EUROINS INSURANCE GROUP AD

ANNUAL CONSOLIDATED MANAGEMENT REPORT

INDEPENDENT AUDITORS' REPORT

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

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ANNUAL CONSOLIDATED MANAGEMENT REPORT

of

Euroins Insurance Group AD

for

the year ended 31 December 2021

CONTENT

1. Key indicators

		2021	*Change*	2020 (restated)
Consolidated statement of profit or loss and other comprehensive income for the year ended December 31				
1. Profit /(loss), before tax	BGN‘000’	83,255	-	(52,185) *
2. Net profit / (loss), after tax	BGN‘000’	79,350	-	(54,966) *
3. Gross written premiums	BGN‘000’	1,367,460	*50%*	914,365
4. Net earned premiums (incl. Net Earned premium+Other operating income – Other operating expenses-Impairment/Written off insurance receivables)	BGN‘000’	668,438	*64%*	406,827*
5. Claims incurred, net of reinsurance	BGN‘000’	303,594	*-1%*	305,716*
6. Administrative costs	BGN‘000’	55,864	*22%*	45,637
7. Acquisition costs, net of Fees and commission income	BGN‘000’	220,361	*70%*	129,331
Consolidated statement of financial position for the year ended December 31				
8. Equity, including non-controlling interest	BGN‘000’	354,334	*64%*	215,574*
9. Liabilities, including Subordinated debts	BGN‘000’	1,718,306	*23%*	1,395,366*
10. Assets	BGN‘000’	2,072,640	*29%*	1,610,940*
11. Share Capital (paid)	BGN‘000’	576,243	*6%*	543,446
12. Financial assets, investment property and cash	BGN‘000’	537,447	*9%*	491,083
13. Receivables and other assets	BGN‘000’	237,851	*26%*	189,185*
14. Insurance reserves	BGN‘000’	1,430,936	*19%*	1,205,918*
15.Reinsurers' share in technical reserves	BGN‘000’	1,084,982	*52%*	712,921*
Ratios				
Financial autonomy ratio (8/9)		0.21	*33%*	0.15*
Debt / Equity ratio (9/8)		4.85	*-25%*	6.47*
Assets covering the net technical reserves (12+13)/(14-15))		224%	*62%*	138%*
Net combined ratio ((5+6+7)/4)		87%	*-24%*	115%*
Loss ratio (5/4)		45%	*-38%*	73%*
Administrative costs ratio (6/4)		8%	*-23%*	11%*
Acquisition costs ratio (7/4)		33%	*7%*	31%*
Gross return on equity (1/8)		23%	-	-24%*
Net return on equity (2/8)		22%	-	-25%*
Gross return on liabilities (1/9)		5%	-	-4%*

Net return on liabilities (2/9)	5%	-	-4%*
Gross return on assets (1/10)	4%	-	-3%*
Net return on assets (2/10)	4%	-	-3%*

2. General information about Euroins Insurance Group AD

Euroins Insurance Group AD (EIG, the Company, the Parent company) was established at the end of 2007 as a subsidiary fully owned by Eurohold Bulgaria AD (The Holding) with the aim being to consolidate the entire insurance business of the holding. Euroins Insurance Group AD together with its subsidiaries (the Group") perform activities in the insurance business.

Since its establishment up to now the Group has been constantly expanding its operations by acquiring majority holdings in insurance companies in Bulgaria but also in Romania, North Macedonia, Ukraine, Georgia, Belarus and Russia. In total the insurance companies in the Group have more than 250 regional offices and over 4 million clients at the end of the reporting period with the operations reaching as far as Greece, Italy, Spain, Poland, United Kingdom, Germany и Netherlands.

At 2021 year-end the Group holds majority number of shares in companies in Bulgaria, Romania, North Macedonia, Ukraine, Georgia and Belarus. The Group also possesses a participation in Russia, which accounts as associate.

In 2020, the World Health Organization announced the existence of a "pandemic" that has developed from the new coronavirus COVID-2019 (Covid-19), which appeared at the end of 2019, and quickly spread around the world, with Europe severely affected. As a result, a state of emergency has been declared in the Republic of Bulgaria, as well as in most other countries where EIG operates. Strict anti-epidemic measures and restrictions have been introduced to limit social contacts and the spread of the virus.

Due to the Covid-19 pandemic, much of the world's economy has slowed and activity in some sectors has been almost completely halted. As a result of the measures imposed by governments, a significant part of international trade has been hampered. At the global level, the subsequent results for the business from the economic disturbances caused by the pandemic are - worsened economic prospects, a significant increase in expected credit losses and other impairments, as well as a decrease in revenues from lower volumes and reduced customer activity.

The pandemic has had an adverse effect on economic activity in the country and the world, stock markets, tourism, transport, the automotive industry and many other industries. The disruption of normal economic activity in the Republic of Bulgaria, as well as in other countries where the

Group operates as a result of Covid-19 may adversely affect the Group's operations and in particular the decline in share prices on global stock exchanges could affect the fair value of the company's investments if the negative trend persists.

Currently, there are significant uncertainties in estimating the duration of the coronavirus and its impact. In the fourth quarter of 2021, there was a fifth wave of intensification of the pandemic after a certain lull in the summer months, which necessitated the continuation of some of the measures and restrictions.

As at the date of approval of the consolidated financial statements of Euroins Insurance Group AD, the spread of the virus in the country decreases and that leads to beginning to eliminate both the measures and the introduced pandemic emergency, as of April 1, 2022.

At the end of February 2022, a military conflict broke out between the Russian Federation and Ukraine. In response, severe financial sanctions have been imposed on Russia by the EU, the United States, Great Britain and a number of other countries. A new package of tougher EU measures and sanctions against Belarus has been adopted, in addition to those already imposed in 2021 because of the support provided to the Russian Federation related to its invasion of Ukraine. International financial markets have responded to the crisis with a sell-off, but bond yields have not fallen much and credit spreads have not widened, which in turn does not indicate expectations for the conflict to escalate. Brent oil prices are rising above $ 100 a barrel, supply chains or critical raw materials for which Russia plays a significant role have been disrupted. Europe's dependence on gas from Russia and the inability to find alternative supplies quickly if the crisis continues would have a sharp impact on the European economy, including increased inflation. There are indications of rising interest rates in both the United States and the Eurozone due to accelerated inflation and its likely to remain high for longer periods.

According to the ECB's regular economic bulletin, the conflict in Ukraine is expected to have a significant impact on economic activity and inflation. The extent of these consequences will depend on the development of the conflict, the impact of ongoing sanctions and possible future measures. Growth in the Eurozone is expected to remain stable in 2022, but at a slower pace than predicted before the start of the conflict.

At present, there are still significant uncertainties in assessing the possible adverse effects on the operations of Euroins Insurance Group AD caused by the military conflict and the slowdown in the global economy. As the war in Ukraine is extremely dynamic, the management of EIG AD cannot make a qualitative and quantitative assessment of the impact it has on the Group.

More details on the effects on economic growth, credit ratings and the model of expected credit losses are disclosed in Note 2.10 Other risks” in the notes to the consolidated financial statements.

Management has decided to impair 90% of its associate's share of net assets in Russia. As of December 31, 2021, the Group continues to consolidate its subsidiaries in Ukraine and Belarus. The actual impact will depend on the development, duration and effect of the sanctions imposed on the Russian Federation and Belarus and will be assessed over time. Businesses in Ukraine, Russia and Belarus have no significant effect on the Group.

3. Review of operations and condition of the Group

As at December 31, 2021 the registered capital of the Group amounts to BGN 576,242,734 (December 31, 2020: BGN 543,445,791). Its registered capital comprises 576,242,734 shares, out of which 76,981,791 are materialized, registered, preferred shares with nominal value of BGN 1 each and 499,260,943 are materialized, registered, common shares with nominal value of BGN 1 each.

The share capital structure as at December 31, 2021 is as follows:

Eurohold Bulgaria AD	90.10%;
EBRD	9.90%.

The share capital structure above shows the share capital registered with the Commercial Register of Republic of Bulgaria.

On November 19, 2015, the General Meeting of Shareholders of Euroins Insurance Group decided to increase the capital by issuing 195,583,000 new ordinary, materialized available registered voting shares with a nominal value of BGN 1 per share. On January 11, 2018 the registered capital, according to the capital increase above has been fully paid in.

On October 25, 2018, the Commercial register’s status of the Group was updated with capital increase of Euroins Insurance Group to BGN 543,445,791 by issuing of 60,000,000 new ordinary, registered, materialized shares with nominal value of BGN 1 per share entirely subscribed by the majority shareholder Eurohold Bulgaria AD. At the moment of the registration 25% of the nominal amount (BGN 15 000 thousand) were paid and the remaining was paid in the following two years. In 2019 BGN 3,950 thousand was paid in relation to the above capital increase.

On uly 31, 2020 BGN 22,296,462 were paid in relation with the above-mentioned capital increase.

On December 2, 2020 BGN 18,753,538 were paid in relation with the above-mentioned capital increase.

On September 29, 2021, the Shareholders General Meeting decided to simultaneously reduce and increase the capital of EIG AD by invalidating 19,229,057 ordinary shares worth BGN 524,216,734 and increasing the capital to 576,242,734 shares by issuing new 52,026,000 ordinary shares with a nominal and issue value of BGN 1. This increase is distributed as Eurohold AD subscribes 15,060,813 shares and the EBRD 36,965,187 shares.

In a decision of the Board of Directors of October 7, 2021, is stated that Eurohold AD had paid on September 30, 2021, for 15,060,813 shares, respectively BGN 15,060,813. On October 7, 2021, EUR 18.9 million were received from the EBRD, with which it bought the remaining 36,965,187 shares. Temporary certificates have been issued to Eurohold and the EBRD.

On November 3, 2021, Eurohold acquired the entire minority share of Basildon Holding S.A.R.L. (shareholder as of 31.12.2020) where the amount of the investments made in 2021 was BGN 15,710 thousand. On October 5, 2021, the European Bank for Reconstruction and Development (EBRD) signed an agreement for a package deal with Eurohold Bulgaria AD with the subject of acquiring a minority stake in Euroins Insurance Group AD (EIG).

Insurance Company Euroins AD (Euroins Bulgaria, the Company)

Insurance Company Euroins AD became part of Euroins Insurance Group AD in 2007.

In the years to follow EIG has increased the capital of the Company several times.

In addition, there was also a loan in the form of subordinated debt (Tier 1 Capital within Solvency II) granted by the Parent company and amounting to BGN 8,500,000. On January 21, 2020, as a part of the restructuring plan of the Capital Structure of IC Euroins AD, approved by the Financial Supervision Commission, an increase of the share capital of IC Euroins AD by BGN 8,700 thousand was registered in the Bulgarian Commercial Register. The increase was a result of repayment of the existing subordinated debt amounting to BGN 8,500 thousand on January 13,

2020. Thus, the share capital of IC Euroins AD is amounting to BGN 40,970,000 distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the capital.

The share of the parent-company in IC Euroins AD at December 31, 2021 is 98.63% (December 31, 2020 – 98.63%).

Euroins Bulgaria is a dynamic company, which in recent years has been constantly expanding its activity. In 2020 the Company has reported a growth of gross written premiums of over 15% as a result of the organic growth in the direct business written both in Bulgaria but also in Greece through an existing branch from the beginning of February 2019 and Poland, according to the principle of the Freedom to provide services within the European Union. There was a continuous improvement of the services provided in those countries by counting on expansion of the networks of partners and clients, by improving the IT solutions and the opportunities for more detailed market analysis and segmentation.

Increase was recorded also in major non-motor business lines such as Accident and illness (88%) with the reported income from Travel Assistance Insurance in the UK playing a significant role in this increase. Motor Third Party Liability and Green Card insurance increased by 11% and motor hull insurance by 3%. The increase in MTPL and Green card is due to the increased number of policies sold in Greece and Poland.

Net earned premium in 2021 have increased by 13% compared to previous year. Net claims incurred has grown with 28% due to the growth of the business and the high-quality services provided to customers and claimants.

Administrative costs increased by 11% compared to the same period in 2020. This increase as a share of net premiums earned, as shown below, does not lead to a change in the administrative expenditure ratio compared to the previous year. Net acquisition costs increased by 7% compared to the same period in 2020 but compared to net earned premiums they decreased.

Euroins Insurance Company AD reported profit before taxes and intra-group eliminations at the amount of BGN 3,096 thousand. In 2021 the main operating ratios of the Company are as follows: Net Loss ratio -58.5% (2020: 51.5%), Acquisition Ratio - 28.0% 2020: 29.3%), Administrative Expense Ratio - 13.3% (2020: 13.4%) and Combined Ratio - 99.8% (2020: 94.3%).

The stable financial condition of the company was confirmed by the update of the Long-term rating for payment of claims to BCRA, Credit Rating Agency, in February 2021. The assigned rating is "BBB-" with a long-term stable outlook. In addition, in December 2021, Fitch reaffirmed the associated Insurer Financial Strength Rating "BB-".

As of February 2019, ZD Euroins AD - Greece Branch is already officially operating and has a license to record both motor business and property insurance and Accident and Travel Assistance insurance. The realized gross premium income from the branch in 2021 is BGN 67 million (2020: BGN 55 million).

Euroins Romania Asigurare-Reasigurare S.A. (Euroins Romania, the Company)

The acquisition of Euroins Romania Asigurare-Reasigurare S.A. was completed in 2008.

The Parent company has supported Euroins Romania on numerous occasions by way of capital increases of the Company. In 2016 and 2017 alone the capital was increased by a total of RON 300 million. And in 2018 the Group increased its investment by a further BGN 10,366 thousand.

At the end of September 2020, the Company received a decision №. 1137 / 29.09.2020, whereby the Romanian financial regulator imposed a fine of RON 1.5 million and required the submission of two plans: a Short-Term Financing Plan and a Long-Term Recovery Plan. Through these plans, Euroins Insurance Group AD adopts a financial support package consisting of: a) subordinated debt, paid on June 26, 2020 in the amount of EUR 5.5 million, respectively RON 27 million; (b) subordinated debt provided by a contract signed on 29 June 2020 in the amount of EUR 10 million, respectively RON 48.7 million and (c) a capital increase, (Extraordinary General Meeting of Shareholders on September 17, 2020) in the amount of RON 50 million. On December 3, 2020 Euroins Insurance Group AD decided to convert the two subordinated debts totally amounting to RON 75.7 million, as well as the calculated, but unpaid interest amounting to RON 0.8 million as of September 30, 2020 into equity. With Decision 342/March 11,2021, the capital increase of RON 50 million was approved by the local financial regulator. The short-term financing plan was approved with Decision 1469/December 14,2020 and was fully implemented within the deadline imposed by the decision of the Romanian Financial Regulator. The long-term recovery plan was adopted with Decision 22/January 07, 2021 and contains measures and actions in almost all areas of activity of the Company, which will lead to efficiency and profitability. The implementation of the measures and actions continues and refers to: digitalization, claim processes, portfolio restructuring (including sales channels), IT improvements, etc. The company challenged Decision 1137/29.09.2020 of the Romanian Financial Regulator in court, opening a lawsuit against it.

Euroins Romania participated in the Balance Sheet Review (BSR) conducted for the Romanian insurance market, with a reference date of June 30, 2020. The appointed consultant for Euroins Romania was PricewaterhouseCoopers, which issued its report at the end of December 2021. In the period after the reference date, June 30, 2020, Euroins Insurance Group made successful efforts to strengthen the financial condition of the Company. As a result, the subsequent events after the BSR reference date have a significant effect not only on the reversal of the adjustments included in the BSR report and the implementation of the recommendations set out therein, but also on the adoption of additional capital increase measures.

Capital and liquidity measures to increase own funds independently without taking into account the impact of subsequent events of the Company after the reference date of the review are summarized below:

Period	**Measure**	**Total increase (RON)**
June-August 2020	Capital increase	76,000,000
December 2020	Capital increase	50,000,000
July-August 2021	Subordinated debt	40,000,000
September 2021	Capital increase	120,000,000
September 2021	Subordinated debt	5,000,000
Total		291,000,000

On September 30, 2021, the Board of Directors of EIG AD decided to participate in a procedure to increase the capital of Euroins Romania by subscribing all 12,000,000 shares against payment of EUR 24,256,636. The amount was paid in October 2021.

As of December 31, 2021 the share of EIG in the capital of the Company is 98.51% (as of December 31, 2020: 98.51%).

Euroins Romania is among the five biggest insurers on Romanian insurance market and is also among the leading general insurance companies in the last couple of years.

In 2021 Euroins Romania reports gross premium income of BGN 888 million compared to BGN 530 in 2020. The main part of the gross premium income falls on Motor Third Party Liability Insurance (96%), where the reported income increased with 71% compared to previous year.

On September 17, 2021 the Romanian insurance company “CITY INSURANCE” stopped issuing policies. Following the subsequent bankruptcy of CITY INSURANCE, the Romanian insurance market reacted by significantly increasing the tariff for motor third party liability insurance.

As of September 24, 2021 Euroins Romania introduced new tariffs that are approximately 26% higher than the previous ones.

From October 1, 2021, the Company introduced a new commission system for brokers. The expected reduction of the average brokerage commission is 4%.

In 2021 the Company changed its accounting policy in connection with the reporting of technical provisions in order to present in the financial statements reliable and more relevant information about the effect of operations, considering the local regulatory requirements. Thus, a restatement was made retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Net acquisition costs increased by 103% compared to the previous year but related to the net earned premiums the increase is minimal (Acquisition Ratio 2021: 33.8%; 2020: 30.5%).

Almost 98% of all gross premiums written, both in 2021 and in 2020, are concluded through brokers.

Administrative expenses increased by 27% compared to 2020 but related to net earned premiums they decreased (Administrative Expense Ratio 2021: 4.8%; 2020: 7.4%).

The result for Euroins Romania for group purposes is a profit of BGN 86,744 thousand (2020: loss of BGN 62,716 * thousand) before taxes and intra-group eliminations.

In December 2021, Fitch Ratings, as part of the Rating Maintained Watch procedure, reaffirmed the 2017 Euroins Romania rating, namely the Insurer Financial Strength Rating “BB-”.

Euroins Osiguruvanje AD, North Macedonia (Euroins Macedonia, the Company)

The investment in Euroins Osiguruvanje AD, North Macedonia, was made in 2008. Several capital increase procedures followed and as at 31 December 2021 the participation of the Group is 93.36% (31 December 2020: 93.36%).

Euroins Macedonia is a well recognizable and reliable Company with diversified portfolio and stable financial indicators. In 2021 gross written premium grows decrease by 11% reaching BGN 26 million (2020: BGN 23 million). The company continues to strengthen its position in Agricultural Insurance, where the business has grown and reached BGN 8 million, and in 2020

BGN 7 million or an increase of 16% was reported. There is an increase of 13% in motor third party liability insurance, where the gross income was BGN 12 million or 48% of the total gross written premiums for the period (2020: BGN 11 million; 47%).

In 2021, administrative costs decreased by 9% and net acquisition costs increased by 26%.

The profit for group purposes amounts to BGN 1,751 thousand (2020: BGN 1,706 thousand) before taxes and intra-group eliminations.

Insurance Company Euroins Life EAD (Euroins Life, the Company)

In 2013 EIG acquired 100% of the share capital of Interamerican Bulgaria Life Insurance EAD changing its name to Insurance Company Euroins Life EAD.

In 2016 the Parent company provided additional support to Euroins Life by granting a loan in the form of subordinated debt (Tier 1 Capital as per Solvency II, reclassified as such in 2018) amounting to BGN 1,250 thousand. On February 27, 2020, an increase of the capital of IC Euroins Life EAD was registered, which was part of the plan for restructuring the capital structure of IC Euroins Life EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 3, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC Euroins Life EAD by BGN 1,250,000, while IC Euroins Life EAD should fully repay the subordinated debt in the same amount. On February 18, 2020, IC Euroins Life EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 11,375,070 distributed in 1,137,507 shares with a par value of BGN 10 each.

In 2021, the gross premiums written by the Company increased by 121% compared to the previous year.

In 2019, the Company started new partnerships with non-financial credit companies for fast online loans. In 2020 and especially in 2021, their positive effect on the portfolio can already be seen.

However, there is an increase in the rate of acquisition costs from 39% in 2019 to 60% in 2020 and 72% in 2021, due to the change in sales strategy from direct sales to use of distribution channels - financial institutions and brokers.

For 2021, a financial result of a loss of BGN 506 thousand before taxes and intra-group eliminations was reported (2020: profit of BGN 82 thousand).

Insurance Company EIG Re EAD and Euroins - Health Insurance ZEAD (EIG Re, the Company)

Euroins Insurance Group took over the control of Euroins - Health Insurance ZEAD in 2008. As at 31 December 2017 the participation of EIG in the share capital of Euroins - Health Insurance ZEAD was 100.00%.

In 2015 EIG acquired 94% of the share capital of HDI Zastrahovane AD. In 2016 the name of HDI Zastrahovane AD was changed to Insurance Company EIG Re AD. And, in addition, the remaining 6% of the shares were acquired by EIG.

Also, in 2016 the share capital of EIG Re was increased by BGN 4,000 thousand. By way of further support Euroins Insurance Group AD granted EIG Re a loan in the form of subordinated debt amounting to BGN 600 thousand (Tier 1 Capital as per Solvency II, reclassified as such in 2018). On February 28, 2020, an increase of the share capital of IC EIG Re EAD was registered, which was part of the plan for restructuring the capital structure of IC EIG Re EAD, approved by the Financial Supervision Commission with a Decision dated December 23, 2019. On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the share capital of IC EIG Re EAD by BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated debt in the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full. After the transaction, the share capital of the subsidiary amounts to BGN 19,112,000 divided into 19,112,000 shares with a par value of BGN 1 each.

On June 27, 2017 the merger of Euroins - Health Insurance ZEAD into Insurance Company EIG Re EAD was registered in the Commercial Register. As a result of the transaction Euroins - Health Insurance ZEAD was winded-up without liquidation and Insurance Company EIG Re EAD has become its universal legal successor.

The strategy of the management of both Euroins Insurance Group and EIG Re is for the company to continue developing as a reinsurer. The foundations were laid down in 2017 when the first proportional and non-proportional insurance treaties were signed. There were a series of projects initiated in 2018 to analyse the potential for development of EIG Re also as a captive reinsurer optimizing the entire reinsurance program of the Group. One of the starting points of these projects was also the possibility for EIG Re to participate as captive reinsurer in the optimization of the capital requirements of the Group and its subsidiaries in the context of Solvency II.

In 2020, EIG Re signed new quota share intragroup contracts in connection with active reinsurance covering Property, Cargo, Marine Insurance and Carrier's Liability.

The main share of the Company's portfolio falls on property insurance, followed by Cargo, which is growing significantly compared to 2020.

In 2021, EIG Re recorded premiums of BGN 23 million (2020: BGN 12 million). The company reports a profit before taxes and intra-group eliminations of an amount of BGN 1.9 million (2020: loss of BGN 4.5 million).

In December 2021, Fitch Ratings reaffirmed EIG Re's Insurer Financial Strength Rating "BB-" as part of the Rating Watch Maintained procedure, reflecting EIG Re's expected strategic importance as an internal reinsurer for Euroins Insurance Group.

Private JSC Euroins Ukraine Insurance Company (Euroins Ukraine, the Company), (previously Public JSC HDI Strakhuvannya Insurance Company)

On July 29, 2016 the Ukrainian Commission of State Regulations of Financial Markets approved the acquisition of Public JSC HDI Strakhuvannya Insurance Company by EIG. As from September 30, 2016, with the approval of the General Meeting of the Shareholders, the name of the Company has been changed to Public JSC Euroins Ukraine Insurance Company. In 2017 due to legislative changes, it was changed again, Private JSC Company Euroins Ukraine Insurance Company.

In 2018 EIG increased its investment in Euroins Ukraine by BGN 1,975 thousand. As at December 31, 2018, the participation of EIG in the share capital of Euroins Ukraine amounts to 98.36%. As at December 31, 2019, EIG directly controls Euroins Ukraine, with a share of 92.62% and indirectly through PrJSC European Travel Insurance - 5.74%.

In 2021, Euroins Ukraine launched a procedure to increase capital by issuing new 525,654,175 shares with a total value of UAH 5,256,541.75 EIG AD participated in the increase by subscribing 495,654,175 shares. After the increase, EIG AD will own 7,222,249,700 shares worth UAH 72,272,497. This is approximately 92.73% of the Company's capital. The capital increase was registered on 13 January 2022.

As of December 31, 2021, the share of Euroins Insurance Group AD in the capital of Chad IC Euroins Ukraine is 92.62%, and the share of Chad European Travel Insurance - 5.74%.

Euroins Ukraine reports a loss before taxes and intra-group eliminations of BGN 736 thousand (2020: profit of BGN 2 million) for group purposes.

The activity of the Company is significantly affected as a result of the events described in item 6 "Significant events that occurred after the date of preparation of the annual consolidated financial statements for 2021" of this report.

Private JSC European Travel Insurance (the Company)

On 26 February 2018 the Board of Directors of Euroins Insurance Group made a decision for the acquisition of 99.99% of the share capital of Private JSC European Travel Insurance, Ukraine. The share purchase agreement was signed on 13 April 2018 and the transaction was closed on 1 October 2018.

European Travel Insurance is one of the biggest Travel insurers in Ukraine and is the only one that specializes only in these insurance types of products. The Company relies on innovative products offered via extremely well-developed distribution channels.

In 2021 the Company recorded premiums totalling BGN 27 million, which is an increase of 135% compared to 2020. The increase is due to the easing of restrictive measures regarding free forecasting in the summer months of 2021 and has had a positive impact on the tourism sector in which the Company specializes.

The company reported a profit of BGN 6 million before taxes and intra-group eliminations (2020: BGN 2 million).

The activity of the Company is significantly affected as a result of the events described in item 6 "Significant events that occurred after the date of preparation of the annual consolidated financial statements for 2021" of this report.

Insurance Company Euroins Georgia JSC (Euroins Georgia, the Company), (previously Insurance Company IC Group JSC)

On March 22, 2018, the Board of Directors of Euroins Insurance Group made a decision for the acquisition of 50.00002% of the share capital of Insurance Company IC Group JSC, Georgia (IC Group) with the share purchase agreement signed on June 22, 2018. The transaction was closed on October 23, 2018. On October 31, 2018, the new name of the Company was registered into the Georgian Trade Register, JSC Insurance Company Euroins Georgia. After the capital increase entirely subscribed by the Group and finalized prior the year end the participation of EIG as at December 31, 2018 is 50.04%. There is no change in the participation during 2020 and 2019.

Euroins Georgia Insurance Company specializes in Accident and Health Insurance. In 2021, they form 48% (2020: 43%) of the Company's portfolio, and the rest is distributed between Casco by 20% (2020: 29%) and others.

The total amount of written premiums in 2021 is BGN 11.6 million (2020: BGN 12.7 million), which is an increase of 9%. This reduction is due to the refusal of the Company to continue to participate in public procurement in connection with Casco insurance from the beginning of 2021, due to high levels of damage and negative technical result.

In 2021 the result for group purposes is a loss of BGN 422 thousand (2020: profit BGN 474 thousand) before taxes and intra-group eliminations. Due to the unsatisfactory financial results of the Company reported after its acquisition, the Management of EIG decided to impair the goodwill formed in connection with the acquisition of the Company in the amount of BGN 645 thousand.

Euroins Claims I.K.E., Greece

In 2018, Euroins Insurance Group AD acquired 66% of Euroins Claims I.K.E., Greece, established to administratively service the liquidation of insurance claims arising from policies issued by IC Euroins AD, Greece branch. The amount of the investment is BGN 6 thousand. In 2019 Euroins Insurance Group AD acquired the remaining 34% of the Company and as at December 31, 2019, owns 100% of the share capital.

CJSC "ERGO "Insurance Company" Belarus

Euroins Insurance Group AD acquired 93.12% of CSCJ "ERGO" Insurance Company "Belarus" on 29 April 2020. The value of the investment amounts to BGN 3,433 thousand.

On January 2, 2021 the General Assembly of CJSC "ERGO" Insurance Company "Belarus adopted a decision to invalidate the own shares owned (1,448 shares) and to reduce the capital accordingly. On February 11, 2021 the Ministry of Finance of Belarus registered the change in in the Articles of Association for the capital decease. As a result, Euroins Insurance Group AD is registered as the sole owner of the capital of CJSC "Ergo Insurance Company" Belarus.

As of December 31, 2021 the investment in the Company is impaired to 90% in connection with the events disclosed in 6 "Significant events that occurred after the date of preparation of the annual consolidated financial statements for 2021" of this report.

As of December 31, 2021 Euroins Insurance Group AD is a majority shareholder in:

Euroins Insurance Company AD	98.63%;
Euroins Romania Insurance-Reinsurance SA	98.51%;
Euroins Insurance AD, Northern Macedonia	93.36%;
Euroins Life Insurance Company EAD	100.00%;
EIG Re Insurance Company EAD	100.00%;
CHAD Euroins Ukraine Insurance Company -	92.62%;
CHAD "European Tourist Insurance", Ukraine	99.99%;
Euroins Georgia Insurance Company AD	50.04%;
Euroins Claims IKE, Greece	100.00%;
CJSC Insurance Company Euroins, Belarus	100.00%

4. Review of operations and financial indicators

The premium income of Euroins Insurance Group AD on a consolidated basis in 2021 is BGN 1,367 million compared to BGN 914.4 million in 2020. Premium income by Companies: Euroins Bulgaria increases by 15%, Euroins Romania increases by 67%, Euroins Macedonia - increases by 11%, Euroins Ukraine - increases by 62%, Euroins Life - increases by 121%, Euroins Georgia - decreases by 9% , The EIT increased by 135%.

The main part of the premium income of the Group is realized by Euroins Romania and Euroins Bulgaria, which form respectively 65% and 25% (2020: 58% and 33%) of the total premium income of the Group or together almost 90% (2020: 91 %) of the total recorded business.

The total consolidated assets of the Group at the end of 2021 are BGN 2.073 million compared to BGN 1.611* million at the end of 2020. The insurance reserves on a consolidated basis, as an element of the Group's liabilities, have increased from BGN 1,206 * million by the end of 2020 to BGN 1,431 million in 2021.

The Group reports a positive financial result of BGN 79 million after taxes. For comparison, in 2020 (recalculated) the EIG reported a loss of BGN 55 million.

Ratings

In 2021, Fitch Ratings reaffirmed, as part of the Rating Maintained Watch procedure, the 2017 ratings of Eurohold Bulgaria, Euroins Romania and Euroins Bulgaria, namely Eurohold Bulgaria's Long-Term Default Rating "B" and Insurer Financial Strength Rating "BB-" of Euroins Romania and Euroins Bulgaria. In addition, in 2021 the credit rating of EIG Re - "Insurer Financial Strength Rating" "BB-" was confirmed, reflecting the strategic importance of EIG Re as an internal reinsurer for Euroins Insurance Group.

Solvency II

The capital position of the Group is confirmed by the following indicators calculated as per Solvency II requirements:

Total eligible own funds to meet the Solvency Capital Requirement (SCR) in BGN '000'	255,293
Total eligible own funds to meet the Minimum Capital Requirement (MCR) in BGN '000'	234,361
Solvency Capital Requirement (SCR) in BGN '000'	194,758
Minimum Capital Requirement (MCR) in BGN '000'	78,971
SCR Coverage	131%
MCR Coverage	297%

*The calculations are made on the basis of preliminary unaudited data submitted to the Financial Supervision Commission according to the Quarterly Quantitative Reporting on Solvency II for the 4th quarter of 2021.

5. Major risks the Group and its subsidiaries are exposed to

5.1. Macroeconomic risk

Main macroeconomic risks are related to the unforeseeable global framework in the past years, which impacts both EU and CEE countries. The low-inflation environment could suffer serious volatility in case of eventual increase of the reference interest levels by ECB and the local central banks of the countries outside of the Eurozone. The latter would impact the consumers and the business environment as well as the investment climate. The tendency of some countries in EU and CEE towards relatively high budget deficit and high current account deficit is also a factor that might influence the business development and the financial markets as whole.

5.1.1. Currency risk

Currency risk is related to the probable changes in the foreign exchange rates of the national currency in relation to other currencies affecting incomes and expenses of the economic entities in the respective countries. In Bulgaria, the fixed BGN exchange rate to the common European currency (EUR) limits the BGN exchange rate fluctuations to major foreign currencies within the range of fluctuations of these currencies to the Euro currency. On the other hand, the fluctuations of the North-Macedonian, Romanian, Ukrainian, Georgian, Russian and Belorussian currencies may generate currency risk, which could affect the Group. In general, the operations of the Group companies do not generate material currency risk as the major cash flows within the Group on a consolidated level are denominated in Bulgarian Leva and Euro, while the Romanian Leu and North-Macedonian denar are relatively stable even in a high-inflation environment being subject to a monitored floating monetary policies.

5.1.2. Inflation risk

Inflation risk is the probability the inflation to impact the actual rate of return on investments. In this respect the Group companies are exposed to inflation risk, which the Group management monitors carefully.

5.1.3. Interest risk

Interest risk is related to the probability that the net income of the companies might decrease as a result of interest rate (at which the companies could finance their operations) increase. Interest risks are part of the macroeconomic risks due to the fact that the main prerequisites for changes in their levels are the occurrence of instability in the financial system in general and the influence of a global financial crisis. Given the current economic situation, interest risk is one of the risks that might affect the Group companies' operations.

5.2. Sector risk

Sector risk originates from insurance sector condition development trends. Major risks that affect the operations of the sector are as follow:

- Change in the demand for insurance services and products;
- Presence of intense competition and market fragmentation;
- Lack of opportunities for market expansion proportional to GDP growth;
- Innovation risk – new product development by recognized players and entries of new technologies causing market disruptions;
- Risks related to legislation changes – EIG main business is subject to applicable legislation based on Solvency II framework in EU member and EU candidate states as well as on established international practices for insurance risk management.

The companies in the Group aim to restrict the impact of sector non-systematic risks on their operations by maintaining a wide range of insurance products in a diversified portfolio and by offering new products in line with the changes of the market demand. The idea is to extend the range of offered insurance products and at the same time to establish flexible pricing policy corresponding to the risk profile of the client. The Group looks for innovative solutions provided by new technologies both in sales and new product implementation but also in claims administration.

