Triglav Insurance AD Skopje

Financial Statements

For the year ended 31 December 2022

With the Report of the Auditors thereon

We are setting the standard of an outstanding client experience

We are pleased to report that in 2022, we maintained our position as the leader on the non-life insurance market, despite the challenging economic and geopolitical conditions, that impacted our coutry and industry. We successfully navigated through the turbulent market environment to continue delivering exceptional results to our customers and shareholders.

The positive feedback we have received from our customers reinforces our reputation as the most respectfull insurance company, with the highest levels of reliability and professionalism. Our ability to build trust and establish long-term partnerships with our customers, partners and colleagues has been a key factor in our success. We are proud to report that our company has delivered strong financial results in 2022. Triglav Osiguruvanje's gross written premium amounted to 1517,84 million denars, thus achieving 13,9% gowth compared to the 2021 result. We ensured a high coverage of technical reserves (130,2%) and capital adequacy of 331,9%. Our comprehensive services and products have continued to cover all aspects of our customers' lives, and we have remained focused on meeting their needs with highest quality of products and services.

Our renewed strategy is dedicated to working safely and profitably, focusing on our clients' needs, and setting the standard for an outstanding client experience anytime, anywhere. Our mission remains to be to create a safer future, and we are committed to our core values of responsiveness, simplicity, and reliability. We are prioritizing digital transformation, developing ecosystems of related services, and fostering an organizational culture that supports environmental, social, and governance (ESG) principles.

In 2022, we have implemented sustainability aspects in our product offerings and corporate governance practices. We have offered electric replacement vehicles for our casko clients, as well as significant benefits for casko insurance of hybrid and electric vehicles, but also, we have changed a large portion of our company fleet to electric vehicles and implemented our CSR strategy to support the communities we serve. We further worked on developing bankassurance as a sales channel and we built strategic collaborations with companies, renowned in their fields of work, in order to provide the highest quality and most accessible service to customers. Such an example was the launch of joint products with the telecom operator A1.

As we look ahead to the future, our main focus will continue to be on our customers and their evolving needs. We are committed to providing an exceptional user experience in the entire customer cycle, and we will support our employees' competencies to ensure that they remain the main drivers of our company's success. Our ambitious goals and plans will further confirm our position as a financially stable company, well-equipped to meet the challenges and opportunities of the future. We remain committed to digitization of processes and services, as well as, to the development of assistance services. We believe that these strategic guidlines will contribute to the recognition of insurance among citizens, and its acceptance as a necessity and a serious advantage in everyday life.

Thank you for your ongoing support. We remain committed to providing our clients with exceptional service, creating a safer future and delivering value to our shareholders.

Chief Executive Director
Gjorgje Vojnovic, MBA

ТРИГЛАВ ОСИГУРУВАЊЕ АД СКОПЈЕ

Executive Director
Vejdan Jordanov

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INDEPENDENT AUDITORS' REPORT

TO THE OWNERS OF TRIGLAV INSURANCE AD SKOPJE

We have audited the accompanying financial statements of Triglav Insurance AD Skopje (hereinafter: "the Company"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing and the applicable auditing standards in the Republic of North Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these 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.

(Continued)

INDEPENDENT AUDITORS' REPORT

TO THE OWNERS OF TRIGLAV INSURANCE AD SKOPJE (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Triglav Insurance AD Skopje as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte DOO Skopje

Aleksandar Arizanov

Certified Auditor
Director

Aleksandar Arizanov
Certified Auditor

April 10, 2023

Statement of Financial Position

	Note	31 December 2022	31 December 2021
ASSETS			
Intangible assets	**7**	**151,569**	**119,188**
Property and equipment	**8**	**64,072**	**77,859**
Right of use assets	**9**	**87,890**	**23,784**
Investment property		**-**	**448**
Investments in associates	**10**	**-**	**52,511**
Financial assets	**11**	**1,629,233**	**1,631,028**
Loans and receivables		439,454	382,996
Available for sale		1,189,779	1,232,916
FVTPL		-	15,116
Reinsurers' share of technical provisions	**12**	**173,661**	**684,713**
Receivables	**13**	**440,044**	**421,574**
Receivables from direct insurance operations		312,338	320,934
Receivables from reinsurance operations		79,529	66,141
Current and deferred tax receivables		13,456	117
Other receivables		34,721	34,382
Other assets	**14**	**3,237**	**2,991**
Cash and cash equivalents	**15**	**18,450**	**23,833**
TOTAL ASSETS		**2,568,156**	**3,037,929**
EQUITY AND LIABILITIES			
Equity	**16**	**837,814**	**1,017,342**
Share capital		185,223	185,223
Share premium reserves		41,972	41,972
Reserves from profit		443,576	433,606
Revaluation reserves		(119,716)	64,692
Retained earnings		281,879	263,088
Net profit for the period		4,880	28,761
Insurance technical provisions	**17**	**1,343,149**	**1,777,873**
Unearned premiums		607,332	565,122
Claims provisions		727,607	1,203,336
Bonuses and discounts		2,738	2,769
Other insurance technical provisions		5,472	6,646
Employee benefits	**18**	**16,885**	**16,533**
Other provisions	**19**	**9,404**	**9,404**
Deferred tax liabilities	**20**	**-**	**7,146**
Other financial liabilities	**21**	**141**	**150**
Lease liabilities	**9**	**88,097**	**25,318**
Operating liabilities	**22**	**173,318**	**111,370**
Liabilities from direct insurance operations		31,477	16,661
Liabilities from reinsurance operations		141,841	94,709
Other liabilities	**23**	**99,348**	**72,793**
Total liabilities		**1,730,342**	**2,020,587**
TOTAL EQUITY AND LIABILITIES		**2,568,156**	**3,037,929**

(All amounts are in MKD thousand unless otherwise stated)

Statement of Profit or Loss

	Note	31 December 2022	31 December 2021
Gross written premium		1,517,840	1,332,871
Outward reinsurance premium		(454,870)	(406,853)
Change in provision for unearned premiums		(21,347)	(54,933)
Change in provision for unearned premiums (reinsurers' share)		3,847	15,835
Net premium income	**24**	**1,045,470**	**886,920**
Interest income		41,127	39,352
Dividend income		757	252
Realised gains on disposals		921	8,448
Fair value gains		-	67
Other income		12,036	783
Income from financial assets	**25**	**54,841**	**48,902**
Interest income from receivables		8,734	8,541
Reinsurance fees and commission income		90,790	79,782
Other income from insurance operations		7,739	8,638
Other insurance income	**26**	**107,263**	**96,961**
Other Income	**27**	**9,518**	**8,564**
Gross claims settled		697,257	626,028
Income from claimed gross subrogated receivables		(24,975)	(13,734)
Reinsurers' share of claim settled		(85,458)	(99,083)
Changes in gross provisions for claims outstanding		(475,729)	10,222
Changes in provisions for claims outstanding (reinsurers' share)		515,076	2,499
Net claims incurred	**28**	**626,171**	**525,932**
Change in other insurance tehnical provisions	**29**	**(1,174)**	**(2,630)**
Net expenses for bonuses and discounts	**30**	**33,008**	**21,393**
Acquisition costs		362,778	298,678
Other operating costs		104,345	91,203
Operating expenses	**31**	**467,123**	**389,881**
Interest expense		1,324	1,584
Fair value losses		(74)	-
Other expenses from financial assets and liabilities		5,279	3,748
Expenses from financial assets and liabilities	**32**	**6,529**	**5,332**
Other insurance expenses	**33**	**73,130**	**66,038**
Other expenses	**34**	**961**	**474**
Share of gain/(loss) of an associate	**10**	**763**	**(1,063)**
Profit before tax		**12,107**	**33,864**
Income tax expense	35	7,227	5,103
Net profit for the accounting period		**4,880**	**28,761**

Earnings per share	39		
Basic and dilluted earnings per share		0,081	0,478

The financial statements of Triglav Insurance AD Skopje were approved by the Management Board on 24.03.2023.

Gjorgje Vojnovic
Chief Executive Director

ТРИГЛАВ ОСИГУРУВАЊЕ АД СКОПЈЕ

Vojdan Jordanov
Executive Director

Statement of Other Comprehensive Income

	31 December 2022	31 December 2021
Net profit for the year after tax	4,880	28,761
Other comprehensive income after tax	(184,408)	22,655
Items which could be transferred into Statement of profit and loss in the following periods		
1. Net gains/losses from the re-measurement of available-for-sale financial assets	**(184,408)**	**22,655**
1.1 Gains/losses recognised in revaluation reserve	(204,898)	25,172
1.2 Tax on other comprehensive income	20,490	(2,517)
Comprehensive income / Loss for the year after tax	**(179,528)**	**51,416**

Statement of Changes in Equity

	Share capital	Share premium reserves	Legal and statutory reserves	FV reserve for long-term AFS assets	FV reserve for short-term AFS assets	Other FV reserve	Net profit brought forward	Net profit for the current year	Total
As at 31 December 2020	**185,223**	**41,972**	**418,360**	**40,827**	**834**	**1,610**	**207,488**	**69,757**	**966,071**
Net profit for the current period	-	-	-	-	-	-	-	28,761	28,761
Other comprehensive income for the year after tax	-	-	-	22,661	(7)	(1,233)	-	-	21,421
Total comprehensive income	**-**	**-**	**-**	**22,661**	**(7)**	**(1,233)**	**-**	**-**	**50,182**
Transfer to retained earnings	-	-	-	-	-	-	70,846	(69,757)	1,089
Transfer of net profit to reserves from profit	-	-	15,246	-	-	-	(15,246)	-	-
As at 31 December 2021	**185,223**	**41,972**	**433,606**	**63,488**	**827**	**377**	**263,088**	**28,761**	**1,017,342**
Net profit for the current period	-	-	-	-	-	-	-	4,880	4,880
Other comprehensive income for the year after tax	-	-	-	(183,629)	(779)	-	-	-	(184,408)
Total comprehensive income	**-**	**-**	**-**	**(183,629)**	**(779)**	**-**	**-**	**4,880**	**(179,528)**
Transfer to retained earnings	-	-	-	-	-	-	28,761	(28,761)	-
Transfer of net profit to reserves from profit	-	-	9,970	-	-	-	(9,970)	-	-
As at 31 December 2022	**185,223**	**41,972**	**443,576**	**(120,141)**	**48**	**377**	**281,879**	**4,880**	**837,814**

Cash Flow Statement

	Notes	31 December 2022	31 December 2021
Cash flow from operating activities		**93,221**	**23,223**
Cash inflows from customers		1,388,438	1,248,671
Cash inflows from claims settled (reinsurers share)		1,795	23,092
Cash outflows for claims settled		(581,739)	(561,304)
Cash outflows for reinsurance business		(124,581)	(34,743)
Cash outflows for fronting		(126,260)	(233,958)
Cash outflows for wages and salaries		(199,595)	(192,357)
Cash outflows for operaitg costs		(308,194)	(255,505)
Cash outflows for taxes		(9,879)	(4,250)
Net cash received/paid for other operating activities		53,236	33,577
Cash flow from investing activities		**(98,540)**	**(8,840)**
Cash inflows from interest and dividents		48,545	43,746
Cash inflows from financial investments	12	592,551	844,964
Cash inflows from disposal of tangible fixed assets		6,085	-
Cash outflows for financial investments		(737,973)	(880,397)
Cash outflows for purchase of tangible fixed assets		(635)	(8,603)
Cash outflows for purchase of intangible assets		(7,113)	(8,550)
Cash flow from financing activities		**(10)**	**(1,250)**
Net increase/(decrease) in cash and cash equivalents		**(5,329)**	**13,133**
FX effect		**(54)**	**19**
Cash and cash equivalents at beginning of the year		**23,833**	**10,681**
Cash and cash equivalents at the end of the year	**16**	**18,450**	**23,833**

1. General information

1.1 Company profile

Triglav Insurance AD Skopje ("Company") is a joint stock company registered and based in Republic of Macedonia. The Company was initially established in 1968 as part of Zoil Dunav Beograd and in 1994 it was registered as AD Vardar Insurance Skopje with decision no. 09-5278/1 issued by the Ministry of Finance of Republic of Macedonia.

The majority shares of the Company were purchased by Zavarovalnica Triglav d.d. Slovenia on 15 November 2007 (70.36%).

In 2011, the shares of Zavarovalnica Triglav d.d. were transferred to Triglav INT d.d Slovenia and interest was increased to 73.38%.

A change in the Company's designation, and rebranding from AD Vardar Insurance Skopje to Triglav Insurance AD Skopje, took place on 20 September 2011.

Triglav INT d.d has issued proposal for taking over minority shares of the Company, which resulted in increase of their share from 73.38% to 80.45%.

As of 31 December 2022, the controlling interest in Triglav Insurance AD Skopje is held by Triglav INT d.d (81.69%) (2021: 81.32%). The ultimate holding company is Zavarovalnica Triglav d.d. Slovenia.

The company is licensed to perform 18 classes (2020:18) of non-life insurance. Among the most important insurance activities are accident insurance, health insurance, land motor vehicles insurance, aircraft insurance, fire, natural forces and other damage to property insurance, motor TPL insurance, general liability insurance and travel insurance.

The address of the registered Company headquarters is:

bul.8-mi Septemvri 16

Business Center Hyperium, 1000 Skopje, Republic of Macedonia

These financial statements have been approved for issue by the Management Board on 24 March 2023.

1.2 Management bodies

Triglav Insurance AD Skopje is managed and governed according to the one-pillar management system. The management bodies are:

- The General Assembly of Shareholders; and
- The Board of Directors.

The management bodies of Triglav Insurance AD Skopje act according to the viable legislation and other acts, the Statute and the internal acts of operation.

The names of the Board of Directors' members of the

Company serving during the financial year, and to date of this report, are as follows:

- Mr. Tedo Djekanovic- President of the Board of Directors, MScBA;
- Mr. Gjorgje Vojnovic - Executive Member, MBA;
- Mr. Vojdan Jordanov – Executive Member, MScBA;
- Mr. Matej Ferlan – Independent non-executive member, MBA;
- Mr. Darko Popovski- Non-executive member, MScBA;
- Mr. Blaz Kmetec- Non-executive member, BSc of Economics-Banking and Finance; and
- Mr. Gjorgji Jancevski - Independent non-executive member, BSc of Economics.

1. General information (continued)

1.2 Management bodies (continued)

During 2022, the Board of Directors held twelve (12) sessions on which the most important issues within the scope of the Company's business activities were considered.

The Board of Directors has also reviewed and decided upon other current matters which are in its scope of authorizations.

For the purpose of timely and effective functioning of the Board of the Directors, an Audit Commission has been formed which represents supporting body to the Board of Directors. The commission has been formed in accordance to its Statute and the Law on trade companies. Among other things, the audit commission is responsible for supervision and control of the integrity of the financial reporting, internal control system, effectiveness of the internal audit, effectivens of the risk management system, compliance with the applicable laws and regulations etc. The audit commission reports and provides recommendations to the Board of Directors. The audit commission, also provides recommendation for the selection of the audit company responsible for auditing of the financial statements of Triglav Insurance AD, Skopje.

The names od the audit commission members are as follows:

- Ms. Mateja Geržina – President of the Audit commission;
- Mr. Darko Popovski- Member of the Audit comission, MBA;
- Ms. Jana Polda – Member of the Audit commission;
- Mr. Branko Flisar – Member of the Audit commission;
- Mr. Miran Kraševec– Member of the Audit commission.

During 2022, the Audit commission held seven (7) sessions on which the most important issues within the scope of its responsibilities were considered.

1.3 Employees

As of 31 December 2022, the Company had 219 employees (2021:228).

The table below shows the structure of employees according to the type of employment.

Type of employment	31 December 2022	31 December 2021	Variation
Internal employees	128	129	(1)
Agents	91	99	(8)
Total	**219**	**228**	**(9)**

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (”IASB”).

This financial statements are both separate financial statements and economic interest statements.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the available-for-sale financial assets measured at fair value as well as financial assets measure at fair value through profit and loss. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The methods used for measuring fair value are described in note 3.7.

For the preparation of the statement of financial position, the Company classifies individual items into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity.

2.3 Functional and presentation 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.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the amount of income and expenses in the reporting period. Although these estimates are based on the management’s best knowledge of current events and activities, actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an on-going basis. A change in an accounting estimate is recognized for the period to which the estimate refers as well as for any future periods affected.

The most important uncertainty estimates and decisive judgments prepared by the management while applying the accounting principles and having the strongest impact on the figures in the financial statements are given in note 4.

2.5 Foreign currency transactions

Transactions in foreign currency are translated to MKD according to the exchange rates as at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to MKD at the prevailing exchange rate as at that date. The foreign currency gains or losses on monetary items are the difference between amortized cost in MKD at the beginning of the period, adjusted for an effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to MKD at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss,

2. Basis of preparation (continued)

2.5 Foreign currency transactions (continued)

except for the differences arising on translation of available-for sale equity instruments which are recognized directly in Other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The foreign currency the Company deals with is predominantly EUR.

The exchange rates used for translation at 31 December 2022 and 2021 were as follows:

	31 December 2022	31 December 2021
	MKD	**MKD**
1 EUR	61.493	61.627

2.6 Going concern

The Management has, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant accounting policies

The accounting policies stated herein have been applied consistently to all periods presented in these financial statements.

3.1 Intangible assets

(i) Recognition and measurement

Items of intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any.

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets. Change in deferred acquisition costs are recognized in the statement of profit or loss as a change in unearned premium provision.

(ii) Subsequent costs

Subsequent costs are capitalized only if it is probable that future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. All other costs are recognized in the statement of profit or loss as they are incurred.

(iii) Amortization

Amortization is recognized in the statement of profit or loss on a straight-line basis over the estimated useful life of each item of an intangible asset.

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

	Annual amortization rate (%)
Core operating system	10%
Software and licenses	20%

Amortization method, useful lives and residual values of assets are reviewed at each reporting date. If the expected useful life of an asset differs from previous estimates, the amortization period is adjusted accordingly.

(iv) Impairment

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. Accounting policies regarding the impairment of intangible assets are described in note 3.12. No intangible assets were impaired as at December 31, 2022 (2021 null.).

3.2 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

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

3. Significant accounting policies (continued)

3.2 Property and equipment (continued)

(ii) Subsequent costs

After initial recognition, an item of property and equipment is carried at its cost less any accumulated depreciation and accumulated impairment losses, if any.

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

(iii) Depreciation

Depreciation is recognized in the statement of profit or loss and it is calculated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

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

	Annual depreciation rate (%)
Buildings	2.5%
Equipment	10% - 25%

Depreciation of an asset begins when it is available for use. The depreciation charge for each period is recognized in the statement of profit or loss. Depreciation of an asset ceases as at the date that the asset is derecognized.

Depreciation methods, useful life and residual values are reviewed at each reporting date and adjusted in the event expectations differ from previous estimates.

(iv) Derecognition

When a depreciable item of property and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts.

The gain or loss from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognized within “Other income” or “Other expenses” in the statement of profit or loss.

(v) Impairment

At each reporting date, items of property and equipment are reviewed for indications of impairment or changes in estimated future economic benefits. Accounting policies regarding the impairment of tangible assets are described in note 3.12. No item of property and equipment was impaired as at December 31, 2022 (2021: null).

3. Significant accounting policies (continued)

3.3 Leased assets, right of use assets and lease liabilities

The Company as a lessee

The Company has operating leases for the headquarter offices of the Company as well as for several branch and representative offices throughout the country.

The lease of headquarters has a term of four years whereas the leases of representative and branch offices have a lease term of one year but generally they are extended for period ranging from 2 years to 3 years.

Lease payments are fixed. No lease payments are linked to Company's performance or index.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are generally cancellable with one month notice period except for the leases of the headquarters.

No leases contain an option to purchase the underlying leased asset outright at the end of the lease. The leases generally contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. All leases the Company must keep in a good state of repair and return the properties in their original condition at the end of the lease.

The nature of the Company's leasing activities by type of right-of-use asset recognised on statement of financial position are disclosed in note 9.

For any new contracts entered into on or after 1 January 2022, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate

3 Significant accounting policies (continued)

3.3 Leased assets, right of use assets and lease liabilities (continued)

implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

The methodology for setting the interest rates at which future leases are discounted was determined at the Triglav Group level. The discount curve is the combination of the interest rate on risk-free government bonds in Republic of North Macedonia and the credit spread for the Company. The applied credit spread is 3.25% based on assumptions, defined by Triglav Group internal financial analystis. The interest rate is reviewed and adjusted if needed on quarterly basis.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed). Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The Company remeasures the lease liability (and makes a corresponding adjustment to the right of use asset) whenever:

- The lease term has changed or there is significant event or change in circumstances resulting in change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- The lease contract is modified and the lease modification is not accounted for a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases and leases of low-value assets, when they exist, using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been disclosed separately.

The Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

3. Significant accounting policies (continued)

3.4 Investment Property

Investment property is property (land or building or part of a building of both together) held by the Company for the purpose of earning rent or to increase capital, or for both. This category does not include property used by the Company for the regular course of business.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of investment property is calculated on straight-line basis using rates determined by means of which acquisition cost of the building should be written off over their estimated useful life.

The useful life of the buildings is estimated at 40 years with an annual depreciation rate of 2.5%.

The annual depreciation rates of the whole investment properties applied are as follows:

	Annual depreciation rate (%)
Buildings	2.5%

Investments in real estate generate cash inflow independently of other assets owned by the Company.

Investment property is derecognized when it will be disposed of, or when the investment will be permanently withdrawn from use and the Company will not expect future economic benefits from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of de-recognition.

Transfers are made to or from investment property only when there is change in use. Since the Company uses the cost model, the transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred nor do they change the cost of that property for measurement or disclosure purposes.

Fair values for disclosure purposes are based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification.

All income arising from investment property is rental income and is shown in the statement of profit or loss under “Other income”. Expenses arising from investment property consist of the depreciation charges and maintenance costs of the investment property. In the statement of profit or loss they are disclosed under “Other expenses”. Accounting policies regarding the impairment of investment property are described in note 3.12.

3. Significant accounting policies (continued)

3.5 Investment in associates

Investments in associates represent investments in the companies (investees) over which Triglav Insurance AD Skopje has significant influence arising from its power to participate in financial and operating policy decisions of an investee, but not joint control or control of those polices.

Associates of Triglav Insurance AD Skopje are those companies in which the Company directly or indirectly holds between 20% and 50% of the voting rights and has a significant but not dominant influence.

In the financial statements of the Triglav Insurance AD Skopje, investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of the investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss as a separate line and represents profit or loss after.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. Accounting policies regarding the impairment of investments in associates are described in note 3.12.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Dividends are recognised in income statement once the right to payment is obtained.

3.6 Financial assets

(i) Classification

The Company classifies its financial assets into four categories available-for-sale assets, loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss. The classification is determined by the management at initial recognition and depends on the purpose for which the investment is acquired. During 2022, financial assets were classified as available-for-sale assets, loans and receivables and fair value through profit and loss (2021: available-for-sale assets, loans and receivables and fair value through profit and loss).

Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of profit or loss.

3. Significant accounting policies (continued)

3.6 Financial assets (continued)

(ii) Recognition and measurement

The trade date is used for the initial recognition of financial assets, except for loans and receivables *(excluding receivables from insurance operations)*, for which the settlement date is used (trade date is same as the settlement one in such cases).

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, financial assets classified as available-for-sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal.

Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

Changes in fair value are recognized directly in other comprehensive income as an increase (gain) or decrease (loss) in the revaluation surplus, with the exception of asset impairments and foreign exchange differences regarding monetary items, such as debt securities recognized in the statement of profit or loss.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of profit or loss as net realized gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss (Income from financial assets). Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Company's right to receive payments is established. Both are included in the "Income from financial assets" line in the statement of profit or loss.

Loans and receivables (excluding receivables from insurance operations)

Loans and receivables (excluding receivables from insurance operations) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognized when cash is advanced to the borrowers and are measured at cost. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Interest on loans and receivables calculated using the effective interest method is recognized in the statement of profit or loss (Income from financial assets). The impairments of loans and receivables are recognized if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms. The losses arising out of impairment are recognized in the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are represented by two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. Irrespective of the sub-category, they are acquired with principal purpose of selling them in the short-term.

After initial recognition, financial assets measured at fair value through profit or loss, except for derivative financial markets not traded and not quoted on stock markets, are measured at fair value on the basis of prices quoted in an active market.

Gains and losses arising from a change in fair value are recognized in the statement of profit or loss in the period in which they arise.

3. Significant accounting policies (continued)

3.6. Financial assets (continued)

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss as part of the "Income from financial assets" when the Company's right to receive payments is established.

(iii) Derecognition

Financial assets are derecognized when the right to receive cash flows from them has expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

3.7 Fair value of financial assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. These valuation techniques include the use of recent price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, comparison with the current fair value of another instrument with similar key features, discounted cash flow analyses and option pricing models. If there is a valuation technique commonly used by market participants for establishing instrument prices and if such a technique has yielded reliable estimates of prices used in actual market transactions, such a technique is applied by the Company. In the discounted cash flow method, future cash flows and discount rates are applied as estimated by the management, reflecting interest rates on comparable instruments. When the fair value of financial instruments cannot be reliably measured, the financial instruments are measured at cost (paid or received amount) increased by expenses incurred in the underlying transaction.

For disclosure purposes, a price level hierarchy has been applied for all financial assets measured at fair value as follows:

- **Level 1:** valuation through market prices quoted (unadjusted) for identical assets in an active market (stock exchange prices and Bloomberg generic prices).
- **Level 2:** valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset.
- **Level 3:** valuation through valuation models operating mostly based on unobservable market inputs.

The Company uses discounted cash flows method, for valuation of the government bonds that do not have quoted market price on an active market (Level 2). The Company calculates present value of the investment, or in this case the clean price of the bond, by discounting the scheduled future cash flows.

As a basis for discounting, the Company uses the yield to maturity rate of similar bonds issued by the same issuer via options on the primary market adjusted by the maturity spread.

3. Significant accounting policies (continued)

3.7. Fair value of financial assets (continued)

In 2022 and 2021, as a basis for discounting, the Company used the yield to maturity of the government bonds quoted on the primary market in R. North Macedonia as opposed to the yield to maturity of the Eurobonds issued by the government of R. North Macedonia used in the past periods. The change was made based on several factors among which was the change in the Law on Supervision of Insurance with which the insurance companies in R. North Macedonia were forbiden to invest in such instruments. Furthermote, the change was impacted by the different nature and characteristics of the Eurobond as compared to the government bonds issued on the domestic market including the major differences in the yields to maturity even when the instruments had same maturities.

3.8 Reinsurer's share of technical provisions (reinsurance assets)

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, incomes and expenses from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognized as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For non-life insurance business, reinsurance premiums are expensed over the period covered that the reinsurance cover is provided for based on the expected pattern of the reinsured risks *(note 3.20 net premium income)*.

Reinsurers' share of technical provisions made for claims not settled yet as well as for unearned premium is an asset arising from reinsurance contracts.

The value of reinsurer's share of technical provisions for claims not settled is measured based on the expected losses in accordance with reinsurance contracts.

The value of reinsurer's share for unearned premiums is in accordance with calculation of provision for unearned premium and conditions in reinsurance contracts.

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognized by the Company in respect of its rights under such contracts. Any difference between the premium due to the reinsurer and the reinsurance assets recognized is included in the statement of profit or loss in the period in which the reinsurance premium is due. The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets are assessed for impairment at each balance sheet date. Accounting policies regarding the impairment of reinsurance assets are described in note 3.12.

Assets from reinsurance contracts are derecognized when the rights from the underlying insurance contracts expire or are transferred to a third party.

3. Significant accounting policies (continued)

3.9 Insurance receivables and payables

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

Receivables from insurance operations are recognized when insured persons are charged with the premium. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

Subrogation receivables are recognized when the first installment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. Insurance receivables and payables are short term.

Accounting policies regarding the impairment of insurance receivables are described in note 3.12.

3.10 Other assets

Other assets include deferred expenses and accrued revenue, if any.

Short-term deferred expenses are amounts that will impact profit or loss in the following accounting periods. They are accrued in order to ensure their even impact on profit or loss, or to accrue prepaid expenses not yet incurred. Accrued revenue refers to revenue earned in the current accounting period but that will be collected in a subsequent period.

3.11 Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition. Cash and cash equivalents comprise cash on hand. Cash and cash equivalents are carried at amortized cost in the balance sheet.

3.12 Impairments

(i) Impairment of intangible assets and property and equipment

At each reporting date, Company's management reviews the carrying amount of the non-financial assets. If there is an indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

A cash generating unit is the smallest identifiable group of assets that generates cash inflows out of continuous use, which are greatly independent of the cash inflows from other assets or groups of assets. Impairment losses recognized with regard to the cash generating units are proportionally distributed to the assets in the units (a group of units).

An impairment loss is recognized immediately in the statement of profit or loss.

The previously recognized impairment losses of property and equipment and intangible assets are reversed only if their recoverable amount increases and if this increase can be objectively related to an event occurring after the previous impairment was recognized. An impairment loss of an asset is derecognized only up to the amount of the carrying amount that would have resulted after the depreciation charge, if in previous periods no impairment loss had been recognized.

(ii) Impairment of Investment property

At each reporting date, Company's management reviews the carrying amount of the investment property. In the event of any sign of impairment of investment property, the recoverable amount

3. Significant accounting policies (continued)

3.12 Impairments (continued)

(ii) Impairment of Investment property (continued)

(the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognized in an amount equaling the difference between the two.

(iii) Impairment of investments in associates

At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired.

If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit/loss of an associate' in the statement of profit or loss.

(iv) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have 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 or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - Adverse changes in the payment status of issuers or debtors in the Company; or
  - National or local economic conditions that correlate with defaults on the assets in the Company.

Financial assets available-for-sale

The impairment loss of an available-for-sale financial asset is calculated on the basis of its current fair value. If there is objective evidence of the impairment of an available-for-sale financial asset, the accumulated loss, previously recognized in other comprehensive income, is transferred to the statement of profit or loss.

The reversal of the previously recognized impairment losses of equity instruments, classified as available-for-sale financial assets, is recognized in other comprehensive income.

A reversal of previously recognized impairment of available-for-sale debt instruments is recognized in the statement of profit or loss. Impairment may be reversed if such a reversal can be objectively related to an event occurring after the previous impairment was recognized.

For equity securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), a significant decrease in the fair value of a security (above 40%) or a long-term decrease in the fair value of a security (continuing for more than nine months). For debt securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

3. Significant accounting policies (continued)

3.12 Impairments (continued)

(iv) Impairment of financial assets (continued)

Loans and receivables

The impairment loss of a financial asset, measured at amortized cost, is calculated as the difference between that asset's carrying amount and the present value of expected future cash flows, determined on the basis of the historical effective interest rate. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

A reversal of previously recognized impairment of financial assets measured at amortized cost is recognized in the statement of profit or loss. Impairment may be reversed if such a reversal can be objectively related to an event occurring after the previous impairment was recognized.

(v) Impairment of insurance receivables

All insurance receivables are tested for impairment or impairment reversal at least at the end of the business year. Impairments are recorded as an adjustment of the value of receivables and are formed individually or collectively for receivables with similar credit risk. Credit risk is assessed based on the classification of receivables by maturity and the experience of previous years regarding the recovery of receivables with the same maturity. Impairment loss is recognised in “Other insurance expenses”.

(vi) Impairment of reinsurer's share of technical provisions

Reinsurers' share of technical provisions (assets from reinsurance contracts) is tested for impairment on an annual basis. These assets are impaired only if there is objective evidence resulting from an event occurring after the initial recognition of the reinsurance asset showing that the amounts due from reinsurers in accordance with a contract may not be recovered and if the event has a reliably measurable effect on the amounts that will be recovered by Company from the reinsurer. An impairment loss of assets from reinsurance contracts is recognised in the statement of profit or loss.

3.13 Equity

(i) Share capital

Share capital equals the nominal value of paid-up ordinary shares.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

(ii) Treasury shares

When the Company purchases its own shares, the consideration paid, including the directly attributable incremental costs (net of income taxes), is deducted from equity.

Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

(iii) Share premium reserves

The share premium reserves are formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. These reserves relate to the difference between the nominal and sales value of the ordinary shares of the Company.

3. Significant accounting policies (continued)

3.13 Equity (continued)

(iv) Reserves from profit

Under local statutory legislation, the Company is required to set aside 1/3 of its net profit for the year in a statutory reserve (as long as it is not used for covering of losses) until the level of the reserve reaches 50% of the realized average insurance premium in the last two years, whereby the premiums from the previous year are increased by the index of retail price increase, including the year for which realized profit is distributed.

These reserves are meant to cover the liabilities arising out of the insurance contracts which have period of coverage longer than one year.

(v) Revaluation reserves

The revaluation reserve represents changes in the fair value of the available for sale financial assets. The reserve includes the cumulative net effect until the moment of derecognition or impairment occurring on the financial asset.

(vi) Other fair value reserves

Other fair value reserves relate to revaluation reserve made on the property, plant and equipment before 1 January 2005.

(vii) Dividends

Dividends are recognized as liability in the year in which they are declared.

3.14 Classification of the insurance contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from another party (the policy holder); by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder.

Underwriting risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss and the payment in other cases.

3.15 Insurance technical provisions

Unearned premium provision

The provision for unearned premium comprises the proportion of gross written premiums which is estimated to be earned in the following financial year, calculated separately for individual insurance contracts, using the pro-rata temporis method.

Claims provisions

Claims provisions are formed for claims incurred and reported but not settled until the reporting date (RBNS). Claims provisions are also formed for reported claims as well as for incurred but not reported (IBNR).

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Triglav Insurance AD Skopje are calculated as a capitalized annuity value based on the Serbian mortality tables of 2010-2012 and an interest rate of 2,5%.

Provisions for incurred but not reported claims (IBNR) are calculated by means of “triangle” methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods for MTPL line

3. Significant accounting policies (continued)

3.15 Insurance technical provisions (continued)

Claims provisions (continued)

of business, Loss ratio method for general liability, health insurance and travel insurance and Chain Ladder for other classes of insurance). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a several year long time series of settled and icurred claims is applied. The IBNRs are formed for 8 classes of insurance with which 99% of the gross claims settled are covered.

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on a quarterly basis.

Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance recoveries are assessed in a manner similar to the assessment of claims outstanding.

Provisions for bonuses and discounts

Provisions for bonuses are formed for managerial insurance for risks that cover death out of accident. Provisions for bonuses are also formed for non claim occurrence at specific rate and only if such condition is agreed upon with the policyholder. The provision is created upon the conclusion of the contract, irrelevant of the payment pattern of the client.

Other insurance technical provisions

Provisions for unexpired risk reserves are formed for those lines of business where there is an insufficiency of unearned premium less deferred acquisition costs compared to expected future cash flows from the insurance contracts. The claim ratio and expense ratio are used in assessing the expected future cash flows.

3.16 Other provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, wherever appropriate, the risk specific to the liability.

3.17 Employee benefits

(i) Defined contribution plans

The Company contributes to its employees' post retirement plans as prescribed by the national legislation and will have no legal or constructive obligation to pay further amounts. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions.

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

(ii) Short term benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. Significant accounting policies (continued)

3.17 Employee benefits (continued)

(iii) Other long-term employee benefits

In compliance with the local regulations, the Company pays two average salaries to its employees at the moment of retirement and jubilee awards in accordance with the General collective agreement. The employee benefits are discounted to determine their present value. There is no additional liability in respect of post retirement. Based on past experience, the Company does not expect all employees to take the full amount of accrued leave. According to the laws and regulations applicable in Republic of North Macedonia, the Company has no obligation to pay unused annual leave if the employees do not use its holliday on their own decision.

3.18 Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are increased by accrued interest, if any. In the financial statements, financial liabilities are disclosed at amortised cost. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

3.19 Operating and other liabilities

Operating liabilities and other liabilities are recognised in the statement of financial position based on the contractual obligation to pay. At initial recognition, operating and other liabilities are measured at cost.

3.20 Net premium income

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

The earned proportion of premiums is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risk underwritten.

Outward reinsurance premiums are recognized 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 outwards reinsurance premiums are treated as expense and reduce the premium income.

Deferred acquisition costs

The costs incurred in acquiring non-life insurance contracts are deferred to the extent that they are recoverable out of future margins. Deferred acquisition costs are used over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For general insurance contracts, the deferred acquisition costs represent the proportion of the acquisition costs which correspondents to the proportion of gross written premiums which is unearned at the balance sheet date.

Gross written premium is also adjusted by the change in gross provisions for unearned premiums taking into account the reinsurers' share in provision for unearned premium (in details explained in note 3.15).

3 Significant accounting policies (continued)

3.21 Income from financial assets

Income from financial assets arises from interest income, dividends, realized gains on disposals of available-for-sale instruments, revaluation income on FVTPL instruments and other financial income.

In the statement of profit or loss, interest income is recognized using the effective interest rate, which does not apply to financial assets recognised at fair value through profit and loss.

Income from dividends is recognised in the statement of profit or loss once the right to the payment is obtained.

Gains on disposal arise from the derecognition of available-for-sale and financial assets at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

3.22 Other insurance income

Other income from insurance operations represents fees and commission income from reinsurance, interest income from insurance receivables as well as other income from insurance operations. It is recognised in the statement of profit or loss once a service has been provided and/or invoiced.

Fee and commission income represents charges recovered from foreign reinsurance companies based on reinsurance contracts concluded with them. Other insurance income includes compensations from the National Insurance Bureau for paid claims and other insurance income.

3.23 Other income

Other income includes investment property income, income from disposal of intangible assets and property and equipment, income from intellectual services as well as other income.

3.24 Net claims incurred

Claims incurred comprise the settlement and handling costs of paid claims arising from events occurring during the financial year reduced by the reinsurers’ share and subrogated receivables, and adjusted by the change in gross provisions for outstanding claims, taking into account the reinsurers’ share of these provisions.

Claims paid are recorded in the moment of processing the claim and are recognized (determined) as the amount to be paid to settle the claim. Claims paid in non-life business are increased by claims handling costs.

Claim handling costs consist of external and internal costs of assessing the eligibility and amount of claims, including court fees and charges, expert fees and subrogation recovery expenses.

3.25 Change in other insurance technical provisions

Change in other insurance technical provisions comprise of unexpired risk reserves, which are formed if it is assumed that the amount of unearned premiums decreased by the deferred acquisition costs is not sufficient for covering future insurance contracts liabilities.

3.26 Operating expenses

Gross operating costs are recognized as original expenses by natural type of cost. In the statement of profit or loss these costs are classified by function. Claim handling costs are a constituent part of claims incurred (note 3.24), asset management costs are a constituent part of expenses from financial assets and liabilities (note 3.27), whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement within operating expenses headline. All operating costs are disclosed by natural type and function.

3. Significant accounting policies (continued)

3.26 Operating expenses (continued)

Operating lease

Payments made under operating leases are recognized in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of profit or loss as an integral part of the total lease expense.

3.27 Expenses from financial assets and liabilities

Expenses from financial assets and liabilities are interest expenses, fair value losses, net realized losses on disposals of financial assets, impairment losses and other financial expenses.

In the statement of profit or loss, interest expense is recognized using the effective interest method, which does not apply to the financial assets measured at fair value through profit and loss. During 2022, the Company recorded interest expenses related to the lease liabilities in accordance with IFRS 16.

Losses on disposal arise from the derecognition of available-for-sale and financial assets classified as fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a loss incurred.

3.28 Other insurance expenses

Other insurance expenses include membership fees, losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses.

Other insurance expenses are disclosed in the statement of profit or loss once a service is provided.

3.29 Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are disclosed in the statement of profit or loss once a service is provided.

3.30 Taxes

Current income tax

With the changes in the Macedonian tax legislation published in Official Gazette no.112 from 25 July, 2014, effective from 1 January 2014, the current income tax in Republic of North Macedonia is calculated as 10% tax rate on the income before tax representing the tax base. This tax base is further increased by the non-deductible (unrecognized) expenses incurred in that fiscal year and determined in the "Rulebook for the calculation and payment manner of income tax, and prevention from double tax relief or double taxation", decreased by the amount of tax credits and other tax reliefs.

The tax currently payable is based on taxable profits for the year. Taxable profits may differ from net profits as reported in the profit or loss because it exclude items that are never taxable or deductible.

The current income tax is recognized in the statement of profit or loss for the year.

During the year, the Company pays monthly advances which are calculated based on the income tax expenses from the previous year. At the end of the reporting period, a final tax calculation is prepared for the current year based on the current year income tax expenses and any difference to the monthly advances paid is recorded as either tax asset or tax liability.

Deferred income tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit, and is accounted for using the liability method.

3. Significant accounting policies (continued)

Deferred income tax (continued)

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement, excluding taxes charged on a business event recognized under other comprehensive income.

3.31 Adoption of new and revised IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company in the current reporting period:

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual reporting periods beginning on or after 1 April 2021. **These amendment has not led to any changes in the financial statements of the Company.**

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022). **These amendment has not led to any changes in the financial statements of the Company.**

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022). **These amendment has not led to any changes in the financial statements of the Company.**

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022). **These amendment has not led to any changes in the financial statements of the Company.**

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.). **These amendment has not led to any changes in the financial statements of the Company.**

Standards issued but not yet effective and not early adopted

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued on 25 June 2020 and amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9" issued on 9 December 2021 (effective for annual periods beginning on or after 1 January 2023). **The Company is in the process of assessing the impact of this amendment on its financial position and performance. The estimated effects are presented in note 3.32.**

3. Significant accounting policies (continued)

3.31 Adoption of new and revised IFRS (continued)

Standards issued but not yet effective and not early adopted (continued)

- **Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current** (effective for annual periods beginning on or after 1 January 2023**).**

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).

- **Amendments to IFRS 16 “Leases”** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024)**.**

- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company has elected not to adopt the new standard and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of the standard and amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application except for IFRS 17, for which the Company is in process of assessing the impact. The estimated effects are presented in note 3.32.

3.32 Estimated effects from application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments”

Transition of the application of the new standard IFRS 17 – Insurance contracts

For annual period beginning after 1 January 2023, IFRS 17 will replace IFRS 4. For the Company this means significant changes in classification, measurement and disclosure which are explained below.

Definition and classification

IFRS 17 establishes principles for recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participating features.

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” (continued)

The key principles of IFRS 17 are that an entity:

- identifies insurance contracts as those under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct (i.e. non-insurance) goods or services from insurance contracts;
- divides the contracts into groups it will recognize and measure;
- recognizes and measures groups of insurance contracts as:
  - a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information, and
  - an amount representing the unearned profit in the group of contracts (the contractual service margin or CSM);
- recognizes profit from a group of insurance contracts over the period the entity provides insurance and other services. If a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period, an entity recognizes the loss immediately;
- presents insurance revenue, insurance service expenses and insurance finance income or expenses separately;
- discloses information to enable financial statement users to assess the effect that contracts within the scope of IFRS 17 have on an entity’s financial position, financial performance and cash flows.

The Company does not expect any significant changes in the classification of its contracts.

Aggregation

A portfolio of insurance contracts is defined as "insurance contracts subject to similar risks and managed together". The level of aggregation is applied by grouping contracts together at initial recognition, considering all relevant features that are part of a contract, applying the following characteristics:

- similar risks are managed together (i.e., part of one portfolio of contracts),
- split to annual cohorts;
- similar profitability, distinguishing at inception contracts that are expected to be onerous from those that are expected to be profitable.

The requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognized immediately. Compared with portfolio level at which the liability adequacy test is performed under IFRS 4, the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognized sooner.

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” (continued)

Contract boundaries

The measurement of a group of contracts includes all future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance contracts held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Comapny is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Expected changes with transition to IFRS 17:

The Company does not expect any significant changes in terms of contracts boundaries compared to the IFRS 4 accounting.

Measurement

IFRS 17 introduces three possible approaches to policy treatment and its accounting:

- General model (also known as Building Block approach – BBA) – this is default model, applicable to all long-term insurance contracts
- Simplified approach (also known as Premium Allocation Approach - PAA) – standard allows using this simplified model for the measurement of insurance contracts with short coverage (usually applicable to non-life policies with short coverage)
- Variable Fee Approach (VFA) – usually applicable to life participating contracts (unit-linked).

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” (continued)

The PAA is permitted if and only if, at the inception of the group of contracts:

- the business unit reasonably expects that such simplification would produce a measurement of the liability for remaining coverage (LRC) for the group that would not differ materially from the one that would be produced applying the requirements for the general model (i.e. the fulfilment cash flows related to future service plus the contractual service margin); or
- the coverage period of each contract in the group (including coverage arising from all premiums within the contract boundary determined at that date) is one year or less.

According to the standard, Company will classify its products as presented below.

Direct insurance business

- Most products within Company’s portfolio provide cover up to one year, hence as a general rule PAA method shall be applied
- Rare exceptions to this rule cover non-life insurance with longer cover, usually with non-linear distribution of risk over time, such as:
  - Insurance of construction and installation projects
  - Construction guarantees
  - Credit insurance (with long covers)
  - Financial guarantees
  - General liability insurance for buildings / installations / design
  - Other miscellaneous contracts with coverage longer than 1 year

If sufficient justification is provided, PAA method will be also applied for contracts longer than one year, e.g. based on materiality assessment and PAA eligibility testing.

Passive (outward) reinsurance

- The choice of the method shall reflect characteristic of reinsurance agreement and underlying direct insurance contract(s)
- The requirement to assign a measure (PAA or BBA) may result in a situation, where the reinsurance contract will be treated in a completely different approach (UoA and measure) than a corresponding direct insurance contract.

