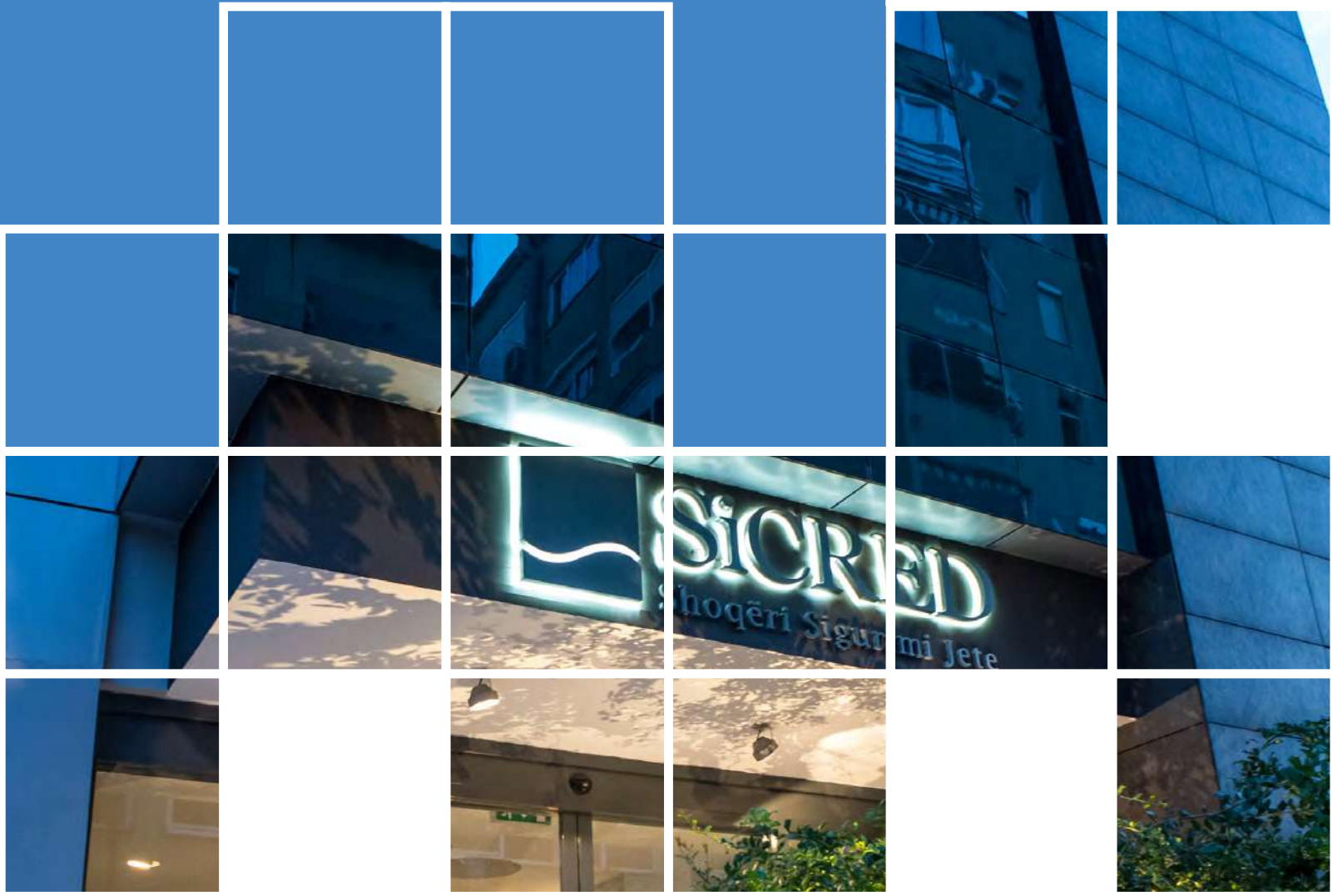
ANNUAL REPORT 2020



SiCRED
Shoqëri Sigurimi Jete

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SiCRED SH.A. STATISTICS (FOR THE YEAR ENDED 31 DECEMBER 2020):

Financial year premium:
251,658,909.00 ALL

Number of clients:
19,327 Clients

Total paid claims:
52,709,820.00 ALL

Number of paid claims:
632 Claims

Shareholders Capital:
490,062,000 ALL

Number of staff:
50 Employees

Number of branches:
8 Branches

Capital adequacy:
Sufficient
(+65,904,473 ALL above the legal limit)

Liquidity ratio:
7.72

Assets covering technical provisions:
125.56%



1. FOREWORD BY THE GENERAL DIRECTOR



Dear Reader,

Following an unprecedented and challenging year led by uncertainty, I am pleased to have the opportunity of sharing with you the Annual Report for 2020, the year of the pandemic.

The pandemic negatively affected the entire world economy and the Albanian one as well, and consequently extended its adverse consequences to the insurance market in Albania. Indeed, the negative impact on the Life insurance market was highly significant, as in this sector, in addition to the impact of the economy's engine slowdown and the country's total lockdown, the pandemic in particular caused added negative effects due to the specifics of the coverage that this sector has to consumers in general.

The year 2020 brought a significant increase in claims for compensation and in provisions as well, especially as a result of COVID-19. Specifically, SiCRED addressed over 100 claims, for loss of life or health damage, including coverage for medical visits, hospitalization, medication, etc. These mainly included cases of customers treated in Albania, but there were also cases that needed more specialized treatment abroad. The total cost for the cases covered due to the pandemic alone amounted about EUR 250,000.

During 2021, in line with the progress of the vaccination process, an improvement of the infection situation is expected. Therefore, SiCRED is currently focusing on the work for licensing and launching two new life insurance products, which are specific to the market. Namely, Life Insurance from Sudden Diseases and Accidents, a product suitable to the microfinance segment as well, with the main advantage of the moderately short insurance time and economic premiums. The other product is Evolutive Life Insurance, an individual life insurance product for anyone who wants financial protection for the family. Efforts are also being made to provide customers with more specialized assistance with COVID-19, as well as to increase the range of other services and facilities we offer to our customers, beyond the substantial insurance services.

Hoping that we all remain in good health and not experience the difficulties of 2020 again, I wish to conclude this message with a thank you to all our dear customers, associates, shareholders and staff, without whom nothing would have been possible.

With cordial greetings, I invite you to share together the 2020 Annual Report.



Genc Koxhaj
General Director

2. SiCRED SH.A. AT A GLANCE

SiCRED sh.a. was established on 7 October 2003, being the first and the sole private insurance company in Albania with a 100% local capital, and licensed to act in the Life Insurance market. The Company operates in accordance with the legal requirements and the regulatory framework, based on the Authorization to act as an Insurance Company No. 8, dated 19.07.2004 (replaced with Licence No. 8/2004, dated 22.06.2012), and also the License to Exercise the Insurance Activity, No. 8/1, dated 10.09.2004.

Aiming to diversify its activity, to cope with the ever-growing market competitiveness, to be able to provide a wider range of benefits to the client and to expand its market share, SiCRED sh.a. is also a shareholder in two other companies:

- **CREDINS Invest sh.a.** - Pension Fund and Undertakings for Collective Investments Management Company, which manages voluntary pension funds and investment funds. SiCRED sh.a. owns 12% of the shares of this company.
- **SiCRED ASSISTANCE sh.p.k.,** provides services in accordance with the current legislation on Health and Safety at work. SiCRED sh.a. owns 100% of the capital of this company.

Our employees remain the driving force behind our success. The company staff members are individuals with long-term experience in the insurance market, which are educated and trained in the best education institutions in the country and abroad. Successful teamwork, positive energy and their relatively young age, supported by the investment of SiCRED sh.a. in human resources, are key to our achievements and the foundations of our future sustainability. The dedication and elaborated skills of our elected staff remain an added value to our products and services, which established our good reputation in the market.

1.1 Our vision

The client is our focus. Our vision for the future is to become the main support and the unquestionable choice of our clients.

1.2 Our mission

We aim to operate in view of the highest standards of ethics, as the only acceptable way to establish a good reputation, which is supported by our promise to convey credibility, and to aim the best for our clients. With our products, we aim to establish a new insurance climate in the Albanian market. Our clients and our business partners should be thoroughly satisfied with their matter of choice and the trust they bestowed upon us by committing to SiCRED sh.a. for their insurance policies.

3. OWNERSHIP AND MANAGEMENT BODIES OF SiCRED SH.A.

The management bodies of the company are as follows:[1]

D. Shareholder's Assembly

E. Supervisory Council

F. General Directorate

A. Shareholder's Assembly of SiCRED sh.a. has the following members, listed as per their shareholder quota:

		Shares
1.	Mr. Aleksandër PILO	46.39 %
2.	Mr. Renis TËRSHANA	30.16 %
3.	Mr. Maltin KORKUTI	4.75 %
4.	Mrs. Monika MILO	4.75 %
5.	Mr. Kristino KROMIDHA	4.05 %
6.	Mr. Egi SANTO	2.37 %
7.	Mrs. Emi SANTO	2.37 %
8.	Mr. Arben TAIPI	2.06 %
9.	Mr. Petraq SHOMO	2.06 %
10.	Mr. Artan XHORI	1.03 %

B. The members of the Supervisory Council of SiCRED sh.a. are as follows:

1.	Z. Artan XHORI	Member
2.	Z. Selman LAMAJ	Member
3.	Z. Egi Santo	Member

C. General Directorate:

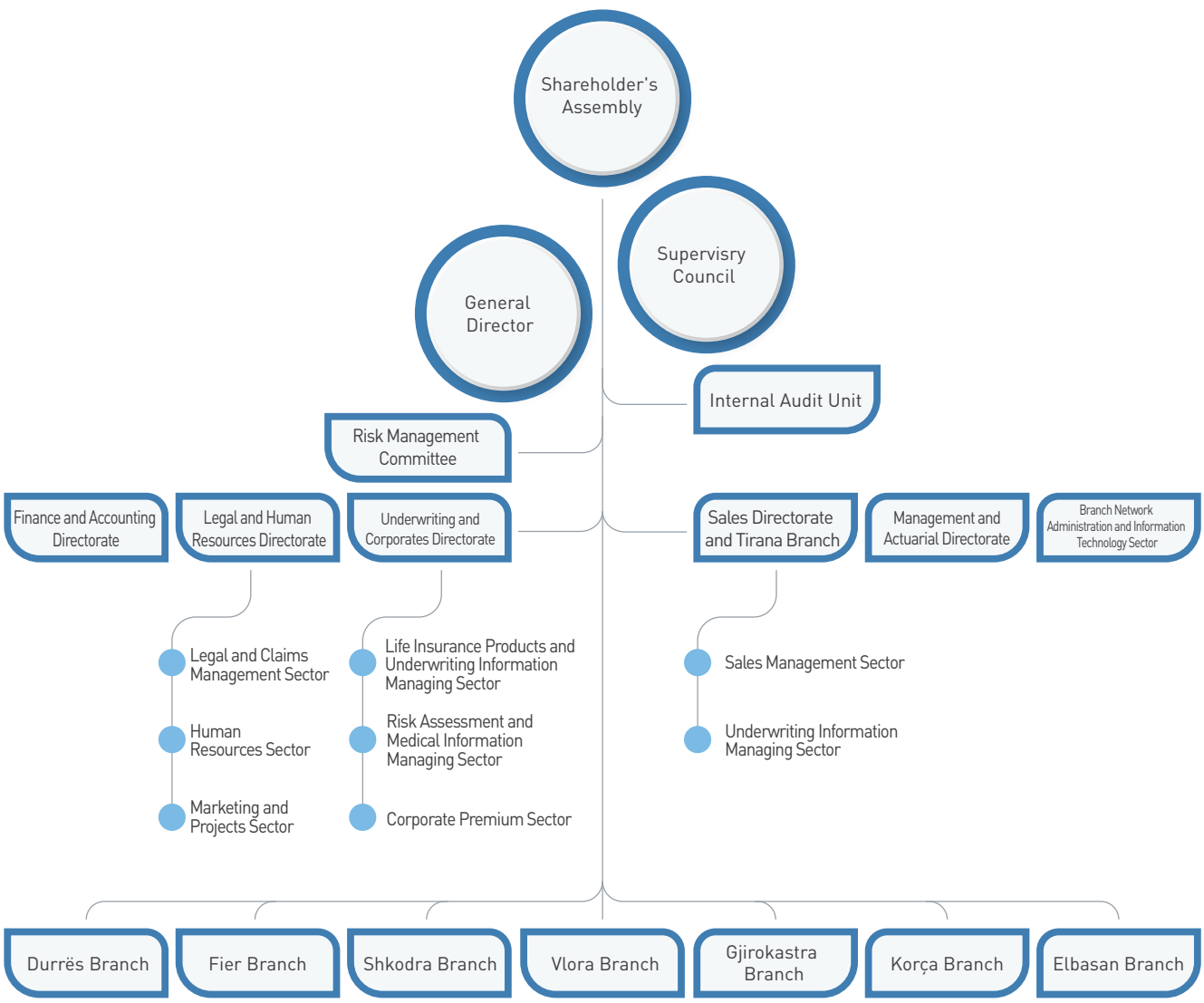
1.	Z. Genc KOXHAJ	General Director

Committees and other relevant bodies of SiCRED sh.a.:

1. **Auditing Committee/Internal Audit Unit** is an independent and objective entity, which exercises audits in the internal company system, to ensure the compatibility of the company's activity with the legal framework and the internal acts of SiCRED sh.a., and also to provide its specialised opinion on the improvement of the overall activity of the insurance company.
2. **Risk Management Committee** deals with risk identification and control, and carries out periodic relevant monitoring and reporting on each incident or fluctuation.
3. **Committee on Health and Safety at Work** makes sure that the working environments are safe and comfortable and also implements the provisions of law no. 10237, dated 18.02.2010 "On Health and Safety at Work" and its related by laws.
4. **Unit for Prevention of Money Laundering** ensures the implementation of the provisions of Law no.9917, dated 19.5.2008 "On prevention of money laundering and financing of terrorism", by means of effective systems that supervise the compatibility with best practices and recommendations from AFSA and other organizations.

1 Data available as of 31st December, 2020

SiCRED SH.A. ORGANIGRAMA



Organigrama e mësipërme është miratuar me Vendimin nr.15, datë 30.11.2017, të Këshillit Mbikëqyrës të SiCRED sh.a..

BOARD OF DIRECTORS



Petrina Duka
Director

Administration and Actuary Directorate

Mirjeta Luca
Director

Sales Directorate and Tirana Branch

Matilda Thoma
Internal Audit

Genc Koxhaj
General Director

Gladiola Jani
Director

Underwriting and Corporates Directorate

Teuta Locaj
Director

Finance and Accounting Directorate

Vjosa Bodo
Director

Legal and Human Resources Directorate

4. MAIN DEVELOPMENTS DURING 2020

4.1 Main financial indicators 2016-2020

4.2 SiCRED launches its media blog

4.3 Extra collaborations and benefits for the public

4.4 Expansion of SiCRED Medical Network

4.5 Fairs and Activities

4.6 Corporate Social Responsibility

4.7 Human Resources Management

4.9 SiCRED delivers the insurance fund for loyalty "Life with Savings"

Struck by the pandemic caused by the COVID-19 virus, during 2020, the insurance market in Albania has faced significant uncertainties in terms of consumers. Clearly enough, the effects of the pandemic have translated into the decrease of the Gross Written Premiums to the level of -5.73%, coming as a result of the decrease in the number of concluded contracts (-29.16%). Meanwhile, the Gross Paid Claims have significantly increased by 18.55%. The performance of Paid Claims was influenced by the increase of payments in both the Life and Non-Life Insurance market.

Despite the market setting during 2020, the Life Insurance Market continues to be led towards the Debtor's Life insurance, as the main product, which constitutes over 60% of the total written premium by life insurance companies.

Insurance gross written premiums 2019-2020*

Activity	Gross written premiums (in thousand ALL)		Difference in %
	2019	2020	2020/2019
Life	1,215,777	1,165,282	(4.15)
Non-Life	16,337,199	15,433,412	(5.53)
Reinsurance	64,611	9,316	(85.58)
Total	17,617,588	16,608,010	(5.73)

*Source: Statistical Bulletin, Insurance Market, AFSA, Year 2020

Gross paid claims 2019-2020*

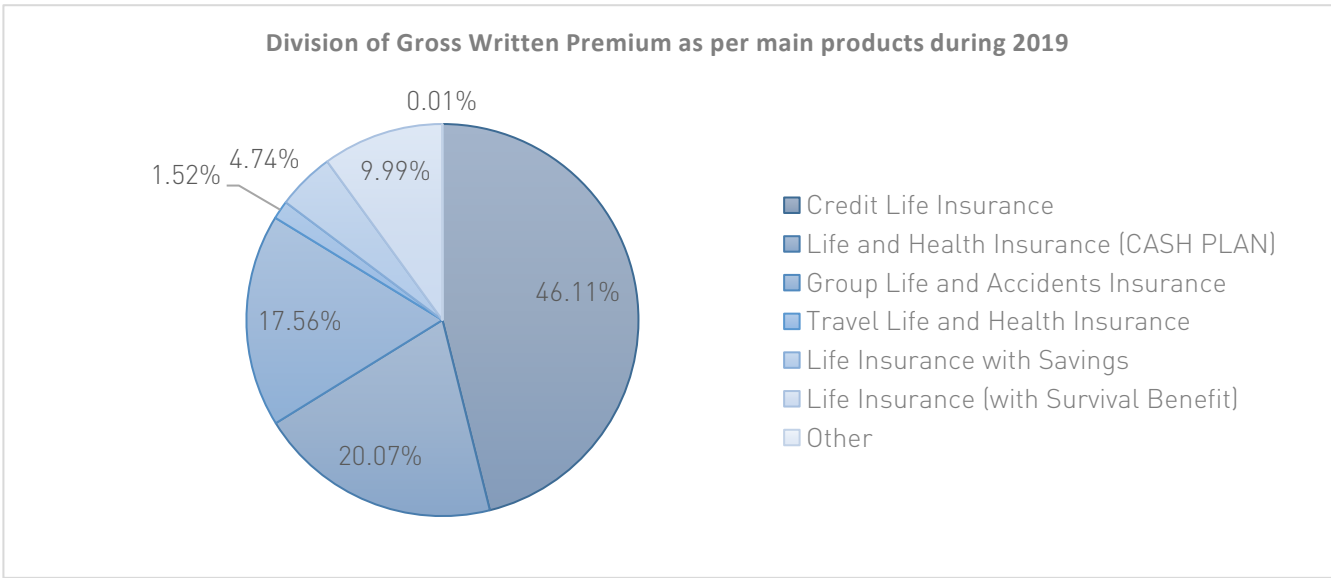
Activity	Gross paid claims (in thousand ALL)		Difference in %
	2019	2020	
Life	205,260	257,289	25.35
Non-Life	5,568,184	6,933,708	24.52
Paid Claims for Compensation Fund	603,820	369,216	(38.85)
Total	6,377,264	7,560,213	18.55