5.3. Corporate risk

Corporate risk combines business and financial risks. Business risk is related to the specific operations of the Group. It is defined as uncertainty of revenues which is inherent to the sector the companies operate in. The nature of the non-life insurance business is based on pricing and management of risks in by means of insurance portfolio management.

Business risk can be described as:

- inability to assess the time of occurrence and the size of the damages caused by events, such as natural disasters, major failures and acts of terrorism;
- presence of liquidity risk;

- presence of operational risks.

5.3.1. Business risk related to large claims

Due to the similar product structure of the insurance portfolios of EIG subsidiaries in comparison with the structure of the insurance sector in the respective countries there are no business risks specific only to the EIG companies in comparison to the other representatives of the sector.

Natural disasters – such events may cause significant damages to insured property of individuals and entities as well as to motor vehicles (MV).

The claim amounts that natural disasters might inflict to motor vehicles insured with EIG subsidiaries are minimal due to the following factors:

- The companies hold large portfolios of motor vehicles insured against natural disasters on territories of several countries, which ensures distribution of the risk over a larger geographical set and thus minimizes the effect of disasters as they are expected to affect very restricted territory.
- Insured cars can be easily moved and thus the risk of damages from natural disasters is partially reduced, having in mind the fact that some natural disasters are foreseeable, and their territorial dispersion is relatively slow and limited.

The size of the insured property damages, which companies might suffer as a result of natural disasters, is limited by the reinsurance programs maintained by EIG. In order to monitor the companies' portfolio exposure to risk of natural disasters, it is assessed on quarterly basis by CRESTA[1] areas.

Major breakdowns – large industrial risks that might contribute to such events are extremely limited within the companies' portfolios. Their impact is very limited since such breakdowns are fully covered by the reinsurance protection of the companies.

Acts of terrorism – up to now there have not been committed acts of terrorism in Bulgaria, Romania and Macedonia that might have endangered risks covered by the insurance companies operating in the non-life insurance sector. According to Euroins general conditions, terrorism is excluded risk pursuant to international clause G51.

[1] CRESTA – (Catastrophe Risk Evaluation and Standardizing Target Accumulations). For the purposes of allocation and aggregation of risks undertaken by the insurance companies, which is used for further modelling of the insurance portfolio, the territories of the countries are classified in the so called "accumulation areas" or CRESTA areas.

5.3.2. Liquidity risk

Liquidity risk is the probability that an EIG company would not be able to settle its liabilities within the agreed amount and/or term. This risk is minimised by an efficient reserving policy and management of the current cash flows and by maintaining adequate solvency and liquidity levels of the companies.

5.3.3. Operational risk

Operational risks are related to the insurance portfolio structure, comprising the scope of insurance products, the level of risk diversification, the concentration of products by types, markets, clients and regions; the availability of risk assessment, analysis and risk management policy consisting of: reinsurance program; risk management at an individual product and client level; operational risk management by acceptance of limits, implementation of adequate information systems, system of internal control and independent audit; and reserving policy.

Operational risks are related to the Group management, for example: making incorrect decisions when defining the insurance portfolio structure; making incorrect decisions when defining the reserving policy; lack of common management information system; lack of adequate internal control system; resignation of key personnel and inability to appoint personnel with the required skills. The impact of such risks on the company operations is mitigated through the established internal system of operational controls, the implemented integrated information system, as well as through the established internal control, which is an element of the risk management policy, as well as through the implementation of modern human resource management approach.

6. Significant events after the date of the consolidated annual financial statement for 2021

On January 28, 2022 a meeting of the Board of Directors of EIG AD was held, at which a decision was made for the Company to participate in increasing the capital of Euroins Georgia AD by purchasing 329,939 shares with a total value of 1,501,222.45 Georgian lari from the unsubscribed 1,261,716 shares Euroins Georgia AD. Based on this EIG AD will become the owner of 1,950,291 shares.

On January 28, 2022, a Debt Substitution Agreement was concluded between Auto Union AD, in its capacity of creditor, Eurohold Bulgaria AD, in its capacity of underwriter and EIG AD, in its capacity of initial debtor. Eurohold AD replaces EIG AD as a debtor, and in turn becomes a creditor of EIG AD.

The loan, issued on December 18, 2014 in the form of 100 available, subordinated, unsecured bonds with a face value of EUR 100 thousand each in the amount of EUR 10,000 thousand (BGN 19,558 thousand) and maturing on December 18, 2021 was repaid in full on January 5, 2022, together with the last interest payment.

On February 21, 2022, by decree of the President of the Russian Federation (RF), the Donetsk People's Republic and the Luhansk People's Republic were recognized as independent states. On February 24, 2022, the Ministry of Defense of the Russian Federation announced a "special military operation" on the territory of the Republic of Ukraine.

The Russian ruble (RUB) exchange rate against the EUR began to drop in the days after 24.02.2022 and from 95.71 rubles per euro reached 117.20 rubles per euro on 01.03.2022 according to the exchange rate of the European Central Bank. After that date, the bank stopped publishing the RUB / EUR reference rate. As of March 22, 2022, the exchange rate is 115.60 rubles per euro, according to the website of the Russian Central Bank.

On March 1, 2022, Russian President Vladimir Putin approved a special decree № 81, which prohibits transactions with foreign persons engaged in unfriendly acts, on the provision of loans or transfer of rights to securities and real estate. It is also forbidden to export from Russia foreign currency or monetary instruments worth more than 10 thousand dollars.

On March 2, 2022, the European Union imposed a number of sanctions on Russia, including the exclusion of several important Russian banks from the SWIFT financial communications system, namely: Bank Otkritie, Novikombank, Promsvyazbank (Promsvyazbank), Bank Rossiya, Sovcombank, Vneshecombank VEB and VTB BANK.

The military activities received widespread international condemnation, and many countries imposed sanctions on assets and operations owned by the Russian state and certain individuals. The invasion sparked a refugee crisis by Ukrainian citizens. The economic consequences of the military conflict in Ukraine cannot be quantified, but they are already indicating extremely serious effects on the overall global economy. Energy and raw material prices - including wheat and other cereals - iron, steel and rebar have risen sharply, further exacerbating inflationary pressures from supply chain disruptions and the recovery from the Covid-19 pandemic. Price shocks are expected to have an impact worldwide. If the conflict develops negatively or lasts for a longer period of time, the economic damage will be significant and is expected to affect all sectors of the economy for both Bulgaria and the EU. The IMF notes that sanctions against Russia are affecting the global economy and financial markets, and will have significant side effects in other countries.

In many countries, the crisis has created adverse shocks to both inflation and activity amid rising price pressures. Central banks are closely monitoring the impact of rising international prices on domestic inflation, in order to monitor and, if necessary, take appropriate, carefully calibrated responses. Fiscal policy will need to support the most vulnerable households to offset rising living costs.

However, the development of the conflict and its impact on the overall economic situation may require a review of some of the management's assumptions and judgments regarding expected future developments, cash flows and results of operations. At the same time, inflationary pressures continue to increase, with military action and rising quotations of all commodities expected to increase further. Rising purchase prices of goods and services will lead to a decrease in household incomes, shrinking consumer demand and limiting the growth of the country's economy.

In connection with the above and in view of the uncertainties regarding the effect of the imposed sanctions and restrictions, the Group has reviewed activities, contractors and economic relationships that could expose it to significant risk. As of the date of acceptance of the financial statements, the Company has no relationships and settlements with Russian and Belarusian counterparties.

As the situation is extremely dynamic, the Group's management is not able to reliably assess the impact of the war on the future financial condition and results of its activities in 2022. This in turn could lead to a change in the carrying amounts of the Group's assets, which are identified in the financial statements in making a number of judgments and assumptions by management and reporting the most reliable information available at the date of estimates, as well as to have an impact on forecasts for future development, cash flows and results of operations of the Group.

7. Probable future development of the Group

The main goal of EIG is to continue the sustainable development of the companies already acquired by the Group, as well as the construction and development of the branch network of Insurance Company Euroins.

8. Research and development

Due to the nature of its holding structure the Company does not carry out research and development activities. Its subsidiaries in Bulgaria, Romania, North Macedonia, Ukraine, Belarus, Georgia and Russia however, have developed locally software applications as part of their business activity.

9. Financial instruments held by the Group companies

Group companies invest mainly in the following financial instruments: bonds, equities, shares in investment companies and mutual funds, investments in the share capital of other entities, deposits in financial institutions and contracts for repurchase of securities Accordingly, these instruments are classified and measured as per the IFRS rules and their essential use.

The financial instruments held by the Group companies are exposed to the following risks:

- Market risk – where the value of the financial instrument fluctuates as a result of changes in the market prices, irrespective of whether such changes are due to factors specific for the respective securities or for their issuer, or due to factors related to all securities traded on the market.
- Credit risk – credit risk occurs when one of the financial instrument parties does not perform any of its obligations, thus causing financial loss to the other party.
- Interest risk – where the value of a financial instrument fluctuates due to changes in the market interest rates.

10. Disclosure of information as per Art. 187e and 247 of the Commerce Act

On September 20, 2021 an Extraordinary General Meeting of the shareholders of Euroins Insurance Group AD was held, at which a decision was made to simultaneously reduce and increase the capital of the company under Art. 203 in connection with Art. 252, para. 1, item 5 of the Commercial Act, in order to cover accumulated losses and bring the subscribed capital in line with the net asset value of the company, so that the reduction takes effect only if the planned capital increase is made. A decision was made to reduce the capital of the Company from BGN 543,445,791 (five hundred forty-three million four hundred forty-five thousand seven hundred ninety-one) to BGN 524,216,734 (five hundred twenty-four million two hundred and sixteen thousand seven hundred thirty-four) by invalidation. 229,057 (nineteen million two hundred and twenty-nine thousand and fifty-seven) number of ordinary, registered, available, non-preferred shares, after their preliminary acquisition by the Company itself, at the same time increasing the capital of the Company under Art. 195 of the CA, in connection with Art. 194, para. 4 of the CA and Art. 18, para. 1 of the Articles of Association of the Company, from BGN 524,216,734 (five hundred and twenty-four million two hundred and sixteen thousand seven hundred and thirty-four) to BGN 576,242,734 (five hundred and seventy-six million two hundred and forty-two thousand seven hundred and thirty-four) by issuing new 52 026 000 (fifty-two million and twenty-six thousand) number of ordinary, registered, available, non-preferred shares, with nominal and issue value of BGN 1 (one) each, with the right to 1 (one) vote at the General Meeting of Shareholders, right to dividend and liquidation share.

By decision of the General Meeting of Shareholders of EIG dated October 31, 2020 Dominique Victor Francois Joseph Baudouin was dismissed from the position of a member of the Board of Directors of Euroins Insurance Group AD and a new member of the Board of Directors of Euroins Insurance Group was elected - Jeroen Carl Van Leuven, for which the decision was recorded in the Commercial Register on February 24, 2021.

Members of the Board of Directors as of 31 December 2021 are:

Asen Milkov Hristov – Chairman of the Board of the Directors since September 10, 2015;

Kiril Ivanov Boshov – Executive director and member of the Board of the Directors since November 6, 2007;

Jeroen Carl Van Leuven – Member of the Board of the Directors since February 24, 2021

In 2021, the members of the Board of Directors did not acquire, hold or transfer shares or bonds of the Company.

The Articles of Association of the Company do not contain special rights or restrictions of the members of the Board of Directors regarding the acquisition of shares or bonds of the Company.

The total remuneration for 2021 of the members of the Board of Directors and other directors is BGN 285 thousand (2020 - BGN 233 thousand)

● Information, based on art. 247, para 2, item 4 of the Commercial Act, regarding the participation of the members of the Board of Directors in commercial companies as unlimited partners, the possession of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives such as procurators, managers or board members:

Assen Milkov Hristov – Chairman of the Board of Directors

As December 31, 20201 Mr. Assen Hristov holds more than 25 per cent of the share capital of the following companies:

- Starcom Holding AD – 51% of the share capital;
- Starcom Hold AD- 99.67% of the share capital.

As of December 31, 2021, Mr. Assen Hristov participates in the management of the following companies:

- Euroins Insurance Group AD – Chairman of the Board of Directors;
- Eurohold Bulgaria AD – Chairman of the Supervisory Board;
- CEZ Distribution Bulgaria – Chairman of the Supervisory Board;
- Starcom Hold AD – Executive member of the Board of Directors;
- Starcom Holding AD – Executive member of the Board of Directors;
- First Investment Bank AD, Russia –Chairman of the Supervisory Board;
- Hanson Asset Management Ltd., United Kingdom – Director;
- Wonder Group AD- Chairman of the Supervisory Board;
- Quintar Capital Limited Hong Kong- Member of Boards of Directors.
- Corporate Advisers EOOD – Sole owner and Director;

Ended participations in the ownership or management of the following companies:

● „Alfa Aktivi“ EOOD (previous name "Alfa Euroaktiv" EOOD) – Sole owner and Director until July 20, 2021, whereas as of the date of the report, Mr. Hristov is not owner and Director of the company;

Kiril Ivanov Boshov – Executive director and member of the Board of the Directors

As of December 31, 2021, Mr. Kiril Boshov holds more than 25 per cent of the share capital of the following companies:

- Starcom Holding AD- 34% of the share capital;
- Alcommerce EOOD- 100% of the share capital.

As of December31, 2021, Mr. Kiril Boshov participates in the management of the following companies:

- Euroins Insurance Group AD – Executive Member of the Board of Directors;
- Euroins Romania Asigurare- Reasigurare S.A. – Chairman of the Board of Directors;
- CEZ Electro Bulgaria – Chairman of the Supervisory Board;
- Eurohold Bulgaria AD – Chairman of the Management Board and Executive Member;
- Capital - 3000 AD – Chairman of the Board of Directors;
- Starcom Holding AD – Chairman of the Board of Directors;
- Starcom Hold AD – Deputy Chairman of the Board of Directors;
- Alcommerce EOOD – General Manager;
- Hanson Asset Management Ltd., United Kingdom – Director;
- Wonder Group AD- Member of the Supervisory Board;

Ended participations in the ownership or management of the following companies:

- Auto Union AD – Deputy Chairman of the Board of Directors until 28.06.2021 г., as of the date of the report Mr. Boshov is not anymore Deputy Chairman of the Board of Directors;
- Eurolease Auto S.A., Romania – Member of the Board of Directors until October 21, 2021 , as of the date of the report Mr. Boshov is not Deputy Chairman of the Board of the Directors;

Jeroen Carl Van Leuven – Member of the Board of the Directors

As of December 31, 2021, Mr. Jeroen Carl Van Leuven participates in the management of the following companies:

Euroins Insurance Group AD – Member of the Board of Directors;

- Insurance Company EIG Re EAD – Member of the Board of Directors;

- Euroins Romania Asigurare-Reasigurare S.A.– Member of the Board of Directors;
- MedicHome SA, Cheseaux-sur-Lausanne, Swiss

In 2021 the members of the Board of Directors of the company have not concluded contracts under Art. 240b of the Commercial Act, which go beyond the usual activities of the company or are concluded in deviation from market conditions.

27 May 2022

Sofia

Kiril Ivanov Boshov Digitally signed by Kiril Ivanov Boshov Date: 2022.06.17 13:48:52 +03'00'

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Kiril Boshov
Executive Director
Euroins Insurance Group AD

INDEPENDENT JOINT AUDITORS' REPORT

To the shareholders of

Euroins Insurance Group AD

1952, Sofia, 43, Christopher Columbus Blvd.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Euroins Insurance Group AD and its subsidiaries ("The Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Qualified Opinion

1. Group's share of reinsurers in the claim insurance reserves is BGN 646,501 thousand as of 31 December 2021 (BGN 541,129 thousand as of 31 December 2020), as disclosed in note 23 "Insurance reserves" to the consolidated financial statements. These reinsurance contract assets are the actual or estimated amounts to be netted from the gross amount of claim reserves in accordance with Group's financial commitments under reinsurance contracts, which are usually characterized by a high degree of subjectivity and complexity. In determining the amount of the share of reinsurers in the claims reserve for one of the subsidiaries in the Group, being BGN 421,191 thousand as of 31 December 2021, management has made the relevant calculations based on contractual terms, and by applying certain judgements and estimates, and subsequent analysis of events that have occurred or are expected to occur. We were unable to obtain sufficient appropriate audit evidence as to whether the assumptions used in the estimates for this subsidiary are reasonable. Accordingly, we were unable to determine whether and to what extent adjustments to the Group's expected recoverability of the reinsurances contract assets are necessary as of 31 December 2021.

2. The Group has disclosed the carrying amount of goodwill of BGN thousand 164,478 as of 31 December 2021 in note 29.1 “Goodwill” to the consolidated financial statements. Group's management has performed impairment testing of goodwill as of year-end. Impairment loss of BGN 645 thousand was recognised in 2021 on the basis of valuations and certain assumptions. Due to the inherent uncertainties caused by the specifics of the insurance business, the continuing negative impact of the Covid-19 coronavirus pandemic and the uncertain economic situation as a result of the high inflation and the expectations of the increasing negative impact of the war in Ukraine, we were unable to obtain sufficient appropriate audit evidence regarding the extent to which the assumptions and judgements used in the valuations about the future development of the subsidiaries are justified and reflect the possible effects of the above factors. Accordingly, we were unable to determine whether and to what extent adjustments are necessary to the carrying amount of goodwill of the Group as presented as of 31 December 2021.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to note 35 “Changes in accounting policy” of the consolidated financial statements, which discloses a change in accounting policy of one of the Group’s subsidiaries and the effects thereof. The change relates to the segmentation of homogeneous risk groups and the methodology applied to calculate the insurance reserves for incurred but not yet reported claims for the groups so formed.

We draw attention to note 37 “Events after the end of the reporting period” to the consolidated financial statements where the information on non-adjusting event related to the military conflict between Ukraine and the Russian Federation is disclosed. The military actions have received widespread international shoutout and multiple countries have imposed sanctions on assets and operations owned by the Russian state and certain individuals. The economic consequences of the military conflict in Ukraine cannot be quantified, but the economic damage is expected to be significant, affecting multiple sectors of the economy, both in Bulgaria and the EU. Group’s management performed a review and analysis of activities, counterparties and economic relationships when specific items have been identified that expose the Group to significant risk. These assumptions have been taken into account in management's judgement regarding the recoverability of certain assets, considering the most reliable information available at the date of the estimates.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment on liability adequacy test **Notes 1.13 Recognition and measurement of insurance contracts, 1.31 Significant judgements by the management when applying the accounting policy. Uncertainties in the accounting estimates, 2.7 Claims development, 2.8 Liability adequacy test and 23 Insurance reserves**	
Key audit matter	**How our audit addressed the key audit matter**
At year-end 31 December 2021 insurance contract reserves of Euroins Insurance Group AD as disclosed in the consolidated financial statement at gross amount of BGN 1,430,936 thousand, which comprise 83 % of Groups' liabilities. The assessment of insurance reserves is a complex area that requires application of the professional judgment, using a set of statistical and mathematical methods and models required by the Group's accounting policies as well as regulatory requirements in different jurisdictions (insurance contract liabilities). Relevant accounting policies and critical judgements used by the management to determine assumptions that have the greatest effect on the measurement of insurance contracts are disclosed in Note 2 to the consolidated financial statements. In accordance with generally accepted practices in the insurance industry, the Group uses valuation models for the purpose of calculating insurance reserves. The complexity of the models could lead to errors resulting from inconsistent/incomplete data or inaccuracies in the application of the models themselves.	- We gained understanding and assessed whether selected key controls have been put in place and meet the operational efficiency requirements regarding the determination of insurance reserves. We analysed the actuarial methodology, the reliability of the data used in the actuarial valuations, as well as the assumptions and processes used by management, which are related to the valuation of insurance reserves. - - In this area, our audit procedures included, but were not limited to: - analysis and verification of the consistent application of the existing accounting policy for assessment and presentation of Group's insurance reserves in accordance with the requirements of IFRS, as adopted by EU and the applicable regulatory framework; - analysis of the changes in the accounting policy compared to prior periods for a specific subsidiary of the Group, as well as an assessment of the extent to which the change has led to a more appropriate presentation in the consolidated financial statements; - tests for the completeness and accuracy of the claims data used by Group's actuaries in the assessment of non-life insurance reserves; - assessment whether the methodology used is appropriate through a critical analysis of key assumptions and judgments; - analysis of the professional qualification, competence, experience and objectivity of the actuary responsible for the preparation of the assessment of the amount of insurance reserves and claims under insurance contracts; - our audit team also included members with appropriate actuarial qualifications and experience to verify and analyse the appropriateness of the key

Assessment on liability adequacy test Notes 1.13 Recognition and measurement of insurance contracts, 1.31 Significant judgements by the management when applying the accounting policy. Uncertainties in the accounting estimates, 2.7 Claims development, 2.8 Liability adequacy test and 23 Insurance reserves	
Key audit matter	**How our audit addressed the key audit matter**
The evaluation of insurance reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. This requires significant judgment regarding factors and assumptions such as claim development patterns and regulatory changes. Specifically, long-tail lines of business are generally more difficult to project and subject to greater uncertainties than short-tail ones. Liability adequacy test of the Group's insurance reserves is performed to confirm that they are adequate and sufficient in relation to expected future payments.	assumptions of the applied methodology for calculating insurance reserves, including the assessment of the adequacy of reserves; - performance of independent calculation of the expected development of claims in respect of selected lines of business, focusing on the largest and most uncertain non-life insurance reserves; assessment of the adequacy of the unexpired risks reserve and the reserve for incurred but not reported claims; assessment based on future development of the reserve for outstanding claims; - verification of the reliability of the test for adequacy of insurance reserves, made by management, which is the main test, which confirms that the reserves are sufficient to cover future payments; performance of reconciliation and testing of the data used in the actuarial models and the data in the accounting registers; - assessment of the completeness, appropriateness and adequacy of the disclosures in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual consolidated management report, including the corporate governance statement, prepared in accordance with Bulgarian Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the "Basis for Qualified Opinion" section of this report, we have not been able to obtain sufficient and appropriate audit evidence on the matters identified in this section. Accordingly, we are not in a position to conclude whether the other information does not contain material misstatement in relation to these matters.

Additional questions raised by the Accountancy Act

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon", regarding annual management report, including corporate governance statement we have performed the additional procedures contained in the "Guidelines regarding new and enhanced audit reports and communication by the auditor" of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

(a) the information in the consolidated management report is consistent with the consolidated financial statements for the same reporting period, on which we have issued qualified opinion in the section "Report on the Audit of the Consolidated Financial Statements" above;

(b) the consolidated management report is prepared in accordance with Chapter 7 of Bulgarian Accountancy Ac;

(c) as a result of the acquired knowledge and understanding of the activities of the Group and the environment in which it operates, we have found no cases of material misrepresentation in the consolidated management report, except for the effect of the matter described in section "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon" of "Report on the Audit of the Consolidated Financial Statements";

(d) The corporate governance statement for the financial year for which the consolidated financial statements have been prepared provides the information required by Chapter 7 of the Accounting Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Bulgarian Independent Financial Audit Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or economic activities within the Group to express opinion on the consolidated financial statements
- we are responsible for the direction, supervision and performance of the Group audit
- we are solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly liable for the performance of our joint audit and the issued joint auditors' opinion in accordance with the requirements of Bulgarian Independent Financial Audit Act. Upon acceptance and performance of the joint audit engagement on which we report, we have complied with the "Guidelines on performance of joint audit" issued by Bulgarian Institute of Certified Public Accountants and Bulgarian Commission for Public Oversight of Statutory Auditors.

Report on Other Legal and Regulatory Requirements

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

- Mazars OOD and Grant Thornton OOD were appointed as statutory auditor of the consolidated financial statements of Euroins Insurance Group AD for the year ended on 31 December 2021 by the general meeting of shareholders, held on 31.12.2021, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2021 has been made for fourth consecutive year, made by Mazars OOD
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2021 has been made for fist consecutive year, made by Grant Thornton OOD
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.

- We confirm that we remained independent of the Group in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Group in addition to the statutory audit.

For Mazars OOD
Audit firm №169
Sofia, 3 Moskovska str.

Athanasios Petropoulos Digitally signed by Athanasios Petropoulos Date: 2022.06.17 14:14:51 +03'00'

Athanasios Petropoulos
Procurator

Bogdanka Dimitrova Sokolova Digitally signed by Bogdanka Dimitrova Sokolova Date: 2022.06.17 14:28:28 +03'00'

Bogdanka Sokolova
Registered auditor responsible for the audit

For Grant Thornton OOD
Audit firm № 32
Sofia, 26 Cherny Vrah Blvd.

MARIY GEORGIEV APOSTOLOV Digitally signed by MARIY GEORGIEV APOSTOLOV Date: 2022.06.17 15:40:07 +03'00'

Mariy Apostolov
Managing partner

EMILIYA GEORGIEVA MARINOVA-LALEVA Digitally signed by EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2022.06.17 15:27:56 +03'00'

Emilia Marinova
Registered auditor responsible for the audit

Sofia
15 June 2022

This version of audit report is free translation from Bulgarian to English language of the audit report issued on 15 June 2022 upon the consolidated financial statements of Euroins Insurance Group AD as at 31 December 2021. The free translation of other information comprises only the annual consolidated management report but not the corporate governance statement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31

In thousand BGN	Notes	2021	2020 restated
Gross written premiums	4	1,367,460	914,365
Premiums ceded to reinsurers	4	(663,404)	(411,782)
Net written premiums		**704,056**	**502,583**
Change in the gross unearned premium reserve and unexpired risk reserve	4	(206,239)	(28,639)*
Change in reinsurers' share in the unearned premium reserve and unexpired risk reserve	4	264,188	8,523*
Net earned premiums		**762,005**	**482,467***
Fees and commissions income	5	104,123	83,411
Financial income	6	32,420	42,780
Other operating income	7	10,843	5,732*
Net income		**909,391**	**614,390***
Claims incurred, net of reinsurance	8	**(303,594)**	**(305,716)***
Acquisition costs	9	(324,484)	(212,742)
Administrative costs	10	(55,864)	(45,637)
Financial costs	11	(17,900)	(15,806)
Loss from equity accounted investments	19	(8,879)	(1,491)
Written off insurance receivables	20	(22,853)	(22,897)
Expected credit losses on financial assets	31	(11,376)	2,800
Other operating costs	12	(81,557)	(64,075)*
Operating profit/(loss)		**82,884**	**(51,174)***
Other net income/(expenses)	13	371	(1,011)
Profit/(loss) before tax		**83,255**	**(52,185)***
Income tax expenses	14	(3,905)	(2,781)
Net profit/(loss) for the year		**79,350**	**(54,966)***
Net (loss)/profit, attributable to:			
Owners of the Parent company		78,161	(54,566)
Non – controlling interest		1,189	(400)*

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 27.05.2022 and signed on 15.06.2022

Kiril Ivanov Boshov Digitally signed by Kiril Ivanov Boshov Date: 2022.06.17 13:49:41 +03'00'

Kiril Boshov
Executive Director

KATRIN MIHAYLOVA PETKOVA Digitally signed by KATRIN MIHAYLOVA PETKOVA Date: 2022.06.17 13:33:14 +03'00'

Katrin Petkova
Chief Accountant

Auditor's report issued by the joint auditors:

Mazars OOD, Audit firm No 169

Athanasios Petropoulos Digitally signed by Athanasios Petropoulos Date: 2022.06.17 14:15:40 +03'00'

Athanasios Petropoulos
Procurator

Bogdanka Dimitrova Sokolova Digitally signed by Bogdanka Dimitrova Sokolova Date: 2022.06.17 14:29:08 +03'00'

Bogdanka Sokolova
Registered auditor responsible for the audit

Grant Thornton OOD, Audit firm No 32

Mariy Apostolov
Manager

MARIY GEORGIEV APOSTOLOV Digitally signed by MARIY GEORGIEV APOSTOLOV Date: 2022.06.17 15:41:38 +03'00'

Emilia Marinova
Registered auditor responsible for the audit

EMILIYA GEORGIEVA MARINOVA-LALEVA Digitally signed by EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2022.06.17 15:29:46 +03'00'

The notes to the consolidated financial statements from pages 7 to 96 form an integral part of these consolidated financial statements. This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31 (CONTINUED)

In thousand BGN	**Notes**	**2021**	**2020 restated**
Net profit/(loss) for the year		**79,350**	**(54,966)***
Other comprehensive income subject to reclassification to profit or loss in subsequent periods:			
Exchange differences arising from the translation of a foreign operation		24,616	(10,788)
Revaluation of non-financial assets		2,942	992
Other comprehensive income/(loss) subject to reclassification to profit or loss in subsequent periods		**27,558**	**(9,796)**
Total comprehensive income/(loss) for the year		**106,908**	**(64,762)***
Total comprehensive income/(loss), attributable to:			
Owners of the Parent company		105,127	(64,222)*
Non – controlling interest		1,781	(540)*

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 27.05.2022 and signed on 15.06.2022

Kiril Ivanov Boshov Digitally signed by Kiril Ivanov Boshov Date: 2022.06.17 13:50:04 +03'00'

Kiril Boshov
Executive Director

KATRIN MIHAYLOVA PETKOVA Digitally signed by KATRIN MIHAYLOVA PETKOVA Date: 2022.06.17 13:33:44 +03'00'

Katrin Petkova
Chief Accountant

Auditor's report issued by the joint auditors:

Mazars OOD, Audit firm No 169

Athanasios Petropoulos Digitally signed by Athanasios Petropoulos Date: 2022.06.17 14:16:44 +03'00'

Athanasios Petropoulos
Procurator

Bogdanka Dimitrova Sokolova Digitally signed by Bogdanka Dimitrova Sokolova Date: 2022.06.17 14:29:38 +03'00'

Bogdanka Sokolova
Registered auditor responsible for the audit

Grant Thornton OOD, Audit firm No 32

MARIY GEORGIEV APOSTOLOV Digitally signed by MARIY GEORGIEV APOSTOLOV Date: 2022.06.17 15:43:29 +03'00'

Mariy Apostolov
Manager

EMILIYA GEORGIEVA MARINOVA-LALEVA Digitally signed by EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2022.06.17 15:31:14 +03'00'

Emilia Marinova
Registered auditor responsible for the audit

The notes to the consolidated financial statements from pages 7 to 96 form an integral part of these consolidated financial statements. This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31

In thousand BGN	Notes	As at 31.12.2021	As at 31.12.2020 restated	As at 01.01.2020 restated
Assets				
Goodwill	26.1	164,478	165,123	165,123
Intangible assets	15	4,982	3,296	2,542
Property, plant and equipment	16	32,974	32,071*	33,921
Investment properties	17	2,014	9,652	15,703
Financial assets	18	468,473	421,438	315,866
Investments in associate	19	986	6,457	7,947
Reinsurers'share in insurance reserves	23	1,084,982	712,921*	679,614*
Deferred tax assets	14	8,940	10,804	12,359
Insurance and reinsurance receivables	20	188,789	149,128	127,796
Receivables and other assets	21	49,062	40,057*	45,479*
Cash and cash equivalents	22	66,960	59,993	84,217
Total assets		**2,072,640**	**1,610,940***	**1,490,567***
Liabilities				
Insurance reserves	23	1,430,936	1,205,918*	1,135,910*
Insurance and reinsurance payables	24	119,368	42,810	26,193
Lease liabilities	16.1	22,149	21,818	23,740
Trade and other payables	25	62,923	55,661	37,113
Borrowings	26	44,177	22,654	10,124
Financial liabilities	27	2,372	2,302	1,924
Deferred tax liabilities	14	2	2	59
Total liabilities		**1,681,927**	**1,351,165***	**1,235,063***
Subordinated debt	26.1	**36,379**	**44,201**	**19,558**
Equity				
Share capital	28	576,243	543,446	502,396
Revaluation and other reserves		(2,142)	(5,480)	(7,096)
Foreign currency translation reserve		12,693	(11,425)	(793)
Accumulated loss		(238,415)	(315,007)*	(262,336)*
Total equity attributable to the owners of the Parent company		**348,379**	**211,534***	**232,171***
Non – controlling interest	30	5,955	4,040*	3,775*
Total equity		**354,334**	**215,574***	**235,946***
Total liabilities and equity		**2,072,640**	**1,610,940***	**1,490,567***

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 27.05.2022 and signed on 15.06.2022

Kiril Ivanov Boshov Digitally signed by Kiril Ivanov Boshov Date: 2022.06.17 13:50:29 +03'00'

Kiril Boshov
Executive Director

KATRIN MIHAYLOVA PETKOVA Digitally signed by KATRIN MIHAYLOVA PETKOVA Date: 2022.06.17 13:34:31 +03'00'

Katrin Petkova
Chief Accountant

Auditor's report issued by the joint auditors:

Mazars OOD, Audit firm No 169

Athanasios Petropoulos Digitally signed by Athanasios Petropoulos Date: 2022.06.17 14:17:28 +03'00'

Athanasios Petropoulos
Procurator

Bogdanka Dimitrova Sokolova Digitally signed by Bogdanka Dimitrova Sokolova Date: 2022.06.17 14:32:14 +03'00'

Bogdanka Sokolova
Registered auditor responsible for the audit

Grant Thornton OOD, Audit firm No 32

MARIY GEORGIEV APOSTOLOV Digitally signed by MARIY GEORGIEV APOSTOLOV Date: 2022.06.17 15:44:48 +03'00'

Mariy Apostolov
Manager

EMILIYA GEORGIEVA MARINOVA-LALEVA Digitally signed by EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2022.06.17 15:32:43 +03'00'

Emilia Marinova
Registered auditor responsible for the audit

The notes to the consolidated financial statements from pages 7 to 96 form an integral part of these consolidated financial statements. This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31