For PAA contract on initial recognition, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows at that date. Insurance acquisition cash flows will be expensed when they incurred. Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. According to the standard, liability for remaining coverage will not be adjusted to reflect the time value of money and the effect of financial risk.

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" (continued)

Significant judgements and estimates

Future cash flows

Estimates of future cash flows will include all reasonable and supportable information that is available without undue cost or effort at the reporting date. Updated internal and external historical data will be used about claims and other experience in order to reflect current expectations of future events.

Cash flows within the contract boundary are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Company will generally allocate insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts in each group.

Risk adjustment

Risk adjustment for non-financial risk is the compensation that insurance company requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk as the insurance company fulfils insurance contracts. Risk adjustment will be calculated using the Value at Risk method.

The risk adjustment for liability for incurred claims is calculated as the excess of the value at risk over the best estimate of future cash flows at a confidence level determined by entity. The calculation is performed at the level of homogenous groups and the diversification is valued using a correlation matrix and allocated back to the groups.

The risk adjustment of liability for remaining coverage is derived from basic solvency capital requirements of appropriate risks from Solvency II standard formula scaled from 99,5 % to the predetermined confidence level which coincides with the one used in the calculation of the risk adjustment for liability for incurred claims. Diversification between portfolios for both liabilities is again determined using an appropriate correlation matrix and allocated back to portfolios.

Risk adjustments for liabilities of reinsurance held treaties are derived from their underlying direct business and active reinsurance contracts taking into account the specifics of the risks ceded to reinsurers and the format of reinsurance held treaty.

Discount rates

In estimation of the present value of future cash flows, discount rates that reflect the characteristics of the cash flows, should be used. When defining the appropriate discount rate, the liquidity characteristics of insurance contract should also be taken in consideration. Triglav Group will use bottom-up approach with risk free rate and illiquidity premium. The illiquidity premium is applied to the risk-free interest rate as a parallel shift to the last liquidity point.

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” (continued)

The risk-free interest rate term structure for the Macedonian denar is calculated based on euro interest rate swaps. The illiquidity premium is calculated as the difference between the supply and demand of government bonds of the country and euro interest rate swaps.

All liabilities are discounted using EIOPA’s risk free yield rates with exception of liabilities relating to annuities stemming from the business. Those cash flows are discounted using published EIOPA volatility adjustment curve as 100% illiquidity premium curve.

Presentation and disclosure

IFRS 17 will change substantially the Company’s financial statements.

All rights and obligations arising from the portfolio of insurance and reinsurance contracts will be valued on the basis of expected and actual cash flows and shown in the statement of financial position as an asset or liability from insurance contracts. Receivables from insurance premium, liabilities for claims, insurance-technical provisions and other insurance-related items will no longer be shown in separate balance sheet items. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Statement of profit and loss will now present the insurance service result, which is divided into insurance revenue and insurance service expenses and result from reinsurance. Insurance finance income or expenses includes the effects of unwinding and changes in the value of underlying items and interest rates. Change in interest rates can also be shown in the statement of other comprehensive income if the entity chooses this option.

Insurance service result

For contracts measured using the PAA, insurance revenue for the period is recognized based on the amount of expected premium receipts allocated to the period based on the passage of time.

The requirements in IFRS 17 to recognize insurance revenue over the coverage period will have an impact on the result on long term contracts. The result will be more evenly distributed over the coverage period especially because different approach in amortizing deferred acquisition costs.

Expenses that relate directly to the fulfilment of contracts will be recognized in profit or loss as insurance service expenses, generally when they are incurred. The Company expects that most expenses will be attributable to insurance contracts. The minority will be shown as not attributable costs outside insurance service result.

Passive reinsurance will now be presented as net income or expense from reinsurance as separate line in the statement of profit and loss. Consequently, the revenue and claims will be presented higher than current practice.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognized in profit or loss will be included in the insurance service result.

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” (continued)

Insurance finance income and expense

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from impact of changes in economic / financial assumptions can be disaggregated into the statement of profit and loss or other comprehensive income to reduce accounting mismatch with investment part under IFRS 9. The Company needs to define the disaggregation of portfolio level.

For most of portfolios, the Company will use the option to present the financial effect in the statement of other comprehensive income because most of the investment portfolio under IFRS 9 will also be classified as fair value through other comprehensive income.

Estimated impacts of the transition on the application of the new IFRS 17

Triglav Osiguruvanje AD Skopje will publish the first financial statements prepared using IFRS 17 for the year ended 31 December 2023. A full retroactive approach will be applied, therefore the data for comparable periods will also be restated in the financial statements.

The management assessed the impact of the initial application of IFRS 17 on the financial statements of Triglav Osiguruvanje AD Skopje as at the transition date, i.e. 1 January 2022. **The information presented below was prepared based on the best estimate and interpretation of the standard and will be subject to review.** Officially published financial statements may therefore contain information that will significantly differ from the estimate presented below.

A greater impact is expected on the transition date, when insurance contracts will be measured for the first time using an estimate that is close to the calculated solvency requirements. The impacts are presented below.

Most insurance policies of the Company are short-term contracts; therefore, in accordance with the option allowed by IFRS 17, a simplified approach will be used for the valuation of these contracts, i.e. the premium allocation approach or PAA. Both the full retrospective approach and the modified retrospective approach will be used to restate data retrospectively.

Although the PAA approach is similar to the current accounting treatment of insurance contracts, the implementation of IFRS 17 will affect the financial statements. In accordance with IFRS 17, when measuring insurance contracts, discount must be applied for claims incurred over one year. Discounting will reduce the amount of liabilities. In addition, risk adjustment will be introduced, which will result in a higher liability and lower capital of the Company. Acquisition costs will be deferred using a different methodology, due to which associated expenses from insurance operations will be lower.

Impacts of the transition on the application of the new IFRS 17

The Company assess that the impacts of the transition on the application of the new standard IFRS 17 as at 1 January 2022 will be as follows:

	Impact on retained earnings	Impact on other comprehensive income	Impact on net deferred tax liabilities
Non-life business	-133,152	-399	-

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" (continued)

Transition of the application of the new standard IFRS 9 – Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, Triglav Osiguruvanje AD Skopje as insurance company has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023. Comparative financial statement for financial year 2022 will also be restated. The deferral condition is that the carrying amount of liabilities arising from the insurance business is at least 90% of total carrying amount of liabilities.

Classification

The classification of investment under IFRS 9 depends on defined business models of the Company along with contractual cash flows characteristics. Accordingly, the Company have three possibilities of classification: amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit and loss. Compared to the previous categories under IAS 39 the held-to-maturity investments and loans and receivables are merged in amortized cost category, available for sale are now mainly presented in fair value through other comprehensive income, fair value through profit and loss does not change.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The financial assets are held for the purpose of collecting cash flows according to the business model of collecting cash flows
- The contractual cash flows represent only payments of principal and interest on the principal amount outstanding

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not classified in other categories of measurement:

- The financial assets are held for the purpose of collecting cash flows and sale according to the business model of collecting cash flows and sale
- The contractual cash flows represent only payments of principal and interest on the principal amount outstanding

Under this category, the Company also measure equity instruments (non-monetary) which are not held for trading and for which the Company irrevocably designate as FVOCI. These are equity instruments of companies closely linked to the Company's business (investment in Triglav Osiguruvanje Život AD Skopje).

Financial assets measured at fair value through profit and loss

If the financial asset is not measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss. This applies to either financial assets that do not pass the cash flow adequacy test (SPPI test) or equity securities that either do not meet the

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” (continued)

conditions for measurement at fair value through other comprehensive income or are intended for trading. Financial assets from other business models, which are managed on a fair value basis or held for trading, are also measured under fair valuer through profit and loss.

Impairment

IFRS 9 replaces the incurred loss model under IAS 39 with the forward-looking expected credit loss approach. Expected credit losses are a probability-weighted credit loss estimate (i.e. the present value of all cash flow losses) in the 12-month period after the reporting date or during the expected lifetime of the financial instrument, depending on the stage into which the financial asset is classified.

The general IFRS 9 approach to impairment follows a three stage model. Based on assets credit risk evolution, a financial instrument can migrate from the first stage to the third, but it is also possible to return to the previous group. Movement form Stage 1 to Stage 2 is triggered by significant increase in credit risk, movement to Stage 3 is triggered by objective signs of impairment. The impairment calculation is based on the expected credit losses.

All financial assets (except upon initial recognition of credit-impaired financial assets) are classified into Stage 1 upon initial recognition, for which 12-month expected credit losses are formed. 12-month expected credit losses are the portion of lifetime expected credit losses that refer to possible default events in the next 12 months after the reporting date or in a shorter period if the remaining maturity of the financial asset is less than 1 year. In Stage 1, interest income is recognised at the effective interest rate applied to the total gross amount of the asset (without reduction for loss allowance of the created value).

The new method is applied to debt instruments classified at amortised cost and fair value through other comprehensive income. It is not used for other debt instruments in other balance sheet categories (receivables, lease receivables) due to their insignificance.

Stage 2 includes financial assets where there has been a significant increase in credit risk compared to the credit risk since initial recognition of the financial asset, but the asset does not show objective evidence of impairment. Lifetime expected credit losses are created for Stage 2 financial assets. Lifetime expected credit losses are the expected credit losses arising from all possible default events during the lifetime of the financial asset. Based on a qualitative analysis – a comparison of the credit rating as at the reporting date and the credit rating at initial recognition – the Company determines whether the risk of default has increased significantly since initial recognition and requests a transfer from initial Stage 1 to a lower stage. In Stage 2, interest income is recognised at the effective interest rate applied to the total gross value of the asset (without reduction for expected credit losses).

Stage 3 comprises financial assets that show objective evidence of impairment. Objective evidence of impairment includes:

- payment default of coupon interest due to inability to pay,
- payment default of the principal due to inability to pay,
- initiation of insolvency proceedings.

Lifetime expected credit losses are calculated for Stage 3 financial assets. Interest income is recognised using the effective interest rate applied to the net value of the asset (less expected credit losses).

3. Significant accounting policies (continued)

3.32 Estimated effects from application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" (continued)

Credit loss is the difference between discounted contractual cash flows and discounted expected cash flows using the effective interest rate as a discount factor. The main factors for calculating a credit loss are probability of default, loss given default and exposure at default. The Company will use information from all available external and internal sources to ensure best estimates for these major factors. The main source of information will be Bloomberg and rating agencies.

The Company expect additional loss allowances due to the use of the expected credit loss model according to IFRS 9. The recognition of additional loss allowances upon adoption of IFRS 9 mainly relates to debt investments measured at fair value through other comprehensive income (FVOCI) as well as investments at amortised cost. Impairments of assets in the FVOCI group do not have an impact on total equity because loss allowances will not reduce the (fair value) carrying amount of the investments. Recognition of impairment losses in profit or loss will result in an equal and opposite gain in other comprehensive income.

Impacts of the transition on the application of the new standard IFRS 9

In accordance with the new requirements, IFRS 9 will affect the classification of financial instruments as follows:

- the biggest impact will have the reclassification of equity instruments from available-for-sale financial assets to financial assets measured at fair value through profit or loss (FVTPL);
- debt securities and other investments that fail the SPPI test will also be measured at fair value through profit or loss;
- most debt instruments that have been classified as available-for-sale until now will be classified as financial assets measured at fair value through other comprehensive income;
- held-to-maturity financial investments and loans and receivables measured at amortised cost under IAS 39 will generally also be measured at amortised cost under IFRS 9.

The effect of the transition is as follows:

	FVOCI	FVOCI OPT	FVTPL	AC	TOTAL
AFS	1,215,189	-	17.727	-	1.232.916
FVTPL	-	-	15.116	-	15.116
L&R	-	-	-	362.845	362.845
TOTAL	1,215,189	-	32.843	362.845	1.610.877

Most financial assets of the Company are measured at fair value under IAS 39, and the classification under IFRS 9 will not change this guideline. As a result, the reclassification has no significant impact on the total equity of the Company as at 1 January 2022. However, the allocation between fair value reserve and retained earnings will change, which also means impact on tax liabilities. The Company assess that the impacts of the transition on the application of the new IFRS 9 as at 1 January 2022 will be as follows:

	Impact on retained earnings	Impact on other comprehensive income	Impact on net deferred tax liabilities
Impact of transition to IFRS 9	910	-1,302	-145

3.33 Segment reporting

An operating segment is a component of the Company that is part of business activities from which the Company can generate revenue and incur expenses, including revenue and expenses related to transactions with any other Company components whatsoever. The operating results of the operating segments of the Company are regularly reviewed by the Company's Board of Directors in order to reach decisions regarding allocation of resources and assessing performance of the operating segments, for which there is confidential financial information. The Company has only one reporting segment - geographical reporting segment.

4. Accounting estimates and judgments

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.

4.1 Insurance technical provisions

Key sources of estimation uncertainty

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

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

The unearned premium for all insurance policies is calculated pro-rata temporis.

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

The provision for claims is not discounted for the time value of money (except for the non-life annuities). The methods used and estimates made are reviewed at least on a quarterly basis.

The sources of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable information or other published information.

The Company pays particular attention to current trends.

The estimation of claims incurred but not reported (“IBNR”) is generally subject to greater degree of uncertainty than the estimates of claims already reported, 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.

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

Claims on non-life insurance contract are payable on a claims-occurrence basis. The contracts are concluded for short periods, mostly for one year, the Company being liable for all insured events that occurred during the term of the contract.

The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims, and relatively smaller amount is held as when compared to RBNS.

The provision estimation difficulties differ by class of business due for a number of reasons, including:

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

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

4. Accounting estimates and judgments (continued)

4.1 Insurance technical provisions (continued)

The cost of the outstanding claims and the IBNR provisions are estimated using actuarial methods. Such methods extrapolate the development of paid claims, average cost per claims and ultimate claim ratio for each accident year upon observed development of earlier years and expected loss ratios.

The key actuarial method used is the "chain ladder" method, which uses historical data to estimate future liabilities for claims and expenses related to claims.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Economic, legal, political and market trends;
- Changes in the mix of insurance contracts incepted; and
- The impact of large losses.

Assumptions

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

In 2022, in calculations of incurred but not reported claims for casco and MTPL line of business, assumptions for past and future inflation were used. No other changes in assumptions occurred durring the year ended 31 December 2022 that had material effect on the financial statements.

4.2 Liability adequacy test (LAT)

Liability adequacy test is performed to prove that all liabilities deriving from insurance contract are adequate.

LAT is consisted of liability adequacy test of claim provisions (run-off for RBNS and IBNR) and liability adequacy test of unearned premium reserves (LAT for UPR).

In the LAT for UPR, the Company performs tests to check the adequacy of the unearned premiums and unexpired risk reserves. Through these tests, the unearned premium reserves less deferred acquisition costs are compared to expected future cash flows from the insurance contracts. If a shortfall is identified the related deferred acquisition costs are written down and, if necessary, an additional provision is established for separate lines of business. The deficiency is recognized in the statement of profit or loss for the year. As a result, the Company booked unexpired risk reserves in its profit and loss statement amount of -1.174 MKD thousand as of 31 December 2022 (2021: - 2.630 MKD thousand).

Run-off analysis for RBNS and IBNR are performed to verify the appropriateness of the level of claims technical provisions. Potential negative results have only informative character but it also indicates that some inconsistencies might exist, therefore, it is potential indication for reviewing and analyzing of the methodology applied in the estimation process.

4.3 Estimating the lease term

When the Company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. Based on past experience and in line with Company's future strategy, the leases for branch offices are extended for three years whereas the leases for the representative offices are extended for two years.

5. Risk management

5.1 Main characteristics of the risk management system

Objectives of the risk management system

Triglav Insurance AD Skopje operates in accordance with the risk management rules, controls the operating risks and undertakes necessary measures for risk management.

Triglav Insurance AD Skopje continuously identifies, assesses and measures the risks to which it is exposed during the course of its business activities. The risk management policy in place contributes to having planned and systematic approach to identification, assessment and calculation of the risks. During 2022, the Company has been pursuing and directing its risk management policy towards ensuring sustainable maintenance of the risk exposure level to a degree for which it is believed that it will not jeopardize its assets and business activities and which will ensure full protection of the interests of the policyholders, shareholders, damaged persons and other creditors of the Company. This risk management policy conducted by the Company is harmonized with the laws and regulations, as well as the internal rules and procedures.

Effective risk management provides the opportunity to efficiently turn risk into value. It enables the Company to control and adjust its entire risk profile and to limit its amount of exposure to certain risks. The successful and prudent assumption and management of risks gives the Company financial strength and, consequently, the ability to fulfill its obligations to its clients and meet their expectations, at the same time creating sustainable value for its investors. The Company has developed a conservative culture and approach to risks which it controls with modern risk management tools.

Since risk management is one of the most important functions of the Company, it requires adequate resources in terms of organisational structure, strategic orientation, staff training, and regular or continuous risk review. Monitoring and identification of risks constitute the foundation of the risk management system. The Company uses a set of reporting and control procedures, supplemented with various rules and regulations. Common to all these, however, is a transparent sharing of information. Consequently, the operation of the Company is more transparent, stable and secure.

All together, this leads to favourable results and raises the satisfaction of all the participants in the business process. To enable efficient risk taking and risk identification, which form the essence of the Company's risk management system, all business divisions have clearly defined limits and apply an internal control system for monitoring their operations.

The Risk Management Strategy is defined in a clear and precise manner, in line with the Company's business strategy. Its goals are to reinforce the Company's financial stability and strength, to cater to the clients' needs and to fulfill the obligations towards them as well as to increase the value of the Company for its shareholders. Moreover, the Strategy sets out the risk appetite, i.e., the framework and level of risks the Company is willing to assume and manage. The system is designed to allow transparency and efficient communication.

5.2 Capital management and capital adequacy management

The capital adequacy represents security against possible capital risks of Company not being able to secure the necessary prescribed capital.

Triglav Insurance AD Skopje measures the amount of the available solvency margin in accordance to the Law on Supervision of Insurance by applying the both methods of premium rate and claims rate. The Company performs calculations of the required capital level on quarterly basis.

5. Risk management (continued)

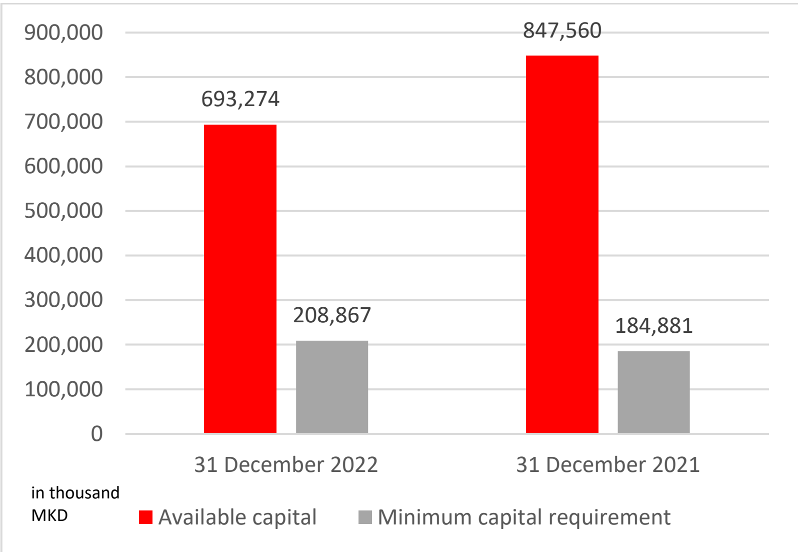
5.2 Capital management and capital adequacy management (continued)

According to the applicable local legislation, the Company is required to maintain capital level which is at least equal to the calculated solvency margin in order to maintain its core business and ensure coverage of potential losses. The capital that the Company maintains is in surplus to the calculated solvency margin. Capital surplus offers high coverage of losses due to unexpected adverse events, with regard to the previous and current developments in the environment of the Company and future expectations. In addition to measuring the current capital adequacy level, the Company monitors the planned capital adequacy level, which enables to monitor the effects of the extended and narrow environment. Furthermore, this enables optimal distribution of the capital.

Furthermore, the capital adequacy ratio of insurance technical provisions is continually monitored for the purpose of assessing the solvency needs of the Company.

As at December 31, 2022, the available capital to minimum required capital ratio was 332% (2021: 458%).

The capital of the Company is consisted of share capital, share premium reserves, reserves from profit and retained earnings. The net profit for the period is not included in the calculation of the capital until it is audited. The intangible assets of the Company and the investment in associates are deducted from the capital of the Company as per the local requirements. The Company complied with the capital requirements as prescribed by the local Regulator.



5.3 Financial risks and sensitivity analysis

The Company is exposed to financial risk through all of its financial assets and liabilities, reinsurance assets and insurance receivables and liabilities. More specifically, the main financial risk is that in the long-term its investment proceeds will not be sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are the credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk.

These risks arise from open positions in maturities, interest rate and currency or in equity products, all of which are exposed to general and specific market movements.

The Company manages these positions with an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

The principal technique of the Company's ALM is to match assets and liabilities arising from insurance and investment contracts. The Company has not changed the processes used to manage its risks from previous periods.

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process. The investment policy is approved by the Assets and Liabilities Committee (ALCO) of the Triglav Group, which regularly monitors the all group members' exposure against investment limits.

5.3.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss for the Company.

The main credit risk exposures arise from debt securities holdings, deposits and insurance operations (reinsurance credit risk and credit risk of default on receivables from insurance operations). In order to control its credit risk exposure, the Company regularly reviews the creditworthiness of the parties to which it is exposed.

The Company's financial assets that may be exposed to credit risk (financial investments, reinsurance assets, receivables from insurance operations and cash and cash equivalents) amounted to 2,167,392 MKD thousand (2021: 2,728,188 MKD thousand) as disclosed below.

	31 December 2022	31 December 2021
Financial investments	1,548,693	1,598,185
AFS	1,109,239	1,215,189
Debt instruments	1,109,239	1,215,189
Loans and receivables	439,454	382,996
Deposits (term) and GF investments	439,454	382,996
Reinsurance share of technical provisions	173,661	684,713
Receivables	426,588	421,457
Cash and cash equivalents	18,450	23,833
Total financial assets exposed to credit risk	**2,167,392**	**2,728,188**

Credit risk arising from financial investments

The Company uses system of exposure limits for different types of assets. The aim is to achieve optimum diversification of the financial investment covering technical provisions and to achieve the desired credit rating but at same time to enable achieving the appropriate level of liquidity and return. Exposures to individual issuers and changes in their credit ratings are continually monitored in order to ensure timely and suitable responses to potential adverse developments on the financial markets.

Exposure as per credit rating

The investments in long-term bonds and other long-term securities issued by EU member or OECD member state are allowed only if the country issuer has long-term credit rating of BBB+ or higher according to the Fitch Investor Services or Standard & Poor's or „Baa1" or higher according to Moody's.