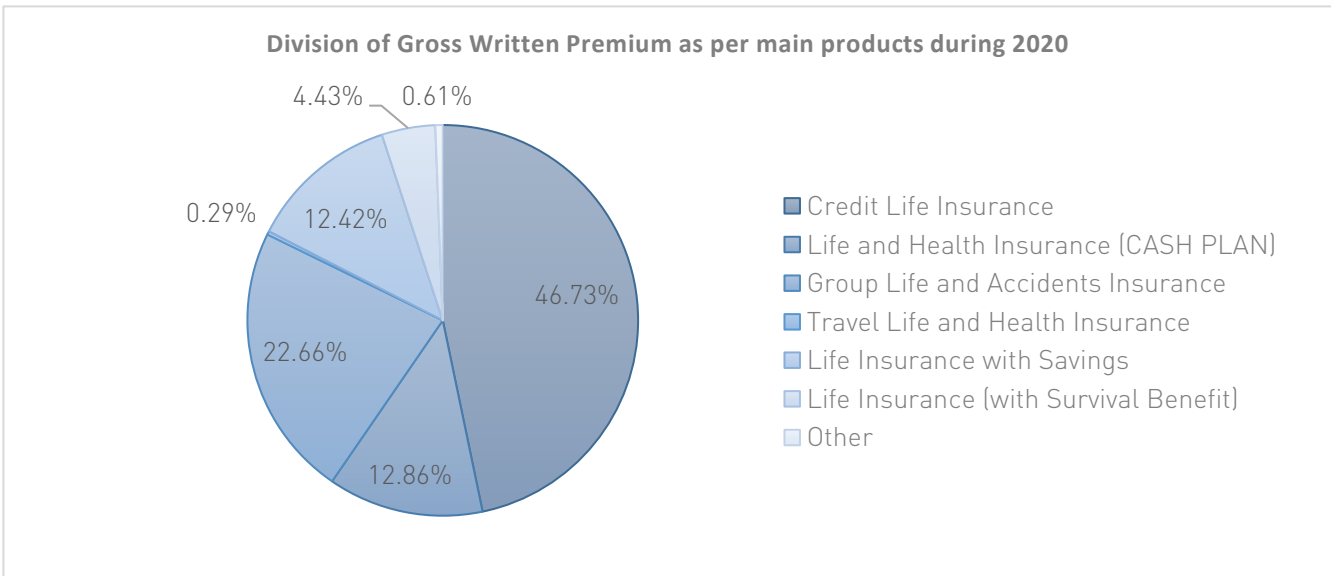
*Source: Statistical Bulletin, Insurance Market, AFSA, Year 2020

As of December 2020, SiCRED sh.a. provided a list of 13 products, licensed by AFSA, as follows:

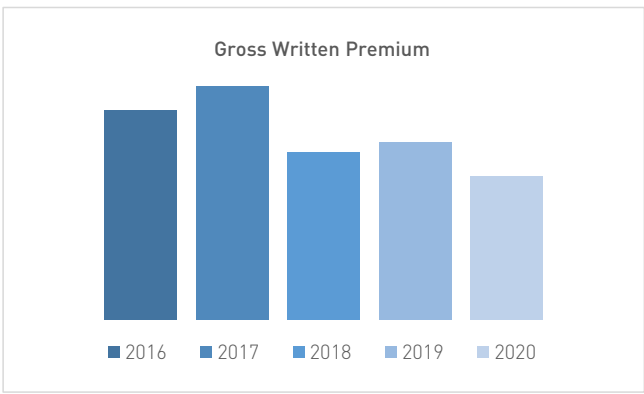
1. **Credit Life Insurance** provides coverage in the event of loss of life of the insured due to natural or accidental causes. The insurance policy is a financial guarantee both for the credit institution as well as the creditor (the Insured person), as it releases the family of the creditor from paying the remaining credit amount.
2. **Life and Health Insurance (CASH PLAN),** which besides the life insurance, provides a wide range of benefits such as the coverage of health expenditures in the event of illness or accidents, etc., that are completely personalized and in accordance with the insurance requests of the client.
3. **Life Insurance (with Survival Benefit)** is a long-term insurance and savings scheme. The Insured person pays the insurance premium every year, and a part of the premium is invested while the other part covers the life insurance. The insurance policy contains a pre-defined insurance amount that the person receives upon the insurance contract maturity, or which is obtained by his/her descendants should the Insured losses his/her life during the insurance period.
4. **Life Insurance from Sudden Diseases and Accidents,** which is designed to provide financial protection for the descendants of the insured, if the latter loses his life unexpectedly from an illness or accident.
5. **Group Life and Health Insurance** provides financial support to the Insured in the event of accidents, coverage for medical expenditures, for temporary or permanent disability, etc.
6. **Pupils and Students Life Insurance** provides guarantee in the event of any accidental or unexpected health issue, risk coverage for critical illnesses, risk coverage for loss of life of the given person, etc.
7. **Travel Life and Health Insurance** provides coverage for a series of risks that may occur to persons travelling abroad.
8. **Students Life and Health Insurance** provides a financial guarantee for the health of students that choose to study abroad. The package covers expenditures for health issues due to illness or accidents, expenditures for emergency evacuation, repatriation, etc.
9. **Life Insurance with Savings** provides financial support to the Insured person that makes profits upon the contract maturity, or by granting profits to his/her descendants in the event of loss of life of the Insured.
10. **Combined Life Insurance** provides coverage to any sudden event, due to natural or accidental causes, due to manifestation of critical illnesses, etc.
11. **Depositor Life Insurance** represents a product that is subject to depositors in a second tier bank. The product is provided in partnership with the involved bank institution.
12. **Visitors Life and Health Insurance** is offered to foreigners visiting Albania or staying in Albania for up to one year.
13. **Sportsperson Life and Health Insurance** provides coverage for health expenditures in the event of an accident, the risk of loss of life of the Insured (sportsperson) due to natural or accidental causes, the risk of physical (body) damage caused by the accident, etc.

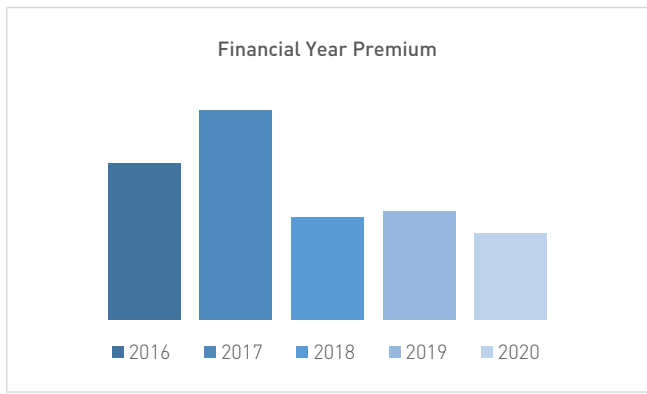
The performance of the main products of SiCRED sh.a. for the period 2019 - 2020 is presented as follows:



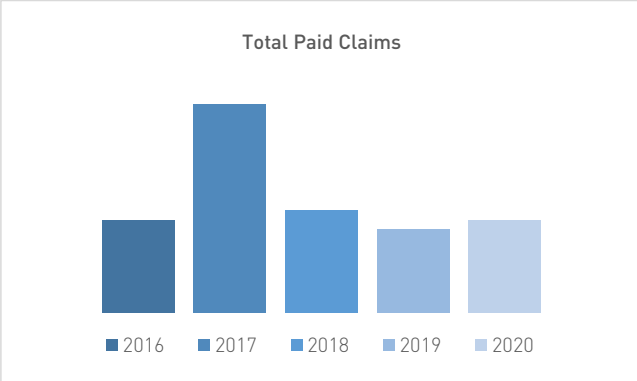


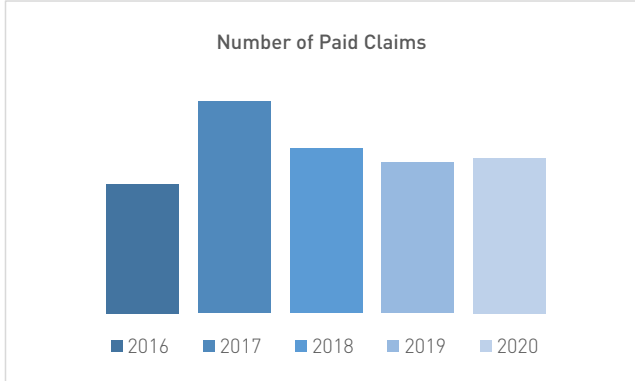
4.1 Main Financial Indicators[2] of SiCRED sh.a. for the period 2016-2020

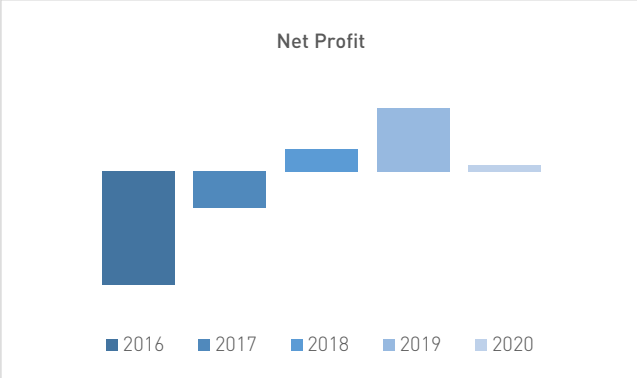


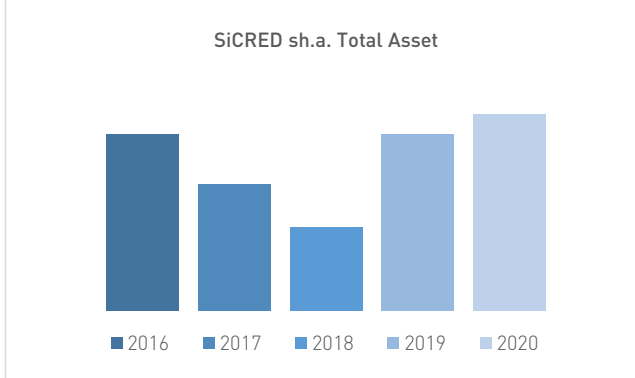


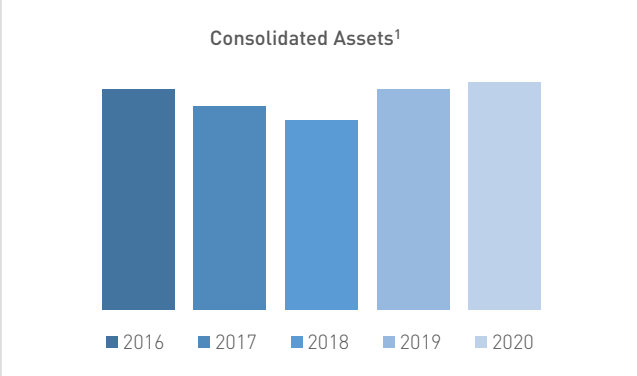
2 In accordance with Separate Financial Sheets of SiCRED sh.a.

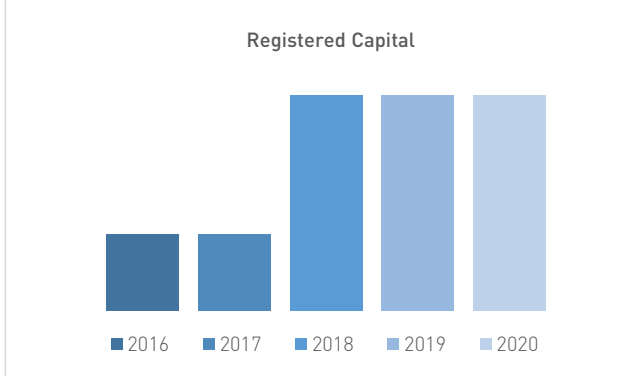


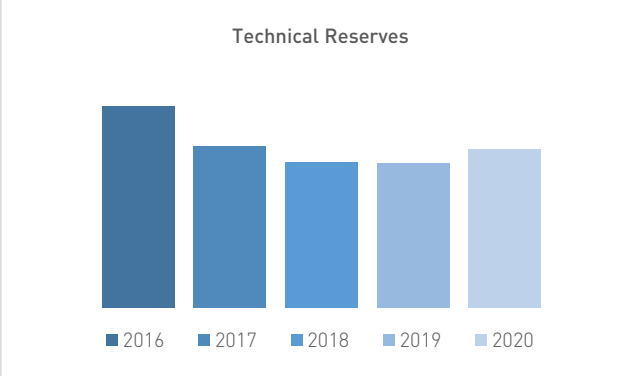


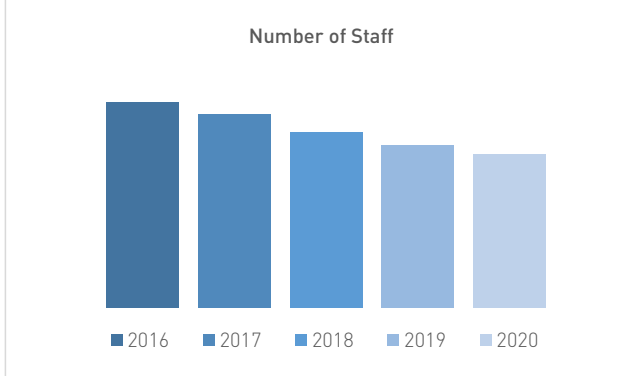










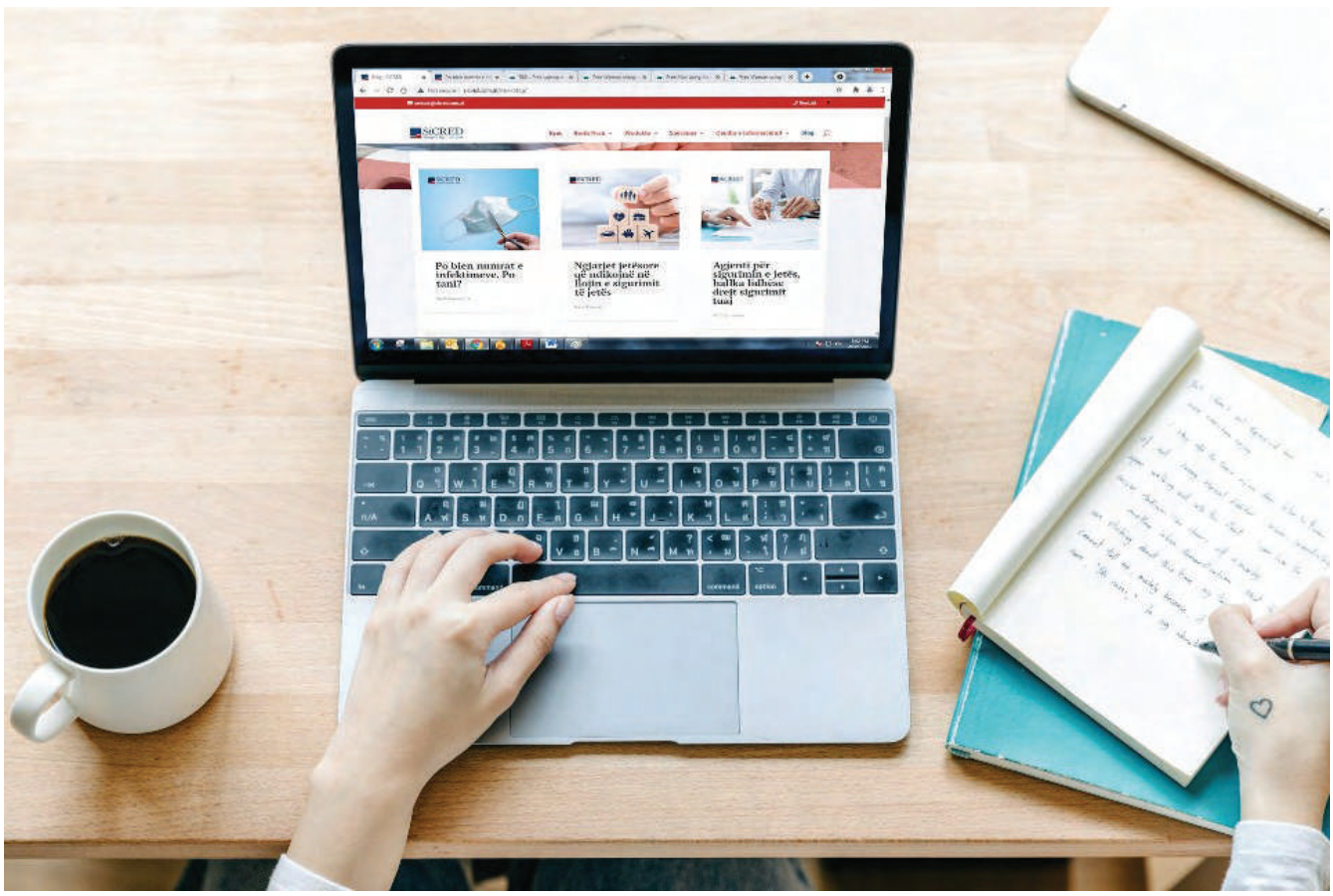


3 In accordance with Consolidated Financial Sheets of SiCRED sh.a..

4.2 SiCRED launches its informative blog

In May 2020, SiCRED launched its blog for more comprehensive information on life insurance! The blog was initially launched with a series of informative articles: general knowledge on insurance, introduction to the types of life insurance, information on SiCRED products, guide on how to choose the right insurance, etc.

The blog represents a convenient e-space for information, not only through prudently studied articles, but also through comments, where the readers are free to forward any questions on insurance.



4.3 Extra collaborations and benefits for the public

Cooperation between SiCRED and CREDINS Bank continued during 2020, whereby different categories of the bank's customers have benefited FREE insurance products by SiCRED.

- MasterCard World and MasterCard Gold cardholders benefited from:
    1. Free Travel and Health Insurance with Europe being the covered area!

During 2020, thanks to an existing multi-year cooperation between SiCRED sh.a. and CREDINS Invest sh.a., members of the "CREDINS Pension" Pension Fund received free:

1. Life and Accidents Insurance for one year!
2. The SiCRED Insurance Card.
3. Up to 60% discount at over 100 clinics and hospitals of SiCRED medical network.

4.4 Expansion of SiCRED Medical Network

During 2020, work continued toward the expansion of SiCRED Medical Network. Other medical entities have been added to the geography of the most prestigious private hospitals and clinics, which cooperate with SiCRED, in Albania and abroad.

Our clients benefit from professional health services, special treatment and discounts of up to 60% on their health examinations, due to the insurance card they are provided with.

In the end of 2020, SiCRED medical network counted over 120 clinics and hospitals.

Within the territory of the Republic of Albania:

- 71 health subjects (private hospitals, clinics and laboratories)

Outside the territory of the Republic of Albania:

- Kosovo – 8 clinics and hospitals
- Italy – 3 hospitals and a hospital group including 11 hospitals and medical centers
- Austria – 5 clinics
- Turkey – 25 clinics and hospitals
- Greece – 6 hospitals

4.5 Fairs and activities

2020 was the year of social distancing and online meetings. Most of the usual events were postponed to a more convenient time, whereas others were organised online, i.e. career job fairs organized by private universities, to bring their students closer to the job market.

Although the perception of the labour market was somewhat difficult for students due to virtual "gatherings", the experience was quite interesting, with immediate feedback and positive energy.