In thousand BGN	Notes	2021	2020 restated
***Operating activities**			
Profit/(loss) before tax		83,255	(52,185)*
Increase /(Decrease) of insurance reserves, net of reinsurance		(147,043)	36,701
Impairment on receivables		22,853	22,927
Depreciation and amortization costs (including on RoU assets)		7,870	7,727
Revaluation of investments carriet at fair value, incl. investment properties,net		7,431	(2,185)
Gain on purchase of investments in subsidiaries		-	(4,269)
Gain on sales of investments		(2,176)	(2,212)
Other revaluations, net		-	(738)
Impairment loss on investment in associate		8,879	1,491
Other non-cash effects		8,860	505
Net investment income		(2,361)	(8,372)
Net cash flows from operating activities before changes in assets and liabilities		**(12,432)**	**(610)***
Decrease / (Increase) in receivables		(47,401)	(25,626)
(Decrease) / Increase in payables		97,920	33,249*
***Net cash flows from operating activities**		**38,087**	**7,013***
Investing activities			
Acquisition of financial assets		(44,955)	(97,373)
Acquisition of property, plant and equipment, net		(9,505)	5,995*
Gain/(loss) of sale of property, plant and equipment		-	(6,884)
Loans (granted) / repaid, net		(22,696)	(15,182)
Net cash flow from acquisition of subsidiaries		-	(3,433)
Interest and dividents received, net		39	14
Net cash flows from investing activities		**(77,117)**	**(116,863)***
Financing activities			
Increase in equity		32,797	41,050
Increase/(Decrease) in borrowings		13,701	31,928
Cashflows resulting from business combination		-	12,778
Net cash flow from financing activities		**46,498**	**85,756**
Net increase/(decrease) in cash and cash equivalents		7,468	(24,094)
Exchange losses on cash and cash equivalents		(501)	(130)
Cash and cash equivalents at the beginning of the year	22	59,993	84,217
Cash and cash equivalents at the end of the year	22	**66,960**	**59,993**

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 27.05.2022 and signed on 15.06.2022

Kiril Ivanov Boshov Digitally signed by Kiril Ivanov Boshov Date: 2022.06.17 13:50:59 +03'00'

Kiril Boshov
Executive Director

KATRIN MIHAYLOVA PETKOVA Digitally signed by KATRIN MIHAYLOVA PETKOVA Date: 2022.06.17 13:35:11 +03'00'

Katrin Petkova
Chief Accountant

Auditor's report issued by the joint auditors:

Mazars OOD, Audit firm No 169

Athanasios Petropoulos
Procurator

Athanasios Petropoulos Digitally signed by Athanasios Petropoulos Date: 2022.06.17 14:18:50 +03'00'

Bogdanka Sokolova
Registered auditor responsible for the audit

Bogdanka Dimitrova Sokolova Digitally signed by Bogdanka Dimitrova Sokolova Date: 2022.06.17 14:32:59 +03'00'

Grant Thornton OOD, Audit firm No 32

Mariy Apostolov
Manager

MARIY GEORGIEV APOSTOLOV Digitally signed by MARIY GEORGIEV APOSTOLOV Date: 2022.06.17 15:46:14 +03'00'

Emilia Marinova
Registered auditor responsible for the audit

EMILIYA GEORGIEVA MARINOVA-LALEVA Digitally signed by EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2022.06.17 15:34:30 +03'00'

The notes to the consolidated financial statements from pages 7 to 96 form an integral part of these consolidated financial statements. This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31

In thousand BGN	**Share capital**	**Revaluation and other reserves**	**Foreign currency translation reserve**	**Accumulated loss**	**Total equity attributable to the Group**	**Non – controlling interest**	**Total equity**
Balance as at January 1, 2020	**502,396**	**(7,096)**	**(793)**	**(103,495)**	**391,012**	**6,158**	**397,170**
Change in accounting policy	-	-	-	(158,841)	(158,841)	(2,383)	(161,224)
Balance as at January 1, 2020, restated	**502,396**	**(7,096)**	**(793)**	**(262,336)**	**232,171**	**3,775**	**235,946**
Loss for the year	-	-	-	(54,566)	(54,566)	(400)	(54,966)
Loss from exchange differences arising from the translation of a foreign operation, net	-	-	(10,632)	-	(10,632)	(156)	(10,788)
Revaluation of non-financial assets	-	976	-	-	976	16	992
Total comprehensive income/(loss)	-	976	(10,632)	(54,566)	(64,222)	(540)	(64,762)
Transactions with owners:							
Increase in equity	41,050	-	-	-	41,050	-	41,050
Capital reserves	-	640	-	-	640	55	695
Other transactionst	-	-	-	1,895	1,895	750	2,645
Total transactions with owners	41,050	640	-	1,895	43,585	805	44,390
Balance as at December 31, 2020, restated	**543,446**	**(5,480)**	**(11,425)**	**(315,007)**	**211,534**	**4,040**	**215,574**

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 27.05.2022 and signed on 15.06.2022

Kiril Ivanov Boshov Digitally signed by Kiril Ivanov Boshov Date: 2022.06.17 13:51:29 +03'00'

Kiril Boshov
Executive Director

KATRIN MIHAYLOVA PETKOVA Digitally signed by KATRIN MIHAYLOVA PETKOVA Date: 2022.06.17 13:35:40 +03'00'

Katrin Petkova
Chief Accountant

Auditor's report issued by the joint auditors:

Athanasios Petropoulos Digitally signed by Athanasios Petropoulos Date: 2022.06.17 14:20:02 +03'00'

Mazars OOD, Audit firm No 169
Athanasios Petropoulos
Procurator

Bogdanka Dimitrova Sokolova Digitally signed by Bogdanka Dimitrova Sokolova Date: 2022.06.17 14:30:14 +03'00'

Bogdanka Sokolova
Registered auditor responsible for the audit

Grant Thornton OOD, Audit firm No 32
Mariy Apostolov
Manager

MARIY GEORGIEV APOSTOLOV Digitally signed by MARIY GEORGIEV APOSTOLOV Date: 2022.06.17 15:48:16 +03'00'

EMILIYA GEORGIEVA MARINOVA-LALEVA Digitally signed by EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2022.06.17 15:35:52 +03'00'

Emilia Marinova
Registered auditor responsible for the audit

The notes to the consolidated financial statements from pages 7 to 96 form an integral part of these consolidated financial statements.

This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, FOR THE YEAR ENDED DECEMBER 31

In thousand BGN	**Share capital**	**Revaluation and other reserves**	**Foreign currency translation reserve**	**Accumulated loss**	**Total equity attributable to the Group**	**Non – controlling interest**	**Total equity**
Balance as at January 1, 2021	**543,446**	**(5,480)**	**(11,425)**	**(315,007)**	**211,534**	**4,040**	**215,574**
Profit for the year	-	-	-	78,161	78,161	1,189	79,350
Gains from exchange differences arising from the translation of a foreign operation, net	-	-	24,118	-	24,118	498	24,616
Revaluation of non-financial assets	-	2,848	-	-	2,848	94	2,942
Total comprehensive income	**-**	**2,848**	**24,118**	**78,161**	**105,127**	**1,781**	**106,908**
Transactions with owners:							
Increase in equity	32,797	-	-	-	32,797	-	32,797
Other transactions	-	490	-	(1,569)	(1,079)	134	(945)
Total transactions with owners	32,797	490	-	(1,569)	31,718	134	31,852
Balance as at December 31, 2021	**576,243**	**(2,142)**	**12,693**	**(238,415)**	**348,379**	**5,955**	**354,334**

These consolidated financial statements are approved by the Board of the Directors of Euroins Insurance Group AD on 27.05.2022 and signed on 15.06.2022

Kiril Ivanov Boshov Digitally signed by Kiril Ivanov Boshov Date: 2022.06.17 13:52:03 +03'00'

Kiril Boshov
Executive Director

KATRIN MIHAYLOVA PETKOVA Digitally signed by KATRIN MIHAYLOVA PETKOVA Date: 2022.06.17 13:36:02 +03'00'

Katrin Petkova
Chief Accountant

Auditor’s report issued by the joint auditors:

Mazars OOD, Audit firm No 169

Athanasios Petropoulos
Procurator

Athanasios Petropoulos Digitally signed by Athanasios Petropoulos Date: 2022.06.17 14:20:55 +03'00'

Bogdanka Sokolova
Registered auditor responsible for the audit

Bogdanka Dimitrova Sokolova Digitally signed by Bogdanka Dimitrova Sokolova Date: 2022.06.17 14:30:45 +03'00'

Grant Thornton OOD, Audit firm No 32

Mariy Apostolov
Manager

MARIY GEORGIEV APOSTOLOV Digitally signed by MARIY GEORGIEV APOSTOLOV Date: 2022.06.17 15:50:17 +03'00'

Emilia Marinova
Registered auditor responsible for the audit

EMILIYA GEORGIEVA MARINOVA-LALEVA Digitally signed by EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2022.06.17 15:37:30 +03'00'

The notes to the consolidated financial statements from pages 7 to 96 form an integral part of these consolidated financial statements.

This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1. General information about the Group

Euroins Insurance Group AD ("The Parent company", "The Group" "EIG" or "EIG AD") is a joint-stock company, registered under company file No. 1302/2007 in Sofia City Court, unified identification code (UIC) 175394058, with with headquarters and legal address 43, Christopher Columbus Blvd., 1592, Sofia, Bulgaria.

Main activities of the Parent company includes: acquisition, management, evaluation and sale of shareholdings in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, granting licenses for using patents to companies it has a shareholding in; funding of companies it has a shareholding in.

The Parent company of The Group is Eurohold Bulgaria AD, with a registered and managment address 43, Christopher Columbus Blvd., 1592, Sofia, Bulgaria. The ultimate owner is the company Starcom Holding AD, registered in the Republic of Bulgaria.

The Parent company is managed by a Board of Directors consisting of the following members (with a mandate until June 30, 2023):

- Jeroen van Leeuwen
- Assen Milkov Christov
- Kiril Ivanov Boshov

On July 16, 2020, at an extraordinary general meeting of Euroins Insurance Group AD, a decision was taken to dismiss Karri Juhana Mäkitalo from the position of a member of the Board of Directors. The decision was entered on July 24, 2020 in the Commercial Register and the register of non-profit legal entities at the Registry Agency.

On October 10, 2020, at an extraordinary general meeting of Euroins Insurance Group AD, a decision was taken to dismiss Dominique Victor François Joseph Bauduin from the position of a member of the Board of Directors. The decision was entered on February 24, 2021 in the Commercial Register and the register of non-profit legal entities at the Registry Agency.

The Parent company is represented by Mr. Kiril Ivanov Boshov.

The Group operates in many international markets, with detailed information on each subsidiary presented in Note 1.2 "Economic group structure" and information on the geographical regions where it operates is presented below:

- Republic of Bulgaria- trough three of its subsidiaries (IC Euroins AD, IC Euroins Life EAD and IC EIG Re EAD);
- Republic of Romania- trough its subsidiary Euroins Romania Asigurare-Reasigurare S.A;
- Republic of North Macedonia- through its subsidiary Euroins Osiguruvanje AD;
- Republic of Ukraine- through its two subsidiaries (PrJSC IC Euroins Ukraine and PrJSC European Travel Insurance);
- Republic of Georgia- through its subsidiary IC Euroins Georgia JSC;
- Republic of Belarus – trough its subsidiary CJSC IC Euroins;
- Russian Federation – trough its participation in associate – RCO Euroins Russia
- Republic of Greece- The Group, through its subsidiary IC Eurois AD operates in the Republic of Greece through a branch (effective from February 1, 2019) on the basis of the principle of Freedom of Establishment. Until January 31, 2019, before the start of the operations of the branch in the Republic of

Greece, through its subsidiary – IC Euroins AD operated on the principle of Freedom of Services;
- Republic of Poland - The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- Republic of Italy- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- Republic of Germany- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- Republic of Spain- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- United Kingdom- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services;
- Kingdom of Netherlands- The Group, through its subsidiary IC Euroins AD operates on the principle of Freedom of Services.

1.2. Economic group structure

Euroins Insurance Group AD is a holding joint-stock company.

Subsidiaries

As at December 31, 2021 and December 31, 2020 Euroins Insurance Group AD owns controlling interest in the following subsidiaries:

	Scope of activity	**Country**	**As at 31.12.2021 Share**	**As at 31.12.2020 Share**
IC Euroins AD	Insurance	Bulgaria	98.63%	98.63%
Euroins Romania Asigurare-Reasigurare S.A.	Insurance	Romania	98.51%	98.51%
Euroins Osiguruvanje AD	Insurance	North Macedonia	93.36%	93.36%
IC Euroins Life EAD	Insurance	Bulgaria	100.00%	100.00%
IC EIG Re EAD	Insurance	Bulgaria	100.00%	100.00%
PrJSC IC Euroins Ukraine	Insurance	Ukraine	92.62%	92.62%
PrJSC European Travel Insurance	Insurance	Ukraine	99.99%	99.99%
IC Euroins Georgia JSC	Insurance	Georgia	50.04%	50.04%
Euroins Claims I.K.E.	Insurance	Greece	100.00%	100.00%
CJSC IC Euroins Belarus	Insurance	Belarus	100.00%	93.12%

Associates

As at December 31, 2021 and December 31, 2020 Euroins Insurance Group AD owns associate participation in the following entities:

This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

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	Scope of activity	Country	As at 31.12.2021 Share	As at 31.12.2020 Share
OOO RZD Euroins Russia	Insurance	Russia	48.61%	48.61%

Insurance Company Euroins AD

The control over IC Euroins AD was acquired through an in-kind contribution from Eurohold Bulgaria AD in the share capital of Euroins Insurance Group AD.

In 2015 the share capital of IC Euroins AD was increased by BGN 5,659 thousand through a cash contribution.

In 2017 the share capital of the subsidiary was increased by BGN 16,000 thousand through a cash contribution.

On January 21, 2020, as a part of the capital restructuring plan of IC Euroins AD, approved by the Financial Supervision Commission, an increase of the share capital of the Company was reported in the Bulgarian Commercial Register. The increase was amounting to BGN 8,700 thousand and was a result of repayment of the existing subordinated debt amounting to BGN 8,500 thousand on January 13, 2020.

As at December 31, 2020, the share capital of IC Euroins AD amounts BGN 40,970,000, distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the share capital.

As at December 31, 2021, the share capital of IC Euroins AD amounts BGN 40,970,000, distributed in 40,970,000 shares, as Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the share capital.

Euroins Romania Asigurare-Reasigurare S.A.

The acquisition of the investment in Euroins Romania Asigurare-Reasigurare S.A. resulted from an in-kind contribution of shares of Euroins Romania Asigurare-Reasigurare S.A. made by Eurohold Bulgaria AD in 2008 in the share capital of Euroins Insurance Group AD.

In 2015, Euroins Insurance Group AD made a cash contribution of BGN 34,860 thousand in the share capital of Euroins Romania Asigurare-Reasigurare S.A. in a relation to a voted resolution for an increase of the capital of the subsidiary.

In 2016 Euroins Insurance Group made a cash contribution of BGN 95,596 thousand in the share capital of Euroins Romania Asigurare-Reasigurare S.A.

In 2018, Euroins Insurance Group AD increased its investment with BGN 10,366 thousand.

At the end of September 2020, the Company received a decision №. 1137 / 29.09.2020, whereby the Romanian financial regulator imposed a fine of RON 1.5 million and required the submission of two plans: a Short-Term Financing Plan and a Long-Term Recovery Plan. Through these plans, Euroins Insurance Group AD adopts a financial support package consisting of: a) subordinated debt, paid on June 26, 2020 in the amount of EUR 5.5 million, respectively RON 27 million; (b) subordinated debt provided by a contract signed on 29 June 2020 in the amount of EUR 10 million, respectively RON 48.7 million and (c) a capital increase, (Extraordinary General Meeting of Shareholders on September 17, 2020) in the amount of RON 50 million. On December 3, 2020 Euroins

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Insurance Group AD decided to convert the two subordinated debts totally amounting to RON 75.7 million, as well as the calculated, but unpaid interest amounting to RON 0.8 million as at September 30, 2020 into equity. With Decision 342/March 11,2021, the capital increase of RON 50 million was approved by the local financial regulator.

In 2021, the parent company has provided two more unsecured subordinated debt, as follows: principal – EUR 8 mln. with maturity date no earlier than 5 years and with annual interest rate – 9,75%; principal – EUR 1,062 thousand with maturity date no earlier than 5 years and with annual interest rate – 7%. The borrowings are capitalized.
The short-term financing plan was approved with Decision 1469/December 14,2020 and was fully implemented within the deadline imposed by the decision of the Romanian Financial Regulator. The long-term recovery plan was adopted with Decision 22/January 07, 2021 and contains measures and actions in almost all areas at activity of the Company, which will lead to efficiency and profitability. The company challenged Decision 1137/ 29.09.2020 of the Romanian Financial Regulator in court, opening a lawsuit against it.

Euroins Romania participated in the Balance Sheet Review (BSR) conducted for the Romanian insurance market, with a reference date of June 30, 2020. The appointed consultant for Euroins Romania was PricewaterhouseCoopers, which issued its report at the end of December 2021. After the reference date of June 30, 2020, Euroins Insurance Group made successful efforts to strengthen the financial condition of the Company. As a result, subsequent events after the BSR reference date have a significant effect not only on the reversal of the adjustments included in the BSR report and the implementation of the recommendations set out therein, but also on the adoption of stand-alone capital increase measures.

The capital and liquidity measures to increase own funds independently, without taking into account the impact of subsequent events of the Company after the reference date of the review, are summarized below:

Period	**Measure**	**Total increase (RON)**
June-August 2020	Capital increase	76,000,000
December 2020	Capital increase	50,000,000
July-August 2021	Sub debt	40,000,000
September 2021	Capital increase	120,000,000
September 2021	Sub Debt	5,000,000
Total		291,000,000

On September 30, 2021, the Board of Directors of EIG AD decided to participate in a procedure to increase the capital of Euroins Romania by subscribing all 12,000,000 shares against payment of EUR 24,256,636. The amount was paid in October 2021.

As at December 31, 2021 the participation of EIG in the share capital of the Company is 98.51% (December: 31, 2020: 98.51%).

Euroins Osiguruvanje AD, North Macedonia

The investment in Euroins Osiguruvanje AD was carried out in 2008.

In 2013 Euroins Insurance Group AD participated in the share capital increase of Euroins Osiguruvanje AD with a cash contribution amounting to BGN 732 thousand.

In 2021 and 2020, there was no change in the EIG's shareholding in the subsidiary and as at December 31, 2021 it is 93.36% (December 31, 2020: 93.36%).

Insurance Company Euroins Life EAD

In 2013 Euroins Insurance Group acquired 100% of the capital of Interamerican Bulgaria Life Insurance EAD, and renamed to IC Euroins Life EAD.

On February 27, 2020, as a part of the capital restructuring plan of IC Euroins Life EAD, approved by the Financial Supervision Commission, an increase of the capital of the Company was submited in the Bulgarian Commercial Register. The increase was amounting to BGN 1,250 thousand. Thus, the share capital of IC Euroins Life EAD is amounting to BGN 11,375,070 distributed in 1,137,507 shares, with a par value of BGN 10 each.

There is no change in the participation in the subsidiary in 2021, as well as in 2020 and Euroins Insurance Group continues to hold 100.00% of the share capital of IC Euroins Life EAD.

On September 1, 2021 the Board of Directors of EIG AD decided to simultaneously reduce and increase the capital of the Company. The capital is reduced by BGN 4,550,028 by reducing the nominal value of the shares by BGN 4 in order to cover accumulated losses from previous years. The price of 1 share becomes BGN 6. The capital is increased by BGN 720,000 by issuing 120,000 shares with a nominal value of BGN 6. The new shares will be subscribed by EIG AD within 9 months of the decision. The registered capital of the Company after the execution of the decision will become BGN 7,545,042 distributed in 1,257,507 ordinary dematerialized registered shares with a par value of BGN 6. As at December 31, 2021 the decision of the Board of Directors of EIG AD has not been put into effect.

Insurance Company EIG Re EAD (former HDI Zastrahovane AD) and Euroins - Health Insurance ZEAD

The control over Euroins - Health Insurance ZEAD was acquired by Euroins Insurance Group AD in 2008. As at December 31, 2016 the participation of EIG in the share capital of Euroins - Health Insurance ZEAD was 100.00%.

In 2015, EIG acquired 94% of the capital of HDI Zastrahovane AD. In 2016 the name of HDI Zastrahovane AD was changed to Insurance Company EIG Re AD. In addition, the remaining 6% of the share capital were acquired and EIG became the sole owner of the Company. In 2016 the capital of IC EIG Re EAD was increased by BGN 4,000 thousand.

On June 27, 2017, the Commercial Register registered the merger of Euroins - Health Insurance ZEAD into IC EIG Re EAD. As a result, Euroins - Health Insurance ZEAD was dissolved without liquidation and IC EIG Re EAD became its universal successor. As at December 31, 2019 and December 31, 2018 Euroins Insurance Group holds 100% of the share capital of IC EIG Re EAD.

On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of IC EIG Re EAD with BGN 600 thousand, while IC EIG Re EAD should fully repay the subordinated term debt in the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full.

On February 28, 2020 an increase of the capital of IC EIG Re EAD was reported, which was a part of the capital

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restructuring plan of IC EIG Re EAD approved by the Financial Supervision Commission. After the transaction, the share capital of the subsidiary is amounting to BGN 19,112,000 distributed in 19,112,000 shares with a par value of BGN 1 each.

On September 1, 2021 the Board of Directors of EIG AD decided to reduce the capital by invalidating the shares of the Company in order to cover the accumulated losses. The term for implementation of the decision is 9 months. After the execution of the decision the capital of EIG RE will be reduced by BGN 7,212,773 and from 19,112,000 will become BGN 11,899,227. As at December 31, 2021 the decision of the Board of Directors of EIG AD has not been put into effect.

There is no change in the participation in the subsidiary in 2021, as well as in 2020 and Euroins Insurance Group continues to hold 100.00% of the share capital of IC EIG Re EAD.

PrJSC Insurance Company Euroins Ukraine (former PJSC IC HDI Strakhuvannya)

On July 29, 2016, the Commission for the State Regulation of the Financial Markets in Ukraine issued its approval for the transaction on the acquisition of the public joint-stock company Insurance Company HDI Strakhuvannya by EIG . By resolution of the General Meeting of Shareholders, the Company changed its name from September 30, 2016. The new name is the Public Joint Stock Company „Insurance Company Euroins Ukraine“, which was changed again in 2017 as a result of legislative changes, to Private Joint-Stock Company „Insurance company Euroins Ukraine“.

In 2018, EIG increased its investment in PrJSC IC Euroins Ukraine with BGN 1,975 thousand, and as at December 31, 2018 EIG's participation amounted to 98.36%.

In 2019, PrJSC European Travel Insurance bought from EIG AD 5.74% of its share in PrJSC Insurance Company Euroins Ukraine for EUR 410 thousand. EIG AD made an additional capital contribution for the same amount, keeping that way the amount of its investment, but decreases its share and as at December 31, 2019 the share of Euroins Insurance Group in the capital of PrJSC Insurance Company Euroins Ukraine is 92.62%.

In 2021, Euroins Ukraine launched a procedure to increase capital by issuing new 525,654,175 shares with a total value of UAH 5,256,541.75. EIG AD participated in the increase by subscribing 495,654,175 shares. After the increase, EIG AD will own 7,222,249,700 shares worth UAH 72,272,497. This is approximately 92.73% of the Company's capital. The capital increase was registered on January 13, 2022.

As of December 31, 2021, Euroins Insurance Group continues to hold 92.62% of the share capital of PrJSC Insurance Company Euroins Ukraine and PrJSC European Travel Insurance holds 5.74%

PrJSC European Travel Insurance

On February 26, 2018, the Board of Directors of Euroins Insurance Group decided that the Company is to acquire 99.99% of the share capital of a Private joint-stock company "European Travel Insurance", Ukraine, and the Share-Purchase agreement was signed on April 13, 2018. The transaction was completed on October 1, 2018, and the value of the investment amounted to BGN 2,454 thousand. The participation of Euroins Insurance Group in the Company's capital as at December 31, 2019 is 99.99% (December 31, 2018: 99.99%).

There is no change in the participation in the subsidiary in 2021 and Euroins Insurance Group continues to hold 99.99% of the share capital of PrJSC European Travel Insurance.

Insurance Company Euroins Georgia JSC (former Insurance company IC Group AD)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On March 22, 2018, the Board of Directors of Euroins Insurance Group decided to acquire 50.00002% of the share capital of Insurance company IC Group JSC and the Share-Purchase agreement was signed on June 22, 2018. The transaction was finalized on October 23, 2018. The value of the transaction was BGN 3,227 thousand. On October 31, 2018, the Company's new name, “Insurance Company Euroins Georgia” JSC was registered in the Commercial Register of Georgia. After the completed in the end of the year capital increase amounting to BGN 587 thousand, fully subscribed by Euroins Insurance Group, the participation of EIG as at 31 December 2018 amounted to 50.037%.

There is no change in the participation in the subsidiary in 2021, as well as in 2020 and Euroins Insurance Group continues to hold 50.037% of the share capital of Insurance Company Euroins Georgia JSC.

On January 28, 2022, the Board of Directors of EIG AD decided to participate in a capital increase procedure by acquiring 329,939 shares with a total value of GEL 1,501,222.45, as disclosed in Note 37 "Events after the end of the reporting period".

Euroins Claims I.K.E., Greece

In 2018, Euroins Insurance Group acquired 66% of Euroins Claims I.K.E., a Company registered in Greece and established to administer the liquidation of insurance claims arising under policies issued by the IC Euroins AD, Branch Greece. The amount of the investment was BGN 6 thousand. In 2019 Euroins Insurance Group acquired the remaining 34% of Euroins Claims I.K.E and as at December 31, 2019 owns 100% of the share capital.

There is no change in the participation in the subsidiary in 2021 and Euroins Insurance Group continues to hold 100.00% of the share capital of Euroins Claims I.K.E., Greece.

CJSC IC Euroins, Belarus

Euroins Insurance Group AD acquired 93.12% of CSCJ ERGO Insurance Company Belarus on April 29, 2020. The amount of the investment amounts to BGN 3,433 thousand.

On January 2, 2021, the General Assembly of CJSC Insurance Company Euroins, Belarus adopted a decision to invalidate the owned own shares (1,448 shares) and to reduce the capital accordingly. On February 11, 2021 the Ministry of Finance of Belarus registered the capital decrease, Euroins Insurance Group AD became the sole owner of the capital of CJSC "ERGO" Insurance Company Belarus.

OOO RZD Euroins Russia

By a decision dated September 25, 2017, the Board of Directors of Euroins Insurance Group AD decided to acquire 14,144% of the capital of OOO RZD Euroins (OOO Russian Insurance Company Euroins). In execution of the decision 12,502 thousand rubles were transferred.

By a decision dated October 16, 2017, the Board of Directors of Euroins Insurance Group decided to participate in a procedure to increase the capital of Euroins Russia. On December 21, 2017, 80,000 thousand rubles were transferred in pursuance of this decision. As at December 31, 2017 the investment is presented as part of the financial assets of the company, as there is no significant impact on the activities of OOO RZD Euroins.

In 2018, the remaining 30,000 thousand rubles were transferred under a 2017 share purchase agreement. A contract for purchase and sale of shares has been concluded, with a call option included. The price of the premium paid for the acquisition of this call option is presented as part of the cost of the investment, as it does not meet the definition of a financial instrument under IFRS 9.

On December 27, 2018, a contribution was made in connection with the decision to increase the capital in the amount of 80,000 thousand rubles for the acquisition of 121,500 thousand shares. As at December 31, 2018, the increase is not entered in the commercial register.

In 2019, a contribution was made in connection with the decision to increase the capital in the amount of 41,500 thousand rubles. The amount of the investment in Euroins Russia as at December 31, 2019 is BGN 7,487 thousand (as at December 31, 2018 BGN 6,070 thousand) as Euroins Insurance Group AD holds 244,002,300 shares (as at December 31, 2018: 122,502,300 shares) or 48.61% (as at December 31, 2018: 32.20%) of the capital of Euroins Russia.

In 2021 EIG AD made an additional contribution to the capital of OOO RZD Euroins Russia in the amount of EUR 781 thousand, thus the amount of the investment increased to BGN 9,014 thousand.

In 2021 and 2020 there is no change in the share of Euroins Insurance Group AD in OOO RZD Euroins Russia.

1.3. Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards, issued and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS, adopted by EU). Pursuant to the provisions of para. 1 (8) of the Addtiional Provisions of the Accountancy Act, applicable in Bulgaria, the term "IFRS, adopted by the EU" are the International Accounting Standards (IAS), adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements are presented in Bulgarian levs (BGN), which is the functional currency of the Parent company. All amounts are in thousands of BGN (thousand BGN) (including comparative information for 2020), unless otherwise is stated.

The consolidated financial statements are prepared under the going concern principle.

As at December 31, 2020, the equity belonging to the owners of the Group is below the registered capital of the parent company by BGN 331,912 thousand. In 2021, the Group’s management has taken measures for recovery the ratio between registered capital and equity as per the requirements of Art. 252 of the Commercial Law.
In September 29, 2021 the General Meeting of Shareholders decided to simultaneously reduce and increase the capital of EIG AD by invalidating 19,229,057 ordinary shares worth BGN 524,216,734 and increasing it to 576,242,734 shares by issuing new 52,026,000 ordinary shares with a nominal and issue value of BGN 1.

As at December 31, 2021 the equity belonging to the owners of the Group continues to be below the registered capital of the parent company by BGN 227,864 thousand. For the reporting period of 2021 the Group generated a profit of BGN 79,350 thousand and a positive cash flow from operating activities in the amount of BGN 38,087 thousand. The Group's management will continue to make efforts to maintain and strengthen financial stability and ensure the solvency of the Group's companies. Forecasts and budgets for future development have been prepared in accordance with the current economic situation, which show that the Group will continue its activities as a going concern based on the available information for the foreseeable future.

As at the date of the preparation of these consolidated financial statements, the management has made an assessment of the Group's ability to continue its activities as a going concern based on available information for the foreseeable future. Following the review of the Group's operations, the Board of Directors have a reasonable expectation that the Group has sufficient financial resources to continue its operations in the foreseeable future and continues to adopt the going concern principle in preparing its consolidated financial statements.

1.4. Changes in accounting policies

(a) New and amended standards adopted by the Group:

The Group has applied the following standards and amendments for the first time for its annual reporting period beginning on January 1, 2021:
• Amendments to IFRS 4 Insurance Contracts - Postponement of IFRS 9 effective from January 1, 2021, adopted by the EU.
The amendments delayed the date of initial application of IFRS 17 by two years, i.e. for annual periods beginning on or after January 1, 2023 and a change in the fixed expiry date of the temporary exemption in IFRS 4 Insurance Contracts from the Application of IFRS 9 Financial Instruments so that companies are required to apply IFRS 9 for annual periods beginning on or after January 1, 2023
• Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 Reform of Reference Interest Rates - Phase 2 effective from January 1 2021, adopted by the EU. The amendments include elements that affect financial reporting after the reference interest rate reform, including its replacement by alternative reference interest rates. The published amendments address issues that may affect financial reporting when the existing reference interest rate is actually replaced.
• Amendments to IFRS 16 Leasing: Covid-19 Lease Reductions after June 30, 2021, effective from April 1, 2021, adopted by the EU.
The May 2020 amendment, which granted lessees an exemption from the need to treat the Covid-19 rental discount as a modification of the lease, will now be applicable until June 30, 2022. The changes to the Covid-19 reductions of rents after June 30, 2021 are aimed at:
- allow lessees to apply the practically appropriate measure to reductions in Covid-19-related rents, in particular payments initially due on or before June 30, 2021.
- require lessees applying the amendment to do so for annual financial periods beginning on or after April 1, 2021.
- lessees applying the amendment to do so retrospectively, recognizing the cumulative effect of the initial application of the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, if applicable) at the beginning of the annual reporting period. apply the amendment for the first time.
- indicate that during the reporting period in which the lessees first apply the amendment, they are not required to disclose the information required by paragraph 28 (e) of IAS 8.

Any changes in the adopted standards listed above do not have a material effect on amounts recognized in prior periods, nor are they expected to have a material effect on the current or future periods.

(b) New standards and interpretations not yet adopted by the Group:

As at the date of approval of these financial statements, new standards, amendments and interpretations to existing standards have been published, but have not entered into force for the financial year beginning on January 1, 2021 and have not been applied since an earlier date. The Group Management expects all standards and amendments to be adopted in the Group's accounting policy in the first period beginning after the effective date.

Information about these standards and amendments that have an impact on the Group's financial statements is presented below:
• IFRS 9 Financial Instruments - The amendment clarifies which fees an entity includes when applying the “10%” test in paragraph B3.3.6 of IFRS 9 when assessing whether to write off a financial liability. An enterprise includes

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only fees paid or received between the borrower and the lender, including fees paid or received by either the enterprise or the lender, on behalf of the other.

• IFRS 16 Leases - The amendment to IFRS 16 removes from the illustrative examples this example of the lessor's recovery of lease improvements to eliminate any potential confusion regarding the treatment of lease incentives that may arise due to the way in which the lease incentives leases are illustrated in this example.

• IFRS 17 “Insurance Contracts” effective from January 1, 2023, adopted by the EU
IFRS 17 replaces IFRS 4 Insurance Contracts. It allows a choice in recognizing changes in the discount rate or in profit or loss or other comprehensive income. The new rules will affect the financial statements and key indicators of all companies that issue insurance contracts. The standard requires the application of an ongoing valuation model, according to which estimates are reviewed during each reporting period. Contracts are valued using:

- discounted cash flows with weighted probabilities;
- explicit risk adjustment, and
- allowance for contracted services, representing the unrealized gain on the contract, which is recognized as income during the coverage period.

• Amendments to IAS 1 Presentation of Financial Statements and IFRS Statements for Annex 2: Disclosure of Accounting Policies Effective January 1, 2023, not yet adopted by the EU. Entities are required to disclose material information related to accounting policies instead of basic accounting policies. The amendments clarify that accounting policy information is material if users of the entity's financial statements need it to understand other material information in the financial statements and if the entity discloses non-material information about the accounting policy, that information should not prevail over material information. accounting policy information.
• Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective from 1 January 1, 2023, have not yet been adopted by the EU.
The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 that help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will help companies improve the quality of accounting policy disclosures so that the information is more useful to investors and other key users of the financial statements.
• Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information effective from January 1, 2023, not yet adopted by the EU.
The amendments concern the disclosure of comparative information on financial assets provided in the initial application of IFRS 17. The amendments are intended to help companies avoid temporary accounting inconsistencies between financial assets and insurance liabilities and therefore improve the usefulness of comparative information to consumers. financial statements.
IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences may result in temporary accounting mismatches between financial assets and insurance liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendments will help insurers avoid these temporary accounting inconsistencies and will therefore improve the usefulness of comparative information for investors through the ability to provide comparative information on financial assets.

