MKD	119,531	117,486
- in foreign currency	2,412	6,155
Total	**121,980**	**123,681**

23. Technical reserves

	2022	2021
Gross reserves for unearned premium	383,840	325,475
Gross reserves for incurred reported claims	189,091	221,580
Gross reserves for incurred but not reported claims	146,456	135,206
Reserves for bonuses and discounts	18,143	10,138
Other technical reserves	5,033	5,352
Gross technical reserves	**742,563**	**697,751**

23. Technical reserves (continued)

Class of insurance	UPR		RBNS		IBNR		Reserve for bonuses and discounts		Other reserves	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Accidents	29.225	28.679	3.303	3.131	15.768	15.690	3.471	3.230	286	282
Health insurance	33.718	3.370	1.440	47	1.367	-	-	-	42	1
Motor vehicles	32.855	30.337	7.316	6.220	3.789	3.392	-	(130)	167	144
Other	29.799	26.774	3.297	8.066	2.389	3.468	79	107	85	173
Property fire	45.073	40.635	63.287	123.220	14.871	18.001	4.124	4.639	1.172	2.118
Property other	75.198	68.284	43.841	16.372	10.635	2.970	10.470	2.292	817	290
Third party liability	137.972	127.396	66.608	64.524	97.636	91.684	-	-	2.464	2.343
Total	383.840	325.475	189.091	221.580	146.456	135.206	18.143	10.138	5.033	5.352

24. Other liabilities

	2022	2021
Received insurance advances	1,667	2,458
Fees for agents	20,642	11,601
Liabilities for contributions and membership	2,072	1,873
Liabilities towards the National Bureau	1,242	-
Liabilities for suppliers of material assets	1,271	185
Liabilities for suppliers of working capital	2,040	2,249
Liabilities towards employees	11,249	10,064
Liabilities for contributions and taxes	4,415	4,176
Liabilities towards VIG	1,525	1,254
Dividend liabilities	6,762	6,341
Other liabilities	282	505
Total	**53,167**	**40,706**

25. Accrued expenses

	2022	2021
Calculated liabilities for reinsurance	90,488	81,955
Calculated Commission	-	1,413
Liabilities for contribution to fire brigade	2,561	2,611
Other	3,468	3,325
Accrued expense for Gross Written Commission	63,289	54,729
Total	**159,806**	**144,033**

26. Shareholders equity and reserves

Shareholders' equity

In number of shares	2022	2021
Issued and fully paid at 1 January	717,462	717,462
Issued and fully paid at 31 December	**717,462**	**717,462**

At 31 December 2022 the authorised share capital comprises 717.462 ordinary shares with nominal value of EUR 20.084 per share (2021: 717,462 ordinary shares with nominal value of EUR 20.084 per share). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The calculation of the basic/diluted profit per share at 31 December 2022 is calculated by dividing the net profit/(loss) for the year attributable to the ordinary equity holders amounting 40,034 thousand denars (2022: 55,015 thousand denars) and the number of ordinary shares shares in the year ended 31 December 2022 of 717,462 (2021: 717,462), as presented below:

	2022	2021
Profit attributable to ordinary equity holders		
(Loss)/Profit attributable to ordinary equity holders	40,034	55,015
Weighted average number of ordinary shares for basic EPS		
Number of ordinary shares	717,462	717,462
Shares issued as at 1 January		
Weighted average number of ordinary shares for basic EPS as at 31 December 2022	717,462	717,462
Basic/diluted (loss)/earnings per share	**55,80**	**76,68**

26. Shareholders equity and reserves (continued)

Equity of The Company is calculated in total amount of EUR 14,409,506.81 (717,462 shares / EUR 20.084) calculated with the average foreign exchange rate of NBRM on 30.04.2013 (EUR 1 = MKD 61.6475). The application for registration of the equity in the Central Registry was approved on 26.08.2013. All issued shares are fully paid.

The shareholders' structure as at 31 December 2022 of the Company is as follows:

	% of voting share capital
Vienna Insurance Group AG Wiener Versicherung Gruppe	94.36%
Other legal entities and individuals	5.64%

Dividends

On April 17, 2023, the Supervisory Board of the Company proposed a solution for the distribution of the profit, of which 1/3 for security reserves, and the rest of the profit to be transferred as undistributed profit for the next year.

Also, with the same decision, the Supervisory Board proposed to the Assembly of Shareholders the payment of a dividend for 2022 in the amount of 26,546 thousand denars and for 2021 in the amount of 36,590 thousand denars (total amount of 63,136 thousand denars).

In 2022, the Shareholders assembly on 25 May 2022 a decision was adopted to pay a dividend for the business year 2019 in the amount of 43,765 thousand denars and for the business year 2020 in the amount of 27,981 thousand denars (total amount 71,746 thousand denars).

27. Off balance sheet evidence - liabilities

According to the adopted Guidelines for the operation between the National biro and insurance companies in 2012, the Company recorded off balance sheet provision for reported claims based on unknown or uninsured motor vehicles. In 2021 Company continued with the policy of off-balance sheet evidence of contingent liability for claims based on unknown or uninsured motor vehicles and guaranties for tender procedures. On 31 December 2022 contingent liability for claims is in amount of MKD MKD 14,592 thousands and MKD 18,662 thousands in guarantees (2021: MKD 12,080 thousands contingent liability for claims and MKD 18,066 thousands for guarantees)

28. Related parties transactions

Parent and ultimate parent of the Company

The Company is owned by Vienna Insurance Group AG Wiener Versicherung Gruppe, which is an Ultimate Parent of the Company.