4.6 Corporate Social Responsibility

SiCRED in support of Down Syndrome Albania and persons with disabilities

Even during the difficult days of the pandemic, SiCRED showed special care to the needs of the society. In February 2020, SiCRED concluded an agreement with the Down Syndrome Albania Foundation, to financially assist DSA in its journey, which aims to increase social awareness for People with Disabilities (PWDs) in Albania, by providing care and treatment to enable them a healthy, independent and inclusive life.

Human rights are supposed to be equal for every individual and each of us must struggle hard for the dignity of individuals to be respected and valued in every case! This is the most precious mission of the DSA Foundation, which, thanks to its professionalism and ethics, continues to provide its services for the further development of PWDs in Albania.

Through its initiative, SiCRED invited all members of our society to show love, support and encouragement to people with disabilities in our communities.



"Buy Albanian" - In support of local production

Under the slogan "Buy Albanian", at the end of 2020, SiCRED promoted and gave the much needed support to the Albanian market. For its loyal customers and associates, SiCRED prepared gift baskets with "Made in Albania" products, to help local production and producers found in the difficult pandemic situation.

In a short visit to the Kallmeti Winery, the SiCRED staff visited the modern working premises and tasted the wine of the autochthonous variety, "the kallmet", of the Kallmet region of Lezha. A trinomial feature embodied in wine production in that area.

While the winery covers part of the production needs with the resources of its vineyards, the cooperation with the farmers of the area is the one that meets the vast majority of the harvest. This form of cooperation conveys a very positive spirit and what is most noteworthy in recent years, it is being applied by many agritourism businesses. This approach helps the entire chain of local producers, mostly those small farmers who need support.



4.7 Human Resources Management

Main statistics on human resources for SiCRED sh.a. (December 2020):

Number of employees	50 employed
Average age of employees	36 years of age
Female employees	78%
Male employees	22%
Average work engagement	6.2 years

4.8 SiCRED hands the benefits from the insurance fund for loyalty "Life with Savings"

It's the fourth consecutive year that SiCRED Company shares with its employees the benefits for loyalty fund "Life with Savings", which applies to employees who successfully completed their 7-year at work.

SiCRED is the only company in the insurance market and the first one in the entire Albanian market, which embraces the reward of employees for good performance and loyalty at work.

During the event organised at the premises of SiCRED, the Director of Human Resources, Mrs. Vjosa Bodo, thanked and expressed her gratitude to all employees who gave their valuable contribution to the company over a period of over 7 years.

The "Life with Savings" product and the loyalty fund are tools that SiCRED seeks to offer to Albanian companies, to ensure reliable and longer-term employer-employee relations and an additional incentive to improve the labour market.



5. OBJECTIVES OF SiCRED SH.A. FOR THE YEAR 2021

- **Increasing the Volume of Annual Premiums** – The company aims to increase the volume of insurance annual premiums for the year 2021 with 25.90%.
- **Accurate Management of General Costs and Expenditures** – SiCRED aims to reduce the ratio of administrative and underwriting expenditures, by increasing the efficiency of its products without impacting the quality of client services, employee interests, nor shareholders' interests.
- **Diversification of Financial Investments** - SiCRED aims to diversify its financial investments, in line with the company's investment policies, in order to avoid the risk of excessive loss and to obtain a reasonable return on investment.
- **Expanding the Range of Products** - During 2021 SiCRED aims to bring to the public two new life insurance products, entirely different to the market.
- **Educate the Public about Life Insurance** – SiCRED aims to continue its work to raise awareness and further inform the public about life insurance and its importance. The aim is to work with informative articles on blogs and the social networks of the company, as well as reportages and articles in the media.
- **Corporate Social Responsibility** – SiCRED aims to increase its impact on the Albanian society, as it will continue to contribute to common social policies and by increasing community investments.
- **Expansion of Medical Network** – During 2021, SiCRED aims to continue the expansion of its medical network in the country and abroad, in order to provide quality services in view of the specialties that the insurance policy covers.



6. CREDINS INVEST PROGRESS DURING 2020

6.1 Progress of "CREDINS Pension" Voluntary Pension Fund during 2020

During 2020, "CREDINS Pension" Voluntary Pension Fund has continued its progress by reaching a number of 17,617 members, compared to 17,137 members at the end of 2019. CREDINS Pension held the majority of market share, with 56.79% of the members, as per the data reported on 31 December 2020.

The clients that have joined "CREDINS Pension" Voluntary Pension Fund until the end of 2020 are divided as follows:

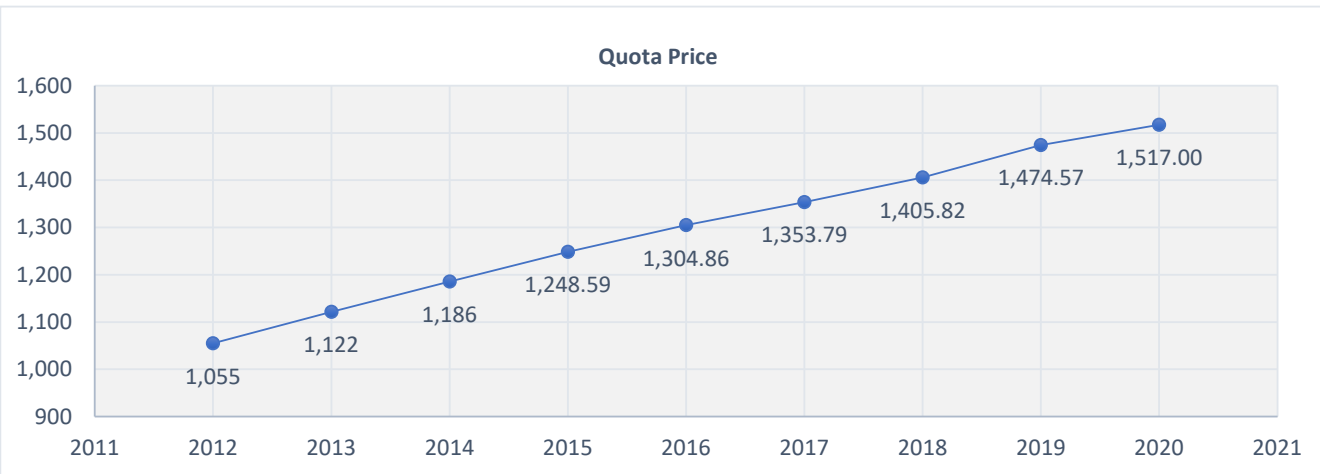
Professional Scheme (company or self-employed)	3,559
Individuals	14,058
Total clients	17,617

The Net Asset Value of the Fund as of 31 December 2019 was 825,972,127 ALL and on 31 December 2020 reached 1,085,034,928 ALL.

The major part of the Fund portfolio is invested in treasury bills and bonds of the Government of the Republic of Albania.

The asset value per quota on 31 December 2018 reached 1,405.82 ALL, on 31 December 2019 reached 1,474.57 ALL and on 31 December 2020 reached 1,516.64 ALL. The net rate of return for the Fund portfolio during 2020 was 2.85%.

The progress of the quota price through the years is presented as follows, up to 31 December 2020:



6.2 Progress of "CREDINS PREMIUM" Investment Fund during 2020

Advantages of the Investment Fund:

- The Fund has a low risk profile as it is invested only in securities of the Albanian State.
- High liquidity: the opportunity to withdraw the amount any time within 7 days without penalty and without losing the interest.
- Higher return rate compared to bank deposits.
- The investment could be applied immediately or with a periodic investment plan, with a minimal investment amount of only 2,000 ALL.
- Opportunity for diversification of investments.
- Professional management of investments.
- The account is accessible online at any given moment.

The net value of fund assets on 31 December 2019 was 3,789,529,368 ALL, while on 31 December 2020 it reached 3,214,518,709 ALL.

The major part of the Fund portfolio is invested in treasury bills and bonds of the Government of the Republic of Albania.

Available Fund data:

- Quota price 1,300.27 ALL
- Investment return (31.12.2019- 31.12.2020)* 1.40%
- Modified duration 3.56 years

* The administration tariff is deducted prior to the calculation of the return on investment.



7. A SUMMARY OF 2020 SiCRED ASSISTANCE EVENTS

Foreword by the Administrator, Mrs. Vjosa Bodo

This brief summary for SiCRED Assistance sh.p.k. touches on some of the key aspects encountered during 2020, in terms of health and safety at work, the safe working environment, sufficient income, occupational health, etc. The brief report of the Assistance work in terms of main directions and goals set for 2020, serves not only to the memory of what we achieved well or worse during the year, but it mostly serves the future, what we need to improve and seriously engage on to perform better. The experience of the year ended on 31.12.2020 taught us that we, acting as an advisory body for health and safety at work and/or mediator in health services, should better engage and work together with the human resources of employers, whom we provide advisory services under contracts, as well as with customers, who we guide and advise on health issues.

As advisers, the experience gained throughout 2020 made us realise that it is about time to strengthen and support the imposing voice and weight of the human resources sectors, with the aim that health and safety at work issues are supported by all management of private or public institutions, at state and interstate levels, and that their safety and health at work policies should be guided by well-designed instructions of the best scholars in the world.

Information on the necessity of implementing adequate, but also advanced and appropriate health policies after the effect of COVID-19, can no longer be labelled as dogma. With the life lesson gained from the 2020 experience, we are already confident to advise that advancement in medical knowledge and research is a necessity. With reference to the information obtained from the COVID-19 analysis, we trust that the balance of technological developments and innovations in the health sector, and the monitoring, care and development of scientific research against any disease, can avoid not only the catastrophic financial burden, but also any multi-dimensional damage.

Highlights for 2020

Throughout 2020, Assistance did not record any substantial events to mark in terms of business and its activity. Assistance, as a consulting firm, experienced 2020 with all the adverse effects it provoked in terms of restricted movement hours, the imposed trend of communication, remote working and lack of on-site monitoring. Due to what the COVID-19 pandemic provoked, the working conditions were the headline and focus of attention, therefore Assistance's counselling services on a safe work environment and adequate protection of employees' health were the most demanded services during the entire year. However, in financial terms, I am happy to say that, at a time when the local Albanian market suffered severe shocks from the lockdown, the company SiCRED Assistance managed to keep its going concern throughout the entire year, despite the very difficult year for all global labour markets, including the most developed ones.

Changes in structure

During 2020, the company allocated the already approved remunerations for its staff employed with an indefinite employment contract, in line with the

policies adopted by the shareholders. Fiscal and tax policies were applied for the company's staff according to the legislation in force at the time. In order to maintain and implement the legal standards in force, the constructive commitment of the Head of the company has been consistent in terms of the mandatory standards, which impose the guaranteed level of income on the cost indicators for the company. The implementation of the approved remuneration policies for the company's staff will continue even in the future, and will be the subject to ongoing consultation with our shareholders.

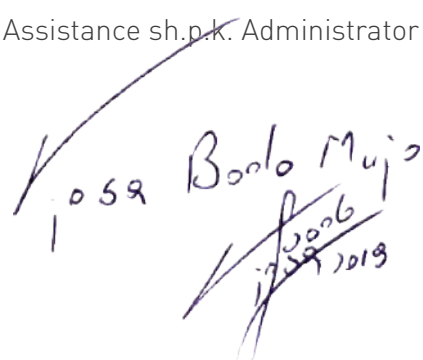
Administration of the company

The COVID-19 pandemic provoked a stress test for the entire globe and humankind, and to the same extent, with no distinction, provoked the Assistance's ability to work, provide consultation and respond to the unprecedented and almost catastrophic emergency situations. Despite all this, Assistance and its team, in cooperation with other partners, demonstrated that they never questioned the counselling activity, despite all the difficulties. Assistance demonstrated it has the adequate skills and capacities to respond with dignity to any emergency situation, even to the pandemic ones. The ability to absorb, provide counselling and guidance to what was caused by the dynamics emerging from the COVID-19 pandemic, as well as thanks to the communication bridges we built with our partners and associates to co-travel an almost chaotic path throughout 2020, today make us proud to say that we overcame this challenge with faith, courage and diligence, no matter the losses we suffered.

Sincerely,

Atty. Vjosa Bodo Mujo

SiCRED Assistance sh.p.k. Administrator





INTERNAL AUDITING REPORT

1. Legal basis

In the exercise of its activity, the Internal Audit Unit relies on the following laws and bylaws to meet its functional objectives.

- Law No. 52, dated 22.05.2014, "On insurance and reinsurance activity".
- Regulation "On minimum procedures and principles related to internal control and other aspects of the information system of the insurance company" adopted by AFSA Board Decision no. 135, dated 31.10.2014.
- Regulation "On the activities of the Internal Audit Unit and the Audit Committee in the insurance company" approved by AFSA Board Decision no. 153, dated 23.12.2014.
- Instruction of SiCRED sh.a. "On the activity of the Internal Audit Unit, Audit Committee", as adopted by Decision of the Supervisory Council no. 12, dated 10.08.2015.
- Law No. 9901, dated 14.04.2008, "On traders and trade companies", as amended.

2. Organisation

- **Mission of the Internal Audit**

The mission of internal audit is to support senior management in carrying out their responsibilities. The Audit accomplishes this mission by:

- Performing independent audits based on adopted professional standards.
- Performing its functional duties according to its independent discretion.
- Assisting the management by providing analysis, recommendations, advice and information on the units audited.
- Supporting managers to meet their goals.

The Internal Audit Unit performs its functions independently and objectively, providing for specialized opinions in order to improve the activity of the company. By the end of the auditing process, recommendations and proposals are issued to improve the functioning where necessary.

- **Competencies of the Internal Audit**

- Internal audit includes, but is not limited to, the establishment, implementation and maintenance of a risk-based audit plan to review and evaluate general or specific areas based on preventive measures.
- Ensures that risk areas are selected to be properly audited, such as accounting, financial policies, solvency, cost analysis, insurance events and claims compensation, etc.
- Carries out regular evaluations in view of the auditing and the auditing of the internal systems, including the necessary improvements.
- Ensures that the identified risks and actions taken to address them are accurate and relevant.
- Internal Audit, as far as all areas and issues reviewed are concerned, has drafted reports to provide evidence over time.

- **Objective of the Internal Audit**

The objective of internal audit consists of in-depth and thematic controls at the relevant

departments and branches, in a timely and effective manner, in order to perform risk assessment on time. Internal audit includes, but is not limited to, the establishment, implementation and maintenance of a risk-based audit plan to review and evaluate general or specific areas based on preventive measures.

Internal audit checks and assesses information and reporting systems, including technology systems, as well as information and data accuracy.

It ensures that the identified risks and actions taken to address them are accurate and relevant and that the risk management system is duly implemented by the company.

It carries out regular evaluations in view of the auditing and auditing of the internal systems, including the necessary improvements.

It ensures that risk areas are selected to be properly audited, such as accounting, financial policies, solvency, cost analysis, insurance events and claims compensation, etc.

It determines whether SiCRED sh.a. risk management system processes and controls, as designed and presented by the management, are adequate and operational to ensure that:

- Risks are properly identified and managed.
- Interaction between directorates, sectors and branches in other districts is feasible
- Financial, management and operational information is accurate and reliable in a timely manner.
- The performance of duties by employees is in accordance with the applicable policies, standards, procedures, laws and regulations.
- Resources are provided and used based on evidence.
- Continuous improvement in the internal control process is enabled.
- Important legislative and regulatory issues with an impact on SiCRED sh.a. have been properly acknowledged and addressed.

Internal auditors for all areas and issues reviewed compile reports to ensure their evidence over time.

- **Composition of Human and Financial Resources of the Internal Audit**

Internal audit operates in accordance with the laws and in the capacity of special structure. The Internal Audit is a company's employee appointed to the Internal Audit Unit. The Audit Unit exercises its competencies independently and in an integrated manner, by evaluating the governance and risk management processes within the company. The 2020 audits were conducted by an auditor appointed by the Supervisory Board. The internal auditor of the Company has a degree in economics and 18 years of work experience in the field of insurance. He is working with SiCRED sh.a. as an internal auditor for 10 years now. During all these years, the auditor has attended professional auditing training on "Economic-Financial Audit" and on accounting standards, as well as trainings on current amendments to accounting and fiscal laws. The auditor is registered with the fiscal experts register since 2012, with registration no. 184. The long experience in the field of insurance and finance helps to professionally carry out work within the Company. As regards auditing, internal audits were conducted in accordance with applicable laws and regulations as well as in support of the annual program approved by the Supervisory Council. The Internal Audit Unit is familiar with and adapts to the changing requirements of internal laws and regulations.

The Audit Committee, pursuant to the provisions of Law No. 52, dated 22.05.2014, "On insurance and reinsurance activity", has exercised its functions independently. During 2020, the Audit Committee held 4 meetings, respectively on: 15.04.2020; 23.07.2020; 27.11.2020; 30.12.2020. All meetings are documented with minutes records and all discussions held.

During 2020, the Internal Audit Unit has been fully engaged to conduct audits at SiCRED sh.a.. As regards the implementation of the duties and responsibilities assigned by law in the 2020 work plan, the Internal Audit Unit has also engaged in the audit of events and topics created as a result of the Covid-19 pandemic. The financial budget of the Audit Unit consists of payroll costs, social insurance costs, per-diem and training allowances included in the relevant items of the draft budget for the entire staff of the company. All training costs relate to the ongoing and mandatory trainings, which are approved by the Supervisory Board and the CEO.

- **The global COVID-19 pandemic**

The World Health Organization declared the state of the global pandemic on 11.03.2020. On 12.03.2020, the Albanian government authorities took a series of actions to control the spread of the virus, including cross-border restrictions as well as prohibition of the entrance of foreign visitors. Schools, universities, restaurants, cinemas, museums, retailers were all closed, with only food retailers and pharmacies open part-time. Many businesses instructed employees to work remotely online, while some others temporarily suspended the activity or even shut it down.

SiCRED sh.a. issued the written Order no. 658, dated 27.02.2020 "On the measures taken and the information forwarded to the staff of the SiCRED sh.a. company on "COVID-19"

On 31.03.2020, SiCRED sh.a. held the next meeting of the Safety and Health at Work Council of SiCRED sh.a., recorded through an internal "chat room" in full line with the instructions of Law no. 10237, dated 18.02.2010 "On safety and health at work", DCM no. 107, dated 09.02.2011 "On the composition, rules of organization and functioning of the Safety and Health at Work Council and the Representative of Employees".

As a result of the COVID-19 global pandemic, the company SiCRED sh.a. has been and still is fully engaged in the review of the income generated from insurance premiums, which significantly affects the liquidity status and financial indicators of solvency and assets for covering technical provisions. With reference to Decision no. 56, dated 10.04.2020 of the AFSA, SiCRED sh.a. suspended the distribution of profit in the form of dividends as well as the payments of the Supervisory Board or payments to other employees.

SiCRED sh.a. has issued detailed and updated information on its official website as regards the impact of the pandemic caused by COVID-19.

To limit the risk of exposure to the COVID-19 pandemic, SiCRED sh.a. reviewed the insurance procedures for SiCRED sh.a. insurance products. The COVID-19 pandemic, being a disease potentially affecting a large number of individuals within a short period of time, poses a real risk to SICRED insurance products.