The following new standards and amendments that have been published but have not entered into force and are not expected to have an effect on the Group's financial statements are:

• Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from January 1, 2022, adopted by the EU

• Amendments to IAS 12 Income Taxes: Deferred Taxes on Assets and Liabilities Arising from Single

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Transactions Effective January 1, 2023 Not yet Adopted by the EU

(c) New standards, interpretations and amendments not yet adopted by the EU:

• Amendments to IFRS 14 "Deferred Accounts at Regulated Prices" effective from January 1, 2016 have not yet been adopted by the EU.

(d) Changes of Group accounting policy

In 2021, the Romanian subsiduary has decided to make a change in its accounting policy in relation to the segmentation of homogeneous risk groups and the applied methodology for calculating the reserves for incurred but not reported claims on the groups thus formed. The Group's management has assessed that the change makes the financial statements more reliable and relevant to the needs for economic decision-making by users. Detailed information on the reported effects in the opening balances and transactions of the comparable reporting periods is presented in Note 35.

Accounting policy

1.5. General Provisions

The most significant accounting policies applied in the preparation of these consolidated financial statements are presented below.

The consolidated financial statements are prepared in accordance with the principles for evaluation of the different types of assets, liabilities, income and expenses under IFRS. The basis for evaluation are disclosed in detail in the accounting policy of the consolidated financial statements.

In preparation of these consolidated financial statements accounting estimates and assumptions were used. Althought, the estimates and related assumptions are based on information provided to the management as at the date of preparation of these consolidated financial statements, the actual results may differ from the estimates and assumptions made.

1.6. Presentation of the Consolidated Financial Statements

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements".

The Group decided the consolidated statement of profit or loss and other comprehensive income to be presented as single statement.

The Group presents its statement of financial position generally in terms of liquidity. An analysis of the recovery of assets or settlement of liabilities within twelve months after the statement of financial position (current) and more than 12 months after the date of the statement of financial position (non-current) is presented in Note 2.9.5.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when there is a legal right to offset the recognized amounts and when there is an intention to settle on a net basis or to realize assets and settle liabilities at the same time.

Income and expenses are not offset in the income statement and other comprehensive income unless permitted or permitted by a particular accounting standard or interpretation, as specifically disclosed in the Group's accounting policies.

In consolidated statement of financial position are presented two comparative periods, when the Group:
a) applies an accounting policy retrospectively;
b) makes a retrospective restatement of items in the consolidated financial statements; or
c) reclassifies items in the consolidated financial statements.
and when this has a material effect on the information in the consolidated statement of financial position as at the beginning of the earliest comparative period.

These consolidated financial statements contain two comparable reporting periods due to a change in the accounting policy of one of the companies in the Group, as disclosed in Notes 1.4 d and 35.

1.7. Basis for consolidation

The financial statements of the Group consolidate the financial statements of the parent and all subsidiaries as at December 31, 2020 and 2021. Subsidiaries are the companies, controlled by the Parent company. Control exists when the Parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All subsidiaries have a reporting period ending on 31 December.

All intragroup transactions and balances are eliminated, including unrealised gains and losses resulting from intercompany transactions within the Group. When unrealized losses resulting from intragroup sales of assets are eliminated, the respective assets are tested for impairment from Group's perspective. Amounts presented in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policy applied by the Group.

Profit or loss and other comprehensive income of subsidiaries that have been acquired or sold during the year are recognized from the acquisition date or, respectively, until the date of their disposal. In 2020, the Group has acquired 93.12% of the capital of CJSC IC Euroins, Belarus (former CJSC "ERGO" Insurance company, Belarus).

Non-controlling interest as part of the equity represents the proportional share of the net profit or loss and net assets of the subsidiary that are not held by the Group. The total comprehensive income or loss of the subsidiary is attributed to the owners of the Parent company and to the non-controlling interests on the basis of their relative interests in the subsidiary's equity.

If the Group loses control of a subsidiary, any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost, and the change in carrying amount is reflected in profit or loss. The fair value of any investment retained in the former subsidiary at the date of loss of control is considered a fair value at initial recognition of a financial asset in accordance with IFRS 9 "Financial Instruments" or, where appropriate, cost on initial recognition of an investment in an associate or a joint venture. In addition, all amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted on the same basis as would be required if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss, or transfered directly to retained earnings if required by the relevant IFRS).

The profit or loss from disposal of an investment in a subsidiary represents the difference between (i) the amount of the fair value of the consideration received and the fair value of any investment retained in the former subsidiary and (ii) the carrying amount of the assets (including goodwill) and liabilities of the former subsidiary and any non-controlling interest.

The group includes one subsidiary with a significant non-controlling interest (NCI):

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Name of the subsidiary	**Share of participation**		**Accumulated NCI**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Insurance Company Euroins Georgia JSC	50,04 %	50,04%	2,711	2,420

In 2021 and 2020, no dividends were paid to non-controlling interests.

The following is a summary of financial information for IC Euroins Georgia JSC before intragroup eliminations:

	31.12.2021	**31.12.2020**
	BGN'000	**BGN'000**
Current Assets	15,569	15,709
Total Assets	**15,569**	**15,709**
Non-current liabilities	391	1,552
Current liabilites	9,757	9,165
Total liabilities	**10,148**	**10,717**
Total equity attributable to the owners of the Parent company	**2,713**	**2,572**
NCI	**2,711**	**2,420**
Revenue	**13,633**	**16,400**
Profit/(loss) for the year, attributable to the owners of the Parent company	(205)	295
Profit/(loss) for the year, attributable to NCI	(204)	295
Profit/(loss) for the year	**(409)**	**590**
Net cash flow from operating activities	(551)	(47)
Net cash flow from investment activities	586	(41)
Net cash flow from financing activities	(353)	-
Net Cash Flow	**(318)**	**(88)**

1.8. Business Combinations

All business combinations are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of asset or liability resulting from a contingent consideration. The acquisition-related costs are accounted for as expenses in profit or loss in the periods in which the costs are incurred.

The purchase method involves recognition of the identifiable assets and liabilities of the acquiree, including contingent liabilities, regardless of whether they were recognized in the financial statements of the acquiree before the business combination. Upon initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair value which serves as a basis for subsequent measurement in accordance with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For each business combination, the Group measures any non-controlling interests in the acquiree that represents equity interests and entitles to a proportionate share of the entity's net assets in the event of liquidation, at either fair value, or the proportionate share of the equity interests in the recognised amounts of the acquiree's identifiable net assets. Other non-controlling interests are measured at their fair values, or, if applicable, on a basis specified in another IFRS.

Goodwill is recognised after recognition of all identifiable intangible assets. Goodwill is recognised as the excess of the aggregate of (a) acquisition-date fair value of the consideration transferred and (b) the amount of any non-controlling interest in the acquiree and (c) in a business combination achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquire, over the fair value of the identifiable net assets of the acquiree as at acquisition date. Any excess of the fair value of the identifiable net assets over the amount calculated above is recognized in profit or loss immediately after the acquisition.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value (i.e. the date control was obtained) and recognises the resulting gain or loss, if any, in profit or loss. The amounts that were recognised in other comprehensive income from equity interest in the acquiree before the date control was obtained are recognised on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition date, the Group retrospectively adjusts those provisional amounts or recognises additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognised as at that date.

Any contingent consideration due by the acquirer is recognised at acquisition-date fair value as part of the consideration transferred in exchange for the acquiree. Subsequent changes in the fair value of consideration recognised as asset or liability are recognised in accordance with the requirements of IFRS 9 "Financial Instruments" either in profit or loss, or as an adjustment in other comprehensive income. If contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity. Changes in the fair value of the contingent consideration, which represent provisional amounts during the measurement period, are booked retrospectively in goodwill.

1.9. Transactions with non-controlling interests

Changes in a Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary are treated as transactions with owners of the Group. The carrying amounts of the Group's share and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributedt to the owners of the Parent company.

1.10. Investments in associates and joint ventures

Associates are those entities over which the Group is able to exercise significant influence but which are neither subsidiaries, nor entities under joint control. Investments in associates are initially recognised at acquisition cost and subsequently accounted for using the equity method. The cost of the investment includes the acquisition costs.

Goodwill or the fair value adjustments of the Group's proportionate interest in the associate is included in the value of the investment.

Any subsequent changes in the amount of the Group's proportionate interest in the associate's equity are recognized in the carrying amount of the investment. Changes resulting from profit or loss realized by the associate are reflected in the consolidated statement of profit or loss and other comprehensive income in line "Financial income", respectively “Financial costs”. These changes include subsequent impairment of the fair value of the assets and liabilities of the associate as at the acquisition date.

Changes in the associate’s other comprehensive income, as well as changes in positions recognised directly in the associate’s equity are recognised in in the other comprehensive income or in the equity of the Group, respectively. If the Group’s share of losses of an associate exceeds its "interest in the associate", including the unsecured receivables, the Group discontinues recognising its share of further losses of the associate, unless the Group has undertaken contractual or factual obligations or made payments on behalf of the associate. If subsequently the associate realises profits, the Group recognizes its share of profits to the extent the Group’s share of profits exceeds the accumulated share of losses that were not previously recognized.

Unrealized gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. When unrealized losses resulting from sales of assets are eliminated, the respective assets are tested for impairment from Group’s perspective.

Amounts presented in the financial statements of associates and joint ventures are recalculated where necessary to ensure consistency with the accounting policy applied by the Group.

In the event of loss of significant influence over the associate, the Group measures and recognises any retained investment in it at fair value. Any difference between the carrying amount of the investment in the associate at the loss of significant influence and the amount of the fair value of the retained interest and the proceeds on disposal is recognized in profit or loss.

If ownership interest in an associate is reduced, but without loss of significant influence, only the proportionate amount of the sums previously recognised in other comprehensive income is reclassified to profit or loss.

1.11. Foreign currency transactions

Transactions in foreign currency are reported in the functional currency of the respective company of the Group at the official exchange rate as at the date of the transaction (the announced by the Bulgarian National Bank fixed foreign exchange rates or the respective central bank of a country in which the subsidiary operates, including an exchange rate to EUR, if no such to BGN is available). Currency exchange gains and losses arising from the settlement of such transactions and the revaluation of foreign currency monetary items at the end of the reporting period are recognized in profit or loss.

Non-monetary items valued at historical cost in foreign currency are reported at the exchange rate as at the date of the transaction (they are not revalued). Non-monetary items measured at fair value in foreign currency are reported at the exchange rate as at the date when the fair value is determined.

The functional currency of the Group’s companies has not been changed during the reporting period.

At consolidation all assets and liabilities are translated to Bulgarian levs (BGN) at the closing foreign exchange rate as at the date of the consolidated financial statements. Revenue, expenses and changes in equity are translated to the presentation currency of the Group using the average rate for the reporting period. Foreign exchange differences result in increase or decrease of the other comprehensive income and are recognized in the revaluation reserve in the equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences recognised in the equity is reclassified in profit or loss and is recognised as part of the gain or loss on disposal. Goodwill and adjustments related to determination of acquisition-date fair values are treated as part of the assets and liabilities of the foreign operation and are translated to Bulgarian levs (BGN) at the closing foreign exchange rate.

The table below presents information on the closing exchange rate of each of the functional currencies of the individual subsidiaries to the Bulgarian lev (the functional currency of the Parent company) as at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
EUR	1.95583	1.95583
RON	0,39520	0,40175
MKD	0,03174	0,03170
UAH	0,06325	0,05630
GEL	0,55817	0,48613
BYN	0,67850	0,61820

1.12. Segment reporting

The Group identifies the following operating segments:

1. IC Euroins AD, Bulgaria;
2. Euroins Romania Asigurare-Reasigurare S.A.;
3. Euroins Osiguruvanje AD, North Macedonia;
4. Other:
    - IC Euroins Life EAD, Bulgaria;
    - IC EIG Re EAD, Bulgaria;
    - PrJSC IC Euroins Ukraine;
    - PrJSC European Travel Insurance, Ukraine;
    - IC Euroins Georgia JSC;
    - Euroins Claims I.K.E.,Greece;
    - CJSC IC Euroins Belarus.

The Group defines its operating segments as such when:

- they undertake business activities which generate income and expenses to the Group;
- their operational results are regularly reviewed by the Management of the Group and the segments activity results are evaluated on that basis;
- their operational results are reviewed when decisions about the resources allocated between the segments are to be made;
- separate financial information is available.

Information on operating segments’ activities is presented in Note 31.

For segment reporting under IFRS 8 "Operating Segments", the Group applies an evaluation policy that is consistent with the evaluation policy used in the consolidated financial statements, except for:

- expenses for pension benefits;
- expenses for employee share-based payment
- expenses for research and development of new business activities; and
- income, expenses and gains from changes in the fair value of investment property that are not included in the determination of operating profit of the operating segments.

In addition, the Group's assets that are not directly attributable to the activity of any of the segments are not distributed by segment.

Information on segments results, which is reviewed on a regular basis by decision makers, does not include the effects of one-off, non-recurring events, e.g. restructuring costs, legal expenses and impairment costs when the impairment is result of an isolated one-off event. Financial income and expenses are not included in the operating segments' results that are regularly reviewed by the decision makers.

There have been no changes in the valuation methods used to determine the profit or loss of segments in previous periods. No asymmetric distribution between segments is applied.

1.13. Recognition and measurment of insurance contracts

The insurance contract is a contract under which an insurance company of the Group assumes significant insurance risk from other party (insured person), agreeing to compensate the insured person or other beneficiary in case of a specific unexpected future event (insured event), which adversely affects the insured person. or the beneficiary.

Any risk that is not financial is insurance risk. Financial risk is the risk associated with a possible future change in one or more of the following indexes: interest rate, security price, commodity prices, exchange rate, price index, credit rating or index or other variable. Insurance contracts can also transfer some of the financial risk.

Premiums written on insurance contracts

Gross written premiums comprise premiums on direct insurance or co-insurance contracts signed during the year, regardless of the fact that such premiums may relate wholly or partially to a subsequent reporting period. Premiums are reported gross of commission payable to intermediaries. The portion earned on written premiums, including unexpired insurance contracts, is recognized as revenue. Written premiums are recognized as at the date of signing of the insurance contract. Passive reinsurance premiums are recognized as an expense in accordance with the contracts for the reinsurance service received.

Premiums written on life insurance contracts

Premiums written on life insurance contracts are recognized as income based on the annual premium of the insured persons for the premium period beginning in the financial year or a single premium payable for the entire period of coverage for policies issued during the financial year. Gross written premiums are not recognized when estimated future cash receipts thereof are not probable. Premiums written are recorded gross of commissions due to intermediaries.

Unearned premium reserve

The unearned premiums reserve comprises the portion of gross premiums written which is estimated to be earned in the following or subsequent financial reporting periods. The unearned premium reserve comprises premiums accrued and recognized as revenue in the current period. The unearned premium reserve is calculated on a case by case basis using the daily pro rata method. The unearned premium reserve is calculated net of commissions to intermediaries, advertising and other acquisition costs. The premium, less the actual acquisition costs, shall be multiplied by the deferral factor, derived as a ratio of the number of days on which the contract will take effect in the next reporting period, broken down into the term of the contract expressed as number of days.The Group allocates the provision for unearned premiums under active reinsurance contracts in the same way as it allocates direct insurance.

Where the development of risk during the term of the contract is not even and is expected to vary, adjustments to thus calculated provision for unearned premiums shall be made by allocating the premium according to the allocation of claims over the period of coverage and the level of the estimated risk in the next reporting periods.

Unexpired risk reserve

The reserve is formed to cover the risks for the time between the end of the reporting period and the end date of insurance contract, in order to cover payments and expenses that are expected to exceed the unearned premium reserve formed.

Deferred acquisition costs

Deferred acquisition costs represent the amount of acquisition costs deducted in the calculation of unearned premium reserve. They are defined as the part of the acquisition costs under the contracts in force at the end of the current year determined and related to the period between the end of the reporting period and the date of expiry of the insurance contract. Current acquisition that belong to the portion of the premium earned costs are recognized in full as an expense during the reporting period. The Group does not apply an accounting policy in which there is a deferral of acquisition costs.

Claims incurred on non-life and life insurance activities and outstanding claims reserves

Claims incurred on non-life insurance, life insurance and health insurance activities consist of claims and claims handling expenses payable during the financial year along with the adjustments of the outstanding claims reserve.

The outstanding claims reserve includes the expected amount of claims that relate to events that occurred before the end of the reporting period, whether declared or not, as well as the related internal and external costs of settling these claims.

The outstanding claims reserve consists of three elements: (1) the reserve reported but not settled claims (RBNS), (2) the reserve for incurred but not settled claims (IBNR) and (3) the reserve for settlement costs (liquidation) of claims.

The outstanding claims reserve in its part for reported, but not settled claims is determined on the basis of an individual assessment of each damage. The value of the reserve for incurred but not settled claims has been determined using statistical methods. The effect of internal and external predictable events, such as changes in claims handling policy, inflation, legal changes, regulatory changes, past experience and trends, is assessed. The reserve for claims liquidation costs is determined as a percentage of the formed reserve. The value of the percentage used at the end of 2021 is calculated as the ratio of the actual liquidation costs incurred during the year, related to the amount of paid claims and half of the value of the reserve for reported, but not settled claims.

The process used to determine the assumptions is to calculate neutral estimates of the most likely or expected outcome. The sources of information used for the assumptions are internally generated using in-depth surveys conducted annually. Assumptions are checked to ensure compliance with observed market prices or other public information. Assumptions use mostly information from current trends and in cases where there is insufficient own data to make a reliable assessment of the development of damage, public market data are used.

The Management believes that the gross outstanding claims reserve and the related share of the reinsurance reserve are fairly stated on the basis of the information currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of outstanding claims reserve established in prior years are reflected in the financial statements for the period in which the adjustments are made, and are disclosed separately if material. The methods used, and the estimates made, in calculating the reserve are reviewed regularly.

Reinsurance

The insurance companies within the Group cede insurance risk in the normal course of their business for the purpose of limiting their potential net losses through the diversification of their risks. Reinsurance arrangements do not relieve the undertakings within the Group from their respective direct obligations to the policyholders. Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policies.

Premiums and claims on inward reinsurance contracts are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct activity, taking into account the product classification of the reinsured business.

Premiums ceded (or accepted) and benefits reimbursed (or paid claims) are presented in the statement of profit or loss and other comprehensive income and statement of financial position on a gross basis. Contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognized in the same year as the related claim.

The premiums of long-term reinsurance contracts are accounted over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

Receivables recoverable from reinsurance contracts are reviewed for impairment at the date of each statement of financial position. Such assets shall be impaired if there is objective evidence result of an event that occurred subsequent the initial recognition, that the Group may not recover all amounts due and the effect of events on the amount receivable by the Group from the reinsurer can be reliably measured.

Reinsurance share in insurance reserves

The reserves for incurred but not reported claims (IBNR) are initially assessed gross, after which additional calculations are made to establish the share of reinsurers in reserves. The Group covers insurance risks with quota share reinsurance contracts for the main business lines and “excess of loss” contracts for large damages and catastrophic risks, which provides protection for the insurer in the event of a large number of small damages and single large claims. The method used by the Group is based on historical data, gross expected amount of the reserve for incurred but not reported claims and data on reinsurance programs to determine the amount of receivables from reinsurers.

As at December 31, 2021 and as at December 31, 2020, the Group is a party to quota share reinsurance contracts, where the transfer of a share in the existing insurance reserves upon entry into force of the contract is agreed. The

Group has adopted an accounting policy for recognizing the share of reinsurers in insurance reserves under this type of contract as an asset and the corresponding change in the share of reinsurers in insurance reserves in the consolidated statement of comprehensive income. Reinsurance liabilities under these type of contracts are reported in subsequent periods.

As at 31 December 2021 and as at 31 December 2020, the Group is also a party to disproportionate reinsurance contracts (so-called excess of loss contracts), which aim to reimburse the Group for losses incurred in respect of single events, the total of which compensation exceeds the threshold defined in the contracts. Due to the availability of sufficient historical information, the Group's management assesses the probability that part of the current insurance reserves may arise as a result of such future events and, in respect of its more significant lines of business, assesses the part of its insurance reserves that can be transferred to the reinsurers in addition to the existing cession of risk under their proportional reinsurance contracts.

Gains or losses on reinsurance purchases are recognized in the consolidated statement of profit or loss and other comprehensive income immediately upon purchase and are not depreciated.

Acquisition costs

Acquisition costs include intermediary commissions expenses, profit participation expenses, which are paid to the insured persons in case of low claims ratio. Indirect acquisition expenses include advertising expenses and costs arising from the writing or renewing of insurance contracts. Acquisition costs are recognized when incurred.

The Group reports also as acquisition costs according to its internal policy a part of the administrative costs, as far as they are directly related to the subscription activity of the Group companies.

Administrative expenses

Administrative expenses consist of personnel remuneration expenses, depreciation charges for property, plant and equipment, intangible assets and other administrative expenses.

1.14. Operating expenses

Operating expenses are recognized in the consolidated statement of profit or loss and comprehensive income when the services are received or at the date of their occurrence in accordance with the principles of accrual and comparability.

1.15. Financial income and financial costs

Financial income and costs consist of investment and other finance income and costs.

Investment income and costs comprise gains or losses realized from trading with financial assets, unrealized gains or losses on revaluation of financial assets, as well as rentals received from investment properties, interest income on investments in debt securities and time deposits and dividends.

1.16. Interest and borrowing costs

Interest expense is accounted for as they incurr using the effective interest method.

Borrowing costs represent mainly interest on the Group's borrowings and are recognized as an expense in the period in which they arise in the consolidated statement of profit or loss and other comprehensive income in line "Financial expenses".

1.17. Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. For the purpose of the impairment test, goodwill is allocated to each cash-generating unit of the Group (or a group of cash-generating units) that is expected to benefit from the business combination regardless of whether other assets or liabilities of the acquiree are allocated to those units. Goodwill is measured at cost less any accumulated impairment losses.

In the event of derecognition of a cash-generating unit, the proportional share of the goodwill is included in determinations of the gain or loss of the derecognition.

1.18. Intangible assets

Intangible assets are accounted for at cost, including all paid duties, non-recoverable taxes and all direct costs incurred to bring the asset to working condition for its intended use, whereby capitalized costs are amortized on a straight-line basis over the estimated useful life of the assets, as it is considered to be limited. When an intangible asset is acquired as a result of a business combination, its cost is equal to the fair value as at the acquisition date.

Subsequent revaluation is carried at cost less accumulated depreciation and impairment losses. Impairment is accounted for as an expense and is recognized in the consolidated statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenses in respect of other intangible assets after their initial recognition are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred unless due to them the asset can generate more than originally intended future economic benefits and these expenses can be reliably measured and assigned to the asset. If these conditions are met, the amount of the expenses made is added to the cost of the asset.

The residual value and the useful life of other intangible assets are reviewed by the Group's management at each reporting date.

Amortisation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 4-5 years
- Licences 5 years
- Other 7 years

Amortisation costs are included in the consolidated statement of profit or loss and other comprehensive income as a part of line “Administrative costs”.

The gain or loss on disposal of the the intangible asset is determined as the difference between the disposal proceeds, and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income in lines "Other operating income", respectively “Other operating costs”.

1.19. Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost, including cost of acquisition, and all direct costs incurred to bring the asset to working condition for its intended use.

Subsequent measurement of items of property, plant and equipment is carried out at cost less accumulated depreciation and impairment losses. Impairment is recognized as an expense and presented in the consolidated statement of profit or loss and other comprehensive income for the respective period.

Subsequent costs associated with a particular asset from property, plant and equipment are included in the carrying amount of the asset when it is probable that the Group will have economic benefits that exceed the initially estimated usefullness of the existing asset. All other subsequent expenditures are recognized as an expense for the period in which they are incurred.

The residual value and the useful life of items of property, plant and equipment are reviewed by the management at each reporting date.

Depreciation of items of property, plant and equipment is calculated using the straight-line method over the estimated useful life of individual group of assets as follows:

- Buildings 25-46 years
- Computers 2-4 years
- Vehicles 4-5 years
- Equipment 7-19 years
- Other 7 years

Depreciation costs are included in the consolidated statement of profit or loss and other comprehensive income in line "Administrative costs".

The gain or loss on disposal of asset from property, plant and equipment is calculated as the difference between the proceeds from disposal and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income in lines "Other operating income", respectively “Other operating costs”.

1.20. Reporting of Leases

The Group as a lessee

For each new contract concluded, the companies in the Group assess whether the contract represents or contains elements of a lease, if under this contract the right to control the use of an asset for a certain period of time is transferred for remuneration. If it is determined that the contract contains a lease, the companies in the Group recognize it as a right of use asset and a corresponding liability from the date on which the leased asset is available for use by the companies.

A reassessment of whether a contract constitutes or contains elements of a lease is made only in the event of a change in the terms and conditions of the contract.

The right of use assets and lease liabilities are measured initially at their present value.

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Lease liabilities include the net present value of the following lease payments:
- fixed payments (including essentially fixed payments), less all lease incentive claims;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments that are made under reasonably defined extension options are also included in the lease liability initial measurement.
The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If this interest rate cannot be determined, which usually applies to the Company's leases, the incremental interest rate of the lessee is used, which is the rate that the individual lessee will have to pay to borrow the funds needed to obtain an asset of similar value to a right of use asset in a similar economic environment with similar terms, security and conditions.

The Group applies a three-step approach in determining the incremental interest rate based on:

- average yield on 10-year government bonds for the last 3 years;
- adjusted for financial spread - loans granted to new, non-financial enterprises in local currency, to determine the initial interest rate for a period of 3 years (for real estate) or average interest rate on financial lease to non-related parties for the last 3 years (for vehicles);
- specific lease adjustment related to the specific asset (at the discretion of each individual asset).

Applicable incremental rates:

Country	Real Estate	Vehicles
Bulgaria	4.05 %	5.34 %
Romania	4.54 %	-
Georgia	7.03 %	-
North Macedonia	5.81 %	6.17 %

The companies in the Group are exposed to potential future increases in variable lease payments based on an index or interest rate that are not included in the lease liability until they become effective. When adjustments to lease payments are made, based on an index or interest rate, the lease liability is revalued and adjusted for the right of use asset.

Lease payments are transferred between principal and financial costs. Financial costs are included in profit or loss during the lease period, so as to obtain a constant periodic interest rate on the remaining amount of the liability for each period.

The right of use assets are measured at cost, that comprise:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- restoring costs.

The right of use assets are usually depreciated over the shorter than the useful life of the underlying asset and the lease term on a straight-line basis. If the Group entities have reason to use a put option, they are depreciated over the useful life of the underlying asset.

Payments related to short-term leases of equipment and vehicles, as well as all leases of low-value assets are recognized on a straight-line basis as an expense in the statement of profit or loss and other comprehensive income.

The Group accepts a threshold for recognition of right of use assets amounting to BGN 10,000.00 taking into account the price of the asset as new.

1.21. Tests for impairment of goodwill, intangible assets and property, plant and equipment

For the purposes of calculating the amount of impairment, the Group defines the smallest identifiable group of assets that generates independent cash inflows (a cash-generating unit). As a result, some of the assets are subject to an impairment test on an individual basis and others on a cash-generating unit basis. Goodwill is allocated to cash-generating units, that are expected to benefit from the respective business combination and which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Cash-generating units to which goodwill is allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment when events that have occurred and circumstances that have changed indicate that asset’s carrying amount is less than its recoverable amount.

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the latter being the higher of the fair value less costs of disposal of the asset/ cash-generating unit and its value in use, is recognised as impairment loss. In order to estimate the value in use, the Group's management estimates the future cash flows expected to be derived from each cash-generating unit and applies the appropriate discount rate as to estimate the present value of those future cash flows. The data used in the impairment test is based on the Group's last approved budget, adjusted, if necessary, to eliminate the effect of future reorganisations and significant asset improvements. Discount rates are determined for each cash-generating unit separately and reflect their respective risk profile as estimated by the Group's management.

The impairment losses for cash-generating unit are allocated first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. For all assets of the Group other than goodwill, the management of the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. An impairment loss recognised in prior periods shall be reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

1.22. Investment property

The Group recognises as investment property land and/or buildings that are held to earn rental income and/or for capital appreciation, using the fair value model.

Investment property is measured initially at its cost, which comprises property’s purchase price and any directly attributable expenditure, e.g. professional fees for legal services, property transfer taxes and other transaction costs.

Investment property is re-evaluated on an annual basis and included in the consolidated statement of financial position at its fair value. The fair value of investment property is defined by a valuation made by an independent appraiser who holds a recognised and relevant professional qualification and significant professional experience depending on the category and location of the investment property, on the basis of the market conditions.

Any gains or losses from fair value adjustments or sale of an investment property are recognised immediately in profit or loss and reported in the consolidated statement of profit and loss and other comprehensive income in line "Financial income", respectively “Financial costs”.

Costs incurred subsequently in relation to the investment property recognised in the Group's consolidated financial statements are added to the carrying amount of the property when it is probable that the Group will obtain future economic benefits associated with the investment property that exceed its cost at recognition. All other subsequent costs are recognised as an expense as incurred.

The Group derecognises its investment property on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property are recognised in the consolidated statement of profit or loss and other comprehensive income and are determined as the difference between the net disposal proceeds and the carrying amount of the asset.

Rental income and operating expenses related to investment property are recognised in the consolidated statement of profit or loss other comprehensive income.

1.23. Financial Instruments

1.23.1. Recognition and derecognition

The financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred.

The financial liabilities are derecognised when the contractual obligation is fullfiled, waived or its term has expired.

1.23.2. Classification and initial measurement of financial assets

At initial recognition the financial assets are measured at fair value adjusted with the acquisition costs, except in cases of financial assets measured at fair value through profit or loss and trade receivables that do not have a significant financing component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with the acquisition costs as those are reported as current expenses. The initial measurement of trade receivables that do not have a significant financial component represents the transaction price under IFRS 15.

Depending on the method used of subsequent measurement, the financial assets are classified into one of the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income, with or without recyling in profit or loss, depending on whether they are debt or equity instruments.

The classification of financial assets is determined on the basis of the both:

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- business model of the Group for managing the financial assets;
- the contractual cash flow characteristics of the financial asset.

All income and expense associated with financial assets recognised in profit or loss are included in financial expenses, financial income or other financial items, except for the impairment of trade receivables, which is presented in line "Other expenses" in statement of profit or loss and other comprehensive income.

1.23.3. Subsequent measurement of financial assets

Debt instruments at amortised cost

Financial assets are measured at amortised cost if the assets meet the following criteria and are not designated for measurement at fair value through profit or loss:

- The Group manages the financial assets within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- Under the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method. Discount is not applied if its effect is immaterial. The Group classifies here cash and cash equivalents/money, trade and other receivables as well as listed bonds that have previously been classified as held-to-maturity financial assets in accordance with IAS 39.

- *Trade receivables*

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognized at transaction price unless they contain a significant financial component. The Group holds trade receivables in order to collect the contractual cash flows and therefore evaluates them at amortized cost using the effective interest method. Discount is not applied if its effect is immaterial.

Financial assets at fair value through profit or loss

Financial assets for which the business models "held in order to collect the contractual cash flows" or "held-in order to collect the contractual cashflows and to sell" are not applicable, as well as financial assets whose contractual cash flows are not solely principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective hedging instruments and for which hedge accounting requirements apply (see below).

Changes in the fair value of the assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

1.23.4. Impairment of financial assets

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The new impairment requirements under IFRS 9 use more forward-looking information to recognise the expected credit losses - the "expected credit loss" model that replaces the "incurred loss" model of IAS 39.

Instruments that fall under the new requirements include loans and other debt financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15, and credit commitments and certain financial guarantee contracts (at the issuer) that are not reported at fair value through profit or loss.

The recognition of credit losses is no longer dependent on the occurrence of a credit loss event. Instead, the Group considers a wider range of information in assessing the credit risk and when assessing the expected credit losses, including past events, current conditions, reasonable and supportable information, including that which is forward-looking, that affect the expected future collectability of the cash flows from the instrument.

When this forward-looking approach is applied, a distinction is made between:
- financial instruments whose credit quality has not decreased significantly since its initial recognition or which have low credit risk (Phase 1) and
- financial instruments whose credit quality has decreased significantly since its initial recognition or are considered not to have low credit risk (Phase 2)
- "Phase 3" covers financial assets that possess objective evidence of impairment (loss event) at the reporting date.

The 12-month expected credit losses are recognized for the first category while lifetime expected credit losses of the financial instruments are recognized for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Group and the cash flows it is actually expected to receive ("cash deficit"). This difference is discounted at the original effective interest rate (or at the credit-adjusted effective interest rate).

The calculation of the expected credit losses is determined on the basis of the credit losses probability-weighted estimate over the expected period of the financial instruments.

Trade and other receivables, contract assets and lease receivables

The Group uses the simplified approach for reporting trade and other receivables as well as contract assets and recognises impairment losses as lifetime expected credit losses. They represent the expected deficit in the contractual cash flows given the possibility of default at any time during the lifetime of the financial instrument. The Group uses its previous experience, external indicators and forward-looking information to calculate expected credit losses by customer allocation by industry and time structure of receivables and using a provision matrix.

The Group impaires by 15% overdues from 150 to 365 days positions, by 30% - overdues between 366 and 730 days, by 60% - overdues between 731 and 1 095 days, by 80% - overdues between 1 096 and 1 460 days and fully, at 100% write-offs positions which haveoverduedfor more than 1 460 days.

1.23.5. Classification and measurement of financial liabilities

The financial liabilities of the Group include loans, lease liabilities, trade and other financial liabilities and derivative financial instruments.

Financial liabilities are initially measured at fair value and, where applicable, adjusted by the transaction costs, except in cases when the Group has identified a financial liability as measured at fair value through profit or loss.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for derivatives and financial liabilities that are designated for measurement at fair value through profit or loss (except for derivative financial instruments that are designated and effective hedging instrument).

All interest expenses and, if applicable, changes in the fair value of the instrument that are recognised through profit or loss are included in financial expenses or financial income.

1.24. Income taxes

Tax expenses recognized in profit or loss include the amount of deferred and current tax that is not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities are those liabilities to, or receivables from, the tax authorities related to current or previous accounting periods that were not paid as at the date of the consolidated financial statements. The current tax is payable on taxable income that is different from profit or loss in the consolidated financial statements. The calculation of the current tax is based on the tax rates and tax laws in force at the end of the reporting period.