The investments in long-term bonds and other long-term securities issued by foreign legal entity registered in EU member or OECD member state are allowed only if they have long-term credit rating of BBB+ or higher according to the Fitch Investor Services or Standard & Poor's or higher according to Moody's and the member state has long-term credit rating of BBB+ or higher according to the Fitch Investor Services or Standard & Poor's or „Baa1" or higher according to Moody's.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Following is the credit-rating structure of the financial investments exposed to credit risk for the years ended 31 December 2022 and 2021 according to Fitch Investor Services:

Credit rating	31 December 2022	31 December 2021
AFS	**1,109,239**	**1,215,189**
BB+	1,096,818	1,202,741
Undetermined	12,421	12,448
Loans and receivables	**439,454**	**382,996**
BBB-	65,182	67,418
Undetermined	374,272	315,578
Total financial investments exposed to credit risk	**1,548,693**	**1,598,185**

Term deposits (except for deposits in ProCredit Banka), GF investments, cash and cash equivalents and receivables are classified as "Undetermined" credit quality class. Credit quality of the reinsurance share of technical provisions is presented on page 37.

Exposure as per product type

The Company also tends to achieve optimum diversification of its financial investment portfolio.

The table below shows the composition of the investment portfolio of the Company as of 31 December 2022 and 2021.

	31 December 2022	%	31 December 2021	%
Debt securities, deposits and GF investments	**1,548,693**	**95,1%**	**1,598,185**	**98.0%**
Debt securities issued by the state	1,096,818	71%	1,202,741	75%
Corporate debt securities and	12,421	1%	12,448	1%
Deposits in banks	419,688	27%	362,845	23%
Gurantee fund investments	19,766	1%	20,151	1%
Equity investments	**80,540**	**4,9%**	**32,843**	**2.0%**
Total financial assets	**1,629,233**		**1,631,028**	

In 2022, the single largest exposure of Triglav Insurance AD Skopje was related to the government bond issued by the Republic of North Macedonia in amount of 150,197 MKD thousand with maturity until January 2028. The single largest exposure in 2021 was related to the same government bond issued by the Republic of North Macedonia in amount of 168,002 MKD thousand.

Exposure as per single issuer or group of connected issuers

In addition, when making investments, the Company is following the financial institutions' exposure limits where the investments in one issuer or group of connected issuers should not exceed those. These limites are revised on annual basis and approved by the Risk Management Committee of the Triglav Group.

All investments made in financial assets are within the Republic of North Macedonia (2021: Republic of North Macedonia), i.e. there is no exposure on the global financial markets.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Credit risk arising from insurance and reinsurance activities

The Company is exposed to credit risk in case when the policyholders are unable to fulfill their financial liabilities arising from the insurance contracts. The receivables from the insurance operations are spread over large number of clients and therefore, there is small concentration as per client level which reduces the credit risk. The company manages the credit risk arising from insurance operations through selling insurance policies to clients with good credit history and through assessing the financial position and stability of individual clients. The credit quality of the clients is assessed through performing both, basic and detailed and broader credit analysis. Clients' financial performance and position are assessed through in-depth analysis of the financial statements and certain financial indicators. For the existing clients, the payment history and payment pattern in the past three years is also reviewed. The client status is also checked in the Central Registry of Republic of North Macedonia. As a result, through constant monitoring of the insurance portfolio, the Company is aiming towards diversification through various sectors and large number of clients.

Credit risk exposure arising from insurance business operations is regularly monitored by analyzing:

- The maturity structure of receivables from insurance operations (refer below in this section and in note 14 for analysis of receivables by maturities). The receivables are appropriately provided for as described in note 3.12; and
- Re-insurers' credit ratings.

The Company's management regularly estimates the reinsurers' solvency in order to be able to update the reinsurance strategy.

Following is the credit-rating structure of the reinsurance share of technical provisions.

	31 December 2022	31 December 2021
AA	4,329	4,635
AA-	7,321	7,559
A+	7,757	193,707
A	128,186	299,434
A-	2,507	929
BBB	-	624
BBB-	27	22
BB	-	589
BB+	-	368
Undetermined	23,534	176,846
Reinsurance share of technical provisions	**173,661**	**684,713**

Credit risk arising from cash and cash equivalents

Even though most of the financial institutions and commercial banks in Republic of North Macedonia do not have a credit rating assigned by the credit rating companies (except for ProCredit Banka which is rated at BBB-), the Company prudently chooses the banks for its placements. The Company is only exposed to specifically approved banks and within the range of approved limits, as determined by the Investment policy statement. The list of approved banks and the appropriate limits is revised once a year, with previous financial data analysis of the banking sector in the country.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Credit risk arising from cash and cash equivalents (continued)

The following table discloses the cash and cash equivalents per bank.

Bank	31 December 2022	31 December 2021
Komercijalna Banka AD, Skopje	8,204	9,785
Halkbank AD, Skopje	5,210	2,575
Sparkasse Banka AD, Skopje	1,450	3,228
NLB Banka AD, Skopje	1,484	3,701
Stopanska Banka AD, Skopje	1,168	3,263
Silk Road Banka AD, Skopje	458	305
UNI Banka AD, Skopje	391	426
ProCredit Banka AD, Skopje	78	543
Cash in Vault	7	7
Total Cash and cash equivalents	**18,450**	**23,833**

Additional credit risk disclosures

31 December 2022	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowence for impairement	Net exposure
Financial investments	1,548,693	-	94,008	1,642,701	(94,008)	1,548,693
AFS	1,109,239	-	-	1,109,239	-	1,109,239
Debt insutruments	1,109,239	-	-	1,109,239	-	1,109,239
Loans and receivables	439,454	-	94,008	533,462	(94,008)	439,454
Deposits (term), GF investments and loans	439,454	-	94,008	533,462	(94,008)	439,454
Reinsurers’ share of technical provisions	173,661	-	-	173,661	-	173,661
Receivables	286,542	64,063	455,879	806,484	(379,896)	426,588
Cash and cash equivalents	18,450	-	-	18,450	-	18,450
Total	**2,027,346**	**64,063**	**549,887**	**2,641,296**	**(473,904)**	**2,167,392**

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Additional credit risk disclosures

31 December 2021	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowence for impairement	Net exposure
Financial investments	1,598,185	-	94,008	1,692,193	(94,008)	1,598,185
AFS	1,215,189	-	-	1,215,189	-	1,215,189
Debt insutruments	1,215,189	-	-	1,215,189	-	1,215,189
Loans and receivables	382,996	-	94,008	477,004	(94,008)	382,996
Deposits (term), GF investments and loans	382,996	-	94,008	477,004	(94,008)	382,996
Reinsurers’ share of technical provisions	684,713	-	-	684,713	-	684,713
Receivables	288,540	66,706	449,045	804,291	(382,834)	421,457
Cash and cash equivalents	23,833	-	-	23,833	-	23,833
Total	**2,595,271**	**66,706**	**543,053**	**3,205,030**	**(476,842)**	**2,728,188**

The impaired portion of category “Deposits (term), GF investments and loans” in amount of 94,008 MKD thousand (2021: 94,008 MKD thousand) relate to loans given in the past which are in delay of more than 365 days and therefore, they are fully impaired. During 2022 no movement in impairment allowance has occurred. During (2021: 46 MKD thousand of impairment was released as a result of collected loan receivables, while 2,000 MKD thousand as a result of write-off).

The composition of the past due but not impaired and impaired receivables is as follows:

	Past due but not impaired			Total
	Up to 30 days	30 - 180 days	Over 180 days	
31 December 2022	35,813	1,744	26,506	64,063
31 December 2021	35,394	392	30,920	66,706

25,703 MKD thousand of the past due but not impaired receivables which are in delay of more than 180 days are actually receivables of the National Bureau of Insurance (Guarantee Fund), that is the Company needs to collect and transfer them to the GF.Therefore, the Company also has recorded the same amount in the position „Liabilities towards Guarantee Fund“ note 24.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Additional credit risk disclosures (continued)

	Impaired receivables			
	Up to 30 days	30 - 180 days	Over 180 days	Total
31 December 2022	-	63,378	12,605	75,983
31 December 2021	-	54,369	11,843	66,212

Triglav Insurance AD Skopje, classifies its receivables from direct insurance and recourses in the following categories according to the corresponding days of delay.

- Category A: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay of up to 30 days calculated from the maturity date.
- Category B: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 31 days to 60 days calculated from the maturity date.
- Category C: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 61 days to 120 days calculated from the maturity date.
- Category D: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 121 days to 270 days calculated from the maturity date.
- Category E: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 271 days to 365 days calculated from the maturity date.
- Category F: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay more than 365 days calculated from the maturity date.

The renegotiated receivables are classified according to the initial maturity day.

In accordance to these categories, the Company determines corresponding percentage of impairment as follows:

Category of receivables	Days of delay	Impairment % applied
A	up to 30 days	0%
B	from 31 to 60 days	10%
C	from 61 to 120 days	31%
D	from 121 to 270 days	51%
E	from 271 to 365 days	71%
F	more than 365 days	100%

Receivables originating from debtors against which a bankruptcy procedure has been initiated are immediately 100% impaired regardless of the actual days of delay. Receivables which have maturity date which is after the insurance period coverage are 100% impaired.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Additional credit risk disclosures (continued)

Following is presentation of the receivables direct insurance and recourses including their classification per category as well as the corresponding impairment.

31 December 2022	Gross amount	Impairment	Net amount	Impairment %
Receivables from direct insurace	**655,749**	**343,411**	**312,338**	
Not due	201,516	-	201,516	-
up to 30 days	34,860	-	34,860	0%
from 31 to 60 days	18,131	1,813	16,318	10%
from 61 to 120 days	59,126	18,329	40,797	31%
from 121 to 270 days	31,956	16,297	15,658	51%
from 271 to 365 days	11,067	7,879	3,189	71%
more than 365 days	299,093	299,093	-	100%
Receivables from recourses	**22,644**	**22,644**	**-**	
more than 365 days	22,644	22,644	-	100%
Total receivables from direct insurance and recourses	**678,393**	**366,055**	**312,338**	

31 December 2021	Gross amount	Impairment	Net amount	Impairment %
Receivables from direct insurace	**665,596**	**344,661**	**320,935**	
Not due	221,408	-	221,408	-
up to 30 days	33,330	-	33,330	0%
from 31 to 60 days	19,083	1,908	17,175	10%
from 61 to 120 days	44,848	13,903	30,945	31%
from 121 to 270 days	31,897	16,267	15,630	51%
from 271 to 365 days	8,008	5,686	2,322	71%
more than 365 days	307,022	306,897	125	100%
Receivables from recourses	**23,136**	**23,136**	**-**	
more than 365 days	23,136	23,136	-	100%
Total receivables from direct insurance and recourses	**688,732**	**367,797**	**320,935**	

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.2 Liquidity risk

Liquidity risk is the risk that the Company would be unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows. Such outflows would deplete available cash resources for operational, and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill policyholder commitments.

The Company's liquidity management process includes day-to-day funding, managed by monitoring actual and future cash flows to ensure that requirements can be met, maintaining a portfolio of highly liquid securities that can easily be liquidated as protection against any unforeseen interruption to cash flow as well as monitoring the liquidity ratios of the balance sheet on a daily basis in compliance with internal and regulatory requirements. Liquidity risk is also a significant consideration when the Company evaluates its overall ALM profile.

The regular liquidity control enables the Company to be prepared in adopting reasonable and appropriate measures for preventing and eliminating the causes of illiquidity. In 2022 and 2021, the Company did not obtain additional liquidity from credit lines.

The financial assets and liabilities are non interest bearing except for the deposits, AFS debt instruments and lease liabilities. The following tables show the contractual maturity structure of the Company's financial assets and liabilities.

31 December 2022	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	142,819	196,527	486,857	803,030	1,629,233
AFS	80,540	59,900	246,309	803,030	1,189,779
Debt instruments	-	59,900	246,309	803,030	1,109,239
Equity instruments	80,540	-	-	-	80,540
Loans and receivables	62,279	136,627	240,548	-	439,454
Deposits (term), GF investments and loans	62,279	136,627	240,548	-	439,454
Reinsurers' share of technical provisions	-	173,661	-	-	173,661
Receivables	-	439,931	-	-	439,931
Cash and cash equivalents	-	18,450	-	-	18,450
Other assets	-	3,237	-	-	3,237
Total financial assets	**142,819**	**831,806**	**486,857**	**803,030**	**2,264,512**
Financial liabilities					
Insurance technical provisions	-	1,343,149	-	-	1,343,149
Employee benefits		7,757	2,582	6,546	16,885
Other provisions	9,404	-	-	-	9,404
Financial liabilities	-	140	-	-	140
Lease liabilties		13,716	58,883	15,498	88,097
Operating liabilities	-	173,318	-	-	173,318
Other liabilities	-	89,811	-	-	89,811
Total financial liabilities	**9,404**	**1,627,891**	**61,465**	**22,044**	**1,720,804**
Maturity gap	**133,415**	**(796,085)**	**425,392**	**780,986**	**543,708**

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.2 Liquidity risk (continued)

31 December 2021	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	84,994	233,564	337,262	975,208	1,631,028
AFS	17,727	132	239,849	975,208	1,232,916
Debt instruments	-	132	239,849	975,208	1,215,189
Equity instruments	17,727	-	-	-	17,727
Loans and receivables	52,151	233,432	97,413	-	382,996
Deposits (term), GF investments and loans	52,151	233,432	97,413	-	382,996
FVTPL	15,116	-	-	-	15,116
Equity instruments	15,116	-	-	-	15,116
Reinsurers' share of technical provisions	-	684,713	-	-	684,713
Receivables	-	421,457	-	-	421,457
Cash and cash equivalents	-	23,833	-	-	23,833
Other assets	-	2,991	-	-	2,991
Total financial assets	**84,994**	**1,366,558**	**337,262**	**975,208**	**2,764,022**
Financial liabilities					
Insurance technical provisions	-	1,777,873	-	-	1,777,873
Employee benefits	-	7,596	2,740	6,197	16,533
Other provisions	9,404	-	-	-	9,404
Financial liabilities	-	150	-	-	150
Lease liabilties	-	23,336	1,982		25,318
Operating liabilities	-	111,370	-	-	111,370
Other liabilities		64,004	-	-	64,004
Total financial liabilities	**9,404**	**1,984,329**	**4,722**	**6,197**	**2,004,652**
Maturity gap	**75,590**	**(617,771)**	**332,540**	**969,011**	**759,370**

Due to the fact that the Company's financial investments is in AFS instruments, the debt securities maturing in 1 to 5 years and above 5 years can be sold earlier and thus cover the maturity gap that appears in the section under 1 year, if needed. As a result, it is unlikely that the Company will face any liquidity problems. In the long-term, the Company has positive gap for both, 2022 and 2021. In addition, there is no risk that any of the disclosed amounts payable will differ significantly in amount or will be required to occur significantly earlier than indicated.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.3 Market risk

The Company has an exposure to market risk, which is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates and foreign currencies, which are exposed to general and specific market movements and changes in the level of volatility of market rates and prices. Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risk or in the manner in which it manages and measures the risk.

Foreign currency risk management

The Company is exposed to foreign currency risk inherent in financial investments as well as in assets and liabilities arising out of the reinsurance activities. The Company does not apply any special financial instruments as a hedge against these risks since such instruments are not in common use in Republic of North Macedonia.

The carrying amount of the Company's monetary assets and monetary liabilities denominated in foreign currencies respectively is as follows:

31 December 2022	EUR	USD	Other FC	MKD	Total
Financial assets					
Financial investments	360,500	-	-	1,268,733	1,629,233
AFS	360,500	-	-	829,279	1,189,779
Debt instruments	360,500			748,739	1,109,239
Equity instruments	-	-	-	80,540	80,540
Loans and receivables	-	-	-	439,454	439,454
Deposits (term),GF investments and loans		-	-	439,454	439,454
Reinsurers' share of technical provisions	173,574	6	81		173,661
Receivables	6,864	-	-	433,067	439,931
Cash and cash equivalents	357	-	2,246	15,847	18,450
Other assets	-	-	-	3,237	3,237
Total financial assets	**541,295**	**6**	**2,327**	**1,720,884**	**2,264,512**
Financial liabilities					
Insurance technical provisions	212,100	698	28,938	1,101,413	1,343,149
Employee benefits	-	-	-	16,885	16,885
Other provisions	-	-	-	9,404	9,404
Financial liabilities	-	-	-	140	140
Lease liabilities				88,097	88,097
Operating liabilities	63,012	6,724	747	102,835	173,318
Other liabilities	11,310			78,501	89,811
Total financial liabilities	**286,422**	**7,422**	**29,685**	**1,397,275**	**1,720,804**

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.3 Market risk (continued)

Foreign currency risk management (continued)

31 December 2021	EUR	USD	Other FC	MKD	Total
Financial assets					
Financial investments	343,849	-	-	1,287,179	1,631,028
AFS	343,849	-	-	889,066	1,232,915
Debt instruments	343,849	-	-	871,339	1,215,188
Equity instruments	-	-	-	17,727	17,727
Loans and receivables	-	-	-	382,996	382,996
Deposits (term),GF investments and loans	-	-	-	382,996	382,996
FVTPL	-	-	-	15,116	15,116
Equity instruments	-	-	-	15,116	15,116
Reinsurers' share of technical provisions	189,695	494,992	25	-	684,712
Receivables	69,132	-	-	352,326	421,458
Cash and cash equivalents	383	-	343	23,107	23,833
Other assets	-	-	-	2,991	2,991
Total financial assets	**603,059**	**494,992**	**368**	**1,665,603**	**2,764,022**
Financial liabilities					
Insurance technical provisions	207,470	618	17,747	1,552,038	1,777,873
Employee benefits	-	-	-	16,533	16,533
Other provisions	-	-	-	9,404	9,404
Financial liabilities	-	-	-	150	150
Lease liabilities		-	-	25,318	25,318
Operating liabilities	27,496	5,287	2,040	76,547	111,370
Other liabilities	9,780	-	-	54,224	64,004
Total financial liabilities	**244,746**	**5,905**	**19,787**	**1,734,214**	**2,004,652**

Foreign currency sensitivity analysis

The Company is mainly exposed to EUR fluctuations. The following table provides details on the Company's sensitivity to a 1% increase or decrease of MKD to EUR exchange rate. The sensitivity analysis includes only outstanding foreign currency monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. Due to the fact that the Company's assets denominated in foreign currency are much larger than the liabilities, strengthening of MKD against the EUR (1% decrease of the FX rate) would lead to negative exchange rate differences whereas weakening of MKD against the EUR (1% increase in the FX rate) would lead to equal opposite impact on the profit, i.e positive exchange rate differences. The effect of foreign currecy sensitivity analyses on profit before income tax is presented below.

	31 December 2022	31 December 2021
1% drop in the FX rate to 60.88 (2021: 61.01)	(2.549)	(3,583)
1% rise in the FX rate to 62.11 (2021: 62.24)	2.549	3,583

Company's sensitivity to foreign currency fluctuations has insignificantly increased as a result of the minor increase in the gap between the financial assets and liabilities denominated in EUR as compared to the previous year.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.3 Market risk (continued)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

Interest rate risk management

The Company is exposed to deposit interest rate fluctuations only through its placements with variable interest rates. Additionally, the interest rate fluctuations on the market affect the fair value of Company's government bonds classified as available for sale (any increase in market interest rate decreases the value of the financial investment and vice versa).

The insurance and reinsurance assets and liabilities are not directly sensitive to the changes in the market interest rates since they are contractually non-interest bearing items.

Joint liability

The Company has a liability towards 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 supervision. On the investments in the Guarantee Fund, the Company receives interest payments with average interest rate of 1.2% for the year ended December 31, 2022 (2021: 0.8%).

The following table discloses the interest-bearing and non-interest bearing financial assets and liabilities as well as the division between fixed and variable interest items for the interest bearing one.

	31 December 2022	31 December 2021
Financial assets		
Non-interest bearing		
AFS - Equity instruments	80,540	17,727
FVTP - Equity Instruments	-	15,116
Reinsurers' share of technical provisions	173,661	684,713
Receivables	426,587	421,458
Cash and cash equivalnts	18,450	23,833
Other assets	3,237	2,991
Total non-interest bearing	**702,475**	**1,165,838**
Fixed interest bearing		
AFS - Debt instruments	1,109,239	1,215,188
Loans and receivables	419,688	307,033
Total fixed interest bearing	**1,528,927**	**1,522,221**
Variable Interest bearing		
Loans and receivables	19,766	75,963
Total variable interest bearing	**19,766**	**75,963**
Total financial assets	**2,251,168**	**2,764,022**
Financial liabilities		
Variable Interest bearing		
Lease liabilities	**88,097**	**25,318**
Non-interest bearing		
Insurance technical provisions	1,343,149	1,777,873
Employee benefits	16,885	16,533
Other provisions	9,404	9,404
Financial liabilities	141	150
Operating liabilities	173,318	111,370
Other liabilities	89,811	64,004
Total financial liabilities	**1,720,805**	**2,004,652**

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.3 Market risk (continued)

Interest rate risk management (continued)

Interest rate sensitivity analysis

Interest rate sensitivity analysis focuses on the exposure of the Company's financial assets to movements in interest rates at the reporting date. This analysis illustrates how the changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. As for the financial assets with variable interest rate, the analysis is prepared with assumption that the balance as at the year-end did not change during the year. In the preparation of the sensitivity analysis, an increase or decrease of 15% (0.2 percentage point) is applied, which is reasonable management assumption for the possible changes in the interest rate and which is based on historical movements of interest rates in MKD deposits with maturities of up to one year since the Company has variable-interest investments only in deposits with this maturity.

Therefore, in case the interest rates were higher/lower by 15% and all remaining variables remained constant, the profit of the Company for the year ended 31 December 2022 would be higher, i.e lower by 999 MKD thousand (2021: 70 MKD thousand).

In the preparation of the sensitivity analysis for government bonds classified as available for sale, which are in nature with fixed interest rates, an increase or decrease of 0.1 percentage point is applied, which is reasonable management assumption for the possible changes in the interest rate and which is based on historical movements of interest rates in MKD government bonds with maturities similar to the Company's investments.

Therefore, in case the interest rates were higher/lower by 0.1 percentage point and all remaining variables remained constant, the equity of the Company for the year ended 31 December 2022 would be lower by 66,756 MKD thousand/higher by 73,819 MKD thousand (2021: higher by 100,722 MKD thousand/lower by 90,031 MKD thousand).

Interest rate sensitivity analysis

The method used for deriving sensitivity information and significant variables did not change from the previous period.

	31 December 2022	31 December 2021
15% increase in deposit interest rates	999	70
15% decrease in deposit interest rates	(999)	(70)

	31 December 2022	31 December 2021
0.100 bp increase in government bond interest rates	(66,756)	(90,031)
0.100 bp decrease in government bond interest rates	73,819	100,722

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.4 Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Company's portfolio that are sensitive to such fluctuations. These risks are managed through sectorial diversification. To a large extent, the portfolio consists of debt securities and therefore this diversification causes lower exposure to equity risk. The overall equity portfolio is concentrated in Republic of North Macedonia.