The management of the company performed periodic assessments of the financial situation, and ensured the stability and sufficient liquidity of the company to meet its obligations to staff, third parties and law-making bodies.

However, the Covid-19 highly affected the Travel and Health Insurance premiums due to the closure of borders, therefore recording a reduction of 81% compared to 2019. Moreover, the Life and Accident Insurance premiums fell by 30% as many tenders organised by state institutions were postponed or cancelled. On the other hand, the costs for claims increased as a result of the deadly virus infection cases.

The Management undertook a series of actions aimed at mitigating financial risk by reducing rental costs for the head offices by 20% for 2 years, as well as by reducing remuneration, bonus and training costs, etc. Recruitment of new staff scheduled to be employed during this period was also postponed. The Management projects that the Company will have sufficient resources to ensure the going concern for at least 12 months from the reporting date.

3. Analysis of the Internal Audit Activities

During 2020, the Internal Audit conducted its activity based on the annual plan approved by the Supervisory Council. All controls were conducted per topic, focusing on the analysis of processes, risks and data collected through the documentation that SiCRED sh.a. uses. The auditing was either full or partial, depending on the topic. All audits performed mainly focused on the head offices where SiCRED sh.a. carries out its activity, but also in the branches of the company. In terms of audits carried out, all high-risk indicators have been taken into account in order to anticipate problems that may occur in time. They were carried out in compliance with the recommendations issued, as well as the issues that may have arisen in the course of daily work.

Unplanned audits were also conducted, necessary to be performed during 2020.

- **Analysis of the Audit Mission**

All audits performed during 2020 mainly concentrated in the head offices where SiCRED sh.a. carries out its activity, but also in the branches of the company. In some of the missions, elements to be improved were identified and for each of them, relevant recommendations were issued, which have been accepted

by the management. Special attention was also paid to the recommendations issued in the previous period. 2020 audits were conducted at the:

- Finance and Accounting Department.
- Legal and Human Resources Department.
- Underwriting and Corporations Department.
- Administration and Actuarial Department.
- Sales Department, etc.

Other controls with special objects.

- Controls on the prevention of money laundering and terrorist financing.
- Thematic controls.
- Etc.

No defaults were observed.

4. Declaration of impartiality

The Internal Audit is performed pursuant to the legal and regulatory framework and is not subject to any other influence from individuals, including persons in leading position within the company. The work of the Internal Audit was conducted in accordance with the legal policy and the rules on legal compliance. The internal auditor observes all company's rules on ethics and conduct. The auditor maintains an impartial position and avoids conflicts of interest. The Internal Audit, as a basic function for the internal control system within SiCRED sh.a., has operated as an independent body since the Company's establishment. The internal audit unit has been set up in accordance with the adopted regulation. With reference to a methodological, chronological, comprehensive program, the audit has effectively reported in writing the work done without being influenced by the organization. The auditor has shown high level of professional judgement in collecting, evaluating and transmitting information on the processes that have been audited. The auditor has conducted all control without being influenced by personal interests.

5. Auditing Plan for 2021

The objectives of the audit plan for 2021 shall be achieved through the harmonization of in-depth and thematic controls and through conducting risk assessments in a timely and effective manner. In determining the risks that the company will face in 2021, it shall be based mainly on the risks encountered during the last year, as well as on the recommendations issued by the regulatory bodies. Auditing shall also include insurance and reinsurance risk management, financial and accounting risk, legal risk, and risk related to underwriting. In terms of risk management, SiCRED sh.a. has set up a Risk Management Committee. The Risk Management Committee acts in accordance with the laws and in the quality of special structure and operates as an independent and objective unit, releasing specialized opinion in order to improve the activity of the company. In the meeting of the Audit Committee, held on 28.12.2020, the 2021 audit programme was reviewed and adopted by the Supervisory Board Decision no. 7, dated 28.12.2020.

Legal basis

- Law No. 52, dated 22.05.2014, "On insurance and reinsurance activity".
- Regulation "On minimum procedures and principles related to internal control and other aspects of the information system of the insurance company" adopted by AFSA Board Decision no. 135, dated 31.10.2014.
- Regulation "On the activities of the Internal Audit Unit and the Audit Committee in the insurance company" approved by AFSA Board Decision no. 135, dated 31.10.2014.
- SiCRED sh.a. Instruction "On the activity of the Internal Audit Unit, Audit Committee" approved by decision of the Supervisory Council no. 12, dated 10.08.2015.
- Law No. 9901, dated 14.04.2008, "On traders and trade companies", as amended.

For 2021, audits are expected to include the following departments and branches:

1. Finance and Accounting Department.
2. Legal and Human Resources Department.
3. Underwriting and Corporations Department.
4. Administration and Actuarial Department.
5. Branch Network Administration and IT Sector.
6. Sales Directorate and Tirana Branch.
7. Regional branches.

The audit also includes the management of the following risks:

Insurance and reinsurance risk

Financial and accounting risk

Legal risk

Insurance event risk

High risk controls

- Analysis of the operating expenses and minimization of expenses, which have an impact on the outcomes of the company, taking into account the acceptable and comparable level of the market rate.
- Maintaining liquidity ratio at the required level.
- Solvency, technical provisions, assets covering provisions.
- Administration of sold insurance policies, coordination of premiums with the accounting department.
- Implementation of the integrated programme.

Medium risk controls

- Main indicators of financial statements, statistical and accounting reports, analysis of administrative and underwriting expenses, analysis of specific items of financial statements.
- Control of collection requests and debtors' obligations, time of their creation, payment deadlines and their timely collection.
- Procurement procedures and related costs.
- Related party transactions and reporting to the relevant authority.
- Administration of sold insurance policies, reconciliation of premiums with accounting, calculation of insurance acquisition costs, implementation of insurance acquisition instruction.
- Underwriting, charging and administration of life insurance products, co-insurance contracts, optional contracts.
- Inventory of sold policies and those available both in the head office as well as in the branches whereby the activity of the company is carried out.
- Staff training.
- Insurance events practices, law enforcement and internal instructions, their liquidation.
- Application of procedures for the storage and administration of insurance policies, as well as other monetary and material values, and their respective documentation.
- Procedures on new employee recruitment, staff training, job payment, employee timer, staff bonuses, etc.
- Prevention of money laundering and terrorist financing.
- Follow-up to recommendations.
- Etc.

Low risk controls

- Procedures for recruiting new employees.
- Recruitment and dismissal decisions.
- Performance evaluation.
- Job payment, employee timer, staff bonuses.
- Branch inventory.
- Administration of cancelled policies.
- Follow-up to recommendations.

Risk identification

- Financial and accounting risk.
- Insurance and reinsurance risk.
- Legal risk.
- Insurance event risk

Audit and evaluation

- Risk management systems implemented by SiCRED sh.a.
- Compliance of the company with the laws and by-laws, company's internal procedures, implementation of policies and achievement of set objectives.
- Information and reporting system including data accuracy.

6. Internal Audit Unit Opinion

The Internal Audit Unit has performed the planned tasks based on the 2020 audit plan approved by the Supervisory Board. Although 2020 proved to be a challenging year as a result of the pandemic caused by COVID-19, the Audit Unit, by performing the relevant procedures and verifications, has influenced the identification, control and management of risks covered by each department or branch.

During the work performed, high risk elements were identified which could have an impact on the development of the activity of the Company and on which the relevant recommendations have been issued. Conclusions have been drawn for each audit carried out and whenever elements room for improvement has been identified, recommendations have been issued and accepted by the management.



Internal Audit Unit
Matilda THOMA

SiCRED sh.a.
Life Insurance Company
Consolidated Financial Statements
For the year ended 31 December 2020



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Independent Auditor's Report

To the Shareholders of Sicred sh.a,

Opinion

We have audited the consolidated financial statements of Sicred sh.a ("Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

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 Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Groups 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 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 consolidated financial statements.

As part of an 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 consolidated 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.
- We obtain sufficient audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on consolidated financial statements.We are responsible for direction supervision and audit performance of the Group. We are responsible only 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.

Grant Thornton sh.p.k.

Tirana, Albania
25 May 2021

Klediana Kadiu, FCCA



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	31 December 2020 in ALL	31 December 2019 in ALL
ASSETS			
Cash and Cash equivalents	8	52,336,793	24,649,140
Restricted Cash	8	4,439,899	4,396,876
Term deposits	9	410,914,913	404,355,990
Investments in securities	10	158,794,521	148,846,354
Investment fund	11	8,357,438	15,141,330
Insurance and reinsurance receivable	12	37,121,716	35,592,371
Reinsurance assets	14	19,408,556	9,849,108
Deferred acquisition cost	13	13,513,193	21,432,593
Prepayment income tax		-	114,001
Deferred income tax		479,497	289,120
Other Assets	15	12,568,963	12,817,119
Investments in Associates	16	8,169,402	6,320,556
Property, plant and equipment, net	18	36,552,418	40,215,262
Right of use Assets (Rent)	18,19	64,248,410	76,220,816
Intangible assets, net	17	6,912,700	6,732,700
TOTAL ASSETS		**833,818,419**	**806,973,336**
LIABILITIES			
Other liabilities	20	17,165,906	14,746,045
Lease liabilities	19	67,802,027	77,395,572
Insurance and reinsurance payable	21	20,270,735	11,853,170
Due to financial institutions	22	2,685,640	3,198,735
Income Tax Payables		169,430	-
Deferred tax liabilities		190,376	289,120
Liabilities for losses and loss adjustment expense	23	47,644,609	30,430,503
Unearned premium reserve	24	132,514,116	139,867,964
Other reserves	25	45,781,863	35,348,623
TOTAL LIABILITIES		**334,224,702**	**313,129,732**
EQUITY			
Paid-up capital	26	490,062,000	490,062,000
Retained losses	26	-	-
Current year profit	26	-	-
Equity attributable to owners of the Group	26	-	-
Non-controlling interest		3,781,604	(33,806,313)
TOTAL EQUITY		5,750,113	37,587,917
TOTAL LIABILITIES AND EQUITY		499,593,717	493,843,604
Non-controlling interest		-	-
TOTAL EQUITY		**499,593,717**	**493,843,604**
TOTAL LIABILITIES AND EQUITY		**833,818,419**	**806,973,336**

Genc Koxhaj
General Director

SHOQËRIA E SIGURIMIT TË JETËS SiCRED DREJTORIA E PËRGJITHSHME TIRANË

Teuta Locaj
Head of Finance and Accounting Directorate

The accompanying notes on pages 39 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 in ALL	Year ended 31 December 2019 in ALL
Gross written premiums	27	251,658,909	259,724,961
Reinsurer's share of gross written premiums	28	(13,714,446)	(15,295,313)
Net written premiums		**237,944,463**	**244,429,648**
Net change in reserve for unearned premiums	24	7,353,850	14,275,308
Net change in other reserves	25	(10,433,240)	1,919,049
Net change in reserve for reinsures	13	9,559,448	1,185,903
Net change in deferred acquisition cost	14	(7,919,400)	8,711,113
Net insurance premium income		**236,505,121**	**270,521,021**
Finance income, net	29	10,112,299	7,578,496
Share of profit/ (loss) of an associate for the period	16	2,128,687	1,399,203
Other operating income	30	3,787,534	14,156,190
Total income		**252,533,641**	**293,654,910**
Losses and loss adjustment expense	23	(69,923,926)	(62,233,557)
Acquisition costs	31	(57,165,610)	(64,972,029)
Personnel expenses	32	(60,458,288)	(69,642,758)
Administrative expenses	33	(39,625,792)	(39,645,297)
Depreciation	18,19	(18,573,224)	(18,666,605)
Total expenses		**(245,746,840)**	**(255,160,246)**
Profit/(loss) before Tax		**6,786,801**	**38,494,664**
Income tax expense	34	1,036,688	906,747
Profit/(loss)of the year, net		**5,750,113**	**37,587,917**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		**5,750,113**	**37,587,917**
Profit/(loss) for the year attributed to:			
Owners of the Group		5,750,113	37,587,917
Non-controlling interests		-	-
		5,750,113	**37,587,917**
Total comprehensive profit/(losses) attributed to:			
Owners of the Group		5,750,113	37,587,917
Non-controlling interests		-	-
		5,750,113	**37,587,917**

The accompanying notes on pages 39 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital	Accumulated losses	Total	Non-controlling interest	Total Equity in ALL
	in ALL	in ALL	in ALL	in ALL	in ALL
Balance at 31 December 2018	**490,062,000**	**(33,806,313)**	**456,255,687**	**-**	**456,255,687**
Current year profit/ (loss)	-	37,587,917	37,587,917	-	37,587,917
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive profit/ (loss) for the period	**-**	**37,587,917**	**37,587,917**	**-**	**37,587,917**
Transactions with owners of the Group	-	-	-	-	-
Total transactions with owners of the Group	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2019	**490,062,000**	**3,781,604**	**493,843,604**	**-**	**493,843,604**
Current year profit/ (loss)	-	5,750,113	5,750,113		5,750,113
Other comprehensive income, net of tax	-				
Total comprehensive profit/ (loss) for the period	**-**	**5,750,113**	**5,750,113**		**5,750,113**
Transactions with owners of the Group	-	-	-	-	-
Increase in paid-in capital and other reserves	-	-	-	-	-
Total transactions with owners of the Group	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2020	**490,062,000**	**9,531,717**	**499,593,717**	**-**	**499,593,717**

Shënimet shoqëruese në faqet 39 deri 80 janë pjesë përbërëse e këtyre pasqyrave të konsoliduara financiare.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 in ALL	Year ended 31 December 2019 in ALL
Cash flows from operating activities			
Profit/(loss) for the year		**6,786,802**	**38,494,664**
Adjustments for:			
Depreciation	18	18,573,224	18,657,438
Losses from disposal of tangible assets	18	780,180	707,385
Gain from sale of Property, plant and equipment		(72,209)	-
Change in reserve for unearned premiums	24	(7,353,850)	(14,275,308)
Change in reserve for reinsures	13	(9,559,448)	(1,185,903)
Change in other reserves	25	10,433,240	(1,919,049)
Change in losses and loss adjustment expense	23	17,214,106	14,808,994
Allowance for impairment	12	235,952	3,171,079
Interest expense	29	3,715,117	3,965,774
Interest income	29	(14,046,024)	(12,506,429)
Cash flow before changes in assets and liabilities		**26,707,090**	**49,918,645**
Loss from change in the net carrying amount of investment in associate	16	(1,848,846)	(1,399,203)
Changes in operating assets and liabilities:			
Change in insurance acquisition costs	13	7,919,400	(8,711,113)
Change in insurance and reinsurance receivable	12	(1,529,345)	4,266,679
Change in other assets	15	236,183	655,081
Change in restricted cash	8	(43,023)	(2,850,215)
Change in insurance and reinsurance payable	21	8,417,565	2,535,652
Change in other liabilities	20	2,419,861	(4,747,881)
Change in tax accounts		(5,690)	-
Change in account with related parties	15	11,971	620,614
Change in assets in use	19	(9,593,544)	(9,761,076)
Interest Paid	29	(3,715,117)	(3,965,768)
Income tax paid		(852,001)	-
Cash flow generated from operating activities		**28,124,503**	**39,067,844**
Cash flows from investing activities			
Purchases of tangible assets	18	(4,262,238)	(6,093,705)
Sale of tangible assets		195,657	
Purchases of intangible assets	17	(180,000)	(400,000)
Investment in associates			
Received Interest	29	14,046,024	12,506,429
Increase of term deposits	9	(6,558,923)	(22,617,173)
Purchases of securities	10	(10,000,000)	(25,000,000)
Matured Investment securities		1,820,000	16,180,000
Change in interest rate securities		(1,768,167)	(832,431)
Investment in securities	11	6,783,893	(15,141,432)
Cash flows used in investing activities		**76,246**	**(41,398,211)**
Cash flows used in financing activities			
Overdraft		(361,543)	25,841
Financial Lease	22	(151,553)	2,813,363
Cash flows used in financing activities		**(513,096)**	**2,839,204**
Net increase in cash and cash equivalents		**27,687,653**	**(11,997,592)**
Cash and cash equivalents at beginning of the year	8	24,649,140	36,646,732
Cash and cash equivalents at end of the end of the year	8	**52,336,793**	**24,649,140**

Shënimet shoqëruese në faqet 39 deri 80 janë pjesë përbërëse e këtyre pasqyrave të konsoliduara financiare.

1. GENERAL INFORMATION

SiCRED sh.a. (the "Group") was established on 7 October 2003 as a Life Insurance Company based in Albania. The Company is licensed by the Financial Supervisory Authority and started the insurance underwriting operation on 1 October 2004.

The Group has branches in Tirana, Durrës, Shkodër, Fier, Vlora, Gjirokastër, Elbasan, and Korçë. The insurance market in Albania is regulated by the Law no. 52/2014 dated 22.05.2014 "On insurance and reinsurance activities"

SiCRED sh.a. Group comprised from SiCRED sh.a. as a parent company, SiCRED Assistance sh.p.k. where SiCRED sh.a. owns 100%, CREDINS INVEST sh.a. shares - Pension Fund and Undertakings for Collective Investments Management Company, where SiCRED sh.a. owns 12% of the shares. Information about the Group is presented in note 7.

Consolidated Financial Statements includes the Company and its affiliates (referred to as the "Group"). On December 31, 2020, the Group had 54 employees and management staff (2019: 56).

The Central offices address and the main place of exercising the activity is: Street "Brigada VIII" Nr. 3/1, Tirana, Albania.

2. BASIS OF PREPARATION

a) Basis of Compliance

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (SNRF) as issued by International Accounting Standards Board. Consolidated Financial Statements are prepared on International Financial Reporting Standards basis (SNRF 10 and SNK 8).

b) Basis of measurement

The financial statements have been prepared in accordance with the historical cost principle, except investment funds, which are held at fair value

c) Functional and presentation currency

These consolidated financial statements are presented in ALL, which is the Group's functional currency. Unless otherwise stated, financial information is presented in ALL.

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 23, 24 and 25.

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group 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. Specifically, the Group controls an investment if, and only if, the Group has:

2. BASIS OF PREPARATION (continued)
e) Basis of consolidation (continued)

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure or rights to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual agreement with other investor
- Rights deriving from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ends when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group does not control the subsidiary anymore.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is booked as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is initially recognized at fair value and subsequently as a share of net assets of the investee (for associates or joint ventures).

f) Going Concern

Pasqyrat financiare të Grupit përgatiten në përputhje me parimin e vijueshmërisë, i cili nënkupton se Grupi do të vazhdojë operacionet e saj në një periudhë kohe të papërcaktuar, në të ardhmen e parashikuar.

Capital Adequacy

For the year ended on December 31, 2020, the parent company reported capital in the amount of ALL 65,904,473 (2019: ALL 59,251,386), which constitutes the solvency level, and active coverage of technical provisions of 125.56 % (2019: 124.77%) above the level required by law and regulatory acts of the Financial Supervisory Authority. Explanatory information about the law and regulations in force until the date of reporting for the calculation of these reports is presented in the supplementary schedules of individual financial statements.