Deferred tax is calculated using the Liabilities-based method for all temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax is not applied at the initial recognition of goodwill or the initial recognition of an asset or liability unless the relevant transaction is a business combination or affects tax or accounting profit. Deferred tax for taxable temporary differences associated with investments in subsidiaries and joint ventures are not recognised, if the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not discounted. For their calculation, tax rates are used that are expected to be applicable for the period in which they are realized, provided that they have entered into force or are certain to have entered into force at the end of the reporting period.

Deferred tax liabilities are recognized in full.

A deferred tax assets are recognized only to the extent that it is probable that they can be utilized through future taxable income.

Deferred tax assets and liabilities are offset only when the Group has legal ground and intention to offset the current tax assets or liabilities within the scope of the same tax authority.

Changes in deferred tax assets or liabilities are recognized as part of the tax income or expense in profit or loss unless they are related to items recognized in other comprehensive income (e.g. revaluation of land) or directly in equity, in which case the relevant deferred tax is recognized, in other comprehensive income or in equity, respectively.

1.25. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash on bank accounts, non-term deposits, deposits with term up to 3 months, short-term and highly liquid investments that are readily convertible into cash and contain a negligible risk of change in value.

1.26. Equity, reserves and dividend payments

The share capital reflects the nominal value of the issued shares of the Parent company.

The premium reserve includes premiums received at the initial issuance of share capital. All transaction costs associated with the issuance of shares are deducted from the paid-in capital, net of tax reliefs.

Other reserves include:
- statutory reserves, general reserves;
- revaluation reserve of non-financial assets - includes gains or losses on revaluation of non-financial assets;
- foreign currency translation reserve – includes currency differences from translations of Group's foreign operations in Bulgarian leva (BGN);

Retained earnings includes the current financial result and accumulated earnings and uncovered losses from previous years.

Dividend payables to shareholders are included in the line "Liabilities to related parties" in the consolidated statement of financial position when the dividends are approved for distribution by the general meeting of shareholders before the end of the reporting period.

All transactions with the owners of the Parent company are disclosed separately in the consolidated statement of of changes in equity.

1.27. Pension and short-term employee benefits

The Group reports short-term payables for unused paid leave if the leave is expected to be used within 12 months after the end of the annual reporting period in which the employees render the related services. The short-term payables include wages, salaries and social security contributions.

According to the requirements of the Labor Code at termination of the employment relationship, after the employee has acquired the right to a retirement pension, the Group is obliged to pay him/her compensation of up to six gross salaries. The Group has recognised a legal obligation for payment of retirement benefits in accordance with the requirements of IAS 19 "Employee Benefits" based on projected payments for the next five years, currently discounted with the long-term interest rate on risk free securities.

The Group owes to its employees retirement benefits under defined benefit plans and defined contribution plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate independent entities. The Group will have no legal or constructive obligation to pay further contributions. The Group pays fixed contributions to government programs and pension contributions to several employees in respect of defined contribution plans. Contributions under the plans are recognized as an expense in the period in which the employees render the related services.

Plans that do not meet the definition of defined contribution plans are classified as defined benefit plans. A defined benefit plan is a post-employment benefit plan where the amount the employee will receive after retirement is determined by his defined by his length of service and his last remuneration. The legal obligations for the payment of defined benefits remain liabilities of the Group even if the asset plan does not cover the defined benefit plan. The asset plan may include assets specifically designated for the financing of long-term liabilities under defined benefit plans as well as certain insurance policies.

The liability recognized in the consolidated statement of financial position on defined benefit plans is the present value of the defined benefit plan obligation at the end of the reporting period less the fair value of the plan assets.

The management of the Group estimates the defined benefit obligation once a year with the assistance of an independent actuary. The assessment of liabilities is based on standard rates of inflation, expected rates of salary increase, and mortality. Discount factors are determined at the end of each year, taking into account the yield of high-quality corporate bonds denominated in the currency in which the income is to be paid and maturing close to that of the respective pension liabilities.

Actuarial gains or losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Net interest expenses related to pension liabilities are included in the consolidated statement of profit or loss and other comprehensive income in line "Financial Costs". Returns on plan assets are included in the consolidated statement of profit or loss and other comprehensive income under "Other financial items". All other expenses related to employee retirement benefits costs are included in line "Employee Expenses".

Short-term employee benefits, including payable leave, are included in current liabilities under "Pensions and other payables to personnel" at undiscounted cost that the Group expects to pay.

1.28. Provisions, contingent liabilities and contingent assets

Provisions are recognised when it is probable that a present obligation as a result of a past event will result in an outflow of resources from the Group and a reliable estimate can be made of the amount of the obligation. Uncertainties about the amount or timing of the resulting outflows of economic benefits is possible. A present obligation arises from the existence of a legal or constructive obligation as a result of past events, such as warranties, legal disputes or onerous contracts. A provision for restructuring is recognised only when a detailed formal plan for the restructuring has been developed and implemented or the management has announced the main features of the plan to those affected by it. Provisions for future operating losses are not recognised.

The amount recognised as a provision is estimated as the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, , taking into account the risks and uncertainties, including related to the present obligation. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted, where the effect of the time value of money is material.

Third party benefits in respect of a liability that the Group will certainly receive are recognized as a separate asset. It is possible that this asset does not exceed the value of the respective provision.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is considered it is not probable that an outflow of resources emboding economic benefits will be required to settle the present obligation, a liability is not recognized unless it is a business combination. In a business combination, contingent liabilities are recognised when the cost of the acquisition is alocated to the assets and liabilities acquired in the business combination. Contingent liabilities shall subsequently be measured at the higher of the above-described comparable provision and the initially recognised amount less accumulated amortization.

Possible inflows of economic benefits that do not yet meet the criteria to be recognised as asset are treated as contingent assets.

Detailed information on the Group's contingent liabilities is presented in Note 36 "Contingent liabilities".

1.29. Insurance and other receivables

Insurance receivables are stated at their cost less impairment losses. When under the insurance contract the premiums are payable in installments, each pending receivable amount as at the date of statement of financial position and recognized as income is reflected as receivables on direct insurance. After initial recognition, receivables are reviewed for impairment and impairment losses for irrecoverable receivables are recognized in the statement of profit or loss and other comprehensive income.

The Group’s right to recover from the insured person or third party responsible for the incurred claim the performed by the Group payment on the insurance contract is recognized as recourse receivable on the date on which the receivable right is established. The recourse receivables are recognized to the amount of the expected future cash flows as at the recognition date.

1.30. Insurance payables, different than insurance reserves

Payables to insurers and brokers are recognized when due. They are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method.

1.31. Significant judgements by the management when applying the accounting policy. Uncertainties in the accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and related assumptions are based on historical experience and other factors that are reasonable in the given circumstances, the results of which form the basis for judgments about the carrying amounts of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates.

Estimates and key assumptions are reviewed regularly. Adjustments to accounting estimates are made in the year of the change in estimates if the adjustment relates to the same year, or in the same year and in future years if the change relates to current and future years. The main sources of uncertainty in the use of accounting estimates are described below:

1.31.1. Valuation of outstanding claims reserve

Outstanding claims reserves include reserve for Reported but not settled insurance claims (RBNS) as at the date of the financial statements, as well as Reserves for incurred but not reported claims (IBNR).

The liability for reported but not settled claims is calculated on case-by-case basis, based on the best estimate of expected cash outflows for them.

The assessment of the IBNR reserve is based on the assumption, that the Group’s experience in development of claims from prior years can be used for forecasting of the future development of claims and of the total liabilities thereon. The claims development is analyzed by year of event. An additional qualitative estimation is made for assessment of the degree to which past trends may not be applicable in the future.

The nature of the business makes difficult the exact determination of the outcome of a certain claim and the total amount of reported claims. Each reported claim is reviewed separately due to the circumstances, the available information from claims experts and the historical data of the size of similar claims. The claims valuations are reviewed and updated on a regular basis upon any new information. The reserves are allocated based on current available information.

The final amount of liabilities, however, may differ as a result of subsequent events and catastrophic incidents. The impact of many circumstances, which determine the ultimate expense for claims settlement is difficult to be foreseen. The difficulties in reserves valuation vary for different types of business depending on the insurance contracts, their complexity, value and significance of claims, determination of the date of occurrence of the claim and the delay of reporting.

The reserve for incurred but not reported claims is calculated using statistical and actuarial methods. The key method used, or the combination of methods, depends on the class of business and the observable historical level of claims ratio. The biggest share in this reserve is for Motor Third Party Liability (MTPL).

The actuarial approach with regards to reserving is in line with commonly accepted actuarial practices and targets unified approach to assessing the reserve for incurred and not reported claims for Motor Third Party Liability (MTPL) in all companies in the Group. The methodology applies chain ladder method, which is based on the aggregated amount of paid claims for a period of not less than 3 years. The amount of the provision for claims incurred but not claimed is calculated on the basis of the expected final loss taking into account the expectations for the development of the claims during the respective year of occurrence.

1.31.2. Recourse claims receivables

Recourse receivables from insurance companies and other parties (natural persons and legal entities) are recognized as asset and income upon submission of recourse invitation up to the amount of the expected future economic benefits for the Group. The receivables are reviewed on an individual basis on recognition and subsequently on any impairment indications.

The Group has the practice of settling recourse receivables from insurance companies by offsetting its payables on recourse claims.

1.31.3. Reinsurers' share in insurance reserves

The insurances companies in the Group, are parties to quota share reinsurance contracts which stipulate quota share transfer of existing insurance reserves when the contract becomes effective. IFRS does not includes specific requirements for accounting for such types of contracts. Due to specific nature of this type of contracts, the Group has made an analysis of the risk transfer and the results indicate that such risk transfer exists, i.e. the contracts fulfill the objective requirements to be identified as reinsurance contracts. Conventional stochastic model was used for the analysis, applying the common limit of 1% for reinsurer's risk transfer.

The Group has adopted accounting policy for reporting of quota share reinsurance contracts, according to which the Group recognizes reinsurance share in the insurance reserves as an asset and the respective change in the reinsurer's share in the insurance reserves in the statement of comprehensive income as at the date the contract becomes effective and payables to reinsurers under these contracts are reported during the subsequent periods during which the contracts are effective.

During the effective time of contracts in the subsequent periods the Group will cede to the reinsurers the respective percentage of its premiums and claims for Motor third party liability insurance. When the reinsurance contacts expire or are terminated the reinsurers' share in the insurance reserves will be released or transferred to other reinsurer. The terms of these contracts are indefinite and, by their nature, the contracts are with indefinite period of validity. Due to the contingencies related to the future development of contracts and the cash flows the Group's management considers that the adopted accounting policy is appropriate.

As at December 31, 2021 and 2020, the insurance companies of the Group are also parties to disproportionate reinsurance contracts (so-called excess or surplus contracts), which aim to reimburse the Company for losses incurred in respect of single events (or risks), whose total compensation exceeds a threshold defined in the contracts. Due to the availability of sufficient historical information, the Group's management assesses the probability that part of the current technical provisions may arise as a result of such future events and with respect to its more significant lines of business assesses the part of its insurance reserves that can be transferred. of reinsurers in addition to the existing cession of risk under their proportional reinsurance contracts.

1.31.4. Impairment of non-financial assets and goodwill

The amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the latter being the higher of the fair value less costs of disposal of the asset/ cash generating unit and its value in use, is recognised as impairment loss. In order to estimate the value in use, the Group's management estimates the future cash flows expected to be derived from each cash generating unit and applies the appropriate discount rate as to estimate the present value of those future cash flows. When calculating the expected future cash flows, management makes assumptions about the future gross profits. These assumptions are related to future events and circumstances. Actual results may differ and result in significant adjustments in the Group's assets in the following accounting year.

In most cases, an estimation of the appropriate adjustments reflecting the respective specific risk profile of each asset is performed when determining the applicable discount rates.

1.31.5. Business combinations

At initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair value. For the establishment of the fair, the management uses estimates of future cash flows and discount rates, which may, however, differ from the actual results. Any changes in the initial recognition value would affect the value of the goodwill.

1.31.6. Useful life of depreciable assets

The management reviews the useful life of depreciable asset at the end of each reporting period.

As at December 31, 2021 and 2020, management determines the useful life of assets, which represents the expected useful life of the Group's assets. Asset transfer values are analyzed in Note 15 and Note 16. Actual useful life may differ from the valuation due to technical or commercial obsolescence, mainly of the software and computer equipment.

1.31.7. Impairment of insurance receivables

The management assesses the adequacy of the impairment of unrecoverable and uncollectible receivables from customers based on the maturity of the receivables, historical experience on the write-off rate of the uncollectible receivables, as well as analysis of the respective client’s solvency, any changes in the agreed upon payment conditions, etc. If the financial position and performance of customers deteriorate beyond expectations, the value of the receivables to be derecognised in subsequent reporting periods may be greater than expected at the reporting date.

1.31.8. Measurement of expected credit losses

Credit losses represent the difference between all contractual cash flows due to the Group and all cash flows that the Group expects to receive. Expected credit losses are probabilistic weighted estimates of credit losses that require the assessment of the Group. Expected credit losses are discounted at the original effective interest rate (or at the loan-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

1.31.9. Obligation to pay defined benefits

Management evaluates once a year, with the help of an independent actuary, the obligation to pay defined benefits. The actual value of the liability may differ from the preliminary estimate due to its uncertainty. The assessment of the defined benefit obligation is based on statistical indicators of inflation, health care costs and mortality. Another factor that influences is the future salary increases envisaged by the Group. The discount factors are determined at the end of each year in relation to the interest rates of high quality corporate bonds, which are denominated in the currency in which the defined income will be paid and which have a maturity corresponding approximately to the maturity of the respective pension liabilities. Uncertainty about the estimate exists for actuarial assumptions, which can vary and have a significant effect on the value of defined benefit obligations and related costs.

1.31.10. Fair value measurement

The management uses valuation techniques to measure the fair value of financial instruments (in the absence of quoted prices in an active market) and non-financial assets. When applying valuation techniques, management uses the market data and assumptions that the market participants would have used to evaluate an instrument. When no applicable market data is available, management uses its best estimate of the assumptions that market participants would have made. These estimates may differ from the actual prices that would have been determined between knowledgeable, willing parties in an arm's length transaction at the end of the reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction in a primary market on the measurement date under current market conditions. Fair value is the sale price, whether the information is obtained directly from a market transaction or through the use of other valuation techniques. The fair value of an asset or liability is measured by making assumptions that market participants would make in determining the price, assuming that they are acting in their best economic interest.

The measurement at fair value is based on the assumption that the transaction of sale of an asset or transfer of a liability takes place on the primary market of the respective asset or liability or, in the absence of a primary market, on the most advantageous market for the respective asset or liability if the relevant market is available to the Group.

The valuation of a non-financial asset takes into account the ability of a market participant to generate economic benefits from using the asset according to its most efficient and best use or from selling the asset to another market participant who will use the asset according to its most efficient and effective -good use.

The Group uses valuation techniques that are appropriate in circumstances for which sufficient data are available to measure fair value, using maximally observable inputs and minimizing the use of unobservable data.

The fair value of financial instruments that are listed on a stock exchange is determined on the basis of market quotations of their price at the date of the statement of financial position, without including the costs of the transaction. In the absence of such quotations, the fair value of financial instruments is determined using pricing models or cash flow discounting techniques.

All assets and liabilities measured at fair value in the statement of financial position are grouped into categories according to the following fair value hierarchy:

• Level 1: There are announced (unadjusted) prices in active markets for identical assets or liabilities that the entity may have access to at the valuation date. In 2021, the Group classifies exchange traded shares and corporate bonds here. All shares and corporate bonds are presented in Bulgarian levs and are/were publicly traded in 2021. The fair values of publicly traded shares were determined based on their stock exchange bid prices at the reporting date, unless they are not part of the main indexes of the relevant exchange.

• Level 2: Here are presented other hypotheses besides the prices for assets or liabilities announced in Level 1, which are observable directly or indirectly. In 2021, the Group classifies corporate bonds and investments in collective investment schemes (CIS) here. The valuation of corporate bonds that are not publicly traded is by the method of discounted cash flows, the valuation of investments in CIS is based on the redemption price of the shares of the investment in CIS.

• Level 3: Unobservable asset or liability hypotheses. During the reporting periods, the Group has no financial instruments classified in this group.

Each financial asset is classified in one of the above levels according to the lowest level of input used, which has a significant impact on the measurement of fair value as a whole.

Valuation methods and techniques used in determining fair value have not changed compared to the previous reporting period.

For financial instruments reported at fair value on a regular basis, the Group reviews the distribution of fair value levels at the end of the reporting period and determines whether there is a need to move to another level.

Whenever possible, the Group measures the fair value of a financial instrument using active market prices for that instrument. The market is considered active if the stock exchange prices are regular and easily accessible and represent current and regularly conducted direct market transactions. If the market for a financial instrument is not active, the Group determines fair value using pricing models or cash flow discounting techniques. The chosen valuation technique makes maximum use of market data, relies as little as possible on Group-specific valuations, includes all factors that market participants would take into account when setting a price, and is compatible with accepted economic methodologies for pricing financial instruments.

Financial assets at fair value through profit or loss held by subsidiaries in Bulgaria are mainly securities traded on the Bulgarian Stock Exchange (BSE) and at the end of the reporting period are valued in accordance with the requirements of Art. 77a, para. 3 of Ordinance 53 on the requirements for reporting, valuation of assets and liabilities and the formation of insurance reserves of insurers, reinsurers and the Guarantee Fund. Due to the limited volume and nature of trading in these securities, there is uncertainty as to whether the fair value of the securities, determined on the basis of market quotations, will be supported by the market in future transactions.

1.31.11. Leases

In determining the term of leases, management takes into account all facts and circumstances that create an economic incentive to exercise an option to extend or not to exercise an option to terminate. Extension options (or periods after termination options) are included in the lease term only if it is sufficiently certain that the lease is extended (or not terminated).

1.31.12. Deferred tax assets

The assessment of the probability that future taxable profit will be available against which the deferred tax assets can be utilised is based on the last approved budget estimate, adjusted for the significant non-taxable income and expense, and specific restrictions for the unused tax losses and unused tax credits carried forward. The tax legislation of the different jurisdictions in which the Group operates are also taken into account. If a reliable estimate of taxable income implies the probable use of a deferred tax asset, particularly in cases where the asset can be used without a time limit, the deferred tax asset is recognized in full. Recognition of deferred tax assets that are subject to certain legal or economic restrictions or uncertainties is judged by the management on a case-by-case basis based on the specific facts and circumstances.

2. Risk management

2.1. Risk management objectives and policies for mitigating insurance risk

The main insurance activity carried out by the Group is assuming the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liabilities, life, health accidents, financial or other risks that may arise from an insurance event. The Group is exposed to the uncertainty associated with the timing and severity of claims under the contract. The Group is also exposed to market risk through its insurance and investment activities. The Group manages its insurance risk through underwriting insurance limits, transactions approval procedures that involve new products or that exceed set limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and general risks. The probability theory is applied to the pricing and provisioning of insurance contracts portfolio. The principal risk is that the frequency and severity of claims exceed the expected. Insurance events are random by nature and the actual number and size of events during a year could vary from those estimated using established statistical techniques.

2.2. Underwriting strategy

Group’s underwriting strategy aims to achieve diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks for several consecutive years, and as such is expected to reduce the volatility in the outcome.

The underwriting strategy is set out in an annual business plan which includes classes of business to be insured which are offered by the subsidiaries of the Group. This strategy is applied to individual underwriters through detailed underwriting instructions that include limits set out for each underwriter by the class and size of business, territory and industry sector, in order to achieve an appropriate level of risk within the portfolio. Generally, the insurance contracts and health insurance contracts are annual in their majority and the underwriters have the right to refuse renewal or to change the terms and conditions of contract renewal.

2.3. Reinsurance strategy

The general insurance subsidiaries in Euroins Insurance Group (IC Euroins AD, Euroins Romania Asigurare-Reasigurare S.A , Euroins Osiguruvanje AD, PrJSC IC Euroins Ukraine, PrJSC European Travel Insurance and IC Euroins Georgia JSC) separately or through IC Euroins AD and IC EIG Re EAD, reinsure a portion of the risks they underwrite in order to control their exposures to losses and protect capital resources. The companies enter into proportional reinsurance contracts for the main business lines and non-proportional reinsurance contracts for large liabilities and catastrophic risks to reduce the net exposure. Further, underwriters are allowed to enter into facultative reinsurance in certain specified circumstances. All contracts for facultative reinsurance are subject to pre-approval and the total amount of facultative reinsurance is monitored by the management of the respective company.

The Life insurance subsidiary of the Group uses two types of reinsurance contracts: excess of loss reinsurance, covering traditional saving and mixed type products and proportional reinsurance including quota and excess of loss covering the portfolio “Life Insurance of the borrower”, as well as an excess of risk coverage for special coverage for "Cancer".

Passive reinsurancecontains credit risk and reinsurance assets are accounted for by subtracting the impairment costs as a result of insolvencies and bad debts. The Companies enter into insurance contracts with non-affiliated reinsurers to control their exposure to potential losses resulting from a single event.

2.4. Terms and conditions of insurance contracts

Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are disclosed below. The Group operates with authorized insurances set out in list approved by the Financial Supervision Commission, which are grouped into 18 groups. Assessment of the main products of the Group and the insurance products related risks management methods are presented below:

2.4.1. General insurance – Casco (Motor Hull)

The Group underwrites Casco insurance of motor vehicles. Casco insurance indemnifies the policyholder against damage to their own vehicle from traffic event, natural disaster, malicious third party acts and theft. The return on capital under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group.

The event giving rise to a claim for damage to a vehicle usually occurs suddenly (as crash, natural disaster, theft etc.) and the cause is easily determined. The Group is promptly notified and the claim is settled without delay. Casco business is therefore classified as „short-tailed“, meaning that expense deterioration and investment return will be of negligible importance. This contrasts with the „long-tailed“ classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more material.

Risk management – Casco (Motor Hull)

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of influence of ability of driver and other players in the traffic). The insurance companies within the Group will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the companies do not charge premiums appropriate for the different vehicles it insures. The risk on a policy will vary according to many factors such as – brand of the vehicle, region where used, driver’s skills. For Casco insurance it is expected that there will be large numbers of insured objects with similar risk profiles. Calculating a premium corresponding to the risk for these policies will be subjective, and hence risky.

The insurance companies are exposed to the risk that the insured person may make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a Casco portfolio.

Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The companies therefore monitor and react to changes in the general economic and commercial environment in which they operate.

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2.4.2. General insurance contracts – General third party liability

The general insurance companies, part of Euroins Insurance Group AD underwrites General third party liability insurance. Under these contracts monetary compensations are paid for bodily injury suffered by employees or members of the public.

General third party liability is generally considered a long-tail line of business, as it takes a relatively long period of time to finalize and settle claims for a given accident year. The speed of claim reporting and claim settlement is a function of the specific coverage provided, the jurisdiction and specific policy provisions such as self-insured retentions. There are numerous components underlying the general liability product line.

This line is typically the largest source of uncertainty regarding claim provisions. Major contributors to this provision estimate uncertainty include the reporting lag (i.e. the length of time between the event triggering coverage and the actual reporting of the claim), the number of parties involved in the underlying tort action, whether the "event" triggering coverage is confined to only one time period or is spread over multiple time periods, the potential amounts involved (in the individual claim actions), whether such claims were reasonably foreseeable and intended to be covered at the time the contracts were written (i.e., coverage dispute potential), and the potential for mass claim actions. Claims that have longer reporting lags result in greater inherent risk. This is especially true for alleged claims with a latency feature, particularly where courts have ruled that coverage is spread over multiple policy years, hence involving multiple defendants (and their insurers and reinsurers) and multiple policies (thereby increasing the potential amounts involved and the underlying settlement complexity of claims). Claims with long latencies also increase the potential recognition lag, i.e., the lag between writing a type of policy in a certain market and the recognition that such policies have potential mass tort and/or latent claim exposure.

Risk management - General third party liability

The key risks related to this product are underwriting risk, competitive risk and claims experience risk (including the variable incidence of risk claims). The companies are also exposed to the risk of dishonest actions by policyholders.

Insurance risk is managed primarily through reasonable pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The companies therefore monitor and react to changes in the overall economic and business environment in which they operate.

2.4.3. General insurance contracts – Property

Insurance companies underwrite property insurance on a countrywide basis. Property insurance indemnifies, subject to any limits or excesses cover, the policyholder against loss or damage to their own material property and business interruption arising from this damage.

The return on equity under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the respective company.

The event giving rise to a claim for damage of buildings or property usually occurs suddenly (as fire and burglary) and the cause is easy to determine. The claim will thus be reported promptly and can be settled without delay. Property insurance business is therefore classified as „short-tailed", meaning that expense deterioration and investment return will be of negligible importance. This contrasts to the „long-tailed" classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more important.

The key risks associated with this product are underwriting risk, competitive risk, and claims risk (including the variable incidence of natural disasters). The Company will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Group does not charge premiums attributable to different properties it insures. The risk under a policy will vary in accordance with many factors such as location, safety measures in place, age of property etc. For domestic property insurance it is expected that there will be large number of properties with similar risk profiles. For commercial business, however, this will not be the case. Many commercial property proposals comprise of a unique combination of location, type of business, and safety measures in place. Calculating a premium which corresponds to the risk of these policies will be subjective, and hence risky. Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed when a loss is incurred. This, to some extent, explains why economic conditions correlate with the profitability of a property portfolio. Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. Each company therefore monitors and reacts to changes in general economic and commercial environment where it operates.

2.4.4. *General Insurance constracts- Health insurance*

The health insurance policies insures compensation of prevention activities, activities for outpatient and hospital treatment of ill insured persons, rehabilitation and sanatorium treatment after hospital treatment, public services during hospital treatment, recovery of expenses for purchased medicines and outpatient dental treatment of insured persons.

Health insurance risk management

An analysis of main risks that are inherent in the terms of the health insurance contracts is performed annually. The main risk is illness and its compensation.

2.5. Concentration of insurance risks

Management considers that as at December 31, 2021 there are no significant concentrations of insurance risk in the Group’s portfolio.

Property is subject to multitude of risks including theft, fire, business discontinuation and meteorological conditions. Compensations for events such as storms, floods, collapses, fire, explosion and increasing criminal rate originate in a regional scale which means that the Company manages the distribution of geographic risk very carefully. In the event of an earthquake, each company expects the property portfolio to see high claims for structural damage to properties, and high claims for business interruption while transport links are inoperable and business properties are closed for repair. Each company sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes.

The current aggregate position is monitored at the time of underwriting the risk, and monthly reports are produced which show the key aggregations to which each company is exposed. Each one of the insurance undertakings within Euroins Insurance Group AD uses a number of modelling tools to monitor aggregation and to simulate catastrophic losses in order to measure the effectiveness of the reinsurance programs and the net exposure to which the Company is exposed. A number of stress and scenario tests are run using these models during the year.

The greatest likelihood of significant losses to each company arise from catastrophic events, such as flood damages, storm or earthquake damage. Each company manages these risks through obtaining reinsurance coverage.

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With respect to risk concentration the management of Euroins Insurance Group AD believes that appropriate efforts have been made in order to split, uniformly and territorially, insured properties. Risk assessment is performed periodically by Reinsurance manager of each company and insured sums accumulation is observed by regions. The management does not believe that at the end of the reporting period, there are significant concentrations of insurance risk in the portfolio of each insurance company, part of the Euroins Insurance Group AD.

The Group operates mainly in the following countries: Bulgaria, Romania, Ukraine, North Macedonia, Greece, Poland, Georgia, Belarus, United Kingdom, Germany and Netherlands. In Bulgaria, Romania, Ukraine, North Macedonia, Georgia nd Belarus the Group reports insurance premiums through its subsidiary companies, as follows:

1. In Bulgaria through IC Euroins AD, IC Euroins Life EAD and Insurance company EIG Re EAD;
2. In Romania through Euroins Romania Asigurare-Reasigurare S.A.;
3. In North Macedonia through Euroins Osiguruvanje AD;
4. In Ukraine through PrJSC IC Euroins Ukraine and PrJSC European Travel Insurance
5. In Georgia through IC Euroins Georgia JSC
6. In Belarus through CJSC IC Euroins, BY

In Greece (until January 31, 2019), Spain, Poland, Italy, UK, Germany and Netherlands the Group underwrites direct insurance business through its subsidiary company IC Euroins AD on the principle of Freedom of Services on the territory of the European economic area. Starting February 1, 2019 in Greece, the Group underwrites a direct insurance business through its subsidiary IC Euroins AD on the principle of Freedom of Establishment, through its newly opened branch in the country.

Information on by geographic segments is presented in Note 34.

2.6. Reinsurance risk

The companies of the Group cede insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined lines of business, on co-insurance, on yearly renewable term. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on Company's assessment of specific risk, which under certain circumstances reaches limits based on characteristics of coverage. In the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in case claim is paid. Each company, however, remains liable to its policyholders in respect to ceded insurance in case reinsurer fails to meet the obligations he assumes. In non-life business, the predominant use of reinsurance is intended to manage exposure to weather-related events, natural catastrophes, events involving multiple casualties, catastrophic fires and liabilities (general and motor third party liability). When selecting a reinsurer each company of the Group considers its relative reliability. Assessment of reinsurer's reliability is based on public rating information and internal researches.

2.7. Claims development

Claims development table, shown below, is disclosed in order to allow for the unpaid claims estimates included in the consolidated financial statements to be compared with the development of claims reserves in previous years. In effect, the table highlights the subsidiaries' ability to provide an estimate of the total value of claims. The estimate is increased or decreased as losses are paid and more information becomes available about the claim frequency and the amount of unpaid claims. The lower part of the table provides a reconciliation of the total reserve included in the statement of financial position and the estimate of incurred claims.

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The information in the table provides a historical review on the adequacy of the unpaid claim estimates; users of these financial statements are alert for extrapolating redundancies or deficiencies from the past on current unpaid claim balances. Due to the inherent uncertainty in the process of determining reserves, it cannot be confirmed that ultimately such balances will be adequate.

In BGN '000'	Prior 2015	2015	2016	2017	2018	2019	2020	Total
Cumulative claim estimate at the end of the accident year	1 537 797	280 832	323 076	371 964	490 364	493 664	765 781	765 781
1 year later	1 609 757	253 628	330 489	364 313	517 541	622 646	-	622 646
2 years later	1 702 598	253 550	322 655	396 675	639 357	-	-	639 357
3 years later	1 751 788	262 053	348 259	484 077	-	-	-	484 077
4 years later	1 782 100	269 034	388 573	-	-	-	-	388 573
5 years later	1 796 066	290 893	-	-	-	-	-	290 893
6 years later	1 830 395	-	-	-	-	-		1 830 395
Current estimate	**1 830 395**	**290 893**	**388 573**	**484 077**	**639 357**	**622 646**	**765 781**	**5 021 722**
Cumulative payments	(1 842 583)	(269 911)	(341 020)	(390 148)	(485 259)	(425 227)	(355 255)	(4 109 403)
Cumulative claim estimate	12 188	(20 982)	(47 552)	(93 930)	(154 099)	(197 418)	(410 527)	(912 320)
*** Liability amount**	**12 188**	**(20 982)**	**(47 552)**	**(93 930)**	**(154 099)**	**(197 418)**	**(410 527)**	**(912 320)**

* The liability amount in the consolidated statement of financial position includes reserve for incurred but not reported claims and reserve for reported but not settled claims. Intragroup eliminations are not presented in the claims development table.

The table presents information about the general insurance as gross insurance reserves in general insurance represents more than 99% of the entire portfolio of the Group.

2.8. Liability adequacy test

Liability adequacy tests are performed to determine if the insurance provisions are adequate. If a deficiency is identified an additional unexpired risk reserve is established. The deficiency is recognised in profit or loss for the year.

A deficiency exists when unearned premium at the balance sheet date and expected future premium are not sufficient to cover expected future losses (incl. claims handling costs), commissions and other acquisition costs, insurance portfolio administration costs.

An unexpired risk reserve is set up when expected future cash flows from premiums incl. unearned premium reserves at the year-end, are not sufficient to cover future paid claim expenses forecasted through the loss ratio determined for each type of activity on the basis of past experience, as well as policy and payment administration costs.

In order to verify the amount of the technical reserves set the Group performs Liability Adequacy Test (LAT) based on the estimated amount of future cash flows.

Future cash flows are projected based on historical claim development, expected loss ratio or proportion of the costs, as well as claim frequency and average claim amount.

In estimating future cash flows related to the unexpired period of the contracts in force at the end of the reporting period the Group uses expected loss ratio determined on the basis of past experience and expense ratio. In analyzing future costs the Group considers their nature based on the moment of origination – upon commencement of the contracts or deferred over the contract period of cover.

For the forecast of the future cash flows on claims incurred prior the end of the reporting period, the Group uses data grouped in triangles representing claim development in time and the delay in claim reporting and payment date.

With certain insurance types, where appropriate, an analysis is made of the average claim amount and claim frequency, based on which the Group determines expected future payments. Sensitivity analysis can be performed to forecast future cash flows by comparison of market data for the average claim amount and claim frequency.

2.9. Financial risk management

The Group is exposed to the following risks when closing operations with financial instruments:

- Market risk, incl. interest risk, currency risk, price risk
- Credit risk
- Liquidity risk

Market risk can be described as the risk of change in the fair value of a financial instrument due to the change in interest rates, prices of equity instruments or exchange rates. It includes three types of risks which are reviewed separately.

2.9.1. Assets / Liabilities matching

Each company in the Group actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimize risk-adjusted investment income, ensuring that assets and liabilities are managed on cash flow and duration basis. Each company manages cash flow and investments by determining approximately the amounts and time of proceeds from insureds and payments of insurance liabilities. The process is subjective and may influence the respective company's ability to achieve the goal of the asset and liability management.

The Group exposure to market risk related to changes in the interest rate is concentrated in its investment portfolio, and to a lesser extent, its debt liabilities. Changes in investment values attributable to interest rate changes are partially offset by mitigated by the changes in the economic value of the insurance reserves and the debt liabilities. The Group controls this exposure through periodic reviews of its asset and liability positions. Assumptions related to cash flows and the impact of interest rate fluctuations on the investment portfolio are reviewed semi-annually. Overall objective of these strategies is to limit large movements in the asset and liability value arising from interest rate fluctuations. Although it is more difficult to evaluate interest rate sensitivity of insurance liabilities, fluctuations in interest rate will lead to changes in the value of the assets, which will compensate changes in the liability value related to insurance products. The Group is also exposed to risk of future changes in cash flows from fixed income securities arising from changes in market interest rates.