The equity portfolio's sensitivity to equity price fluctuations and their impact on the Other Comprehensive Income of the Company is shown in the table below.

	31 December 2022		31 December 2021	
	+ 10%	**- 10%**	**+ 10%**	**- 10%**
Equity investments in Republic of North Macedonia	8,054	(8,054)	3,284	(3,284)
Total effect	**8,054**	**(8,054)**	**3,284**	**(3,284)**

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the prices of the equities in the portfolio as at 31 December 2022 were 10% above their disclosed values, the comprehensive income of the Company would be 8,054 MKD thousand lower and 8,054 MKD thousand higher. In contrast, if the prices of the equities in the portfolio as at 31 December 2021 were 10% lower, the comprehensive income and profit of the Company would be 3,284 MKD thousand higher and 3,284 MKD thousand lower.

5.3.5 Sensitivity analyses

Following the past evidence and the run-off analysis for claims it is evident that the prudent recognition an conservative methodology used by Triglav Insurance AD Skopje for recognition of insurance technical reserves results in adequate insurance liabilities. Based on the results of the adequacy test of insurance liabilities the impact of any change in assumptions or any potential increase, either in the number of claims or the average costs of claims of +/- 10%, will be within an acceptable range and will not result in a material adjustment of the insurance liabilities.

5. Risk management (continued)

5.4 Underwriting risk

Triglav Insurance AD Skopje assumes underwriting risk through the insurance contracts it underwrites. The risks in this category are associated with both insurance perils covered by individual insurance classes and specific work processes related to performing insurance operations. Underwriting risks arise in the process of risk underwriting, i.e. in the assumption of risk, in the development of insurance products and their pricing, as well as in loss development changes, the allocation of insurance technical provisions, changes in policyholders' behavior and general changes in the external economic environment.

Through underwriting activities in any insurance class for which the Company is registered, it is exposed to various uncertainties such as the time of the possible occurrence of the insured event, the frequency and the possible severity arising out of the insurance contracts.

The risk that the Company faces is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical and actuarial techniques.

Divisions in charge of the core business are primarily responsible for active management of the underwriting risk. This type of risk is managed by clearly structured competences and powers, which include suitable delimitation of powers, underwriting limits and an authorization system. To manage risks related to the development of insurance products, Triglav Insurance AD Skopje uses set of actuarial techniques in product pricing and insurance technical provision allocations, as well as by means of regular performance monitoring, optimization of reinsurance schemes and regular supervision of the adequacy of insurance contract provisions.

Underwriting strategy

The Company's strategy for underwriting insurance contracts is focused on achieving as wide as possible dispersion which will ensure balanced insurance portfolio and is based on large portfolio of similar risks over number of years and, as such, reduces the variability of the outcome. More diversified portfolio is less likely to be affected by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The underwriting strategy is set out and presented along with the annual business plan that established the classes of business to be written, the geographical locations in which the business is to be written as well as the industry sectors in which the Company is prepared to underwrite.

All insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

In addition, the Company is aiming towards making investments in short-term liquid financial assets and thus earning investment income, due to the timing difference between the payments of the premiums by the policyholders and the payments of the claims by the Company, varying between different classes of insurance.

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to manage and control its exposure to possible losses as well as to protect its capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce its net exposure.

For each financial year a plan of reinsurance is adopted that contains:

- calculated retained lines by individual class of insurance;
- a table of maximum coverage based on retained lines; and
- procedures, bases and criteria for establishing the highest probable loss arising from individual risks underwritten.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Reinsurance strategy (continued)

The Company has centralized system for management of reinsurance. The reinsurance is made based on the limits set for maximum coverage which varies from one to another insurance class. Starting from the year ended December 31, 2019, as an additional insurance, the Company started concluding General Quota Share contract which covers all insurance classes on top of the individual contracts concluded.

In addition, the Company is allowed to buy facultative reinsurance in certain specified circumstances. These contracts are subject to separate individual approval and the total expenditures arising out of these contracts are regularly monitored.

The reinsurance contracts bear certain level of credit risk and, as a result, the reinsurance assets are reported after impairment provisions. The Company regularly monitors the reinsurers' financial position and periodically reviews the contracts in place. The management of the Company determines the criteria for acceptable reinsurance companies and monitors whether this criterion has been diligently respected in concluding the reinsurance contracts. The management of the Company is also responsible for regular monitoring of the efficiency and adequacy of the reinsurance program. The credit risk to which the Company is exposed when concluding reinsurance contracts is explained in note 5.3.1.

Following table presents the reinsurance coverage and maximum retention of the Company by insurance type for years ended 31 December 2022 and 2021.

	31 December 2022			31 December 2021	
Type of insurance	Maximum retention	Reinsurance coverage per risk	Reinsurance coverage per event in aggregate	Maximum retention	Reinsurance coverage per risk
Accident insurance	6,150	24,600	307,500	6,163	24,651
Health insurance	3,075	Facultative contract	Facultative contract	3,081	Facultative contract
Land motor vehicle insurance	6,150	18,450	36,900	6,163	18,488
Railway insurance	3,075	Facultative contract	Facultative contract	3,081	Facultative contract
Aircraft insurance	6,150	Facultative contract	Facultative contract	6,163	Facultative contract
Marine insurance	6,150	Facultative contract	Facultative contract	6,163	Facultative contract
Cargo insurance	6,150	184,500	369,000	6,163	184,881
Fire insurance and other damages (including business interuption as a result of fire and machine breakdown)	30,750	922,500	922,500	30,814	924,405
Other damage to property insurance (machine breakdown, electronic devices as well as CAR/EAR)	12,300	430,500	430,500	12,325	431,389
Insurance from burglary and robbery	24,600	492,000	492,000	24,651	493,016
Cyber risk insurance	3,075	123,000	123,000	3,081	123,254
Motor TPL insurance	18,450	Unlimited	Unlimited	18,488	Unlimited
CMR insurance	9,225	30,750	61,500	9,244	30,814
Aircraft liability insurance	3,075	Facultative contract	Facultative contract	3,081	Facultative contract
Marine liability insurance	6,150	Facultative contract	Facultative contract	6,163	Facultative contract
General liability insurance (including professional liability and product liability other than freight forwarding insurance for domestic and international transport)	9,225	Facultative contract	Facultative contract	9,244	Facultative contract
General liability insurance of the freight forwarder in domestic and international transport	9,225	30,750	61,500	9,244	30,814
Credit insurance	3,075	184,500	Unlimited	3,081	184,881
Suretyship insurance	3,075	Facultative contract	Facultative contract	3,081	Facultative contract
Insurance of interruption in operation due to fire	30,750	922,500	922,500	30,814	924,405
Insurance of interruptions due to machine breakdown	12,300	430,500	430,500	12,325	431,389
Miscellaneous financial loss insurance	3,075	Facultative contract	Facultative contract	3,081	Facultative contract
Travel insurance	3,075	Facultative contract	Facultative contract	3,081	Facultative contract
All other types of insurance	3,075	Facultative contract	Facultative contract	3,081	Facultative contract

5. Risk management (continued)

5.4 Underwriting risk (continued)

Asset-liability harmonization

The Law on insurance supervision applicable in Republic of North Macedonia prescribes certain limits regarding the Company's asset-liability matching and harmonization policy.

The Company actively manages its financial position using an approach that balances quality, diversification, liquidity and investment return, taking into consideration the limits determined by the aforementioned law. The key goal is to match the timing of cash flows from the respective assets and liabilities.

The Company is obliged to invest in assets in an amount which is at least equal to the insurance technical provisions. As at 31 December 2022 the investments of the Company which serve as assets covering the technical provisions amounted to 1,522,927 MKD thousand (2021: 1,632,365 MKD thousand). These investments consist of bank accounts and deposits, shares, government bills and bonds.

Presented below is the asset-liability matching according to the local regulatory requirements, in relation to assets covering the technical provisions:

	Allowed %	31 December 2022	%	31 December 2021	%
Bank accounts and cash in hand	3%	18,450	1.2%	23,833	1.5%
Bank deposits	60%	415,250	27.3%	360,500	22.1%
Securities issued by R. Macedonia	80%	1,045,480	68.6%	1,202,740	73.7%
Bonds and other debt securities traded on the regulated securities market in the RM	35%	12,421	0.8%	12,448	0.8%
Shares traded on a regulated market for securities in R. Macedonia	25%	10,836	0.7%	11,518	0.7%
Shares that are not traded on the regulated securities market if their issuer is legal entity established in R. Macedonia	5%	3,600	0.2%	3,600	0.2%
Shares issued by investment funds registered in R. Macedonia	20%	16,890	1.1%	17,725	1.1%
Total investment in assets		**1,522,927**	**100%**	**1,632,365**	100%
Total net technical provisions (technical provision less reinsurance part)		**1,169,488**		**1,093,160**	
Surplus of assets covering the technical provisions		**353,439**		**539,205**	

The assets covering the net insurance technical provisions were at surplus in amount of 353,439 MKD thousand as at 31 December 2022 (2021: surplus of 539,205 MKD thousand).

Third party liability insurance

Product features

The Company writes third party liability insurance. Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury. The timing of claim reporting and settlement is a function of a number of factors, including the nature of the coverage, the policy provisions and the jurisdiction in which the contract is written. The majority of bodily injury claims have a relatively short tail, with most of the claims for a given accident year settled in full within a year. Many liability insurance contracts are not subject to significant lags or claim complexity risks and hence have materially less uncertainty. In general, these contracts result in lower estimation uncertainty.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Third party liability insurance (continued)

Management of risk

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet the Company's criteria for profitability are underwritten. For bodily injury liability contracts, the key risk is the trend for courts to award higher levels of compensation. In pricing contracts, the Company makes assumptions that costs will increase in line with the latest available information. The key risks associated with these contracts are those relating to underwriting, competition, claims experience and the potential for policyholders to exaggerate or invent losses.

Property insurance

Product features

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

The return to shareholders under these contracts arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Company.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay (an exception to this is in relation to subsidence claims). Property business is therefore classified as 'short-tailed', meaning that expense deterioration and investment return will be of less importance.

Management of risk

The key risks associated with this product are the underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural disasters). The Company is also exposed to the risk of exaggeration and dishonest action by claimants. This largely explains why economic conditions correlate with the profitability of a property portfolio. Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. The risk on any policy will vary according to many factors such as location, safety measures in place and the age of property. For domestic property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this will not be the case.

Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. The Company reinsures risk by way of proportional type of reinsurance contracts with retention limits varying by product line and territory.

Following is dispersion of the property insurance through different regions in R. North Macedonia.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Property insurance (continued)

Region	31 December 2022	31 December 2021	Region	31 December 2022	31 December 2021
Skopje region	39%	39%	Southeast region	5%	4%
Vardar region	17%	18%	Southwest region	5%	5%
Pelagoniski region	9%	13%	Poloski region	2%	2%
East region	20%	16%	Northeast region	2%	2%

Following is presentation of the distribution of risk for property insurance and corresponding maximum possible claim.

		31 December 2022			31 December 2021		
Maximum possible claim	Medium possible claim	No of individual insurance risks	GWP	Aggregated maximum possible claim	No of individual insurance risks	GWP	Aggregated maximum possible claim
0-1,538	647	5,959	52,533	3,854,399	3,992	51,031	2,417,512
1,538-3,075	2,214	7,222	26,298	15,991,494	4,992	26,098	11,439,602
3,075-6,153	4,053	3,965	24,679	16,068,924	3,272	20,948	13,606,033
6,153-15,375	8,925	1,652	20,974	14,744,847	1,469	22,541	13,470,324
15,375-30,750	21,083	411	11,108	8,665,214	417	15,819	9,137,445
30,750-61,500	41,382	205	9,252	8,483,263	231	11,895	9,848,593
61,500-123,000	84,491	139	18,361	11,744,299	143	16,823	12,612,217
123,000-184,500	151,703	41	6,535	6,219,825	45	4,792	6,588,234
184,500-307,500	225,922	35	12,220	7,907,286	40	9,717	9,793,251
307,500-615,000	413,614	29	7,590	11,994,817	27	8,176	11,516,184
615,000-1,230,000	895,578	13	5,056	11,642,509	11	4,268	8,979,808
1,230,000-3,075,000	1,306,194	14	9,700	18,286,714	10	8,130	19,826,773
> 3,075,000	8,264,380	27	116,124	223,138,247	35	102,906	254,097,786
		19,712	**320,430**	**358,741,838**	**14,684**	**303,144**	**383,333,762**

5. Risk management (continued)

5.4 Underwriting risk (continued)

Motor insurance

Product features

The Company writes motor insurance in the Republic of North Macedonia. This consists of both property and liability benefits, and includes short tail coverage. The payments that are made quickly indemnify the policyholder against the value of loss on motor physical damage claims and property damage (liability) claims, at the time the incident occurs, subject to any limits or excesses. The payments that take longer to finalize, and are more difficult to estimate, relate to bodily injury claims. These indemnities cover the motor vehicle against compensation payable to third parties for death or personal injury.

Management of risk

In general, claims reporting lags are minor, and claim complexity is relatively low. Overall the claims liabilities for this line of business create a moderate estimations risk. The Company monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeal. The frequency of claims is affected by adverse weather conditions, and the volume of claim is higher in the winter months. In addition, there is a correlation with the price of fuel and economic activity, which affect the amount of traffic activity. The Company reinsures risk by way of excess of loss cover under which the Company's loss on any one event is limited. Following is presentation of the distribution of risk for motor insurance and corresponding maximum possible claim.

		31 December 2022			31 December 2021		
Maximum possible claim	Medium possible claim	No of individual insurance risks	GWP	Aggregated maximum possible claim	No of individual insurance risks	GWP	Aggregated maximum possible claim
0-615	144	1,612	8,892	231,724	1,707	9,720	234,757
615-1,230	939	2,221	32,167	2,085,698	2,242	31,417	2,003,273
1,230-1,845	1,535	1,331	28,816	2,043,630	1,212	26,165	1,912,930
1,845-3,075	2,307	790	25,726	1,822,222	694	24,464	1,619,441
3,075-6,150	4,826	1,278	56,081	6,167,266	1,236	53,196	5,463,101
6,150-12,300	8,183	120	13,124	981,996	116	9,958	742,309
12,300-18,450	18,491	18	2,251	332,837	17	2,318	265,434
18,450-30,750	20,982	3	323	62,945	3	327	62,945
> 30,750	39,789	1	137	39,789	1	136	39,789
		7,374	**167,517**	**13,768,107**	**7,228**	**157,701**	**12,343,979**

5. Risk management (continued)

5.4 Underwriting risk (continued)

Concentration of insurance risks

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company’s liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes. Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography.

The concentration of risk is carefully and in an expert way analyzed by the Company. In any line of insurance business, a risk surveying is a regular process done by experienced various engineers and professionals, thus the underwriters have a clean and undoubtful picture of the nature of the risk and its exposure to various perils, as well as in regards to the possible future claims. Procedures and documentation of such processes, questionnaires, loss reports, guidelines of PML calculating, and in most exposed risks where the concentration is above the threshold, survey reports are used.

In that respect, the Company concludes reinsurance agreements where the risk is ceded. As a result, both reinsurance concepts, facultative and treaty reinsurance and pro-rata and excess of loss reinsurance are commonly used by the Company. The yearly based agreements are on both basis, proportional and non-proportional reinsurance and include: earthquake quota share treaty, fire and engineering property first and second surplus, marine cargo, carriers and forwarders liability quota share, catastrophe and aggregate excess of loss, MTPL excess of loss, marine cargo excess of loss etc. Additionally, when a facultative cover is needed, the Company obtains it with its reputable reinsurers, on a case to case basis. In such way, the concentration of risk in all line of businesses are continually monitored and mitigated.

(i) Geographic and sectorial concentrations

The risks underwritten by the Company are located in the Republic of North Macedonia. The management believes that the Company has no significant concentrations of exposure to any group of policyholders measured by social, professional, age or similar criteria.

(ii) 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’s key methods in managing these risks are:

- Primarily, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed;
- Secondly, the risk is managed through the use of reinsurance. The Company purchases surplus reinsurance for property business, excess of loss for the third party liability business, and quota share reinsurance for risks of earthquake and green card losses. The Company assesses the costs and benefits associated with the reinsurance program on a regular basis.

5. Risk management (continued)

5.5 Operational risks

Operational risk is defined as the risk of loss due to:

- Inadequate or failed internal processes (process disruptions, customer complaints, lack of reliable management information, business continuity issues, mismanagement of business-related costs, inefficient change management, inconsistent or incomplete process documentation, etc.);
- Inappropriate or inefficient human behavior (inadequate human resource management, loss of key personnel, lack of knowledge and competences, employee misconduct, etc.);
- Inadequate or failed systems (outdated software applications and/or infrastructure in use, lack of audit trails in software, inadequate backup and recovery times, etc.);
- External events (changes in regulation, natural disasters, competition, fraudulent activity, etc.).

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this exposure, a special department was established and put in charge of the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Board of Directirs on the findings and initiated procedures.

The fraud prevention, detection and investigation department, which was formed in 2012 and which is fostering a culture of zero tolerance that is harmonized with the strategy of the parent company and Triglav Group, clearly demonstrates its commitment to the proactive protection of honest, regular and legally based business activities of the Company.

The strategy for fraud prevention is based on three basic pillars such as prevention, detection and investigation of the fraud covering all business processes of the Company. This enables the Company to undertake the appropriate measures in the scope of its overall operations and business activities. In this direction, through SPORP, the Company tends to pursue comprehensive application of the best practices of the international organizations like ACFE (Association of Certified Fraud Examiners) and IAIS (International Association of Insurance Supervisors). With the establishment of this department, Triglav Insurance AD Skopje has received new defence mechanism that is directed towards the protection of the Company's capital from irregular activities, insurance and other types of frauds as well as from illegal misappropriation of assets. Another important segment of operational risks are compliance risks which are managed in the framework of the compliance function.

5.6 Strategic risks

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Company’s ability to achieve its strategic objectives and thus its value. Strategic risk management is directly and most actively managed by the Board of Directors of Triglav Insurance AD Skopje.

Strategic risks are addressed upon their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned body in managing strategic risk are clearly defined. A clear organizational structure of functions provides for an effective strategic risk control as well as the achievement of short-, mid- and long-term goals.

Continuous training for employees as well as the application of state-of-the-art models, tools and good business practices enables the Company to effectively manage strategic risks.

Strategy

The Strategy of the Company is devised in a clear manner with precisely defined strategic guidelines and goals taking in account Company’s values and mission. It includes precise initiatives and measurable actions with strict deadlines and responsible persons assigned. The strategy is in line with the trends in the industry, applicable local laws and regulations as well as the micro- and macro-environment of the Company. Good business results achieved despite the economic crisis and effects of unpredictable weather events show that the implementation of the

5. Risk management (continued)

5.6 Strategic risks (continued)

Strategy (continued)

strategy has been successful and efficient. The Company continuously monitors the implementation of its Strategy and takes on-time corrective actions (if and when needed). The implementation of the Strategy is reported to the Management Board and Board of Directors on quarterly/semi-annualy basis.

Durring the year ended 31 December 2022, the strategy has been revised for the period up to 2025, while preserving the existing main elements of Triglav Group's strategy. Through its vision, values and strategic objectives, the Company has set out on an ambitious path to become a modern, innovative, digitaly transformed, dynamic and envrionmentally aware insurance company, firmly remaining the leader in Republic of North Macedonia..

Companys mission: "We build a safer future"

Company's vision: "Setting the standard of an outstanding client experience – anytime, anyplace."

Company's values: Responsivness, Simplicity and Reliability.

Following are the Company's key strategic guidelines:

Long-term stable operations and increased value for its investors: The strategic ambitions of the Company are focused towards operating safely and profitably. Its strategic objectives are designined towards maintaining profitable core operations, remaining market leader with higher than the market growth, maintaining capital adequacy and comprehensive risk management including prudent acceptance of underwriting risks, balanced portfolio diversification and maintaining cost effectiveness. The Company is furthermote focused towards digital transformation of key processes with remote access to Company's services, providing uniform, outstanding and repeatable client experience while building ecosystems through providing assistance and related services.

Triglav Insurance AD Skopje has a strong, trustworthy brand, size, economy of scale and economy of scope (capital strength), a comprehensive client portfolio, quality and comprehensive services, a wide range of products and services and developed sales channels (multi-channel availability and a strong own sales network), in addition to being known for quick settlement of claims.

Digital transformation and development of service - oriented business model: An outstanding client experience is a key element of the Company's differentiation and competitive advantage. The Company's strategic objectives with regard to its process organisation and implementation are focused towards high degree of automation, implementing modern digital technologies and developing digital services for its clients. Innovation and exploitation of synergies within the Group, efficient use of data (internal and external) so as to make the right business decisions continue to be of crucial importance in the transformation of its business model from insurance oriented towards service oriented Company.

An outstanding cient experience remains the main building block that contributes to high client satisfaction: Clients are in the very centre of all activities of the Company. Relations with them are built on trust and efforts are made to achieve their satisfaction and loyalty. The Company develops a range of comprehensive solutions for its clients with related solutions and communication. Moreover, it not only develops simple products and solutions but also implements digital ways of doing business and new business models. The strategic objective is creating an uniform client experience cross all channels, processes and products that will address manyinterrelated client needs in terms of insurance products and assistance and related services.

5. Risk management (continued)

5.6 Strategic risks (continued)

Strategy (continued)

Further development of organisational culture: Triglav Insurance AD Skopje continues to create a highly effective and service-oriented organisational culture, which supports strategic

business guidelines, and an organisational environment, which enables the Company to attract, develop and retain competent, engaged, healthy and satisfied employees.

Triglav Group's sustainable development strategy: The Company realises its mission based on sustainability orientation using environmental, social and governance factors. By pursuing sustainable development, the Company is creating a long-term stable basis for its profitable and safe operations, promoting the transition to a more sustainable company and reducing its impact on climate change.

Business processes

Internal controls set up to monitor operational risks enable employees to adopt and implement more appropriate and correct decisions and enhance the Company's general ability to adapt to the changes in the environment.

Assets and liabilities

Due to the nature of its operations, Triglav Insurance AD Skopje employs ALM system which is designed to allow optimum and efficient management of assets and liabilities. Synergies and information and expertise sharing from the parent company and the overall Group are used to facilitate and improve the Company's operations. The Company effectively manages assets risks by active monitoring of its liabilities, insurance premium inflow, investments and developments in financial and all other markets, which positively affects its financial results

5.7 Management of risks associated with Company's investment Strategy

The basis of the investment strategy applied in Triglav Insurance AD Skopje is the management of financial investments with moderate activity, within previously set strategic allocation, or "buy and hold" strategy and retention of constant shares between the classes of financial investments. A larger rebalance of the financial portfolio can be performed on a quarterly basis, in accordance with the requirements of the asset and liability management process. The assets must be invested carefully and cautiously. Triglav Insurance AD Skopje can invest in financial investments, where potential risks can be properly identified, assessed, monitored and reported, the so-called "Prudent Person Principle".