2. BASIS OF PREPARATION (continued)
f) Going Concern (continued)

COVID-19 impact

The World Health Organization (WHO) on March 11, 2020 declared COVID-19 a pandemic. Responding to the potentially serious threat that COVID-19 poses to public health, on March 12, 2020, the Albanian government authorities took measures to control the spread of the spread, including the introduction of restrictions on cross-border movement of people, entry restrictions for foreign visitors to expectation of further developments. In particular, schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers, excluding food vendors, grocery stores and pharmacies were closed. Some businesses in Albania have also instructed employees to stay home and have temporarily reduced or suspended business operations.

Based on publicly available information, on the date when these financial statements were authorized for delivery, the Management considered a number of scenarios regarding the possible development of the pandemic and its expected impact on the entity and the economic environment in which it operates. Including measures expected to be taken by the government.

During the assessment of the situation, the management took into account the facts ascertained until April 2020, which actually influenced the realization of the year, as follows:

- The postponement of the tenders from the private entities and state institutions, (of Life AP in Group - police type) has resulted in a reduction of gross written premiums by almost 30% in this category for the period January-April 2020 compared to the same period previous year.
- The reduction of gross written premiums by almost 81% from Health in Travel for Students – Police type, for the period January-April 2020 compared to the same period previous year, due to closing of the borders for an indefinite period.
- Reduction of claims paid by about 19% for the period January-April 2020 compared to the same period during 2019, but this ratio changed during the year where the payment of claims increased by about 11% compared to 2019
- With the decision No. 06 dated 24.06.2020 the Shareholders Assembly approved the result of 2019, where after covering the carried forward losses it decided that the amount of 11,797,234 ALL be destined for dividend distribution but at the same time, due to the covid-19 pandemic situation with the Decision of the Board of the Financial Supervisory Authority No. 56 dated 10.04.2020 the distribution of profit in the form of dividends has been suspended, keeping it as retained earnings until another decision of the AFSA Board.
- Suspension of investments for 2020 by approximately 50% of planned investments. These investments are mainly related to the reconstruction of the premises in the Head Offices and the establishment of a new activity (not in the security sector).

Management has taken actions aimed at mitigating the financial risk, which include in particular:

- Negotiating with the Lessor of the Head Offices to reduce the installment by 20% for 2 years,
- Reducing of foreseen expenses for rewards, trainings and other general expenses,
- Reducing staff costs as well as postponing the recruitment of employees who were scheduled to be employed during this period.

Also in the period January-March 2021, the management of the parent company evaluated the effectiveness of its branches and since part of the work volume is concentrated in the center decided to close the three branches Vlora, Gjirokastra and Elbasan by reorganizing their geographical coverage respectively from Fier Branch and Durrës Branch.

Management considers that the Group's financial position is stable as it has sufficient liquidity to meet other trade liabilities, liabilities to personnel and those to tax authorities.

Consequently, management anticipates that the Group will have sufficient resources to ensure business continuity for a period of at least 12 months from the reporting date. Management concluded that the full range of possible outcomes considered to achieve this judgment does not create material uncertainty about events or conditions that could cast doubt on the Group's ability to proceed.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in accordance with all the periods presented in these financial statements and consistently applied by the Group.

a) Change in accounting policies

During 2020, the Group has not changed the accounting policies. Requirements of the new accounting standard IFRS 16 "Leases" entered into force on 1 January 2019. The changes are explained in more detail in the relevant explanatory notes, principles contained in the Separate Financial Statements under changes in the presentation of the Financial Statements and transition to IFRS 16.

b) Business combination and goodwill

Business combinations are booked using the acquisition method in the acquisition date. The cost of an acquisition is measured as the aggregate of the transferred value, which is measured at fair value at the acquisition date and any amount of any non-controlling interest of the acquired entity. For each business combination, the Group chooses whether to measure the non-controlling interests of the acquired entity at fair value or the proportionate value of the identifiable net assets. Acquisition-related costs are recorded as an expense incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities for appropriate classification and presentation in relation to the contractual terms, economic circumstances and relevant conditions at the acquisition date.

Any assets to be transferred by the buyer will be recognized at fair value at the acquisition date.

Goodwill is initially measured at cost (being the accumulated amount exceeding the transferred consideration and the amount recognized as non-controlling interest) and any previous interest held on identifiable net assets and assumed liabilities. If the fair value of the net assets acquired is greater than the aggregate amount of the consideration transferred, then the gain is recognized in profit or loss

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill is allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

c) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are booked using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The goodwill associated with an associate or joint venture is included in the carrying amount of the investment. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Each additional acquisition of shares in the associate, that remains an associate, is calculated following a cost-

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment in associates and joint ventures (continued)

accumulation approach, i.e. the purchase price paid for the additional interest is added to the existing carrying amount of the associate, and the existing interest in the associate is not re-measured.

The statement of profit and loss reflects the Group's profit or loss from associate or joint venture activities. Any change in OCI of those investees is presented as part of the Group's OCI.

In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

d) Transactions in foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

The exchange rates used on December 31, 2019 and 2018 are the official exchange rates of the Bank of Albania (Lek against foreign currencies) presented below.

	31 December 2020	31 December 2019
USD	100.84	108.64
EUR	123.70	121.77

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Classification of insurance and investment contracts

Contracts, under which the Group accepts to take a significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder against a specified uncertain future event (the insured event) which adversely affects the policyholder, are classified as insurance contracts. Insurance risk is a risk different from the financial risk. Financial risk is the risk of possible future change in one or more of specified interest rate, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of non-financial variables when the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

f) Recognition and measurement of contracts

Premiums

Life insurance premiums – short-term

Gross written premiums comprise the amounts due during the financial year in respect to direct insurance regardless of the fact that such amounts may relate wholly or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes based on premiums. The earned portion of premiums received is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Life insurance premiums – long-term

Regarding insurance contracts with second level Albanian banks that have maturity of more than one year, covering loans during the repayment period, the Group recognizes as receivable the gross contractual premium in the moment of issuing the insurance contract. The remaining part of the long-term insurance contract that is not recognized in the reporting period is recognized as a commitment of the Group for future years.

Reinsurance premiums

Outward reinsurance premiums are recognized as an expense in accordance with the pattern of reinsurance service received. If an insurance policy is cancelled the premium remaining to be paid is reversed in premium income. The movement of insurance liabilities is recognized as income net of reinsurers' share, if any.

Investment income

Investment income is presented in gross amount. The interest on time deposits and investment securities is accrued on a pro rata basis as at the end of each period.

Unearned premium reserve

Unearned premiums are calculated in respect of the renewable single premium payment business. They represent that portion of the gross written premiums which relates to insurance coverage under policies issued by the Group, which extend to future periods beyond the reporting date.

Deferred acquisition costs

Deferred acquisition costs are the amount of acquisition costs that are deducted in calculating unearned premium reserve. They are defined as part of the acquisition costs set as a percentage in the insurance technical plan and relating to periods between the end of the reporting period and the expiry date of the insurance contract. Current acquisition costs are recognized in full as an expense in current period.

Claims

Claimed incurred on life insurance

Claims incurred comprise all payments made throughout the financial year, together with the change in the provision for outstanding claims during the year. Gross paid claims include all the expenses made for those claims.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
f) Recognition and measurement of contracts (continued)
Claims (continued)

Provisions for outstanding claims

Provisions for outstanding claims are the sum of all the claims incurred during the current and previous financial periods, which are not paid as of the end of the fiscal year. The provision includes incurred but not reported claims, calculated as a percentage over reported but not settled claims based on market and group prior period claim history.

Long term business (Other reserve)

Long term business reserve relates to Life with Savings product and is measured as the full amount of the fund accumulated as at the reporting date.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and the reimbursement benefits are presented in the statement of profit or loss and other comprehensive income and in the statement of financial position on a gross basis. Contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. 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 policy. Amounts recoverable under reinsurance contracts are assessed for impairment at each date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Liability Adequacy Test

At each reporting date the Group performs tests to ensure the adequacy of claim reserves. The primary tests performed are Claim Ratio Analysis and Run-off analysis of claim reserves. The claim ratio analysis is performed annually on the major lines of business individually. The calculation is performed on claims alone as well as claims including acquisition costs and any other external claim handling costs.

In performing this analysis the Group takes into account current estimates of cash outflows. The Group does not discount these estimated cash flows because most claims are expected to be settled within one year.

The Group also conducts Claims Development Analysis to assess its provisioning methodology. This analysis is performed separately, but also in combination for RBNS (reported but not settled) and IBNR (incurred but not reported). If the analysis reveals major discrepancies, the Group adjusts the methodology used. If a shortfall is identified, it is recognized immediately in profit or loss, creating a provision for the risk of default due to losses arising from the reserve adequacy test.

g) Investment Income

Investment income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Investment income presented in profit or loss includes interest on financial assets invested from the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial Instruments

(i) Recognition

The Group initially recognizes loans and deposits at the date when the respective rights and obligations arise. All liabilities and other financial assets are recognized at the date of the transaction whereby the Group becomes a party to the contractual obligations of the instrument.

(ii) Classification

See accounting policies 3(g) and (h).

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair Value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net realizable value techniques, the discounted cash flow method, comparison to similar instruments for which prices are determined in active markets, and other valuation models.

(vii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event affects the cash flows that can be measured reliably. The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a debtor will enter bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited on banks and short-term highly liquid investments with original maturities of three months or less when purchased, which are subject to an insignificant risk of changes in value. For the purpose of the Group's consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of any restricted amounts of cash.

j) Term Deposits

Term deposits are stated in the statement of financial position at the amount of principal outstanding and are classified as those with original maturities more than three months. Term deposits with a contractual maturity of less than three months are classified as cash equivalents, those with a maturity between three and twelve months are classified as investments in time deposits. Interest is calculated using effective interest method and interest receivable is included in term deposits with banks.

k) Investment securities

Investment securities are debt investments that the Group has the intent and ability to hold to maturity and are classified as held-to-maturity assets. Investments, which have fixed or determinable payments and which are intended to be held-to-maturity are subsequently measured at amortized cost, less provision for impairment in value.

Amortized cost is calculated considering any discount or premium on acquisition. Premiums and discounts on investments designated as held-to-maturity are amortized on a systematic basis to maturity using the effective interest method and recorded in interest income.

l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is recognized in profit or loss on the residual value method over the estimated useful lives of assets Leased assets are depreciated over the shorter of the lease term and their useful lives. Fine art is not depreciated. The estimated depreciation rates are as follows:

Property (Kiosk)	5%
Office Equipment	20%
Computers	25%
Fixture and fittings	20%
Vehicles	20%
Leasehold improvements	(as per lease contract terms)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

Assets can be revaluated by referring to the obtained data, by adjusting the gross carrying amount of the asset according to the market value, or by defining the market value and afterwards adjusting the gross carrying amount of the assets proportionally, in order to be equal to the market value. Furthermore, the accumulated depreciation or depreciation is the difference between the gross and the net value of the asset. During the current reporting period, there are no revaluations; therefore it will not affect the Group's financial statement.

m) Intangible Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's carrying amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are actualized to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there had been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

n) Receivables

Insurance receivable are initially recognized at fair value and subsequently measured at their amortized cost less impairment losses. Insurance receivables are assessed for impairment on each reporting date.

o) Share capital

Share capital is stated at par value.

p) Revenues

The accounting policy for recognizing revenues of insurance operations is presented in note 3.f.

q) Expenses

Operating lease payments

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

r) Policy acquisition costs

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts, including direct costs, such as acquisition commissions and the cost of drawing up the insurance document, and apportioned administrative expenses related to processing of proposals and issuing of policies. Policy acquisition costs are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Employee Benefits

(i) Compulsory social security

The Group makes compulsory social security contributions that provide pension benefits for employees upon retirement. The respective social insurance authorities are responsible for providing the legally set minimum threshold for pension under a defined contribution pension plan. The Group's contribution to the benefit pension plan is charged to profit and loss as incurred.

(ii) Paid annual leave

The Group recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

t) IFRS 16 "Leases"

The Group has approved new accounting statements, which have become effective this year, as follows: IFRS 16 'Leases' IFRS 16' Lease ' replaces IAS 17 ' Leases ' along with three interpretations (IFRIC 4' Determining whether an Arrangement contains a Lease', 'SIC 15' Operating Lease' and 'SIC 27' Assessment of the essence of Transactions involving the Legal Form of a Lease ').

The adoption of this new standard has led the Group to recognize a right – of - use assets and lease liability in respect of all previous leases, other than those identified as low value or having a lease term less than 12 months from the date of initial application. The new standard is applied using the modified retrospective approach. Under this approach, the Group measured the lease liability at the present value of the remaining lease payments, deducting and using the rates in the lease sector for similar assets and the right of use the asset is recognized in an amount equal to the liability of the lease, adjusted by the amount of each prepaid or calculated payment of the lease related with that lease recognized in the statement of financial position immediately prior to the date of initial application. Previous periods are not reflected. For contracts set on the date of initial application, the Group chooses to apply the definition of lease by IAS 17 and IFRIC 4 and did not apply IFRS 16 to applications that had not been previously identified as lease under IAS 17 and IFRIC 4.

In transition, for leases previously recognized as operating lease with a lease term of less than 12 months, the Group applied optional exemptions to not recognize the assets of the right of use, but to calculate the lease expense on a direct basis over the remaining term to lease. For those leases previously classified as financial leases, the right of use asset and the lease liability are measured on the date of initial application in the same amounts as in IAS 17 immediately before the date of initial application. In the transition to IFRS 16, the weighted average growth rate of borrowings applied to lease obligations recognized under IFRS 16 was 6% p.a.

u) Tax

Profit or loss tax for the year includes current and deferred tax. Income tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date. Profit tax is calculated by adjusting the accounting profit before tax for certain items of income and expense as required by Albanian law.

Deferred tax is recognized in the amount equal to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws in force at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group has resulted in accounting and fiscal profit for the year ended 31 December 2020 and for the year ended 31 December 2019. Also the Group in 2020 and 2019 has recognized deferred tax in these separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Standards and Interpretations effective in the current period

i) New and revised standards which are in force for annual periods beginning on or after 1 January 2020

Some accounting standards that have become effective as of January 1, 2020 and that have been adopted do not have a material impact on the financial results or position of the Group.

Other standards and amendments that are effective for the first time in 2020 (for an entity as of the end of 31 December 2020) and may be applicable to the Group are:

- Business Combinations (Amendment to IFRS 3)
- Material Combinations (Amendment to IAS 1 and IAS 8)
- Interest Rate Reference Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References within the concept (Different standards).
- COVID-19 Lease Related Concessions (Amendments to IFRS 16).

These amendments do not have a material impact on these Financial Statements and are therefore not disclosed.

ii) Standards, amendments and interpretations of existing standards that are not yet effective and have not previously been approved by the Group

Other standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References in Conceptual Framework
- Revenue before intended use (Amendments to IAS 16)
- Heavy contracts - The cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41).
- Classification of liabilities as current or non-current (amendments to IAS 1)

These amendments are not expected to have a material impact on the financial statements in the period of initial application and therefore disclosure is not included.

IFRS 17 Insurance Contracts (effective on or after 1 January 2023)

IFRS 17 applies to all types of insurance contracts (i.e., life insurance, non-life insurance, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as to some guarantees and financial instruments with characteristics of discretionary participation.

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant aspects of accounting. The essence of IFRS 17 is the general model, complemented by:

- A specific adjustment for contracts with direct participation features (variable tariff approach)
- A simplified approach (premium allocation approach) mainly for short-term contracts

Measuring the present value of future cash flows, including a clear adjustment of risk, remeasures each reporting period (meeting cash flows). A Contractual Service Margin (CSM) that is equal to and equal to each profit day in meeting the cash flows of a group of contracts, representing the unearned gain of insurance contracts that will be recognized in profit or loss over service period (i.e., coverage period). Certain changes in the present value of expected future cash flows are adjusted against CSM and thus recognized in profit or loss over the remaining period of contractual service.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Standards and Interpretations effective in the current period (continued)

Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (Conceptual Framework) is not a standard, and none of the concepts go beyond them with any standard or any requirement of a standard. The IASB launched the Concept Framework in March 2019. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing sound accounting policies, and assistance to others in their efforts to understand and interpret standards. The Conceptual Framework incorporates some new concepts, provides up-to-date definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

The Group will apply the following standards when they become effective, but does not expect it to have an impact on its financial statements because these are not applicable to the Group.

Amendments to IAS 16: Property, Plant and Equipment: Revenue before Intended Use, Effective on or after 1 January 2022

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (AAM) all proceeds from the sale of manufactured items while bringing that asset to the country and the condition necessary for it to be able to operate it. way. intended by management. Instead, an entity recognizes revenue from the sale of such items and the cost of producing those items, in profit or loss.

The amendment should be applied retrospectively only to AAM items made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current, Effective on or After 1 January 2022

The right to defer repayment

If an entity's right to defer settlement of a liability is subject to the entity in accordance with the specified conditions, the entity shall have the right to defer settlement of the liability at the end of the reporting period if it complies with those terms. date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance on that date or at a later date.

Management expectations

IAS 1.75A is added to clarify that 'the classification of a liability is not affected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, the management's intention to settle in the short term does not affect the classification. This also applies if the settlement occurred when the financial statements are authorized for issue.

The meaning of the term 'repayment'

Settlement by equity instruments of the entity is considered a settlement for the purpose of classifying current or non-current liabilities, with one exception. In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute the settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument, settlement through equity instruments will not be considered when determining whether the liability is current or not. Unchanged from the current standard, a borrowing turnover is considered an extension of an existing liability and is therefore not considered to represent a 'settlement'.

Amendments to IFRS 3: Definition of a Business Effective on or After 1 January 2019.

Amendments to IFRS 3: Reference to Conceptual Framework, effective on or after 1 January 2022.

Amendments to IAS 37: Contract Fulfillment Costs, effective on or after 1 January 2022

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards - Affiliate as a first-time adopter effective on or after 1 January 2022.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Standards and Interpretations effective in the current period (continued)

AIP IAS 41 Agriculture - Taxation at Fair Value Measurements, effective on or after 1 January 2022.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and his joint venture or joint venture.

These changes are not expected to have a material impact on the financial statements in the initial application period and therefore the notes have not been prepared.

None of these Standards or amendments to existing Standards have been previously approved by the Group. Management provides that all relevant pronouncements will be approved for the first period beginning on or after the effective date of publication. New standards, amendments and interpretations not adopted in the current year are not disclosed as they are not expected to have a material impact on the Group's financial statements.

4. INSURANCE AND FINANCIAL RISK MANAGEMENT

a) Risk management objectives and policies for mitigating insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Group accepts insurance risk through its insurance contracts and certain investments contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Group is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

Reinsurance is purchased to mitigate the effect of potential loss to the Group from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are signed with reinsurers approved on a proportional basis or on the basis of loss agreements.

Regulatory capital is also managed (though not exclusively) by referring to the insurance risk to which the Group is exposed. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and payments to the beneficiary exceed the carrying amount of the insurance liabilities. This may arise because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

b) Insurance underwriting strategy

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

c) Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contract are set out below.