The breakdown of financial assets according to their sensitivity to changes in the effective interest rates as at

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December, 31 2021:

As at 31 December 2021 **In BGN '000'**	**Fixed interest**	**Non – interest bearing**	**Total**
Cash and cash equivalents	28,954	38,006	66,960
Deposits in financial institutions	36,400	1,345	37,745
Government bonds at fair value through profit or loss	66,437	-	66,437
Government bonds at amortized cost	9,553	-	9,553
Corporate bonds at fair value through profit or loss	117,556	-	117,556
Open-end investment funds at fair value through profit or loss	-	129,546	129,546
Equity investments at fair value through profit or loss	-	45,648	45,648
Other financial assets at amortized cost	61,986	987	62,973
Receivables and other assets at amortized cost	5,581	232,270	237,851
Total	**326,467**	**447,802**	**774,269**

The breakdown of financial assets by their sensitivity to interest rate risk as at December, 31 2020 is as follows:

As at 31 December 2020 **In BGN '000'**	**Fixed interest**	**Non – interest bearing**	**Total**
Cash and cash equivalents	13,009	46,984	59,993
Deposits in financial institutions	28,161	3,466	31,627
Government bonds at fair value through profit or loss	95,494	-	95,494
Government bonds at amortized cost	5,967	-	5,967
Corporate bonds at fair value through profit or loss	73,037	-	73,037
Open-end investment funds at fair value though profit or loss	-	72,760	72,760
Equity investments at fair value through profit or loss	1	53,185	53,186
Other financial assets at amortized cost	88,129	7,695	95,824
Receivables and other assets at amortized cost	-	189,185*	189,185*
Total	**303,798**	**373,275***	**677,073***

2.9.2. Currency risk

The Group is exposed to currency risk through its payments in foreign currency and its assets and liabilities denominated in foreign currency. Gains and losses reported in the statement of comprehensive income arise as a result of the Group's exposures in foreign currency. These exposures comprise Group's cash assets, which are not denominated in the currencies used for the financial statements of the local companies.

Currency risk is associated with the possibility of income and expenses of economic entities in respective country to be affected by changes in the exchange rate of the national currency against other currencies. In Bulgaria, the fixing of the lev exchange rate against the single European currency (EUR) leads to the limitation of fluctuations in the lev exchange rate against major foreign currencies within the fluctuations between the major currencies themselves against the euro. On the other hand, fluctuations in the Macedonian, Romanian, Ukrainian, Georgian, Russian and Belarusian currencies may generate currency risk that will affect the entire Group. In general, the Group's companies do not generate significant currency risk, as the main cash flows in the Group at the consolidated level are denominated in BGN and EUR, and the Romanian Lei and the Macedonian Denar are relatively stable even in a high inflation environment due to controlled floating monetary policy of these two countries.

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In 2021 and 2020, the change in the foreign currencies used by the Group companies against the euro exchange rate (data is from the Central Banks of the respective countries) is presented in the table below:

Year	RUB/EUR	UAH/EUR	GEL/EUR	BYN/EUR	GBP/EUR	RON/EUR	MKD/EUR
2021	7%	(11%)	(13%)	(9%)	7%	2%	(0.1%)
2020	(23%)	(23%)	(20%)	(22%)	(5%)	2%	0.1%

Breakdown of financial assets by currency as at December, 31 2021 is as follows:

As at 31 December 2021 **In BGN '000'**	**BGN**	**EUR**	**MKD**	**RON**	**Other**	**Total**
Cash and cash equivalents	6,558	34,784	627	14,977	10,014	66,960
Deposits in financial institutions	4,373	18,402	8,300	1,346	5,324	37,745
Government bonds at fair value through profit or loss	-	66,437	-	-	-	66,437
Government bonds at amortized cost	-	3,319	350	-	5,884	9,553
Corporate bonds at fair value through profit or loss	4,999	111,944	-	-	613	117,556
Open-end investment funds at fair value trough profit or loss	86,801	38,103	4,642	-	-	129,546
Equity investments at fair value through profit or loss	23,267	16,543	1,184	4,011	643	45,648
Other financial assets at amortized cost	59,143	1,742	-	-	2,088	62,973
Receivables and other assets at amortized cost	42,352	43,996	11,669	95,510	44,324	237,851
Reinsurance share in insurance reserves	9,685	1,075,297	-	-	-	1,084,982
Intangible assets	337	-	69	2,401	2,175	4,982
Property, plant and equipment	14,418	601	910	10,622	6,423	32,974
Investment property	-	-	-	890	1,124	2,014
Deferred tax assets	322			5,928	2,690	8,940
Total	**252,255**	**1,411,168**	**27,751**	**135,685**	**81,302**	**1,908,161**
Insurance reserves	243,219	47,407	21,877	975,827	142,606	1,430,936
Payables under reinsurance treaties and other payables	40,598	90,565	3,606	56,613	13,058	204,440
Loans received (incl. subordinated debt and financial guarantees)	32,657	50,140	-	-	131	82,928
Deferred tax liabilities	2	-	-	-	-	2
Total	**316,476**	**188,112**	**25,483**	**1,032,440**	**155,795**	**1,718,306**

Breakdown of financial assets by currency as at December, 31 2020 is as follows:

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As at 31 December 2020 In BGN '000'	BGN	EUR	MKD	RON	Other	Total
Cash and cash equivalents	5,841	44,340	488	2,175	7,149	59,993
Deposits in financial institutions	4,336	13,747	7,932	1,096	4,516	31,627
Government bonds at fair value through profit or loss	-	95,494	-	-	-	95,494
Government bonds at amortized cost	-	979	350	-	4,638	5,967
Corporate bonds at fair value through profit or loss	3,704	53,892	-	-	15,441	73,037
Open-end investment funds at fair value through profit or loss	29,607	38,869	4,284	-	-	72,760
Equity investments at fair value through profit or loss	39,740	8,089	1,275	4,076	6	53,186
Other financial assets at amortized cost	86,514	1,526	-	33	7,751	95,824
Receivables and other assets at amortized cost	49,337	25,355	11,546*	67,522*	35,425	189,185*
Reinsurance share in insuranse reserves	3,943	665,822*	-	43,156	-	712,921*
Intangible assets	576	-	62	760	1,898	3,296
Property, plant and equipment	14,368	2,709	800*	7,615	6,579	32,071*
Investment property	7,809	-	-	903	940	9,652
Deferred tax assets	296	-	-	8,919	1,589	10,804
Total	**246,071**	**950,822***	**26,737***	**150 532***	**85,932**	**1,445,817***
Insurance reserves	195,455	88,586	20,342	816,798*	84,737	1,205,918*
Payables under reinsurance treaties and other payables	30,172	55,052	2,238	21,877	10,948	120,287
Loans received (incl. subordinated debt and financial guaranttes)	99	69,056	-	-	2	69,157
Deferred tax liabilities	2	-	-	-	-	2
Total	**225,728**	**212,694**	**22,580**	**838,675***	**95,687**	**1,395,364***

2.9.3. Price risk

Group exposure to price risk is related to financial assets reported at fair value which include shares and bonds traded on EU stock exchanges.

For these instruments there is a risk that fair value of future cash flows for a financial instrument will fluctuate due to changes in market prices (different from those related to interest and currency risk) regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer or factors which affect the market.

Price risk is managed by analyzing the investment companies on the basis of their operating activity.

2.9.4. Credit risk

Maximum exposure to credit risk is the carrying amount of financial assets.

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Groups of financial assets	As at 31.12.2021	As at 31.12.2020
Cash and cash equivalents	66,960	59,993
Deposits in financial institutions	37,745	31,627
Government bonds at fair value through profit or loss	66,437	95,494
Government bonds at amortized cost	9,553	5,967
Corporate bonds at fair value through profit or loss	117,556	73,037
Open-end investment funds at fair value trough profit or loss	129,546	72,760
Equity investments at fair value through profit or loss	45,648	53,186
Other financial assets at amortized cost	62,973	95,824
Receivables and other assets	237,851	189,185*
Total	**774,269**	**677,073***

The Group holds assets in a trade portfolio to manage the credit risk.

Credit risk is the risk that one of the party on the financial instrument will cause a financial loss for the other party because it will fail to perform specific obligation. The Group has introduced policies and procedures for reducing the Group exposure to credit risk.

Group investment policy requires strict application of the diversification rules regarding exposure limits for each type of financial instrument and each contracting party as determined by the insurance legislation of each country. The Group does not perform derivative transactions.

The Group invests its insurance reserves and own funds mainly in bank deposits, government bonds of EU member states, corporate bonds of financial or other institutions. To implement its investment policy the Group uses professional services of investment intermediaries licensed to operate locally and abroad.

Reinsurance contracts are closed with counterparties with good credit rating. Management reviews the reinsurance policy on regular basis.

Type of investment and rating In BGN '000'	As at 31.12.2021	As at 31.12. 2020
Government bonds		
Rating AAA	19,390	22,098
Rating AA	37,095	51,893
Rating BBB	9,951	21,503
Rating BB	350	350
Rating B	9,203	5,617
Corporate bonds		
Rating BBB	16,822	52,995
Rating BB	110	121
Rating B	20,207	-
Not rated	80,418	19,921
Equities/Open investment funds		
Rating AA	-	407
Rating BBB	33,130	35,359
Rating BB	91	54

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Type of investment and rating In BGN '000'	**As at 31.12.2021**	**As at 31.12. 2020**
Not rated	141,974	90,125
Total	**368,741**	**300,443**

The Company has exposure to government debt as follows:

Portfolio as at 31.12.2021 in BGN '000'	**Ukraine**	**Austria**	**Germany**	**Italy**	**France**	**North Macedonia**	**Belarus**	**Total**
At Fair Value	-	17,620	19,390	9,951	19,476	-	-	66,437
At amortized cost	7,025	-	-	-	-	350	2,178	9,553
Total	**7.025**	**17,620**	**19,390**	**9,951**	**19,476**	**350**	**2,178**	**75,990**

Portfolio as at 31.12.2020 in BGN '000'	**Ukraine**	**Germany**	**Belgium**	**Italy**	**France**	**Netherlands**	**North Macedonia**	**Belarus**	**Total**
At Fair value	-	22,174	7,585	21,503	22,134	22,098	-	-	95,494
At amortized cost	3,704	-	-	-	-	-	350	1,913	5,967
Total	**3,704**	**22,174**	**7,585**	**21,503**	**22,134**	**22,098**	**350**	**1,913**	**101,461**

Aging analysis of direct insurance receivables

The aging analysis of pending direct insurance receivables is as follows:

Portfolio as at 31.12.2021 in BGN '000'	**Not overdue**	**Overdue up to 30 days**	**Overdue up to 60 days**	**Overdue up to 90 days**	**Overdue up over 91 days**	**Total**
Receivables from direct insurance	119,597	24,258	1,289	3,269	9,030	157,443
Total	**119,597**	**24,258**	**1,289**	**3,269**	**9,030**	**157,443**

Portfolio as at 31.12.2020 in BGN '000'	**Not overdue**	**Overdue up to 30 days**	**Overdue up to 60 days**	**Overdue up to 90 days**	**Overdue up over 91 days**	**Total**
Receivables from direct insurance	65,956	20,862	7,017	5,890	8,502	108,227
Total	**65,956**	**20,862**	**7,017**	**5,890**	**8,502**	**108,227**

2.9.5. Liquidity risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group should meet its day-to-day needs of cash, especially for payments of claims on insurance policies. Consequently, a risk exists that the Group would not be able to meet its obligations when they come due. The Group manages this risk by imposing minimum restrictions over assets approaching maturity which are to be available to settle these liabilities, as well as by setting minimum level of borrowed funds which may be used to cover claims and maturities.

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Maturity structure of financial assets

The table below shows an analysis of Group financial assets based on the residual term to maturity:

As at 31 December 2021 In BGN '000'	Up to 1 month	1 - 3 months	3 - 6 months	6 – 12 months	1 - 3 years	3 - 5 year	Over 5 years	No maturity	Total
Cash and cash equivalents	57,340	9,620	-	-	-	-	-	-	66,960
Deposits in financial institutions	-	-	10,330	16,894	9,176	-	-	1,345	37,745
Government bonds at amortized cost	-	964	228	6,646	468	897	350	-	9,553
Government bonds at fair value through profit or loss	-	-	19,475	46,962	-	-	-	-	66,437
Corporate bonds at fair value through profit or loss	-	-	12	3,110	5,522	70,842	38,070	-	117,556
Open-end investment funds	-	-	-	-	-	-	-	129,546	129,546
Capital investments at fair value through profit or loss	-	-	-	-	-	-	-	45,648	45,648
Other financial assets at amortized cost	7,036	1,257	23,483	17,390	1,371	10,348	1,101	987	62,973
Receivables from direct insurance	102,633	11,349	14,256	22,012	4,375	2,817	-	-	157,442
Reinsurance receivables	19,472	745	31	302	-	-	-	-	20,550
Recourse receivables	4,328	873	300	1,242	1,699	146	-	2,208	10,796
Other receivables and current assets	29,083	5,571	4,965	3,610	-	-	-	5,834	49,063
Total	**219,892**	**30,379**	**73,080**	**118,168**	**22,611**	**85,050**	**39,521**	**185,568**	**774,269**

Maturity structure of financial assets

As at 31 December 2020 In BGN '000'.	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 – 12 months**	**1 - 3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and cash equivalents	47,504	7,599	-	4,890	-	-	-	-	59,993
Deposits in financial institutions	-	-	6,024	17,431	6,582	-	-	1,590	31,627
Government bonds at amortized cost	-	2,717	987	-	1,075	838	350	-	5,967
Government bonds at fair value thorigh profit or loss	-	777	-	-	18,553	43,477	10,230	-	73,037
Corporate bonds at fair value through profit or loss	-	-	-	95,494	-	-	-	-	95,494
Open-end investment funds	-	-	-	-	-	-	-	72,760	72,760
Capital investments at fair value through profit or loss	-	-	-	-	-	-	-	53,187	53,187
Other Financial Assets at amortized cost	25,281	18,206	12,310	29,149	3,127	-	1,293	6,457	95,823
Receivables from direct insurance	69,596	14,844	12,364	11,023	220	180	-	-	108,227
Reinsurance receivables	16,582	27	61	72	-	-	-	-	16,742
Recourse receivables	8,521	243	301	1,789	13,259	48	-	-	24,161
Other receivables and current assets	31,403	4,614	1,885	1,281	513	67	294*	-	40,057*
Total	**198,887***	**49,027**	**33,932**	**161,129**	**43,329**	**44,610**	**12,167***	**133,994**	**677,075***

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Maturity structure of liabilities

An analysis of financial liabilities (on non-discounted cash flow basis) and technical insurance reserves based on residual term to maturity is presented below:

As at 31 December 2021 In BGN '000'	**Up to 1 year**	**1 – 3 years**	**3 – 5 years**	**5 - 10 years**	**Over 10 years**	**Total**
Mathematical reserve	323	615	797	2,052	1,183	4,970
Unearned premium reserve	498,117	638	123	20	-	498,898
Unexpired risk reserve	120	-	-	-	-	120
Reserve for Reported but not settled claims	280,058	55,531	13,999	8,174	-	357,762
Reserve for Incurred but not reported claims	435,656	83,595	29,099	6,208	-	554,558
Other insurance reserves	14,628	-	-	-	-	14,628
Payables from direct insurance	25,216	-	-	-	-	25,216
Payables under reinsurance treaties	94,152	-	-	-	-	94,152
Payables under lease agreements	2,827	9,199	3,033	7,090	-	22,149
Payables on loans received	46,999	1,917	34,012	-	-	82,928
Other payables	62,923	-	-	-	-	62,923
Total	**1,461,019**	**151,495**	**81,063**	**23,544**	**1,183**	**1,718,304**

As at 31 December 2020 In BGN '000'	**Up to 1 year**	**1 – 3 years**	**3 – 5 years**	**5 - 10 years**	**Over 10 years**	**Total**
Mathematical reserve	263	605	698	1,926	1,282	4,774
Unearned premium reserve	285,033*	567	71	59	-	285,730*
Unexpired risk reserve	8,537	-	-	-	-	8,537
Reserve for Reported but not settled claims	339,448	68	3,267	-	-	342,783
Reserve for Incurred but not reported claims	444,742*	84,326	11,091	4,681	-	544,840*
Other insurance reserves	19,254*	-	-	-	-	19,254*
Payables from direct insurance	1,342	-	-	-	-	1,342
Payables under reinsurance treaties	41,468	-	-	-	-	41,468
Payables under lease agreements	3,729	6,523	3,780	7,786	-	21,818
Payables on loans received	22,361	-	44,494	-	-	66,855
Other payables	53,356	-	2,302	-	-	55,658
Total	**1,219,533***	**92,089**	**65,703**	**14,452**	**1,282**	**1,393,059***

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2.9.6. Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of internal factors associated with Group operations, personnel, technologies and infrastructure, as well as external factors other than credit, market and liquidity risk and arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The definition of the operational risk accepted at Group level is as follows: the risk of recording loses or failure to record profits, which is caused by inadequate or unimplemented internal control processes, or by external factors such as economic conditions, changes in insurance environment, technical progress, etc. Legal risk is a component of operational risk and emerges as a consequence of the bad application or incompliance with the legal and contractual requirements, which tend to produce a negative impact on the operations. The definition does not include the strategic and reputational risk.

The Group objective is to manage operational risk so as to balance between the avoidance of financial losses in the most efficient of ways and to keep its reputation without restricting its initiativeness and creativity.

2.10 *Other risks*

2.10.1 Covid-19 (Coronavirus)

In 2020, the World Health Organization announced the existence of a "Pandemic" from the new coronavirus COVID-2019 (Covid-19), which developed at the end of 2019, and quickly spread around the world, with Europe severely affected. As a result, the Republic of Bulgaria declared a state of emergency on the territory of the country. Strict anti-epidemic measures and restrictions have been introduced to limit social contacts and the spread of the virus.

Due to the Covid-19 pandemic, much of the world economy slowed and activity in some sectors was almost completely stopped. As a result of the measures imposed by governments, a significant part of international trade has been hampered. At the global level, the subsequent results for the business from the economic disturbances caused by the pandemic are - worsened economic prospects, an increase in expected credit losses and other impairments, as well as a decrease in revenues from lower volumes and reduced customer activity.

The pandemic has an adverse effect on economic activity in the country and the world, stock markets, tourism, transport, the automotive industry and many other industries. The disruption of normal economic activity in the Republic of Bulgaria, and the other respective countries, where the Group operates, as a result of Covid-19 may adversely affect the operations of the Group, and in particular the decline in share prices on global stock exchanges could affect the fair value of investments of the company if the negative trend persists.

At present, significant uncertainties remain in estimating the duration of coronavirus spread and its effects. In the fourth quarter of 2021, there was a fifth wave of increasing contagion after a certain lull in the summer months, which necessitated the continuation of some of the measures and restrictions

As at the date of approval of the consolidated financial statements of Euroins Insurance Group AD, the severity of morbidity in the country decreases and begins to eliminate both the measures and the introduced pandemic emergency, as at April 1, 2022.

2.10.2. Military Conflict in Ukraine

At the end of February 2022, a military conflict broke out between the Russian Federation and Ukraine. In response, severe financial sanctions have been imposed on Russian Federation by the EU, the United States, Great Britain and a number of other countries. A new package of tougher EU measures and sanctions against Belarus has been adopted, in addition to those already imposed in 2021 in connection with the assistance provided to the Russian Federation in its invasion of Ukraine. International financial markets have responded to the crisis with a sell-off, but bond yields have not fallen much and credit spreads have not widened, which does not indicate expansion of the conflict. Brent oil prices are rising above USD 100 a barrel, supply chains of critical raw materials have been disrupted in which Russia plays a significant role. Europe's dependence on gas from Russia and the inability to find alternative supplies quickly if the crisis continues would have a sharp impact on the European economy, including increased inflation. There are indications of rising interest rates in both the United States and the Eurozone due to accelerated inflation and the probability to remain high for longer period.

The expectations published in the ECB's regular economic bulletin are that the conflict in Ukraine will have a significant impact on economic activity and inflation. The extent of these consequences will depend on the development of the conflict, the impact of ongoing sanctions and possible future measures. Growth in the eurozone is expected to remain stable in 2022, but at a slower pace than predicted before the start of the military conflict.

At present, there are still significant uncertainties in assessing the possible adverse effects on the operations of Euroins Insurance Group AD caused by the military conflict and the slowdown in the global economy. As the war in Ukraine is extremely dynamic, the management of EIG AD cannot make a qualitative and quantitative assessment of the impact it has on the Group.

The management has decided to impare 90% of its associate's share of net assets in Russia. As at December 31, 2021, the Group continues to consolidate its subsidiaries in Ukraine and Belarus. The actual impact will depend on the development, duration and effect of the sanctions imposed on the Russian Federation and Belarus and will be assessed over time. The businesses in Ukraine, Russia and Belarus have no significant effect on the Group.

2.10.3 Other Risks (Effects)

Effect on economic growth

The table below presents information on the expectations for economic growth of the Republic of Bulgaria, according to the data of the International Monetary Fund, including forecast data after the occurrence of the military conflict in Ukraine:

	Historical data			**Forecast**			
	2019	**2020**	**2021**	**2022 (before military conflict)**	**2022 (after military conflict)**	**Average 2022-25 (before military conflict)**	**Avarage 2022-25 (after military conflict)**
Economic GDP growth	3.69%	(4.15)%	4.54%	4.40%	3.20%	3.79%	3.73%

Source: International monetary fund, World economic outlook, April 2022; World economic outlook, October 2021 www.imf.org

The table below provides information on the economic growth expectations of the euro area countries (representing the main foreign market of the Republic of Bulgaria), according to the International Monetary Fund, including forecast data after the military conflict in Ukraine:

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	Historical data			**Forecast**			
	2019	**2020**	**2021**	**2022 (before military conflict)**	**2022 (after military conflict)**	**Average 2022-25 (before military conflict)**	**Avarage 2022-25 (after militry conflict)**
Economic GDP growth	1.58%	(6.36)%	5.34%	4.35%	2.81%	2.33%	2.14%

Source: International monetary fund, World economic outlook, April 2022; World economic outlook, October 2021 www.imf.org

The Group's management has also analyzed the expected economic development of the countries where it operates, as the historical and forecast data from the International Monetary Fund are presented in the table below:

	Historical Data			**Forecast**			
	2019	**2020**	**2021**	**2022 (before military conflict)**	**2022 (after military conflict)**	**Average 2022-25 (before military conflict)**	**Avarage 2022-25 (after military conflict)**
Romania	4.19%	(3.75%)	5.88%	4.83%	2.20%	4.00%	3.22%
North Macedonia	3.91%	(6.11%)	3.96%	4.20%	3.20%	3.83%	3.30%
Ukraine	3.20%	(3.80%)	3.40%	3.64%	(35%)	3.71%	n/a
Georgia	4.98%	(6.76%)	10.36%	5.76%	3.20%	5.43%	4.85%
Russian Federation	2.20%	(2.70%)	4.70%	2.95%	(8.52)%	2.11%	(2.08%)
Greece	1.80%	(9.02%)	8,34%	4.61%	3.53%	2.63%	2.42%
Poland	4.75%	(2.55%)	5.67%	5.09%	3.70%	3.63%	3.24%
Italy	0.50%	(9.03%)	6.64%	4.23%	2.27%	1.97%	1.58%
Germany	1.05%	(4.56%)	2.79%	4.56%	2.10%	2.17%	1.93%
Spain	2.08%	(10.82%)	5.13%	6.39%	4.83%	3.14%	3.30%
United Kingdom	1.67%	(9.27%)	7.44%	5.01%	3.75%	2.52%	2.16%
Netherlands	1.96%	(3.83)%	5.04%	3.16%	2.97%	2.16%	2.07%
Belarus	1.45%	(0.67%)	2.30%	0.51%	(6.40)%	1.00%	(0.80)%

Source: International monetary fund, World economic outlook, April 2022; World economic outlook, October 2021

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www.imf.org

As can be seen from the above data, the Management takes into account the possible short-term risks to the overall economic development of the main markets where it operates. The expected reduction of the Gross Domestic Product could be significant, but there are also general expectations for rapid recovery during the priod 2022-2025 and a return to the average predicted growth levels before military conflict in Ukraine.

Effect on credit ratings

As a result of the expected economic effects of the slowdown in overall activity, some rating agencies worsened their forecast on long-term debt positions, both in terms of government debt and in terms of corporate debt positions. The table below provides information on the change in the credit rating (including forecast) assigned by Fitch to the Republic of Bulgaria and to the Parent company of the Group.

	Rating	Perspective	Date
Republic Bulgaria	BBB	Positive	21/01/2022
Eurohold Bulgaria AD	B	Negative	23/12/2021

The following is information on the change in the credit rating (including forecast) assigned by Fitch to the countries where the Group operates:

	Rating	Perspectiv	Date
Republic Romania	BBB	Negative	08/04/2022
Republic North Macedonia	BB+	Negative	29/04/2022
Republic Ukraine	CCC	n/a	25/02/2022
Republic Georgia	BB	Stable	04/02/2022
Russian Federation	WD	n/a	25/03/2022
Republic Greece	BB	Positive	14/01/2022
Republic Poland	A-	Stable	18/02/2022
Republic Italy	BBB	Stable	27/05/2022
Federal Republic of Germany	AAA	Stable	29/04/2022
Kingdom of Spain	A-	Stable	10/12/2021
United Kingdom	AA-	Stable	10/12/2021
Kingdom of Netherlands	AAA	Stable	25/03/2022
Republic Belarus	CCC	n/a	29/04/2022

Management continues to monitor the development of the credit risk in relation to the countries where the Group operates, as well as the main investments (subject to both markets and credit risk) of the Group companies.

At present, despite the overall decrease of forecasts and limited cases of credit rating deterioration, the Management believes that before a significant period of time passes during which symptoms of deterioration in the overall credit quality of both investments and the general environment where the Group operates, it cannot perform a sufficiently sustainable and reliable assessment of the effect of the military conflict in Ukraine.

Analysis of the expected effect on the IFRS model 9

Management has reviewed the model for impairment of expected credit loss in accordance with IFRS 9 “Financial Instruments” at all levels - country, group, segment, company. As a result, an update is made by increasing the expected credit loss exposures that are part of the impairment model. In order to provide reliability, the models for impairment of expected credit loss under IFRS 9 will continue to be reviewed and updated as necessary on a quarterly basis, taking into account the effects of COVID-19 on the business until normalization of economic conditions.

In connection with the dynamic situation and the new measures taken by the governments of the affected countries to deal with the epidemic, as at the date of this report, the Group is not able to make long-term assessments of the impact of the pandemic on the development of its activity and its financial condition. Overall, the current crisis raises significant uncertainties about future processes in the global macroeconomy in 2020 and beyond.

3. Capital management

The regulators of the subsidiaries within the Group set the rules for the solvency requirements and the amount of own funds and they monitor their compliance. The policy of the entities within the Group is to maintain stable level of capital adequacy and the balance between high return and risk.

In 2016 a number of regulatory changes have come into force and they have had a significant impact on the insurance market in the region and particularly on the Group including Directive 2009/138/EC regarding starting and performing of insurance and reinsurance activities (Solvency II), and other. The management is in a constant process of analysis of the effect of the new regulatory framework on its capital position and activity. The Group continues to rely on the support of the shareholders in case additional capital is needed as a result of the new regulatory framework.

For the year ended December, 31 2021 the Group subsidiaries are compliant with all capital requirements imposed by their respective regulators.

BGN'000	Eligible own funds to cover SCR	Eligible own funds to cover MCR	SCR	MSR	SCR Coverage	MCR Coverage
31 December 2021	255,293	234,361	194,758	78,971	131.08	296.77%
31 December 2020	245,984	215,710	182,946	71,087	134.46	303.45

* The calculations as at December 31, 2021 are based on preliminary unaudited data submitted to Financial Supervision Commission as part of the Solvency II quarterly quantitative reporting for Q4 2021.

The Group controls its capital on the basis of a debt ratio. This ratio is calculated by dividing trade and other liabilities, net of cash, by total capital. Total equity is calculated as 'equity', as shown in the consolidated statement of financial position, plus trade and other payables, net of cash.

The debt ratio as at December 31, 2021 and December 31, 2020 is as follows:

In BGN '000	Year ended 31.12.2021	Year ended 31.12.2020
Trade payables	204,440	120,287
Other payables	82,930	80,159
Cash and cash equivalents	(66,960)	(59,993)
Net debt	220,410	140,453

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Equity	348,379	211,535
Equity and net debt	**568,789**	**351,988**
Debt Ratio	38,75%	39,90%

The aim of the Group is to maintain the debt ratio in amounts that are in line with the terms of the loan agreement concluded in 2019 with AMC IV ALPHA BV. Information on compliance with the imposed requirements is presented in Note 26. The Group has not changed the objectives, policies and processes for capital management, as well as the method of determining the capital during the presented reporting periods.

4. Gross written premiums

In BGN '000'	**Year ended 31.12.2021**	**Year ended 31.12.2020 (restated)**
Casco (Motor Hull)	62,062	54,301
Motor TPL and Green card	1,046,729	682,710
Property	33,230	33,659
Crops and livestock	15,852	10,773
Accidents and Health	120,330	63,472
Cargo	23,604	16,722
Liability	14,001	10,222
Other	51,652	42,506
Gross written premiums	**1,367,460**	**914,365**
Change in gross unearned premium reserve and unexpired risk reserve	(206,239)	(28,639)*
Gross earned premiums	**1,161,221**	**885,726***
Less: written premiums ceded to reinsurers	(663,404)	(411,782)
Change in the reinsurers share in unearned premium reserve	264,188	8,523*
Earned premiums ceded to reinsurers	**(399,216)**	**(403,259)***
Net earned premiums	**762,005**	**482,467***

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Group technical result by lines of business for the year ended December, 31 2021 is shown in the table below:

In BGN '000'	Gross premiums written	Gross premiums earned	Claims paid, gross*	Claims incurred, gross*	Acquisition and administrative expenses *	Other technical income (expenses)*	Reinsurance result	Technical profit (loss)
Casco (Motor Hull)	62,062	59,598	(34,083)	(31,779)	(21,928)	(1,038)	(1,399)	3,454
Motor TPL and Green card	1,046,728	857,172	(721,866)	(744,917)	(235,271)	(81,527)	294,435	89,892
Property	33,230	33,149	(7,769)	(10,675)	(13,026)	(787)	(7,882)	779
Crops and livestock	15,853	15,999	(8,222)	(8,290)	(5,701)	(140)	(503)	1,365
Accidents and Health	120,330	110,074	(30,567)	(54,377)	(52,135)	(1,433)	6,183	8,312
Cargo	23,604	20,511	(4,379)	(3,372)	(11,653)	(1,402)	(3,550)	534
Liability	14,001	12,866	(1,685)	(4,045)	(4,330)	(243)	(3,138)	1,111
Other	51,652	51,852	(5,318)	(5,007)	(29,127)	(5,184)	(20,370)	(7,837)
Total	**1,367,460**	**1,161,221**	**(813,889)**	**(862,462)**	**(373,171)**	**(91,754)**	**263,776**	**97,610**

* Claims paid, gross, do not include recourse income.
* Claims incurred, gross, do not include recoveries received from reinsurers and change in reinsurers share in outstanding claim provisions.
* Acquisition and administrative expenses do not include administrative expenses of Euroins Insurance Group AD and Euroins Claims I.K.E.
* Other technical income (expenses) include allocated investment income of insurance reserves and other net insurance expenses.

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Group technical result by lines of business for the year ended December, 31 2020 is shown in the table below:

In BGN '000'	Gross premiums written	Gross premiums earned	Claims paid, gross*	Claims incurred, gross*	Acquisition and administrative expenses *	Other technical income (expenses)*	Reinsurance result	Technical profit (loss)
Casco (Motor Hull)	54,301	54,282	(29,898)	(31,538)	(20,941)	(1,758)	207	252
Motor TPL and Green card	682,710	666,038*	(490,818)	(562,206)*	(175,266)	(55,503)*	43,028*	(83,909)*
Property	33,659	24,348	2,439	(345)	(7,382)	(7,789)	(2,399)	6,433
Crops and livestock	10,773	10,979	(7,268)	(5,661)	(4,466)	-	(70)	782
Accidents and Health	63,472	59,529	(19,391)	(26,071)	(23,002)	(1,710)	612	9,358
Cargo	16,722	15,834	(2,681)	(4,581)	(7,763)	(1,190)	(1,790)	510
Liability	10,222	10,323	(436)	(157)	(2,727)	(235)	(5,206)	1,998
Other	42,506	44,393	(7,844)	(20,483)	(11,165)	(1,931)	(8,901)	1,913
Total	**914,365**	**885,726***	**(555,897)**	**(651,042)***	**(252,712)**	**(70,116)***	**25,481**	**(62,663)***

* Claims paid, gross, do not include recourse income.
* Claims incurred, gross, do not include recoveries received from reinsurers and change in reinsurers share in outstanding claim provisions.
* Acquisition and administrative expenses do not include administrative expenses of Euroins Insurance Group AD.
* Other technical income (expenses) include allocated investment income of insurance reserves and other net insurance expenses.

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5. Fees and commission income

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020
Commissions received from reinsurers	103,558	82,951
Other income from reinsurers	565	460
Total fees and commission income	**104,123**	**83,411**

6. Financial income

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020
Interest income on financial assets carried at amortized cost:		
Interest income from investments at amortized cost in securities and deposits	8,187	9,406
Gains on financial assets carried at fair value through profit and loss		
Gains from revaluation of assets at fair value	12,347	17,037
Gains from sale of financial assets and investments	1,678	739
Dividend income from capital investments	39	41
Rental income from investment properties	59	270
Income from business combinations	-	4,269
Other financial income	10,110	11,018
Total financial income	**32,420**	**42,780**

The realized income from business combination is connected with the purchase of CJSC "ERGO" Insurance Company "Belarus at the end of April 2020. Euroins Insurance Group AD acquires 19,590 shares or 93.12% of the capital of the Company at a price of BGN 3,433 thousand, while the fair value of the net assets at the time of acquisition is BGN 8,271 thousand and non-controlling interest in the amount of BGN 569 thousand.