To ensure the security and liquidity of financial investments, the financial portfolio is subject to the following restrictions:

- The use of financial leverage is prohibited;
- It is prohibited to use derivative financial instruments, i.e. financial derivatives (options, swaps, futures, forwards) except for use of financial derivatives to hedge against risks arising from exchange rate fluctuations, interest rates and other types of market risks, but only for the purpose of implementation of the Triglav Insurnce AD Skopje Risk Management Strategy and Policy; and
- Short selling of securities is prohibited.

Considering the frequency of trading with financial instruments, during the year ended 31 December 2022, the Company did not got out of the frame of performing moderate activity on the secondary markets, so the business model and the structure of the financial asset classes remained unchanged in contrast to previous years.

5. Risk management (continued)

5.7 Management of risks associated with Company's investment Strategy (continued)

The Company performs a monthly fair value measurement of the financial portfolio using the secondary market data for the quoted financial instruments and combining the frequent primary and secondary market data to make a model that can be applied for the valuation purposes. On a quarterly basis an impairment test was performed using defined criteria for the equity instruments. Both equity and debt instruments showed no signs for future significant increase in credit risk.

5. Risk management (continued)

5.8 Fair value of financial assets and liabilities

Following is disclosure of the carrying amounts and fair values of the financial assets and liabilities of the Company.

	31 December 2022		31 December 2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Financial investments	1,629,233	1,629,233	1,631,028	1,631,028
AFS	1,189,779	1,189,779	1,232,916	1,232,916
Debt instruments	1,109,239	1,109,239	1,215,189	1,215,189
Equity instruments	80,540	80,540	17,727	17,727
Loans and receivables	439,454	439,454	382,996	382,996
Deposits (term), GF investments and loans	439,454	439,454	382,996	382,996
FVTPL			15,116	15,116
Receivables	426,588	426,588	421,457	421,457
Cash and cash equivalents	18,450	18,450	23,833	23,833
Other assets	3,237	3,237	2,991	2,991
Total financial assets	**2,077,508**	**2,077,508**	**2,079,309**	**2,079,309**
Financial liabilities				
Financial liabilities	141	141	150	150
Lease liabilities	88,097	88,097	25,318	25,318
Operating liabilities	173,318	173,318	111,370	111,370
Other liabilities	89,811	89,811	64,004	64,004
Total financial liabilities	**351,367**	**351,367**	**200,842**	**200,842**

5. Risk management (continued)

5.8 Fair value of financial assets and liabilities (continued)

The management assessed that cash and cash equivalents, receivables from insurance, technical provisions and their reinsurance share, other assets, operating, other and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. On the maturities of these instruments, please see note 5.3.2.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Debt and equity AFS securities are evaluated by the Company based on price quotations at the reporting date. The fair value of unquoted AFS instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Please refer to note 3.7.

- Debt and equity FVTPL securities are evaluated by the Company based on price quotations at the reporting date. The fair value of unquoted FVTPL instruments is estimated through use of valuation models that take in concern instruments with similar terms, credit risk and remaining maturities. Please refer to note 3.7.

- The fair value of loans and receivables is measured using the discounted cash flow model on the basis of the historical effective interest rate (Level 2).

- The fair value of receivables and other assets, operating, financial and other liabilities is measured through parameters such as specific country risk factors, individual creditworthiness of the customer, experience regarding recoverability of receivables with similar maturities etc. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2022, the carrying amounts of such receivables, net of allowances, were not different from their calculated fair values.

5.9 Imapacts of the Russian-Ukranian conflict on the business operations of Triglav Insurance AD Skopje

The crisis caused by the russian-ukranian conflict indirectly posed numerous challenges both for the Company's business as well as for its clients. Factors such as declining revenues, reduced liquidity and declining of overall business operations faced by some of the key business partners have had a significant impact on the sustainability of their business, and this has affected the scope and nature of cooperation. Nevertheless, Triglav Insurance AD Skopje has responded very well to the challenges set. It has managed to maintain business continuity and providing adequate service to its clients even in worsened economic conditions and rapidly rising prices.

During 2022, the Company managed to realize gross written premium growth of 13,9% compared to the previous year which was even higher than the market growth of 9,2%. On the other hand, the claims settlement was also accelerated and impacted by the general increase in prices of goods and services. Despite being faced with challenging business environment, the Company managed to adapt to the changed circumstances especially to the rising inflation and unfavorable situation on the financial market therefore, realizing net profit for the accounting period.

The year ended as of 31 December 2022 was marked by:

Resilience and effective risk management. In the wake of uncertainty brought about by the russian-ukrainan war, Triglav Insurance AD Skopje showed a sufficient degree of resilience, readiness and adaptability to this extraordinary situation which confirmed that the Company's insurance and financial investment portfolios were sufficiently strong and that its capital position was appropriate to effectively cope with increased risks, especially with the increase in the reference interest rates that the monetary authorities used as an instrument to curb the galloping inflation that hit our economy and which at the end of the year 2022 was at 14%.

Profitable operations and effective cost control. The Company realized profit before tax in amount of 12,1 mio MKD even in conditions in which there was unfavourable situation in the global financial markets and accelerating rise in the inflation rates. Backed by underwriting discipline, the Company increased its business volume, while prudently managing costs which were also in constant rise in several affected categories. The gross operating costs rose by 18% compared to the previous year and were 8% higher than planned level depicting the negative effects of the rising inflation.

In terms of claim settlment, the conflict also had an indirect impact through unfavoravle economic conditions and rising prices. In private voluntary health insurance, there was a significant increase in the prices for medical services which created medical inflation. The Company was also faced with increased prices for spare parts, materials and services related to claim settlement in other classes of insurance. Through being constantlly aware and responsive, the Company reacted by adjusting the tariff for some of its insurance products in accordance with the economic environment and inflation.

Collection of the receivables due was also very big challenge especially in times of decreased liquidity and solvency of the private and public sector as well as the general population in the country. Still in 2022, the Company managed to achieve collection of 93,03% of its due receivables from the gross written premium in 2022 which is higher than the previous year when it was 91.71%.

5. Risk management (continued)

5.9 Imapcts of the Russian-Ukranian conflict on the business operations of Triglav Insurance AD Skopje (continued)

Regular monitoring of the liquidity and the Company's cash flows. On a regular basis (weekly and monthly), the Company was planning and managing its liquidity position. As a result, the Company reacted readily on each potential problem and threat to its short-term liquidity thorugh managing its financial portfolio which was available for short-term liquidity corrections.

The expectations are that the contracted economic activity in the country and globally will start its gradual stabilization during 2023. The Company will continue to be faced with decreased liquidity of the public; however, it is sufficiently capitalized and liquid to withstand that impact.

The plan of the Company for the year that will end 31 December 2023 is based on responsible and profitable operations. The Plan was made in the light of the russian-ukrnian conflict and worsened economic conditions and, as a result, it takes in consideration all current events. The expectations are that the year will be closed with positive operating activities' cash flows, however, in case if certain events ocurr that will result in negative operating activites' cash flows, the Company is ready to finance them by the cash flows from its investing activities, if needed.The largest portion of the Company's financial investments are in government bonds which are liquid and can be sold on secondary financial markets in short time. The rest of the financial investments are in term deposits which according to the contrct conditons can be withdrawn in several days. In addition, in its financial portfolio, the Company has call deposits which are available at any time if the liquidity position requires that.

The Company is not financially dependent on any other subject or governmental assistance, nor it has plans to start financing itself through debt.

6. 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 accident insurance, land motor vehicles insurance, fire, natural forces and other damage to property 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 Republic of 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 financial 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.

The income from the segments consists of the net premium income from insurance, income from financial assets, other insurance income and other income. The management measures the segment performance through analyzing the gross written premium, net premium income, net claims incurred, income from financial assets, other insurance income and expenses, operating expenses as well as through insurance related ratios such as cost ratio, expense ratio, claim ratio and combined ratio. Combined ratio which is below 100 is desirable ratio. The combined ratio of Triglav Insurance AD Skopje as of 31 December 2022 was 101,0 (2021:102,1). The segment information provided to the Board of Directors for the reportable segment as of 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Gross insurance premium income (less change in gross UPR)	1,496,493	1,277,938
Insurance premium ceded to reinsurers	(451,023)	(391,018)
Net premium income	**1,045,470**	**886,920**
Income from financial assets	54,841	48,902
Other insurance income	107,263	96,961
Other income	9,518	8,564
Total income	**1,217,092**	**1,041,347**
Gross insurance claims settled (less changes in gross claims provisions)	196,553	622,516
Insurance claims recovered from reinsurance	429,618	(96,584)
Net claims incurred	**626,171**	**525,932**
Change in other insurance technical provisions	(1,174)	(2,630)
Net expenses for bonuses and discounts	33,008	21,393
Operating expenses	467,123	389,881
Expenses from financial assets and liabilities	6,529	5,332
Other insurance expenses	73,130	66,038
Other expenses	961	474
Total expenses	**1,205,748**	**1,006,420**
Share of gainof an associate	763	1,063
Profit before tax	**12,107**	**33,864**

6. Operating segments (continued)

	31 December 2022	31 December 2021
Depreciation and amortization	37,348	47,802
Interest income	41,127	39,352
Interest expense	1,324	1,584
Income tax expense	7,227	5,103
Share of gainof associates	763	1,063
Total assets	**2,568,156**	**3,037,929**
Total assets include:		
Investment in associates	-	52,511
Total liabilities	**2,568,156**	**3,037,929**

7. Intangible assets

	Software and licenses	Software and licenses in course of acqusition	Deferred acquisition costs	Total intangible assets
Cost				
As at 31 December 2020	**68,717**	**1,735**	**99,938**	**170,390**
- Additions	(77)	8,170	-	8,093
- Transfers in use	8,132	(8,132)	-	-
- Increase in value	-	-	7,238	7,238
- Decrease in value	-	-	(3,145)	(3,145)
As at 31 December 2021	**76,772**	**1,773**	**104,031**	**182,576**
- Additions	-	14,765	-	14,765
- Transfers in use	9,120	(9,120)	-	00
- Increase in value	-	-	63,508	63,508
- Decrease in value	-	-	(42,644)	(42,644)
- Disposal	(2,986)	-	-	(2,986)
As at 31 December 2022	**82,906**	**7,418**	**124,895**	215,219
Accumulated amortization				
As at 31 December 2020	**51,888**	**-**	**-**	**51,888**
- Current year amortization	11,500	-	-	11,500
As at 31 December 2021	**63,388**	**-**	**-**	**63,388**
- Current year amortization	3,248	-	-	3,248
- Disposal	(2,986)	-	-	(2,986)
As at 31 December 2022	**63,650**	**-**	**-**	**63,650**
Carrying amount				
As at 31 December 2021	**13,384**	**1,773**	**104,031**	**119,188**
As at 31 December 2022	**19,256**	**7,418**	**124,895**	**151,569**

No items of intangible assets were pledged as collateral as at 31 December 2022 or 31 December 2021.

7. Intangible assets (continued)

The amortization for the current year is disclosed in several items of the statement of profit or loss, as gross operating expenses are presented by functional group, as described in note 3.25. For details, see expenses by nature and function in note 32.

The Company does not own intangible assets with indefinite useful life.

The value of the ADInsure software and the related licenses are in amount of 18,333 MKD thousand and represent 95.2% from the total value of software and licenses as at 31 December 2022 (2021: 14,111 MKD thousand or 93.1% from the total value of software and licenses).

8. Property and equipment

	Buildings	Equipment	Paintings	Tangible assets in course of acqusition	Total tangible assets
Cost					
As at 31 December 2020	**80,782**	**118,543**	**594**	**-**	**199,919**
- Additions	-	4,892	-	2,079	6,971
- Disposals	-	(7,777)	-	-	(7,777)
As at 31 December 2021	**80,782**	**115,658**	**594**	**2,079**	**199,113**
- Additions	-	2,203	-	-	2,203
- Disposals	-	(26,569)	-	-	(26,569)
- Transfer in use	-	2,079	-	(2,079)	-
As at 31 December 2022	**80,782**	**93,371**	**594**	**-**	**174,747**
Accumulated depreciation					
As at 31 December 2020	**35,380**	**80,099**	**-**	**-**	**115,479**
- Current year depreciation	2,021	11,264	-	-	13,285
- Disposals	-	(7,510)	-	-	(7,510)
As at 31 December 2021	**37,401**	**83,853**	**-**	**-**	**121,254**
- Current year depreciation	2,020	9,985	-	-	12,005
- Disposals	-	(22,584)	-	-	(22,584)
As at 31 December 2022	**39,421**	**71,254**	**-**	**-**	**110,675**
Net Carrying amount					
As at 31 December 2021	**43,381**	**31,805**	**594**	**2,079**	**77,859**
As at 31 December 2022	**41,361**	**22,117**	**594**	**-**	**64,072**

The market value of the buildings as at 31 December 2022 was in amount of 56,580 MKD thousand and it is in excess over its net carrying amount.

The valuation of the buildings has been performed by certified appraiser.

No items of property and equipment were pledged as collateral as at 31 December 2022 or 31 December 2021.

The depreciation charge for the current year is disclosed in several items of the statement of profit or loss, as gross operating expenses are presented by functional group, as described in note 3.25. For details, see expenses by nature and function in note 32.

9. Right of use assets and Lease liabilities

Right of use assets

The right-of-use assets arise out of the leases the Company has in place. The nature of Company's leasing activities are disclosed in note 3.3.

The table below describes the nature of the Company's leasing activities as of December 31, 2022 by type of right-of-use asset recognised on the statement of financial position.

Type of right-of-use asset	No of right-of-use assets leased	Estimated lease term	Remaining term
Headquarter offices	1	10	6
Branch offices	3	3	2
Representative offices	5	2	2
Vehicles	9	5	4

Additional information on the right-of-use assets by class of assets is as follows:

Type of right-of-use asset	Property	Marketing	Vehicles	Total
Balance at 1 January 2021	**43,136**	**921**	**-**	**44,057**
Additions	864	-	-	864
Remeasurements	2,199	(277)	-	1,922
Depreciation charge for the year	(22,415)	(644)	-	(23,059)
Balance at 31 December 2021	**23,784**	**-**	**-**	**23,784**
Balance at 1 January 2022	**23,784**	**-**	**-**	**23,784**
Additions	-	-	8,677	8,678
Remeasurements	77,523	-	-	77,523
Depreciation charge for the year	(21,130)	-	(964)	(22,095)
Balance at 31 December 2022	**80,177**	**-**	**7,713**	**87,890**

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

Lease liabilities	31 December 2022	31 December 2021
Maturity analysis - contractual		
Less than one year	13,716	23,335
One to five years	58,883	1,983
More than five years	15,498	-
Total undiscounted lease liabilities at 31 December	**88,097**	**25,318**
Lease liabilities included in the statement of financial position	**88,097**	**25,318**
Current lease liabilities	13,716	23,335
Non-current liabilities	74,381	1,983

The Company does not have short-term leases or low value leases that it did not recognize in the lease liability line.

Variable lease payments not recognised in the related lease liability are expensed as incurred and include usage payments.

9. Right of use assets and Lease liabilities (continued)

Amounts recognized in the statement of profit and loss	31 December 2022		31 December 2021
Interest expense on lease liabilities	(1,324)		(1,584)
Income from sub-leasing right of use asset	1,461		1,151
Variable lease payments not included in the measurment of lease liabilities	(947)		(770)
Depreciation charge on right of use assets	(22,095)		(23,057)
Total recognized in the statement of profit	**22,905**		**24,260**

Amounts recognized in the statement of cash flows	31 December 2022		31 December 2021
Total cash outflows for leases	24,694		24,901

10. Investment in associates

	31 December 2022	31 December 2021
Investment in associates	-	52,511
Total investment in associates	**-**	**52,511**

During the year ended 31 December 2017, Triglav Insurance AD Skopje and Triglav INT d.d founded Triglav Insurance Life AD Skopje (company for life insurance). Triglav Insurance AD Skopje, participated with 61,627 MKD thousand or 20% from the issued share capital of Triglav Insurance Life AD Skopje. Company's interest in Triglav Insurance Life AD Skopje was accounted for using the equity method until November 2022 when Triglav Insurance Life AD Skopje was additionally capitalized by Triglav INT d.d with which the share of Triglav Insurance AD Skopje was decreased from 20% to 14%. Since the Company does not exercise significant influence over Triglav Insurance Life AD Skopje it has decided to discontinue the use of the equity method and reclassify the investment as an investment in AFS financial asset.

In assessing the exercise of significant influence, the Company has taken in account the following facts and circumstances:

(a) Triglav Insurance AD Skopje does not have representative on the board of directors of the investee;

(b) Triglav Insurance AD Skopje does not participate in the policy-making processes, including participation in decisions about dividends or other distributions;

(c) There are no material transactions between the Company and its investee;

(d) There is no interchange of managerial personnel; and

(e) There is no provision of essential technical information.

As a result, the Company discontinued the use of the equity method from the date when its investment ceased to be an associate by measuring the retained interest in Triglav Insurance Life AD Skopje at fair value. The fair value of the retained interest was regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39 (note 12). The Company recognised in profit or loss immaterial difference between the fair value of the retained interest and the carrying amount of the investment at the date the equity method was discontinued.

The following table illustrates the summarised financial information of the Company's investment in Triglav Insurance Life AD Skopje, which are prepared in accordance with IFRS.

10. Investment in associates (continued)

	31 December 2022	31 December 2021
Intangible assets	-	379
Property and equipment	-	7,500
Right of use assets	-	9,714
Financial investments	-	426,574
Receivables	-	33,862
Other assets	-	2,976
Cash and cash equivalents	-	5,512
Insurance technical provisions	-	(185,330)
Provisions for employees	-	(1,624)
Deferred tax liabilities	-	(2,296)
Lease liabilities	-	(10,138)
Liabilities from insurance operations	-	(278)
Other liabilities	-	(24,842)
Net assets	-	**262,009**
Company's share in %	-	**20%**
Company's share in MKD	-	**52,511**

	31 December 2022	31 December 2021
Net premium earned	-	198,315
Income from financial assets	-	10,330
Net unrealised gains on unit-linked life insurance	-	36
Other income from insurance operations	-	5
Other income	-	296
Net claims incurred	-	23,280
Changes in other insurance technical provisions	-	97,094
Change in insurance technical provisions for UL	-	6,633
Operating expenses	-	81,960
- Acquisition costs	-	50,013
- Other operating costs	-	31,947
Expenses from financial assets and liabilities	-	1,135
Other insurance expenses	-	3,986
Other expenses	-	203
Net loss	-	**(5,309)**
Total comprehensive income for the year	-	626
Company's share of loss for the year	-	**(1,063)**

10. Investment in associates (continued)

	31 December 2022
Investment in associates as at 1 January 2021	**52,400**
Company's share of fair value reserves	1,174
Company's share of loss and reserves	(1,063)
Investment in associates as at 31 December 2021	**52,511**
Company's share of fair value reserves	(15,332)
Company's share of loss and reserves	763
Reclasification to financial investments	(37,942)
Total investment in associates as at 31 December 2022	**-**

No dividends were received from Triglav Insurance Life AD Skopje during the year ended 31 December 2022 (2021: no dividends received).

The associate had no contingent liabilities or capital commitments durring 2022 or as at the year ended 31 December 2021.

11. Financial investments

Overview of financial investments by type and investment group

31 December 2022	Available for sale - AFS	Loand and receivables - L&R	Total
Debt and other fixed return securities	1,109,239	-	1,109,239
Shares, other floating rate securities and fund coupons	80,540	-	80,540
Guarantee Fund Investments	-	19,766	19,766
Bank deposits	-	419,688	419,688
Total financial investments	**1,189,779**	**439,454**	**1,629,233**

31 December 2021	Available for sale - AFS	Loand and receivables - L&R	Fair Value through PL - FVTPL	Total
Debt and other fixed return securities	1,215,189	-	-	1,215,189
Shares, other floating rate securities and fund coupons	17,727	-	15,116	32,843
Guarantee Fund Investments	-	20,151	-	20,151
Bank deposits	-	362,845	-	362,845
Total financial investments	**1,232,916**	**382,996**	**15,116**	**1,631,028**

The Deposit in the National Insurance Bureau (Guarantee fund investments) is a deposit for participation in accordance with the Law on insurance supervision in the Republic of Macedonia. The National Bureau for Insurance is non-profit organisation founded by all domestic insurance companies which purpose is to protect the interest of its members in cases of international insurance of motor vehicles and to protect the members in front of the international insurance companies. The deposits of the members are kept on separate account in a bank and the Bureau is obliged not to invest the assets and to return the assets to the members if they stop working with insurance of motor vehicles.

11. Financial investments (continued)

Following is disclosure of the interest rates of all interest bearing financial instruments, for both years ended 31 December, 2022 and 2021.