Nature of covered risk

Substantially, all products underwritten by the Group cover mortality risk as well as additional risk such as temporary and/or permanent disability, medical expenses cover repatriating and hospitalization expenses. Products other than Credit life and Life with Savings have similar characteristics of short tail products and are renewable every year with an option to change the premium by the Group.

4. INSURANCE RISK MANAGEMENT (continued)

c) Terms and conditions of insurance contracts (continued)

Life with savings policies incorporate both saving and risk element. The benefit in case of death is equal to the sum of the savings part of the reserve and the sum assured which is in the range of EUR 5,000 - 10,000. The benefit in case of maturity is equal to the savings part of the reserve. Premium is split into two parts, the risk part set at the beginning of the contract, and the savings part.

Health and other insurance policies represent term policies with no savings element and no surrender value. The benefit under permanent health insurance policies is payable upon death of the insured, or upon permanent or temporary disability within a specified period.

d) Reinsurance and risk concentration

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's responsibility as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The Group has ceded insurance risk to limit exposure to underwriting losses and to minimize the effect of losses from credit life insurance, by way of major reinsurance treaty.

The following table reports the year-end aggregated insured benefits for the credit life insurance contracts by age category as at 31 December 2020 and 31 December 2019. The analysis of such contractual exposures is considered the best indicator of the insurance risk concentration.

Age for Credit Life Insurance	31 December 2020		31 December 2019	
	in ALL	in %	in ALL	in %
Up to 29	1,401,971,295	10%	1,623,401,706	10%
30 – 39	5,457,095,135	38%	5,827,218,120	37%
40 – 49	4,284,843,892	30%	5,305,715,462	33%
50 – 59	3,003,989,425	21%	2,866,929,819	18%
Over 60	362,111,820	2%	299,633,832	2%
Total	**14,510,011,567**	**100%**	**15,922,898,938**	**100%**

e) Exposure related to catastrophic events

The Group considers that it has not accumulated significant exposures in its major insurance activity related to catastrophic events.

f) Financial risk management

Transactions with financial instruments result in the Group assuming financial risks. These include market risk, credit risk (including reinsurance credit risk) and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

g) Market risk

Market risk includes three types of risk:

- Currency risk - the risk that the value of a financial instrument will fluctuate because of change in foreign exchange rates.
- Interest rate risk - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk - the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk embodies not only the potential for loss but also the potential for gain.

4. INSURANCE RISK MANAGEMENT (continued)

g) Market risk

The foreign exchange rates used as of 31 December 2020 and 31 December 2019 are the official rates of Bank of Albania (LEK to the foreign currency unit) as set out below:

	31 December 2020	31 December 2019
USD	100.84	108.64
EUR	123.70	121.77

Asset/liability matching

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 the after-tax, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash-flow and duration basis.

The nature of the insurance risk underwritten, their maturity and the structure of the currency in which the insurance liabilities are denominated, have impact on the Group's investment Strategy. Also the Group should meet the limits established from the regulator requiring that the financial assets invested with non-financial institutions should not exceed a limit of 10% of the share capital.

The Group establishes target asset portfolios for each major insurance product, which represents the investment strategies used to finance its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, sensitivity, liquidity, asset sector concentration and credit quality. The estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities are regularly re-evaluated.

Many of these estimates are inherently subjective and could affect the Group's ability to achieve its asset/liability management goals and objectives. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group has minimal exposure to currency risk as the Group's financial assets are primarily matched to the same currencies as its insurance and investment contract liabilities. As a result, foreign exchange risk arises from other recognized assets and liabilities denominated in other currencies.

i) Foreign currency risk management

Assets and liabilities in foreign currencies as of 31 December 2020 (amounts translated to ALL) are as follows:

31 December 2020	In ALL	In EUR	In USD	Total
Assets				
Cash and cash equivalents	30,443,952	26,192,420	140,320	**52,336,792**
Term deposits and interest income	256,918,444	132,643,465	21,535,004	**410,914,913**
Investment in securities	158,794,521	-	-	**158,794,521**
Investment fund	8,357,438	-	-	**8,357,438**
Insurance and reinsurance receivable	25,345,352	11,768,685	7,679	**37,121,716**
Prepaid income tax	(169,430)	-	-	**(169,430)**
Other assets	6,410,571	3,240,324	-	**9,650,895**
Total Assets	**486,100,848**	**173,844,894**	**21,501,003**	**681,446,745**
Liabilities				
Liabilities for losses and loss adjustment expense	26,345,381	21,251,010	48,218	**47,644,609**
Other reserves	-	45,781,863	-	**45,781,863**
Insurance and reinsurance payable	7,967,061	12,303,674	-	**20,270,735**
Due to financial institutions	-	2,685,640	-	**2,685,640**
Other liabilities	5,892,721	11,274,001	(816)	**17,165,906**
Total Liabilities	**40,205,163**	**93,296,188**	**47,402**	**133,548,753**
Net Position	**445,895,685**	**80,548,706**	**21,453,601**	**547,897,992**

4. INSURANCE RISK MANAGEMENT (continued)
g) Market risk (continued)

Assets and liabilities in foreign currencies as of 31 December 2019 are as follows:

31 December 2019	in ALL	in EURO	in USD	Total
Assets				
Cash and cash equivalents	9,781,833	19,229,385	34,798	**29,046,016**
Term deposits and interest income	268,999,397	112,562,209	22,794,384	**404,355,990**
Investment in securities	148,846,354	-	-	**148,846,354**
Insurance and reinsurance receivable	15,141,330	-	-	**15,141,330**
Prepaid income tax	35,592,371	-	-	**35,592,371**
Other assets	114,001	-	-	**114,001**
Total Assets	5,732,180	2,704,065	1,628	**8,437,873**
	484,207,466	**134,495,659**	**22,830,810**	**641,533,935**
Liabilities				
Liabilities for losses and loss adjustment expense	23,619,030	6,759,525	51,948	**30,430,503**
Other reserves	-	35,348,623	-	**35,348,623**
Insurance and reinsurance payable	7,599,350	4,253,820	-	**11,853,170**
Due to financial institutions	-	3,198,735	-	**3,198,735**
Other liabilities	9,669,310	5,077,626	(891)	**14,746,045**
Total Liabilities	**40,887,690**	**54,638,329**	**51,057**	**95,577,076**
Net Position	**443,319,776**	**79,857,330**	**22,779,753**	**545,956,859**

4. INSURANCE RISK MANAGEMENT (continued)

g) Market risk (continued)

(ii) Interest rate repricing analysis

The following tables present the Group's financial assets and liabilities analyzed according to repricing periods determined as the earliest period between the contractual remaining period until maturity and contractual repricing period. The tables present the management's estimate of the interest rate risk for the Group as at 31 December 2020 and 31 December 2019 and are not necessarily indicative of the positions at other periods, but give some evidence for the Group's earnings sensitivity to movements in interest rates. Earnings are also affected by the denominated currency of the assets, liabilities and equity. The Group has a significant proportion of interest-earning assets denominated in foreign currency

31 December 2020	Effective interest rate	Up to 6 months	6-12 months	1-5 years	Amounts subject to fixed rates	Non-interest bearing	Total
Financial assets							
Cash and cash equivalents		-	-	-	-	56,776,692	**56,776,692**
Term deposits	1.54%	249,243,363	88,000,000	72,205,930	-	-	**409,449,293**
Investment in securities	4.42%	30,000,000	12,000,000	113,200,000	-	-	**155,200,000**
Total financial assets		**279,243,363**	**100,000,000**	**185,405,930**	**-**	**56,776,692**	**621,425,985**
Financial liabilities							
Due to financial institutions	5.90%	(2,685,640)	-	-	-	-	(2,685,640)
Total financial liabilities		**(2,685,640)**	**-**	**-**	**-**	**-**	**(2,685,640)**
31 December 2019							
Financial assets							
Cash and cash equivalents		-	-	-	-	29,046,016	**29,046,016**
Term deposits	1.34%	241,524,500	110,407,535	49,115,279	-	-	**401,047,314**
Investment in securities	4.77%	30,000,000	13,820,000	103,200,000	-	-	**147,020,000**
Total financial assets		**271,524,500**	**124,227,535**	**152,315,279**	**-**	**29,046,016**	**577,113,330**
Financial liabilities							
Due to financial institutions	5.90%	(3,198,735)	-	-	-	-	(3,198,735)
Total financial liabilities		**(3,198,735)**	**-**	**-**	**-**	**-**	**(3,198,735)**

4. INSURANCE RISK MANAGEMENT (continued)

h) Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk on its term deposits, insurance and reinsurance receivables. Management considers that credit risk related to term deposits is not significant.

The Group manages its exposure to credit risk on a regular basis by closely monitoring its insurance and reinsurance receivables.

Insurance and reinsurance receivable as of 31 December 2020 and 31 December 2019 by their age are as follows:

	31 December 2020		31 December 2019	
	in LEK	in %	in LEK	in %
1 - 90 days	30,076,973	81%	28,847,183	81%
91 - 365 days	6,885,976	19%	5,939,906	17%
Over 365 days	158,766	0%	805,283	2%
Total	37,121,715	100%	35,592,372	100%

i) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations associated with financial liabilities as they fall due.

The Group has adopted an appropriate liquidity risk management framework for the management of the Group's liquidity requirements. The Group manages liquidity risk by maintaining banking facilities and reserves for loans by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Group is exposed to liquidity risk arising from clients on its insurance contracts.

Liquidity management ensures that the Group has sufficient access to funds necessary to cover insurance claims and maturing liabilities.

4. INSURANCE RISK MANAGEMENT (continued)

i) Liquidity risk (continued)

Ekspozimi ndaj rrezikut të likuiditetit më 31 dhjetor 2020 është si më poshtë:

31 December 2020	Less than 1 month	1-3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	56,776,692	-	-	-	-	**56,776,692**
Term deposits and interest income	107,754,330	22,450,073	203,628,184	33,247,612	43,834,714	**410,914,913**
Investment in securities	30,694,817	-	12,277,927	59,547,945	56,273,832	**158,794,521**
Investment fund	8,357,438	-	-	-	-	**8,357,438**
Insurance and reinsurance receivable	16,213,235	64,740	20,843,741	-	-	**37,121,716**
Prepaid income tax	-	-	(169,430)	-	-	**(169,430)**
Other assets	8,999,230	651,665	-	-	-	**9,650,895**
Total Assets	**228,795,742**	**23,166,478**	**236,580,422**	**92,795,557**	**100,108,546**	**681,446,745**
Liabilities						
Liabilities for losses and loss adjustment expense	1,107,906	120,133	13,889,314	12,985,527	19,541,729	**47,644,609**
Other reserves	-	3,808,899	6,133,436	24,591,345	11,248,183	**45,781,863**
Insurance and reinsurance payable	19,855,534	287,150	128,051	-	-	**20,270,735**
Due to financial institutions	150,269	254,779	1,178,490	1,102,102	-	**2,685,640**
Other liabilities	15,063,824	579,020	1,523,062	-	-	**17,165,906**
Total Liabilities	**36,177,533**	**5,049,981**	**22,852,353**	**38,678,974**	**30,789,912**	**133,548,753**
Liquidity gap	**192,618,209**	**18,116,497**	**213,728,069**	**54,116,583**	**69,318,634**	**547,897,992**
Accumulated liquidity gap	**192,618,209**	**210,734,706**	**424,462,775**	**478,579,358**	**547,897,992**	**-**

4. INSURANCE RISK MANAGEMENT (continued)

i) Liquidity risk (continued)

Exposure to liquidity risk, based on contractual maturity as of 31 December 2019 is presented as follows:

31 December 2019	Less than 1 month	1 – 3 months	3 months up to 1 year	1 - 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	29,046,016	-	-	-	-	**29,046,016**
Term deposits and interest income	119,014,849	22,359,962	213,460,695	24,888,463	24,632,021	**404,355,990**
Investment in securities	30,372,674	-	13,991,679	58,922,989	45,559,012	**148,846,354**
Investment fund	15,141,330	-	-	-	-	**15,141,330**
Insurance and reinsurance receivable	16,833,755	215,108	18,543,508	-	-	**35,592,371**
Prepaid income tax	114,001	-	-	-	-	**114,001**
Other assets	6,525,397	860,109	1,052,367	-	-	8,437,873
Total Assets	**217,048,022**	**23,435,179**	**247,048,249**	**83,811,452**	**70,191,033**	**641,533,935**
Liabilities						
Liabilities for losses and loss adjustment expense	980,171	302,947	18,283,783	7,806,350	3,057,252	**30,430,503**
Other reserves	-	8,182,944	3,167,359	20,497,957	3,500,363	**35,348,623**
Insurance and reinsurance payable	11,337,437	470,033	45,700	-	-	**11,853,170**
Due to financial institutions	487,911	178,416	825,271	1,707,137	-	**3,198,735**
Other liabilities	11,929,418	1,173,445	1,643,182	-	-	**14,746,045**
Total Liabilities	**24,734,937**	**10,307,785**	**23,965,295**	**30,011,444**	**6,557,615**	**95,577,076**
Liquidity gap	**192,313,085**	**13,127,394**	**223,082,954**	**53,800,008**	**63,633,418**	**545,956,859**
Accumulated liquidity gap	**192,313,085**	**205,440,479**	**428,523,433**	**482,323,441**	**545,956,859**	**-**

4. INSURANCE RISK MANAGEMENT (continued)

j) Technical Interest

The technical interest rate for the year 2020 calculated based on the respective currencies was in Lek 2.73%, EUR 1.76%, and USD 1.24 % (2019: ALL 2.88 %, EURO 1.68%, and USD 1.72 %), depending on the average bank deposit rates. The technical interest rate is the minimum guaranteed return for every life insurance contract. There's a risk that income from investments will not cover the minimum guaranteed returns. In 2020, the generated net income on investments (including mathematical reserves) covers the minimum guaranteed income, granting additional profit above the technical interest.

The analysis of the actuarial parameters used in the calculation of the tariffs and life insurance reserves shows that the assumptions made are reliable and accurate. The favorable development of the risk compared to the expected values, assures that the reserves are precisely charged.

k) Reserves and actuarial assumptions adequacy test

The Group calculates and charges a life insurance reserve (mathematical reserve) to provide for future payments under long term insurance policies. Many factors affect the calculation of these reserves including, mortality, cancellations and technical interest. Life insurance reserve is calculated based on current assumptions for the basic parameters.

The liability adequacy test is limited to analysis of the main parameters that have the most significant impact on the reserve calculation.

"Mortality" is the risk covered by all insurance products, underwritten by the Group.

"Mortality" risk occurrence data for the years 2019 and 2018 are as follows:

	31 Dec 2020	31 Dec 2019
Number of people suspected to the risk of death	19,327	22,381
Age of people susceptible to the risk of death	18-70	18-70
Number of payments following deaths of insured annually	53	34
Estimated range of number of deaths in 1,000 people	0.33-42.3	0.33-42.3
Number of deaths in 1,000 people	2.80	1.50

Therefore, the actual "Mortality" risk occurrence shown on this table is within the expectation.

l) Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under separate agreements for each type of insurance. These reinsurance agreements spread the risk and minimize the effect of losses. The amount of each risk retained depends on the Group's evaluation of the specific risk, subject in certain circumstances to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

When selecting a reinsurer the Group considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations. The current reinsurer has a Standard and Poor's rating of A+/Positive. During 2019 the Group has assigned reinsurances contracts for specific insurance contracts with the Reinsurance QBE Re (Europe) Ltd, who has a rating A+/Stable from "Standards and Poor's".

4. INSURANCE RISK MANAGEMENT (continued)

m) Sensitivity analysis

The main factors affecting the profit/ (loss) of the Group are the level of claims ratio and expenses.

	(Loss)/Profit	Net Equity	Required Guarantee Fund
The situation on 31 December 2020			
Current	5,750,113	499,593,717	370,000,000
Increase in claims incurred	(8,475,244)	491,118,473	370,000,000
Increase in expenses (+10%)	(10,008,408)	481,110,065	370,000,000
The situation on 31 December 2019			
Current	37,491,384	493,747,071	370,000,000
Increase in claims incurred	(6,484,062)	487,263,009	370,000,000
Increase in expenses (+10%)	(10,938,459)	476,324,551	370,000,000

The table above presents a simulation, considering changes to claims incurred or increases in expenses, and its effect on the net equity of the Group and the available solvency margin. For the purpose of the simulation, the model uses a claims increase equal to the corresponding largest claim incurred in the last two years, and administrative expenses increase by 10%.

n) Capital Management

The Group's objectives when managing capital are to comply with the insurance capital requirements required by the regulators of the Albanian insurance market maintaining a share capital above the minimum requested regulatory capital; to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's regulator Albanian Financial Supervisory Authority ("AFSA") sets and monitors capital requirements to maintain at any time the capital of the insurance undertaking conducting non-life and life insurance activities is at least equal to the required level of margin of solvency of the insurance undertaking. In accordance with the Albanian insurance law the regulatory capital is composed of the basic capital and additional capital.

The basic capital includes the following:

- Paid-in capital;
- insurance reserve, which does not belong directly to the effective insurance contracts
- or those which have been effective;
- statutory reserves;
- current year profit and retained earnings;

The basic capital does not include the following:

- unpaid share capital;
- intangible assets;

The basic capital does not include contribution in kind and should be not less than the defined guarantee fund. The guarantee fund is Lek 370 Million.

The additional capital includes the following:

- Share capital paid on the basis of preferential accumulated shares:
- Subordinated debt;
- Perpetual securities

4. INSURANCE RISK MANAGEMENT (continued)
n) Capital Management (continued)

The Group may invest its share in fixed and financial assets. The Group's exposure with a single bank is regulated by legal acts only for the investment of the Guarantee Fund at the limit of 25% of GF; however, the Group has attempted to keep the diversification of investments in different banks at the level of 30% of the regulatory capital and 10% for non-banking entities for the financial investments as well

o) Capital Adequacy

SiCRED Sh.a. Conducts its activity in accordance with Law No. 52/2014 dated 22.05.2014 "On insurance and reinsurance activity". According to articles 75-80 of the abovementioned law the Group calculates the capital adequacy which constitutes its solvency. The solvency margin constitute the assets of the Group free from all foreseeable responsibility, by eliminating the deductible elements required by the Board's Regulation of the Financial Supervisory Authority, No. 87, dated 27 June 2016. As of December 31, 2020, the Group has reported capital adequacy in the amount of ALL + 65,904,743.

5. USE OF ESTIMATES AND JUDGMENTS

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

(i) Management assessment on going concern

Financial statements are prepared based on the principle of going concern.

During the first months of 2020, the situation created by the Covid-19 global pandemic had an impact on the country's economic activity. The Group has taken measures to manage the situation by orienting all stakeholders in the use of online platforms and not only, however has it faced a decline in revenue in the first quarter of the year. It estimates that this situation may have a financial impact with a decrease in revenue by about 5-20%, amount of which in the judgment of management can be amortized until the end of 2020. The Group according to the ratio of factual sales realized during the period January - March 2020, has experienced an average income decline of about 21.58% compared to the same period in 2019. Also the solvency as of 31/12/2019 and the liquidity during the months of March-April 2020 are an indicator according to which in the medium term the Group does not foresee an increased risk of the financial situation.