Other financial income also includes income related to currency revaluation amounting to BGN 5,801 thousand (2019: BGN 6,049 thousand) of Euroins Romania Insurance-Reinsurance SA.

7. Other operating income

Other operating income includes other receivables of Euroins Romania Asigurare-Reasigurare S.A. (for example from BAAR (Romanian Motor Insurers Bureau), income from the sale of MTPL stickers, income from fees for intermediary services on Green Card and others.

8. Claims incurred, net of reinsurance

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020
Current year claims paid, claims handling and prevention expenses	(824,371)	(566,310)
Change in outstanding claims provision	(52,189)	(33,928)*
Change in other insurance reserves	3,909	(12,351)*
Change in mathematical reserve	(293)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Recoveries received from reinsurers	425,719	264,155
Change in reinsurers' share in outstanding claims reserve	133,150	32,305*
Recourse income	10,481	10,413
Total incurred claims, net of reinsurance	**(303,594)**	**(305,716)***

Claims handling expenses include part of administrative expenses that are directly related to claims handling. As disclosed in Note 35 "Accounting errors and changes in accounting policy", the Group has recalculated "Total incurred claims, net of reinsurance" for 2020 from BGN 283,762 thousand to BGN 305,716 thousand. .

9. Acquisition expenses

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020
Commissions and profit participation	(291,731)	(184,105)
Change in reserve for bonuses and discounts and reserve for management insurance	(19)	5
Bonus expenses	(35)	(77)
Advertising and marketing expenses	(32,699)	(28,565)
Total acquisition expenses	**(324,484)**	**(212,742)**

Advertising and marketing expenses include part of administrative expenses that are directly related to the operations of the sales departments in the Group such as salaries.

10. Administrative expenses

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020
Material expenses	(586)	(551)
Expenses for hired services	(16,090)	(12,892)
Depreciation expenses	(3,451)	(3,263)
Depreciation of RoU assets	(4,419)	(4,464)
Personnel expenses	(25,759)	(20,410)
Others	(5,559)	(4,057)
Total administrative expenses	**(55,864)**	**(45,637)**

At the end of the reporting period average number of employees in the Group is 1,709 (2020: 1,715), split by subsidiaries as follows:

- 11 (2020: 15) Euroins Insurance Group AD;
- 494 (2020: 509) Insurance Company Euroins AD (ZD Euroins AD);
- 523 (2020: 523) Euroins Romania Insurance-Reinsurance S.A.;
- 117 (2020: 121) Euroins Insurance AD, North Macedonia;
- 155 (2020: 159) Euroins Georgia AD;
- 19 (2020: 20) Insurance Company Euroins Life Insurance EAD (ZD Euroins Life EAD);
- 21 (2020: 21) Insurance company EIG Re EAD (ZD EIG Re EAD);
- 280 (2020: 258) PJSC Euroins Ukraine Insurance Company;
- 28 (2020: 28) PJSC European Travel Insurance.
- 61 (2020: 61) Euroins Insurance, Belarus

The audit fees for 2021 are amounting to BGN 1,309 thousand, which includes:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

• Group's auditors audit fees (individual and consolidated financial statements) are as follows:
- Mazars OOD - BGN 246 thousand;
- Grant Thornton OOD - BGN 524 thousand.

• Audit fees for auditors of the Companies of the Group are as follows:
- Companies from the Mazars network - BGN 47 thousand;
- Companies from the Grand Thorton network- BGN 492 thousand

The audit fees for 2020 are amounting to BGN 737 thousand, which includes:

• Group's auditors audit fees (individual and consolidated financial statements) are as follows:
- Mazars OOD - BGN 275 thousand;
- Zaharinova Nexia OOD - BGN 187 thousand.

• Audit fees for auditors of the Companies of the Group are as follows:
- Companies from the Mazars network - BGN 44 thousand;
- Companies from the Nexia network - BGN 13 thousand;
- Companies from the BDO network - BGN 20 thousand;
- Companies from the Grant Thornton network- BGN 198 thousand.

There were no tax consultacy services during the year, except of agreed procedures for verification according to Article 126, paragraph 1, points 1 and 2 of the Insurance Code, the value of the services provided are included in the above costs for independent financial audit. This disclosure is in compliance with the requirements of Article 30 of the Accounting Act.

11. Financial expenses

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020
Interest expense	(5,827)	(4,204)
Interest expense RoU assets	(793)	(858)
Losses on sale of financial assets	(2,198)	(2,797)
Expenses for investments management	(1,437)	(1,043)
Other finance costs	(7,645)	(6,904)
Total finance expenses	**(17,900)**	**(15,806)**

Other finance costs also include expenses related to currency revaluation amounting to BGN 781 thousand (2020: BGN 1,442 thousand) of IC Euroins AD, as well as at Euroins Romania Insurance-Reinsurance SA. amounting to BGN 2,931 thousand (2020: BGN 3,900 thousand).

As at 31 December 2021 goodwill amounting to BGN 645 thousand arising on the acquisition of Euroins Georgia was written off in connection with the events described in Note 37 "Events after the end of the reporting period" and the reported financial results after the acquisition date. It is included in "Other finance cost".

12. Other operating expenses

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020 restated
Expenses for Guarantee fund	(53,435)	(37,522)*
Other statutory expenses and license fees	(3,773)	(1,430)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other operating expenses	(24,349)	(25,123)
Total other operating expenses	**(81,557)**	**(64,075)***

Expenses for Gunrantee fund for the comparable period are recalculated to BGN (37,522) thousand from BGN (38,017) thousand as a result of the reported change of accounting policy in Note 35 “Changes in accounting policy”.

13. Other net income

In BGN ‘000’	**Year ended 31.12.2021**	**Year ended 31.12.2020**
Net income from sale of assets	498	260
Other non-operating income	1,322	447
Other non-operating expenses	(1,449)	(1,718)
Total other net income	**371**	**(1,011)**

Other non-operating income includes income from written-off liabilities, which limitation period has expired amounting to BGN 1,010 thousand (2020: BGN 402 thousand) of IC Euroins AD.

Other non-operating expenses include written-off receivables, which limitation period has expired amounting to BGN 623 thousand (2020: BGN 465 thousand) of IC Euroins AD.

14. Taxation

In BGN ‘000’	**Year ended 31.12.2021**	**Year ended 31.12.2020**
Income tax expense for the current year	(1,780)	(1,847)
Deferred tax	(2,125)	(934)
Total taxation	**(3,905)**	**(2,781)**

Current tax expenses represent the amount of taxes payable according to the relevant local legislation at tax rates in force at the end of 2021 and 2020.

The balances of deferred assets and liabilities are as follows:

	Assets		**Liabilities**		**Net assets / liabilities**	
In BGN ‘000’	**As at 31.12.2021**	**As at 31.12.2020**	**As at 31.12.2021**	**As at 31.12.2020**	**As at 31.12.2021**	**As at 31.12.2020**
Property, plant and equipment	-	-	(2)	(2)	(2)	(2)
Payables to personnel for unused paid leaves and retirement compensations	106	71	-	-	106	71
Accrued personal income	16	38	-	-	16	38
Tax loss carried forward	8,818	10,695	-	-	8,818	10,695
Net deferred tax assets / liabilities	**8,940**	**10,804**	**(2)**	**(2)**	**8,938**	**10,802**

The movement of deferred tax assets and liabilities is shown below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In BGN '000'	**Balance at 31 December 2020**	**Changes in profit and loss**	**Accumulated loss**	**Balance at 31 December 2021**
Property, plant and equipment	(2)	-	-	(2)
Payables to personnel for unused paid leaves and retirement compensations	71	35	-	106
Accrued personal income	38	(22)	-	16
Tax loss carried forward	10,695	(2,138)	260	8,818
Net deferred tax assets / liabilities	**10,802**	**(2,125)**	**260**	**8,938**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Intangible assets

In BGN '000'	Software	Other	Total
Cost			
Balance as at 1 January 2020	7,225	246	7,471
Acquisitions	1,657	-	1,657
Acquisitions Business combination	363	12	375
Disposals	(46)	(118)	(164)
Exchange Rate differences	(581)	(6)	(587)
Balance as at 31 December 2020	**8,618**	**134**	**8,752**
Depreciation and impairment losses			
Balance as at 1 January 2020	(4,899)	(30)	(4,929)
Depreciation charged for the year	(542)	(3)	(545)
Depreciation business combination	(137)	(9)	(146)
Written-off depreciation on disposals	44	-	44
Exchange rate differences	120	-	120
Balance as at 31 December 2020	**(5,414)**	**(42)**	**(5,456)**
Net book value			
Balance as at 1 January 2020	**2,326**	**216**	**2,542**
Balance as at 31 December 2020	**3,204**	**92**	**3,296**
Cost			
Balance as at 1 January 2021	8,618	134	8,752
Acquisitions	2,452	-	2,452
Disposals	-	(76)	(76)
Exchange rate differences	220	2	222
Balance as at 31 December 2021	**11,290**	**60**	**11,350**
Depreciation and impairment losses			
Balance as at 1 January 2021	(5,414)	(42)	(5,456)
Depreciation charged for the year	(893)	(4)	(897)
Depreciation written-off on disposals	-	7	7
Exchange Rate Differences	(23)	1	(22)
Balance as at 31 December 2021	**(6,330)**	**(38)**	**(6,368)**
Net book value			
Balance as at 1 January 2021	**3,204**	**92**	**3,296**
Balance as at 31 December 2021	**4,960**	**22**	**4,982**

As at December, 31 2021 the Group has made a review of its intangible assets and as a result has made an estimate on the basis of which has decided that there are no indications of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Property, plant and equipment

In BGN'000'	RoUA real estate	RoUA vehicles	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction and others	Total
Cost								
Balance as at 1 January 2020	25,519	359	7,915	6,312	9,489	2,504	726	52,824
Acquisitions	3,843	53	96	523	95	182	-	4,792
Acquisitions Business Combination	-	-	2,084	213	133	110	105	2,645
Disposals	(1,329)	(244)	(107)	(88)	(1,488)	(11)	-	(3,267)
Revaluation	-	-	380	-	(1,007)	-	-	(627)
Transferred in investment property	-	-	-	-	-	(4)	-	(4)
Exchange Rate Differences	(393)	-	(1,683)	(286)	(240)	(118)	(154)	(2,874)
Balance as at 31 January 2020	**27,640**	**168**	**8,685**	**6,674**	**6,982**	**2,663**	**677**	**53,489**
Depreciation								
Balance as at 1 January 2020	(4,234)	(65)	(2,815)	(4,356)	(4,923)	(1,645)	(692)	(18,730)
Depreciation charged for the year	(4,370)	(93)	(316)	(550)	(1,589)	(260)	(2)	(7,180)
Depreciation Business Combination	-	-	(181)	(79)	(39)	(37)		(336)
Written-off depreciation on disposals	278	85	3	84	1,410	6	-	1,866
Written-off depreciation on revaluation	-	-	11	-	1,767	-	-	1,778
Exchange Rate Differences	104	-	584	176	97	86	137	1,184
Balance as at 31 January 2020	**(8,222)**	**(73)**	**(2,714)**	**(4,725)**	**(3,277)**	**(1,850)**	**(557)**	**(21,418)**
Net book value								
Balance as at 1 January 2020	**21,285**	**294**	**5,100**	**1,956**	**4,566**	**859**	**34**	**34,094**
Balance as at 31 December 2020	**19,418**	**95**	**5,971**	**1,949**	**3,705**	**813**	**120**	**32,071***
Cost								
Balance as at 1 January 2021	27,640	168	8,685	6,674	6,982	2,663	677	53,489
Acquisitions	8,958	66	38	578	432	771	19	10,862
Disposals	(3,575)	-	-	(56)	(827)	(105)	(121)	(4,684)
Exchange rate differences	250	13	719	148	16	57	90	1,293
Balance as at 31 December 2021	**33,273**	**247**	**9,442**	**7,344**	**6,603**	**3,386**	**665**	**60,960**
Depreciation								
Balance as at 1 January 2021	(8,222)	(73)	(2,714)	(4,725)	(3,277)	(1,850)	(557)	(21,418)
Depreciation charged for the year	(4,338)	(81)	(271)	(539)	(1,547)	(194)	(2)	(6,972)
Written-off depreciaion on disposals	433	-	-	53	523	102	-	1,111
Exchange Rate Differences	(257)	(14)	(220)	(86)	(2)	(46)	(82)	(707)
Balance as at 31 December 2021	**(12,384)**	**(168)**	**(3,205)**	**(5,297)**	**(4,303)**	**(1,988)**	**(641)**	**(27,986)**
Net book value								
Balance as at 1 January 2021	**19,418**	**95**	**5,971**	**1,949**	**3,705**	**813**	**120**	**32,071***
Balance as at 31 December 2021	**20,889**	**79**	**6,237**	**2,047**	**2,300**	**1,398**	**24**	**32,974**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December, 31 2021 the Group has performed a review of its property, plant and equipment and as a result has made an estimate on the basis of which has decided that there are no indications of impairment.
The Group decided to keep the presentation of vehicles acquired under the terms of a financial lease with a carrying amount as at December 31, 2021 amounting to BGN 79 thousand (2020: BGN 95 thousand) in the Vehicles class, as they were presented in previous years before the adoption of IFRS 16. In the RoUA Vehicles class are presented only the leased assets under operating lease agreements, which meet the relevant conditions set out in IFRS 16. The Group considers that this presentation is more correct given its intentions to acquire the vehicles at the end of the lease period and continue to use them for its activities.

16.1 Lease

Statement of financial position

The Group chose to present the right of use assets in line with similar own assets, but to provide detailed information about own and leased assets in the notes to the financial statements:

	31.12.2021 *BGN thousands*	31.12.2020 *BGN thousands*
Property, plant and equipment incl.	**20,968**	**19,513**
- Right of use – Real Estate	20,889	19,418
- Right of use – Vehicles	79	95
Lease Liabilities – right of use		
- Current	2,448	3,293
- Non-current	19,206	17,610
	21,654	**20,903**
Finance lease Liabilties		
- Current	379	436
- Non-current	116	479
	495	**915**
Total Lease Liabilities	**22,149**	**21,818**

Acquired right of use assets in 2021 – BGN 9,024 thousand (2020 - BGN 3,896 thousand).
Written off right of use assets in 2021 – BGN 3,575 thousand (2020 – BGN 1,573 thousand).

Statement of profit or loss and other comprehensive income

	31.12.2021 *BGN thousand*	31.12.2020 *BGN thousand*
Rental expense – included in hired services	(302)	(134)
Depreciation expense of right of use assets	(4,419)	(4,464)
• Real estate	(4,338)	(4,370)
• Vehicles	(81)	(93)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest expense- included in Other income/ (Other expenses)	(793)	(858)

17. Investment properties

In BGN '000'	**As at 31.12.2021**	**As at 31.12.2020**
Balance as at 1 January	9,652	15,703
Sell	(7,724)	(5,823)
Revaluation	41	144
Exchange Rate Differences	45	(372)
Balance as at 31 December	**2,014**	**9,652**

The valuation of investment properties at fair value as at December 31, 2021 is performed by independent external appraisers with appropriate qualifications and experience in the valuation of such properties.

The fair value of investment property is categorized as a recurring measurement at fair value in level 2.

On January 28, 2020, IC Euroins AD sold its investment property at a sale price of BGN 5,960 thousand. The price has been fully paid in two installments on January, 13th and January, 28th 2020.

In 2021 Euroins Romania Insurance- Reinsurance SA has sold one of its investment properties at a sale price of BGN 9,792 thousand.

The rent income of investment properties for 2021 and the comparable period are disclosed in Note 6 "Financial income".

18. Financial assets

In BGN '000'	**As at 31.12.2021**	**As at 31.12.2020**
Registered for trading on stock exchange	40,929	49,036
Not registered for trading on stock exchange	4,719	4,150
Equity investments carried at fair value tgrough profit and loss	**45,648**	**53,186**
Government bonds	66,437	95,494
Corporate bonds	117,556	73,037
Bonds carried at fair value through profit and loss	**183,993**	**168,531**
Government bonds	9,687	5,967
IFRS 9 ECL on government bonds at amortized cost	(134)	-
Bonds at amortized cost	**9,553**	**5,967**
Open-end investment funds	129,546	72,760
Investment funds carried at fair value through profit and loss	**129,546**	**72,760**
Deposits in banks	37,232	30,176
Restricted deposits	1,381	1,590
IFRS 9 ECL on deposits	(868)	-
Other financial assets at amortized cost	62,556	89,548
IFRS 9 ECL on other financial assets at amortized cost	(568)	(320)

Deposits and other financial assets at amortized cost	**99,733**	**120,994**
Total financial assets	**468,473**	**421,438**

As it is disclosed in note 36 “Contingent liabilities”:

-a restricted deposit from Euroins Romania in favor of the Romanian Guarantee Fund amounting to BGN 1,381 thousand is also included. (2020: BGN 1,096 thousand);

- in order to secure the liabilities under bank guarantees, two of the subsidiaries - IC EIG Re EAD and IC Euroins AD have blocked deposits, according to the Law on Financially Secured Contracts amounting to BGN 2,404 thousand (as at December 31, 2020: BGN 2,404 thousand).

Equity investments of IC Euroins AD with a book value of BGN 2,901 thousand serve as a collateral for repo transactions as at December 31, 2021 (as at December 31, 2020: BGN 1,469 thousand).

Other financial assets at amortized cost also include:

- a loan granted to the exclusive representative in the Republic of Poland and is related to the initial process of starting insurance services in accordance with the principle of Freedom to provide services (Freedom of Services) within the European Union amounting to BGN 1,371 thousand. (as at December 31, 2020: BGN 1,238 thousand);

-receivables of Euroins Romania Insurance- Reinsurance SA under securities repurchase agreements and other loans as at December 31, 2020 in the net amount of BGN 7,036 thousand (as at December 31, 2020 - BGN 19,352 thousand);

-receivables of IC Euroins AD under securities repurchase agreements as at December 31, 2021 in the net amount of BGN 13,810 thousand. (2020: BGN 26,142 thousand);

-receivables of EIG RE EAD under securities repurchase agreements as at December 31, 2021 in the net amount of BGN 3,101 thousand. (2020: BGN 3,804 thousand);

-receivables of Euroins Life EAD under securities repurchase agreements as at December 31, 2021 in the net amount of BGN 7,829 thousand (2020: BGN 7,737 thousand);

-receivables of Euroins Insurance Group AD under loan cession agreements in the net amount of BGN 1,321 thousand as at December 31, 2021 (as at December 31, 2020: BGN 2,046 thousand);

-receivables of Euroins Insurance Group AD under loan agreements granted to Eurohold Bulgaria AD and Starcom Holding AD in the total gross amount of BGN 26,272 thousand. (2020: BGN 29,094 thousand). The loans are unsecured. The maturities of the loans are respectively February 2022 and December 2024. The agreed interest rate is 6% per annum.

The impairment of deposits, government bonds and other financial assets at amortized cost is BGN 1,570 thousand (2020: BGN 320 thousand). The movement in the expected credit losses of the Group is summarized in Note 31 “Expected credit losses”.

19. Investments in associate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RCO Euroins Ltd. was established on April 13, 2003 with the place of establishment of the Russian Federation (Registration Certificate PSRN 1037714037426 / May 08, 2003). Legal address of the Company: 214000, Smolensk Region, Smolensk, ul. Glinki 7, floor 2, office 9.

The company started insurance activity in 2003 and operates under insurance license SL 3954 (personal insurance), SI 3954 (property insurance) and OS 3954-03 (Civil Liability Insurance) issued by the Central Bank of the Russian Federation on 07 July 2015. Registration number in the insurance register 3954.

Company's name	Establishment	2021	2020	Type of relation	Method of consolidation recognition	BGN '000 Cost 31.12.2021	BGN '000 Cost 31.12.2020
RCO Euroins LTD	Russian Federation	48,61 %	48,61%	Associate	Equity Method	901	7,487

The Group did not assume contingent liabilities connected to the shareholding in RCO Euroins LTD.

The Group determined that there is a significant influence due to the peculiarities of the legislation of the Russian Federation and in particular Law 4015-1 on the organization of insurance activities, which does not allow a foreign investor to own more than 49% of the capital of a local insurer for licensing for the purpose of carrying out insurance activity. These restrictions do not allow a foreign investor to control the activities of insurance companies in the country.

The table below provides summary of financial information. The disclosed information presents the amounts as stated in the audited financial statements of RCO Euroins LTD and not the Group's share in these amounts.

Summary of the statement of financial position	31.12.2021 BGN thousand	31.12.2020 BGN thousand
Total Assets	**66,410**	**48,957**
Total Liabilities	**46,116**	**35,673**
Net Assets	20,294	13,284
Equity method value		
Net assets at January 01	13,284	16,352
Movement	7,010	(3,068)
Net assets at December 31	20,294	13,284
Share %	48,6	48,6
Share BGN thousands	9,865	7,948
Imairment BGN thousands	(8,879)	(1,491)
Carrying amount after impairment	986	6,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The investment in the Russian associate after recalculating the change of EIG share in the net assets of the Company as at December 31, 2021 is impaired to 90% and amounts to BGN 986 thousand (as at December 31, 2020 - BGN 6,457 thousand) as a result of the events disclosed in Note 37 " Events after the end of the reporting period. The reported financial expense amounts to BGN 8,879 thousand and is included in “Loss from equity accounted investments” in the consolidated statement of profit or loss and other comprehensive income. The investment is accounted using the equity method. The share of Euroins Insurance Group does not change and remains at 48.61% as at December 31, 2021.

The impairment loss for the comparable period includes the change in the share of Euroins Insurance Group in the net assets of the associated Russian company amounting to BGN 1,491 thousand. The parent company reports its investment in an associate in its separate financial statements based on at cost, and in the consolidated financial statements using the equity method.

Closing exchange rates of RUB 1 to BGN 1:

31.12.2020	0,0214
31.12.2021	0,0229

Summary of the statement of profil or loss and other comprehensive income	2021 BGN thousands	2020 BGN thousands
Gross Written Premiums	72,259	61,889
Interest income	7,004	626
Depreciation	(1,245)	(177)
Profit from continuing activities after taxes	5,678	2,318
Profit after tax	5,678	2,318
Other comprehensive income	-	(756)
Total comprehensive income	5,678	1,562
Received Dividends	-	269

Average exchange rates of RUB 1 to BGN 1:

2020	0,0235
2021	0,0223

20. Insurance and reinsurance receivables

BGN’000	**As at 31.12.2021**	**As at 31.12.2020**
Receivables from policyholders - direct insurance,net	157,443	108,227
Receivables from reinsurers,net	20,550	16,741
Receivables from recourse, net	10,796	24,160
Total insurance and reinsurance receivables	**188,789**	**149,128**

Receivables from policyholders- direct insurance include receivables from insured persons, receivables from co-insurance and receivables from active reinsurance, net of impairment.

The impairment change of insurance receivables is calculated in accordance with the accounting policy of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

respective Company based on the days overdue of the contributions under the insurance policies.

BGN'000	**Year ended 31.12.2021**	**Year ended 31.12.2020**
Change in provision for uncollectable receivables	(2,217)	(11,688)
Written-off receivables from policyholders	(20,636)	(11,209)
Total impairment loss and written-off insurance receivables	**(22,853)**	**(22,897)**

21. Receivables and other assets

In BGN '000'	**As at 31.12.2021**	**As at 31.12.2020 restated**	**As at 01.01.2020 restated**
Other receivables	60,935	41,633	49,848
IFRS 9 ECL on other receivables	(12,154)	(2,014)	(4,816)
Current assets	281	438	447
Total receivables and other assets	**49,062**	**40,057**	**45,479**

Receivables amounting to BGN 1,343 thousand (as at December 31, 2020 - BGN 5,259 thousand) of Euroins Romania Insurance - Reinsurance SA, which are related to overpaid amounts to the Romanian Motor Insurers' Bureau are included in Other Receivables.

The expected credit losses of Other receivables are amounting to BGN 12,154 thousand (2020: BGN 2,014 thousand). Their movement is presented in Note 31 "Expected credit losses".

22. Cash and cash equivalents

In BGN '000'	**As at 31.12.2021**	**As at 31.12.2020**
Cash on hand	2,033	3,022
Current accounts	36,824	45,442
Deposits up to 90 days	28,247	11,686
IFRS 9 ECL on cash and cash equivalents	(144)	(157)
Total cash and cash equivalents	**66,960**	**59,993**

On February 20, 2020, a contract was signed with the Municipal Bank for a financial collateral with the provision of a pledge in the amount of EUR 2,5 million under a bank loan agreement with Starcom Holding AD. Euroins Insurance Group AD in its role of collateral retains its right of ownership over the financial collateral. By signing the contract, Euroins Insurance Group AD gives an irrevocable order to block the funds, as it has no right to dispose of them.

On August 28, 2021, an application was submitted by Starcom Holding AD for early repayment of the obligations of Starcom Holding AD under the bank loan agreement, for which the blocked amounts on the account of Euroins Insurance Group AD were used. Starcom Holding AD undertakes to refund the amount paid to EIG AD.

The Group's cash and cash equivalents are reported at amortized cost and additional information about the expected credit losses is presented in Note 31 "Expected credit losses".

23. Insurance reserves

Insurance reserves, including health and life insurance reserves:

BGN'000	**As at 31 December 2021**			**As at 31 December 2020 (restated)**			**As at 01 January 2020 (restated)**		
	Gross	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**	**Gross**	**Reinsurer's share**	**Net**
Unearned premium reserve	498,898	(438,957)	59,941	285,730	(172,455)	113,275	266,552	(174,007)	92,545
Unexpired risk reserve	120	-	120	8,537	(5,561)	2,976	198		198
Outstanding claim provision, incl.:	912,320	(646,501)	265,819	887,623	(524,129)	363,494	846,377	(495,030)	351,347
Reserves for incurred but not reported claims	*554,558*	*(415,726)*	*138,832*	*544,840*	*(329,046)*	*215,794*	*510,356*	*(297,962)*	*212,394*
Reserves for reported but not settled claims	*357,762*	*(230,775)*	*126,987*	*342,783*	*(195,083)*	*147,700*	*336,021*	*(197,068)*	*138,953*
Other insurance reserves	14,628	476	15,104	19,254	(10,776)	8,478	18,287	(10,576)	7,711
Mathematical reserve	4,970	-	4,970	4,774	-	4,774	4,495	-	4,495
Total insurance reserves	**1,430,936**	**(1,084,982)**	**345,954**	**1,205,918**	**(712,921)**	**492,997**	**1,135,910**	**(679,614)**	**456,296**

As disclosed in Note 35 "Reporting of accounting error and changes in accounting policy", the Group has recalculated "Total insurance reserves" as at December 31, 2020 from BGN 313,669 thousand to BGN 492,997 thousand and as at December 31, 2019 from BGN 304,479 thousand to BGN 456,296 thousand

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24. Insurance and reinsurance payables

In BGN '000'	As at 31.12.2021	As at 31.12.2020
Payables from direct insurance	25,216	1,342
Payables to reinsurers	94,152	41,468
Total payables	**119,368**	**42,810**

25. Trade and other payables

In BGN '000'	As at 31.12.2021	As at 31.12.2020
Payables to suppliers	15,504	9,120
Payables to personnel	4,271	6,009
Payables to Guarantee Fund	11,690	6,860
Other Payables	31,458	33,672
Total trade and other payables	**62,923**	**55,661**

The Group's payables to the Guarantee Funds as at 31 December 2021 amounting to BGN 11,690 thousand (as at 31 December 2020: BGN 6,860 thousand) represent liabilities of Euroins Romania Insurance- Reinsurance SA.

Other payables include mainly liabilities to intermediaries and staff, as well as liabilities for taxes and insurance.

26. Borrowings

In BGN '000'	As at 31.12.2021	As at 31.12.2020
Current borrowings:		
Related party loan liabilities	12,060	101
Other loan liabilities	16,849	2,702
Current borrowings	**28,909**	**2,803**
Non-current borrowings		
AMC IV ALPHA BV	15,268	19,851
Total borrowings	**44,177**	**22,654**

On March 13, 2019, a loan agreement was concluded with AMC IV ALPHA BV with a limit of EUR 10 million, an interest rate of 6.5% (Margin - 6% plus higher than (a) EURIBOR and (b) 0.5%), as well as and "paid-in-kind" interest rate of 1.5% and repayment period March 31, 2025. The contract is for Mezanine financing and consists of two tranches, each of EUR 5,000 thousand (BGN 9,779 thousand). As at December 31, 2019, only the first tranche of BGN 9,779 thousand was received. On February 14, 2020, the second tranche of EUR 5,000 thousand was received.

In 2021, an annex to the contract was concluded, which changed the percentage of PIK Interest for the period from April 1, 2021 to November 2, 2021 from 1.5% to 3.5%. In November 2021, EUR 2 million of the principal was repaid, and the percentage of PIK Interest for the period from November 3, 2021 to November 12, 2021 was changed to 2.5%. After November 12, 2021, the PIK Interest rate was changed again to 1.5%.

In December 2021, EUR 340 thousand loan principal was repaid. As at December 31, 2021 the principal of the loan amounts to EUR 7,660 thousand.

The collateral for the loan is:

- Pledge on shares and dividends of Euroins Insurance Group AD from EIG Re EAD;
- Pledge on interest receivables of Starcom Holding AD;
- Pledge on receivables on bank accounts of Starcom Holding AD.

AMC Alpha has no option to convert debt into equity.

In connection with the financing, Euroins Insurance Group AD has undertaken to maintain certain levels of financial ratios obligations (covenants) on a consolidated basis, described below:

• Consolidated Net Debt to Consolidated Profit before Depreciation, Interest and Taxes (EBITDA) ratio calculated for 12 consecutive months, not more than 3.00x for each quarter;
• Solvency Capital Requirement (SCR) at Group level (Consolidated level), according to Regulation 2015/35 (EU) is not less than 125% for each quarter.
• Combined Ratio at the Consolidated Level not more than 115% at the end of each financial year.

The fullfilment of the financial covenants as at December 31, 2021 is as follows:

• Consolidated Net Debt to EBITDA ratio - 3.00x
• SCR at Group level - 131% (according to data submitted to the Financial Supervision Commission, but before the end of agreed procedures for verification of annual reports according to Article 126, paragraph 1, items 1 and 2 of Insurance Code)
• Combined Ratio at Consolidated Level - 87%

Payables to related party loans include:

On July 15, 2021, a loan agreement was concluded between EIG AD and Bulpharma OOD with a principal of EUR 6 million, a repayment period of 1 year and 6% interest on an annual basis. On September 30, 2021, a contract for debt substitution was concluded between the parties, by virtue of which Starcom Holding AD replaces EIG AD in debt with the same parameters.

Other payables on loans include:

Details regarding the loan payable to Auto Union AD are disclosed in Note 26.1 "Subordinated debt".

26.1 Subordinated debt

In BGN '000'	As at 31.12.2021	As at 31.12.2020
Liability on subordinated bond loan	20,007	19,558
Liability on Starcom Holding sub debt	16,372	24,643
Total subordinated debt	**36,379**	**44,201**

Dated 18 December 2014 the bond loan is issued in the form of 100 materialized, subordinated, unsecured as at the emission date bond notes with nominal value of EUR 100 thousand each. The loan has a contracted amount of EUR 10,000 thousand (BGN 19,958 thousand) and maturity date 18.12.2021. The interest rate consists of floating and fixed interest component, 13% plus 3M Euribor, due at each quarterend.

Under the terms of the bond loan there is a clause the interest rate to be reduced to 9.75% plus Euribor if a guarantee by Eurohold Bulgaria AD is issued. Such guarantee was issued on March 18, 2015, which reduced the

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interest rate.

The subordiated bond loan was repaid in full on January 5, 2022, together with the last interest payment, as stated in Note 37 "Events after the end of the reporting period".

On August 25, 2020, a loan agreement in the form of subordinated debt was signed with Starcom Holding AD with a limit of EUR 12.6 million, an interest rate of 6% and a repayment period not earlier than 5 years from the date of crediting the last tranche of the loan.

On February 19, 2021, an agreement for granting a cash loan in the form of subordinated term debt was concluded between Starcom Holding AD (Lender) and EIG AD (Borrower) in the amount of up to EUR 10 million at an interest rate of 6% and a repayment period not earlier than 5 years from the granting of the last tranche under the contract. In March 2021, the first tranche of the contract was received in the amount of EUR 5 million.

On July 1, 2021, an agreement was concluded between EIG AD and Starcom Holding AD to transform part of the subordinated debt originally amounting to EUR 12,600 thousand into a short-term loan or more precisely the amount of EUR 9,972,350 (BGN 19,504,222). The Borrower commits to repay to the Lender the amount of EUR 9,972,350 (BGN 19,504,222) no later than July 30, 2021. The remaining amount of EUR 2,627,650 remained a subordinated debt and the provisions of the original agreement continue to apply to it.

In connection with the performance of the above-described agreement, EIG AD entered into a loan agreement with Auto Union AD- a limit of BGN 17,920 thousand, a repayment period of December 10, 2021 and an interest rate of 2.7%. The repayment period was extended to December 10, 2022 through an Annex dated December 9, 2021.

27. Financial liabilities

The financial liability reported under this disclosure is connected with the financial guarantee provided to Eurohold Bulgaria AD by Euroins Insurance Group AD as part of Euro Medium Term Note Program (EMTN Program) traded on Irish Stock Exchange.

As at December 31, 2021, the guarantee is estimated at BGN 1,998 thousand (as at December 31, 2020- BGN 1,941 thousand)

In 2020, a new financial guarantee is established in favour of the International Bank for Economic Co-operation (IBEC) to secure liabilities of Eurohold Bulgaria AD under a loan agreement in the amount of EUR 20 million concluded on July 28, 2020 and maturing 24 months from the date of the first tranche, but not later than 30 months from the date of signing of the contract.

The guarantee as at December 31, 2021 is estimated at BGN 374 thousand (as at December 31, 2020- BGN 361 thousand)

The assessment made is based on the expected probability of default of Eurohold Bulgaria AD, based on its credit rating. Euroins Insurance Group AD makes an annual review of the assumptions related to the recognized liability under the financial guarantee on the basis of available market information, taking into account the residual term as well as the change in the creditworthiness of Eurohold Bulgaria AD.