	31 December 2022	I.R	31 December 2021	I.R
Fixed interest bearing				
Debt securities (AFS)	**1,109,239**		**1,215,189**	
MACGB 3.4 01/11/28	150,197	3.40%	168,003	3.40%
MACGB 3.2 01/25/33	84,762	3.20%	104,330	3.20%
MACGB 4 1/2 10/30/24	81,845	4.50%	88,116	4.50%
MACGB 3 11/07/34	78,782	3.00%	101,512	3.00%
MACGB 2.9 11/01/33	60,823	2.90%	76,673	2.90%
MACDEN 2 10/15/2030	51,523	2.00%	59,791	2.00%
MACGB 1 1/2 10/17/24	48,697	1.50%	50,941	1.50%
MACGB 3 06/18/35	45,012	3.00%	58,705	3.00%
MACDEN 1.3 12/31/2023	44,147	1.30%	45,350	1.30%
MACGB 3.1 09/19/34	44,136	3.10%	56,600	3.10%
MACGB 3.2 02/28/34	38,184	3.20%	48,105	3.20%
MACDEN 2.4 04/03/36	38,091	2.50%	50,717	2.50%
MACGB 3.2 05/16/34	34,761	3.20%	44,076	3.20%
MACDEN 2.5 14/02/36	26,905	2.50%	35,657	2.50%
MACDEN 4.2 09/09/37	26,835	4.20%		
MACGB 2.9 02/13/35	24,799	2.90%	31,996	2.90%
MACDEN 2 06/01/31	24,573	2.00%	30,229	2.00%
MACEDO 2 3/4 01/18/25	23,628	2.75%		
MACGB 2 1/2 06/17/36	22,419	2.50%	30,157	2.50%
MACGB 2 1/2 08/05/36	22,216	2.50%	30,030	2.50%
MACGB 3.8 08/27/25	20,432	3.80%	22,095	3.80%
MACEDO 5 5/8 07/26/23	15,754	5.63%		
MACGB 3.7 02/11/26	15,537	3.70%	16,913	3.70%
MACDEN 2 01/06/32	14,956	2.00%		
MACGB 3.7 01/25/33	14,158	3.70%	17,370	3.70%
TTK 3 1/2 12/18/2024	12,421	3.50%	12,448	3.50%
MACEDO 3.675 06/03/26	11,957	3.68%		
MACGB 4.3 03/31/31	10,309	4.30%	12,121	4.30%
MACGB 3.4 09/20/33	7,798	3.40%	9,761	3.40%
MACDEN 1.625 01/04/28	6,363	1.63%	7,075	1.63%
MACGB 1.7 03/07/24	3,284	1.70%	3,400	1.70%
MACDEN 2 01/06/30	2,269	2.00%	1,289	2.00%
MACGB 2 06/01/27	1,203	2.00%	1,011	2.00%
MACDEN 2 06/20/26	362	2.00%	452	2.00%
MACDEN 2 06/01/25	101	2.00%	136	2.00%
MACDEN 2 06/01/22	-	-	131	2.00%
Loans and receivables	**419,688**		**307,033**	
Deposit ProCredit Banka	42,914	1.60%	42,241	1.60%
Deposit Sparkasse Banka	35,505	2.80%	-	-
Deposit Sparkasse Banka	35,428	1.40%	-	-
Deposit UNI Bank	33,092	3.30%	-	-
Deposit Halk Banka	31,470	2.70%	-	-
Deposit Sparkasse Banka	30,471	1.00%	30,172	1.00%
Deposit Sparkasse Banka	28,311	2.70%	-	-
Deposit Halk Banka call money	26,148	1.50%	-	-
Deposit UNI Bank	25,138	2.00%	-	-
Deposit Halk Banka	25,000	1.10%	25,000	1.10%
Deposit Sparkasse Banka	22,302	2.05%	-	-
Deposit Halk Banka	20,053	3.20%	-	-

	31 December 2022	I.R	31 December 2021	I.R
Deposit ProCredit Banka	16,208	1.50%	-	-
Deposit Silk Road	13,105	2.00%	-	-
Deposit Halk Banka call money	12,615	1.50%	-	-
Deposit Silk Road	12,118	1.70%	-	-
Deposit ProCredit Banka	6,060	2.80%	-	-
Deposit Halk Banka call money	3,750	1.10%	15,000	1.10%
Deposit Halk Banka	-	-	30,000	2.20%
Deposit UNI Bank	-	-	21,486	1.80%
Deposit Halk Banka	-	-	20,000	2.30%
Deposit Halk Banka	-	-	20,000	1.70%
Deposit Halk Banka	-	-	15,287	1.55%
Deposit Halk Banka call money	-	-	17,000	1.20%
Deposit UNI Bank	-	-	32,028	1.00%
Deposit Silk Road	-	-	7,598	1.50%
Deposit Silk Road	-	-	6,044	1.25%
Deposit ProCredit Banka	-	-	25,176	1.20%
Variable Interest bearing				
Loans and receivables	**19,766**		**75,693**	
Gurantee Fund investment	19,766	0.58%	20,151	0.79%
Deposit Komercijalna Banka	-	-	35,569	0.97%
Deposit Komercijalna Banka	-	-	20,243	0.97%

Maturity on all instruments is provided under item 5.3.2. Deposits are with maturities of up to three years.

As at the year end, the Company has accrued interest in amount of 24,699 MKD thousand (2021: 20,668 MKD thousand) where 20,261 MKD thousand relates to debt securities and 4,465 MKD thousand relates to deposits.

Movements of financial investments

	Available for sale - AFS	Loand and receivables - L&R	Fair value through Profit and Loss - FVTPL	Total
As at 31 December 2020	**1,119,990**	**445,885**	**-**	**1,565,875**
Acquisitions	197,642	647,750	35,005	880,397
Disposals	(94,546)	(951)	(19,956)	(115,453)
Maturities	(14,374)	(707,046)	-	(721,420)
Interest income inflow	(31,903)	(11,147)	-	(43,050)
Valuation through profit and loss	-	-	67	67
Valuation through equity	24,001	-	-	24,001
Movement in impairment allowance	-	2,046	-	2,046
Interest income	32,567	6,459	-	39,026
Foreign exchange differences	(461)		-	(461)
As at 31 December 2021	**1,232,916**	**382,996**	**15,116**	**1,631,028**
Acquisitions	113,722	560,250	64,000	737,972
Disposals	(2,000)	(385)	(79,116)	(81,501)
Maturities	(3,700)	(505,527)	-	(509,227)
Interest income inflow	(33,336)	(4,256)	-	(37,592)
Valuation through equity	(200,764)	-	-	(200,764)
Interest income	34,521	6,376	-	40,897
Foreign exchange differences	(794)	-	-	(794)
Reclassification to financial assets	49,214	-	-	49,214
As at 31 December 2022	**1,189,779**	**439,454**	**-**	**1,629,233**

11. Financial investments (continued)

Financial investments according to valuation levels

	31 December 2022	31 December 2021
Available for sale – AFS	**1,189,779**	**1,232,916**
Level 1	74,789	63,423
Level 2	1,114,990	1,169,493
Fair value through profit and loss - FVTPL	**-**	**15,116**
Level 1	-	15,116
Total	**1,189,779**	**1,248,032**

The price hierarchy that the Company is using in valuing financial assets at fair value is described in note 3.7.

During 2022, the investment in Triglav Insurance Life AD Skopje has been reclassified from “Investment in associate” into available for sale financial instrument upon decrease of ownership from 20% to 14%. No other reclasification of financial instruments occurred during the years ended 31 December 2022 or 31 December 2021.

12. Reinsurers’ share of technical provisions

	31 December 2022	31 December 2021
Reinsurers' share of unearned premiums	90,747	86,899
Reinsurers' share of claims	81,826	596,902
Reinsurers' share of bonuses and discounts	1,088	912
Total reinsurers’ share of technical provisions	**173,661**	**684,713**

Fair value is disclosed in note 5.7.

13. Receivables

Receivables by maturity

31 December 2022	Not overdue	Overdue up to 180 days	Overdue above 180 days	Total
Receivables from direct insurance	**201,515**	**98,218**	**12,605**	**312,338**
Receivables from insurers	173,423	83,140	12,144	268,707
Receivables from insurer brokers	28,009	15,078	461	43,548
Other receivables from direct insurance operations	83	-		83
Receivables from reinsurance	**79,529**	**-**	**-**	**79,529**
Receivables from reinsurance share in claims	79,529	-	-	79,529
Current and deferred tax receivables	**13,456**	**-**	**-**	**13,456**
Other receivables	**5,497**	**2,717**	**26,507**	**34,721**
Other short-term receivables from insurance operations	4,955	2,255	26,438	33,648
Short term receivables from financing	257	-	-	257
Other short-term receivables	285	462	69	816
Total receivables	**299,997**	**100,935**	**39,112**	**440,044**

13. Receivables (continued)

Receivables by maturity (continued)

31 December 2021	Not overdue	Overdue up to 180 days	Overdue above 180 days	Total
Receivables from direct insurance	**221,409**	**87,703**	**11,822**	**320,934**
Receivables from insurers	191,746	75,631	11,154	278,531
Receivables from insurer brokers	29,663	12,072	543	42,278
Other receivables from direct insurance operations	-	-	125	125
Receivables from reinsurance	**62,222**	**-**	**3,919**	**66,141**
Receivables from reinsurance share in claims	62,222	-	3,919	66,141
Current tax receivables	**117**	**-**	**-**	**117**
Other receivables	**4,909**	**2,452**	**27,021**	**34,382**
Other short-term receivables from insurance operations	4,317	2,432	26,932	33,681
Short term receivables from financing	327	-	-	327
Other short-term receivables	265	20	89	374
Total receivables	**288,657**	**90,155**	**42,762**	**421,574**

Total gross and net amounts of each group of receivables are disclosed below:

31 December 2022	Gross amount	Impairment	Net amount
Receivables from direct insurance	655,749	(343,411)	312,338
Receivables from coinsurance and reinsurance	79,529	-	79,529
Other receivables	84,664	(36,487)	48,177
Total receivables	**819,942**	**(379,898)**	**440,044**

31 December 2021	Gross amount	Impairment	Net amount
Receivables from direct insurance	665,596	(344,662)	320,934
Receivables from reinsurance	66,141	-	66,141
Other receivables	72,671	(38,172)	34,499
Total receivables	**804,408**	**(382,834)**	**421,574**

13. Receivables (continued)

Movement of bad debt provisions (impairment)

31 December 2022	Opening balance	Increase	Use	Release	Ending balance
Receivables from direct insurance	**344,662**	**25,476**	**(12,066)**	**(14,661)**	**343,411**
Receivables from insurers	313,616	18,274	(12,066)	(10,264)	309,560
Receivables from insurer brokers	25,496	7,202	-	(4,301)	28,397
Other receivables from direct insurance operations	5,550	-	-	(96)	5,454
Other receivables	**38,172**	**-**	**-**	**(1,685)**	**36,487**
Other short-term receivables from insurance operations	23,209	-	-	(492)	22,717
Short term receivables from financing	13,422	-	-	(1,194)	12,228
Other short-term receivables	1,541	-	-	-	1,541
Total bad debt provision	**382,834**	**25,476**	**(12,066)**	**(16,346)**	**379,898**

31 December 2021	Opening balance	Increase	Use	Release	Ending balance
Receivables from direct insurance	**366,912**	**34,211**	**(26,532)**	**(29,929)**	**344,662**
Receivables from insurers	331,617	31,775	(26,529)	(23,246)	313,616
Receivables from insurer brokers	29,619	2,436	(3)	(6,557)	25,495
Other receivables from direct insurance operations	5,676	-	-	(126)	5,550
Other receivables	**39,380**	**73**	**(444)**	**(837)**	**38,172**
Other short-term receivables from insurance operations	23,960	73	-	(825)	23,208
Short term receivables from financing	13,879	-	(444)	(12)	13,423
Other short-term receivables	1,541	-	-	-	1,541
Total bad debt provision	**406,292**	**34,284**	**(26,976)**	**(30,766)**	**382,834**

14. Other assets

31 December 2022	Opening balance	Increase	Use	Ending balance
Deferred expenses	**2,990**	22,778	(22,531)	**3,237**

31 December 2021	Opening balance	Increase	Use	Ending balance
Deferred expenses	**3,391**	18,925	(19,326)	**2,990**

15. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash in bank in MKD	15,839	23,100
Cash in bank in EUR	357	383
Cash in bank in other currencies	2,247	343
Cash on hand in MKD	7	7
Total cash and cash equivalents	**18,450**	**23,833**

16. Equity

As at 31 December 2022, the share capital of the Triglav Insurance AD Skopje is consisted of 60,184 common shares with total nominal capital of 185,223 MKD thousand. The nominal value per share is 3,078 MKD. The shares are registered and recorded as common shares with the Central Securities Depository of the Republic of North Macedonia. To their holders, these shares bear dividend and voting rights for the Shareholders Assembly. One common share entitles to one vote at the Shareholders Assembly. The shares are issued in dematerialized form with ISIN code MKVROS101016. All of the shares are paid in full.

There was no increase in the share capital during 2022 or 2021.

The shareholders structure of Triglav Insurance AD Skopje is presented below.

31 December 2022	Domestic	Foreign	Legal entities	Physical persons	Total
Number of shares	10,921	49,263	49,206	10,978	60,184
Number of shareholders	51	9	2	58	60
Number of shares -	18.1%	81.9%	81.8%	18.2%	100.0%
Number of shareholders - participation	85.0%	15.0%	3.3%	96.7%	100.0%

31 December 2021	Domestic	Foreign	Legal entities	Physical persons	Total
Number of shares	11,139	49,045	48,988	11,196	60,184
Number of shareholders	52	9	2	59	61
Number of shares -	19%	81%	81%	19%	100.0%
Number of shareholders - participation	85%	15%	3%	97%	100.0%

The shareholders that have more than 5% shareholding are disclosed below.

16. Equity (continued)

Shareholder	31 December 2022	31 December 2021
Triglav Int. Holdinska Druzba d.d Ljubljana	81.69%	81.32%
Stojan Klopcevski	8.74%	8.74%

Dividends

As of the date of these financial statements there were no dividends declared (2021: none).

Reserves from profit

Under local statutory legislation, the Company is required to set aside 1/3 of its net profit for the year in a statutory reserve (as long as it is not used for covering of losses) until the level of the reserve reaches 50% of the realized average insurance premium in the last two years, whereby the premiums from the previous year are increased by the index of retail price increase, including the year for which realized profit is distributed.

Safety reserves are meant to cover the liabilities arising out of the insurance contracts which have period of coverage longer than one year.

In 2022, the Company transferred 9,970 MKD thousand from retained earnings to statutory reserves. The amount transferred in 2021 was 15,246 MKD thousand.

Revaluation reserves

The revaluation reserve represents changes in the fair value available-for-sale financial assets. The reserve includes the cumulative net effect until the moment of derecognition or impairment of the financial asset.

In 2022 the movement in the revaluation reserve was negative 184,408 MKD thousand as a result of adverse effects of higher interest rates on all financial markets. In 2021 the movement in the revaluation reserve was positive 21,421 MKD thousand. The Company is calculating deferred tax assets/liabilities on the revaluation reserves of its AFS instruments.

The movements in the equity are specified in more detail in the “Statement of Changes in Equity” and “Other Comprehensive Income”.

17. Insurance technical provisions

	31 December 2022	31 December 2021
Gross provisions for unearned premium (UPR)	607,332	565,122
Total gross unearned premium provisions	**607,332**	**565,122**
Gross provisions for incurred and reported claims (RBNS)	391,347	873,670
Gross provisions for incurred but not reported and/or not enough reported claims (IBNR)	276,183	270,935
Provisions for claims handling costs (CHC)	60,077	58,731
Total gross claims provisions	**727,607**	**1,203,336**
Gross provisions for bonuses and discounts	**2,738**	**2,769**
Gross provisions for other insurance technical provisions	**5,472**	**6,646**
Total gross insurance technical provisions	**1,343,149**	**1,777,873**

Analysis of changes in gross insurance technical provisions

31 December 2022	Opening balance	Formation	Use	Release	Final balance
Gross provisions for unearned premiums	565,122	605,173	-	(562,963)	607,332
Gross provisions for incurred and reported claims (RBNS)	873,670	738,753	(638,150)	(582,926)	391,347
Gross provisions for incurred but not reported claims (IBNR)	270,936	5,247	-	-	276,183
Provisions for claims handling costs (CHC)	58,731	1,346	-	-	60,077
Gross provisions for bonuses and discounts	2,769	37,898	(37,929)	-	2,738
Gross provisions for other insurance technical provisions	6,646	842	-	(2,016)	5,472
Total gross insurance technical provisions	**1,777,874**	**1,389,259**	**(676,079)**	**(1,147,905)**	**1,343,149**

17. Insurance technical provisions (continued)

Analysis of changes in gross insurance technical provisions

31 December 2021	Opening balance	Formation	Use	Release	Final balance
Gross provisions for unearned premiums	506,096	563,834	-	(504,808)	565,122
Gross provisions for incurred and reported claims (RBNS)	856,406	650,870	(570,321)	(63,283)	873,672
Gross provisions for incurred but not reported claims (IBNR)	278,821	-	-	(7,887)	270,934
Provisions for claims handling costs (CHC)	57,887	843	-	-	58,730
Gross provisions for bonuses and discounts	14,665	78	(127)	(11,847)	2,769
Gross provisions for other insurance technical provisions	9,276	-	-	(2,630)	6,646
Total gross insurance technical provisions	**1,723,151**	**1,215,624**	**570,448**	**(590,455)**	**1,777,873**

17. Insurance technical provisions (continued)

Analysis of gross insurance technical provisions by insurance class

31 December 2022	Gross provisions for unearned premiums	Gross provisions for RBNS	Gross provisions for IBNR	Provisions for CHC	Gross provisions for bonuses and discounts	Gross provisions for other insurance technical provisions	Total
Accident insurance	38,246	16,686	31,264	4,315	1,588	4,630	96,729
Health insurance	41,632	4,551	1,723	565	-	-	48,471
Land motor vehicle insurance	83,600	36,146	7,041	3,887	-	-	130,674
Aircraft insurance	-	-	-	-	-	-	-
Marine insurance	91	950	-	86	-	-	1,127
Cargo insurance	9,320	137	-	12	-	-	9,469
Fire and natural forces insurance	41,736	9,012	2,538	1,039	-	-	54,325
Other damage to property insurance	51,617	10,565	2,975	1,219	-	-	66,376
Motor TPL insurance	276,755	286,877	229,273	46,454	-	-	839,359
Aircraft liability insurance	52	-	-	-	-	-	52
Marine liability insurance	317	6,255	-	563	-	-	7,135
General liability insurance	13,768	3,962	788	427	-	-	18,945
Credit insurance	23,430	3,475	-	312	238	-	27,455
Suretyship insurance	776	53	-	5	-	-	834
Miscellaneous financial loss insurance	15,372	-	-	-	912	-	16,284
Travel assistance insurance	10,620	12,678	581	1,193	-	842	25,914
Total gross insurance technical provisions	**607,332**	**391,347**	**276,183**	**60,077**	**2,738**	**5,472**	**1,343,149**

17. Insurance technical provisions (continued)

Analysis of gross insurance technical provisions by insurance class (continued)

31 December 2021	Gross provisions for unearned premiums	Gross provisions for RBNS	Gross provisions for IBNR	Provisions for CHC	Gross provisions for bonuses and discounts	Gross provisions for other insurance technical provisions	Total
Accident insurance	49,094	10,043	33,726	3,939	1,780	6,646	105,228
Health insurance	24,755	3,292	1,662	446	-	-	30,155
Land motor vehicle insurance	80,982	32,390	6,117	3,466	78	-	123,033
Aircraft insurance	-	492,041	-	-	-	-	492,041
Marine insurance	156	350	-	31	-	-	537
Cargo insurance	10,893	137	-	12	-	-	11,042
Fire and natural forces insurance	36,850	18,487	4,275	2,048	-	-	61,660
Other damage to property insurance	64,983	12,854	2,972	1,425	-	-	82,234
Motor TPL insurance	259,627	280,876	220,623	45,136	-	-	806,262
Aircraft liability insurance	-	9,947	-	895	-	-	10,842
Marine liability insurance	241	-	-	-	-	-	241
General liability insurance	13,428	3,855	1,012	437	-	-	18,732
Credit insurance	1,548	-	-	-	-	-	1,548
Suretyship insurance	288	-	-	-	-	-	288
Miscellaneous financial loss insurance	13,938	-	-	-	911	-	14,849
Travel assistance insurance	8,339	9,400	547	895	-	-	19,181
Total gross insurance technical provisions	**565,122**	**873,672**	**270,934**	**58,730**	**2,769**	**6,646**	**1,777,873**

17. Insurance technical provisions (continued)

Analysis of changes in loss events for non-life insurance

Analyses of outstanding RBNS and IBNR claims provision balance per years is presented in table below:

Cumulative loss assessment	Year of occurrence							Total
	before 2017	2017	2018	2019	2020	2021	2022	
at the end of year of occurrence	6,317,864	680,569	680,569	622,986	1,069,603	636,836	736,639	10,745,066
1 year after year of occurrence	6,126,074	668,124	709,529	604,558	990,560	586,796	-	9,685,641
2 year after year of occurrence	5,070,986	662,749	706,521	606,654	491,443	-	-	7,538,353
3 year after year of occurrence	4,358,694	660,363	711,528	597,421	-	-	-	6,328,006
4 year after year of occurrence	3,566,778	653,342	704,160	-	-	-	-	4,924,280
5 year after year of occurrence	2,892,468	656,918	-	-	-	-	-	3,549,386
6 + year after year of occurrence	2,261,835	-	-	-	-	-	-	2,261,835
Cumulative loss assessment	**2,261,835**	**656,918**	**704,160**	**597,421**	**491,443**	**586,796**	**736,639**	**6,035,212**
Cumulative payments until balance sheet date	2,164,174	634,724	668,584	555,631	439,777	475,759	429,033	5,367,682
Claims provisions balance	**97,661**	**22,194**	**35,576**	**41,790**	**51,666**	**111,037**	**307,606**	**667,530**

18. Employee benefits

	31 December 2022	31 December 2021
Provisions for retirement benefits	2,922	2,504
Provisions for jubilee rewards	7,675	7,466
Provisions for unused vacations	6,288	6,563
Total provisions for employee benefits	**16,885**	**16,533**

In 2022 the Company had provisions for unused vacations in amount of 6,288 MKD thousand (2021: 6,563 MKD thousand). These provisions refer to vacations employees have earned in 2022 and at the reporting date have not yet been used, but can be carried forward in the next year.

The change in the provisions for jubilee rewards and unused vacations is disclosed under "Other labor costs" in operating expenses in note 31.

Health, pension and social insurance contributions from gross wages and salaries are being paid by the Company during the year to the national institutions at the statutory rates. Such contributions represent defined contribution plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the Company is obliged to pay to its employees a termination pay upon retirement equal to two monthly average net salaries.

The Company has provided for the employees' accrued entitlement to severance pay on retirement and jubilee rewards as at the end of 2022, based on best management estimate.

On maturity analysis of the employee benefits please see note 5.3.2.

Further is disclosed sensitivity analysis which presents the impact of changes in parameters on the amount of provisions for employee benefits for both years ended 2022 and 2021.

	31 December 2022	31 December 2021
Interest rate		
Parallel shift in the discount rate curve for +0.25%	(223)	(219)
Parallel shift in the discount rate curve for -0.25%	231	227
Expected salary growth		
Change in annual salary growth for +0.50%	489	478
Change in annual salary growth for -0.50%	(457)	(447)
Life expectancy		
Steady increase in mortality for +20%	(140)	(133)
Steady increase in mortality for -20%	144	136

19. Other provisions

	31 December 2022	31 December 2021
Provision for legal cases	9,404	9,404
Total other provisions	**9,404**	**9,404**

The Company has recorded provision for legal case related to material damage from sponsorship and donations.

20. Deferred tax assets and liabilities

	31 December 2022	31 December 2021
Deferred tax liabilities	-	7,146
Total net deferred tax liabilities	**-**	**7,146**

The deferred tax assets and liabilities arise from the valuation of the AFS financial instruments through equity and as a result it is recognized in Other comprehensive income and not as an expense in the profit or loss account. Movement on deferred tax assets and liabilities is disclosed in note 33.

21. Other financial liabilities

	31 December 2022	31 December 2021
Liabilities for dividends from previous years	141	150
Total other financial liabilities	**141**	**150**

22. Operating liabilities

	31 December 2022	31 December 2021
Liabilities towards policyholders	16,343	12,778
Liabilities towards brokers	12,636	2,893
Liabilities towards agents	2,498	990
Total liabilities from direct insurance	**31,477**	**16,661**
Liabilities from reinsurance premiums	141,841	94,709
Total liabilities from reinsurance	**141,841**	**94,709**
Total operating liabilities	**173,318**	**111,370**

All liabilities are short-term and are to be settled within the next 12 months.