Related party transactions with the Parent Company

At the yearend 31.12.2022 the balances from transactions with the Parent company were as follows:

28. Related parties transactions (continued)

Receivables	**2022**	**2021**
Receivables from claims paid for reinsurance	-	270
Receivables from commission paid for reinsurance	1,075	1,053
Receivables		
Reinsurance premium payable	7,377	9,587
Deposits on ceded reinsurance business	79,856	72,500
Other payables	1,001	785
Intercompany services	1,535	1,260
Reserve		
Reinsurance share in the gross reserve of unearned premium	11,642	5,400
Reinsurance share in gross claims reserves	79,782	75,430
Expenses and incomes		
Written premium ceded to reinsurers	148,239	136,625
Change in gross reserve for unearned premium - reinsurance share	10,273	6,947
Reinsurance commission recoveries income	65,781	48,158
Gross claims paid – reinsurance share	46,671	55,461
Change in gross reserves for claims – part for reinsurance	4,352	5,497
Interest on deposit for ceded re-insurance	2,173	1,837

Related party transactions and balances with companies under common control

As at 31 December 2022 and for the year ended the balances from transactions with Companies under common control were as follows:

Receivables	**2022**	**2021**
Receivables from claims paid for reinsurance	9,735	-
Receivables from commission paid for reinsurance	338	194
Payables		
Reinsurance premium payable	23,775	7,836
Deposits on ceded reinsurance business	6,190	3,707
Other payables	-	-
Intercompany services	22	-
Expenses and incomes		
Reinsurance share in the gross reserve of unearned premium	18,570	17,208
Reinsurance share in gross claims reserves	77,186	116,748
Expenses and incomes		
Written premium ceded to reinsurers	208,997	139,030
Change in gross reserve for unearned premium - reinsurance share	1,361	6,095
Reinsurance commission recoveries income	59,991	62,179
Gross claims paid - reinsurance share	110,822	85,975
Change in gross reserves for claims - part for reinsurance	(39,563)	8,872

28. Related parties transactions (continued)

Related party transactions and balances with companies under common control (continued)

	2022	2021
Winner Life AD Skopje		
Receivables	1.005	555
Income	3.451	2,131
Winner Non Life AD Skopje		
Receivables	75	-
Income	303	-
Sigma Interalbanian VIG		
Receivables	1.488	2,619
Income	5.471	6,230

Transactions with key management personnel

Total remuneration to the Company’s key management personnel, included in administrative expenses are as follows:

	2022	2021
Short-term benefits	44,609	41,444
	44,609	**41,444**

29. Contingencies and commitments

Until reporting date of these financial statements, the Company have no significant commitments.

Legal proceedings

In the ordinary course of business, the Company is involved in various claims and legal actions. In the opinion of Management, the ultimate settlement of these matters will not have a material adverse effect on the Company’s financial position or changes in net assets. Legal cases are common when claimants do not agree with the claim valuation performed by the Company. Management evaluates claims using external and internal expertise including legal advice. Management believes that these estimates are appropriate however acknowledges that the final outcome may be higher or lower than the amount provided. As at 31 December 2022 the provision of these legal claims were recorded in the Claims reported but not settled of MKD 25,874 thousands (2021. 28,640 thousands). The provision with respect to these claims was made based on legal advice obtained received by management and reflects the expectation on the resolution of these cases. The timing of the resolution is not certain. The cases relate mainly to MTPL and accident claims.

30. Operating segments

Products, services and major consumers

The basic activity of the Company is non-life insurance, and the most significant activities of the Company are fire, natural forces and other damage to property insurance, accident insurance, land motor vehicles insurance, aircraft insurance, travel insurance etc. In these areas the Company offers a wide range of products to meet the increasing demand of the insurance market in North Macedonia.

The income of the Company is composed of insurance premiums income, investments income and other insurance income including fees and commission from reinsurance.

The Company provides insurance services to some of the biggest local companies in the field of production and distribution of energy, transport and logistics, as well as information services.

Geographical areas

During the presentation of the information based on the geographic areas, income is presented on the basis of the geographical location of the consumers, and, the incomes are shown based on the geographical location of the assets.

Income from segments

The income from the segments consists of the net premium income from insurance, income from financial assets, income from fees and commissions and other income.

	Republic of North Macedonia	Europe	Total
2022			
Gross written premium from insurance	997,352	-	997,352
Investment income	132,759	-	132,759
Reinsurance commission income	-	123,707	123,707
Other income	5,471,042		5,471,042
Non-current assets	396,157		396,157
Total assets	2,612,900		2,612,900
Total liabilities	1,020,342		1,020,342
2021			
Gross written premium from insurance	911,317	-	911,317
Investment income	74,204	-	74,204
Reinsurance commission income	-	104,838	104,838
Other income	5,209,071		5,209,071
Non-current assets	443,463		443,463
Total assets	2,622,097		2,622,097
Total liabilities	940,915		940,915

31. Post balance sheet events

After the date of the Report on the financial position, and until the date of signing the financial statements, no material events occurred that should be disclosed.