28. Equity

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In BGN '000'	**As at 31.12.2021**	**As at 31.12.2020 restated**	**As at 01.01.2020 restated**
Share capital	576,243	543,446	502,396
Revaluation and other reserves	(2,142)	(5,480)	(7,096)
Revaluation reserve from recalculations in the presentation currency in the consolidated financial statements	12,693	(11,425)	(793)
	586,794	**526,541**	**494,507**
Accumulated loss	(238,415)	(315,007)	(262,336)
Total equity and reserves	**348,379**	**211,534**	**232,171**

Due to the adjustments disclosed in Note 35 "Changes in accounting policy", the Group recalculated "Accumulated loss" as at December 31, 2020 from BGN 129,545 thousand to BGN 315,007 thousand, as well as the “Accumulated loss” as at January 01, 2020 from BGN 103,495 thousand to BGN 262,336 thousand.

Shareholders' structure	**As at 31 December 2021**		**As at 31 December 2020**	
In BGN	Share capital BGN	Share (%)	Share capital BGN	Share (%)
Eurohold Bulgaria AD	519,194,703	90,10	521,456,462	95,95
Basildon Holding Sarl	-	-	21,989,329	4,05
EBRD	57,048,031	9,90	-	-
	576,242,734	**100.00**	**543,445,791**	**100.00**

The shareholders' structure presented above shows the share capital registered with the Bulgarian Commercial register.

On 19 November 2015 the General meeting of the shareholders of the Company has voted a decision to increase the capital of the EIG by issuing 195,583,000 new materialized registered shares bearing voting rights with nominal value of BGN 1. And as at 31 December 2017 the registered share capital of the Company comprises of 483,445,791 shares, out of which 76,981,791 are materialized, registered, prefered shares and 406,464,000 are materialized, registered, common shares with nominal value of BGN 1 each.

The paid-in capital as at 31 December 2017 amounts to BGN 481,482,622. In 2018 the last installment of the capital increase of BGN 1,963 thousand has been paid in.

On 25 October 2018 a capital increase to the level of BGN 543,445,791 has been registered into the Commercial Register by issuing 60,000,000 new materialized, registered, common shares with nominal value of BGN 1, all of which have been subscribed by Eurohold Bulgaria AD. 25% of the nominal value have been paid in at the day of the registration in the Commercial Register with the rest being due in two years time. In 2019, BGN 3,950 thousand were paid in connection with the above-mentioned capital increase.

On July 31, 2020, BGN 22,296,462 were paid in connection with the above-mentioned capital increase.

On December 2, 2020, BGN 18,753,538 were paid in connection with the above-mentioned capital increase.

On September 29, 2021, the General Meeting of Shareholders decided to simultaneously reduce and increase the capital of EIG AD by invalidating 19,229,057 ordinary shares amounting to BGN 524,216,734 and increasing it to 576,242,734 shares by issuing new 52,026,000 ordinary shares with a nominal and issue value of BGN 1. This

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increase is distributed as Eurohold AD subscribes 15,060,813 shares and EBRD 36,965,187 shares.

Eurohold AD paid on September 30, 2021- 15,060,813 shares respectively for BGN 15,060,813. On October 7, 2021, EBRD paid EUR 18,9 million for the remaining 36,965,187 shares. Temporary certificates have been issued to Eurohold and EBRD.

On November 3, 2021, Eurohold acquired the entire minority share of Basildon Holding S.A.R.L. On October 5, 2021, the European Bank for Reconstruction and Development (EBRD) signed an agreement for a package deal with Eurohold Bulgaria AD for acquiring a minority share in Euroins Insurance Group AD (EIG).

As at December 31, 2021, the subscribed capital is fully paid.

The ultimate parent company is Starcom Holding AD.

29. Business combinations

29.1. Goodwill

In BGN '000'	As at 31.12.2021	As at 31.12.2020
IC Euroins AD	101,395	101,395
Euroins Romania Insurance- Reinsurance S.A.	52,715	52,715
Euroins Insurance AD, North Macedonia	10,368	10,368
Insurance Company Euroins Georgia AD	-	645
Total	**164,478**	**165,123**

The Group management has initiated the necessary procedures for impairment test of the recognized goodwill from the acquisition of subsidiaries hiring external appraisers to work in line with the generally accepted international evaluation standards. The test assumes that each individual company appears as a "cash-generating unit". As a basis for cash flow projections (before tax) financial budgets and other medium and long-term plans for the development and reconstruction of the Group activities have been used. The recoverable amount of each cash-generating unit is determined on a "value in use" basis. The key assumptions, used in calculations are defined specifically for each reputable entity treated as a separate cash generating unit and according to its specific activity, business enviroment and risks, as follows:

2021	Euroins Romania Insurance- Reinsurance S.A.	IC Euroins AD	Euroins Insurance AD, North Macedonia	Insurance Company Euroins Georgia AD
Discount %	9.59%	8.89%	11.37%	10.78%
Growth Rate	1.50%	1.50%	1.50%	2.00%

2020	Euroins Romania Insurance- Reinsurance S.A.	IC Euroins AD	Euroins Insurance AD, North Macedonia	Insurance Company Euroins Georgia AD
Discount %	9.6%	8.92%	11.36%	10.78%
Growth Rate	1.50%	1.00%	1.50%	2.00%

The result of the test shows that the recoverable amount of the goodwill exceeds the carrying amount and there is

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no indication for impairment of this goodwill. However, the Group decided to impair the goodwill arising on the acquisition of Euroins Georgia in connection with the disclosed events in Note 37 "Events after the reporting period" and the financial results reported by the Company after its acquisition.

In accordance with its accounting policy the Group has recognized a goodwill as a result of business combinations, that include the following companies under common control in 2007 and 2008: Insurance company Euroins AD (IC Euroins AD), Euroins - Health Assusurance ZEAD in 2007 and Euroins Romania Insurance-Reinsurance S.A. in 2008. The control of these companies has been acquired through a contribution-in-kind of shares at fair value by the Parent company as an increase of the registered capital of the companies. It is important to note that value of the investments after the share contribution and the net assets of EIG have been reconfirmed in 2008 when an external investor acquired minority participation of 20% at a fair market value of the shares following a due diligence procedure.

The Group acquired CJSC ERGO Insurance Company Belarus in 2020. The acquisition cost amounted to BGN 3,433 thousand, and the value of each group of acquired assets, liabilities and contingent liabilities recognized at the acquisition date is as follows:

In BGN '000'	**Recognized amount as at the date of acquisition**
Total price paid	**3,433**
Net assets at fair value	7,702
Profit from a lucrative purchase	4,269

30. Non - controlling interest

Subsidiary	**As at 31.12.2021**	**As at 31.12.2020**	**As at 01.01.2020**
Insurance company Euroins AD (IC Euroins AD)	640	603	532
Euroins Romania Insurance-Reinsurance S.A	1,609	(374)	(293)
Euroins Osiguruvanje AD, Skopje	811	742	640
Insurance company Euroins Georgia AD	2,711	2,420	2,783
PJSC Euroins Ukraine Insurance Company	184	120	113
Euroins Insurance Belarus	-	529	-
Total non-controlling interest	**5,955**	**4,040**	**3,775**

31. Expected credit losses

The table below provides information on the expected credit losses of the Group in respect to all assets that are within the scope of the model under IFRS 9:

In BGN '000'	**As at 31.12.2021**	**As at 31.12.2020**
Cash and cash equivalents	67,104	60,150
Expected credit loss on cash and cash equivalents	(144)	(157)
Net value of cash and cash equivalents	**66,960**	**59,993**
Financial Assets (loans, government bonds and deposits) at amortized cost	111,841	133,738
Expected credit loss on Financial Assets (loans, government bonds and deposits) at amortized cost	(1,570)	(320)

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In BGN '000'	As at 31.12.2021	As at 31.12.2020
Net value of financial assets (loans, government bonds and deposits) at amortized cost	**110,271**	**133,418**
Other receivables at amortized cost	60,935	50,719
Expected credit loss on other receivables at amortized cost	(12,154)	(2,014)
Net Value of other receivables at amortized cost	**48,781**	**48,705**

The table below provides information on the movement in the expected credit losses of the Group in 2021 and 2020, in respect of the assets that are reported at amortized cost and are within the scope of the model under IFRS 9:

In BGN '000'	As at 31 December 2021	As at 31 December 2020
Expected credit loss as at 01 January	**2,491**	**5,291**
Increase/(Decrease) of expected credit loss on cash and cash equivalents	(14)	3
Increase/(Decrease) of expected credit loss on other financial assets at amortized cost	988	14
Increase/(Decrease) of expected credit loss on other receivables at amortized cost	10,213	(2,722)
Exchange rate differences	189	(95)
Expected credit loss as at 31 December	**13,867**	**2,491**

32. Related parties

Parties are considered related when one of them is able to control the other or to exercise significant influence over decision making process related to the Group business activity.

All significant inter-company transactions with related parties and directors have been classified as related party transactions. The related party transactions as at and for the year ended December 31, 2021 and 2020 may be classified in the following groups:

- Payments to management personnel
- Companies under common control and associated Group companies
- Parent company – Eurohold Bulgaria AD
- Ultimate Parent company – Starcom Holding AD

Information about transactions and balances about each group of related parties has been shown below

32.1. Transactions with directors

In BGN '000'	Year ended 31.12.2021	Year ended 31.12.2020
Payments to directors and executive directors	285	233
Total	**285**	**233**

32.2. Related party transactions

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In BGN ‘000’	Year ended 31.12.2021	Year ended 31.12.2020
Transactions with companies under common control and associated Group companies:		
Written premiums	670	649
Commissions and no claim bonuses	829	1,066
Other revenue	-	461
Insurance claim indemnifications	5,431	5,786
Hired services	1,310	1,244
Interest income	23	294
Interest expense	226	6
Other expenses	1,153	54
Transactions with the Parent company and the ultimate Parent company:		
Interest income – Eurohold Bulgaria AD	1,427	964
Interest income – Starcom Holding AD	1,049	915
Interest expense – Starcom Holding AD	1,572	99
Hired Services – Eurohold Bulgaria AD	1,698	1,319
Buy/Sell corporate bonds,net	5,461	5,379
Share capital paid-in	15,061	41,050
Received loans	21,475	24,643
Received loans- repayment	1,584	-
Transfer of sub debt to short-term loan	17,920	-
Loans provided	52,761	47,545
Loans provided-repayment	54,035	39,810
Offsetting loan receivables/loan payables	3,005	-

32.3. Balances with related parties

In BGN ‘000’	As at 31.12.2021	As at 31.12.2020
Balances with companies under common control and associated Group companies:		
Other receivables	1,369	993
Receivables on loans	-	1,896
Investments in debt instruments	240	1,907
Receivables on sales	508	370
Finance lease payables	485	697
Other payables	349	529
Loan payables	14,397	-
Insurance claim payables	1,984	1,337
Balances with the Parent company and the ultimate Parent company:		
Loan payables – Eurohold Bulgaria AD	-	2
Loan payables – Starcom Holding AD	28,432	24,742
Payables to Eurohold Bulgaria AD	120	80
Receivables on loans – Eurohold Bulgaria AD	15,889	10,208
Receivables on loans – Starcom Holding AD	10,382	18,887

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Investments in debt instruments – Starcom Holding AD	1,536	744
Investments in debt instruments – Eurohold Bulgaria AD	5,146	48,029
Other payables – Starcom Holding AD	4,278	6,302
Other receivables – Eurohold Bulgaira AD	58	108

33. Assets and liabilities at fair value

When possible the Group estimates the fair value of a financial instrument using its quoted price on active markets. The market is considered active when the quoted prices are regularly-published and easily accessible and are result of actual and regularly closed direct market transactions. When the market for certain financial instrument is not active, the Group estimates its fair value using a pricing models or techniques of discounting the cash flows. The chosen valuation technique makes maximum use of the market data minimizing the use of non-specific for the Group valuations, comprising all factors that the market participants would take into account when establishing a price. The valuation technique is in line with the adopted economic methodologies for financial instrument pricing.

Financial assets reported at fair value through profit and loss, owned by the Group, are mainly securities that are traded on Bulgarian Stock Exchange (BSE) but also on other regulated stock markets in/outside the European Union and as at the end of the reporting period are valued on the basis of market quotations from the respective market. Due to the limited volumes traded and the specifics of the trade of these securities there is an uncertainty whether the fair value of the securities estimated on the basis of market quotations would be supported by the market in future transactions.

An analysis of the financial instruments and investment properties reported at fair value in the statement of financial position according to the used valuation methods as at December 31, 2021 and 2020 is presented in the table below:

As at 31 December 2021

In BGN '000'	**Level 1**	**Level 2**	**Level 3**	**Total**
Government bonds at fair value through profit and loss	66,437	-	-	66,437
Corporate bonds at fair value through profit and loss	78,167	39,389	-	117,556
Equity investments at fair value through profit and loss	40,769	72	4,807	45,648
Open-end investment funds	-	129,546	-	129,546
Investment properties	-	2,014	-	2,014
Total	**185,373**	**171,021**	**4,807**	**361,201**

As at 31 December 2020

In BGN '000'	**Level 1**	**Level 2**	**Level 3**	**Total**
Government bonds at fair value through profit and loss	95,494	-	-	95,494
Corporate bonds at fair value through profit and loss	20,599	48,694	3,744	73,037
Equity investments at fair value trough profit and loss	47,795	72	5,319	53,186
Open-end investment funds	-	72,760	-	72,760
Investment properties	-	9,652	-	9,652
Total	**163,888**	**131,178**	**9,063**	**304,129**

The Group has estimated the fair value of the securities registered for trade on the stock market on the basis of the last transaction price, weighted average price of closed transactions and bid prices of market orders, depending

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on the information available.

34. Segment reporting

The Group operates mainly in the following countries: Bulgaria, Romania, Ukraine, North Macedonia, Greece Poland, Italy, Spain, Germany, United Kingdom, Netherlands, Georgia and Belarus. In Bulgaria, Romania, Ukraine, North Macedonia and Georgia the Group writes insurance premiums through its subsidiary companies as follows:

- in Bulgaria through Insurance company Euroins AD, Insurance company Euroins Life EAD, and insurance company EIG Re EAD;
- in Romania through Euroins Romania Insurance-Reinsuarance S.A.;
- in North Macedonia through Euroins Insurance AD;
- in Ukraine through PJSC Euroins Ukraine Insurance Company and PJSC European Travel Insurance;
- in Georgia through Insurance Company Euroins Georgia AD.
- In Belarus through CJSC IC Euroins Belarus

In Greece, Spain, Italy, United Kingdom, Germany, Netherlands and Poland, the Group writes direct insurance business through its subsidiary company Insurance company Euroins AD on the principle of Freedom to provide servicesand establishment (Greece) on the territory of the European economic area.

Information about the income from written premiums and the non-current assets different from financial instruments, deferred tax assets, and post-employment benefit assets, is shown as follows:

	Gross written premiums		**Property, plant and equipment**	
In BGN '000	**Year ended 31.12.2021**	**Year ended 31.12.2020**	**31.12.2021**	**31.12.2020 restated**
Bulgaria	145,089	131,651	14,418	16,520
Romania	887,935	530,317	10,622	7,615
North Macedonia	25,633	23,052	910	800*
Greece	67,038	55,118	601	557
Spain	17,019	18,679	-	-
Italy	8,900	12,484	-	-
Ukraine	62,593	33,458	3,676	3,422
Georgia	11,651	12,747	624	1,067
Poland	79,510	69,011	-	-
Belarus	16,051	10,205	2,123	2,090
UK	42,484	13,599	-	-
Netherlands	1,931	1,812	-	-
Germany	1,626	2,232	-	-
	1,367,460	**914,365**	**32,974**	**32,071***

Operational segments

The Group identifies the following operational segments:

- Euroins Bulgaria – Insurance Company Euroins AD;
- Euroins Romania – Euroins Romania Insurance-Reinsuarance S.A.;

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- Euroins North Macedonia – Euroins Insurance AD;
- Others – Insurance company Euroins Life EAD, Insurance company EIG Re EAD, PJSC Euroins Ukraine Insurance Company, PJSC European Travel Insurance, Insurance Company Euroins Georgia AD, Euroins Claims I.K.E.,Greece and CJSC IC Euroins, Belarus.

The Group defines its operational segments as such when:

- they undertake business activities which generate income and expenses to the Group;
- their operational results are regularly reviewed by the Management of the Group and the result of the segment activity are evaluated on that basis;
- their operational results are reviewed when decisions about the resources allocated between the segments are to be made;
- separate financial information is available.

The key indicators followed by the Group are the following:

1. Gross written premiums;
2. Net earned premiums;
3. Claims incurred, net of reinsurance;
4. Fees and commission income;
5. Net financial income / expenses – represent on a net basis Financial income and Financial expenses from the Consolidated statement of comprehensive income;
6. Net operating income / expenses – represent on a net basis Other operating income and Other operating expenses from the Consolidated statement of comprehensive income;
7. Acquisition costs;
8. Administrative costs;
9. Operational profit / (loss)

Year ended 31.12.2021 In BGN '000'	**Euroins Bulgaria**	**Euroins Romania**	**Euroins North Macedonia**	**Others**	**Total**
Gross written premiums	331,585	887,935	25,633	122,307	1,367,460
Net earned premiums	164,940	483,748	23,081	90,236	762,005
Claims incurred, net of reinsurance	(82,321)	(174,225)	(14,122)	(32,926)	(303,594)
Fees and commission income	57,536	42,468	15	4,104	104,123
Net financial income / expenses	2,221	4,332	1,398	(13,686)	(5,735)
Net operating income / expenses	(22,359)	(66,477)	(1,546)	(3,185)	(93,567)
Acquisition costs	(98,782)	(183,892)	(7,661)	(34,149)	(324,484)
Administrative costs	(17,405)	(19,099)	(1,380)	(17,980)	(55,864)
Operating profit / (loss)	**3,830**	**86,855**	**(215)**	**(7,586)**	**82,884**

Year ended 31.12.2020 In BGN '000'	**Euroins Bulgaria**	**Euroins Romania**	**Euroins North Macedonia**	**Others**	**Total**
Gross written premiums	289,025	530,317	23,052	71,971	914,365
Net earned premiums	145,932	262,463*	21,268	52,804	482,467*
Claims incurred, net of reinsurance	(60,551)	(200,524)*	(12,719)	(31,922)	(305,716)*
Fees and commission income	39,140	42,055	18	2,198	83,411
Net financial income / expenses	502	2,247	172	7,704	10,625
Net operating income / expenses	(19,089)	(41,951)	(571)	(1,970)	(63,581)

Acquisition costs	(76,055)	(112,223)	(6,312)	(18,152)	(212,742)
Administrative costs	(15,499)	(14,624)	(1,532)	(13,983)	(45,638)
Operating profit / (loss)	**14,380**	**(62,557)***	**324**	**(3,321)**	**(51,174)***

35. Changes in accounting policy

35.1. Disclosure of change in accounting policy

In 2021, Euroins Romania changes its accounting policy regarding the methodology used to calculate insurance reserves. The Methodology for calculating the best estimate of the solvency margin under Solvency 2 and the value of the IBNR for the purposes of IFRS reports was revised. The best estimate of the motor third party liability reserve is determined separately for the following homogeneous risk groups:

- Minor damage below a certain percentile, the level of which is determined depending on the characteristics of the portfolio. At the end of 2021, as in previous periods, 99.5 percentile of the distribution of claims was used as a limit. A new segmentation has been introduced - the calculation is performed by separate sub-segments - claims related to business interuption (BI) and material damages (MD). For both sub-segments, the Chain-Pillar method is used, based on an annual triangle of the accumulated value of the claims paid so far at the time of assessment.
- Great damages over the percentile according to the distribution of claims, but below EUR 750,000. New sub-segments have also been introduced for this category of damages - BI and MD. The method used for both sub-segments is the same as for small claims - Chain-pillar method based on the annual triangle of cumulative payments. According to the previous methodology, the Chain-Pillar method was used for this type of claim, but based on the number of damages and the average size of one claim.
- Large damages over EUR 750,000 are analyzed and assessed separately. The best estimate of the claims reserve for this category of claims is determined on the basis of the frequency and average amount of a claim, which method is based on the number of claims over EUR 750,000 and the average amount claimed by individual event years. The valuation method has not changed for this category of claims.
- Claims below EUR 750 000 paid in the form of an annuity - a new segment determined according to the latest methodology. The value of the best estimate of this provision for claims is determined by the method described above, based on the frequency and average amount of one claim used to calculate the provision for major claims over EUR 750,000.

As a result of the change in the accounting policy, the following adjustments were made for 2020 and previous years:

- “Reinsurers share in insurance reserves” reported effect amounting to BGN 189,660 thousand increase, respectively recalculated to BGN 712,821 thousand from BGN 523,261 thousand;
- "Insurance reserves" reported effect amounting to BGN 368,988 thousand increase, respectively recalculated to BGN 1,205,918 thousand from BGN 836,930 thousand;
- “Net earned premiums” reported effect amounting to BGN 5,557 thousand decrease, respectively recalculated to BGN 482,467 thousand from BGN 488,024 thousand.
- “Claims incurred, net from reinsurance" reported effect amounting to BGN 21,954 thousand increase, respectively recalculated to BGN (305,716) thousand from BGN (283,762) thousand.
- “Other receivables and assets” reported effect amounting to BGN 9,086 thosaund decrease, respectively recalculated to BGN 189,185 thousand from BGN 198,271 thousand.

As a result of the performed procedures the following adjustments were made in the capital positions:

- The “Accumulated loss” position for the comparable period as at December 31, 2020 has been recalculated to (BGN 315,006) thousand from BGN (129,545) thousand. The effect of the change in accounting policy is

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amounting to BGN (27,511) thousand (for adjustments in 2020) and in the amount of (151,817) thousand BGN (for previous periods of 2020). The other reclassifications of deferred regulatory fees, the change amounting to BGN 495 thousand (for adjustments in 2020) and (BGN 9,407) thousand. (for previous periods of 2020).
- The position of “Non-Controling interest” was recalculated from BGN 6,822 thousand to BGN 4,040 thousand - BGN (399) thousand (for adjustments in 2020) and BGN (2,383) thousand (for previous periods of 2020).

35.2. Disclosure of the effects of accounting errors and other reclassifications in the statement of financial position

BGN'000	As at 31.12.2020	Increase/Decrease	As at 31.12.2020 (restated)
Assets			
Goodwill	165,123	-	165,123
Intangible Assets	3,296	-	3,296
Property, plant and equipment	31,899	172	32,071
Investment Property	9,652	-	9,652
Financial Assets	427,895	-	427,895
Resinsurers share in insurance reserves	523,261	189,660	712,921
Deferred tax asset	10,804	-	10,804
Receivables and other assets	198,271	(9,086)	189,185
Cash and cash equivalents	59,993	-	59,993
Total Assets	**1,430,194**	**180,746**	**1,610,940**
Liabilities			
Insurance Reserves	836,930	368,988	1,205,918
Reinsurance and other liabilities	120,289	-	120,289
Loans	22,654	-	22,654
Financial liabilities	2,302	-	2,302
Deferred tax liabilities	2	-	2
Total Liabilities	**982,177**	**368,988**	**1,351,165**
Subordinated debt	**44,201**	**-**	**44,201**
Equity			
Share capital	543,446	-	543,446
Revaluation and other reserves	(5,480)	-	(5,480)
Foreign currency translation reserve	(11,425)	-	(11,425)
Accumulated loss	(129,545)	(185,462)	(315,007)
Total equity attributable to the owners of the Parent company	**396,996**	**(185,462)**	**211,534**
Non – controlling interest	6,822	(2,782)	4,040
Total equity	**403,818**	**(188,244)**	**215,574**
Total liabilities and equity	**1,430,196**	**180,744**	**1,610,940**

This version of consolidated financial statements as at 31 December 2021 of Euroins Insurance Group AD is free translation from Bulgarian to English language. These consolidated financial statements have been prepared and audited as of 15 June 2022.

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BGN'000	**As at 01.01.2020**	**Increase/Decrease**	**As at 01.01.2020 (restated)**
Assets			
Goodwill	165,123	-	165,123
Intangible Assets	2,542	-	2,542
Property, plant and equipment	33,921	-	33,921
Investment Property	15,703	-	15,703
Financial Assets	323,813	-	323,813
Resinsurers' share in technical reserves	463,829	215,785	679,614
Deferred tax asset	12,359	-	12,359
Receivables and other assets	182,682	(9,407)	173,275
Cash and cash equivalents	84,217	-	84,217
Total Assets	1,284,189	206,378	1,490,567
Liabilities			
Insurance Reserves	768,308	367,602	1,135,910
Reinsurance and other liabilities	87,046	-	87,046
Loans	10,124	-	10,124
Financial liabilities	1,924	-	1, 924
Deferred tax liabilities	59	-	59
Total Liabilities	867,461	367,602	1,235,063
Subordinated debt	**19,558**	**-**	**19,558**
Equity			
Share capital	502,396	-	502,396
Revaluation and other reserves	(7,096)	-	(7,096)
Foreign currency translation reserve	(793)	-	(793)
Accumulated loss	(103,495)	(158,841)	(262,336)
Total equity attributable to the owners of the Parent company	**391,012**	**(158,841)**	**232,171**
Non – controlling interest	6,158	(2,383)	3,775
Total equity	**397,170**	**(161,224)**	**235,946**
Total liabilities and equity	**1,284,189**	**206,378**	**1,490,567**

35.3 Disclosure of the effects of accounting errors in the statement of profit or loss and other comprehensive income

BGN'000	**31.12.2020**	**Increase/Decrease**	**31.12.2020 (restated)**
Gross written premiums	914,365	-	914,365
Premiums ceded to reinsurers	(411,782)	-	(411,782)
Net written premiums	**502,583**	**-**	**502,583**
Change in the gross unearned premium reserve and unexpired risk reserve	(20,553)	(8,086)	(28,639)
Change in reinsurers' share in the unearned premium reserve and unexpired risk reserve	5,994	2,529	8,523

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Net earned premiums	**488,024**	**(5,557)**	**482,467**
Fees and commissions income	83,411	-	83,411
Financial income	42,780	-	42,780
Other operating income	5,732	-	5,732
Net income	**619,947**	**(5,557)**	**614,390**
Claims incurred, net of reinsurance	**(283,762)**	**(21,954)**	**(305,716)**
Acquisition costs	(212,742)	-	(212,742)
Administrative costs	(45,637)	-	(45,637)
Financial costs	(32,156)	-	(32,156)
Other operating costs	(69,808)	495	(69,313)
Operating loss	**(24,158)**	**(27,016)**	**(51,174)**
Other net income	(1,011)	-	(1,011)
Loss before tax	**(25,169)**	**(27,016)**	**(52,185)**
Income tax expenses	(2,781)	-	(2,781)
Net loss for the year	**(27,950)**	**(27,016)**	**(54,966)**
Net loss, attributable to:			
Owners of the Parent company	(27,952)		(54,566)
Non – controlling interest	2		(400)

36. Contingent Liabilities

In connection with statutory requirements, some of the insurance Companies of the Group recognize contingent liabilities, and the following information is provided below:

Insurers that offer compulsory motor third party liability insurance in Bulgaira have to provide a bank guarantee in accordance with the Statute of the National Bureau of Bulgarian Motor Insurers (NBBAZ). As at December 31, 2021 and 2020, two of the Group companies (IC Euroins AD and EIG Re EAD) are separate ordering parties under bank guarantees each amounting to EUR 600 thousand in favor of NBBAZ. The funds are blocked on the current accounts of both companies.

In connection with the participation of IC Euroins AD through its branch in the Hellenic Republic in the so-called friendly settlement agreement between the insurers that offer compulsory motor third party liability insurance in the territory of the Hellenic Republic, a bank guarantee was established in favor of the Association of Greek Insurers. As at December 31, 2021 and 2020, the Company through its branch is an ordering party under a bank guarantee amounting to EUR 243 thousand (BGN 475 thousand) in favor of the Association of Greek Insurers. The funds are blocked on a deposit account of the Branch .

In “Restricted deposits” is included a deposit amouting to BGN 636 thousand (2020: BGN 494 thousand) provided by Euroins Macedonia to the National Bureau of Insurers in accordance with the requirements of the Insurance Supervision Law of the Republic of North Macedonia. Members' deposits are kept in a separate bank account and the Bureau undertakes not to invest the assets and to return them to the members if they stop working with motor insurance. A guarantee deposit from Euroins Romania amounting to BGN 1,381 thousand is also included. (2020: BGN 1,096 thousand).

On February 20, 2020, a contract was concluded with the Municipal Bank for Financial Collateral with the provision of a pledge in the amounting to EUR 2,500 thousand under a bank loan agreement of Starcom Holding AD. Euroins Insurance Group AD in its role of collateral retains ownership of financial security. By signing the contract, Euroins Insurance Group AD gives an irrevocable order to block the funds, and has no right to dispose of them. On August 28, 2021, an application was submitted by Starcom Holding AD for early repayment of the liabilities under the bank loan agreement using the blocked funds of Euroins Insurance Group AD. Starcom Holding AD commits to refund the paid amount to EIG AD.

On August 25, 2020, a loan agreement was concluded between Banque Cramer & Cie SA (Lender) and Starcom Holding AD (Borrower) amounting to EUR 10 million .The maturity of the last installment is June 30, 2025. The Borrower shall transfer it to its subsidiary Euroins Insurance Group AD, which in turn shall provide a subordinated debt to its subsidiary Euroins Romania. A security of the obligation of Starcom Holding AD is a credit derivative concluded between Banque Cramer & Cie SA and Euroins Insurance Group AD. EIG AD obligation under the credit derivative is insured by IC Euroins AD for the entire term of the loan agreement. . On December 17, 2021 between Starcom Holding AD and Banque Cramer & Cie SA an agreement was signed resulting in changing the loan agreement and terminating the CDS agreement. The insurance policy issued by IC Euroins AD, which served as a collateral, was also terminated.

37. Events after the end of the reporting period

On January 28, 2022 a meeting of the Board of Directors of EIG AD was held, at which a decision was made to participate in increasing the capital of Euroins Georgia AD by purchasing 329,939 shares with a total value of GEL 1,501,222.45 from the unsubscribed 1,261,716 shares of Euroins Georgia AD. After the increase EIG AD will become owner of 1,950,291 shares.

On January 28, 2022, a Debt Substitution Agreement was concluded between Auto Union AD, in its capacity of creditor, Eurohold Bulgaria AD, in its capacity of borrower and EIG AD, in its capacity of initial debtor. Eurohold AD replaces EIG AD as a debtor, and in turn becomes a creditor of EIG AD.

The subordinary debt issued on December 18, 2014 in the form of 100 available, subordinated, unsecured bonds with a nominal value of EUR 100 thousand each amounting to EUR 10,000 thousand (BGN 19,558 thousand) and maturing on December 18, 2021 was repaid in full on January 5, 2022, together with the last interest payment.

On February 21, 2022, by decree of the President of the Russian Federation, the Donetsk People's Republic and the Luhansk People's Republic were recognized as independent states. On February 24, 2022, the Ministry of Defense of the Russian Federation announced a "special military operation" on the territory of the Republic of Ukraine.

The Russian ruble (RUB) began to depreciate in the days after February 24, 2022 starting from RUB 95.71 per euro reached RUB 117.20 per euro on March 01, 2022 according to the exchange rate of the European Central Bank (ECB). After that date, ECB stopped publishing the RUB / EUR reference rate. As at March 22, 2022, the exchange rate is RUB 115.60 per euro, according to the website of the Russian Central Bank.

On March 1, 2022, Russian President Vladimir Putin approved a special decree № 81, which prohibits transactions with foreign persons engaged in unfriendly acts on the provision of loans or transfer of rights to securities and real estate. It is also forbidden to export from Russia foreign currency or monetary instruments worth more than USD 10 thousand.

On March 2, 2022, the European Union imposed a number of sanctions on Russia, including the exclusion of several important Russian banks from the SWIFT financial communications system, namely: Bank Otkritie, Novikombank, Promsvyazbank (Promsvyazbank), Bank Rossiya, Sovcombank, Vneshecombank VEB and VTB BANK.

The hostilities received widespread international condemnation and many countries imposed sanctions on assets and operations owned by the Russian state and certain individuals. The invasion sparked a refugee crisis by Ukrainian citizens. The economic consequences of the military conflict in Ukraine cannot be quantified, but they are already indicating extremely serious effects on the overall global economy. Energy and raw material prices - including wheat and other cereals - iron, steel and rebar have risen sharply, further exacerbating inflationary pressures from supply chain disruptions and the recovery from the Covid-19 pandemic. Price shocks are expected to have an impact worldwide. If the conflict develops negatively or lasts for a longer period of time, the economic damage will be significant and is expected to affect all sectors of the economy, both Bulgaria and the EU. The IMF notes that sanctions against Russia are affecting the global economy and financial markets, and will have significant side effects in other countries.

In many countries, the crisis has created adverse shocks to both inflation and business activity against a background of rising price pressure. Central banks are closely monitoring the impact of rising international prices on domestic inflation and if necessary to take appropriate, carefully calibrated responses. Fiscal policy will need to support the most vulnerable households to offset rising living costs.

However, the development of the conflict and its impact on the overall economic situation may require a review of some of the management's assumptions and judgments regarding expected future developments, cash flows and results of operations. At the same time, inflationary pressures continue to increase, with military action and rising quotations of all commodities expected to increase further. Rising purchase prices of goods and services will lead to a decrease in household incomes, shrinking consumer demand and limiting the growth of the country's economy.

In connection with the above and in view of the uncertainties regarding the effect of the imposed sanctions and restrictions, the Group has reviewed activities, contractors and economic relationships that could expose the Group to significant risk. As of the date of acceptance of the financial statements, the Company has no significant relationships and settlements with Russian and Belarusian counterparties.

As the situation is extremely dynamic, the Group's management is not able to reliably assess the impact of the war on the future financial position and results of its activities in 2022. This could lead to a change in the carrying amounts of the Group's assets, which are identified in the financial statements through making a number of judgments and assumptions by management and taking into account the most reliable information available at the date of estimates, as well as to have an impact on forecasts for future development, cash flows and results of operations of the Group.

No adjusting events or other significant non-adjusting events occurred between the date of the financial statement and the date of its approval for issue.

38. Approval of the consolidated financial statements

The Consolidated financial statements as at December 31, 2021 (including comparatives) is approved for issue by the Board of Directors on May 27, 2022.