23. Other liabilities

	31 December 2022	31 December 2021
Financial other liabilities	**89,811**	**64,004**
Liabilities towards Guarantee Fund (GF)	29,983	30,610
Liabilities for legal contributions related to the insurance	2,056	1,525
Other short-term liabilities from insurance operations	864	2,337
Total other short-term liabililities from insurance operations	**32,903**	**34,472**
Liabilities for salaries	18,609	10,851
Total short-term liabililities towards employees	**18,609**	**10,851**
Liabilities towards suppliers	21,087	10,083
Liabilities from legal cases	372	372
Other short-term liabilities	16,840	8,226
Total other short-term liabilities	**38,299**	**18,681**
Non-financial other liabilities	**9,537**	**8,789**
Total other liabilities	**99,348**	**72,793**

All liabilities are short-term and are to be settled within the next 12 months.

24. Net premium income

	2022	2021
Gross written premium	1,517,840	1,332,871
Outward reinsurance written premium	(454,870)	(406,853)
Changes in gross provisions for unearned premium	(79,220)	(59,026)
Change in deferred acqusition costs	57,873	4,093
Change in provisions for the unearned premium (reinsurers)	3,847	15,835
Net premium income	**1,045,470**	**886,920**

Overview of net premium written by insurance class

2022	Gross written premium	Reinsurer's share	Net written premium
Accident insurance	113,423	(10,999)	102,424
Health insurance	123,696	(19,482)	104,214
Land motor vehicle insurance	166,978	(22,049)	144,929
Aircraft insurance	-	-	-
Marine insurance	178	(29)	149
Cargo insurance	31,836	(29,321)	2,515
Fire and natural forces insurance	118,702	(87,560)	31,142
Other damage to property insurance	201,728	(94,280)	107,448
Motor TPL insurance	567,124	(89,451)	477,673
Aircraft liability insurance	133	-	133
Marine liability insurance	588	(74)	514
General liability insurance	40,905	(33,066)	7,839
Credit insurance	34,214	(4,801)	29,413
Suretyship insurance	607	(325)	282
Miscellaneous financial loss insurance	59,480	(58,779)	701
Travel assistance insurance	58,248	(4,654)	53,594
Total	**1,517,840**	**(454,870)**	**1,062,970**

24. Net premium income (continued)

Overview of net premium written by insurance class

2021	Gross written premium	Reinsurer's share	Net written premium
Accident insurance	85,861	(13,505)	72,356
Health insurance	86,501	(19,650)	66,851
Land motor vehicle insurance	157,701	(18,422)	139,279
Aircraft insurance	-	-	-
Marine insurance	302	(94)	208
Cargo insurance	34,262	(33,345)	917
Fire and natural forces insurance	102,384	(74,286)	28,098
Other damage to property insurance	200,760	(89,859)	110,901
Motor TPL insurance	536,427	(71,977)	464,450
Aircraft liability insurance	-	(2)	(2)
Marine liability insurance	476	(67)	409
General liability insurance	37,822	(30,176)	7,646
Credit insurance	4,584	(2,748)	1,836
Suretyship insurance	251	(174)	77
Miscellaneous financial loss insurance	49,409	(50,505)	(1,096)
Travel assistance insurance	36,131	(2,043)	34,088
Total	**1,332,871**	**(406,853)**	**926,018**

25. Income from financial assets

	2022	2021
Interest income		
- AFS	34,521	32,567
- Deposits	6,376	6,459
- Investment in Guarantee fund	230	326
Total interest income	**41,127**	**39,352**
Dividends		
- AFS	757	252
Total dividend income	**757**	**252**
Fair value gains	-	67
Realised gains on disposals (AFS)	921	8,448
Other financial income	12,036	783
Total income from financial assets	**54,841**	**48,902**

In 2022, other financial income consists of release of impairment and penalty interest earned from payment of one old loan in amount of 9,869 MKD thousand, FX differences in the amount of 1,618 MKD thousand, income from share in profits in National Bureau in the amount of 366 MKD thousand and other small items of income in the amount of 182 MKD thousand. In 2021, other financial income consists of FX differences in the amount of 411 MKD thousand, income from share in profits in National Bureau in the amount of 310 MKD thousand and other small items of income in the amount of 62 MKD thousand.

26. Other insurance income

	2022	2021
Reinsurance commission income and participation in profit	90,790	79,782
Total fees and commission income	**90,790**	**79,782**
Interest income from receivables	**8,734**	**8,541**
Compensation received from Guarantee fund	4,454	5,347
Other income from insurance operations from previous years	1,659	1,708
Other income	1,626	1,583
Total other income	**7,739**	**8,638**
Total other insurance income	**107,263**	**96,961**

Other income consists of income from from fees for claims settled for other companies in amount of 1,491 MKD thousand (2021: 1,504 MKD thousand) as well as other small items of 135 MKD thousand.

27. Other income

	2022	2021
Gain from sale of non-current assets	2,074	-
Investment property rental income	1,935	1,892
Rental income	1,461	1,461
Write off of liabilities	1,163	2,942
Income from intellectual services	1,120	899
Compensations received from legal cases	413	340
Gains from sale of Investment Property	82	-
Other	1,270	1,030
Total other income	**9,518**	**8,564**

During the year ended 31 December 2022, the Company wrote off 1,163 MKD thousand aged liabilities towards NBO based on reconciliations made. (2021 2,942 MKD thousand aged liabilities from reinsurance and liabilities towards NBO based on reconciliations made).

28. Net claims incurred

	2022	2021
Gross claims settled	697,257	626,028
Income from claimed subrogated receivables	(24,975)	(13,734)
Reinsurers' share	(85,458)	(99,083)
Changes in gross provisions for claims outstanding	(475,729)	10,222
Changes in provisions for claims outstanding (reinsurers share)	515,076	2,499
Net claims incurred	**626,171**	**525,932**

Gross claims include gross claims settled and claims handling costs, not reduced by subrogation receivables (see note 31).

Reinsurance result

	2022	2021
Outward reinsurance	(454,870)	(406,853)
Change in provisions for the unearned premium (reinsurers share)	3,847	15,835
Reinsurers' share in claims settled	85,458	99,083
Changes in provisions for claims outstanding (reinsurers share)	(515,076)	(2,499)
Gross result from reinsurance operations	**(880,641)**	**(294,434)**
Reinsurance commission	90,790	79,782
Net reinsurance result	**(789,851)**	**(214,652)**

28. Net claims incurred (continued)

Overview of net claims incurred by insurance class

2022	Gross claims settled	Subrogated claims	Reinsurer's share	Net claims incurred
Accident insurance	91,169	(31)	(11,214)	79,924
Health Insurance	81,020	(1,432)	(5,677)	73,911
Land motor vehicle insurance	119,266	(10,114)	(11,386)	97,766
Railway insurance	-	-	-	-
Aircraft insurance	9	-	-	9
Marine insurance	287	-	(5)	282
Cargo insurance	1,005	(72)	(110)	823
Fire and natural forces insurance	9,372	(366)	(2,136)	6,870
Other damage to property insurance	99,941	(57)	(9,724)	90,160
Motor TPL insurance	265,471	(12,729)	(38,933)	213,809
Aircraft liability insurance	3,165	-	(2,956)	209
Marine liability insurance	67	-	-	67
General liability insurance	1,837	(57)	(1,342)	438
Credit insurance	252	(119)	(29)	104
Suretyship insurance	12	-	-	12
Miscellaneous financial loss insurance	872	-	(314)	558
Legal expenses insurance	-	-	-	-
Travel assistance insurance	23,512	-	(1,630)	21,882
Total	**697,257**	**(24,977)**	**(85,456)**	**586,824**

28. Net claims incurred (continued)

Overview of net claims incurred by insurance class (continued)

2021	Gross claims settled	Subrogated claims	Reinsurer's share	Net claims incurred
Accident insurance	88,627	(8)	(7,495)	81,124
Health insurance	45,989	-	(2,573)	43,416
Land motor vehicle insurance	94,415	(3,791)	(9,039)	81,585
Aircraft insurance	-	-	-	-
Marine insurance	4	-	(1)	3
Cargo insurance	7,490	(1,860)	(5,414)	216
Fire and natural forces insurance	18,666	-	(4,407)	14,259
Other damage to property insurance	66,306	(27)	(16,235)	50,044
Motor TPL insurance	266,269	(8,009)	(28,978)	229,282
Aircraft liability insurance	14,535	-	(14,533)	2
Marine liability insurance	8	-	(1)	7
General liability insurance	1,964	-	(261)	1,703
Credit insurance	193	(39)	(109)	45
Suretyship insurance	3	-	-	3
Miscellaneous financial loss insurance	9,480	-	(8,710)	770
Travel assistance insurance	12,079	-	(1,327)	10,752
Total	**626,028**	**(13,734)**	**(99,083)**	**513,211**

29. Change in other insurance technical provisions

	2022	2021
Unexpired risk reserve (URR)	(1,174)	(2,630)
Total change in other insurance technical provisions	**(1,174)**	**(2,630)**

The calculations of the unexpired risk reserve as of Decembar 31, 2022 is made based on expected future gross claims and future expenses, which are compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs. The calculation of URR is performed for each separate class of insurance.

30. Net expenses for bonuses and discounts

	2022	2021
Expenses for bonuses and discounts	33,138	32,851
Expenses for non claim bonuses	78	344
Change in provisions for bonuses and discounts	(208)	(11,802)
Total net expenses for bonuses and discounts	**33,008**	**21,393**

Change in provisions for bonuses and discounts relate to provisions for managerial insurance.

31. Operating expenses

	2022	2021
Acquisition costs	362,778	298,678
Claims handling costs - CHC*	53,164	50,926
Costs of asset management**	2,704	2,596
Other operating expenses	104,345	91,203
Total operating expenses	**522,991**	**443,403**
Total net operating expenses less CHC and asset management costs	**467,123**	**389,881**

* Claims handling costs are disclosed as part of gross claims incurred.

**Asset management costs are disclosed as financial expenses.

(All amounts are in MKD thousand unless otherwise stated)

31. Operating expenses (continued)

Overview of operating expense by nature and function

2022	Acquisition costs	Claims handling costs	Asset management costs	Other operating costs	Total
Acquisition costs – commission fee	120,142	-	-	-	120,142
Depreciation and amortisation of assets	25,283	4,983	144	6,938	37,348
Labour costs	116,928	32,718	2009	63,276	214,931
- wages and salaries	72,684	19,770	1,246	39,561	133,261
- social security and pension insurance costs	33,485	10,223	664	19,216	63,588
- other insurance costs	10,759	2,725	99	4,499	18,082
Costs of services provided by outsourced natural persons	568	65	1	160	794
Other operating expenses	99,857	15,398	550	33,971	149,776
- advertisement, fairs, representation	61,590	773	84	3,382	65,829
- cost of materials and energy	10,447	3,163	108	4,966	18,684
- maintenance costs	8,374	2,359	100	5,022	15,855
- travel expenses	2,179	1,697	61	3,524	7,461
- costs of intelectual services	2,825	1,427	38	8,492	12,782
- taxes, not dependant on profit	1,289	87	4	269	1,649
- transportation costs	3,792	1,199	44	1,819	6,854
- insurance premium costs	1,071	291	9	432	1,803
- bank charges	1,503	-	-	1,426	2,929
- rental expenses	6,124	4,022	86	3,969	14,201
- training expenses	572	332	8	583	1,495
- other services	91	48	8	87	234
Total gross operating expenses	**362,778**	**53,164**	**2,704**	**104,345**	**522,993**

(All amounts are in MKD thousand unless otherwise stated)

31. Operating expenses (continued)

Overview of operating expense by nature and function (continued)

2021	Acquisition costs	Claims handling costs	Asset management costs	Other operating costs	Total
Acquisition costs – commission fee	88,259	-	-	-	88,259
Depreciation and amortisation of assets	32,287	6,437	230	8,848	47,802
Labour costs	104,042	31,221	1,654	58,482	195,399
- wages and salaries	64,945	18,895	873	35,492	120,205
- social security and pension insurance costs	32,916	10,026	662	19,023	62,627
- other insurance costs	6,181	2,300	119	3,967	12,567
Costs of services provided by outsourced natural persons	567	92	4	134	797
Other operating expenses	73,523	13,176	708	23,739	111,146
- advertisement, fairs, representation	40,000	217	55	798	41,070
- cost of materials and energy	7,085	2,735	126	4,374	14,320
- maintenance costs	8,159	2,347	242	5,081	15,829
- travel expenses	1,036	1,139	57	1,768	4,000
- costs of intelectual services	2,240	1,158	40	3,693	7,131
- taxes, not dependant on profit	2,264	69	3	201	2,537
- transportation costs	3,930	1,191	52	1,772	6,945
- insurance premium costs	1,227	190	6	245	1,668
- bank charges	1,246	-	-	1,422	2,668
- rental expenses	5,718	3,781	100	3,618	13,217
- training expenses	541	304	8	678	1,531
- other services	77	45	19	89	230
Total gross operating expenses	**298,678**	**50,926**	**2,596**	**91,203**	**443,403**

32. Expenses from financial assets and liabilities

	2022	2021
Interest expenses	1,324	1,584
Foreign exchange differences	2,573	1,152
Losses from investments in associated companies valued using the equity method	(74)	-
Other financial expenses	2,705	2,596
Total expenses from financial assets and liabilities	**6,528**	**5,332**

Interest expenses arise from lease liabilities in accordance with the application of IFRS 16.

33. Other insurance expenses

	2022	2021
Expenses for preventive activity	23,342	21,145
Membership fees	13,542	15,157
Contributions for claims on uninsured or unidentified vehicles	13,172	17,006
Impairment and direct write off on receivables for insurance premium	10,911	4,405
Impairment on receivables from other insurance	3,836	-
Other insurance expenses from previous years	141	215
Direct write off on other receivables	14	22
Impairment on receivables from recourses	(492)	(825)
Other insurance expenses	8,664	8,913
Total expenses from insurance operations	**73,130**	**66,038**

34. Other expenses

	2022	2021
Expenses for penalties	669	289
Realized losses on disposal of tangible assets	257	243
Depreciation of investment properties	48	53
Compensations paid for legal cases	83	-
Impairment losses on other receivables	(96)	(111)
Total other expenses	**961**	**474**

35. Income Tax expenses

a) Current tax year charge

	2022	2021
Current year income tax	7,227	5,103
Total income tax, recognised in profit or loss statement	**7,227**	**5,103**

35. Income Tax expenses (continued)

Recapitulation of the Income tax expense

	2022	2021
Accounting profit	12,107	33,864
Legal tax rate - %	10	10
Income tax by use of legal tax rate	**1,211**	**3,386**
Non-deductable expenses	2,956	2,134
Tax credit used	(500)	(506)
Tax effect of increasing revenue to the level of tax	-	117
Permanent tax differences	3,560	(28)
Total income tax, recognised in profit or loss statement	**7,227**	**5,103**

b) Tax recorded in other comprehensive income

	31 December 2022	31 December 2021
Deferred tax asset/(liability)	20,490	(2,517)
Total tax charge to other comprehensive income	**20,490**	**(2,517)**

The movement in deferred income tax assets and liabilities during the year is as follows:

As at 31 December 2020	**(4,630)**
Charged /(credited) to the income statement	-
Charged /(credited) to other comprehensive income	(2,516)
As at 31 December 2021	**(7,146)**
Charged /(credited) to the income statement	-
Charged /(credited) to other comprehensive income	20,490
As at 31 December 2022	**13,344**

36. Related party transactions

The services provided and received from the relates parties are rendered at arm's length prices. All entities presented below are part of the Triglav Group.

Outstanding balances towards and from the related parties as at the reporting date as well as income and expenses during the period are presented below.

31 December 2022	Zavarovalnica Triglav	Triglav RE Ljubljana	Triglav Zagreb	Triglav Osiguranje Beograd	Triglav Life Skopje	Triglav Penzisko	Total
Income	**(161,636)**	**(135,464)**	**-**	**65**	**2,521**	**777**	**(293,737)**
Gross written premium	-	-	-	-	386	332	718
Outward reinsurance premium	(181,224)	(201,505)	-	-	-	-	(382,729)
Other income from insurance operations	19,588	63,196	-	39	-	-	82,823
Change in gross provisions for the unearned premium	-	2,845	-	-	-	-	2,845
Other income not related to insurance operations	-	-	-	26	2,135	445	2,606
Expenses	**(4,428)**	**63,385**	**(20)**	**-**	**2,816**	**196**	**59,212**
Gross claims settled	-	-	-	-	79	196	275
Reinsurers' share of claims	1,029	81,991	-	-	-	-	83,020
Change in provisions for reinsurers' share of claims	442	-	-	-	-	-	442
Operating expenses	(5,899)	(18,606)	(20)	-	(2,737)	-	(2,525)
Net expenses for bonuses and discounts	-	-	-	-	-	-	-
Share of gain/(loss) of an associate	**-**	**-**	**-**	**-**	**751**	**-**	**751**
Assets	**4,361**	**160,252**	**-**	**-**	**285**	**317**	**165,144**
Reinsurers' share of technical provisions for unearned premium	-	25,619	-	-	-	-	25,619
Reinsurers' share of technical provisions for outstanding claims	3,272	57,738	-	-	-	-	61,010
Receivables from reinsurers	1,018	76,895	-	-	-	-	77,913
Short-term receivables from insurance operations	-	-	-	-	222	-	222
Other receivables	71	-	-	-	285	317	673
Liabilities	**45,979**	**85,524**	**-**	**82**	**115**	**-**	**131,589**
Liabilities from reinsurance operations	44,995	85,524	-	-	-	-	130,519
Liabilities from direct insurance opeartions					111		
Other short-term liabilities	984	-	-	82	4	-	1,070

36. Related party transactions (continued)

31 December 2021	Zavarovalnica Triglav	Triglav RE Ljubljana	Triglav Zagreb	Triglav Osiguranje Beograd	Triglav Osiguranje Saraevo	Triglav Life Skopje	Triglav Penzisko	Total
Income	**(134,538)**	**(114,621)**	-	**12**	**12**	**2,296**	**626**	**(246,213)**
Gross written premium	-	-	-	-	-	337	226	563
Outward reinsurance premium	(150,201)	(178,264)	-	-	-	-	-	(328,465)
Other income from insurance operations	15,663	58,792	-	12	12	-	-	74,479
Change in gross provisions for the unearned premium	-	4,851	-	-	-	-	-	4,851
Other income not related to insurance operations	-	-	-	-	-	1,959	400	2,359
Expenses	**(3,190)**	**87,296**	**(284)**	**(2)**	-	**(1,597)**	**(143)**	**82,080**
Gross claims settled	(125)	-	(196)	(2)	-	(232)	(143)	(698)
Reinsurers' share of claims	3,807	86,547	-	-	-	-	-	90,354
Change in gross provisions for claims outstanding	-	749	-	-	-	213	-	962
Change in provisions for reinsurers' share of claims	(3,489)	-	-	-	-	-	-	(3,489)
Operating expenses	(5,906)	-	(88)	-	-	(515)	-	(6,509)
Net expenses for bonuses and discounts	2,523	-	-	-	-	-	-	2,523
Share of loss in associate		-	-	-	-	(1,063)	-	(1,063)
Assets	**2,965**	**161,220**	-	-	-	**337**	**61**	**164,583**
Reinsurers' share of technical provisions for unearned premium	-	22,743	-	-	-	-	-	22,743
Reinsurers' share of technical provisions for outstanding claims	2,826	76,264	-	-	-	-	-	79,090
Receivables from reinsurers	-	62,213	-	-	-	122	10	62,345
Short-term receivables from insurance operations	139	-	-	-	-	-	-	139
Other receivables	-	-	-	-	-	215	51	266
Liabilities	**9,738**	**70,734**	**(16)**		-			**80,456**
Liabilities from direct insurance operations	(17)	-	-	-	-	-	-	(17)
Liabilities from reinsurance operations	9,264	70,734	-	-	-	-	-	79,998
Other short-term liabilities	491	-	(16)	-	-	-	-	475

37. Members of the Board of Directors

In 2022, the executive members of the Board of Directors were paid amount of 13,718 MKD thousand as compensation for their work (2021: 17,220 MKD thousand).

The executive members of the Board of Directors were also paid out life insurance in amount of 135 MKD thousand (2021: 137 MKD thousand).

The non-executive members of the Board of Directors were paid out by the Company an amount of 1,799 MKD thousand (2021: 1,507 MKD thousand) as compensation for their work including reimbursement of travel expenses and personal income taxes.

38. Amounts paid to auditors

The IFRS financial statements were audited by Deloitte DOO Skopje,

Following are the auditing expenses incurred for the year ended 31 December 2022 and 31 December 2021.

	31 December 2022	31 December 2021
Statutory audit and other auditing services	2,308	1,426
	2.308	**1,426**

39. Earnings per share

The calculation of the basic/diluted earnings by share (EPS) for the years ended 31 December 2022 and 31 December 2021 is based on the net profit for the year attributable to shareholders of Triglav Insurance AD Skopje, The number of shares is calculated as weighted average number of ordinary shares during the year.

	31 December 2022	31 December 2021
Net profit attributable to shareholders of the Company	4,880	28,761
Number of shares	60,184	60,184
Earnings per share	**0,081**	**0,478**

Diluted earnings per share are not calculated since the Company has not issued any dilutive financial instruments,

40. Significant legal disputes

The Company operates in the insurance industry and therefore, it is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final result of all pending or threatened legal proceedings, the management does not believe that such proceedings (including litigations) will have material adverse effect on its results and financial position,

41. Contingent Liabilities

The Company has concluded rental contract for renting business premises in the business center Hyperium for 5 years starting from 17 January 2011, which was extended until 31 January 2019 in 2014. After change of ownership of the business center, TOSK increased the leased space and managed to obtain lower prices per square meter. According to the latest annex, the contract is valid until 31.12.2028. The monthly rent that the Company was paying for the business premises starting during the year ended 31 December 2022 was in amount of 2,5 mil. MKD. (incl. VAT). For the periods starting from 2023 until 2028, the rent is decreased to 2,1 mil. MKD. (incl. VAT).

(All amounts are in MKD thousand unless otherwise stated)

42. Income tax liabilities

The Company’s books and records for the fiscal years from 2012 to 2022 have not been audited by the tax authorities, Therefore, the Company’s tax liabilities may not be considered finalized i.e, a provision for additional taxes and penalties, if any, that may be levied in event of a tax audit cannot, at this stage, be determined with any reasonable accuracy.

43. Reviews by Supervision bodies

During the year ended 31 December 2022, the Insurance Supervision Agency carried out one off-field supervision, during which a penalty of 2,250 eur was imposed on the Company. The reason for the penalty was violation of the Law on Compulsory Traffic Insurance due to late payment of liquidated claims.

44. Events after the reporting period

No material events subsequent to the date of the statement of financial position have occurred which require disclosure in the financial statements.