(i) Calculation of Insurance Liabilities

See note 3.d.

(iii) Determining fair values

The Group's accounting policy on fair value measurement is discussed in accounting policy 3.f. (vi). The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and based on a current yield curve appropriate for the remaining term to maturity. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

6. FAIR VALUE DISCLOSURE

Fair value estimates are based on the existing financial instruments on the Statement of Financial Position without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

Due from Banks accounts - Due from Banks accounts, which comprise cash at bank and term deposits, include inter-bank placements and items in the course of collection. As deposits are short term and at floating rates their fair value is considered to approximate their carrying amount.

Investment securities - Treasury bills bonds are interest-bearing assets held to maturity. Because no active market exists for these securities, the fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

Receivables from insurances and other receivables - *The fair value of receivables from insurance and other receivables, is approximately equal to the book value due to their short maturity.*

Other assets – The fair value of other assets is approximately equal to the book value

Prepayment of Income Tax – The fair value is approximately equal to the book value, due to the short-term maturity

Insurance and reinsurance payable - Fair value is approximately equal to book value due to their short maturity.

Due to Financial institutions - The fair value is roughly equal to the book value, because of their short maturity and variable rates.

Other Liabilities – The fair value of other liabilities is approximately equal to the book value.

6. FAIR VALUE DISCLOSURE (continued)

	Held-to-maturity	Loans and receivables	Other amortized cost	Total carrying amount	Fair value
31 December 2020					
Cash and cash equivalents	-	56,776,692	-	**56,776,692**	**56,776,692**
Term deposits	-	410,914,913	-	**410,914,913**	**410,914,913**
Investment securities	158,794,521		-	**158,794,521**	**162,058,860**
Investment fund		8,357,438	-	**8,357,438**	**8,357,438**
Insurance and reinsurance receivable		37,121,716	-	**37,121,716**	**37,121,716**
Other assets		9,481,465	-	**9,481,465**	**9,481,465**
Insurance and reinsurance payable		(20,270,735)	-	**(20,270,735)**	**(20,270,735)**
Due to Financial institutions		(2,685,640)	-	**(2,685,640)**	**(2,685,640)**
Income tax liabilities		-	-	**-**	**-**
Other Liabilities		(17,165,906)	-	**(17,165,906)**	**(17,165,906)**
31 December 2019					
Cash and cash equivalents	-	29,046,016	-	**29,046,016**	**29,046,016**
Term deposits	-	404,355,990	-	**404,355,990**	**404,355,990**
Investment securities	148,846,354		-	**148,846,354**	**154,038,968**
Insurance and reinsurance receivable		15,141,330	-	**15,141,330**	**15,141,330**
Income tax liabilities		35,592,371	-	**35,592,371**	**35,592,371**
Other assets		8,437,873	-	**8,437,873**	**8,437,873**
Insurance and reinsurance payable		(11,853,170)	-	**(11,853,170)**	**(11,853,170)**
Due to Financial institutions		(3,198,735)	-	**(3,198,735)**	**(3,198,735)**
Income tax liabilities		114,001	-	**114,001**	**114,001**
Other Liabilities		(14,746,045)		**(14,746,045)**	**(14,746,045)**

7. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Main Activities	Establish-ment Place	Consolidation period		% capital interest	
			31/12/2020	31/12/2019	31/12/2020	31/12/2019
Credins Invest	Voluntary pension fund management Group	Albania	-	-	12%	12%
SiCRED Assistance	Management and consulting services	Albania	01/01/2020 - 31/12/2020	01/01/2019 -31/12/2019	100%	100%

On 16.11.2016, the contract was concluded for the purchase of shares in Credins Invest by SiCRED sh.a, previously owned by KURUM Internacional sh.a. The purchase of shares was approved by AMF on 28.04.2017 and registered on NBC on 16.05.2017. Following this registration SiCRED sh.a. Owns 24% of the shares of Credins Invest. Upon the decision No.12 dated 15.10.2018 and No.14 dated 13.12.2018 of the Shareholders Assembly of SiCRED sh.a., was approved the sale of the share quotas of SiCRED sh.a in the Management Company of the Pension Fund and Collective Investment Enterprises CREDINS INVEST sh. a., to the extent of 12%. Upon the Decision no. 3, Dated 26.12.2018, of the Assembly of Shareholders of the Company Credins Invest, the amendment of Article 5 of the Statute "Company's Capital" was approved.

The changes consist of the shareholding of SiCRED sh.a. and the new shareholders of the Company, respectively SiCRED sh.a. becomes the owner of 12.00% of the share package, Mrs. Estela KOCI becomes the owner in 5% of the share package, Mr. Egi Santo becomes the owner in 3.5% of the share package, Mr. Genc Koxhaj becomes the owner in 3.5% of the share package of the Company. The capital structure of Credins Invest as at 31 December 2020 and at 31 December 2019 is as follows:

	31 December 2020			31 December 2019		
	%	Number of shares	ALL	%	Number of shares	ALL
CREDINS Bank	76%	177,622.00	72,825,019	76%	177,622.00	72,825,019
SiCRED Sh.a.	12%	28,045.58	11,498,687	12%	28,045.58	11,498,687
Estela Koçi	5%	11,685.66	4,791,120	5%	11,685.66	4,791,120
Genc Koxhaj	3.5%	8,179.96	3,353,784	3.5%	8,179.96	3,353,784
Egi Santo	3.5%	8,179.96	3,353,784	3.5%	8,179.96	3,353,784
	100%	**233,713.16**	**95,822,394**	**100%**	**233,713.16**	**95,822,394**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 December 2020	31 December 2019
Cash on hand	65,717	52,413
Cash at banks		
in foreign currency	26,317,233	19,228,826
in Lek	25,953,843	5,367,901
Subtotal of cash at banks	52,271,076	24,596,727
Cash and cash equivalents	**52,336,793**	**24,649,140**
Restricted balances	4,439,899	4,396,876
Total	**4,439,899**	**4,396,876**

8. CASH AND CASH EQUIVALENTS (continued)

On 31 December 2019, the restricted balance at the amount of ALL 4,439,899 (2019: ALL 4,396,876) is related to a guarantee fund that the Group has placed for securing the Life Insurance contract of the employees of the Bank of Albania, in cooperation with the insurance company INSIG sh.a. which will be released after the termination of the insurance contract, April 12, 2022 and the amount of ALL 100,000 refers to the Guarantee Fund for SiCRED Assistance regarding the additional licenses need for the activity.

Cash and cash equivalents at banks in foreign currency consist of the following:

	31 December 2020	31 December 2019
In EURO	26,176,913	19,194,028
In USD	140,320	34,798
	26,317,233	**19,228,826**

9. TERM DEPOSITS

Term deposits are detailed as follows:

	31 December 2020	31 December 2019
Guarantee fund	328,833,000	330,524,500
Saving accounts	78,057,743	57,964,265
Other deposits	2,558,553	12,558,550
Accrued interest	1,465,617	3,308,675
Total	**410,914,913**	**404,355,990**

Guarantee fund represents 1- year maturity term deposits in ALL, Euro and USD placed in local banks which are restricted and held as guarantee to conform to the requirements set by the Financial Supervisory Authority. Other deposits relate to a free one-year deposit and are considered as active in coverage of provisions.

10. INVESTMENTS IN SECURITIES

	31 December 2020	31 December 2019
Treasury Bills (Guarantee Fund)	42,000,000	43,820,000
Deferred Discount – Treasury Bills	(204,705)	(248,739)
Treasury Bills, net	**41,795,295**	**43,571,261**
Government Bonds	113,200,000	103,200,000
Accrued Interest	3,799,226	2,075,093
Government Bonds, net	**116,999,226**	**105,275,093**
	158,794,521	**148,846,354**

During 2020, the Group has not changed the policy for Investments in Securities, Treasury Bills and Treasury Bonds.

10. INVESTMENTS IN SECURITIES (continued)

The table below presents the minimum and maximum interest rates applied for the held to maturity securities during 2019-2020, according to their maturity:

	31 December 2020		31 December 2019	
Maturity	**Minimum interest rate**	**Maximum interest rate**	**Minimum interest rate**	**Maximum interest rate**
Treasury Bills ALL				
12 months	1.75%	1.75%	1.30%	1.94%
Treasury Bonds ALL				
3 years				
5 years	3.70%	5.45%	5.45%	6.45%
7 years	4.08%	7.80%	3.98%	7.80%
10 years	7.90%	7.90%	7.90%	7.90%

11. INVESTMENT FUNDS

The Group, no 08.07.2019, according to the membership contract in the Investment Fund "Credins Premium" with the Management Company Credins Invest sh. a, purchased 11,808,0307 shares in the Investment Fund, with a share price of ALL 1,270,3219 and a total value of ALL 15,000,000.00.

On August 28, 2020 the Company sold 5,380,5759 shares with a sale price of ALL 1,300,9760 and the stock of shares on 31 December 2020 valued at their price on this date is presented as follows:

CREDINS Premium investment fund	**31-Dec-20**	**31-Dec-19**
Share price	1,300.2717	1,282.2909
Number of shares purchased	6,427.4548	11,808.0307
Investment amount	**8,357,438**	**15,141,330**

12. INSURANCE AND REINSURANCE RECEIVABLES

Insurance and reinsurance receivables according to the type of product for the year ended 31 December 2020 and 31 December 2019 are detailed as follows:

	31 December 2020	31 December 2019
Life and Accidents Debtors	21,267,752	25,228,704
Life and Health (Cash Plan) Debtors	2,295,606	3,437,527
Credit Life Debtors	19,493,588	12,193,560
Travel Life and Health Debtors	212,239	1,068,473
Life Insurance with Survival Benefits Debtors	2,631,510	2,664,630
Pupils and Students Debtors	459,095	-
Insurance and reinsurance receivables, gross	**46,359,790**	**44,592,894**
Provision for customers	(9,238,074)	(9,000,523)
Insurance and reinsurance receivables, net	**37,121,716**	**35,592,371**

12. INSURANCE AND REINSURANCE RECEIVABLES (continued)

Movements on impairment of insurance and reinsurance receivables are shown as follows:

	2020	2019
Balance at the beginning of the year	9,000,523	5,829,444
Additions	237,550	3,171,079
Reversals	-	-
Balance at end of the year	**9,238,074**	**9,000,523**

Insurance and reinsurance receivables ageing for the year ended 31 December 2020 and 31 December 2019 is shown in note 5.c.

13. DEFERRED ACQUISITION COST

	31/12/2020	Change for the period	31/12/2019	Change for the period	31/12/2018
Travel Life & Health Insurance	49,289	(226,527)	275,816	(217,334)	493,150
Life & Health Insurance on Travel Abroad - Students	985	413	572	(16,315)	16,887
Life & Health Insurance (Cash Plan)	13,462,919	(7,693,286)	21,156,205	8,945,838	12,210,367
Visitors life	-	-	-	(1,076)	1,076
	13,513,193	**(7,919,400)**	**21,432,593**	**8,711,113**	**12,721,480**

14. REINSURANCE ASSETS

The Group cedes insurance premiums and risks in the normal course of business for debtor life insurance to limit the potential for losses arising from longer and more severe claim exposures. Such reinsurance includes basis of agreements, excess of loss and quota share. The Group cedes insurance to other companies and these reinsurance contracts do not relieve the Group from its obligations to policyholders. Thus a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations due under the reinsurance agreements. The Group does not hold collateral under its reinsurance agreements. As of 31 December 2020, the amount of ALL 10,972,340 (2019: ALL 9,849,108) represents the reinsurance share on unearned premium insurance liabilities for Credit Life Insurance, Travel Life & Health Insurance, Life and Accidents in Group insurance and Endowment Insurance. The movements of reinsurance assets for 31 December 2020 and 31 December, 2019 are as follows:

Reserve for unearned premium	31 December 2020	31 December 2019
At the beginning of the year	9,849,108	8,663,205
Change for the year	1,123,232	1,185,903
Total	**10,972,340**	**9,849,108**
Reserve for claims		
At the beginning of the year	-	-
Change for the year	8,436,216	-
Total	**8,436,216**	**-**
Total reserves	**19,408,556**	**9,849,108**

15. OTHER ASSETS

	31 December 2020	31 December 2019
Prepaid expenses	1,388,508	1,403,157
Inventory of policies	1,496,950	2,912,469
Inventory of other materials	32,610	63,620
Advances to employees	651,665	626,250
Receivables to be reimbursed	7,264,864	7,221,726
Other debtors	5,353,461	4,208,992
Other assets, gross	16,188,058	16,436,214
Impairment of other debtors	(3,619,095)	(3,619,095)
Other assets, net	12,568,963	12,817,119

16. INVESTMENTS IN ASSOCIATES

Upon decision No.12 dated 15.10.2018 and No.14 dated 13.12.2018 of the Shareholders Assembly of SiCRED sh.a., was approved the sale of the share quotas of SiCRED sh.a to the Management Company of the Pension Fund and Collective Investment Enterprises CREDINS INVEST sh. a., to the extent of 12%. Based on decision no. 3, Date 26.12.2018 of the Shareholders Assembly of Credins Invest Company, the amendment of article 5 of the Statute "Capital of the Company" was approved. The changes consist of the shareholding of SiCRED sh.a. and the new shareholders of the Company, respectively SiCRED sh.a. becomes the owner in 12.00% of the shares.

The Group has concluded that it has a significant impact on the investor at the end of both reporting periods, taking into account that it is represented on the Supervisory Board and other internal committees of the investor as well as the General Manager of SiCRED sh.a. Shareholder in Credins Invest holding 3.5% of the shares, Mrs. Estela KOCI became the owner in 5% of the share package, Mr. Egi Santo became the owner in 3.5% of the share package, Mr. Genc Koxhaj became the owner in 3.5% of the share package of the Company.

The Group investment in Credins Invest is presented in the consolidated financial statements as an equity investment and is booked using the net equity method. The table below illustrates the summary of financial information of the Group's investment in Credins Invest on 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Current assets	39,180,076	30,849,247
Non-current assets	39,634,232	29,503,807
Current liabilities	(6,424,169)	-3,437,242
Non-current liabilities	(4,311,786)	-4,244,512
Equity	**68,078,353**	**52,671,300**
Share of interest in subsidiary	12%	12%
Group's carrying amount of the investment	**8,169,402**	**6,320,556**

16. INVESTMENTS IN ASSOCIATES (continued)

	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	66,571,027	54,795,605
Administrative expenses	(45,418,543)	(42,826,727)
Finance expenses	(137,164)	49,379
Profit before tax	**21,015,320**	**12,018,257**
Income tax expense	(3,276,262)	(358,231)
Loss for the period (continuing operations)	**17,739,058**	**11,660,026**
Total comprehensive loss for the period	-	-
Net comprehensive loss, for the period	**17,739,058**	**11,660,026**
Share of interest in associate	12%	12%
Group's share of loss for the period	**2,128,687**	**1,399,203**

The difference in the carrying amount of the investments net assets for the year ending on 31 December 2020 and 31 December 2019 is presented below, showing the change in the Group's share of loss for each period and any gain/loss from the change in the net carrying amount of the investment in the associate:

	31 December 2020	31 December 2019
Opening Balance	6,320,556	4,921,353
Closing Balance	8,169,402	6,320,556
Difference in carrying amount of investments net assets	**1,848,846**	**1,399,203**
Group's share of profit/(loss) for the period	2,128,687	1,399,203
Part of dividend distribution	(279,841)	
Gain/(Loss) from the change in the net carrying amount of investment in associate	-	-

During 2020 and 2019 the Group did not invest additional funds in Credins Invest for capital increase and book value of investments of net assets as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Group's carrying amount of the investment	8,169,402	6,320,556
Add: Payment for additional interest in associate	-	-
Total carrying amount of the Investment in associate	8,169,402	6,320,556

17. INTANGIBLES ASSETS IN PROCESS

The parent company has entered into a contract for integrated software with the Entity "Infosoft SD" shpk with a total value of ALL 6,666,000 which during 2019-2020 has been amended for additional services and on 31 December 2020 continues in the development phase and active account balance. Incorporeal in the process is worth ALL 6,912,700 (2019: ALL 6,732,700).

18. PROPERTY, PLANT AND EQUIPMENT

	Comput-er office equipment	Office equip-ment	Vehicles	Leasehold improve-ment	Property (Kiosk)	Fine art	Installa-tion	Leasehold improve-ments	Assets in use (rent)	Total	Total
Cost											
As at 1 January 2019	**21,405,815**	**21,453,757**	**15,163,586**	**-**	**428,496**	**258,313**	**574,380**	**51,318,919**	**-**	**-**	**110,603,266**
Additions	1,328,454	168,292	-	4,247,012	-	44,355	-	314,760	-	87,444,137	93,547,010
Disposal	(2,328,077)	(207,842)	-	-	-	-	-	-	-	-	(2,535,919)
Reductions	-	-	(3,428,000)	-	-	-	-	-	-	-	3,428,000
As at 31 December 2019	**20,406,192**	**21,414,207**	**11,735,586**	**4,247,012**	**428,496**	**302,668**	**574,380**	**51,633,679**	**-**	**87,444,137**	**198,186,357**
Additions	1,384,630	271,418	-	1,469,344	-	-	-	1,136,844	-	-	4,262,236
Disposals	-	(644,161)	-	-	-	-	-	-	-	(1,073,450)	(1,717,611)
Sales	-	-	(1,466,756)	-	-	-	-	-	-	-	(1,466,756)
As at 31 December 2020	**21,790,822**	**21,041,464**	**10,268,830**	**5,716,356**	**428,496**	**302,668**	**574,380**	**52,770,523**	**-**	**86,370,687**	**199,264,226**
Accumulated depreciation											
As at 01 January 2019	**15,555,276**	**14,008,615**	**11,834,007**	**-**	**144,880**	**-**	**443,437**	**26,353,989**	**-**		**68,340,204**
Period changes	1,511,655	1,497,920	616,518	465,869	14,181	-	26,189	3,310,952	-	11,223,321	18,666,605
Disposals	(1,987,976)	(189,905)	(3,078,649)	-	-	-	-	-	-	-	(5,256,530)
Reclassification	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**15,078,955**	**15,316,630**	**9,371,876**	**465,869**	**159,061**	**-**	**469,626**	**29,664,941**	**-**	**11,223,321**	**81,750,279**
Period changes	1,504,839	1,225,176	430,448	952,141	13,472	-	20,951	3,454,878	-	11,221,913	18,823,818
Disposals	-	(588,855)	(1,198,887)	-	-	-	-	-	-	(322,957)	(2,110,699)
As at 31 December 2020	**16,583,794**	**15,952,951**	**8,603,437**	**1,418,010**	**172,533**	**-**	**490,577**	**33,119,819**	**-**	**22,122,277**	**98,463,398**
Carrying amount											
As at 31 December 2018	**5,850,539**	**7,445,142**	**3,329,579**	**-**	**283,616**	**258,313**	**130,943**	**24,964,930**	**-**	**-**	**42,263,062**
As at 31 December 2019	**5,327,237**	**6,097,577**	**2,363,710**	**3,781,143**	**269,435**	**302,668**	**104,754**	**21,968,738**	**-**	**76,220,816**	**116,436,078**
As at 31 December 2020	**5,207,028**	**5,088,513**	**1,665,393**	**4,298,346**	**255,963**	**302,668**	**83,803**	**19,650,704**	**-**	**64,248,410**	**100,800,828**

19. RIGHT OF USE ASSETS

Starting from January 1, 2019, the Group applied SNRF 16 for Leases by recognizing a right of use asset as well as a liability for previously classified operating leases. The initial measurement was made with the present value of the rent payments which have not been paid by this date, using a 5% discount rate for all lease contracts. During the year, the Group has calculated and recognized in the Income Statement the amount of the calculated interest and the depreciation amount of right-of-use assets. Also, the value of the asset in use and the lease liability is adjusted for contracts that have provided modifications in the payment of liabilities.

Lease liabilities of the assets in use are analyzed as follows:

	31 December 2020	31 December 2019
Active in use (premises rent)	86,370,687	87,444,137
Depreciation costs	(22,122,277)	(11,223,321)
	64,248,410	**76,220,816**

	31 December 2020	31 December 2019
Lease Liability	77,395,572	87,444,137
Accrued interest	3,642,697	3,813,972
Paid Liability	(13,236,242)	(13,862,537)
	67,802,027	**77,395,572**

The engagements of the Group as a lessee, referring to the contracts for the right-of-use asset, presented with undiscounted value on 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Not more than 1 year	11,932,681	13,560,210
More than 1 year but less than 5 years	46,770,066	50,443,153
More than 5 years	17,133,331	28,750,795
	75,836,078	**92,754,158**

20. OTHER LIABILITIES

	31 December 2020	31 December 2019
Suppliers	5,122,972	8,921,238
Tax and social insurance	1,404,436	2,712,458
Taxes payable other than income tax	(816,344)	183,609
Other creditors	11,454,842	2,928,740
- Prepayment to Banka Credins	8,436,216	-
- Prepayments by individuals in risk valuation	445,103	448,500
- Other creditors	2,573,523	2,480,240
	17,165,906	**14,746,045**

21. INSURANCE AND REINSURANCE PAYABLE

Insurance and reinsurance payable for the year ended 31 December 2020 and 31 December 2019 are presented as following:

	31 December 2020	31 December 2019
Insurance Payable	9,908,562	9,061,808
Reinsurance Payable	10,362,173	2,791,362
	20,270,735	**11,853,170**

22. DUE TO FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
Lease Suppliers	2,661,810	2,813,363
Overdraft	23,830	385,372
	2,685,640	**3,198,735**

During 2019, the parent company bought two cars for financial lease at Credins Bank, while in 2020 it bought a car according to the relevant Agreements with No. 325 dated 06.02.2019, no. 1613 dated 04.07.2019 and No.938 dated 14.04.2020, with a term of 36 months and with interest rate Libor of 1 year euro + 5% but not less than 6%.

The balance on 31 December 2020 of ALL 23,830 represents the disclosed balance of the MasterCard Business credit card account referring to the overdraft contract No. 809 / Date 18.03.2020 with a 12-month term, with a limit of 15,000 euros and an interest rate on the debit balance of used part 12-month Euro Libor + 4.87% on an annual basis. The company has blocked as collateral for the overdraft the 5-year deposit with no. 946791, with a value of ALL 2,558,553.

23. LIABILITIES FOR THE LOSSES AND LOSS ADJUSTMENT EXPENSES

Lëvizjet e detyrimeve për humbjen dhe rregullimi i shpenzimeve për humbjen është si më poshtë:

	31 December 2020	31 December 2019
Gross insurance liabilities for losses and loss adjustment expenses	30,430,503	15,621,509
Recoverable reinsurance	-	-
Net insurance liabilities for losses and loss adjustment expenses	**30,430,503**	**15,621,509**
Losses and loss adjustment expenses incurred	**(52,709,820)**	**(47,424,563)**
Losses and loss adjustment expenses paid	69,923,926	62,233,557
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	47,644,609	30,430,503
Reinsurance recoverable		
Gross insurance liabilities for losses and loss adjustment expenses	**47,644,609**	**30,430,503**

23. LIABILITIES FOR THE LOSSES AND LOSS ADJUSTMENT EXPENSES (continued)

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding insurance liabilities, the ultimate costs of which cannot be assessed with certainty as of the reporting date. The insurance liabilities for losses and loss adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments. As of 31 December 2020 the Group has 292 unsettled claims (2019: 229 most of which are related to "Life Insurance Cash Plan" (242) and "Life and Health in travel" (20), for which more time for investigation is needed.

Unsettled claims	31 December 2020	31 December 2019
Credit Life Insurance	20	16
Travel Life Insurance	20	23
Life & Accidents Insurance	9	13
Life and Health Insurance "Cash Plan"	242	176
Life Insurance with Savings	1	1
Other	-	-
Total	**292**	**229**

Reserves for losses and loss adjustment expenses as per the type of products are presented below:

	31 December 2020	31 December 2019
Claims reserve for Credit Life Insurance	32,442,493	10,198,169
Claims reserve for Travel Life & Health Insurance	1,228,039	1,763,207
Claims reserve for Group Life & Accidents Insurance	1,720,636	4,441,283
Claims reserve for Cash Plan	12,253,441	14,027,844
Claims reserve for Visitors Life Insurance	-	-
	47,644,609	**30,430,503**
Reported but not settled (RBNS)	32,302,770	17,832,768
Incurred but not reported (IBNR)	13,730,669	11,568,684
Claims Reserve	1,611,170	1,029,051
	47,644,609	**30,430,503**

Losses and loss adjustment expenses for the year ending on 31 December 2020 and 2019 are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Claims expenses	42,762,452	33,640,717
Expenses for exiting the Life in Savings scheme	9,947,368	13,783,846
Expenses for claims reserve	17,214,106	14,808,994
Recovery of claims reserve	-	-
	69,923,926	**62,233,557**

24. UNEARNED PREMIUM RESERVE

	31/12/2020	Change for the period	31/12/2019	Change for the period	31/12/2018
Credit Life Insurance	74,358,542	(13,991,603)	88,350,145	(17,591,499)	105,941,644
Group Life & Accidents Insurance	6,697,136	(56,201)	6,753,337	(4,166,520)	10,919,857
Travel Life & Health Insurance	136,913	(848,206)	985,119	18,124	966,995
Pupils & Students Life Insurance	168,621	120,522	48,099	(174,647)	222,746
Students Life & Health Insurance Abroad	98,588	41,479	57,109	(224,287)	281,396
Life & Health Insurance (Cash Plan)	42,073,112	4,251,212	37,821,900	5,628,659	32,193,241
Endowment	8,921,948	3,069,693	5,852,255	2,252,759	3,599,496
Visitors Life Insurance	59,256	59,254	-	(17,897)	17,895
Total	**132,514,116**	**(7,353,850)**	**139,867,964**	**(14,275,308)**	**154,143,270**

25. OTHER MATHEMATICAL RESERVES

Other reserves as at 31 December 2020 amounting to ALL 45,781,863 (2019: ALL 35,348,623) represents life assurance reserve created for the product "Life with Savings (Endowment)" for which the Group books in full the amount of the fund accumulated until the reporting date.

	31/12/2020	Change of the period	31/12/2019	Change of the period	31/12/2018
Mathematical Reserve	45,608,551	10,428,506	35,180,045	(1,265,431)	36,445,476
UPR Life with Savings	153,635	4,467	149,168	(286,998)	436,166
RBNS Life with Savings	19,677	267	19,410	(366,620)	386,030
	45,781,863	**10,433,240**	**35,348,623**	**(1,919,049)**	**37,267,672**

26. SHARE CAPITAL

a) Paid-up capital

On 31 December 2020, the shareholder structure is presented as follows:

	31 December 2020	31 December 2019
Aleksandër Pilo	46.39%	46.39%
Renis Tërshana	30.16%	30.16%
Kristino Kromidha	4.05%	4.05%
Emi Santo	2.38%	2.38%
Egi Santo	2.38%	2.38%
Monika Milo	4.75%	4.75%
Maltin Korkuti	4.75%	4.75%
Petraq Shomo	2.06%	2.06%
Arben Taipi	2.06%	2.06%
Artan Xhori	1.03%	1.03%
	100.00%	**100.00%**

The share capital on 31 December 2020 is in the amount of ALL 490,062,000 (2019: ALL 490.062.000) and consists of 490,062 shares with a nominal value of ALL 1,000 per share.

26. SHARE CAPITAL (continued)

With decision No. 4, dated 06 March 2018, the Shareholders Assembly approved additional capital in the amount of ALL 10,000,000 which was collected in the amount of ALL 9,062,000. With decision No. 7, dated 15 June 2018, the Shareholders Assembly approved the shareholder structure after the capital increase in the amount of 9,062,000 ALL and the capital signed and paid on 31 December 2018 is ALL 490,062,000 (2017:ALL 481,000,000). Decision no. 8, dated June 15, 2018, of the Shareholders Assembly of the Company, is registered in the National Business Center. With decision No. 6, dated 31 May 2019, the Shareholders Assembly approved the result of 2018, profit ALL 12,594,295 and its destination to cover the loss carried forward of 2016 which is registered in the National Business Center on July 17, 2019.

b) Guarantee Fund

The guarantee fund as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2020	31 December 2019
Term deposits, guarantee fund	328,833,000	330,524,500
Treasury bills, guarantee fund	42,000,000	43,820,000
	370,833,000	**374,344,500**

c) Signed capital paid and registered

With the decision No. 7 dated June 29, 2017 the Shareholders Assembly approved the result of 2016, loss 64,648,244 ALL as well as the systematization / partial coverage of the loss with the profit realized in 2014 and 2015, with the legal reserve and the insurance reserve. After the above systematization, the loss of 2016 is carried forward in the amount of 16,701,177 ALL. Also with the decision No. 8 dated 15 June 2018 the Shareholders Assembly approved the result of 2017, loss 20,724,365 ALL and the carried forward loss is 37,425,542 ALL. With decision No. 4 dated 06 March 2018 the Shareholders Assembly approved additional capital in the amount of 10,000,000 ALL which was collected in the amount of 9,062,000 ALL. With decision No. 7 dated 15 June 2018 the Shareholders Assembly approved the shareholder structure after the capital increase in the amount of 9,062,000 ALL and the capital signed and paid on 31 December 2018 is 490,062,000 ALL (2017: 481,000,000 ALL). Decision no. 8 dated 15 June 2018 of the Shareholders Assembly of the Company, is registered in the National Business Center. With decision No. 6 dated 31 May 2019 the Shareholders Assembly approved the result of 2018, profit 12,594,295 ALL and its destination to cover the loss carried forward of 2016 which was registered in the National Business Center on July 17, 2019.

d) Legal Reserve

By enforcement of the Law No. 52/2014 dated 22.05.2014 "On the activity of insurance and reinsurance" the creation of legal reserve is no longer mandatory. With the decision No.7, dated 29 June 2017 from the Shareholder's Assembly decided that the legal reserve will be used to cover the loss of 2016.

e) Dividend Paid

The decision on the distribution of dividends belongs to the shareholders and are distributed in accordance with the law "On Trade Companies" no. 9901, dated 14 April 2008 (amended). As the Group resulted in carried forward losses from 2016-2017, the Shareholders Assembly upon decision no. 6 dated 31 May 2019 decided that the profit of 2018 will partially cover carried forward losses and as a result, during 2019 there are no dividend payments. With decision no. 06 dated 24.06.2020 The Shareholders Assembly approved the result of 2019, profit 37,175,229 ALL and its destination to cover the difference of the loss carried forward in 2016 and 2017 for 24,471,247 ALL and 11,797,234 ALL in dividend distribution. Due to the situation of the Covid-19 pandemic with the Decision of the Board of the Financial Supervisory Authority no. 56 dated 10.04.2020 the distribution of profit in the form of dividends is suspended keeping it as retained earnings until another decision of the Board of Authority.

27. GROSS WRITTEN PREMIUMS

	Year ended 31 December 2020	Year ended 31 December 2019
Credit Life Insurance	117,608,212	119,754,343
Life & Health Insurance (Cash Plan)	32,368,283	45,618,926
Group Life and Accidents Insurance	57,022,443	52,120,115
Travel Life and Health Insurance	721,284	3,952,947
Life Insurance with Savings (Savings account)	29,818,374	25,950,595
Life Insurance with Savings (Premium)	11,138,527	10,889,006
Premiums from Life Insurance with Survival Benefits (Endowment)	1,427,121	1,433,717
Pupils and Students Life Insurance	1,325,064	(107,058)
Students Life and Health Insurance Abroad	141,354	53,222
Visitors Life Insurance	74,347	854
Combined Life Insurance	13,900	58,294
	251,658,909	**259,724,961**

28. PREMIUMS CEDED TO REINSURANCE

	Year ended 31 December 2020	Year ended 31 December 2019
For Credit Life Insurance	13,104,852	11,987,692
For Group Life and Accidents Insurance	-	-
For Travel Life and Health Insurance	609,594	3,307,621
	13,714,446	**15,295,313**

29. FINANCE INCOME AND EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Financial income		
Interest income from term deposits	6,565,019	6,112,904
Interest income from treasury bills	6,456,193	5,387,613
Interest income from Government Bonds	764,448	828,129
Interest income from current accounts	44,930	(133,459)
Total	**13,830,590**	**12,195,187**
Income from fair value assessment	216,107	141,330
Total	**14,046,697**	**12,336,517**
Financial expense		
Interest expense	(181,015)	(151,801)
Interest expenses for assets in use	(3,534,102)	(3,813,973)
Total	**(3,715,117)**	**(3,965,774)**
Foreign exchange(loss)/gain		
Foreign exchange gain	44,923,822	14,123,831
Foreign exchange loss	(45,143,103)	(14,916,078)
Total	**(219,281)**	**(792,247)**
Finance income, net	**10,112,299**	**7,578,496**

30. OTHER OPERATING INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
Reinsurer commission income	644,665	4,065,874
Income from delegation services	8,235	131,670
Income from AMF (quota prepayments)	116,024	270,682
Other operating income	3,018,610	9,687,964
	3,787,534	**14,156,190**

31. ACQUISITION COSTS

	Year ended 31 December 2020	Year ended 31 December 2019
Commissions	30,345,519	32,071,494
Advertising costs	16,255,714	17,727,824
Medical expenses	10,287,450	14,678,193
Purchase of policies	276,927	494,518
	57,165,610	**64,972,029**

Among the acquisition costs, under the item of commissions are also included personnel bonuses related to the sale of insurance contracts in the amount of ALL 3,186,417 (2019: ALL 812,565).

The acquisition costs according to each product for the period until 31 December 2020 and 31 December 2019 are as below:

	Year ended 31 December 2020	Year ended 31 December 2019
Life & Health Insurance (Cash Plan)	18,255,679	29,060,605
Credit Life Insurance	15,430,203	14,049,311
Travel Life and Health Insurance	259,103	1,123,302
Group Life and Accidents Insurance	5,382,306	8,678,213
Pupils and Students Life Insurance	117,733	321,033
Life Insurance with Savings	48,617	166,883
Life Insurance with Survival Benefits	17,622,764	11,572,056
Life Insurance & Students Abroad	36,466	598
Other life insurances	12,738	27
	57,165,610	**64,972,029**

32. PERSONNEL EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Personnel expenses		
- Salaries	50,417,388	50,048,319
- Bonuses	3,478,611	10,259,259
- Social Insurance	6,836,061	7,021,256
- Life insurance and pension contribution	2,912,645	3,126,489
- Compensation for direct sales of insurance contracts	(3,186,417)	(812,565)
	60,458,288	**69,642,758**

33. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Rent expenses	70,417	70,440
External services	3,215,557	3,840,307
Fees, taxes and penalties	4,573,005	5,298,667
Utilities and communication	3,821,412	3,765,156
Security	1,863,252	1,953,252
Publicity and advertising	6,597,734	3,012,917
Reception, gifts	2,208,353	2,572,804
Transfers, travel and diets	119,299	2,431,306
Previous years adjustments	235,952	3,171,079
Impairment of bad debt	16,920,811	13,529,369
	39,625,792	**39,645,297**

34. INCOME TAX EXPENSE

	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) before tax	6,786,804	38,494,664
Income Tax expense calculated at 15 % (2018: 15%)	706,889	5,576,284
Tax effect on Nondeductible expenses	329,800	1,205,353
Tax effect on Derecognition of Goodwill	-	-
Unrecognized temporary tax differences	-	-
Use of retained losses	-	(5,874,890)
Income tax expense	**1,036,689**	**906,747**

In accordance with Albanian tax regulations, the applicable income tax rate for 2020 is 15% (2019: 15%). Tax returns are filed annually but the profits or losses declared for tax purposes remain provisioned until the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Albanian tax laws and regulations are subject to interpretation by the tax authorities. Unreducible expenses for tax purposes represent expenses not supported with appropriate documentation or expenditures not considered eligible for fiscal purposes.

For 2019, the realized profit covered the fiscal loss carried forward from 2016 and 2017 as follows:

- for 2016 the fiscal loss was ALL -33,617,781 and
- for 2017 the fiscal loss was ALL -5,548,158.

and after covering the loss, the taxable profit for the year was ALL 6,044,980 and the profit tax was ALL 906,747.

35. COMMITMENT AND CONTINGENCIES

Legal

In the normal business activity the Group receives legal claims which are not related to insurance; the Group's management is of the opinion that no material losses will be incurred in relation to any such legal claims outstanding at 31 December 2020 and 31 December 2019.

35. COMMITMENT AND CONTINGENCIES (continued)

Contingent liabilities

As at 31 December 2020, the Group has no contingent liabilities to disclose in its consolidated financial statements, resulting from its activity.

Contractual commitments with clients

The Group enters into long-term agreement with borrowers of second-level Banks in Albania for its "Life in Credit" product, which covers debtor's mortality risk during tenor of the borrowing. As detailed in note 3.d to the financial statements, the Group recognizes the annual gross written premium issued during the reporting period. The remaining portion of the contractual gross written premiums which will be recognized in future periods is a future commitment expected from clients, except cases when the borrowing contracts are cancelled or repaid early. The gross written premium expected to be recognized in the future is as follows:

	31 December 2020	31 December 2019
Less than 1 year	59,727,735	59,019,592
1 - 5 years	204,455,845	205,516,150
More than 5 years	251,100,774	265,782,870
	515,284,354	530,318,612

36. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control with the Group.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates as follows:

	31 December 2020	31 December 2019
Liabilities	1,921,488	1,928,488
Payable to the Pension Fund	1,921,488	1,928,488
Revenue	2,772,401	3,313,854
Written premiums, gross	2,772,401	3,313,854
Claims	1,042,574	1,308,936
Claims paid	1,042,574	1,308,936
Administrative expenses	3,011,623	5,139,139
Expenses for rented spaces	3,011,623	2,529,139
Personnel expenses	-	2,610,000
Management remuneration	7,950,000	7,680,000

37. SUBSEQUENT EVENT

There have been no other events after the reporting date that require any presentation or adjustment in the financial statements. There are no events after the balance sheet date that may require adjustment or additional notes to the Group financial statements.

NETWORK OF BRANCHES

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